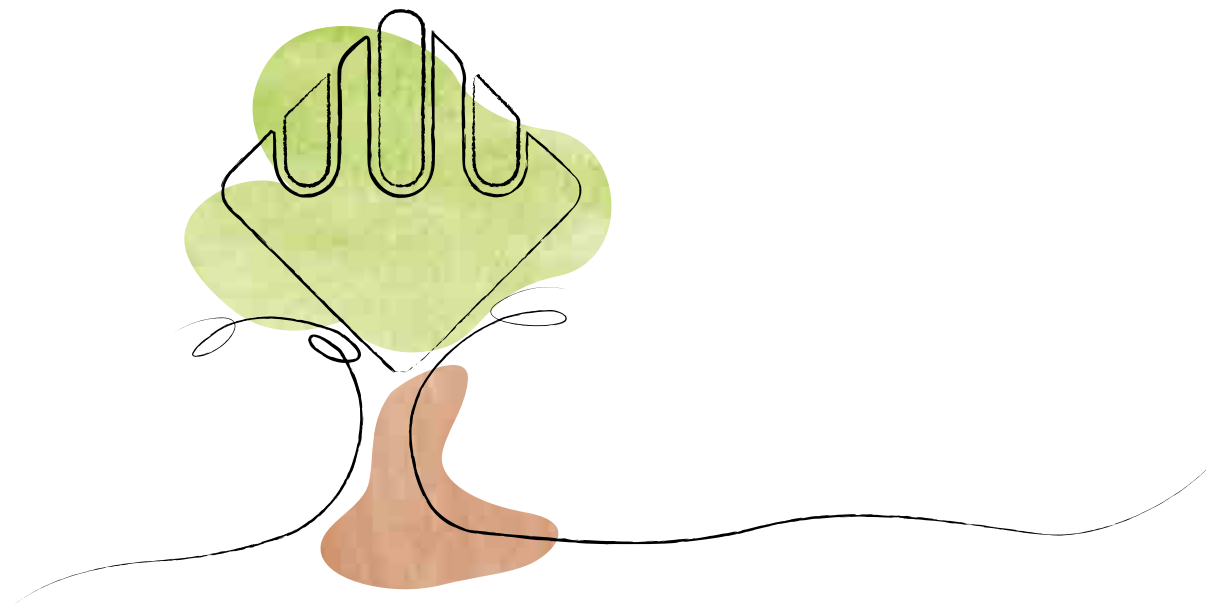


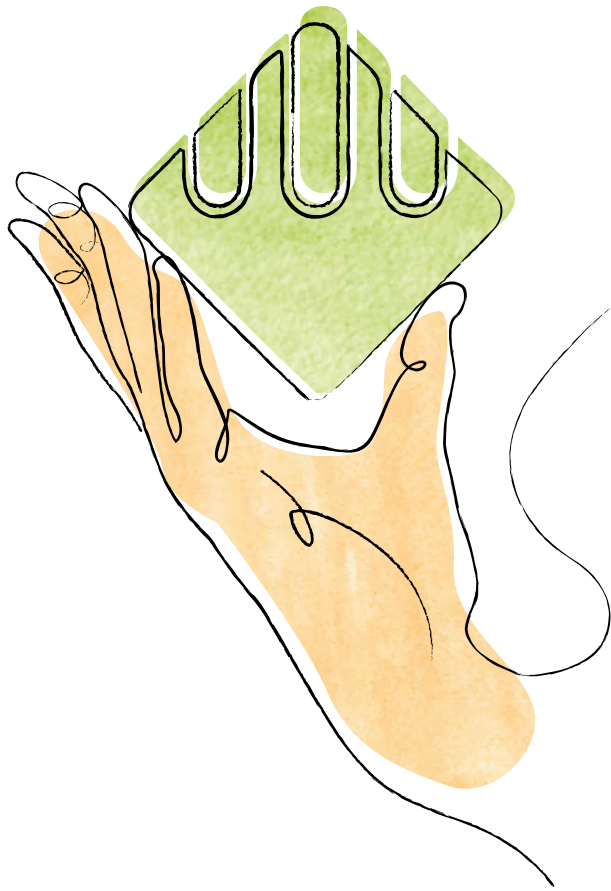
2018 SUSTAINABILITY REPORT



2018 SUSTAINABILITY REPORT

Making steel since 1957





*Making steel
by supporting
the steel industry
of tomorrow.*

LETTER TO STAKEHOLDERS

When my grandfather started this business in 1957 the aim was to **make steel**, to make more steel every day because it was needed to rebuild the country, and you could sell whatever you produced without any particular problems.

In 1957, Gross National Income had increased by 7.4% compared with the previous year, 6.8 million tonnes of steel were produced in Italy (production in 2018 was 24.5 million) and per capita consumption was 138 kg, while in 2018 it was 445 kg.

When my father took over the reins of the company in the early seventies, reconstruction had begun to wane as new and more challenging areas of use became apparent. The sector was experiencing a dynamic business cycle, alternating between years of growth and years of difficulty or even crisis. From a commercial point of view it was no longer enough to produce to sell; every day, you had to search for markets and customers that, due to growing national competition, were never certain or to be taken for granted.

My father understood that it was no longer enough to simply make steel; it was necessary to **make quality steel**.

When I arrived at the head of the group in the early years of the new millennium, I understood that not only was the business changing, continuing to evolve along the path that it had taken in my father's time, but the market was becoming more global and social sensitivity more acute, especially in a 'heavy' industry like steel. We therefore realised that we were facing a new turning point, namely that we had to **make quality steel in a sustainable way**.

Thus began a long, challenging journey that has led us to be what you will see – and I hope appreciate – as you leaf through our first Sustainability Report.

This report, far from being a destination, for us represents a starting point for new and increasingly ambitious challenges. Our idea is not only to tell our story through this publication, but also and above all to use the information we collect year after year to establish internal benchmarks, by assessing the performance of individual plants and setting ourselves new and increasingly ambitious goals for improvement.

Working safely, not polluting, consuming less energy and water for the same level of production, maximising the recovery of production waste and having a positive relationship with the communities that host us are not only a moral imperative but are also becoming an economic necessity in the production logic of the new millennium.

For all of us, this has represented and continues to represent a real cultural revolution to be carried on continuously, by investing in human resources, processes and products. Because only if you have highly qualified women and men and equipment with the best technology available on the market can you meet the challenges of increasingly fierce and global competition.

This is the only way to manage complex processes like steel-making in a sustainable way, to constantly improve the quality of the finished product and to continue to generate value by competing with those who, in other parts of the world, produce at much lower costs because they may not care about the environmental and social impact of their operating methods.

Working to make increasingly high-quality steel in an increasingly sustainable way is therefore the most important challenge for both the present and the near future of Acciaierie Venete.

Alessandro Banzato

Chairman



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2018 HIGHLIGHTS

More than **€ 1 billion**
of value generated

More than **1.300**
employees

1.6 million
tonnes of scrap recycled

More than **1.5 million**
tonnes of steel produced

About **90%**
of permanent contracts

96% of waste
from rolling mills sent for recovery

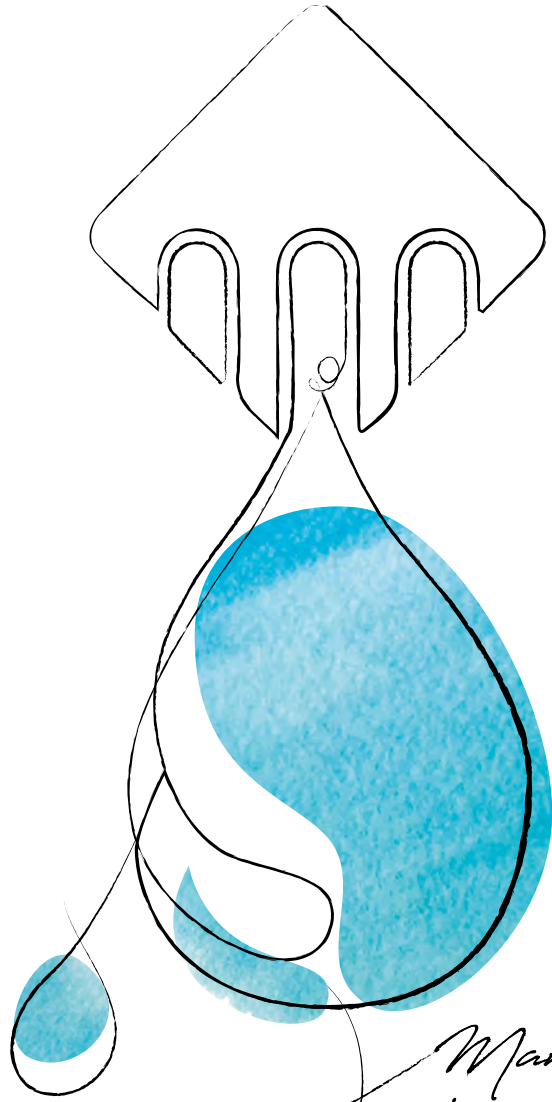
14.8 hours
of training on average per employee

- 2% energy consumption
per tonne produced
compared to 2017

**ISO9001, ISO14001, ISO50001
and IATF 16949 Certifications**

**Compliance with Confindustria's Charter
of Environmental Sustainability Principles**





*Making steel
by treating water
as an indispensable resource
to safeguard.*

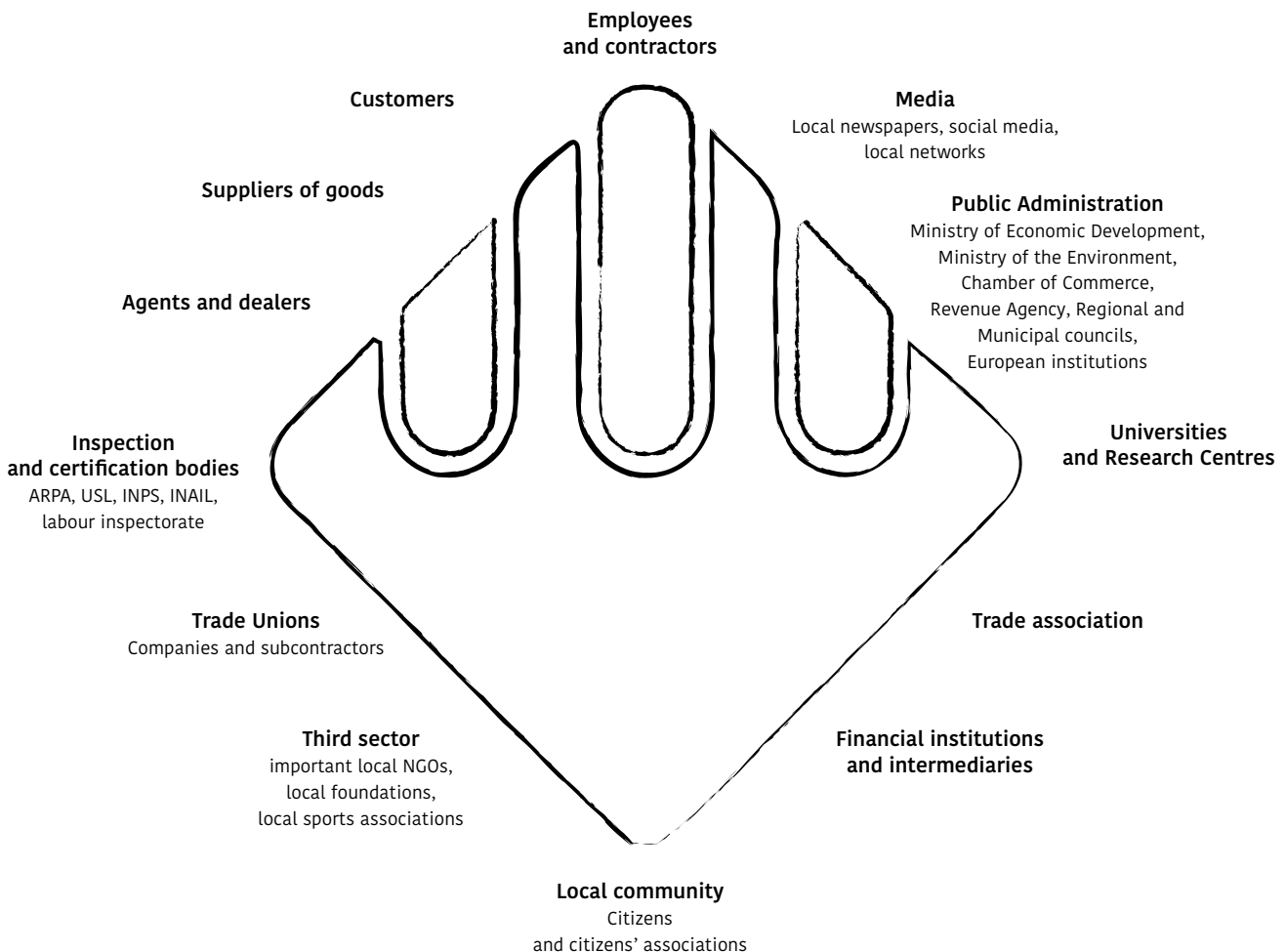
1. STAKEHOLDERS AND MATERIAL TOPICS

1.1 The stakeholders

Acciaierie Venete has always considered open dialogue with its stakeholders to be of great importance. To promote such dialogue, Acciaierie Venete uses 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 identification of Acciaierie Venete's stakeholders was carried out through a survey of the company's current governing documents (like the Code of Ethics and the Integrated Management System reference documentation), 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. Below you will find a list of the stakeholders identified as having a top priority.

Main categories of Acciaierie Venete stakeholders



1.2 Material topics for Acciaierie Venete and its stakeholders

According to GRI Sustainability Reporting Standards, adopted for the preparation of 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.

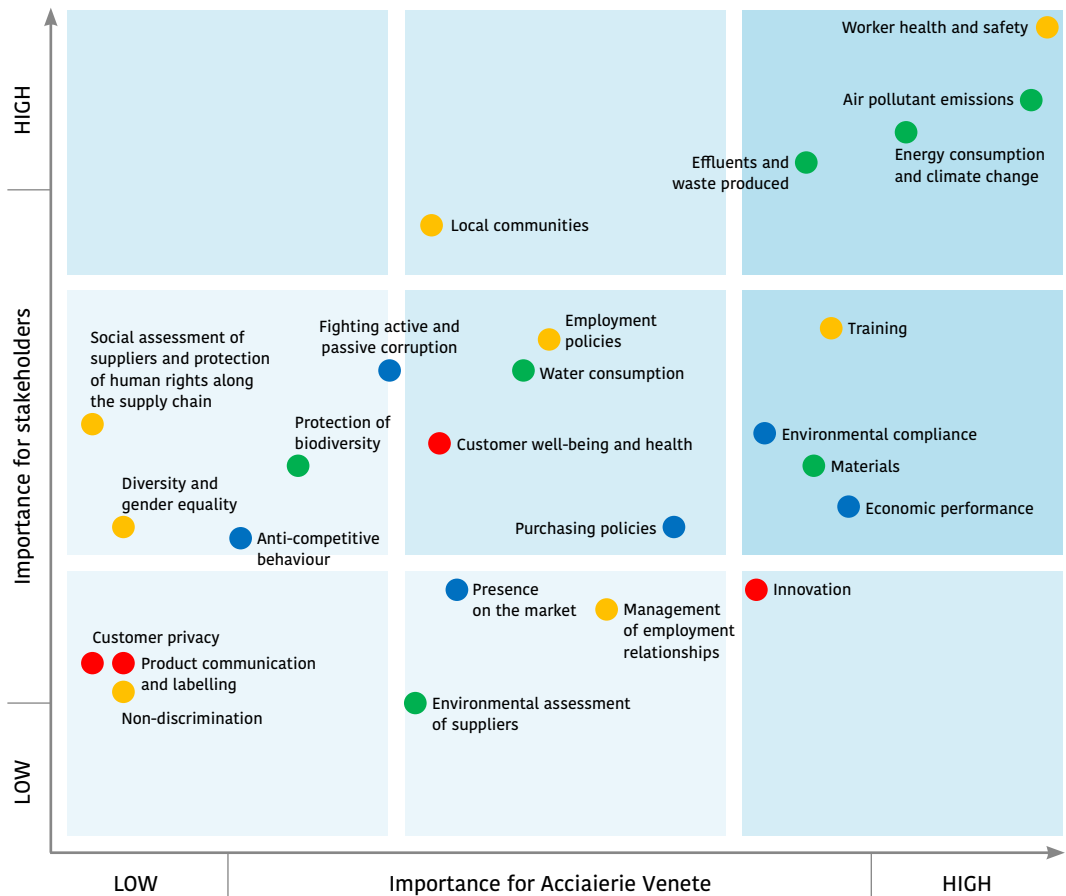
The tool that makes it possible to define the topics that have or could have an impact on the actions and decisions of Acciaierie Venete or its stakeholders is a materiality analysis. In order to define the universe of topics to be analysed initially, Acciaierie Venete conducted several internal interviews 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 all the company’s top management, it was therefore possible to prioritise the topics considered important enough to reflect 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 you will find a summary definition of the topics of high and medium importance.

Materiality matrix

LEGEND

- Governance and compliance
- Environmental
- Social
- Product



High importance

Worker health and safety	Describes the company's commitment to ensuring working conditions that full respect rights to health, the protection of workers' physical well-being and high health and safety standards.
Air pollutant 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

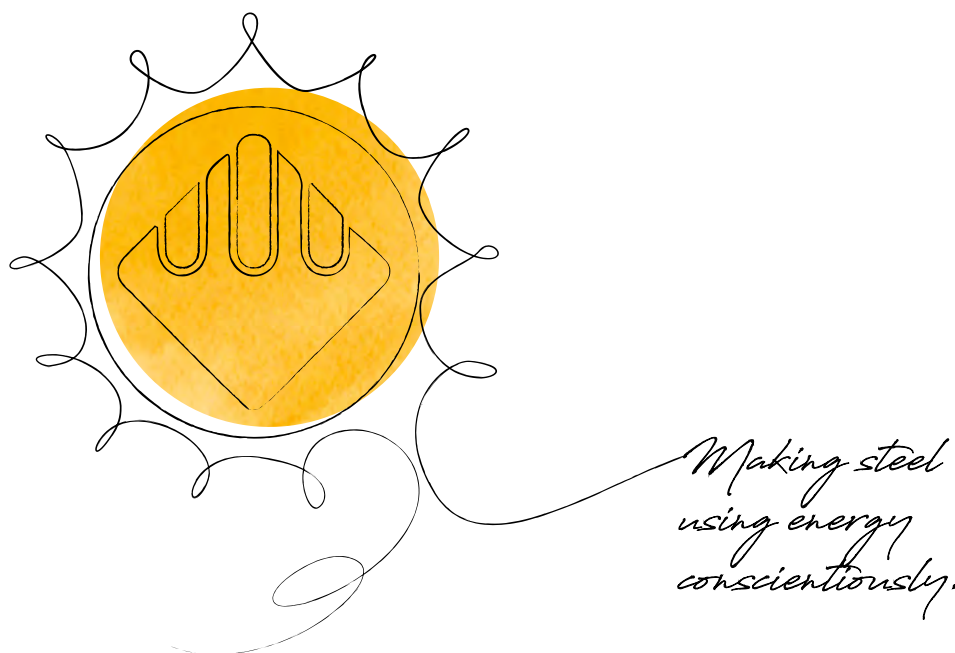
Training	Describes the company's contribution to the educational growth of its employees, as well as programmes aimed at stimulating the professional development of its employees.
Local communities	Highlights how the company contributes to the development of the community through initiatives (e.g. cultural, 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 employment, 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.
Fighting 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

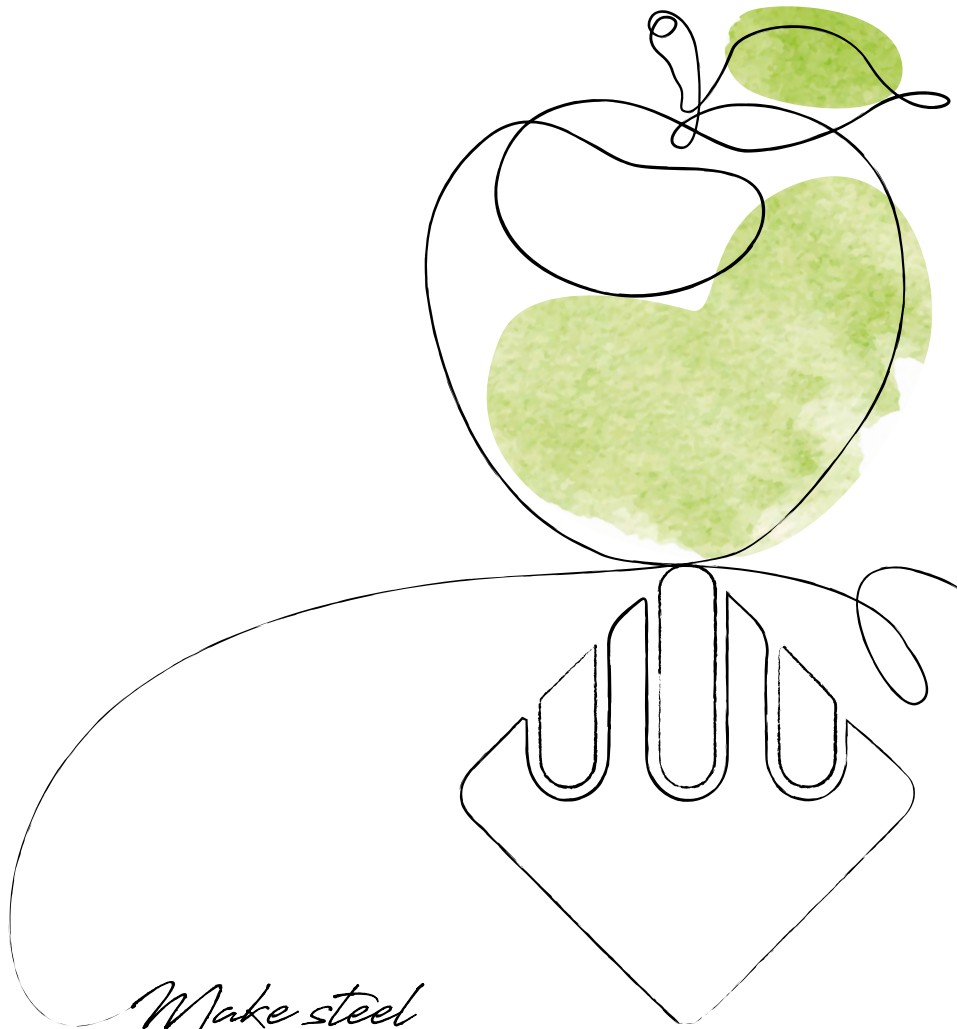
Acciaierie Venete's Sustainability Report was drawn up based on the sustainability issues that emerged in the materiality matrix described above. In particular, each chapter analyses the company's performance over the two-year period between 2017 and 2018, providing a commentary on the main trends and a description of the most significant initiatives carried out by the company to reduce and mitigate the environmental and social impacts generated by its 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.

Unless otherwise specified, the information and data contained in this document relate to Acciaierie Venete S.p.A. and BVS S.r.l. (hereinafter "the Company" or "Acciaierie Venete" or the "organisation"), which, from a corporate point of view, merged in January 2019.



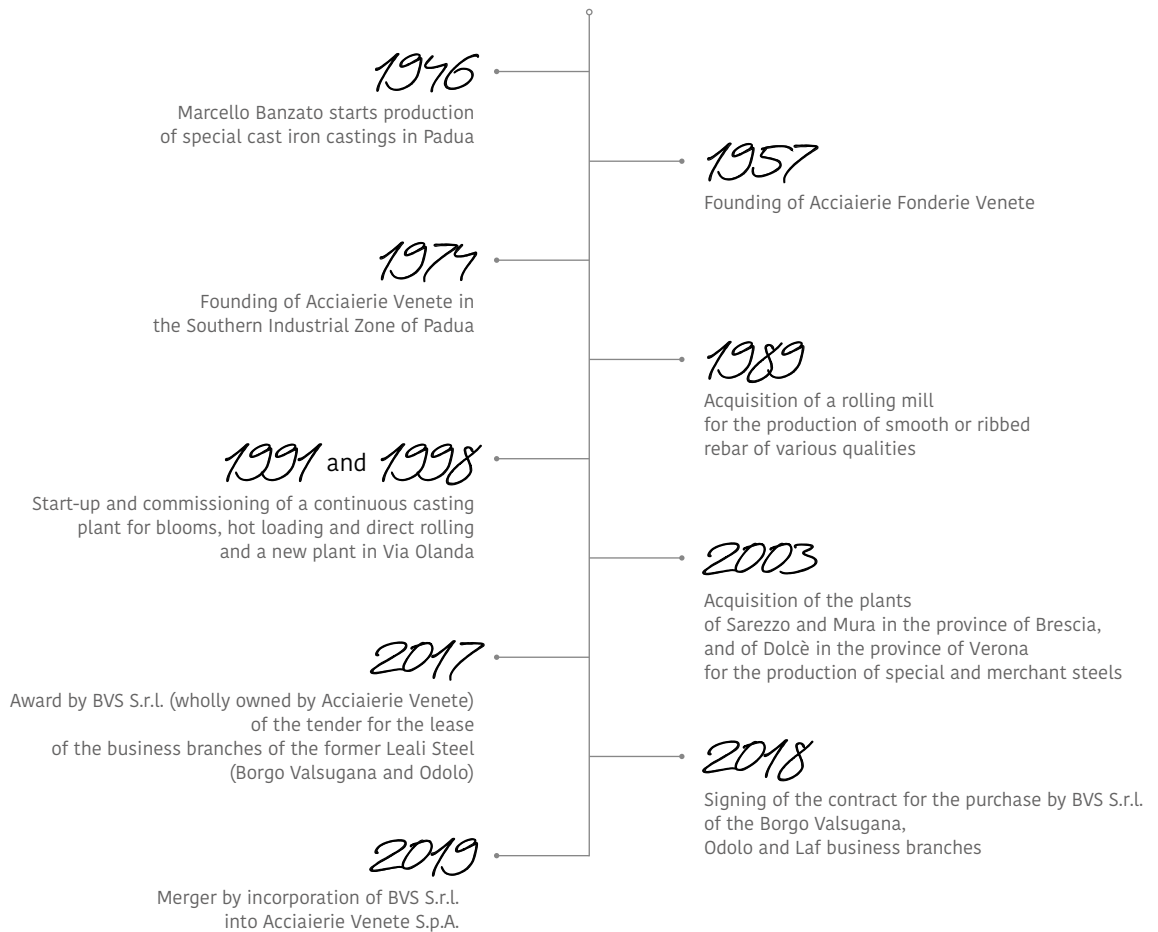
2. IDENTITY



*Make steel
infinitely recyclable.
Its colour is green.*

2.1
Group
activities and
structure

Acciaierie Venete was founded in 1957 and started producing steel in the commodities sector: ingots, billets and rebar for reinforced steel.



In the early 1980s, the Company started a transformation process by moving towards long-quality steels; a process that today has made it one of the most respected producers in the European Engineering Steel market.

The company has grown both internally (by investing in human resources, technologies, processes and products) and externally (through the acquisition of 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 Padua, Sarezzo and Borgo Valsugana, transformed into finished products in Padua, Sarezzo, Mura, Dolcè, Odolo and Buia and, for some applications, further processed in 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.

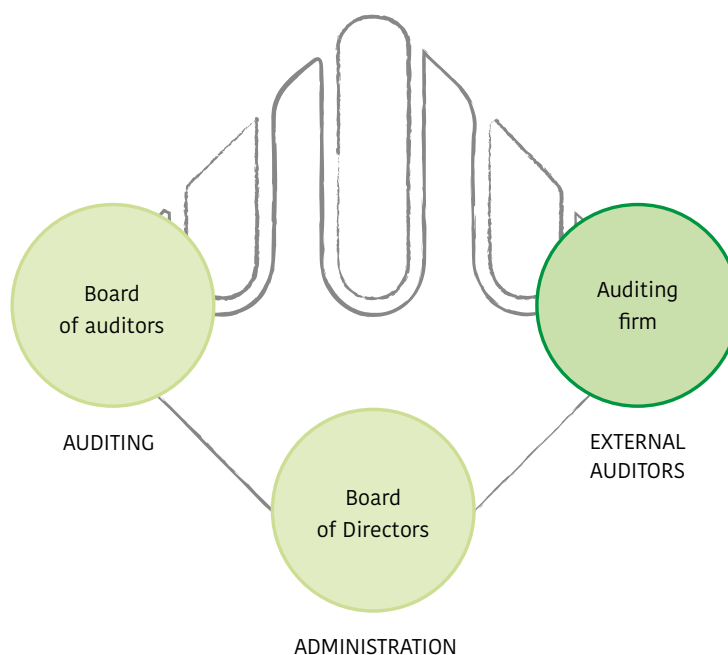
Company structure of Acciaierie Venete S.p.A. and its subsidiaries at 31/12/2018

VENETE SIDERPRODUKTE AG	60%	Sale of steel products
PADANA ROTTAMI S.R.L.	100%	Processing and sale of scrap
MALTAURO ROTTAMI S.R.L.	64.5%	
ESTI S.R.L.	80%	Production and sale of steel products
BVS S.R.L.	100%	
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
DARFO TRADE S.R.L.	100%	

In 2017, Acciaierie Venete S.p.A. expanded its organisation by winning a 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 Acciaierie Venete Board of Directors is made up of five members, a Chairman and four Directors (three of the latter are independent directors).

Chairman

Banzato Alessandro
(company representative)

Directors

Businari Andrea
Terrin Alessandro
Rinaldo Andrea
Beduschi Roberto

The Board of Statutory Auditors consists of a Chairman, two Standing Auditors and two Alternate Auditors. Finally, there is an Independent Auditing Firm having audit and control functions.

For some time now, Acciaierie Venete has implemented an extensive system of mandates for Executives operating autonomously in their respective areas of responsibility. For specific areas, it was considered appropriate to establish special proxies to be assigned to some company executives in order to make the assigned mandates evident to Third Parties.

For example, the individual Plant Managers are assigned the capacities of Employers and Safety and Environmental Managers, while the CFO is tasked with 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
Organisation
and management
of company risks

For over 10 years, the Supervisory Body (SB) of Acciaierie Venete has been carrying out its auditing activities and verifying 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 based on 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 Supervisory Body 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 the company's health and safety documentation.

At least once a year, the Supervisory Body carries out a random visit to a production department, depending on the plant, to verify compliance with Site and Group documentation as well as any pertinent regulations.

2.2.3
Code of ethics

The Acciaierie Venete Group has adopted an 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 undertakes to respect the dictates of the Code in the performance of all its 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 referred to in the document also concern relevant issues relating to the social, environmental and economic sphere of sustainability (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 for 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 (postal address and dedicated e-mail address). In order to ensure widespread knowledge of these addresses among all employees, Acciaierie Venete has published them on its corporate website.

“ACCIAIERIE VENETE makes compliance with antitrust law a priority, convinced that this will increase not only its competitiveness on the market, but also 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 is active on the steel market independently from its competitors, with the aim of increasing its presence by exclusively leveraging its industrial skills and expertise.

In 2017, Acciaierie Venete implemented an antitrust compliance programme in order to familiarise all company employees and managers with the basic principles of antitrust law, to increase internal awareness of the importance of acting in compliance with the relevant regulations and to make antitrust risk management uniform within the company.

In 2017, an Antitrust Compliance Officer (ACO) was also appointed, responsible for ensuring the correct implementation of the programme, monitoring the compliance of the company's managers and employees with antitrust principles and talking to all Acciaierie Venete employees who, in carrying out their activities within the company, have doubts or questions about antitrust with respect to their work or that of third parties. In addition, the same year saw the launch of training dedicated to 'antitrust and unlawful conduct', involving 22 participants including executives and employees, the ACO and the Chairman and CEO.

Finally, in order to ensure proper implementation of the antitrust compliance programme and in line with the provisions of the programme itself, an audit was carried out during 2019 by an external auditor and a second round of training organised.

2.3 The economic value generated and distributed by Acciaierie Venete

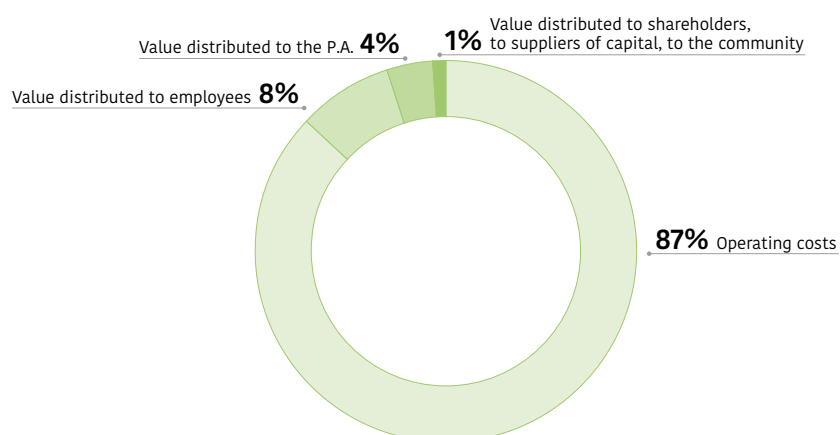
In 2018, Acciaierie Venete generated value of € 1,126 million (revenue of € 1,119 million and other positive income components of € 7 million), up 31% compared to the previous year (economic value generated in 2017 of € 857 million, of which € 849 million relating to revenues and € 8 million to other positive income components).

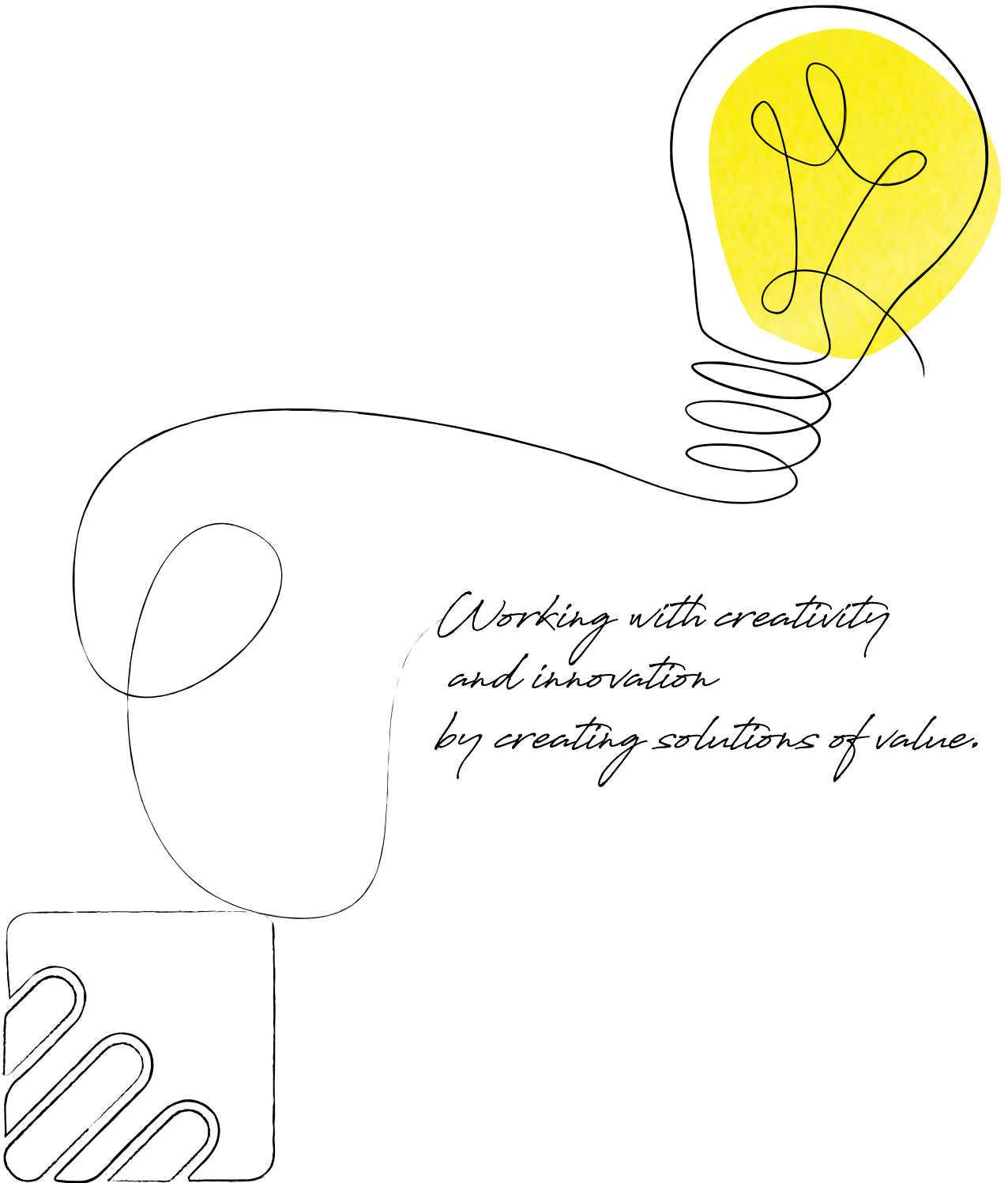
Every day, Acciaierie Venete produces wealth and contributes to the economic growth of the social and environmental context in which it operates. This contribution is measured in terms of added value produced and distributed to stakeholders. Of the economic value directly generated in 2018, the value distributed was € 1,008 million, broken down as follows:

- **Operating costs** distributed to suppliers (mainly of raw materials) amounted to € 874 million, up 28% from the previous year due to the increase in production recorded in the two-year period between 2017 and 2018.
- **Compensation and employee benefits** totalled € 81 million, an increase of 17% compared with the previous year due to the entry of new resources and an overall increase in staff.
- **Transfers to the Public Administration** amounted to € 39 million, up 68% compared to 2017.
- The **value distributed to shareholders** amounted to € 11.3 million, basically unchanged from the previous year.
- The **return on borrowed capital** amounted to € 2 million, an increase of 7% compared with the previous year.
- The **community** was allocated € 1.2 million (+18% compared with the previous year) in the form of voluntary contributions, investments in funds and donations.

[€/000]	2017	2018
Economic value generated	857.362	1.125.902
Economic value distributed	790.923	1.007.812
Economic value withheld	66.439	118.089

Breakdown % of economic value distributed (2018)





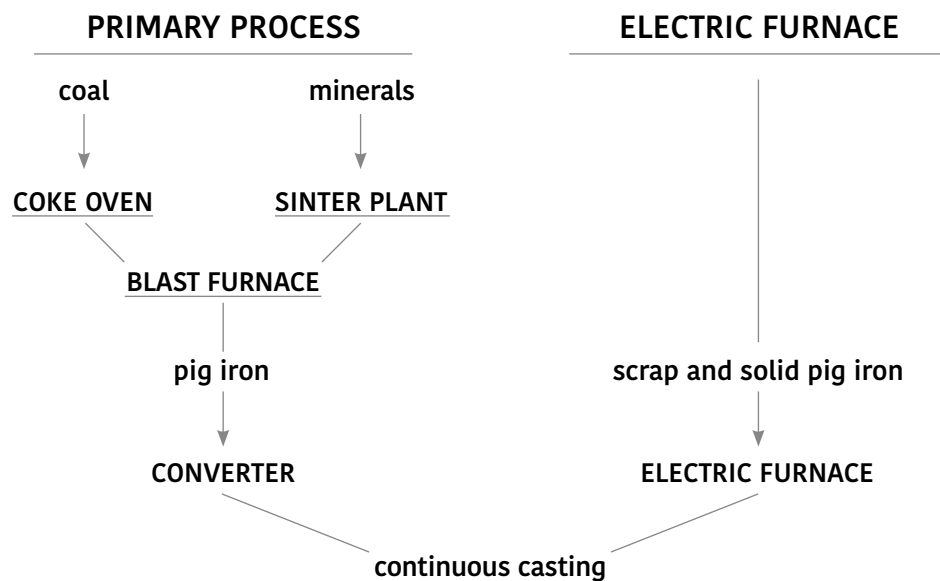
*Working with creativity
and innovation
by creating solutions of value.*

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, present in variable quantities, determine its physical, behavioural and use characteristics.

Steel can be obtained from two different production processes: the primary and secondary steelmaking processes, with the latter using 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 sinter plant (minerals) and in the coke oven (hard coal) and then melted in the blast furnace forming liquid pig iron. The pig iron is moved 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 reverts to liquid steel.

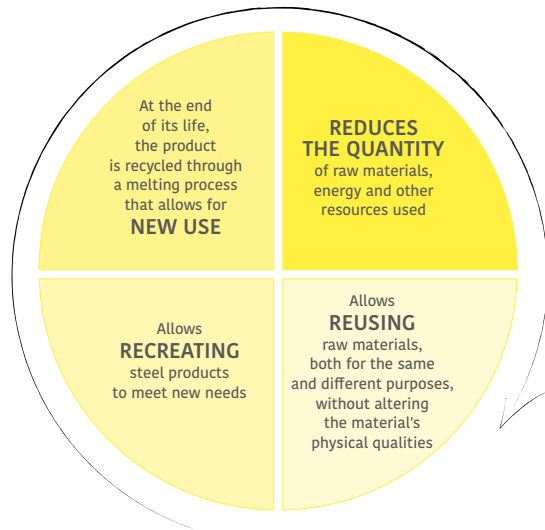
Production of steel using the primary process began in Italy towards the end of the 19th century and developed after the Second World War thanks to state-owned industry. Due to the quantity and size of the plants and raw materials that contribute to the production (mineral and hard coal inventories, 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 per capita production of the primary process is about 750 tonnes per year while the production from electric furnaces reaches almost 1,300 tonnes per year).

The production of electric furnace steel was started in Italy in the 1950s by private entrepreneurs, especially in Northern Italy. 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.

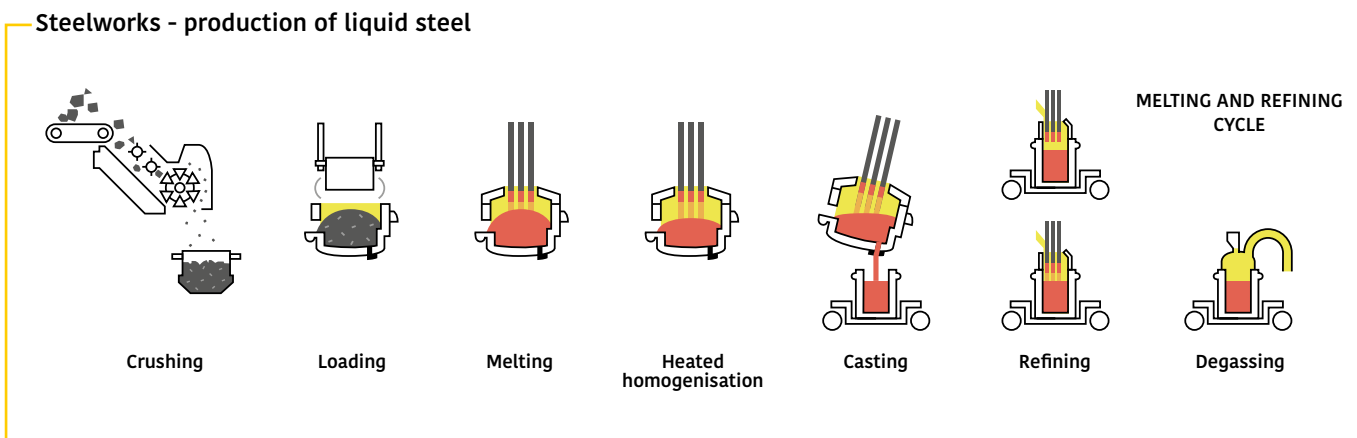
Moreover, by concentrating the melting in a single phase and a single plant, the electric furnace has a much lower environmental impact both in terms of emissions and the production of scrap.

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.

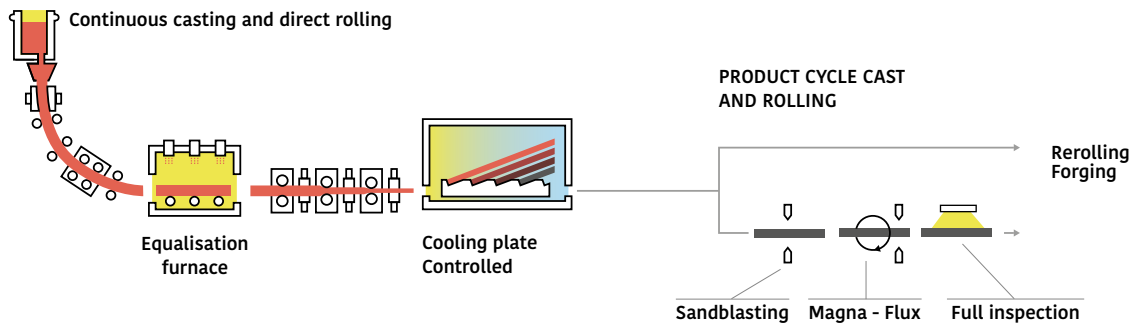
The advantages of using an electric furnace



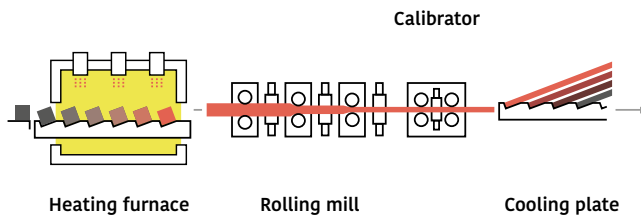
Acciaierie Venete's production starts with the electric furnace and is divided into the following steps:



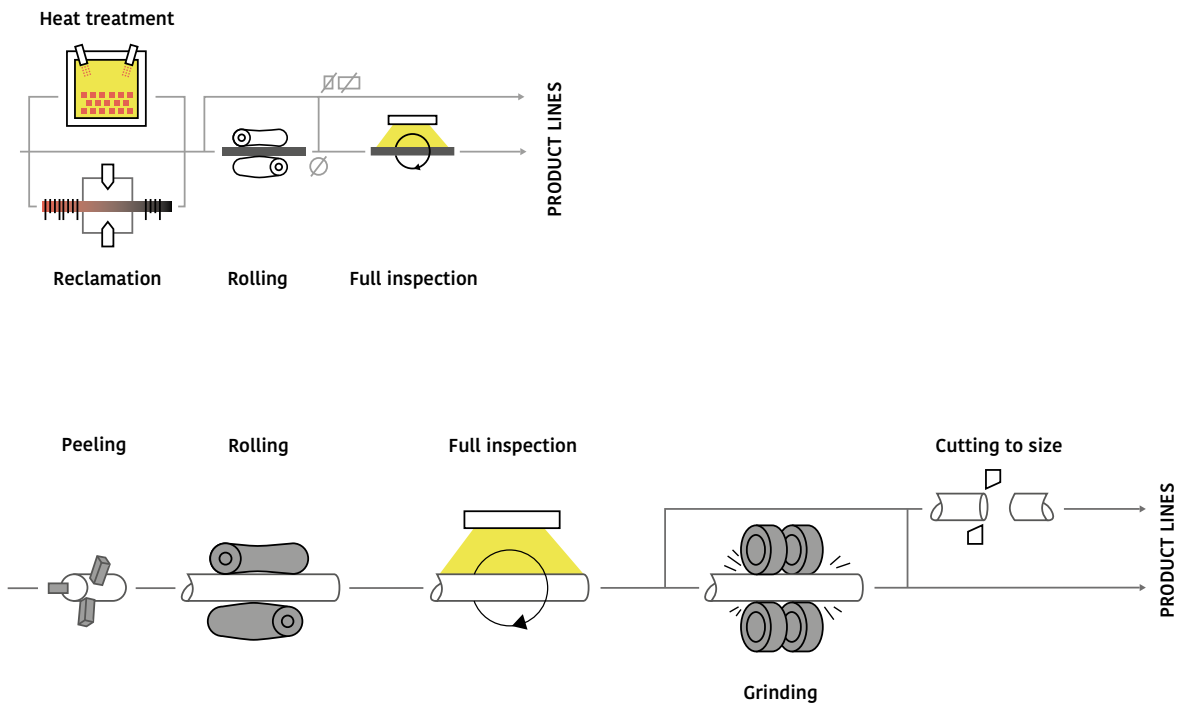
Continuous casting - billet and bloom production



Rolling mill - roll production



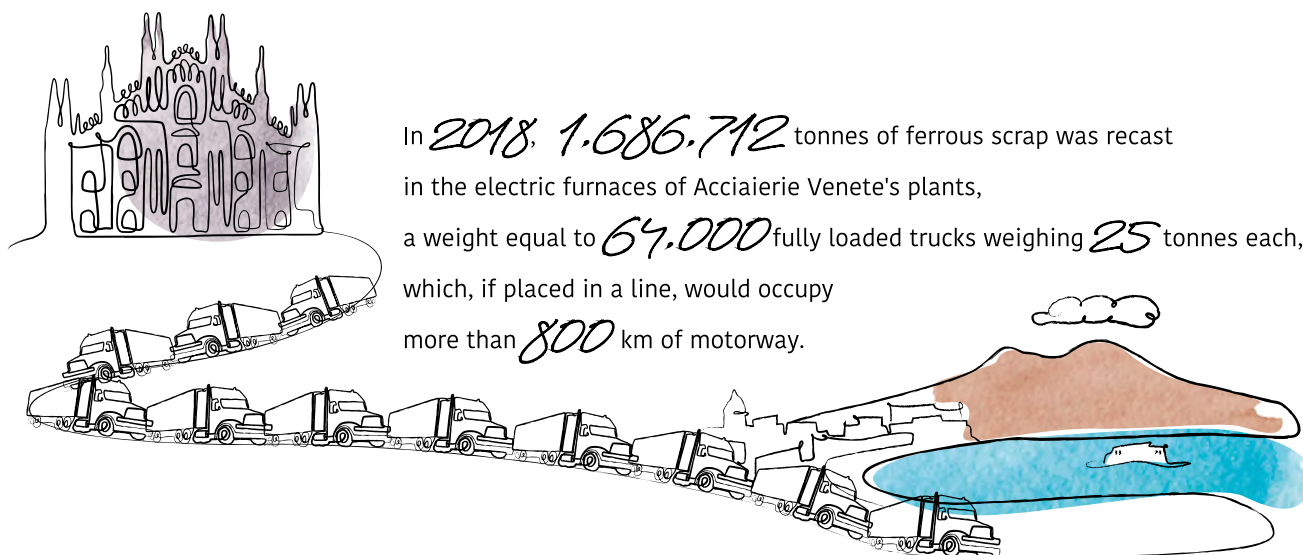
Finishing - processing and treatment of surfaces



3.2 Scrap: a durable and reusable material

A strength of the steel industry - and of the Italian industry in particular - is the “circularity” of steel, a material that is 100% recyclable and that can be used for multiple cycles without loss of its original properties. In fact, 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 Italy¹.

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.

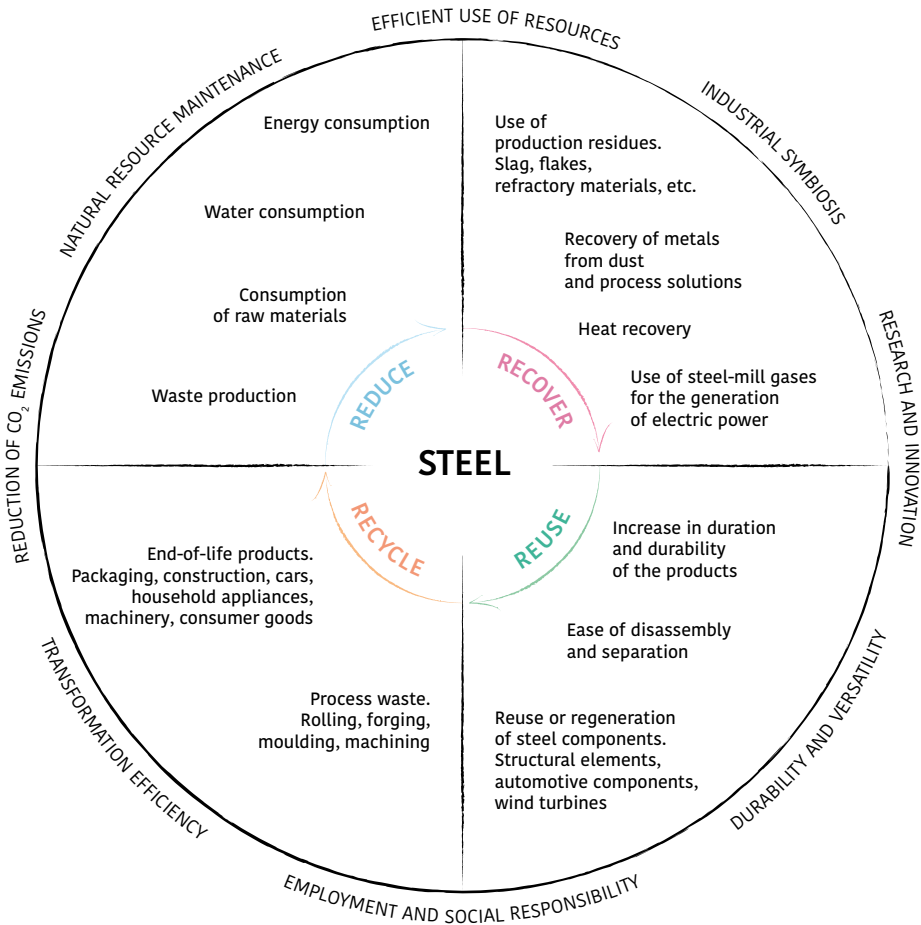


In 2018, 1.686.712 tonnes of ferrous scrap was recast in the electric furnaces of Acciaierie Venete's plants, a weight equal to 64.000 fully loaded trucks weighing 25 tonnes each, which, if placed in a line, would occupy more than 800 km of motorway.

¹Ministry 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 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:
a strategic
raw material**

In Europe, and particularly 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 (inter alia, EU Regulation no. 837/2010; EU Regulation no. 333/2011 and EU Regulation no. 715/2013), with which the Acciaierie Venete Group also complies.

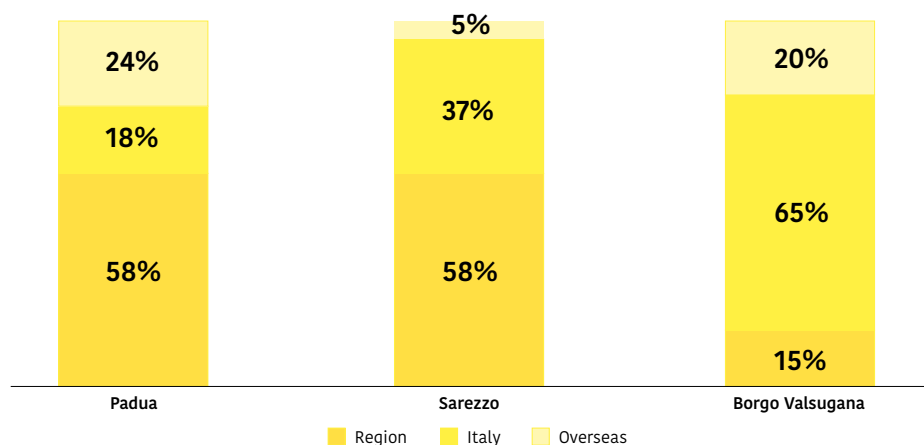
The scrap is rigorously selected on the basis of its qualitative characteristics both during purchasing and when entering the Group’s steelworks in order to ensure its conformity on the basis of what is defined by national, European and international regulations (EU Regulation no. 333/2011 on ‘end of waste’, EU Regulation no. 1013/2006 on shipments of waste).

Federacciai’s 2019 Sustainability Report highlights the extent to which the recycling of ferrous scrap allows savings in terms of energy and CO₂ emissions, which is why “European scrap should therefore be considered a real ‘low carbon’ resource to be preserved by assessing all available tools”.

As a net importer of scrap, Italy meets its demand for ferrous input through both domestic and foreign collection (supply from other EU countries and third countries)².

Acciaierie Venete’s scrap supply comes both from Italy and abroad, contributing, in 2017 and 2018, to a production capacity of over 1,500,000 tonnes of steel per year.

Indeed, for the Sarezzo (Brescia), Padua and Borgo Valsugana (Trento) plants, a total of 49% of total scrap was purchased from local suppliers³.



The local raw materials in Sarezzo (Brescia) and Padua are sourced from steel and scrap producers in Lombardy and Veneto. In contrast, the low 15% of local supply of the Borgo Valsugana plant is due to the scarcity of mechanical companies producing scrap in the area.

² Federacciai, 2019 Sustainability Report.

³ Suppliers with registered offices in the same region as the plant in question are considered “local”.

Acciaierie Venete relies on the support of Padana Rottami for the supply of over 40% of its ferrous and non-ferrous scrap. It is a company wholly owned by Acciaierie Venete that acts as a link between the world of scrap production/collection, like factories and collection centres, and end users, like steelworks.

Padana Rottami S.r.l.

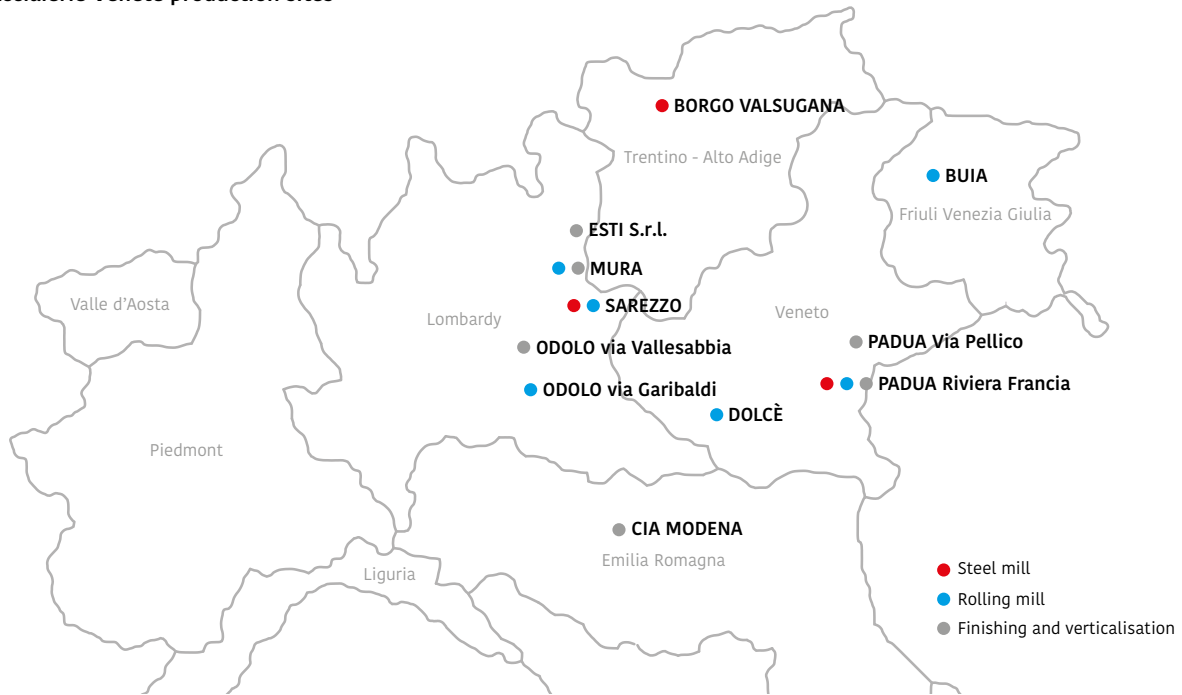
Profile	Founded as a spin-off of Sidemar (Società Industriali Demolizioni Riparazioni Marittime) in Trieste, today Padana Rottami has two production units and a company staff of about 70 employees. It purchases, processes and sells scrap in Italy and abroad.								
Activities	Padana Rottami's core business is the purchasing of scrap iron, its collection using special vehicles, its transformation from waste material into an homogeneous raw material and its sale to end customers.								
Certifications and applicable regulations	<table border="0"> <tr> <td style="padding-right: 20px;">ISO 14001:2015</td> <td>Environmental Management System</td> </tr> <tr> <td>ISO 9001:2015</td> <td>Quality Management System</td> </tr> <tr> <td>Regulation (UE) no. 333/2011</td> <td>Lays down criteria determining when certain types of metal scrap cease to be waste as per Directive 2008/98/EC of the European Parliament and of the Council</td> </tr> <tr> <td>Regulation (UE) no. 715/2013</td> <td>Establishes criteria determining when copper scrap ceases to be considered as waste as per Directive 2008/98/EC of the European Parliament and of the Council</td> </tr> </table>	ISO 14001:2015	Environmental Management System	ISO 9001:2015	Quality Management System	Regulation (UE) no. 333/2011	Lays down criteria determining when certain types of metal scrap cease to be waste as per Directive 2008/98/EC of the European Parliament and of the Council	Regulation (UE) no. 715/2013	Establishes criteria determining when copper scrap ceases to be considered as waste as per Directive 2008/98/EC of the European Parliament and of the Council
ISO 14001:2015	Environmental Management System								
ISO 9001:2015	Quality Management System								
Regulation (UE) no. 333/2011	Lays down criteria determining when certain types of metal scrap cease to be waste as per Directive 2008/98/EC of the European Parliament and of the Council								
Regulation (UE) no. 715/2013	Establishes criteria determining when copper scrap ceases to be considered as waste as per Directive 2008/98/EC of the European Parliament and of the Council								

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. The 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, subject to further processing in Modena and Idro.

The investments made in recent years and those currently planned have enabled the Group on the one hand to increase production efficiency and process quality, and on the other to improve the way it manages environmental aspects and occupational health and safety in its plants. For example, with regard to Acciaierie Venete S.p.A., in 2018 € 46 million was invested in tangible and intangible fixed assets, mainly in the Padua Riviera Francia plant (€ 40 million), of which € 33.3 million for the new rolling mill. Major investments are also planned for 2019, amounting to a total of € 31 million. Of this, approximately € 9 million are earmarked for investments in the former BVS plants, to bring them into line with the quality and safety standards of the rest of the Group.

The Acciaierie Venete production sites



Some company functions – including Quality – are centralised and therefore located in the offices in Padua: this coordination centre relies on the support of the various Plant Managers who implement the practices defined at a regional level.

Acciaierie Venete has certified the production process of its products, in 2003 earning certification of its quality management systems, in 2011 certification of its environmental management systems (compliant with the requirements of UNI EN ISO 14001:2015) and in 2014 certification of its energy management systems (compliant with the requirements of UNI EN ISO 50001:2015).

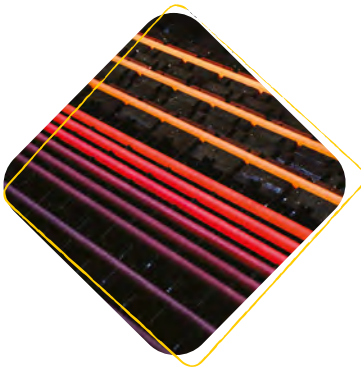
Acciaierie Venete’s Integrated Environment and Energy Management System is built on three pillars:

The pillars of Acciaierie Venete’s Integrated Management System



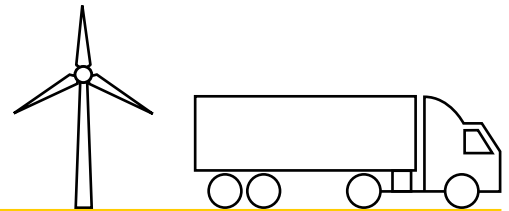
In order to guarantee high quality standards and support the distribution and knowledge of the Environmental Policy at all levels of the organisation, the Group is constantly engaged in disseminating the fundamental principles, both internally, by holding regular meetings with department heads and supporting internal training and auditing, and externally, with the involvement of service providers on behalf of the company.

HOT FORGING STEELS

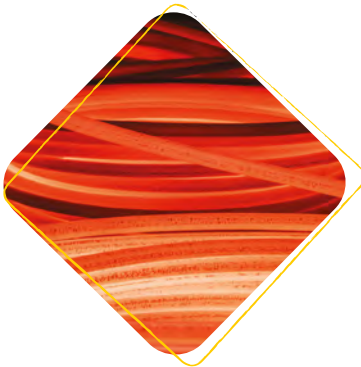


- crankshafts and transmissions
- rods and other components for combustion engines
- steel gears and assembled gearboxes
- large forged pieces in steel including rings and various flanges
- large washers

cars
trucks
ships
large pipelines
wind mills
oil & gas
railways



STEEL FOR BOLTS AND COLD MOULDING



- bolts of all sizes
- small mechanical components obtained by cold moulding (injectors, fittings, pins, bushings, all small sizes)

cars
machine tools
trains
motorcycles and bicycles
railways

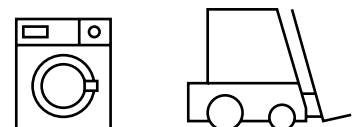


STEEL FOR MACHINING

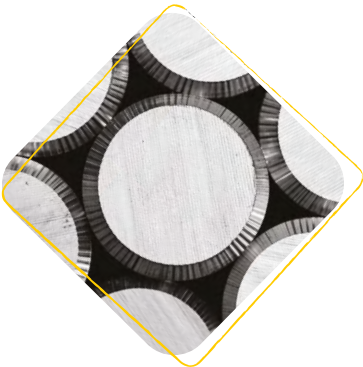


- rods, pistons, cylinders, joints
- shafts
- electric motors
- pins, shafts, gears, linkages
- furniture components

pumps
household appliances
gardening equipment
(brush cutters, lawn mowers, etc.)
furniture
machine tools
cars
forklifts



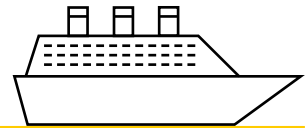
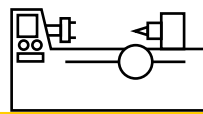
STEEL FOR BEARINGS



-
- bearings of all kinds, ball and roller



**cars
machine tools
ships
railways
toys**



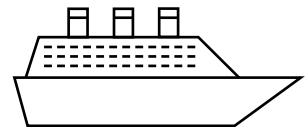
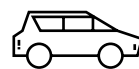
STEEL FOR SPRINGS



-
- coil springs
 - leaf
 - single leaf suspensions
 - stabilising bars



**cars
ships
machine tools**



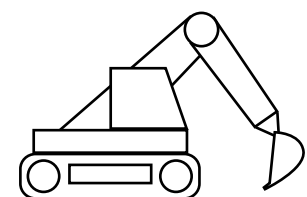
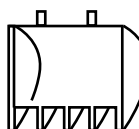
STEEL FOR EARTHMOVING MACHINES



-
- shafts
 - pins
 - bushings
 - blades (loeder) of the ESTI range



**excavators
snow ploughs
buckets**

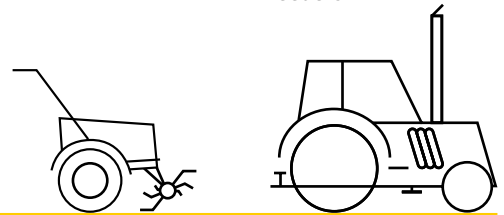


STEEL FOR AGRICULTURE



- hoes
- teeth
- blades
- mechanical wearing parts of all agricultural machinery
- forks and hitches

tractors with ploughing, threshing, seeding and harvesting systems
rotary tillers
ploughshares
weeders

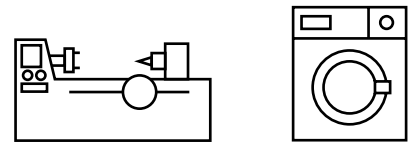


STEEL WITH IMPROVED MACHINABILITY

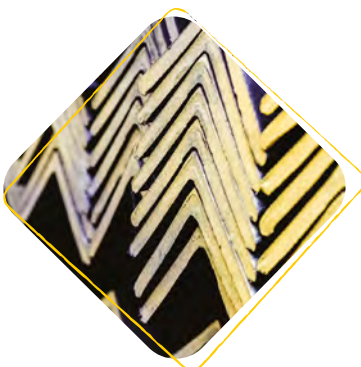


- small - and medium-sized parts turned and mechanically machined for removal

household appliances
cars
motorcycles
machine tools

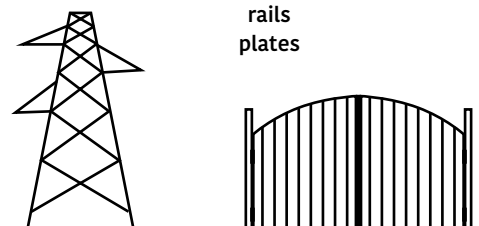


STEEL FOR ROLLED MERCHANT BARS



- produced by our factories ready for final use

power line trellises
wrought iron gates
guard rails
highway viaducts
light metalwork
rails
plates



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, 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.

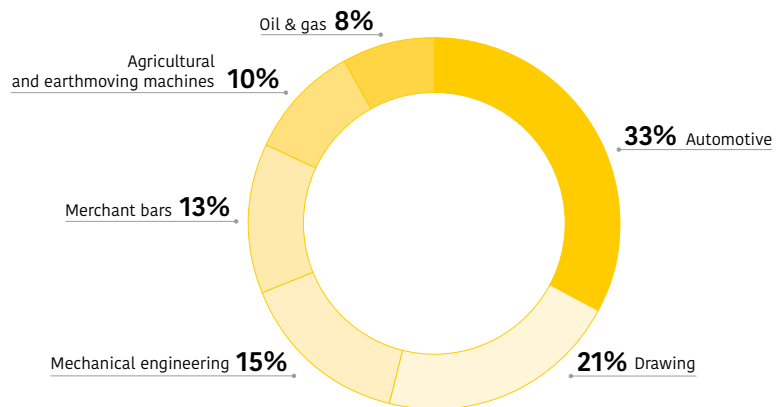
An extremely broad production range, both in terms of shapes and sections and in terms of steel brands, combined with a widespread commercial network means that the company can count the world's most important industrial brands that use steel among its customers.

For the two-year period between 2017 and 2018, 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 destination while Germany remains by far the most significant foreign market.

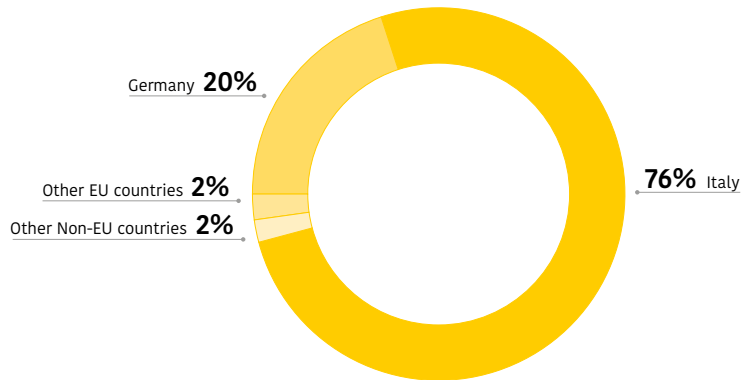
Sales by customer segment in 2018

Breakdown of sales by sector



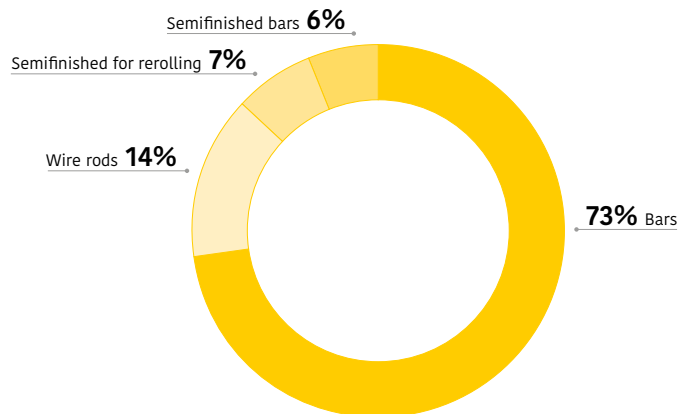
Between 2017 and 2018, production of rolled round bars represented the most important share of Acciaierie Venete's sales, followed by all other rolled products (flats, wire rods and special profiles) and semi-finished products for direct forging and rerolling (rounds, billets, blooms and slabs).

Breakdown of sales by geographical area



Sales by product type in 2018

Breakdown of sales by product type



3.5 Certified quality for quality products

The 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. As 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 system⁴.

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

In November and December 2018 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, 43 internal audits were carried out as per the annual calendar with an average score of 96%, an improvement on the previous year. External audits were also carried out both by external entities and by Group customers.

The quality of the company's products, which meet the highest quality standards in the industry, make Acciaierie Venete steel one of the most respected on the European market for engineering steels, steels designed for mechanical engineering and similar applications that require rigorous levels of mechanical characteristics, including ductility, toughness and fatigue strength.

At a Group level there is a quality management manager who coordinates laboratory tests, technical support for customers, order feasibility, product certification and technological offers. In other words, this function oversees the product manufacturing and transformation processes, evaluating the strengths, weaknesses, opportunities and threats 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 an identification consisting of aluminium or plastic plates containing qualitative indications of the product, such as: the casting ID, the section, the steel brand. Over the coming years, digital investments are also planned in the field of internal product traceability.

Finally, it should be noted that, during 2018, achievement of the Quality Department's quality objectives was encouraged through the payment of a performance bonus to workers linked to the quality of the work done, the production carried out and the days of absence.

⁴ 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).

3.6 Sustainable innovation

The Italian steel industry is aware of the decisive role of innovation in ensuring the future competitiveness of the industry, and must therefore be properly encouraged and financed. 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 health and safety at work. To this end, in 2018 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 2018, the majority of studies and activities carried out in collaboration with research bodies 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 was launched for the production of lead-free, highly machinable, environmentally friendly steels. Below are the most significant projects and some partnerships in innovative initiatives for the development of which Acciaierie Venete S.p.A. incurred R&D costs of € 921,367 during the year.



Sant'Anna High School

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

In 2018 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, 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. In particular, through the analysis of historical, process and product data collected during production monitoring, this project has made it possible to develop machine learning algorithms aimed at predicting casting quality parameters and therefore correcting any process parameters in advance.



Industry 4.0

During 2018, the Research and Development department 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.



University of Venice

Development of unconventional methods for the characterisation of non-metallic deposits on refractories

During 2018, a second agreement was signed with the Department of Molecular Sciences and Nanosystems of the University of Venice, in the field of interactions between liquid steel and slag and between liquid steel and refractory tundish. In particular, it was possible to explore a highly technological technique for obtaining real-time information on refractories and steel slag and improving process management control.



Rina Consulting

Experimental studies aimed at improving steel quality

In 2018, an agreement was signed with the laboratory Rina Consulting - Centro Sviluppo Materiali S.p.A. to launch experimental studies aimed at improving steel quality during the ladle manufacturing and ingot casting phase by means of fluid-dynamics modelling. By developing a mathematical model it was possible to improve the quality of the steel by optimising the ladle and ingot mill performance and further expand on Acciaierie Venete's expertise. Finally, 1:1 scale water models were created to validate and refine the mathematical model.

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

A second project launched with Rina, still in progress, concerns experiments on a highly machinable steel that does not contain lead. Initial tests have given 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

Characterisation and study of inclusion behaviour in transient conditions in the tundish

In 2018, Acciaierie Venete's Research and Development department launched an internal project aimed at analysing and interpreting the parameters relating to the management of tundish passage in order to identify opportunities for improvement and to optimise the management of the transient process itself, with consequent benefits in terms of process efficiency and production quality.

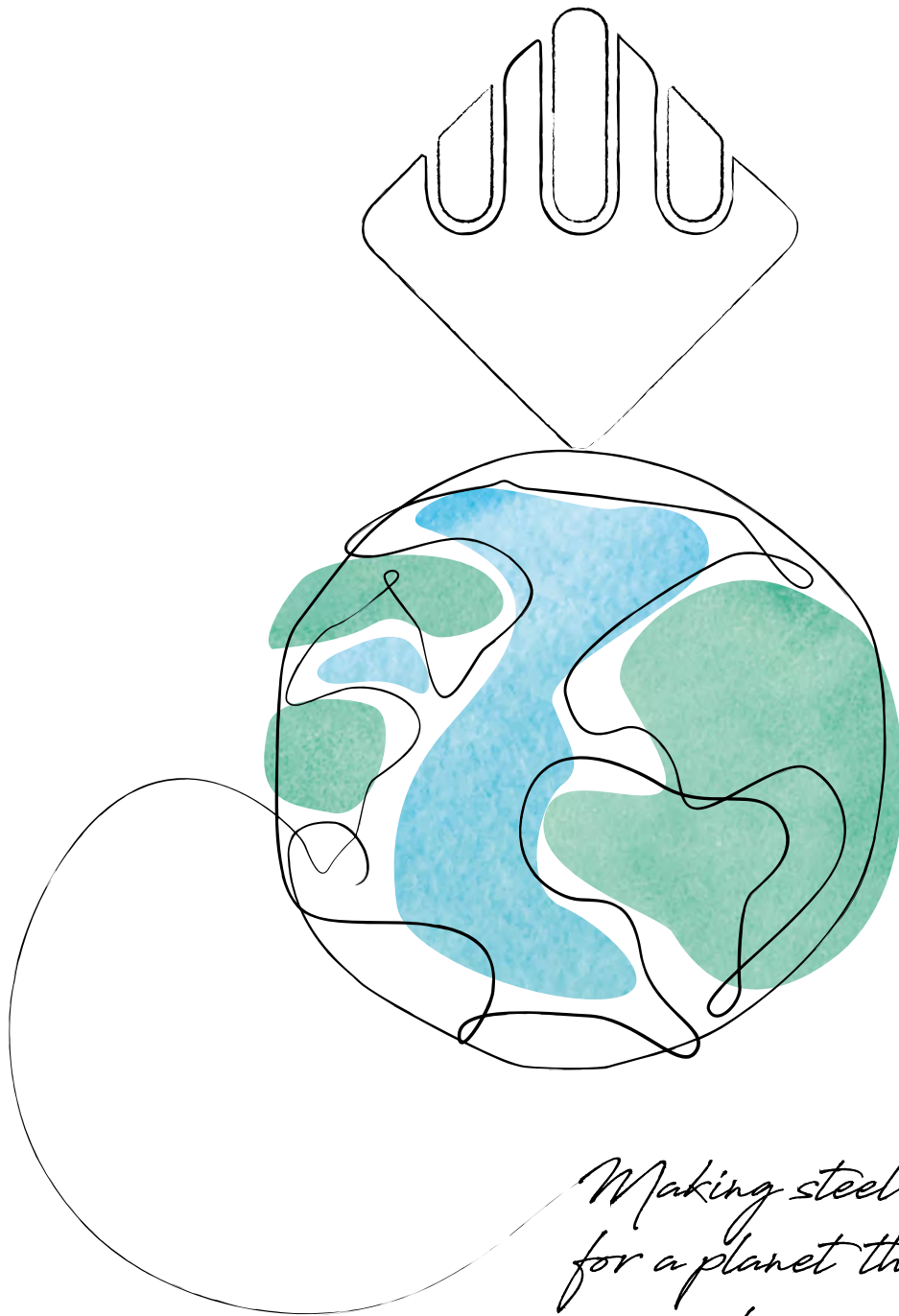
Experimental studies on the definition of technological parameters for the casting of a new T240 section

In 2018, Acciaierie Venete developed an internal project for the new rolling mill in Padua that will become fully operational in 2019. To this end, experimental studies were launched to define technological parameters for the casting of a new T240 section of the rolling mill in Padua. The final objective of the project will be to ensure maximum quality performance across the entire range of steels produced.

Experimental studies for the improvement of secondary cooling in continuous casting

During 2018 the Research and Development department launched an experimental study at the Padua plant to optimise the configuration of the secondary cooling sector in continuous casting, in order to increase the uniformity of cooling for round bars, one of Acciaierie Venete's most important products.

4. SOCIAL SUSTAINABILITY



*Making steel
for a planet that wants
a circular economy.*

4.1 Employees: our strength

For the Acciaierie Venete group, human resources are key to the continuous improvement of the company's competitive advantage. Indeed, we believe that the development of people, their involvement and the company's ability to establish a strong identification process are critical factors for success. The Group's human resource management policies are defined based on these unavoidable yet strategic assumptions.

Human resource management policies are defined by the Managing Director with the support of the Personnel Department, and applied by the latter in synergistic cooperation with the plant and/or function managers.

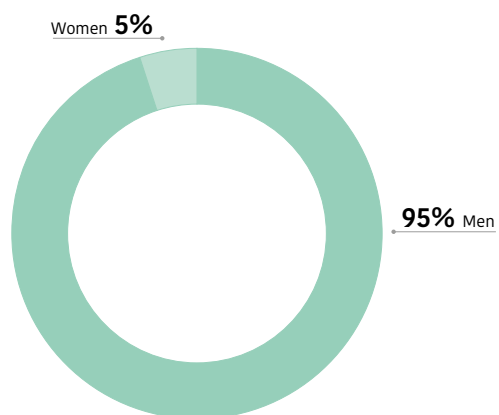
In the context defined above, a fundamental role is played by the professional skills development system, a system that has been structured in order to encourage the acquisition of the professional skills needed not only to ensure an adequate performance of the role assigned, but also to establish a solid foundation for the development of future career plans.

The system is based on three different macro areas:

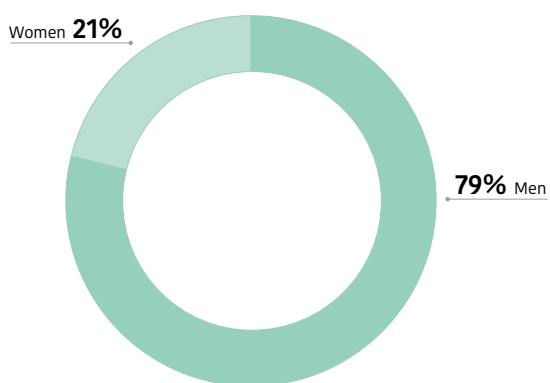
- **Safety in the workplace:** in addition to the mandatory training sessions, supplementary activities will be scheduled to encourage the pervasive diffusion of a safety culture at all organisational levels. A further objective is to ensure that the training provided is synergistically combined with safety improvement projects, in particular with the *“zero accidents project”* and the *“15 minutes for safety 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 the 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, like for example the *“young engineers project”*, described below.

As at 31 December 2018, Acciaierie Venete had 1,309 employees (an increase of 3.2% 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. In addition, during 2018, 20 apprenticeship contracts were signed, a slight increase compared to the previous year (16 apprenticeships).

Breakdown of employees by gender (2018)



Breakdown of white-collar workers by gender (2018)



Employees by geographical area	2017		2018	
	Total	%	Total	%
Brescia	518	41%	533	41%
Verona	71	5%	71	5%
Padua	527	42%	545	42%
Udine	60	5%	60	4%
Trento	93	7%	100	8%
Total	1,269	100%	1,309	100%

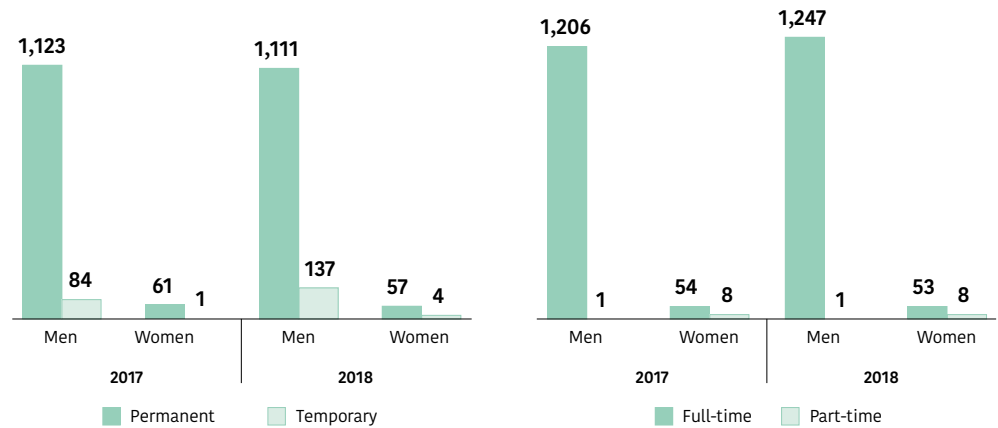
	New recruits	2017	2017 rate	2018	2018 rate⁵
MEN	< 30 years	37	2.9%	105	8.3%
	Between 30 and 50 years	36	2.9%	75	5.9%
	> 50 years	15	1.2%	11	0.9%
	Total	88	7.0%	191	15.1%
WOMEN	< 30 years	2	0.2%	4	0.3%
	Between 30 and 50 years	0	0.0%	1	0.1%
	> 50 years	0	0.0%	0	0.0%
	Total	2	0.2%	5	0.4%
	Total recruits	90	7.1%	196	15.4%

	Number of terminations	2017	2017 rate	2018	2018 rate
MEN	< 30 years	11	0.9%	54	4.3%
	Between 30 and 50 years	33	2.6%	58	4.6%
	> 50 years	30	2.4%	39	3.1%
	Total	74	5.9%	151	11.9%
WOMEN	< 30 years	2	0.2%	1	0.1%
	Between 30 and 50 years	3	0.2%	2	0.2%
	> 50 years	1	0.1%	2	0.2%
	Total	6	0.5%	5	0.4%
	Total terminations	80	6.4%	156	12.3%

In 2018, the recruitment rate was 15% (more than double that of 2017), involving more young recruits under 30 years of age, indicative of the company's desire to encourage an intergenerational exchange in the workplace.

⁵ 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



Overall, in 2018 the company’s management committed to investing in long-term employment relationships, encouraging the stability of its employees’ working lives. As a result of this ambition, in 2018 almost all employment contracts were permanent, full-time contracts.

In order to analyse the company climate, in 2019 a project will be launched in partnership with the Faculty of Occupational Psychology of the University of Padua to draft questionnaires to be submitted to employees, making it possible to understand and map the most appropriate initiatives to improve employees’ well-being. In fact, the company wishes to involve employees in the definition of such initiatives, offering a reward to those who come up with suitable proposals that can be implemented.

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 2018, the training provided by the company to its employees doubled compared to the previous year and involved all professional categories, from executives to middle managers, from white-collar workers to blue-collar workers. The training mainly involved technical or operational tasks (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		
	Men	Women	Total	Men	Women	Total
Executives and managers	10.4	–	10.2	9.8	–	9.6
White-collar workers	8.7	4.1	7.8	16.4	6.7	14.5
Blue-collar workers	4.0	3.0	4.0	15.2	7.0	15.2
Total training hours	5.1	4.1	5.1	15.2	6.6	14.8

During the second half of 2018, Acciaierie Venete launched its “*Company Academy*”. It offers an educational programme aimed at all 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 - a total of 480 hours of training or an average of 96 hours per year (32 in 2018, since the programme was launched during the year). To date, three macro-areas have been addressed: metallurgy, digitisation and cross-cutting skills.

Academy, a ‘never-ending’ 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.

Great attention is also paid to training activities relating to safety at work. On their first day at work, each new employee 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 recruit is also shown and given the safety procedures prepared and issued by management and the safety info sheets relating to the task assigned to the employee. Each worker concerned also receives an update on training in the event of the introduction of new work equipment, changes in the production process or a change of job/work.

The objective of the above training system is to provide workers with the necessary knowledge and skills in order 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 people's 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*, while in order 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 employees 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					
	2017			2018		
	% Men	% Women	% Total	% Men	% Women	% Total
Middle managers	88%	100%	88%	59%	100%	60%
White-collar workers	82%	77%	81%	78%	82%	79%
Total	82%	78%	81%	75%	82%	77%

Performance evaluations are conducted by each department head 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 awareness of the tasks and responsibilities assigned to the role, the importance of achieving the expected results, decision-making capacities, the degree of autonomy and cost/benefit optimisation, the management of human resources and interpersonal relations.

4.4 We protect the well-being of our employees

Two recent initiatives have shown how we are working to achieve the objective of improving perceived levels of organisational well-being:

- **Introduction of the company welfare system:** an IT platform has been launched enabling the purchase of goods or services (e.g. school books, university fees, pre-school fees, travel, gym memberships, etc.) using portions of the company's performance bonus.
- **Suggestions for continuous improvement:** a system of continuous improvement based on employee suggestions is being implemented. The system gives all employees the chance to offer suggestions about safety, quality and efficiency issues. A feedback system managed through the company's organisational structure will be key to the project's success. Proposals deemed technically feasible will also be rewarded by cash bonuses added to the employee's pay. In line with the principles on which the work safety system is based, proposals that improve safety levels will receive a higher bonus than those that impact quality and efficiency.

In 2019, with the support of a recent graduate from the Faculty of Occupational Psychology at the University of Padua, an analysis of the company climate was carried out. The assessment of the results will make it possible to detect the levels of perceived organisational well-being in the company and, if necessary, redefine personnel management policies on the basis of the critical issues identified through the assessment.

Acciaierie Venete's management policies also require that constant attention be paid to the workplace with a view to continuously improving working conditions. For this reason, in order to ensure that each of the elements constituting the company's safety system is respected, Acciaierie Venete has adopted a procedure aimed at defining the 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, such as 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 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 on a specific form to the Plant Prevention and Protection Service Manager, who in turn is responsible for defining the action to be taken, prioritising, in any case, 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, all employees at Acciaierie Venete 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

Education, information, training	Aimed at conveying theoretical knowledge and spreading a safety culture among all employees.
Analysis of accidents and near misses	The analysis of accidents and near misses is carried out in order to identify their causes, as well as the methods, procedures, technical and/or organisational actions to be taken to eliminate the risk that caused the event, by preventing the event itself from recurring.
Zero accidents project	Examines the dynamics of any accidents and near misses to establish and disseminate a safety culture among all employees.
Internal audits	Their purpose is to verify the correct implementation of company procedures in all establishments.
Personal protective equipment (PPE)	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.
Safety committee	The Safety Committee meets at least once a year and whenever requested by the management or the Safety Manager.

Number of accidents and accident rates

	u. fo	2017	2018
Total near misses	no.	134	115
Total accidents	no.	64	98
<i>of which while travelling to/from work</i>	no.	4	1
<i>of which serious accidents (causing more than 6 months' absence)</i>	no.	2	3
Total medical treatments	no.	–	–
Total fatal accidents	no.	–	2
Total recorded accidents ⁶	no.	64	100
Total hours worked	hours	1,914,086	2,249,425
Mortality rate ⁷	no.	–	0.9
Serious injury rate	no.	1.0	1.33
Injury rate	no.	33.4	44.5

⁶This category includes the following accidents: death; days of absence from work; inability to take part in regular work activities as a result of an accident; medical treatment, loss of consciousness, excluding first aid; injuries diagnosed by a physician.

⁷The mortality, serious injury and injury rates were calculated by applying the multiplication factor of 1,000,000.

Notwithstanding a high level of attention and sensitivity to human resource health and safety issues and despite our continuous efforts, in May 2018 there was a serious accident at the Padua plant.

During the normal movement of a ladle loaded with molten steel from the furnace at the second melting plant, there was a sudden and unpredictable breakage of a component of the lifting bar. This breakage caused the ladle to fall on the equipment below, causing it to tip over to the side with the consequent spillage of molten metal.

The heat wave that was unleashed hit two workers from an external company and two workers from Acciaierie Venete, who were the most seriously injured by the accident. Our employees suffered significant burns all over their bodies and sadly died from their injuries.

Officials are still in the process of investigating any liability of the company and/or the supplier of the lifting bar.

However, based on the information currently available, there do not appear to be any clear shortcomings in safety procedures. Nevertheless, the importance and seriousness of the events described have, in any case, driven the company to intensify all appropriate monitoring and verification of protocols and procedures in terms of safety at work and protection of workers' health.

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 Vice President of the Italian Metallurgy Association and President of Federacciai (Federation of Italian Steel Companies). Acciaierie Venete's membership of the latter federation has led the company to assume 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 the 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 of the RFX Consortium reflects 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 conducted by what is now the RFX Consortium was launched in 1958 by a small group at the University of Padua, which became a CNR Research Centre during the 1970s, operating within the European Programme. After various evolutions, in 1996, this small entity was converted 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 (between the elderly and children). One of the initiatives agreed upon is to support the completion of the "Mons. F. Franceschi Casa della sussidiarietà" building in Padua. Other structures under the aegis of the OIC 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-age 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.



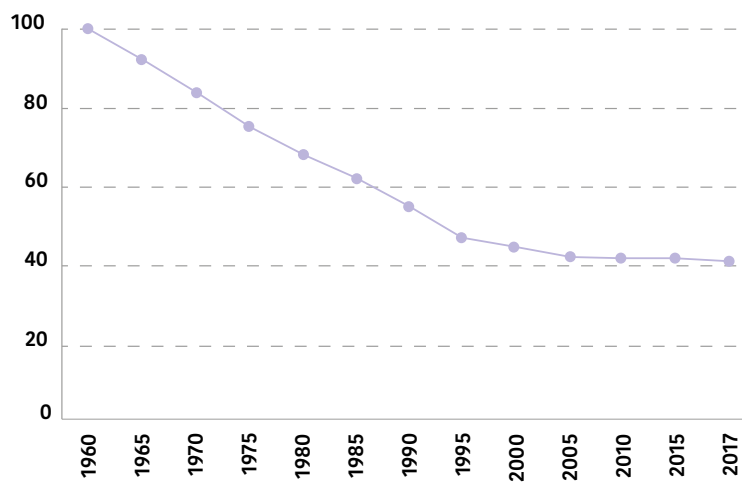
*Making steel
with the best technologies
to protect the local region.*

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%.

Energy consumption for steel production (Source: Worldsteel Association, 2018)



In the case of Acciaierie Venete, constant monitoring and control of the energy performance of its production plants enabled a reduction in energy intensity per unit of product in 2018, thus increasing overall energy efficiency.

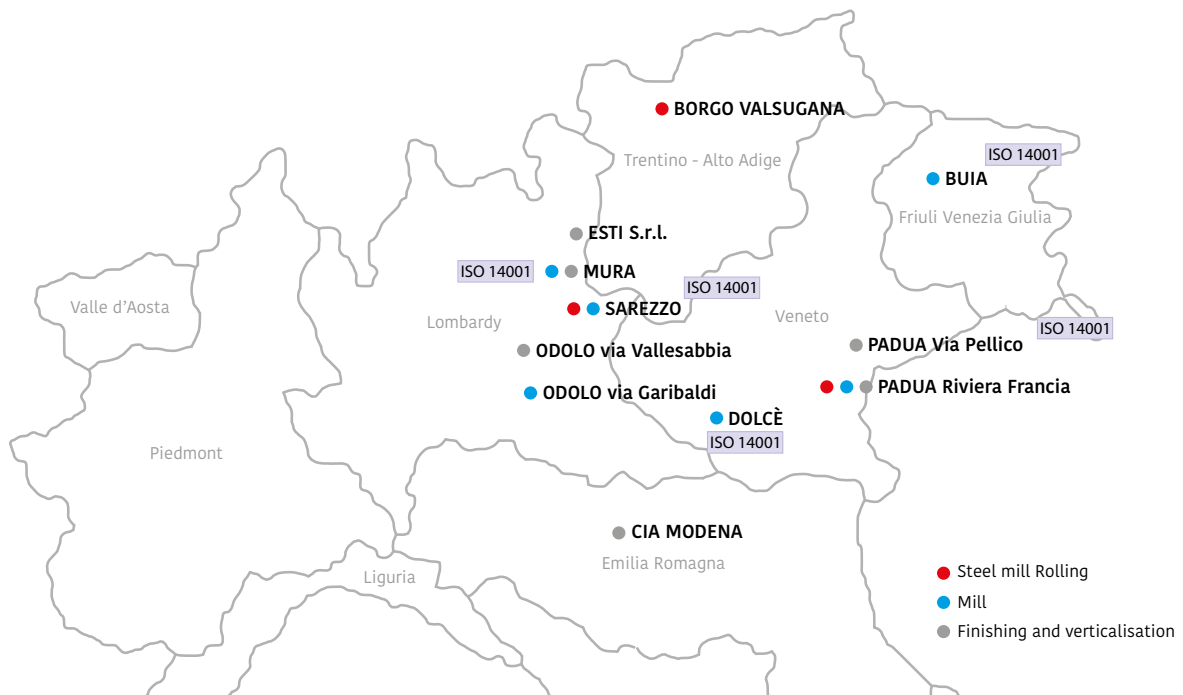
The need to make the steel sector more sustainable, particularly from an environmental point of view, derives from international and European legislation and growing demands and pressure from the various stakeholders (investors and the financial community, suppliers, governments, the public and local 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 process 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.

Acciaierie Venete’s full awareness of the importance of respecting the environment and its resources has led the organisation to adopt a management system certified according to UNI EN ISO 14001:2015. 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 45001:2018. 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.

In line with the requirements of the European and national Directives on integrated pollution prevention and control, Acciaierie Venete adopts the best available environmental plant, management and control techniques (BAT, “Best Available Techniques”) in its plants that are economically and technically feasible. The adoption of these technologies provides an integrated support to the Group’s tangible commitment to minimising 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



The company runs its business in full compliance with current environmental regulations, and in 2018 the company continued to upgrade its plants to comply with the best available practices.

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. For the Group, therefore, 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.



In 2018, the ISO 14001 certification was renewed, transitioning to the standard updated in 2015, 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 works⁸.

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.

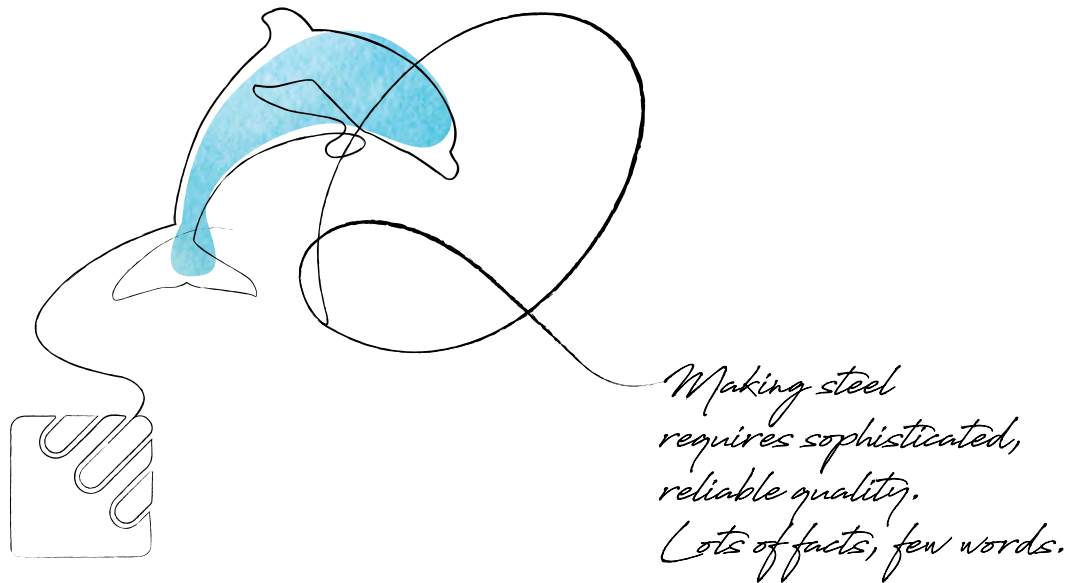
Absence of anomalies concerning legislative or related aspects **Compliant with environmental and energy regulations** **Indicators consistent with actual situation at the Site** **Constant monitoring of activities at greatest risk**

⁸ 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>

An improvement programme has been drawn up for each plant, including the objectives to be achieved and the intermediate goals, the implementation methods, the person in charge, the people involved and the related costs.

As of 2018, the majority of the objectives planned in previous years for the **Dolcè, Sarezzo, Buia, Mura, Pellico** and **Riviera Francia** plants have been achieved.

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



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 enable assessment of 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. Three types of impacts emerge from this assessment process: insignificant, limited and significant.

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

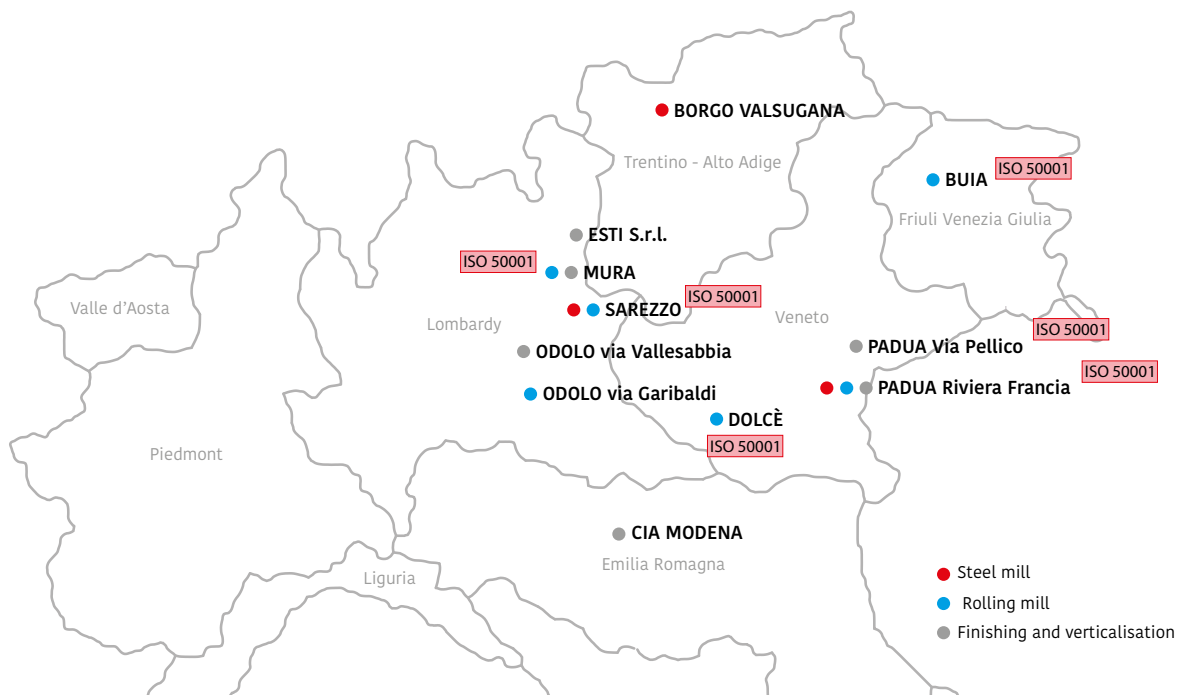
- **Priorities** of upgrades and improvement of environmental performance.
- **Frequency of checks** to monitor the temporal evolution of the impact.

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, in 2017 and 2018 internal audits were conducted at all production sites: the anomalies that emerged were then carefully analysed during the Management Review.

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 50001:2011 certified. Certification of the Odolo and Borgo Valsugana plants is also planned for 2019.

Sites with an ISO 50001:2011 management system



In December 2016, Acciaierie Venete secured renewal of the ISO 50001:2011 certification for energy management and for the design and manufacture of long products in alloy and non-alloy steel: charge preparation, ferrous scrap melting and refining, ladle treatment, continuous casting, conditioning, hot rolling and marginal cold works. During 2019, transition to the new 50001:2018 standard is planned for all Group plants⁹.

⁹ 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**

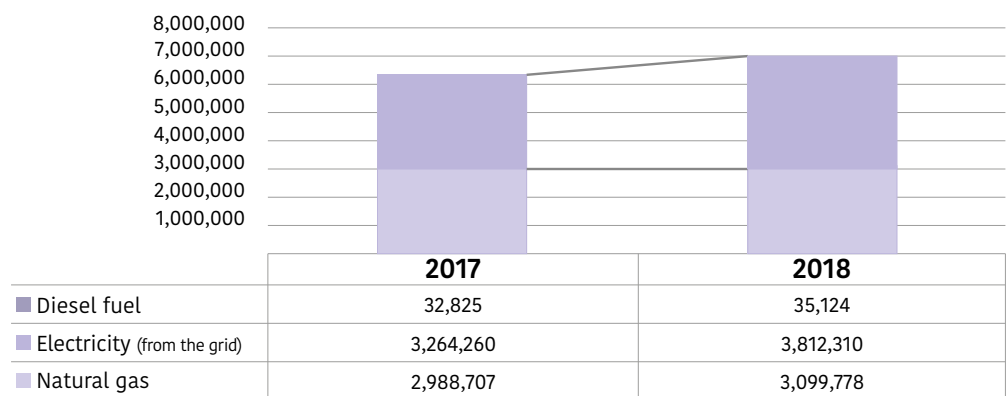
The consumption of energy represents a very relevant environmental indicator to be monitored, especially for energy-intensive sectors like the steel industry.

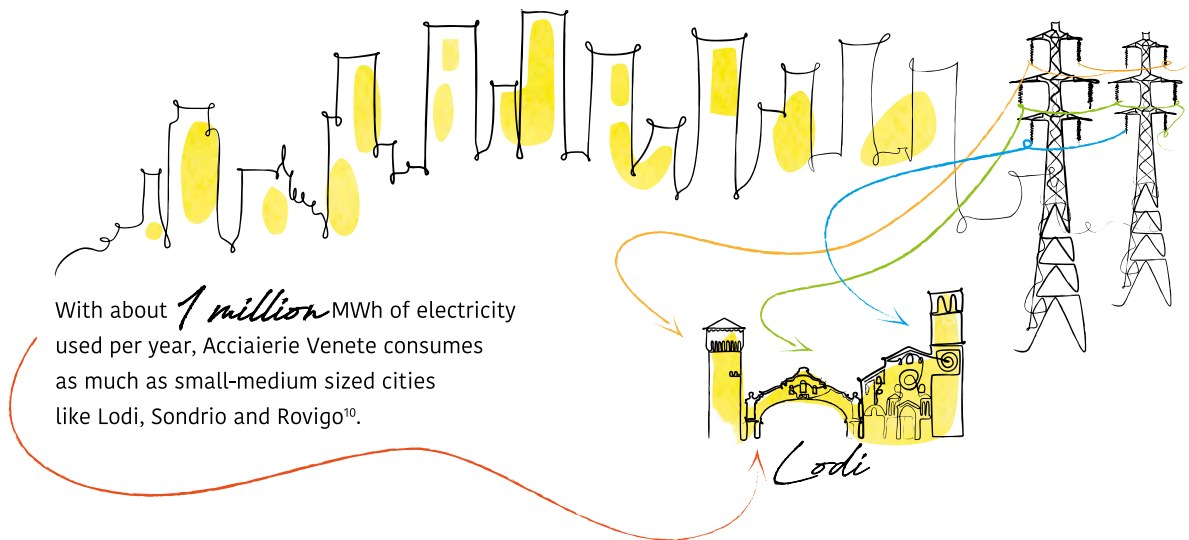
Electricity is the main energy source of the steelworks, used to ensure the proper operation of the plants and electric furnaces, as well as for lighting and air conditioning in the summer. In 2019, a new high-tech rolling mill will come online, enabling even greater energy efficiency. After electricity comes natural gas, used for the operation of production plants and services, water heating and winter air conditioning. Moreover, 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 new rolling mill is designed with a 4.0 automation system that provides for total control of the production process from liquid steel to the finished product, to facilitate the production of small batches of steel and frequent size changes. The system is based on an interconnected intelligent sensor and automation architecture that allows the structured collection of all plant information for the analysis and optimisation of the process in terms of quality, efficiency and maintainability.

The energy consumption of Acciaierie Venete is shown below, in Gigajoules (GJ). The upward trend in energy consumption is due to the increase in production in 2018 compared to the previous year.

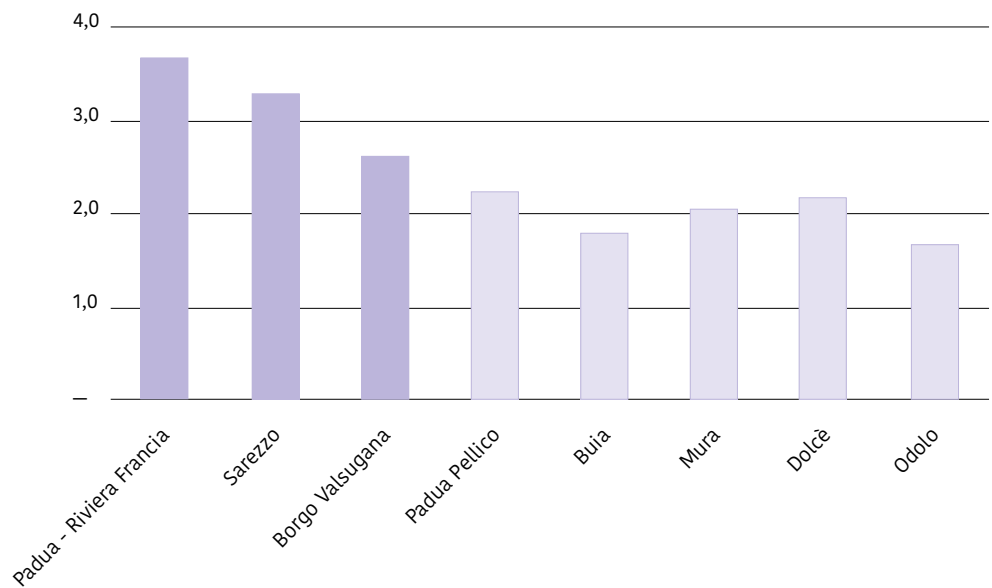
Total organisation energy consumption by energy source (GJ)





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)



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

White certificates – or more correctly 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 m3 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 tonnes of CO₂eq.

¹⁰ Source: Terna, *Consumi di energia elettrica in Italia* - Table 45, 2018.

5.4 Materials associated with production processes

Scrap and coke are the main raw materials used in steel production. Between 2017 and 2018, however, there was a considerable change in scrap consumption, mainly due to the purchase of scrap by the recently acquired steel mill in Borgo Valsugana, which also had a significant impact on the aggregated indicator.

Raw materials	u. of m.	2017	2018
Recycled scrap	tonnes	1,475,161	1,686,712
Coke	tonnes	18,306	20,062
Total	tonnes	1,493,468	1,706,775

The consumption of materials associated with production processes but not part of the final product (e.g. refractories) and components that become part of the final product (e.g. ferroalloys and oxygen) has also increased slightly (in line with the production increases recorded for 2017/2018). The use of lime, on the other hand, fell by 6% in 2018.

Other materials (t)	u. of m.	2017	2018
Refractories	tonnes	18,532	21,617
Ferroalloys	tonnes	39,990	42,844
Lime	tonnes	65,501	74,492
Oxygen	1,000 m ³	56,628	63,352

5.5 Waste and its disposal

The minimisation of waste – especially waste sent for disposal – is a clear demonstration that the management of incoming resources is correct and effective.

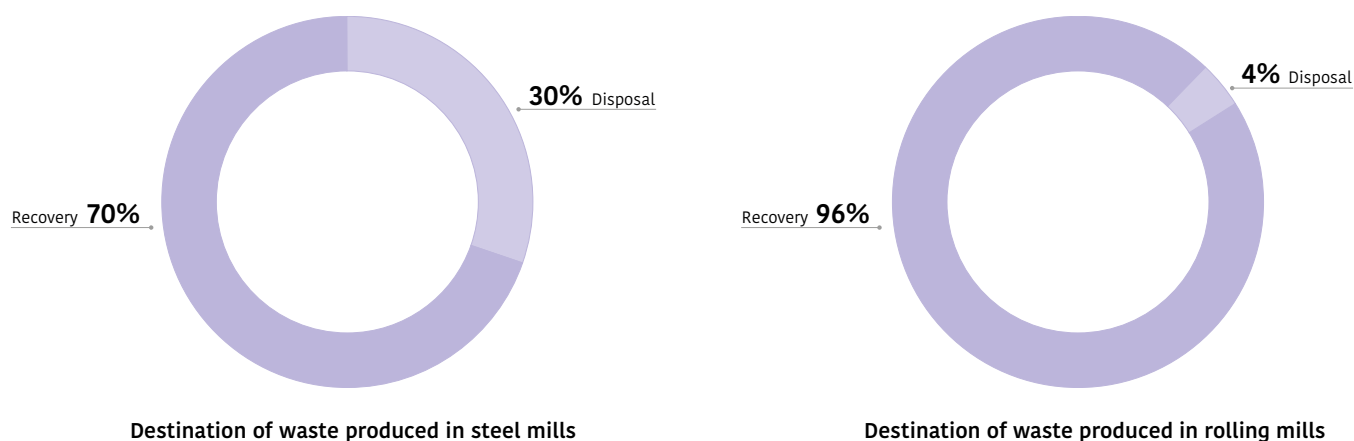
Although Acciaierie Venete’s production process is virtuous in the way it reuses incoming secondary raw materials, the activities carried out at the plants generate waste as an output, like heavy waste from scrap sorting operations, black and white slag, flue gas abatement dust and rolling flakes. On 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 2018, the total volume of waste increased by about 13%. This increase is attributable to extraordinary cleaning operations at the Borgo Valsugana and Odolo sites acquired via bankruptcy proceedings.

Methods of disposal	Waste generated by type and method of disposal (t)					
	2017			2018		
	Hazardous	Non hazardous	Total	Hazardous	Non hazardous	Total
Recovery	22,975	299,751	322,727	21,214	320,059	341,273
Disposal (e.g. landfill, waste-to-energy, etc.)	2,805	84,903	87,707	8,449	115,101	123,551
Total	25,780	384,654	410,434	29,663	435,161	464,824

Waste that is sent for recovery from steelworks accounts for 70% of the total and 96% from rolling mills.

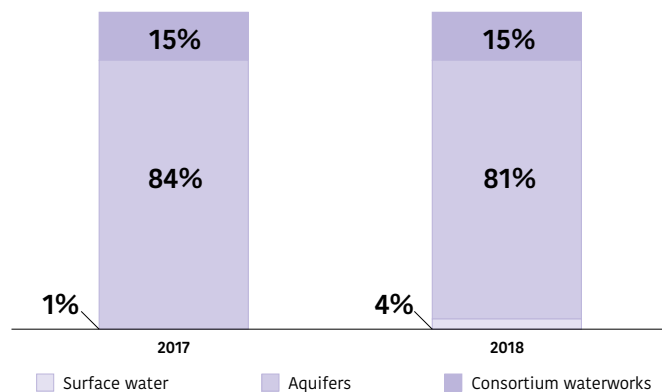
Percentage of waste sent for recovery in 2018



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 Federacciai¹¹, 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 m³ 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
Surface water	1,000l	20,861	74,066
Aquifers	1,000l	1,763,461	1,544,368
Consortium waterworks	1,000l	317,920	290,493
Total water sourced	1,000l	2,102,242	1,908,927

Effluents

Destination	Unit of measurement	2017	2018
Surface water	1,000l	1,400,247	1,176,589
Sewerage	1,000l	48,614	41,105
Authorised discharge and ground	1,000l	27,676	22,537
Total water discharged	1,000l	1,476,537	1,240,231

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 establishments flows into surface water bodies in accordance with the provisions of existing permits.

¹¹ Source: Federacciai, 2019 Sustainability Report.

5.7 Emissions from our production processes

5.7.1 Greenhouse gas emissions

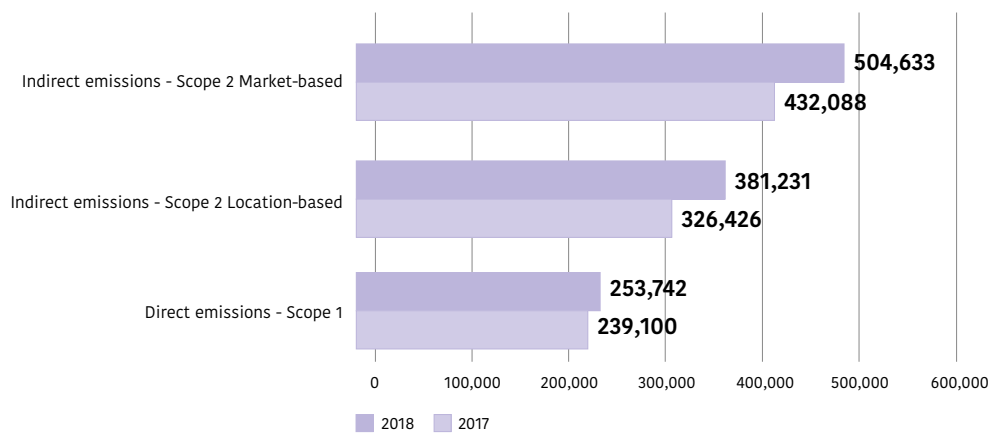
As is well known, steel production requires high energy consumption and inevitably leads to the emission of certain quantities of greenhouse gases into the atmosphere. These emissions can be both direct, for combustion process emissions at different stages of the production cycle, and indirect, for electricity consumption. For production using an electric furnace, aside from some minor direct emissions, most emissions are primarily indirect and derive from the production of electricity that Acciaierie Venete purchases in order to melt the steel scrap inside the electric 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. In the latter case, the organisation is therefore indirectly responsible for the emissions generated by the supplier for the production of electricity required. 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 average emission factor associated with the national energy mix in the calculation of emissions.

The total emissions of Acciaierie Venete in 2018, considering the Location-Based approach, are about 635 ktonne CO₂eq, broken down as presented in the following graph.

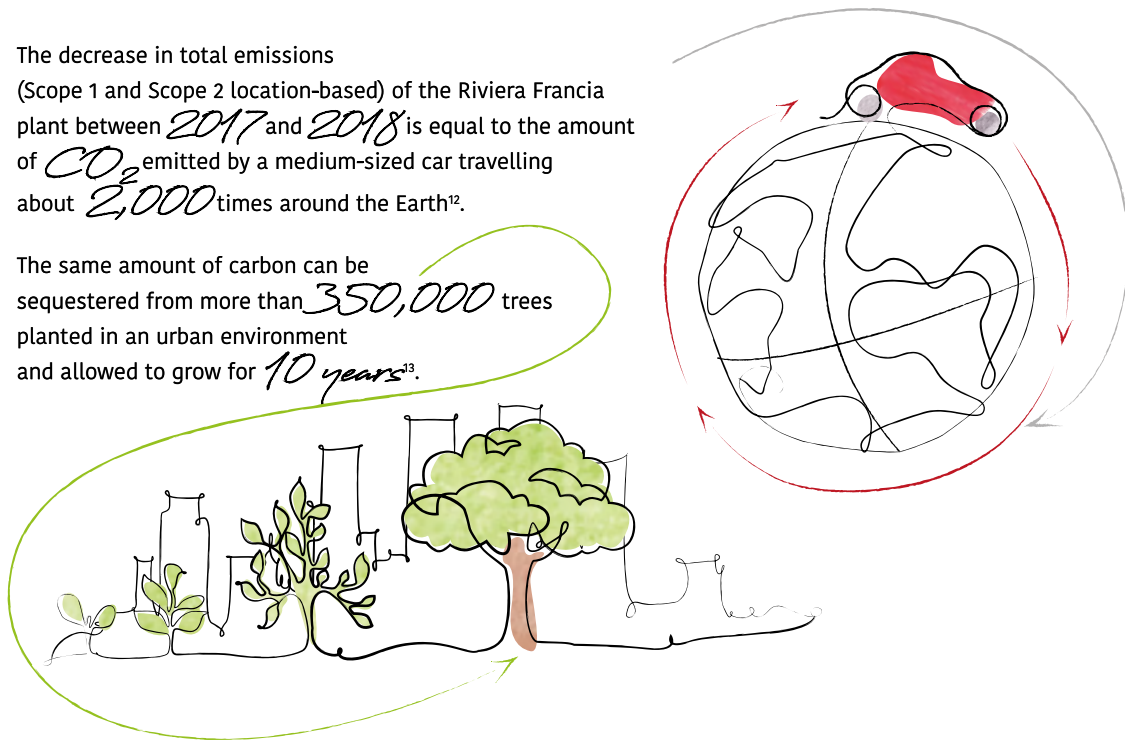
Direct and indirect greenhouse gas emissions in CO₂eq tonnes



In the 2017 and 2018 two-year period, Acciaierie Venete recorded a significant increase in production volumes, which in turn generated higher greenhouse gas emissions. Overall, however, if these increases are compared to total production there is a substantial constancy in CO₂eq emissions per unit of product (0.26 tonnes CO₂eq/tonnes produced). Steelworks contribute more to greenhouse gas emissions than rolling mills: in fact, for every tonne of steel produced about 0.34 tonnes CO₂eq are emitted, about three times more than what is emitted by rolling mills (about 0.11 tonnes CO₂eq).

The decrease in total emissions (Scope 1 and Scope 2 location-based) of the Riviera Francia plant between 2017 and 2018 is equal to the amount of CO₂ emitted by a medium-sized car travelling about 2,000 times around the Earth¹².

The same amount of carbon can be sequestered from more than 350,000 trees planted in an urban environment and allowed to grow for 10 years¹³.



¹² Source: www.epa.gov. Assumptions: Medium-sized petrol cars, circumference of the Earth: 40,000 km.
¹³ Source: www.epa.gov. Assumptions: Medium-growing coniferous or leafy trees.

5.7.2 Air 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.

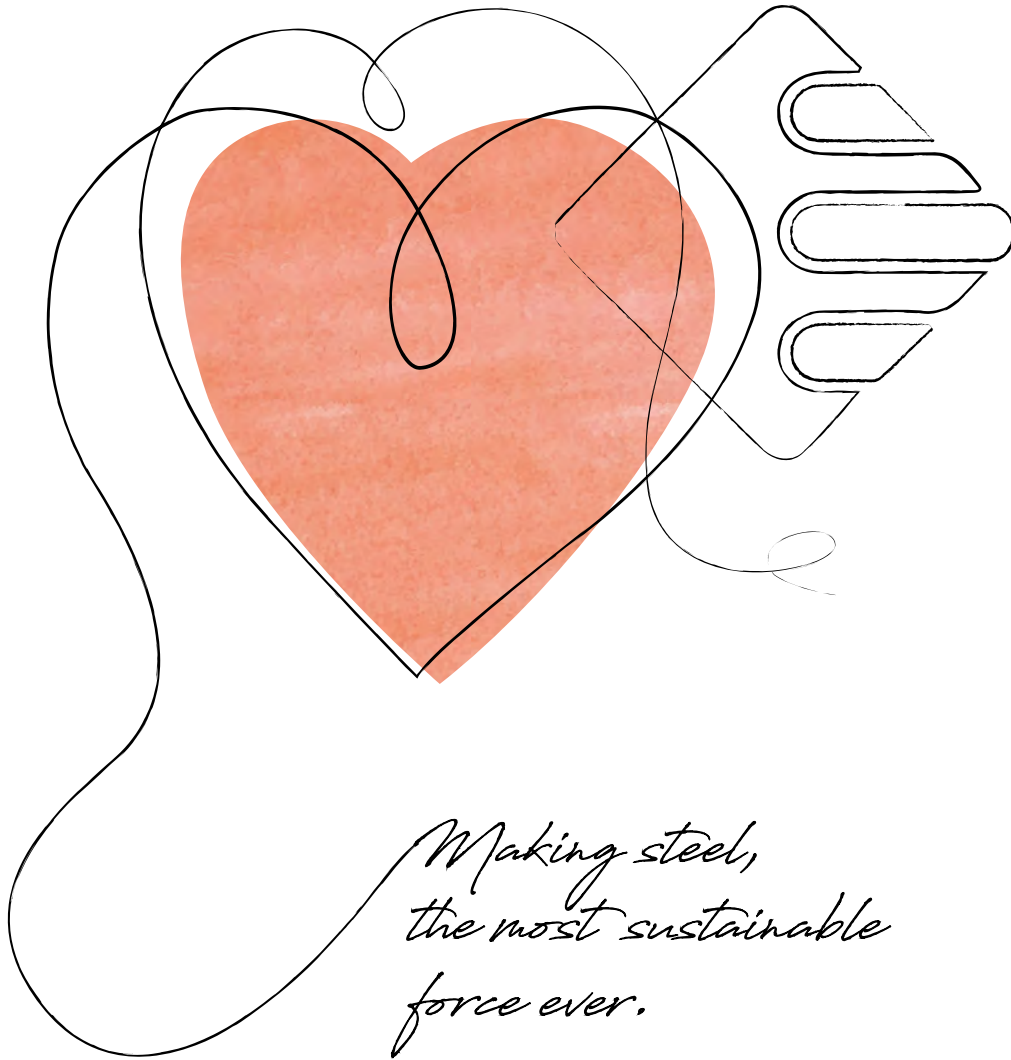
For the plant in Riviera Francia (Padua), Acciaierie Venete S.p.A. has an Integrated Environmental Authorisation issued by the Province of Padua, which requests that the Group commit to submitting an annual non-technical summary, containing trends and relative comments on the concentration of dust emissions. The 2018 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.

Air pollutant emissions into the atmosphere	Unit of measurement kg	2017	2018
NOx	kg	417,983	459,710
SOx	kg	64,200	170,390
Particulate	kg	4,634	9,003
CO	kg	514,434	430,143

The significant variations between one year and the next are due to the fact that these data are measured intermittently 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 were 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 2018 that may be significant for the assessment of Acciaierie Venete’s sustainability performance by stakeholders.

6.2 The reporting scope

This document represents the first edition of Acciaierie Venete's Sustainability Report and contains a description of the initiatives and activities for 2018, as well as the performance trends for the two-year period between 2017 and 2018. The collection of performance indicators and the frequency of reporting are annual.

The reporting scope includes Acciaierie Venete S.p.A. and BVS S.r.l.

The reporting year to which the information and data included in this section refers is 2018.

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

Topic	GRI Disclosure	Scope		Scope reporting restrictions	
		Internal	External	Internal	External
GOVERNANCE AND COMPLIANCE					
Economic performance	GRI 201: Economic performance	Group	-	-	-
Fighting active and passive corruption	GRI 205: Anti-corruption	Group	-	-	-
Purchasing policies	GRI 204: Purchasing practices	Group	-	-	-
Environmental compliance	GRI 307: Environmental compliance	Group	-	-	-
ENVIRONMENTAL					
Materials	GRI 301: Materials	Group	-	-	-
Energy consumption and climate change	GRI 302: Energy GRI 305: Emissions	Group	-	-	-
Air 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	-	-	-
SOCIAL					
Employment policies	GRI 401: Employment GRI 402: Labour/Management Relations	Group	-	-	-
Workers' health and safety	GRI 403: Occupational health and safety	Group	Suppliers	-	-
Training	GRI 404: Training and education	Group	-	-	-
Local communities	-	Group	-	-	-
	GRI 419: Socio-economic compliance				
PRODUCT					
Customer well-being & health	GRI 416: Customer health and safety	Group	-	-	-
Innovation	-	Group	-	-	-

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. and BVS S.r.l.

Turnover rate

The turnover rate (incoming, outgoing and total) is calculated as the number of staff recruited 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 accidents with serious consequences: number of accidents with period of absence from work longer than 6 months (excluding accidents that caused fatalities) / hours worked * 1,000,000
- Recorded accident index: number of accidents during the year / hours worked * 1,000,000

Energy consumption

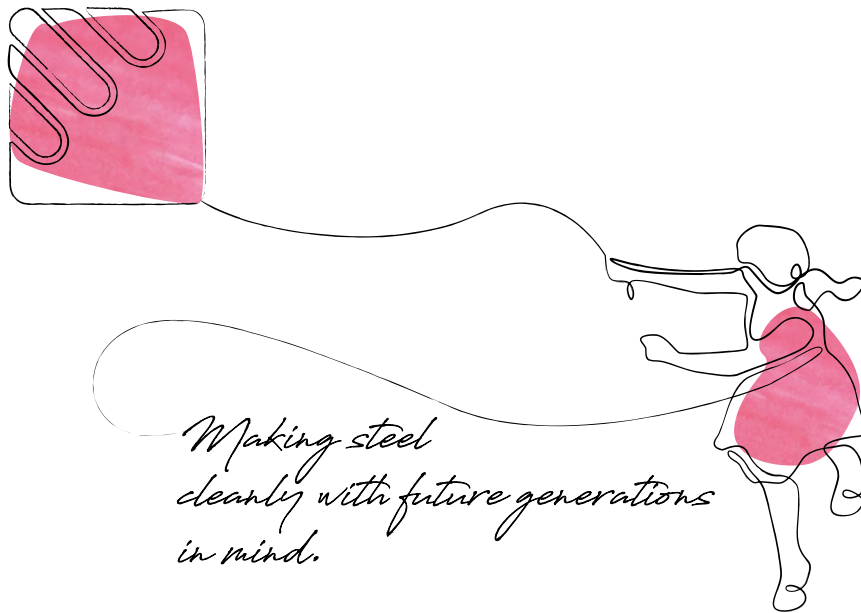
The conversion factors used to standardise energy consumption come from the *UK Government GHG Conversion Factors for Company Reporting - Fuel properties* table published by DEFRA, in the latest available version.

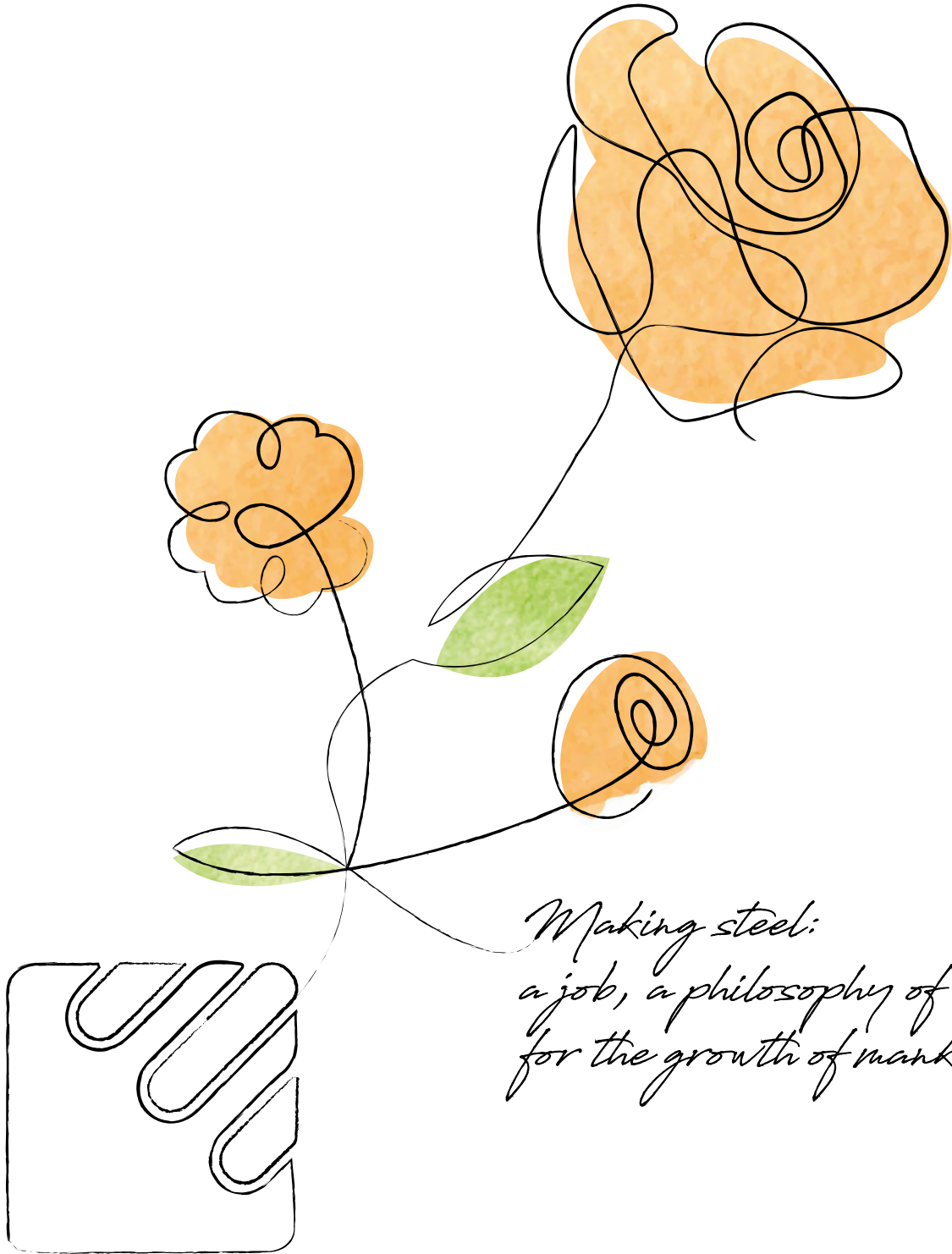
Greenhouse gas emissions

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 (CO₂).

The emission factors used for the calculation of CO₂ 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 for the years 2017 and 2018. The CO₂eq emissions linked to the quantities of refrigerant gases lost during the two-year period are also added to these (source: Defra, 2018).
- **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 2016) was used for the calculation of indirect emissions for 2017/2018. For the calculation of market-based emissions, the residual mixes were used as reported in the document "European Residual Mixes", published by ABI and available for the year 2017.





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7. GRI CONTENT INDEX

GRI Standard	Disclosure	Page number	Notes/Omissions
GRI 102: GENERAL DISCLOSURES 2016			
ORGANISATIONAL PROFILE			
102-1	Name of the organisation	9	
102-2	Main brands, products and/or services	30-34	
102-3	Location of headquarters	16-17	
102-4	Countries of operations	16-17	
102-5	Ownership and legal form	16-17	
102-6	Markets served	35-36	
102-7	Scale of the organisation	6	
102-8	Information on employees and other workers	42-45	
102-9	Supply chain (no. of suppliers, volumes and procurement markets)	29-36	
102-10	Significant changes to the sizes, structure, organisation and supply chain during the reporting period	16-17	
102-11	Precautionary Principle or approach		The organisation takes the prudential approach where necessary
102-12	External initiatives	52-53	
102-13	Membership of national and/or international associations	52-53	
STRATEGY			
102-14	Statement from senior decision-maker on the importance of sustainability for the organisation and its strategy	3	
ETHICS AND INTEGRITY			
102-16	Values, principles, standards, and norms of behaviour significant for economic, environmental and social performance and their implementation status	19-20	
GOVERNANCE			
102-18	Governance structure, including committees which report directly to the highest governance body. Committees involved in decisions on economic, environmental and social matters.	18	
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups with which the organisation conducts engagement activities	10	
102-41	Percentage of employees covered by collective bargaining agreements	42	
102-42	Principles for identifying and selecting stakeholders	10	
102-43	Approach to stakeholder engagement	10	
102-44	Key topics and concerns raised from stakeholder engagement activities and how the organisation has addressed such concerns, including with reference to the points made in the report	10	

GRI Standard	Disclosure	Page number	Notes/Omissions
REPORTING PRACTICES			
102-45	List of entities included in the consolidated financial statements and those not included in the report on social responsibility	13	
102-46	Defining report content and topic boundaries	73	
102-47	List of material topics	11-12	
102-48	Explanation of the effects of restatements of information inserted into previous reports and the reasons for such changes	N/A	
102-49	Significant changes in objective and reporting	N/A	
102-50	Reporting period	73	
102-51	Date of most recent report	N/A	
102-52	Reporting cycle	73	
102-53	Contact point for questions regarding the report and its contents	infobds@acciaierievenete.com	
102-54	Choice of "CORE" option	72	
102-55	Report content explanatory table	78-83	
102-56	External insurance		This document is not subject to external insurance activities

GRI Standard	Disclosure	Page number	Notes/Omissions
MATERIAL TOPICS			
ECONOMIC PERFORMANCE INDICATORS			
ECONOMIC PERFORMANCE			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	21	
103-2	The management approach and its components	21	
103-3	Evaluation of the management approach	21	
GRI 201: Economic Performance 2016			
201-1	Direct economic value generated and distributed	21	
ANTI-CORRUPTION			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	19	
103-2	The management approach and its components	19	
103-3	Evaluation of the management approach	19	
GRI 205: Anti-corruption 2016			
205-3	Confirmed incidents of corruption and actions taken		No case of corruption was observed during the 2017-2018 period
PROCUREMENT PRACTICES			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	29	
103-2	The management approach and its components	29	
103-3	Evaluation of the management approach	29	
GRI 204: Procurement Practices			
204-1	Proportion of spending on local suppliers	29	
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GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	61-63	
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103-3	Evaluation of the management approach	61-63	
GRI 302: Energia 2016			
302-1	Energy consumption within the organisation	62-63	
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GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	67-69	
103-2	The management approach and its components	67-69	
103-3	Evaluation of the management approach	67-69	
GRI 305: Emissioni 2016			
305-1	Direct (Scope 1) GHG emissions	67-68	
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GRI Standard	Disclosure	Page number	Notes/Omissions
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103-3	Evaluation of the management approach	66	
GRI 303: Water and effluents (2018)			
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301-1	Materials used by weight and volume	64	
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GRI 103: Management Approach			
103-1	Explanation of the material topic and its Boundary	65	
103-2	The management approach and its components	65	
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GRI 306: Effluents and waste			
306-2	Waste by type and disposal method	65	
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GRI 103: Management Approach			
103-1	Explanation of the material topic and its Boundary	56-59	
103-2	The management approach and its components	56-59	
103-3	Evaluation of the management approach	56-59	
GRI 307: Environmental compliance			
307-1	Non-compliance with environmental laws and regulations		There were no cases of environmental non-compliance during the 2017-2018 period
OCCUPATIONAL HEALTH AND SAFETY			
GRI 103: Management Approach			
103-1	Explanation of the material topic and its Boundary	49-51	
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GRI 403: Occupational Health and Safety (2018)			

GRI Standard	Disclosure	Page number	Notes/Omissions
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403-2	Hazard identification, risk assessment, and incident investigation	49-51	
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403-5	Worker training on occupational health and safety	49-51	
403-6	Promotion of worker health	49-51	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	49-51	
403-8	Workers covered by an occupational health and safety management system	49-51	
403-9	Work-related injuries	50	Number of accidents and accident rates - external workers
403-10	Work-related ill health		There were no cases of occupational disease during the 2017-2018 period

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103-2	The management approach and its components	42-45	
103-3	Evaluation of the management approach	42-45	

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401-1	New employee hires and employee turnover	44	
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GRI 103: Management Approach 2016

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103-2	The management approach and its components	42-45	
103-3	Evaluation of the management approach	42-45	

GRI 402: Labour/management relations

402-1	Minimum notice periods regarding operational changes		According to the provisions of national regulations and legislation
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TRAINING AND EDUCATION

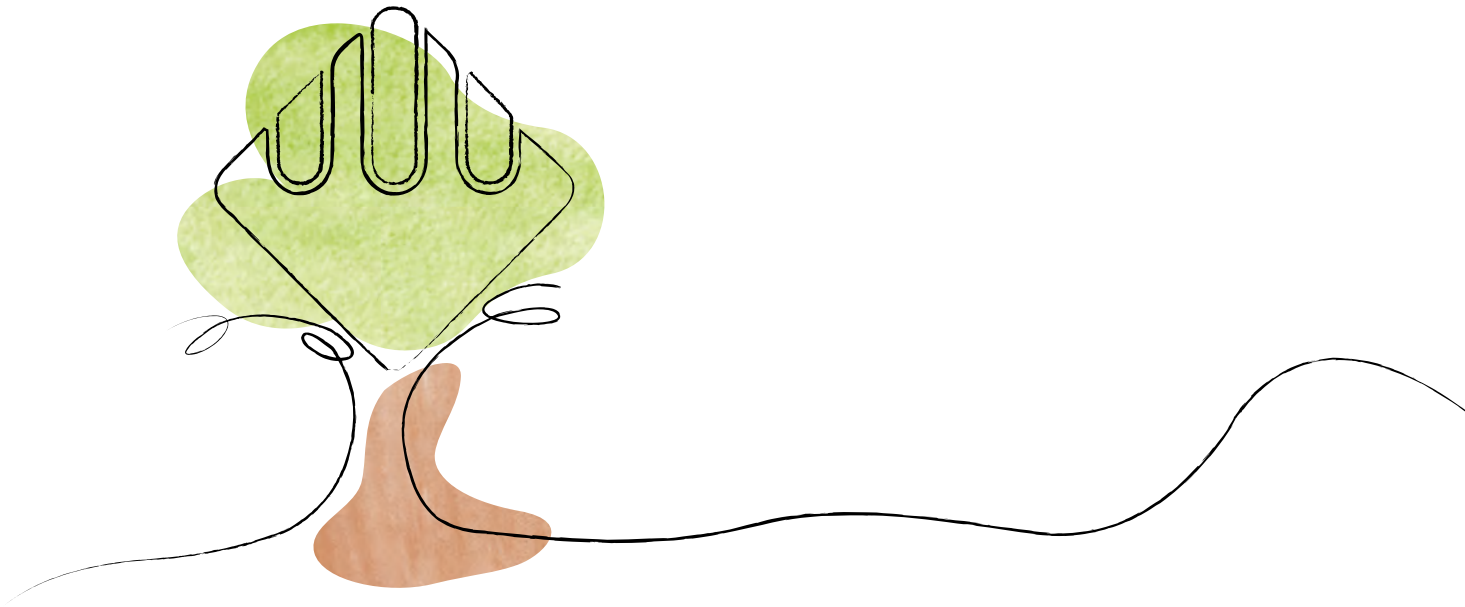
GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its Boundary	46-47	
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GRI 404: Training and education 2016

404-1	Average hours of training per year per employee, divided by worker category and gender	46	
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GRI Standard	Disclosure	Page number	Notes/Omissions
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103-2	The management approach and its components	37	
103-3	Evaluation of the management approach	37	
GRI 416: Customer Health and Safety 2016			
416-2	Incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle		There were no cases of non-compliance linked to the health and safety of consumers of products during the 2017-2018 period
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GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	52-53	
103-2	The management approach and its components	52-53	
103-3	Evaluation of the management approach	52-53	
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GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	38-39	
103-2	The management approach and its components	38-39	
103-3	Evaluation of the management approach	38-39	



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