2022 SUSTAINABILITY REPORT

ACCIAIERIE VENETE SPA

2022 SUSTAINABILITY REPORT

STEEL IS BORN
TO BE ALIVE

LETTER TO THE STAKEHOLDERS

2022 was a very complex and challenging year.

The turbulence in the national and international arenas caused by the tail end of the pandemic and the outbreak of war at the gates of Europe was taken on with the right determination and courage, not only to achieve good economic and financial results but also to continue without hesitation towards a new way of doing business.

As you will see in the following pages, we have unhesitatingly pursued the path towards implementing the ESG Management System, starting by listening to our stakeholders. Indeed, your involvement has helped us to define the strategic priorities of a process that, to be truly sustainable, must be able to correctly respond to environmental (E), social (S) and governance (G) expectations.

In fact I was very pleased to see that what is being emphasised by customers, our employees, and the community at large coincides with what Acciaierie Venete had in parallel identified as issues to invest in as a priority.

The women and men of our company have proved to be fully in tune with the needs of the market, and more generally with the supply chain we are a part of and with the social systems we interact with on a daily basis.

There is in fact an awareness in all of us that the challenges we face are inescapable and are defining new paradigms: the decarbonisation strategy that has been launched certainly represents a complex and ambitious challenge, but at the same time it is a necessary discriminating factor to maintain a leading role in the sector.

The current absence of clear regulatory references means that the evolution of this process is sometimes confused and fragmented, often making it difficult for steel industry players to understand what strategies to deploy.

In a situation like this, one might be tempted to pause and wait for the sequence of events to clarify the regulatory landscape.

Nevertheless, we who are used to making “tailored steel” have from the outset decided to respond to uncertainty with great dynamism and flexibility, pursuing solutions capable of satisfying our customers' demands, starting with the calculation of the carbon footprint of processes and products.

The company is slowly changing its form without sacrificing the substantial organisational and management simplicity that has historically been one of the keys to our success.

We are working a lot with those who have already been with us for a long time, but we are also hiring more and more young people who bring new skills and new ideas. The road ahead is still long and not without difficulties, but I must say with great satisfaction that the blending of new and old generations is producing positive results and bodes well for the future of a company that wants its human capital to continue to be an asset of crucial importance.

Alessandro Banzato
Chairman

HIGHLIGHTS 2022

- **More than €1.8 billion**
  of economic value generated
- **34 MILLION in investments**
- **93% of total contracts**
  are permanent
- **More than 1.5 million tonnes**
  of steel produced
- **90%** of waste produced
  is sent for recovery
- **Acciaierie Venete Academy**
  as an opportunity for growth


STEEL IS BORN
TO BE ALIVE

1.
ABOUT US

MISSION

Thanks to the passion of our people and a constant drive for innovation and sustainability we support the needs of customers and partners by offering special steels that generate a unique and recognisable value along the entire supply chain.

VISION

Growing and innovating in harmony with the world, but remaining faithful to the simplicity that has allowed us to become great.

VALUES

RESPECT FOR THE RULES

In our company, rules are essential to express freedom and balance in the market and within the working environment. Respect for others and everything around us is an absolute must for us.

TEAM SPIRIT

Team spirit is our go-to strategy: you can't go it alone if you want to win.
"We" comes before all else.

PASSION

For us, passion means putting our hearts into everything we do: every step, every process, is the result of a drive for quality and innovation. At Acciaierie Venete the dedication of individuals comes together to strive for ever more challenging achievements.

SAFETY

The attentive training of our staff and the controls we have in place ensure the maximum safety of our employees and the communities that host our facilities. Health, welfare, environmental quality and working conditions are key issues for Acciaierie Venete.

DEVELOPMENT

In a constant race for improvement, we innovate to build a better future with courage.
We count on our solid foundations to ensure growth and sustainable development.

SUSTAINABILITY

Attention to the environment is our priority. Acciaierie Venete actively participates in the fight against climate change by studying product and process solutions that reduce polluting emissions, maximising the principles of the circular economy.

RELIABILITY

Reliability is our core value. Quality, reliability and solidity are the characteristics that have always distinguished us, and that today allow us to deserve the trust of our customers, suppliers and partners.

1.1 Roots and structure

Acciaierie Venete began its journey in 1946 with the first special pig iron castings.
In 1957 it took the first steps in the steel market with the production of classic rebar for reinforced concrete and billets, which would then allow it to acquire the know-how necessary to consolidate. Our company assumed its current name Acciaierie Venete SpA in the early 1970s founding its headquarters in the Camin artisan area in Padua.

1946	In Padua, Marcello Banzato launches the production of special cast iron castings
1957	Founding of Acciaierie Fonderie Venete
1974	Founding of Acciaierie Venete in the Southern Industrial Zone of Padua
1989	Acquisition of a rolling mill for the production of smooth or ribbed rebar in various qualities
1991 and **1998**	Start-up and commissioning of a continuous casting plant for blooms, hot loading and direct rolling and new plant in Via Olanda
2003	Acquisition of the plants in Sarezzo and Mura in the province of Brescia, and in Dolcè in the province of Verona for the production of special and merchant steels
2017	Award by BVS S.r.l. (fully managed by Acciaierie Venete) of the tender for the lease of the former Leali Steel business branches (Borgo Valsugana and Odolo)
2018	Acquisition by BVS S.r.l. of the Borgo Valsugana, Odolo and Laf business units
2019	Merger by incorporation of BVS S.r.l. into Acciaierie Venete SpA
2020	Acquisition of Valle Zignago srl, a farm with about 800 hectares of land
2022	Incorporation of the new company A.V.E. Acciaierie Venete Energia s.r.l. management of electricity from renewable sources

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

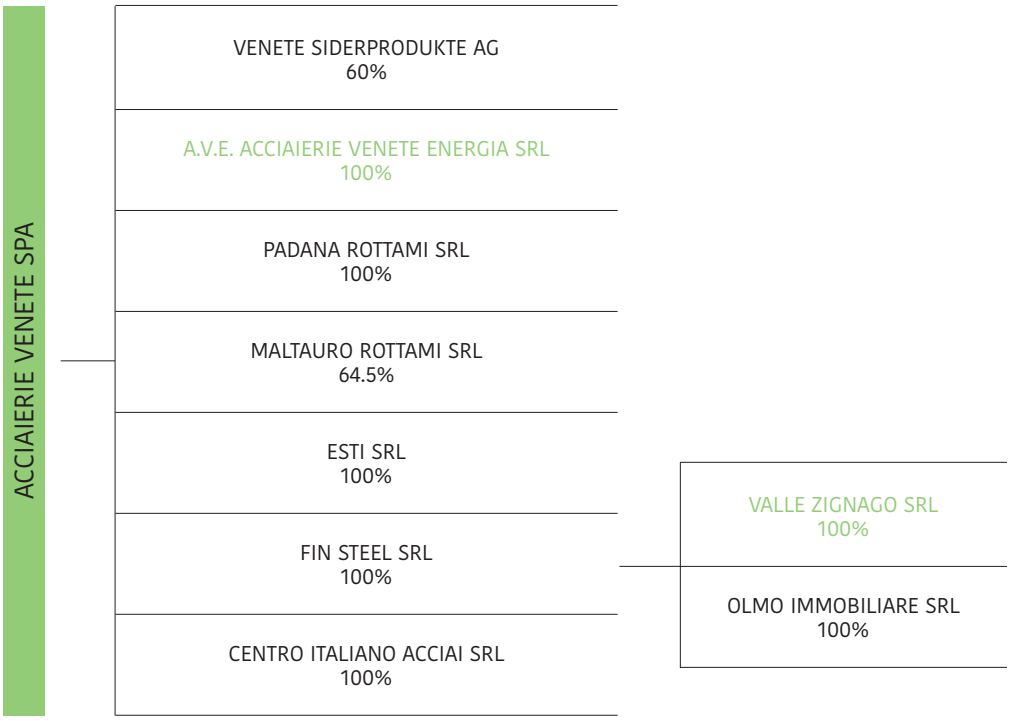
The company grew internally (investing in human resources, technologies, processes and products) and externally (acquiring the Sarezzo, Mura and Dolcè plants in 2003 and the Borgo Valsugana and Odolo plants in 2018, then merged by incorporation in 2019). Over the last three years, the company has strengthened its corporate structure, diversifying and expanding its "family" with the purchase of Valle Zignago srl, an agricultural company boasting a green area of around 800 hectares, and introducing the new company A.V.E. srl dedicated to the management of electricity from renewable sources, which in 2022 analysed several projects, some of which could be launched during 2023.

Acciaierie Venete owes its success to the work of 1,391 employees in the various areas of production, inspection and testing, assembly, transport, marketing, customer service and sales. The company represents an important production hub, which, with its steel production, forms a network that extends across the entire country, being used in industries like automotive, oil & gas, earthmoving and agriculture, drawing, mechanical engineering, merchant and commercial rolled products and other uses for special steels.

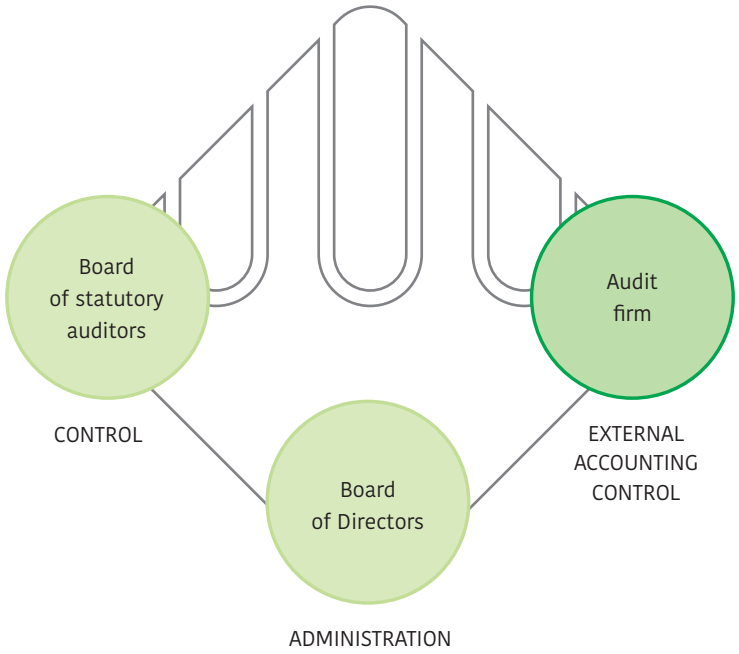
1.1.1 Relations with Group companies

Acciaierie Venete SpA maintains commercial and financial relations with subsidiaries and associates, which make the corporate structure strategic and diversified.

COMPANY STRUCTURE ACCIAIERIE VENETE SPA AND ITS SUBSIDIARIES



1.2 Corporate Governance



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

Chairman	Directors
Alessandro Banzato (company representative)	* Roberto Beduschi Andrea Businari * Andrea Rinaldo * Alessandro Terrin

* independent directors

- **The Board of Statutory Auditors** consists of the Chairman, two Standing Auditors and two Alternate Auditors. It controls the company's operations in the short and long term.

- **The Independent Auditor** also plays an important role, as an external body. It is responsible for verifying and certifying that the company carries out all its operations according to the standards specified by law and by the pertinent accounting standards.

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

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

1.2.1 Risk management

Effective risk management is a key factor in maintaining the Company's value over time. In order to optimise this value, the Company has implemented an Enterprise Risk Management process aimed at integrated risk management, through systematic actions of:
- Elimination
- Reduction
- Contract transfer
- Risk control.

Risk monitoring, mitigation and management are performed on an ongoing basis by the various corporate management and control bodies, as well as by the various corporate functions in the performance of their activities. The Acciaierie Venete Group operates in the steel industry and has identified a number of risk categories, classified as follows:

- **External risks**
  Related to general economic conditions
  Related to the business
- **Strategic risks**
  Exposure to risks related to technological evolution reconciles with the Group's ability to correctly interpret market needs by translating them into investments in: Innovation and Sustainability.
- **Operational risks**
  Risks inherent in the nature of the business, occupational health and safety, the environment, the supply chain and cyber security. Risks related to product quality and business interruption are also considered.
- **Financial risks**
  This category includes: Credit risk, Risks associated with the use of financial resources, Liquidity risk, Interest rate risk, Exchange risk management.

1.2.2 Organisation, Management and Control Model (OMC) pursuant to Italian Legislative Decree 231/2001 and SB

The OMC is a document approved by the Board of Directors that contains the general principles as well as the specific rules aimed at combating the commission by companies of the predicate offences enumerated in Italian Legislative Decree 231/2001.

The Code of Ethics and the Organisational Model adopted since 2010 were also systematically reviewed during 2022 by the Supervisory Body, composed of two external members and one internal member of our organisation.

The work done by the Supervisory Body, shared with the heads of the various company functions, is periodically brought to the attention of the Board of Statutory Auditors and the Board of Directors for assessment and approval.

In 2022 the Supervisory Body performed 12 audits that involved each of the Company's production plants at least once and the administrative headquarters three times for issues related to different predicate offences pertaining to safety and the environment.

The Supervisory Body also meets each year with the Board of Statutory Auditors to present the work it has done and to highlight any issues identified.

Lastly, note that with a view to the continuous maintenance of the Organisational Model, which also takes into account the expansion of the catalogue of predicate offences, in 2022 an analysis was performed of the new offences envisaged by Italian Legislative Decree no. 184 of 8 November 2021, which implemented EU Directive 2019/713 on combating fraud and counterfeiting of non-cash

means of payment, expanding the list of predicate offences covered by Italian Legislative Decree no. 231/2001 with the introduction of Article 25-octies.1, "Crimes relating to non-cash means of payment", which identifies the financial penalties applicable in connection with the commission of such crimes, when it is proved that they were committed to the benefit or in the interest of the Entity.

After the company completed its analysis of the new predicate offences with the help of external consultants, it was considered that within the scope of Acciaierie Venete SpA's current activities the risk of committing one or more of the aforementioned predicate offences is null or remote, and therefore it was decided not to update the Organisational Model.

During the year an in-depth study on the subject of whistleblowing was disseminated internally to the most sensitive actors, focusing on the new regulations in force.

1.2.3 Antitrust compliance programme

Compliance with antitrust rules is the basis of the Group's ethics, and over the years it has become increasingly aware of the issue by implementing an antitrust compliance programme and periodically organising internal seminars.

The third edition of the seminar for executives and employees in sensitive positions was held in September 2022. Conducted by an external lawyer specialised in antitrust matters, the seminar was accompanied by an audit that asked the participants questions on some cases of dubious interpretation in terms of compliance. On this occasion, the Antitrust Manual was updated and a new statement of principles for fair competition was drafted. The latter was published both on Acciaierie Venete's website and on its LinkedIn page. The programme began in 2017 with the addition of the position of Antitrust Compliance Officer (ACO) to the organisational chart, a person responsible for monitoring and maintaining all the functions performed within the system in line with the antitrust model adopted.

In addition to seminars, a number of awareness-raising and training actions were carried out in the field over the past few years, using news reports regarding sanctions or investigations by national or European Authorities to refresh the principles studied and note the risks that the Company runs in the event of improper conduct. Finally, new hires destined for areas exposed to antitrust concerns are given an information kit regarding the activities done, and customised preparation sessions are held.

STATEMENT OF ANTITRUST COMPLIANCE PRINCIPLES

"Acciaierie Venete calls on all its employees to make every effort to manage the antitrust risk together, making competition the engine of its corporate growth".

Alessandro Banzato - Chairman

Having made antitrust compliance a corporate priority, Acciaierie Venete organises regular audits, courses and training seminars for all employees most exposed to antitrust risk to familiarise them with the basic rules of competition law, with the threefold aim of (a) avoiding infractions, (b) better protecting themselves against aggressive and unlawful commercial policies of third parties and (c) promptly seizing opportunities for growth.

With these objectives in mind, the 2022 Antitrust Compliance Programme was conceived. As in the past, the Programme is led by the Antitrust Compliance Officer.

Indeed, appointed by the Board of Directors with a dedicated and intangible budget, the ACO ensures (where necessary with the aid of an external specialised lawyer):

- Prompt advice when requested by employees.
- Prior analysis of commercial policies.
- Continuous staff training, by organising training sessions with mandatory attendance.
- A system of sanctions for employees in the event of non-compliance.
- Distribution of the Antitrust Manual to employees.
- Audits at regular intervals for those employees most exposed to antitrust risk, but less than every two years.

At Acciaierie Venete, every employee exposed to antitrust risk is well aware that they must:

- Refrain from any unauthorised contact with competitors.
- When meeting with competitors, ensure that the meeting has a legitimate purpose and that the topics discussed do not go beyond such purpose.
- Avoid exchanging sensitive and/or confidential information with competitors, including through third companies, consortia or associations.
- Monitor its internal and external communications.
- Consult the ACO immediately if the lawfulness of a situation appears doubtful.

To ensure the effectiveness of the programme, all employees are aware of the company's right to organise internal, unannounced audits of:

- Employees' compliance with the rules issued.
- The possible presence in their laptops, smartphones, files and agendas of mechanisms that can detect the violation of such rules.

This document is published on the company's website so that third-party companies that have dealings with it (customers, competitors, suppliers) are both aware of the obligations incumbent on its employees and feel obliged to comply with the antitrust rules which, by protecting the competitive mechanisms of the market, incentivise companies to excel in the quality and cost-effectiveness of their products to the benefit of technical progress and customers/consumers.

Therefore, Acciaierie Venete demands compliance with antitrust rules from its employees and third-party companies that deal with it.

1.2.4 Cyber security

Aware of the relevance and sensitivity that corporate information and information systems have in the company's operational management, and considering the continuous growth and evolution of threats in the area of so-called cybercrime, Acciaierie Venete has for some time now embarked on a path of technological improvement and development that takes the form of:

- The continuous updating of technologies and services for monitoring, preventing and defending against cyber attacks.
- Organisational adjustments, reviews of policies and related procedures.
- Reinforcement of continuous replication, backup and disaster recovery systems.
- Continuous awareness-raising/training and definition of risk awareness and safe behaviour plans for all employees.

The approach used results in continuous awareness-raising and training, as well as the establishment of risk awareness and safe behaviour plans for all employees.

In this regard, the company decided to make available some teaching tools to employees that they can use to assess and improve their computer security knowledge and skills both at work and at home.

Training statistics

450 USERS TRAINED

- People most exposed to risk
- Average user success more than 93%

5 KEY MODULES

- Security Basics
- Web & email security
- Web & email awareness
- Mobile Iot
- GDPR

1125 TRAINING HOURS PROVIDED

- Divided into sessions of about 30 minutes per module
- Training completed in two calendar months

1.3 Economic value

1.3.1 Economic value generated and distributed

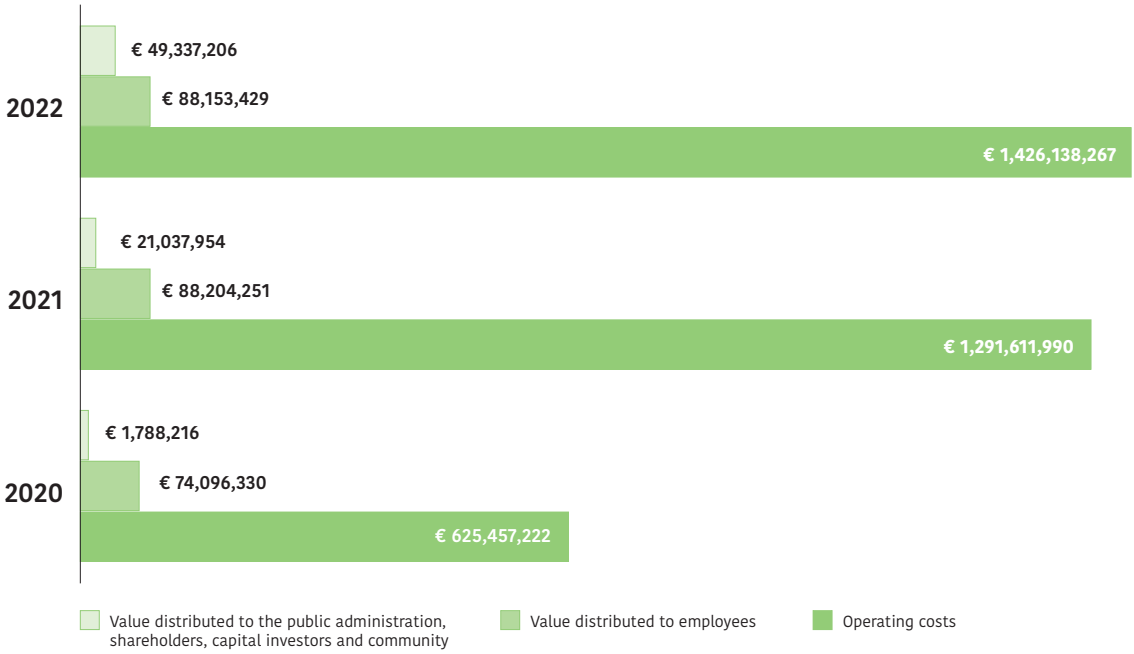
In 2022 Acciaierie Venete generated value of over €1.8 billion (Production value of €1.8 billion and other positive income components of approximately €3.5 million), up 25% compared to the previous year (economic value of €1.4 billion generated in 2021). Acciaierie Venete produces wealth and contributes to the economic growth of the social and environmental context it operates in. This contribution is measured in terms of added value produced and distributed to stakeholders.

[€/000]	2020	2021	2022
Economic value generated	748,549	1,454,740	1,815,046
Economic value distributed	701,342	1,400,854	1,563,629
Economic value withheld	47,207	53,886	251,417

The value directly distributed in 2022 exceeded €1.5 billion, broken down as follows:

- Operating costs distributed to suppliers (mainly of raw materials) amounted to €1.4 billion, up 10% from 2021, proportional to the increase in the cost of production.
- Remuneration and employee benefits amounted to €88 million, in line with the previous year.
- Transfers to the public administration, lenders, shareholders and the community amounted to €49 million, a marked increase over the last two years.

Breakdown of economic value distributed

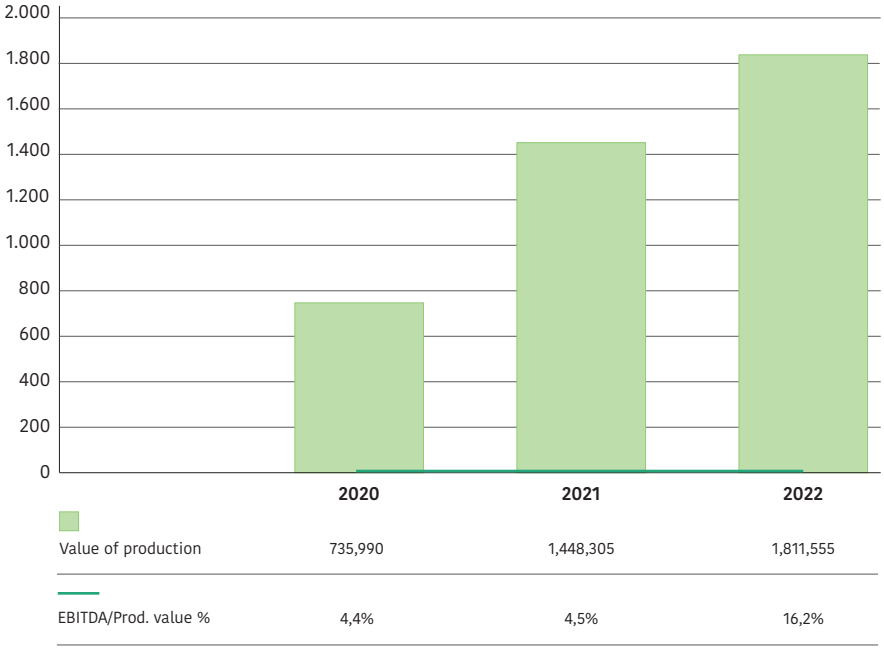


1.3.2 Economic and Financial Data of Acciaierie Venete

	Production and Sales (000 T)										
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Average 2013-22**
Tonnes produced	1,205	1,169	1,209		1,381	1,254	1,415	1,378	1,824	1,539	**1,358**
Tonnes sold	1,125	1,123	1,113	1,132	1,322	1,316	1,343	1,284	1,744	1,496	**1,300**

	Economic Data (€ 000)										
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Average 2013-22**
Turnover	739,840	716,730	653,024	596,394	796,964	934,716	883,179	727,388	1,383,425	1,672,067	**910,373**
Value of production	747,656	707,352	659,649	591,314	826,781	965,858	879,557	735,990	1,448,305	1,811,555	**937,402**
Net Profit	27,819	38,830	34,277	34,853	55,186	84,850	45,695	14,871	19,120	213,555	**56,905**
EBITDA	66,398	69,136	66,309	59,544	91,315	141,300	79,590	32,660	64,613	292,593	**96,346**
EBITDA/ Prod. value %	8.9%	9.8%	10.1%	10.1%	11.0%	14.6%	9.0%	4.4%	4.5%	16.2%	**10.3%**

Value of production - EBITDA/Value of production



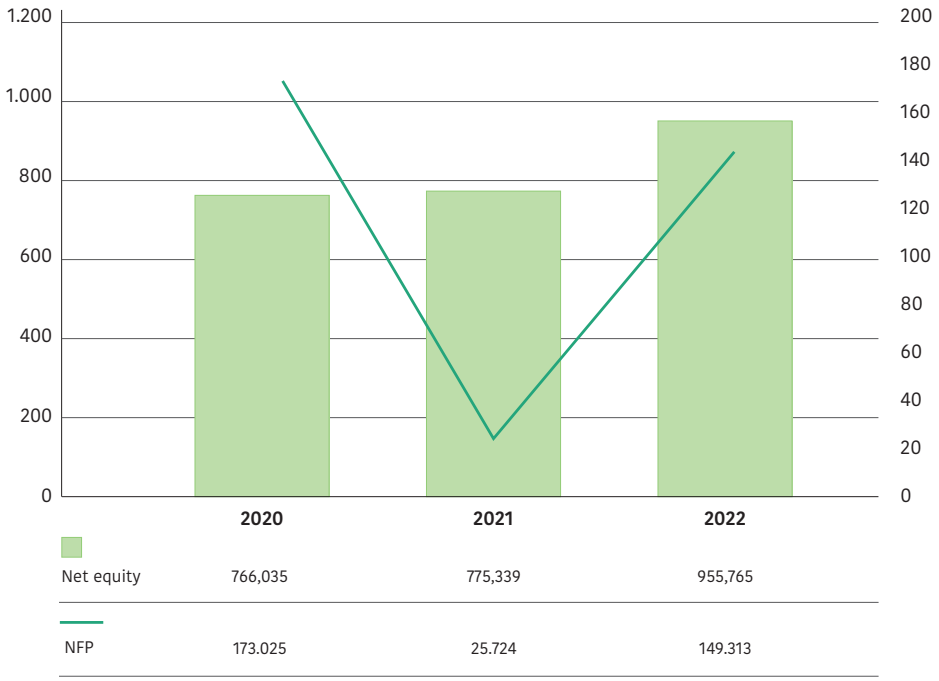
The ten-year trend shows a solid, satisfactory profitability even in complicated periods such as those of the past three years.

In 2020 Covid compressed production volumes and turnovers throughout the steel sector. In 2021 the recovery in demand meant more tonnes sold with an increase in average sales prices and consequently a strong increase in turnover. 2022 was characterised by a significant increase in the cost of energy due to the international conflict and the significant rise in energy prices.

	Financial Data (€ 000)										
	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Average 2013-22**
Net equity	408,659	437,724	461,229	484,363	527,831	601,341	649,033	766,035	775,339	954,343	**606,590**
NFP*	98,745	136,722	148,316	183,800	164,986	145,265	184,197	173,025	25,724	149,313	**141,009**
NFP/ Net equity	24.2%	31.2%	32.2%	37.9%	31.3%	24.2%	28.4%	22.6%	3.3%	15.6%	**23.2%**
NFP/EBITDA	1.5	2.0	2.2	3.1	1.8	1.0	2.3	5.3	0.4	0.5	**1.5**

* The Net Financial Position is positive and includes portfolio securities, bank and postal deposits net of payables to banks within and beyond 12 months.

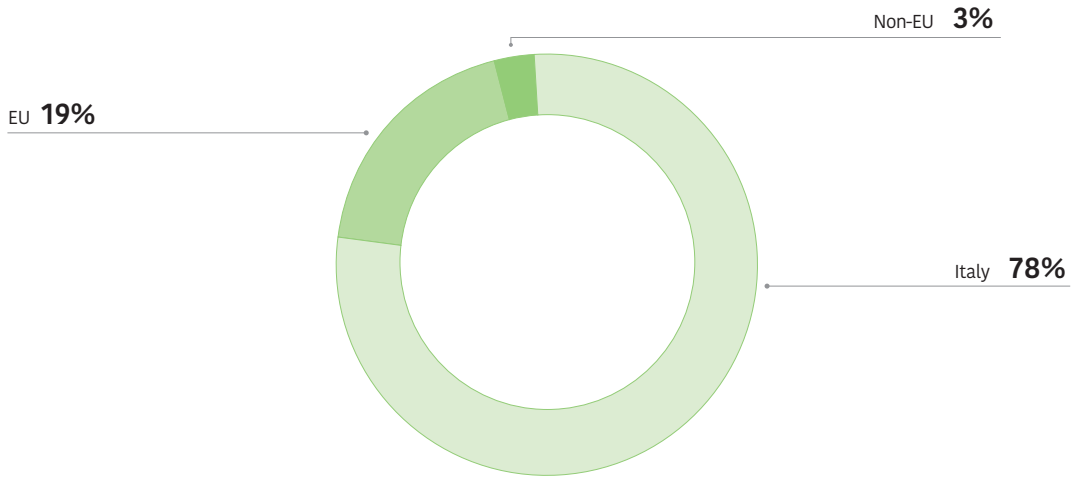
Shareholders' Equity and NFP*



* The Net Financial Position is positive and includes portfolio securities, bank and postal deposits net of payables to banks within and beyond 12 months.

The trend of the last three years with respect to Acciaierie Venete's financial data shows a consolidated and constantly growing capitalisation. Investments were financed by a positive net financial position that does not require the help of bank credit facilities to support development. As of 31 December 2022, the Net Financial Position vis-à-vis the banking system was positive at €149 million, a sharp increase from the €25.7 million reported in the previous year.

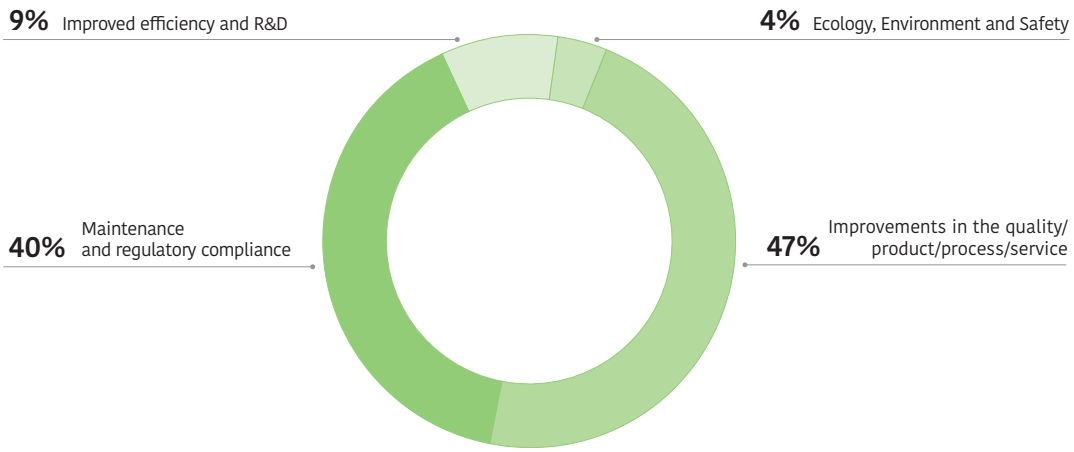
Breakdown of sales by geographical area



1.3.3 Investments

Investments in recent years and those currently planned have enabled Acciaierie Venete to maintain and increase the levels of production efficiency and process quality that have always distinguished it. The main areas involved are: product/process improvement, which enables the company to retain the competitive advantage built up over time; maintenance/regulatory compliance, through which the company operates in line with the regulations and principles governing conduct. In 2022 more than €34 million was invested in tangible and intangible assets, a sharp increase over the previous year, although still in line with the trend of recent years. This underscores how attentive the company is to technological and sustainable progress. Numerous ESG projects were considered during the year.

Investments (2022) Total €34,048,966



2.
OUR STEEL SUPPLY CHAIN


STEEL IS BORN
TO BE ALIVE

2.1 The steel we produce

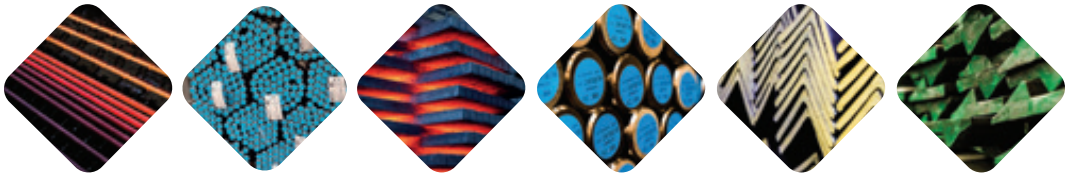
In its simplest conception, steel is an alloy of iron and carbon in which the content of the latter does not exceed a threshold of 2%. When these two elements are added to others – such as nickel, copper, aluminium, manganese or chromium – we speak of alloy steels endowed with superior chemical, physical and mechanical characteristics. Specifically, Acciaierie Venete specialises in the production of low-alloy steels, where no element other than iron and carbon exceeds 5%. Depending on their uses down the value chain, the steels we produce – also known as special steels or engineering steels – are required to meet stringent criteria of elasticity, ductility, toughness and fatigue resistance and are made to order in accordance with the precise processing and application requirements specified by our customers.

2.1.1 Our products

In terms of quality, morphology, dimensions and supply conditions, Acciaierie Venete's product range is undoubtedly among the richest in the European market. As long product manufacturers, the range encompasses innumerable product categories, mainly identifiable in continuous casting products such as blooms and billets, and rolling products such as round bars, billets, squares, rods, wire rods, flat bars and various profiles, such as angles and U-irons. With regard to the quality range, i.e. the steel grades produced, our company specialises in the production of carburised, quenched and tempered, micro-alloyed, improved workability steels, and numerous other steels aimed at specific markets or customers, such as boron steels, spring steels and those for the cushion industry. In addition to this complexity and based on the characteristics requested by the end customer, multiple treatments can be combined, including **heat treatments** capable of giving the steel particular metallurgical properties, and **cold processing** such as peeling, rolling or chamfering.

TYPES OF STEEL

Structural steels	Steel for bearings	Steels with improved machinability
Carburised steels	Steel for bolts	Special analysis steels
Quenched and tempered steels	Steel for springs	Steels for various applications
Micro-alloy steels	Boron steels	



PRODUCT TYPES

BILLETS, SLABS AND CONTINUOUS CASTING BLOOMS
Squares and rounds from 120 mm to 600 mm
Slabs from 220x160 mm to 380x200 mm
ROLLED ROUNDS AND BILLETS
Round bars from 10 mm to 220 mm
Round rolls from 13 mm to 43 mm
Billets from 30 mm to 220 mm
Hexagon bars from 20 mm to 45 mm
ANGLES
Angles with equal sides
Angles with unequal sides

HEAT-TREATED BARS
Quenched and tempered rounds from 30 mm to 130 mm
Annealed billets from 30 mm to 220 mm
Quenched and tempered flat bars from 110x12 mm to 400x40 mm
ROLLED FLAT BARS AND SQUARES
Flat bars from 20x4 mm to 400x50 mm (according to EN10092 types A, B and C and according to EN10058)
Rolled flat bars from 20x4 mm to 80x11 mm
Square bars from 20 mm to 80 mm
Rolled squares from 11 mm to 27 mm

2.1.2 Reference markets

With its production of semi-finished, rolled and verticalised products, Acciaierie Venete is strongly oriented towards specialties, designing and manufacturing steels to meet the advanced engineering requirements and quality demands of all industries using special steels.

Industries include the automotive sector, including passenger cars and light and heavy vehicles, earth-moving, agricultural machinery, the energy sector, with oil & gas and wind power as the main contributors, the mechanical engineering sector in general, the construction sector and the varied uses merchant rolls are put to. Through a dense network of established business relationships with our customers who forge, stamp, draw or process steel by cold turning, we serve many of the global market's most important user brands, which have approved our production processes and methodologies.

Gears, gearwheels, bearings, flanges and bolts are just a few examples of the many components manufactured by Acciaierie Venete. Although it may go unnoticed, due to the natural distance separating our company from the world of consumer goods, much of the material leaving our factories actually directly or indirectly ends up being used in the most normal activities of everyday life.

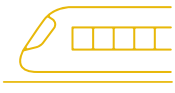
It could be concealed under the transmission stick of a car, in the wheel of a scooter, in an automatic coffee machine, or more simply it could make it possible to transport gas or produce sustainable electricity to heat and power homes and vehicles. While Acciaierie Venete is but one of the first steps in a value chain as complex and diverse as that of steel, the objective of the Group and its people is to work each day to guarantee the utmost reliability for those who follow us and use our products, so that whatever the form and use of Acciaierie Venete's steel it can enable and – we hope – even improve people's lives.

Automotive
Passenger cars

Automotive
Light vehicles

Automotive
Heavy vehicles

Wind power



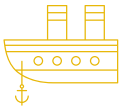
Railway

Merchant

Earthmoving

Mechanical

Oil & gas

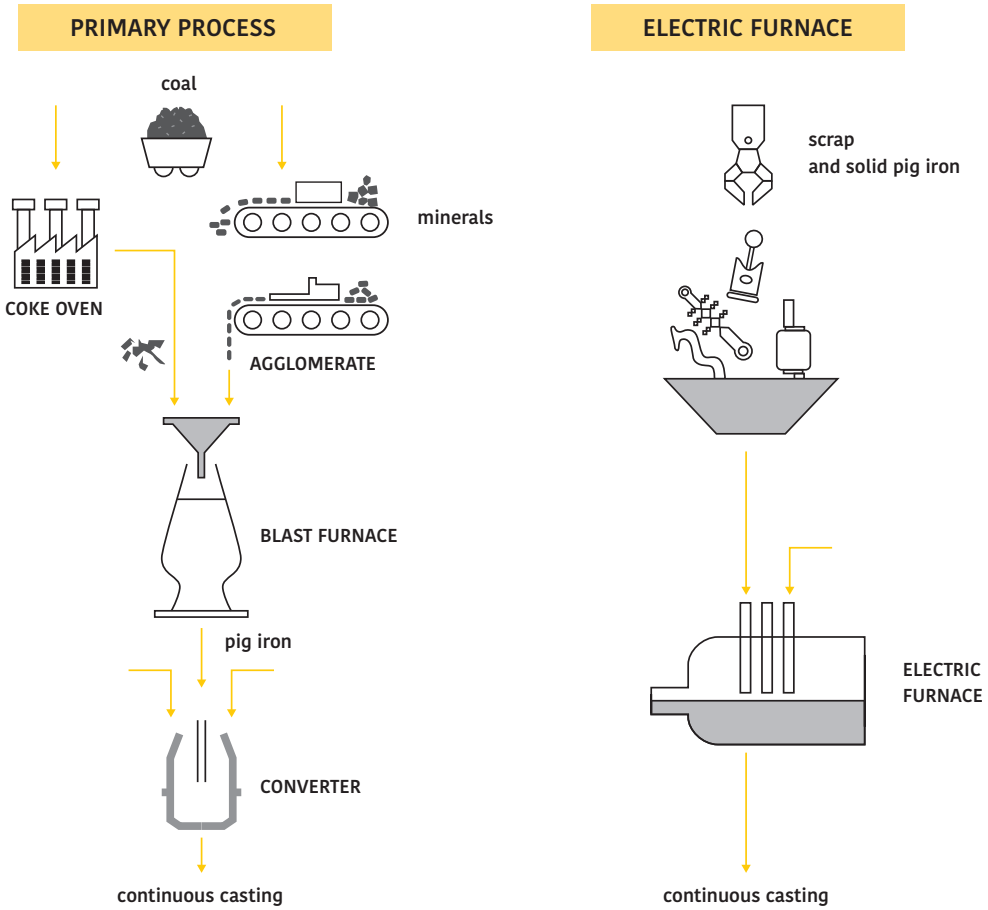


Naval

Agriculture

2.2 The production process

Steel is mainly produced using two different production processes: an electric furnace (EAF) as at Acciaierie Venete, and what is called the primary process. While the former involves smelting ferrous scrap, exploiting steel's potential recyclability to the fullest, the primary process, also identified using the acronym BF-BOF (Blast Furnace + Basic Oxygen Furnace), mainly uses iron ore and hard coal, both of which are products of primary mining.



Derived respectively from agglomeration and coking plants, the latter will then be melted in the blast furnace to obtain pig iron, which in turn is fed into oxygen converters for steel production.

In contrast, the electric furnace process is much simpler and more compact because it is limited to the direct melting of ferrous scrap through the heating of electrodes, and to a lesser extent the chemical energy triggered by the insufflation of gas. The obvious distance between the two processes is mainly reflected in their economic-industrial and environmental consequences. Regarding the first aspect, the complexity of the primary process requires massive investments and a large workforce, while the EAF process, besides requiring much less capital, uses less space and offers far greater production flexibility.

Second, and certainly not least, the substantial difference between the two production methods in terms of their broader environmental impact is worth noting.

In fact, recent studies have confirmed that blast furnace melting generates about 2.5 tonnes of CO_2eq per tonne of steel produced as opposed to the 0.1-0.2 emitted by the electric furnace, an impact that is 12 to 25 times greater, with a gap that is destined to be reduced only and to a small extent with the use of direct reduced iron.[1]

All this not to mention the indirect – but far from negligible – emissions associated with the primary extraction of pure minerals, with important implications for the supply chain in terms of Scope 3 emissions.

The electric furnace process, on the other hand, represents a virtuous example of circular economy because, based on the 4-R philosophy, it allows scrap and waste materials otherwise destined for the landfill to be recovered and transformed into new steel.

DRI/HBI or direct reduced iron/hot briquetted iron.

Despite the fact that Acciaierie Venete can currently include up to 90% scrap in the furnace mix, the decarbonisation strategies launched in the main European countries – focused primarily on the conversion of the BF-BOF process to EAF – will inevitably lead to an increase in the demand for scrap, with possible repercussions in terms of availability for European and international markets.

For this reason, as a partial substitute for pig iron and scrap, Acciaierie Venete has for some time been successfully experimenting with the use of HBI (Hot Briquetted Iron), a more stable form of DRI: a semi-finished steel product containing metallic iron and obtained by reducing iron ore by means of reducing gases.

In parallel, in order to maintain a balanced and diversified mix of supply sources, but also to ensure an adequate metallurgical quality of the furnace load in the long term, our company is taking part as a consortium in a number of projects related to the development of technology and equipment linked to direct reduced iron.

[1] SOURCE: https://www.industriaitaliana.it/acciaio-idrogeno-verde-carbonio-co2-siderweb-saipem-abs-arvedi-acciaierie-venete-feralpi-marcegaglia-danieli/

CEIP

On 12 October 2022, 12 Italian steel companies that use electric furnaces, including Acciaierie Venete, formally established the “CONSORZIO ELETTROSIDERURGICI ITALIANI PRERIDOTTO - SOCIETÀ CONSORTILE A R.L.”, abbreviated as CEIP Scarl.

The decision to set up the consortium CEIP Scarl represents a unique strategy, not only nationally but also internationally.

In order to ensure that future EAF production can be adapted to demand while at the same time bringing steel products into line with the quality and environmental impact standards set by the European Commission and the EU metalworking industry, it is essential to ensure protected sources of raw material supply, such as scrap, pig iron and DRI (Direct Reduced Iron).

As an important development of the project, on 18 January 2023 CEIP Scarl also signed an important cooperation agreement with DRI D'ITALIA S.p.A., a company wholly owned by Invitalia S.p.A. - National Agency for Internal Investment and Economic Development.

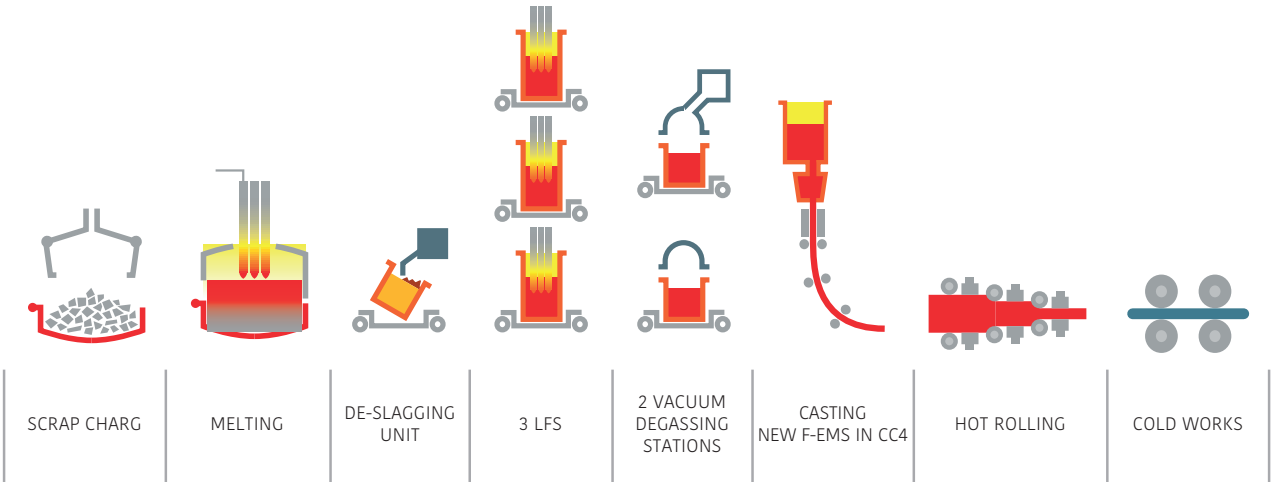
The subject of the memorandum of understanding was the cooperation between the parties in the evaluation and possible joint pursuit of certain opportunities relating to the production, marketing and sale of DRI.

Once the tapping phase of liquid steel is over, which as we have seen can differ considerably, its transformation into long products goes through often very similar production phases, depending of course on the characteristics of the finished product.

In general there are two main steps: casting, in which the liquid steel passes to a solid state by means of continuous casting machines or with the aid of ingots, and subsequent possible rolling, in which the casting blank is hot-worked and shaped into round bars, billets, flat bars and other forms.

As discussed earlier, the nature of the uses and downstream markets served defines the possible further mix of processes and treatments carried out after these two initial stages and based on customer requirements.

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

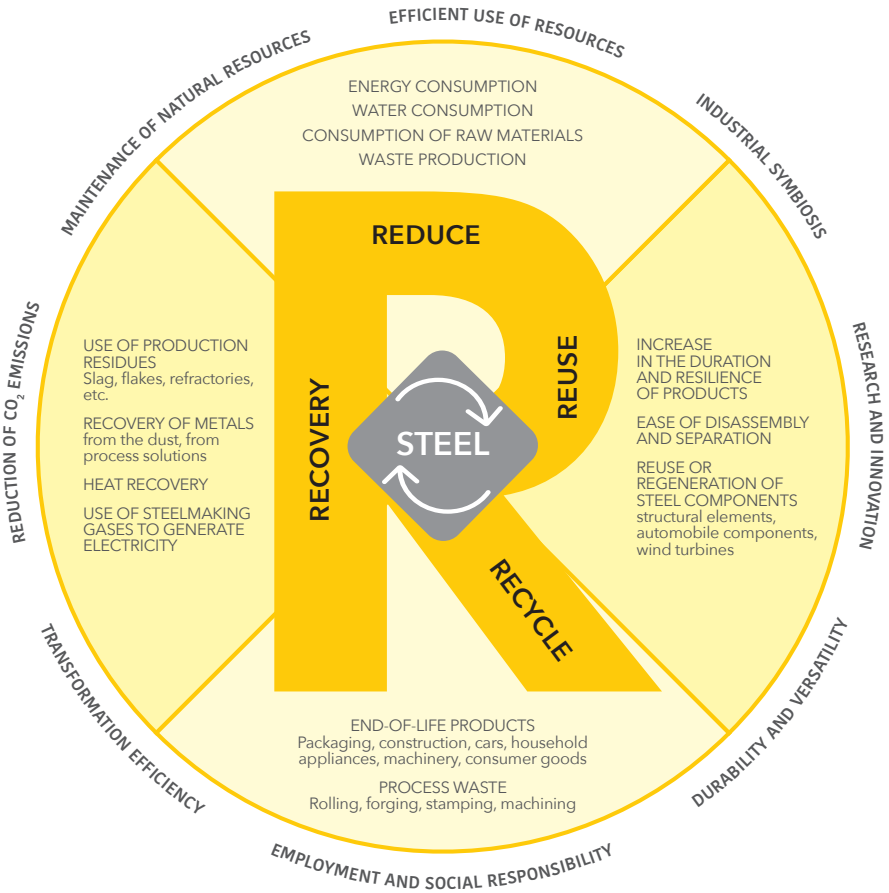


2.3 Scrap: our circularity

The iron and steel cycle is already a virtuous example of a successfully applied circular economy: all steel products – from those with a shorter life cycle (e.g. packaging) to those with an intermediate life cycle (motor vehicles) to the more durable ones (e.g. construction products) – already achieve very high recycling rates, with peaks of excellence in our country.

In addition to the recycling of steel products at the end of their life cycle, there is also the recycling of rejects and scrap directly from steel production and transformation processes, which are immediately reintroduced into the cycle in quantities close to 100%. To speak of steel as a simply recyclable material today is reductive: in fact steel can be classified as a "**permanent material**".

Unlike many other simply recyclable materials, 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, which make it irreplaceable in an array of applications.



(Source: Federacciai - Sustainability Report)

The origin of Ferrous Scrap can be reconstructed as follows:
- Industry/Production
- Industrial/Municipal Demolitions
- Municipal Collections

The processing of ferrous scrap waste takes place in authorised and specialised companies, which through standard operating procedures change the status of the raw material from Waste to "Non-Waste" (Reg. 333/2011 End of Waste) regenerating/recovering both an economic and productive value. This legislation aims to stimulate recycling markets within the European Union through provisions that will clarify the legal concept of waste.

Metal scrap should not be classified as waste as long as:
- the ferrous material is clean and safe;
- suppliers implement a quality management system;
- in compliance with the criteria specified, a declaration of conformity is provided for each consignment of scrap.

To treat ferrous scrap as "Non-Waste", the necessary treatments (such as cutting, shredding, washing and de-pollution) must be performed to prepare the material for final use in melting or steel-processing plants.

F1 Ministry of the Environment and Protection of Land and Sea in collaboration with the Ministry of Economic Development, Circular economy and efficient use of resources - Indicators for measuring the circular economy, 2018.

2.3.1 Supply management

In the broader aim of continuing to develop production in harmony with the circular economy, last year Acciaierie Venete recovered and reused more than 1.7 million tonnes of scrap, mainly from the area surrounding its plants.

While for the steel mills in Sarezzo (BS) and Padua, local supplies[2] exceed **50%** thanks to a dense concentration of steel users and processors in Veneto and Lombardy, for the Borgo Valsugana plant only **15%** comes from suppliers in the region. This difference is certainly linked to the scarcity of mechanical companies producing scrap in the neighbouring areas.

Whatever its origin, the scrap destined for Acciaierie Venete's electric furnaces is rigorously chosen and selected based on its qualitative characteristics, so that full compliance with the regulatory framework in force is ensured, including compliance with EU Regulation no. 837/2010, no. 333/2011 and no. 715/20.

Since this is a resource of strategic value, as a further guarantee of the steel produced Acciaierie Venete chose to partner with two companies in the group for the procurement of scrap: Padana Rottami and Maltauro Rottami.

Respectively controlled 100% and 64.5%, these companies play a fundamental role in the Group's activities as they allow for a constant and qualitatively reliable inflow of this strategic raw material.

The supply of scrap from these sources, which in total covers about 50% of all needs, thus contributes to the strengthening of a circular economy that is for the most part managed directly by Acciaierie Venete. With the collection of our production scrap and its internal management through our own companies, we represent an ideal junction between the world of steel and the world of scrap.

Within the perimeter of the same supply chain, strict controls in the procurement phase then translate into a further development of post-production operations in the broader objective of ensuring maximum compliance and operational flexibility with respect to the downstream product requirements of the end customer.

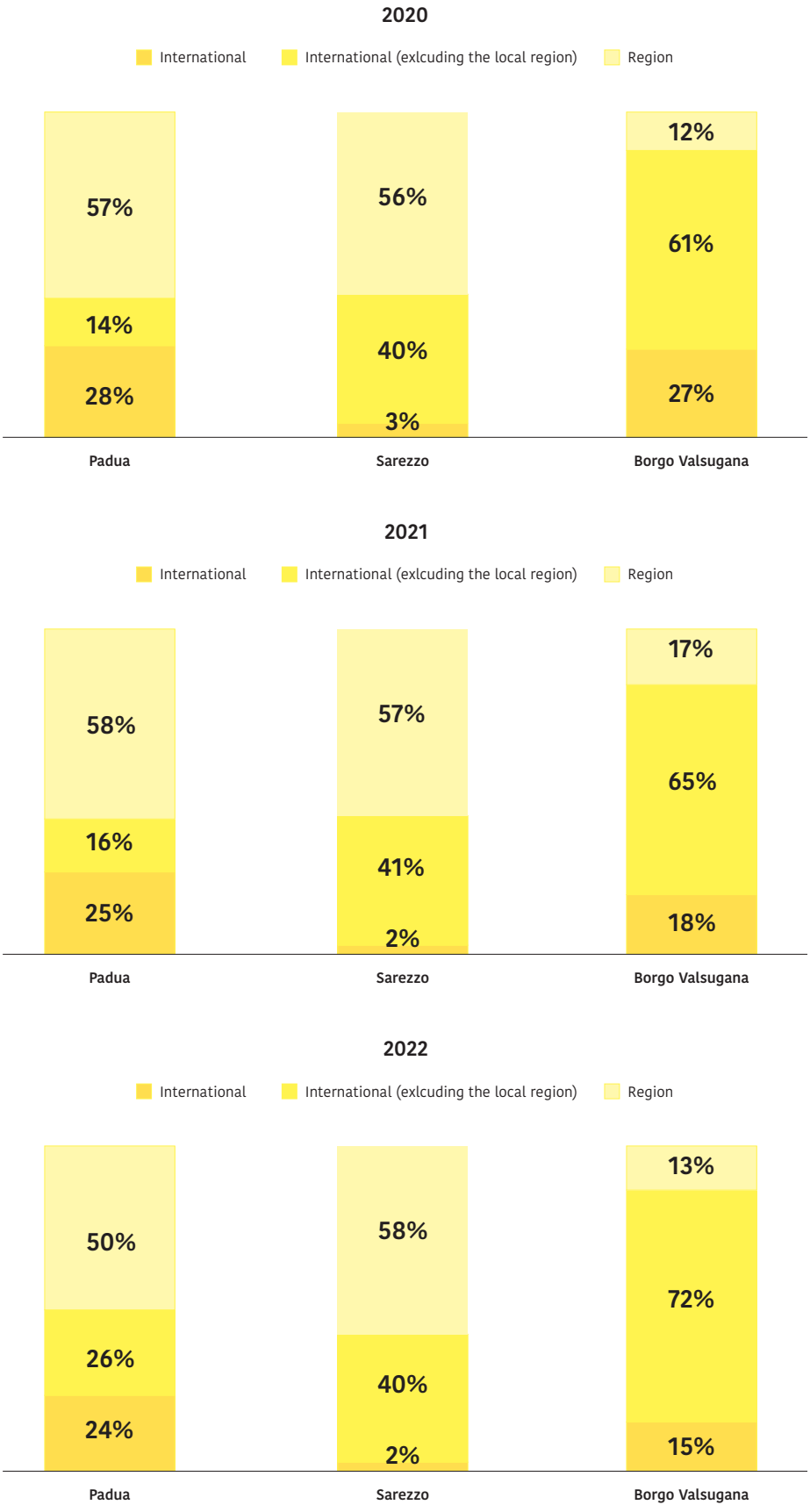
Through CIA - Centro Italiano Acciai, which carries out cold working and retail operations, Venete Siderprodukte, a foreign trading company, and Esti, a company for wear-resistant steel profiles and parts, the Acciaierie Venete Group ensures a comprehensive service, serving several areas of the value chain.

The verticalisation of our processes, starting with the sorting and processing of scrap, thus continues beyond the steel mill to the production of finished, ready-to-use products such as bucket blades for tractors and earthmoving industries.

This extensive involvement in the entire steel transformation process allows us not only to be able to manage our available resources effectively and efficiently, but also to be able to offer maximum flexibility and product quality thanks to the control – completely in Italy – of all phases between the procurement of scrap and the supply of products tailored precisely to the needs of the end customer.

[2] Suppliers with registered offices in the same region as the plant in question are considered "local".

2.3.2 Scrap supplies



By “Region” is meant the one referring to the indicated establishment.
By “Italy” (excluding plant region) is meant supply from all regions other than those of the plant indicated below.

2.4 Our upstream supply chain

PADANA ROTTAMI

Castelfranco Veneto (TV)

PADANA ROTTAMI SRL is a company entirely controlled by Acciaierie Venete. It operates throughout northern Italy with a widespread service using its own loading and transport vehicles suitable for the collection of ferrous and non-ferrous scrap. It has two production units and a workforce of around 80 employees.

Business

The core business is the purchasing of scrap iron, its collection with special vehicles, its transformation from waste material into a homogeneous raw material and its sale to the end customer.

Certifications

ISO 14001:2015 Environmental management system

ISO 9001:2015 Quality Management System

Applicable regulations

Regulation (EU) no. 333/2011
Provides criteria on when to stop classifying certain types of metal as waste as per Directive 2008/98/EC of the European Parliament and of the Council.

Regulation (EU) no. 715/2013
Provides criteria on when to stop classifying copper scrap as waste as per Directive 2008/98/EC of the European Parliament and of the Council.

MALTAURO ROTTAMI

Zané (VI)

MALTAURO ROTTAMI SRL was established in Zanè (VI) in 1956 in the midst of a burgeoning mechanical industry hub of excellence, the highly industrialised area of Alto Vicentino (Schio, Thiene). In 1986 the company was acquired by Acciaierie Venete, becoming a leader in terms of turnover and quantities sold in the province of Vicenza.

Business

Collection and transport of ferrous and metal scrap from industrial and artisanal processes. Its strength lies in its ability to combine product quality and price with service flexibility, together with its commitment to finding a constant synergy between company operations, customer satisfaction, environmental sustainability and protecting the health and safety of its employees.

Certifications

ISO 14001:2015 Environmental management system

ISO 9001:2015 Quality Management System

Applicable regulations

Regulation (EU) no. 333/2011
Provides criteria on when to stop classifying certain types of metal as waste as per Directive 2008/98/EC of the European Parliament and of the Council.

Regulation (EU) no. 715/2013
Provides criteria on when to stop classifying copper scrap as waste as per Directive 2008/98/EC of the European Parliament and of the Council.

2.5 Our downstream supply chain

Idro (BS)

ESTI SRL is a wholly-owned subsidiary of Acciaierie Venete. It competes in the wear-resistant steel market with a complete production chain (from the sale of raw materials and accessories to the production of finished products tailored to its customers' specifications). 98% of its market is European (of which 25% national). The company is based in Val Sabbia and employs around 60 people.

Business

Production and sale of wear-resistant steel parts for construction machinery, with a sales network that includes steel distributors, machine manufacturers (OEMs), bucket makers and spare parts distributors.

Certifications

ISO 14001:2015 Environmental management system

ISO 9001:2015 Quality Management System

Modena

CENTRO ITALIANO ACCIAI srl is a wholly-owned subsidiary of Acciaierie Venete that operates throughout Italy and Europe, offering widespread service. It covers an area of about 20,000 sqm, of which 9,350 sqm are indoors. Around 6,000 sqm of these are allocated to the warehouse, about 3,000 sqm to production, and 350 sqm to offices.

Business

Centro Italiano Acciai (the service centre of the Acciaierie Venete group) aims to cover a part of the market that the steel mill cannot serve due to reduced quantities or service. The service centre is structured to work in symbiosis with the steel mill to supply steels based on the UNI EN table or to specs. Thanks to synergies with the parent company, it is able to serve direct steel mill and non-steel mill customers, both for small quantities and for large but highly fractionated supplies. Indeed, the company offers services like custom cuts, a facing centre and other machining to order. The company has automatic cutting lines and robotic work islands with controls including length of the part, perpendicularity, chamfering and centring, and finally part elasticity and magnetism.

Certifications

ISO 9001:2015 Quality Management System

VENETE SIDERPRODUKTE

Geroldswil (SWITZERLAND)

VENETE SIDERPRODUKTE AG, founded in 2006 with its registered office in Geroldswil (CH), is a foreign trading company partly controlled by Acciaierie Venete, which aims to expand the company's international reach.

Business

Operating in 20 European countries, Venete Siderprodukte AG is responsible for selling the Group's products to a large pool of foreign customers in the mechanical engineering, transport and construction industries or that are engaged in the broader steel trade.

Venete Siderprodukte is also involved in logistics. Acciaierie Venete's mission with respect to sustainability recently took the form of the launch of a green sourcing project.

2.6 The quality of our products

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

2.6.1 Certified quality

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 2022 the surveillance audit according to the IATF 16949 standard was performed, and the inspection to maintain the qualification of steels for the automotive industry was successful. Furthermore, 54 internal audits were carried out as per the annual calendar with an average score of 98.5 %, a slight improvement over the previous year. Audits were also performed both by external entities and by Group customers.

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

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

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

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

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

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

[3] 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), Buja - Udine (Rolling mill), Odolo - Brescia (Rolling mill), Borgo Valsugana - Trento (Steelworks).

The position of Product Safety Officer (Produktichereitsbeauftragten) was confirmed. This position was established on the one hand to respond to the requests of some leading customers in the automotive sector, but also anticipating the increasingly stringent Italian, German and European regulations on product safety. The Product Safety Officer supervises production for the automotive sector at the Riviera Francia plant in Padua.

The officer:

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

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

2.6.2 Sustainable innovation

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

Acciaierie Venete aims to play an active role in the introduction of technologies that guarantee process quality, product innovation and improved sustainability performance in terms of environmental protection and occupational health and safety (OHS) As in 2021, in 2022 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.

As already noted, in 2019 the company's Research and Development Centre was set up in order to deal in a structured manner with studies and independent research carried out in collaboration with qualified external bodies. The consolidated centre is continuing its activities by also remaining committed to the field of research for environmental sustainability. The studies delved into certain phases of the steel production process in order to improve its quality and performance. The production experience of lead-free high machinability steels was consolidated with further production at one of the group's plants. As far as the process is concerned, massive low-temperature rolling tests were conducted in the Padua mill. In the following pages are the most significant initiatives and some partnerships in innovative projects.

INDUSTRY 4.0

Since 2019 Acciaierie Venete's Research and Development Centre has been involved in projects related to digitisation, and in 2022 it launched further research in the area of 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. New contacts were established with leading data analysis companies to lay the foundations for long-term partnerships.

2.6.3 Company Research and Development Centre

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

Thanks to recent investments in the most modern OES tools as part of the Industry 4.0 development programme, the R&D team has intensified its sampling plan aimed at measuring inclusion density during the various steps of the production process, also making use of the contribution of a thesis written on this subject. The ultimate objective remains to develop one or more models that allow corrective actions to intervene promptly in the production process and to improve the final micro-inclusive properties of the steel produced.

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

2022 saw the consolidation of efforts on this project thanks to the approval of a production procedure and the confirmation of market forecasts for this area. In fact, this process aims to satisfy customers operating in the steel sector with high, stringent purity requirements. The success of the first tests continued and is confirming what was decided in 2020 to support the plant engineering necessary for a reliable process. In 2022 the new plants were fine tuned and thus proved the effectiveness of the new production methods.

Low-temperature rolling line set-up

In 2022 low-temperature rolling methods were investigated with the aim of researching the achievement of certain values of mechanical properties otherwise unobtainable with classic hot rolling. This was made possible by several strategically placed quenching boxes on the rolling line. Of the various brands analysed, the results on micro-alloyed products were particularly interesting. The focus now is on experimental confirmation and exploration of new box configurations.

Support for the specialised education of university students

Since 2004 every year Acciaierie Venete has hosted graduate students to do thesis work. Their studies and research generally concern metallurgy or other fields closely linked to the steel industry. The staff of the R&D group assist students with these projects, thus acting as company tutors. In 2022 the most significant work was: "Investigation into the formation of internal defects due to hydrogen near the metallurgical axis of rolled bars".

ESTEP

Participation in activities promoted by the European steel platform

At the beginning of 2020 Acciaierie Venete joined ESTEP, a platform that brings together steel producers and related technologies at a European level. In 2022 the efforts continued with the updating of the CSP and the monitoring of the RFCS and HE calls. In any case the main activity remains work on the Clean Steel Partnership, but also several virtual meetings were held to network between producers with the aim of creating international projects under the aegis of the European Union.

CLEAN STEEL PARTNERSHIP

Participation in the drafting of roadmaps for decarbonisation

Acciaierie Venete participated in various ways in the drafting of the Clean steel partnership (CSP), a document at a European level that aims to create a common front in the steel industry to raise funds as part of the Green Deal decarbonisation project promoted by the European Union. 2022 saw the launch of a number of projects and others were planned for the future, and funding opportunities were organised. Within CSP producers and technology suppliers talk to each other with the aim of conceiving international projects aimed at the development and implementation of new techniques and plants that allow the production and processing of steel while reducing greenhouse gas emissions.

GREEN METALS BRESCIA

Consortium use of natural gas from biomass

Acciaierie Venete participates in the Green Metals Brescia project. This project involves several producers of ferrous and non-ferrous metals in the Brescia area to test the possibility of replacing part or all of the natural gas of fossil origin used in production processes with renewable natural gas. Specifically, with renewable natural gas from agricultural or agro-industrial biomasses or OFMSW (organic fraction of municipal solid waste) produced in areas close to the end-users' plants so as to create what can be defined as a local gas supply chain. The threefold objective pursued is to stabilise the purchase price, to free the company from imports that can be subject to high variability, and to decarbonise industrial processes.

HYDRA

Hydrogen as the energy vector of the future

Acciaierie Venete continues to participate in the Hydra IT06 project under the auspices of the RINA research centre. The project aims to switch energy sources from fossil fuels to hydrogen produced from renewable sources for the decarbonisation of the production cycle. Green steel is a priority for Europe, and more and more users are paying attention to the way steel is produced for their raw material. This ambitious goal is leading the company to move more and more towards a sustainable way of making steel, and thus to study a wide variety of topics in support of the production of a steel that can one day be called carbon free.


STEEL IS BORN
TO BE ALIVE

3. MATERIAL TOPICS AND THE ESG PATHWAY

Recognising the importance and responsibility of producing specialty steels in an increasingly sustainable manner, Acciaierie Venete has decided to strengthen its commitment to pursuing its business objectives in a responsible manner in keeping with the demanding environmental, social and governance challenges currently facing our world.

This is not just a regulatory requirement but a moral imperative that we want to actively contribute to, as well as an opportunity to create long-term value for all our stakeholders. It is a process that began some time ago, but which now takes on a stronger and renewed significance with our company's increased attention to ESG.

Regarding the environmental aspect, we are focused on the efficient use of resources, the constant reduction of greenhouse gas emissions, the adoption of renewable energy sources and the increasing attention to safeguarding our host environment, with the ambition of continuing to offer quality products with a progressively lower carbon footprint.

From a social point of view, we want to increasingly take on actions that can positively impact the surrounding society, promoting diversity and inclusion within our organisation, ensuring fair and sustainable working conditions, and supporting the communities we operate in through initiatives that can involve and possibly improve the lives of the people around us.

In implementing its growth plans and operational strategies for our future, the company has embarked on a profound change in its governance structure, with the definition of new roles, tools and practices capable of promoting transparency, ethics and accountability to every choice made within the perimeter of our plants. It also reinforces our desire to operate with the highest standards of integrity, so as to ensure that we manage our business in a way that respects the rights of our employees, our customers and all other stakeholders.

Aware of the fundamental importance of all this, Acciaierie Venete's ultimate goal is to embrace ESG policies to the point of making them an integral part of its culture and identity, in the full conviction that sustainability, in its broadest sense, represents a value to be preserved, cherished and further developed for the future of the next generations.

3.1 Materiality analysis

To support our ESG transition, we decided to conduct a double materiality analysis with all our stakeholders. The aim was to identify not only the financial impacts of our production operations but also their **non-financial impacts** on the surrounding environment, with an even greater awareness of the delicate balances that govern the ecosystem the company operates in. In fact talking with and listening to our stakeholders has convinced us to begin this journey, defining the cornerstones of a complex ESG strategy that will soon be shared with the outside world, accompanied by precise targets and horizons.

The analysis conducted has thus enabled us to identify and better understand the risks and opportunities associated with our future, both financially and in terms of long-term sustainability, seen through the eyes of those with whom we aim to build our development as stakeholders of Acciaierie Venete. Below are the stakeholder categories with which we have decided to assess the scope and importance of our influence, in order to grasp which aspects – outlined below – can most influence company reputation, investor trust, employee attraction and engagement, and customer and community relations.

Main categories of stakeholders identified:

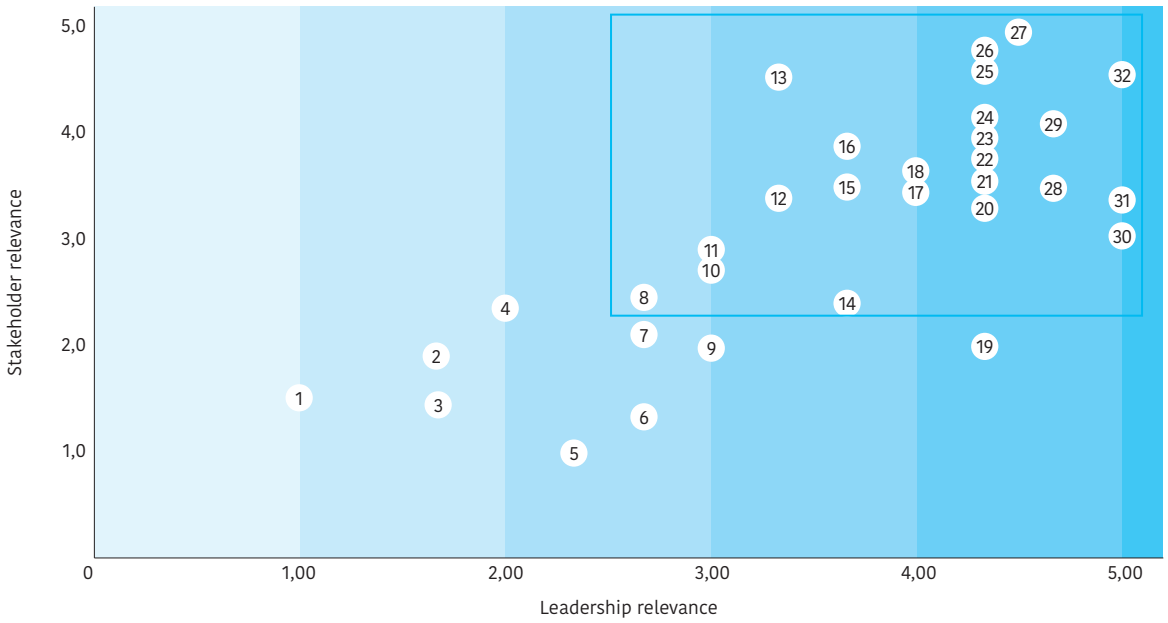
- SUPPLIERS
- BUSINESS PARTNERS
- CUSTOMERS
- EMPLOYEES
- LOCAL COMMUNITIES AND INSTITUTIONS
- REGULATORS
- TRADE ASSOCIATIONS
- MEDIA
- TRADE UNIONS

Stakeholder importance was assessed according to three dimensions – influence, dependence and continuity – on a scale from 1 to 5; translating the scores into low, medium or high. In detail, dependency refers to the relationship of those stakeholders who depend directly or indirectly on the company's activities or on whom the company depends for its operation. Influence refers to those stakeholders who can have an impact on the strategic decision-making process vis-à-vis the company or other actors. Continuity identifies those stakeholders with whom the company is in continuous and frequent contact for operational, financial, social or environmental issues. The company's top management was also involved in the process of defining the material issues through a dedicated workshop in which each representative was able to express their assessment with respect to the importance of the various categories of stakeholders and sustainability issues considered sufficiently relevant to be published in this report.

Material issues identified and evaluated by stakeholders

ESG topics	ESG sub-topics
VISION & GOVERNANCE	Corporate governance
	Values, corporate culture and strategy
	Business model resilience
	Risk prevention and management
	Compliance
	Sustainable Finance
BUSINESS ETHICS	Prevention of corruption
	Relations with public authorities
HUMAN RESOURCES	Occupational health and safety
	Diversity, inclusion and equal opportunity
	Attracting and retaining talent
	Training and development
	Staff engagement
	Work-life balance
	Labour relations
ENVIRONMENT	CO_2 emissions and climate transition
	Exposure to climate change risks
	Energy
	Water Management
	Waste Management
	Environmental pollution
	Compliance with environmental regulations
	Circular economy
	Biodiversity and land use
VALUE CHAIN	Management of the supply chain
	Human rights
	Scarcity of raw materials
	Environmental and social impact of the supply chain
	Product quality
	Customer satisfaction
	Innovation and ESG products
SOCIAL RELATIONS	Local community consensus & philanthropy
	Local economy and social impact

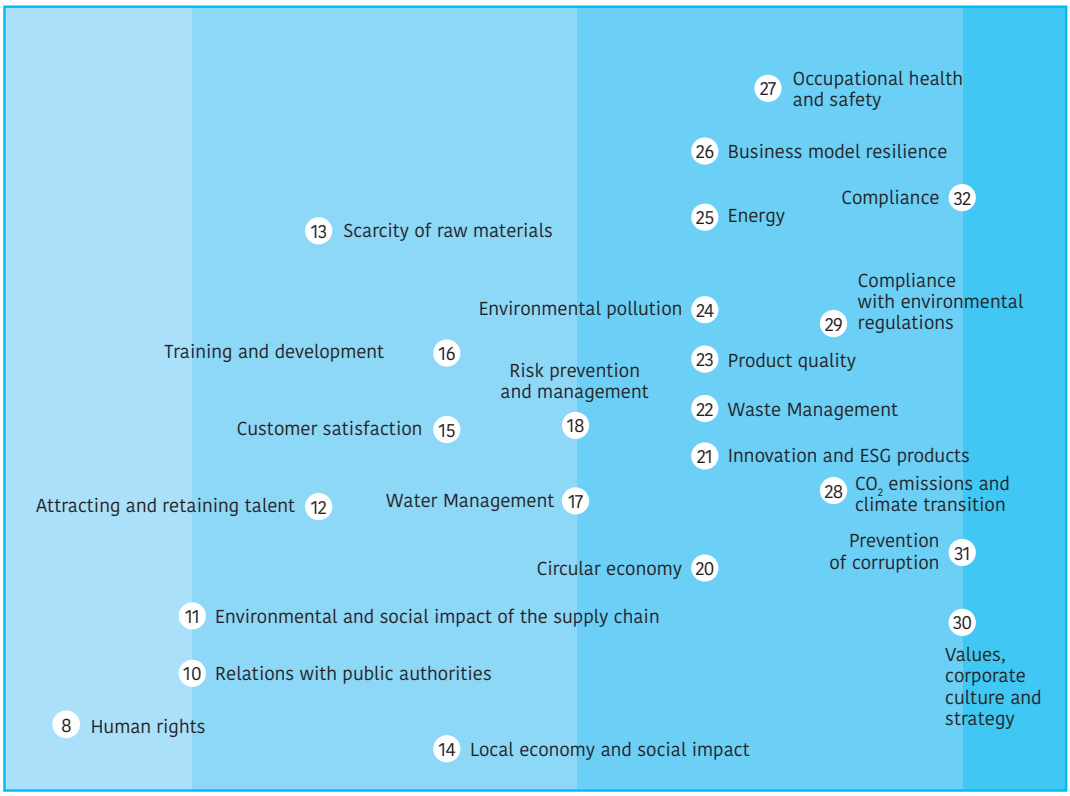
Materiality matrix



1	Diversity, inclusion and equal opportunity
2	Labour relations
3	Sustainable finance
4	Exposure to climate change risks
5	Biodiversity and land use
6	Local community consensus & philanthropy
7	Work-life balance
8	Human rights
9	Staff engagement
10	Relations with public authorities
11	Environmental and social impact of the supply chain
12	Attracting and retaining talent
13	Scarcity of raw materials
14	Local economy and social impact
15	Customer satisfaction
16	Training and development
17	Water Management
18	Risk prevention and management
19	Corporate governance
20	Circular economy
21	Innovation and ESG products
22	Waste management
23	Product quality
24	Environmental pollution
25	Energy
26	Business model resilience
27	Occupational health and safety
28	CO_2 emissions and climate transition
29	Compliance with environmental regulations
30	Values, corporate culture and strategy
31	Prevention of corruption
32	Compliance

3.2 Material topics

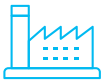
The focus of the analysis



According to the GRI Sustainability Reporting Standards adopted for the preparation of the Sustainability Report, the company is required to provide information on issues that affect the company in the short, medium and long term. The topics identified must guide the organisation in the creation of a strategy in economic, environmental and social terms of interest to the organisation's stakeholders. The analysis of the results showed that the stakeholders and the company are aligned in their assessment of material relevance and the importance assigned is evenly distributed among the six highlighted macro topics.

3.2.1 Material topics identified through the involvement of stakeholders

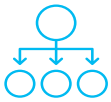
1. ENVIRONMENT
   - Operational eco efficiency – Energy
   - Environmental pollution
   - Water Management
   - Circular economy
   - Waste Management
   - CO_2 emissions and climate transition



2. VALUE CHAIN
   - Product quality
   - Innovation and ESG products
   - Scarcity of raw materials
   - Customer satisfaction
   - Management of the supply chain
   - Environmental and social impact of the supply chain

3. BUSINESS ETHICS
   - Prevention of corruption
   - Relations with public authorities

4. HUMAN RESOURCES
   - Occupational health and safety
   - Training and development
   - Attracting and retaining talent



5. VISION & GOVERNANCE
   - Compliance
   - Business model resilience
   - Risk prevention and management
   - Values, corporate culture and strategy

As mentioned above, the complete ESG strategy is still being defined. Nevertheless, in an effort to anticipate the operational plans that will follow, Acciaierie Venete has already begun to take the first steps in this threefold direction, launching a number of significant environmental, social and governance initiatives.

3.3 The ESG structure

The sustainability committee

As an important first step, the position of CSO (Chief Sustainability Officer) was created. In addition to the task of promoting and monitoring sustainability in all its forms within Group, the CSO is entrusted with the task of cooperating in these terms with the various corporate offices and departments, as, by the very nature of the meaning of “sustainability”, the role cuts across the entire company structure as it is traditionally conceived. In addition to this, in order to ensure proper and shared management of ESG projects, at the end of 2022 Acciaierie Venete decided to set up a Sustainability Committee formed by the company's top management and coordinated by the CSO. Its task is to define the ESG strategy, assigning short-, medium- and long-term objectives to the individual corporate functions, monitor its implementation and, among other things, present the sustainability report to the Board of Directors.

Furthermore, in addition to the organisational structure described above, it was decided to include two new supporting roles: the **ESG strategist**, whose task is to promote the implementation of the ESG strategies defined by the Committee, ensuring operational integration among the various corporate functions, and the **ESG Controller**, whose responsibility is to coordinate the flow of information as well as the reporting process related to ESG issues, ensuring the proper drafting of the sustainability report.

THE INDUSTRIAL TECHNICAL COMMITTEE

As part of the ESG process undertaken by the Acciaierie Venete Group and the recent establishment of the Sustainability Committee, given the centrality of the Industrial function in our business a Technical Committee was set up to support ESG initiatives, with the Plant Management and the Head of the Group HSE Function as members. The Committee is assisted by Carlo Mapelli, an expert in Metallurgy with a chair at Milan Polytechnic, for the definition of guidelines and strategies for Industrial Sustainability.

THE HSE COMMITTEE

The HSE (Health, Safety & Environment) Department is the function that promotes and monitors Health, Safety, Environment and Energy policies, 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. To this end, a Health and Safety Committee was set up involving all plant RSPPs, divided between steel mills and rolling mills. This body has the task of monitoring the company's performance in HS, with the aim of improving its performance. Meetings are held periodically to share the results achieved during the period under review, with the aim of promoting the corrective actions necessary for potential further improvement.

ESG PERFORMANCE SOFTWARE

In order to allow for the proper monitoring of ESG performance, Acciaierie Venete decided to make use of a dedicated application, the specific KPIs and customised dashboards of which will provide a transparent, detailed view of the progress of the strategies implemented. Following a thorough assessment of the applications available on the market, the company opted for Sphera SCCS, a leading provider of software, data and performance consulting services in ESG areas and risk management, with a focus on environment, health, safety and sustainability (EHS&S), operational risk management and product stewardship. In 2022 the project sheet agreement was closed and will be finalised by the end of this year.

3.4 Our commitments to stakeholders

The social aspect of ESG strategies focuses on the impacts of company operations in dealings with employees, suppliers, customers, local communities, along the supply chain and with society as a whole. Acciaierie Venete's present and future objective within this policy is not only to recognise that the activities undertaken have a real impact on people's lives, but also to proactively organise initiatives that aim to contribute to the well-being of the very social fabric the company operates in, both within and beyond the confines of its own plants. For this reason, the Group has long been dedicated to social projects of various kinds, even before the recent adoption of ESG principles, since these issues have always been considered as important to the company's industrial development as they are for its environmental impact. Examples include the collaboration with Findynamic and the support for LeVillage, discussed below.

3.4.1 Sustainability in our finance supply chain

The cooperation with Findynamic continues, an initiative that for the past three years has made it possible for Acciaierie Venete to create value for its supply chain. Thanks to Dynamic Discounting the company provides financial support to its suppliers by paying invoices in advance of their natural due date.

With over 500 established relationships, Acciaierie Venete has always regarded its suppliers as strategically important stakeholders in the creation of value.

Along the supply chain, the focus was on the establishment of a quick and flexible financial support programme capable of providing access to liquidity on favourable terms and enabling the improvement of suppliers' working capital and Net Financial Position without any impact on the use of credit lines. The programme, which started in 2020, has already advanced more than €80 million to the supply chain and currently involves 162 suppliers registered on the platform provided by the partner FinDynamic.

3.4.2 Support for new companies

Acciaierie Venete confirms its participation in the **LeVillage** project, an initiative organised by CreditAgricole in collaboration with Gellify, which stems from the idea of shaping a structured network of start-ups and established companies.

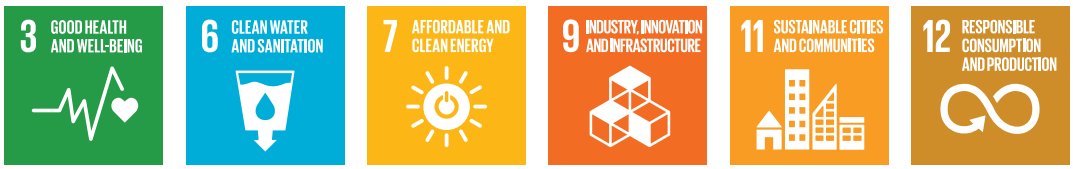
A talent pool in which the experience built up over the years by the more structured companies is mutually exchanged with the creativity, ideas and new approaches to doing business brought by the start-ups, giving all involved the chance to benefit synergistically from the emergence of potential collaborative relationships.

The international ecosystem currently established in France, Italy and Luxembourg has more than 44 clusters, totalling more than 1200 start-ups and 680 partner companies.

In 2022 Acciaierie Venete took part in eight events organised by the Triveneto section, with meetings that provided an in-depth look at extremely topical issues such as the implications of technological innovation, the application of artificial intelligence systems and Industry 4.0.

In addition to the initiatives planned, the network has made available an exclusive platform dedicated to all LeVillage partner companies, where it is possible to get directly in touch with participating start-ups in order to foster collaborations, exchanges of opinions and know-how, but also potential acquisitions.

In putting all this into practice, and in supporting the mutual development of the participating businesses, LeVillage encourages an operational philosophy devoted to sustainability, seeking to exploit every contact to highlight the importance of issues concerning the Sustainable Development Goals of the 2030 Agenda.



4. HUMAN RESOURCE MANAGEMENT


STEEL IS BORN
TO BE ALIVE

4.1 Employees: our strength

For the Acciaierie Venete Group, human resources are one of the key elements of its competitive advantage. Indeed, we believe that the development of people, their involvement and the ability to offer concrete opportunities for growth are our most important critical success factors. The Group's human resource management policies are defined based on these strategic assumptions.

In this context, a fundamental role is played by the professional skill development system, which was structured with the aim of fostering the acquisition and consolidation of the professional skills necessary for the job and with a view to progress in terms of career advancement.

The development system is based on three different macro areas:

- **Safety in the workplace**: in addition to the mandatory training sessions, supplemental activities will be scheduled to encourage the 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**: the development of which is guaranteed by theoretical and practical training, on-the-job coaching, and career tracks.
- **Managerial skills**: in parallel with the development of professional skills, one of the key elements of the corporate motivational system is the possibility of offering employees increased levels of responsibility. This is where the corporate Academy system comes in.

At the end of 2022, Acciaierie Venete had 1,391 employees (a slight increase over the previous year's 1,380). All employees are covered by the National Collective Bargaining Agreement for Metalworkers, supplemented by the remuneration governed by the second-level collective bargaining agreement. In 2022, 48 apprenticeship contracts were stipulated out of a total of 104 apprentices currently in the workforce.

Breakdown of employees by gender (2022)

Breakdown of white-collar workers by gender (2022)

Information on employees

Employees by geographical area	2020		2021		2022	
	Total	%	Total	%	Total	%
Brescia	531	41%	554	40%	**542**	**39%**
Verona	68	5%	69	5%	**73**	**5%**
Padua	536	41%	582	42%	**601**	**43%**
Udine	60	5%	61	4%	**60**	**4%**
Trento	109	8%	114	8%	**115**	**8%**
Total	**1,304**	**100%**	**1,380**	**100%**	**1,391**	**100%**

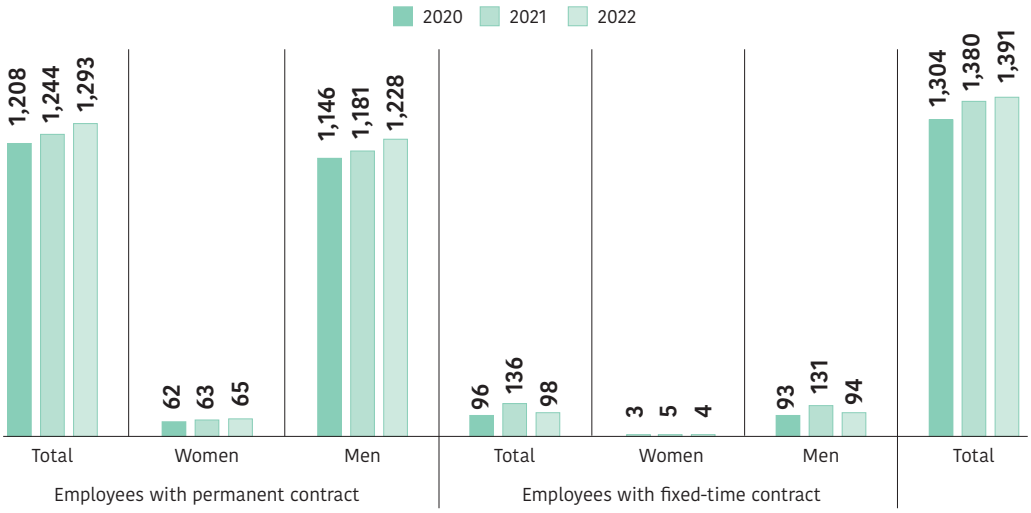
Staff turnover

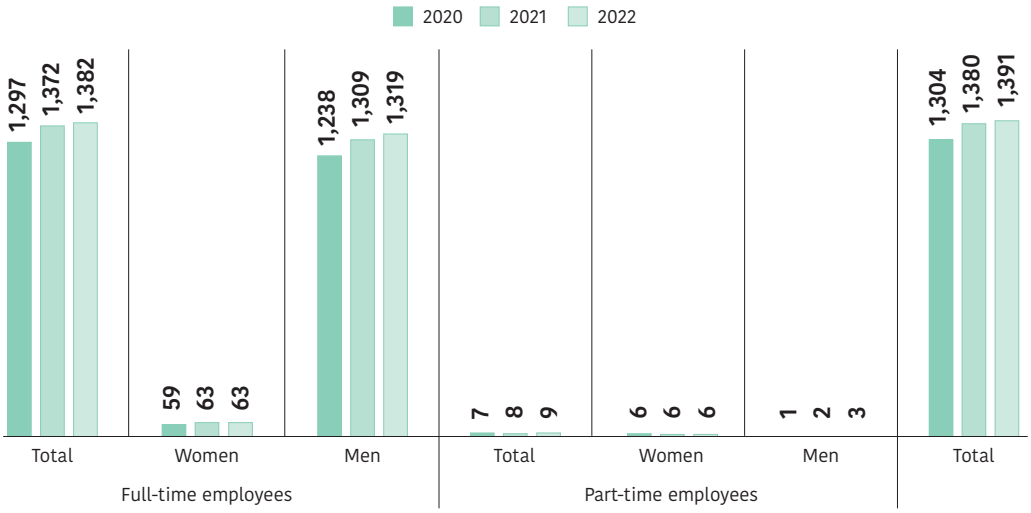
	New hires	2020	2020 rate	2021	2021 rate	2022	2022 rate
MEN	< 30 years	37	2.9%	95	7.5%	**72**	**5.4%**
	Between 30 and 50 years	42	3.3%	78	6.2%	**84**	**6.3%**
	> 50 years	8	0.6%	20	1.6%	**12**	**0.9%**
	Total	**87**	**6.8%**	**193**	**15.3%**	**168**	**12.5%**
WOMEN	< 30 years	4	0.3%	4	0.3%	**6**	**0.4%**
	Between 30 and 50 years	3	0.2%	1	0.1%	**2**	**0.1%**
	> 50 years	0	0.0%	2	0.2%	**0**	**0.0%**
	Total	**7**	**0.6%**	**7**	**0.6%**	**8**	**0.6%**
	Total hires	**94**	**7.4%**	**200**	**15.8%**	**176**	**13.1%**

	Terminations	2020	2020 rate	2021	2021 rate	2022	2022 rate
MEN	< 30 years	21	1.6%	40	3.2%	**42**	**3.1%**
	Between 30 and 50 years	20	1.6%	28	2.2%	**61**	**4.5%**
	> 50 years	55	4.3%	52	4.1%	**55**	**4.1%**
	Total	**96**	**7.5%**	**120**	**9.5%**	**158**	**11.8%**
WOMEN	< 30 years	2	0.2%	1	0.1%	**1**	**0.1%**
	Between 30 and 50 years	3	0.2%	1	0.1%	**2**	**0.2%**
	> 50 years	3	0.2%	1	0.1%	**5**	**0.4%**
	Total	**8**	**0.6%**	**3**	**0.2%**	**8**	**0.6%**
	Total terminations	**104**	**8.2%**	**123**	**9.7%**	**166**	**12.4%**

2022 saw a hiring rate of 12.8 % (176 new hires), in line with the previous year. The company's propensity to hire women and men under the age of 30 is also of note, as a result of its policy of hiring young people for internal professional growth.

Breakdown of employees by contract type





In 2022 Acciaierie Venete consolidated human resource levels, stabilising the positive trend of recent years. The number of permanent contracts also remained stable, especially full-time contracts, which account for almost all the employment contracts. Corporate management policies seek to ensure a working life offering high levels of stability and safety, not to mention significant opportunities for professional development.

In order to ensure the involvement and development of human resources, some organisational initiatives have been put in place, including the **continuous improvement** project.

4.1.1 "Continuous improvement project"

In order to cope with the growing competition in the steel industry, an operational strategy was developed based on the ability to combine the improvement of product quality with the efficiency of production processes, within a context in which the protection of health, safety and the environment are in fact indispensable cornerstones on which to build our future development.

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

It is in this context that the continuous improvement project is applied, aimed at stimulating the submission of proposals by all our employees aimed at improving operational processes.

The programme is based on two main concepts:

- The conviction that the human resources directly involved in operations are capable of identifying possible areas of improvement, recommending modifications that can help optimise certain organisational, methodological and procedural choices and practices.
- The consideration that the continuous improvement system is most effectively implemented by a variety of operators in the field rather than through single, more substantial decisions requiring more significant changes.

Once a suggestion for improvement has been submitted, it is assessed and, whatever is decided (depending on whether it is deemed feasible or not), the area leader provides feedback to the person who submitted the proposal.

The project provides for the establishment of an internal technical committee consisting of the plant, quality and departmental managers and the RSPP.

The latter has the task of verifying the technical feasibility and economic viability of the improvement proposals, and based on these elements defining the amount of the award to be granted to the person who submitted the suggestion, which is granted irrespective of the actual implementation of the proposal put forward, obviously provided that it is of potential value.

Given the importance that the Company attaches to the issues of health and safety at work and environmental protection, it was decided that proposals for improvement that impact on these issues will receive a bonus that is higher than proposals related to quality, efficiency and productivity.

4.2 We innovate by investing in human capital

We believe that investing in the training of human resources is essential for sound and forward-looking business development.

It is for this reason that in 2022, despite the difficulties of the pandemic, it was decided to continue our corporate Academy, implementing new systems for managing the training, delivered remotely via web connection.

The number of average hours of training per person increased (8.8 compared to 7.7 in 2021 and 4.7 in 2020, the year in which the effect of the pandemic was particularly felt). However, the criterion that training should tend to involve all professional categories – from executives to middle managers, from white collar to blue collar workers – remains unchanged.

Average training hours per employee (by professional category and gender)									
	2020			2021			2022		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Executives and managers	2.6	-	**2.5**	6.6	-	**6.3**	10.9	-	**10.5**
White-collar workers	6.3	5.1	**6.0**	11.4	7.6	**10.5**	12.1	12.1	**12.1**
Blue-collar Workers	4.5	-	**4.5**	7.0	-	**7.0**	7.9	0.8	**7.8**
Total average hours of training	4.7	4.9	**4.7**	7.8	7.2	**7.7**	8.8	11.3	**8.9**

4.2.1 The Acciaierie Venete Academy

The Academy is a training programme made available to all young recent graduates hired by the group and designed both to offer a comprehensive view of business processes and to teach cross-cutting technical skills.

While the objectives of the project are manifold, the main goal is to provide high-potential resources with the necessary skills to support their professional development.

The way in which training is provided also guarantees the possibility of creating team-building opportunities and thus not only increasing the cohesion of what will be the company management of the future, but also making the circulation of information between the various plants and company functions more fluid.

The total duration of the curriculum is 5 years on a continuous cycle, for a total of 480 hours of training, or 96 hours per year. In 2022 three macro-areas were addressed: metallurgy, digitisation and soft skills.

4.2.2 Occupational safety training

Extreme attention is paid to training related to health, environmental and occupational safety. From the first day of work, each new employee is informed by the RSPP of the main principles of the company's safety system, the safety procedures in force in their place of work and the operating standards to be adopted in order to limit the risk of accidents. Each new employee is shown and given the procedures and safety sheets related to the assigned task, with the commitment to update the training guidelines in the event of the introduction of new work equipment, changes in the production process or a change of job.

In addition to providing guidelines on how to comply with the company's safety system, the criteria for organising training sessions aim to raise employees' awareness of this issue so that it is perceived as a cultural value and not only 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.

Training needs are identified by various means, including career plans, the results of annual performance reviews, process/product changes, organisational and/or development projects, technical, qualitative or maintenance innovations. 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).

4.3 Performance assessment

The professional development of human resources is a fundamental process for Acciaierie Venete and its employees. It is through medium- to long-term training programmes and constant performance reviews that the workforce has the opportunity to grow and diversify their skills at work. The performance evaluation system is useful for reaching this objective and is designed to outline both training needs and remuneration policy.

The evaluation system is structured on three different levels: competence, potential and performance.

- With regard to **competence**, the gap between the level of skills possessed and the level needed to be able to adequately do the job is assessed, any differences highlighting the training that needs to be provided.
- As far as potential is concerned, the ability to hold positions of greater responsibility is assessed, including with possible training.
- With regard to **performance**, the results achieved are evaluated, and based on the results training needs and rewards are defined.

It is based on the results of such evaluation that training plans, career paths and rewards are determined.

4.4 We protect the well-being of our employees

The pandemic brought into sharper focus some of Italy's chronic weaknesses with regard to issues of diversity and inclusion. The corporate policy on the protection of access to equal opportunities is based on the assumption that the driving force of corporate development is human resources, and in this perspective it has identified its founding principles, drawing inspiration from the **Charter for Equal Opportunities and Equality at Work** promoted by Sodalitas, the **UN Global LGBTI Standards for Conduct**, the **UN Women and UN Global Compact - Women's Empowerment Principles**, and the **United Nations Equal Pay International Coalition (EPIC)**.

GUIDING PRINCIPLES

NON-DISCRIMINATION: all employees of the Acciaierie Venete Group must be evaluated solely based on their professional skills and expertise. Any form of discrimination based on political orientation, trade union, religion, nationality, ethnicity, language, disability, gender and age is therefore condemned.

EQUAL OPPORTUNITIES AND EQUAL DIGNITY: in the Acciaierie Venete Group, diversity is considered a value and equal treatment and equal opportunities must therefore be guaranteed for all types of diversity. Personal conditions relating to the balance between people's private and professional lives (pregnancy, maternity, paternity, part-time, flexible working, etc.) must not become instruments for discriminatory treatment.

WORK-LIFE BALANCE: the Acciaierie Venete Group is committed to launching new initiatives aimed at supporting work-life balance, taking into account the real needs of its employees.

CREATION OF AN INCLUSIVE WORKING ENVIRONMENT: the Acciaierie Venete Group is committed to putting in place initiatives for employees aimed at ensuring that all have the opportunity to participate in company processes without any form of obstacle related to country, gender, religion, culture, personal beliefs, orientation, disability, age or any other form of diversity. This with the aim of fostering the creation of an organisational context in which personal potential can, in its full freedom of expression, become a real strategic lever for achieving organisational objectives.

4.5 Safety

Acciaierie Venete has always placed great care in the prevention of risks that undermine workers' safety. Acciaierie Venete's management policies envisage a constant attention to workplaces in order to continuously improve working conditions. In this context, in order to ensure compliance with the safety system Acciaierie Venete has adopted a procedure aimed at defining responsibilities, tasks and criteria, especially with regard to supervision of the proper implementation of current regulations and company procedures. In more specific terms, in order to increase the respect of corporate safety policies, it was decided to make Plant Managers responsible for their implementation. In order to make the prevention and protection of workers more structured, the executives, managers and supervisors are responsible for constantly monitoring all aspects of safety issues, such as the use of Personal Protective Equipment (PPE), compliance with safety procedures, attention to the protection of the work environment, ergonomic conditions, and the efficiency of equipment and plants. Constant monitoring of these aspects is guaranteed, an approach that makes it possible to reduce risks and therefore to prevent accidents, as well as ensuring continuous improvement in work safety and environmental protection.

Any conditions or conduct that deviate from established procedures and practices are examined by the Health and Safety Officer in order to define the action to be taken to prevent a recurrence of such an event, giving priority to raising awareness and engaging employees. The success of a good safety policy is also determined by the degree of involvement of its employees, and this is why, as already mentioned in the previous pages, at Acciaierie Venete all employees receive specific training and education on safety at work. It is in this context that the **zero accidents** project and the **15 minutes of safety** project were implemented, both focused on the principles of engagement and awareness.

4.6 Feeling part of many communities

Acciaierie Venete's plants are located in nine Italian municipalities in five regions: Veneto, Lombardy, Trentino Alto Adige, Friuli-Venezia Giulia and Emilia Romagna. A member of several regional and trade associations, Acciaierie Venete is linked to the local area and its host communities from both a production and business point of view. At the local level, our company participates in Confindustria delegations while at the national level it plays a representative role in the steel sector with the appointment of our Chair as Vice President of Federacciai. Membership in the Confindustria system has also led the Company to adopt the values and commitments contained in Confindustria's Charter of Environmental Sustainability Principles as an integral part of its activities and growth processes.

Confindustria's Charter of Environmental Sustainability Principles

10 "PRINCIPLES" FOR 10 "COMMITMENTS"

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

Being part of many communities also means actively contributing to their social and cultural life, participating in events and initiatives that take many forms but at the same time are deeply connected with the area where Acciaierie Venete is established.

For historical reasons our company retains a particularly close bond with Padua, where it was founded and has grown over the past 65 years in full harmony with the city and its residents.

Over the course of time, the thread that connects us with Padua has taken the form of initiatives of various kinds, ranging from sports to the arts, science and a constant commitment to social issues.

For more than ten years the company has been a sponsor of Petrarca Rugby, a team that plays in Italy's top league, in a sport whose values reflect those of our company, and whose principles of work, loyalty and courage recall our way of making steel.

The long-standing collaboration with the RFX Consortium for Advanced Nuclear Research also continues. Founded in 1958 with a small university group from the University of Padua, RFX became a CNR research centre in the 1970s, operating within the framework of the **European Nuclear Fusion Programme**. Its evolution continued until 1996 when it was transformed from a small entity into a larger consortium, which was also participated in by the **Ente per le Nuove Tecnologie, l'Energia e l'Ambiente (Enea)**, the **Istituto Nazionale di Fisica Nucleare (INFN)** and Acciaierie Venete.

In 2013, however, our company became part of the share capital of Fabbrica Attività & Relazioni Intergenerazionali, in a project that led to the founding of the Opera Immacolata Concezione Foundation (OIC) and whose objective is to foster relations between the elderly and children.

One of the latest initiatives is the collaboration with the Foundation for Advanced Biomedical Research, **established in Padua in 1996** with the aim of promoting and carrying out research in the university and healthcare system of northeastern Italy.

Through its operational arm – the **Veneto Institute of Molecular Medicine (VIMM)** – the Foundation represents a **hub of excellence at an international level for what it does in the sphere of cellular and molecular biology**. Its goals include learning about the causes of many diseases that are incurable today and the study of new therapeutic strategies.

Finally, a recent project involved the restoration of the statues and obelisks in Prato della Valle, one of the city's symbols. Measuring 88,620 m^2, the square is one of the largest in Europe, second only to Moscow's Red Square.

This latest initiative is but one more step in the path that Acciaierie Venete had already undertaken for the artistic heritage of Padua, which began with the restoration of the Roman Amphitheatre and was followed by that of the Loggia Cornaro.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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 two-thirds.

In the case of Acciaierie Venete, constant monitoring and control of the energy performance of its production plants made it possible in 2022 to maintain the levels of the previous year, adopting strategies and investment plans aimed at reducing energy intensity per unit of product.

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

This is the path that Acciaierie Venete intends to pursue and reinforce over time, in the belief that steel is the foundation for a more sustainable economic system for current and future generations. Acciaierie Venete's awareness of the importance of respecting the environment and its resources has led the company 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 SpA's production plants and is currently being integrated with a health and safety management system in compliance with UNI ISO 45001:2018. All Acciaierie Venete SpA plants have had UNI EN ISO 14001 and UNI EN ISO 50001 Management Systems since 2019. In line with the requirements of the European and national Directives on integrated pollution prevention and control, in its plants Acciaierie Venete adopts the best available environmental plant, management and control techniques (BAT, "Best Available Techniques") that are economically and technically feasible. The adoption of these technologies provides an integrated support to the Group's tangible commitment to minimise the environmental impacts of its production processes, with particular reference to emissions of pollutants into the atmosphere, effluents, waste management and the reduction of energy consumption. Acciaierie Venete carries out its operations in full compliance with applicable regulations, and in 2022 it continued to maintain the best practices that can be implemented in all plants with regard to environmental protection and workers' health/safety. The HSE (Health, Safety & Environment) Staff is the function that promotes the actions contained in the Health, Safety, Environment and Energy Policy, ensuring their consistency with the company's strategic guidelines. A continuous improvement programme is drawn up for each plant, including the objectives to be achieved (with related intermediate goals), the implementation methods, the person in charge, the people involved and the related costs. Constant, structured monitoring of environmental performance ensures early detection of any changes followed by the adoption of preventive or corrective measures.

In 2022 the HSE Policy referred to above remained unchanged, while new positions and initiatives were introduced to apply it in an increasingly meaningful way, as outlined below:

- **Appointment of a Group HSE Manager.** Working together with the Head of the Environment and Energy Management System (RSGAESS) and the HSE team, this person supports environmental, energy and worker health/safety management initiatives, defines the methods of effective management and reports on the performance of the Management System and the achievement of objectives and expected results, playing the role of coordinator between top management and the operational structure.
- **Implementation of monthly and itinerant HSE staff meetings.** In the middle of each month, all HSE Acciaierie Venete personnel meet on an itinerant basis in the Group's production plants to discuss the previous month's performance and plan improvement initiatives. The day is divided between an inspection and an office discussion with sharing of results, considerations and proposals, with the aim of increasing the company's preventive measures and the skills of personnel. The Industrial Manager, the HSE Manager, the Energy Manager and the Integrated Management Systems Manager also participate.
- **Adoption of an HSE management program.** During the year a cloud application was selected, customised and launched to serve as the Group and Plant level Environment and Energy Management System document, aimed at ensuring the sharing and timely review of the vast amount of procedures, operating instructions and forms that make up the Environment and Energy Management System.
- **Computerisation of the regulatory compliance verification process.** The aforementioned application has a specific module for assessing the plant’s regulatory compliance and for storing the related objective supporting evidence. The regulatory references are promptly updated by an external specialised staff.

Acciaierie Venete has always placed great care in the prevention of risks that undermine workers' safety. Acciaierie Venete's management policies envisage a constant attention to workplaces in order to continuously improve the work conditions. In order to ensure compliance with the company safety system Acciaierie Venete has adopted a procedure aimed at defining responsibilities, tasks and criteria for managing such system, especially with regard to supervision of the proper implementation of current regulations and company procedures and standards.

In more specific terms, in order to make the implementation of safety policies more effective and widespread, it was decided to entrust the plant managers with responsibility for implementing them. Furthermore, in order to make the prevention and protection of workers more structured, the executives, managers and supervisors are responsible for constantly monitoring all aspects of safety issues, such as the use of Personal Protective Equipment (PPE), compliance with safety procedures, attention to the protection of the work environment, ergonomic conditions, and the efficiency of equipment and plants.

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

Any conditions or conduct that deviate from company procedures and practices are examined by the Health and Safety Officer in order to define the action to be taken to prevent a recurrence of such an event, giving priority to raising awareness and engaging employees.

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

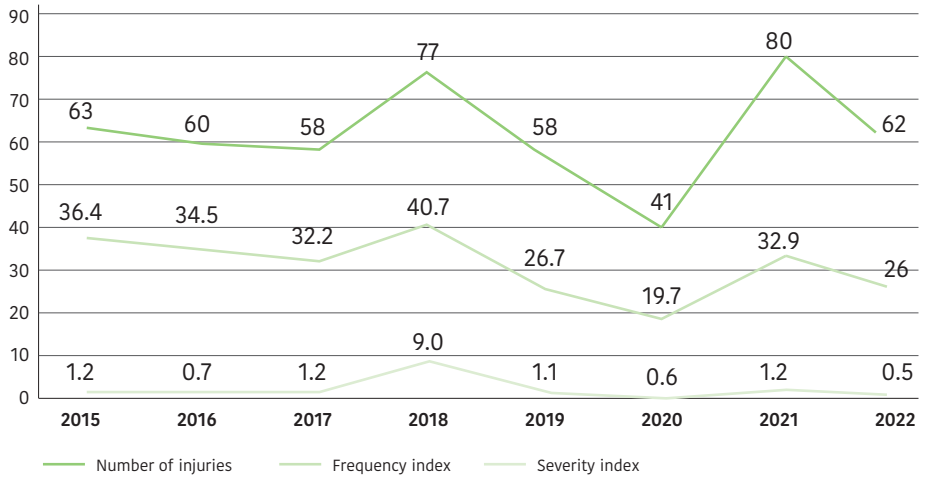
It is in this context that the "zero accidents project" and the "15 minutes of safety project" were implemented, both focused on the principles of engagement and awareness.

The monthly HSE staff meetings, an initiative started in 2022 and illustrated in section 5, are largely focused on health and safety. These meetings increased the prevention tools available, improved the process of analysing near misses and introduced the Safety Walk & Talk initiative.

The pillars of Acciaierie Venete's safety system

Education information training	Done to convey theoretical knowledge and spread a safety culture among all employees.
Analysis of accidents and near misses	Accidents and near-miss accidents are analysed to identify their causes. Analysis also delves into methods, procedures, technical and/or organisational actions to be taken to eliminate the risk that caused the event, preventing the event itself from recurring.
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.

Accident rate



Project for EMAS certification of all group sites

The Acciaierie Venete plants in Padua in Riviera Francia, Via Olanda and Via Pellico, not to mention the one in Buja, have earned EMAS certification.

The registrations were issued on 25 March 2021 (Padua) and 15 September 2021 (Buja) by the Ecolabel Ecoaudit Committee - EMAS Section (ISPRA) following the technical opinions of the local ARPA and the certifier RINA, and maintained certification during 2022.

Acciaierie Venete undertook this initiative at the end of 2020, involving all managers in the various production, administrative and management processes.

The in-depth analyses performed ensured the identification and verification of numerous company performance indicators related to the environmental aspects characteristic of the steel production cycle, ranging from the preparation of raw material (scrap) to cold processing, from steel mills to out-of-furnace treatments, continuous casting and rolling mills.

The active involvement of management and above all a firm will to constantly improve environmental performance has allowed the implementation of an extensive array of actions to demonstrate respect for health and the environment.

A detailed presentation was sent to all workers explaining the purpose and methods of the certification, as well as an exhaustive summary of the performance indicators taken as a reference for EMAS.

Similar certification actions are being carried out at all other Group plants, with the aim of completing all EMAS registrations by Q3 2023.

5.2 Assessment of environmental impacts

The assessment of the significance of environmental aspects and impacts is performed as defined in the procedure of the Environment and Energy Management System. The procedure applies to all operations, products and services of the organisation that it can control ("direct" environmental aspects) or on which it can have an influence ("indirect" environmental aspects). The procedure is also applicable in normal, abnormal and emergency working conditions.

Significant aspects are defined as those associated with significant impacts, i.e. involving one of the following:
- Regulatory non-compliance
- Deviation from company policy
- Negative impact on the community

For each aspect identified, the relative impacts are assessed according to the criteria described below, assigning the aspect considered a grade chosen from the following:

1. Probability of occurrence: **P** = probability of occurrence of the operation, understood as the weighted sum of the frequency of occurrence and the frequency of the activity.
2. Severity: **S** = severity of the impact generated on the surrounding environment, both in terms of extent of impact and toxicity to humans and the environment;
3. Potential for improvement: **I** = level of improvement of the aspect analysed in relation to current organisational, strategic or economic postures.
4. Laws: **L** = association with legal requirements or specific company choices defined by senior management.

The parameters P and S are assigned a score from 1 to 5 as their intensity increases. The parameter I can take the value 1 or 3 depending on the absence or presence of a potential significant improvement in the aspect. Finally, the parameter L can take the value 0 or 4 depending on the absence or presence of requirements (legal or corporate) associated with the potential impact.
The initial significance (Sn_0) of the environmental aspects results from the following formula:

$$\mathbf{Sn_0 = P \times S \times I + L}$$

The initial significance (Sn_0) of each aspect is then rescaled according to the outcome of the stakeholder analysis and the relevant needs, the applicable context and the identified risks by applying an initial corrective factor (CF_1) of 1.2 (if the stakeholder, context and risks have low influence on the aspect) or 1.5 (if the influence of the stakeholder, context and risks is medium) or 2 (if the influence of the stakeholder, context and risks is high):

$$\mathbf{Sn_1 = (P \times S \times I + L) \times CF_1}$$

Finally, the Residual Significance of each aspect (Sn_R) is determined by multiplying the remodulated significance (Sn_1) by the following additional corrective factors:

- $CF_{2.1}$: 1 or 0.9 depending on the absence or presence of opportunities
- $CF_{2.2}$: 1 or 0.8 depending on the absence/deficiency or presence of specific operational procedures for aspect management
- $CF_{2.3}$: 1 or 0.8 depending on the absence/deficiency or presence of specific training and simulations for aspect management
- $CF_{2.4}$: 1.3 or 0.7 depending on whether the aspect performance indices are worse or better than the industry averages (if there are no industry averages, CF2.4 is assigned a value of 1).

$$\mathbf{Sn_R = (P \times S \times I + L) \times CF_1 \times CF_{2.1} \times CF_{2.2} \times CF_{2.3} \times CF_{2.4}}$$

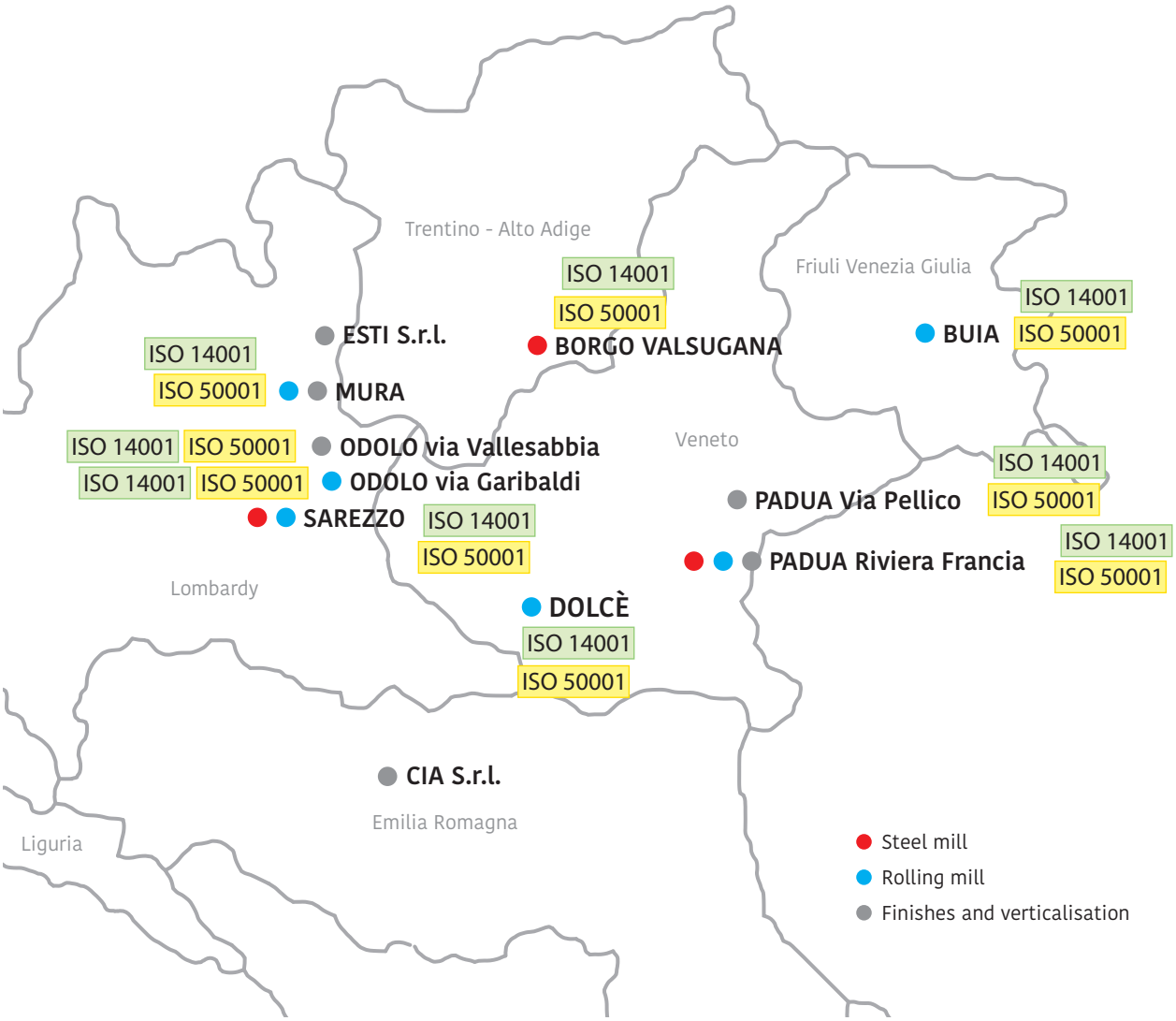
For $1 < Sn_R < 3$, the potential impact is not significant, it cannot reasonably be expected to increase in the future, and no measures need to be taken.

For values of $Sn_R \geq 3$, the impacts are significant to varying degrees, as follows:

- For $3 \leq Sn_R < 7$, the potential impact is of **low significance**. The relative impact is such as to require at least the monitoring of management actions and of the performance of related environmental aspects.
- For $7 \leq Sn_R < 13$, the potential impact has **medium significance**. The relative impact is such as to require the planning and implementation of preventive measures (specific management operating procedures and/or training) for its control, without prejudice to the possibility of implementing corrective measures (improvement actions) to reduce the relative impacts.
- For $Sn_R \geq 13$, the potential impact is of **high significance**, requiring the planning and implementation of improvement actions to mitigate its impacts.

In order to ensure constant monitoring of the environmental impacts while at the same time ensuring a systemic and periodic review of the Environmental Management System.

During the four-year period in question (2019-2022), internal audits were conducted at all production sites thanks to which it was possible to identify, analyse and resolve the anomalies found, ensuring the continuous improvement of the relevant processes.


Trentino - Alto Adige
Friuli Venezia Giulia
Veneto
Lombardy
Liguria
Emilia Romagna
ESTI S.r.l.
ISO 14001
ISO 50001
BORGO VALSUGANA
ISO 14001
ISO 50001
BUIA
ISO 14001
ISO 50001
MURA
ISO 14001
ISO 50001
ODOLO via Vallesabbia
ISO 14001
ISO 50001
ODOLO via Garibaldi
SAREZZO
ISO 14001
ISO 50001
PADUA Via Pellico
ISO 14001
ISO 50001
PADUA Riviera Francia
ISO 14001
ISO 50001
DOLCÈ
ISO 14001
ISO 50001
CIA S.r.l.
Steel mill
Rolling mill
Finishes and verticalisation

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. All the Group's production facilities are ISO 50001:2018 certified.

5.3.1 The energy we consume

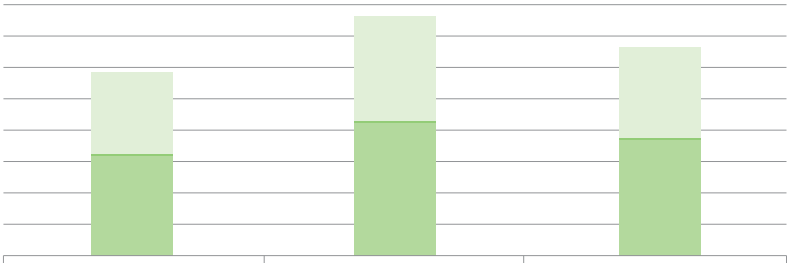
The consumption of energy represents a very relevant environmental indicator to be monitored, especially for energy-intensive sectors like the steel industry.

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. 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.

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

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

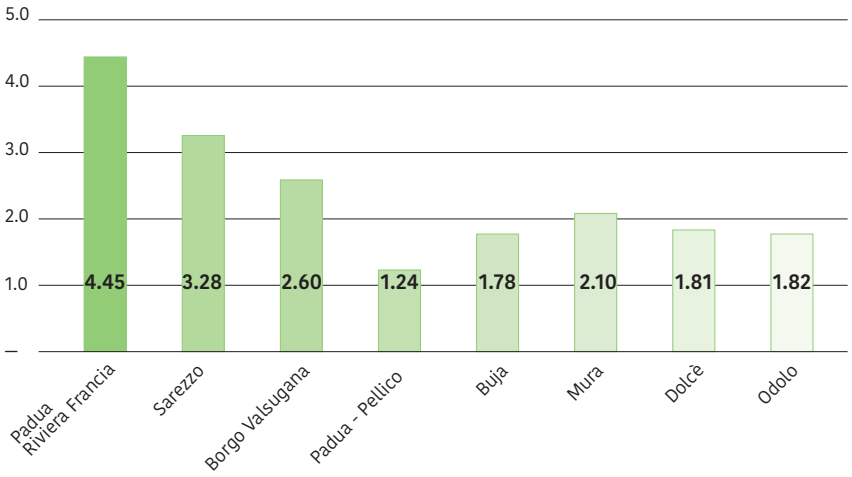
Total organisation energy consumption by energy source (GJ)



	2020	2021	2022
Natural gas	2,642,119	3,419,597	2,910,562
Diesel	32,404	43,780	39,169
Electricity (from the grid)	3,325,766	4,364,016	3,828,422

The indicator of energy intensity per tonne produced should be read for comparison with intra-plant years. In fact, there is a substantial difference between the plants in terms of type of production and equipment, which does not allow for a direct comparison.

Energy intensity (GJ/tonne produced) 2022



Since 2015 Acciaierie Venete has been involved in the white certificate mechanism, the main instrument for promoting energy efficiency in industrial energy use in Italy.

White certificates – or more properly Energy Efficiency Certificates (TEE) – are negotiable certificates that certify the achievement of energy savings by different actors through specific actions (e.g. energy efficiency). Specifically, Acciaierie Venete has qualified for the mechanism thanks to the energy savings in terms of m^3 of natural gas obtained from the installation of the new heating furnace. Energy Management is also active in studying opportunities to improve the energy performance of Acciaierie Venete's plants.

5.4 Materials associated with production processes

Scrap and coke are the main raw materials used in steel production. During the last four-year period the quantities of material purchased varied. Initially there was an increase due to the incorporation of the new steel mill in Borgo Valsugana, while in 2019-2020 there was a decrease caused by a slowdown in the market compared to 2021 with substantial increase in product demand and proportional in 2022.

Raw materials	u.m	2020	2021	2022
Recycled scrap	tonnes	1,425,872	1,918,822	1,757,180
Coke	tonnes	19,554	26,538	20,718
Total	tonnes	**1,445,426**	**1,945,360**	**1,777,898**

The specific 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 been stable over the years. Significant shifts are justified by periodic maintenance and changes in production parameters aimed at providing the higher quality demanded by the market.

Other materials (t)	u.m.	2020	2021	2022
Ferroalloys	tonnes	36,139	47,693	42,269
Lime	tonnes	56,534	71,453	64,857
Oxygen	m^3	54,793,042	66,457,846	55,960,765

5.4.1 Sustainability in the production cycle

For Acciaierie Venete, the sustainability of its processes, respecting the environment, the air and the biodiversity of the regions where its plants are located has always been an essential prerogative for its development, in the conviction that in order to grow healthily, it is necessary to do so in harmony with nature. For this reason, circularity, decarbonisation and efficiency improvements represent and will increasingly represent the pillars of our environmental sustainability strategy, as part of which we have already launched significant initiatives.

Recovery of magnesia refractory

The project to recover magnesia refractories from the demolition of ladles, tundishes and electric furnaces has the threefold objective of:

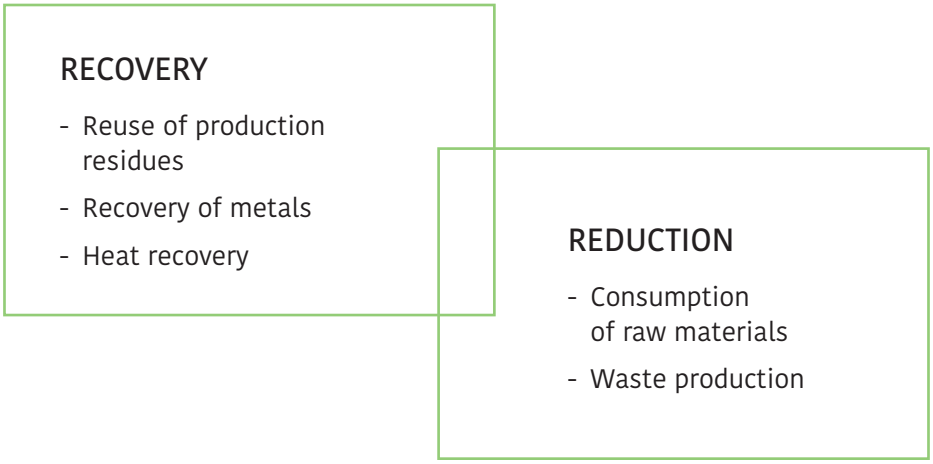
- Recovery of material when using production residues through the reintroduction of magnesia refractories into the furnace to improve the basicity of the slag.
- Reduction in the consumption of raw materials, specifically the effect described in the above point reduces the use of dolomite.
- Reduction of waste production. Through this practice we eliminate refractory disposals. Thus, part of the material is sold to a company specialised in refractory recovery while the rest is reused.

This practice is now fully operational and has included the installation of a new hopper equipped with load cells and an automation system for the timely management of additions of magnesite to the furnace.

Recovery of ladle drips

The importance of this operation is measured by the numerous benefits it brings to the entire organisation and the environment in terms of recovery and reduction.

We can summarise the benefits schematically:



Ladle and tundish recovery

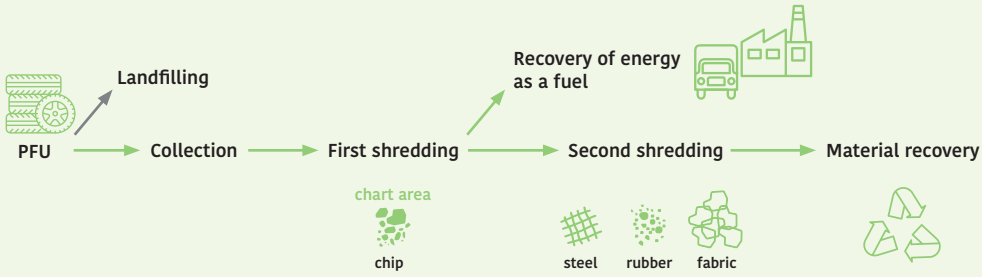
At the end of use for the protection of the continuous casting, the aluminous ceramic tubes are collected in metal skips, which are then emptied into a box and destined for sale to a company specialising in refractory recovery. This process leads to a reduction in waste produced.

THE USE OF RUBBER AS AN ALTERNATIVE TO COAL

Among the practices implemented for the best management of the smelting process in an electric arc furnace (EAF), foamed slag is the technique that consists of carbon enrichment with oxygen injection to promote the generation of gas bubbles (CO) in the slag film and the consequent swelling. This operation increases the efficiency of the system and allows the melting machine to be run safely. Combining the current efforts related to decarbonisation and circularity in heavy industry, at its Sarezzo site, as part of several tests of coal surrogates as foaming agents, Acciaierie Venete conducted an industrial trial with granular vulcanised rubber (GVR) recycled from end-of-life tyres (ELTs).

The modern tyre is a composite product made by assembling different materials including rubber, textile fibres and steel to achieve the required balance of stiffness and flexibility. The material that makes up the compound consists of long-chain synthetic polymers, and to a lesser extent natural rubbers.

At the end of its life cycle, the tyre becomes waste and takes the name of End-of-Life Tyre (ELT) with EWC 16 01 03, being one of the most widespread plastic pollutants in the world, and is classified as permanent, i.e. it does not deteriorate for hundreds of years. If collected and treated, ELTs turn into a resource as they are 100% recyclable. After collection they have the following destinations: whole, cobbled or chipped they are used as fuel to produce energy, separated into constituent parts for material recovery or sent to landfill as such. At the collection and treatment sites, the material undergoes an initial shredding in which it is reduced to fragments of between 5 and 40 cm known as chips and intended for use as fuel. Alternatively, it undergoes a second shredding to allow the separation of materials: the chips are reduced to smaller parts to allow the separation of rubber, steel and textile fibres. The rubber part is further processed to obtain granule and powder for new products.



The pilot project started in 2021 with a sample of 1,400 tonnes and was subsequently developed in 2022 with 3,000 tonnes of recycled rubber used. The experience showed that GVG was successful in replacing anthracite in both qualitative and quantitative terms, providing an appreciable reduction in CO_2 quotas caused by the presence of the biomass fraction in the carbon contained in the rubber. Thanks to projects like this one, the company continues to take steps towards fulfilling its decarbonisation and circularity goals.

5.5 Waste management

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

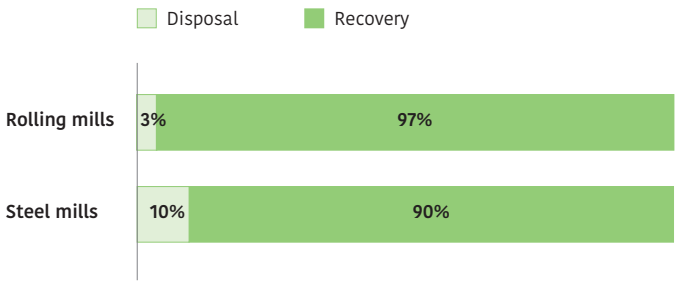
Although Acciaierie Venete's production process is virtuous in the way it reuses incoming secondary raw materials, the activities carried out at the plants generate waste as an output, i.e. heavy waste from scrap sorting operations, black and white slag, flue gas abatement dust and rolling flakes. On the other hand, many methods of exploiting residues from steel production processes are now well established practices among operators in the sector. To foster the circularity of production processes, slag refined in ladles can be reused in the electric furnace to partially replace lime, exhausted refractory slag can be recovered to create new bricks and rolling flakes can be used in cement production. These practices, implemented by Acciaierie Venete in compliance with current environmental legislation, have the advantage of minimising the consumption of raw materials and allowing the recovery of materials that would otherwise become waste. In 2022 the total volume of waste decreased compared to 2021. This decrease is attributable to the change in production volumes in recent years.

Breakdown of waste generated (t)

	2020			2021			2022		
Methods of disposal	Hazardous	Non hazardous	Total	Hazardous	Non hazardous	Total	Hazardous	Non hazardous	Total
Recovery	22,520	285,987	308,507	30,066	359,141	389,208	26,843	323,115	349,958
Disposal	4,478	41,284	45,762	6,391	33,558	39,948	6,319	31,441	37,761
Total	26,998	327,271	354,269	36,457	392,699	429,156	33,162	354,557	387,719

The calculation of waste was redefined according to more reliable criteria, leading to the recalculation of some items analysed in previous years

The destination of waste



SLAG TREATMENT

Acciaierie Venete has chosen the path of environmental sustainability, adopting and embracing the recovery and use of waste produced by steel production. Specifically, the black slag recovery project, which began in 2006 and has continued to develop over the years, has resulted in the complete recovery of this waste. Acciaierie Venete has focused on the characterisation and development of new products from black slag, and in parallel created an information system capable of bringing knowledge of a revolutionary new aggregate to the world of road construction. The project involved an initial study looking to develop an aggregate suitable to replace the more noble aggregates used in the construction world. Subsequently, the industrialisation of the recovery process was developed, using a specific process with outputs consistent with the volumes of waste delivered. Finally, an information network was supported to raise awareness and knowledge of this new inert material with exceptional characteristics. At present, the aggregate is almost totally used in the manufacture of bituminous pavements. The performance characteristics are such that this product has been preferred to natural aggregates in airport pavements, Formula 1 and World Championship motor racing circuits, not to mention major national motorways. Today, the company is a major national player in the recovery of black slag, with unprecedented results in the exploitation of production scrap.

At present, the white slag from the steel refining process is reintroduced into the production process and thus exploited in the same way as a natural material. However, Acciaierie Venete is financing a series of parallel research and experimentation projects on the recovery of white slag, including through international partnerships with leading research institutes, all aiming to fully recover secondary metallurgy slag in a manner that is more innovative than the current process. The guiding spirit of this project remains the exploitation of the end product. This is why the technologies will be even more complex compared to black slag, for the creation of ever higher value.

5.6 Water management

The focus on sustainable use of water is a primary objective for companies operating in the steel sector. Water is a significant factor in the steel production process, in particular for the cooling of the plants. According to Federacciai, 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.

2022 saw a limited reduction in specific consumption of water used per unit of product thanks to the implementation of various projects aimed at containing water consumed for industrial use. The investment in the Buja plant, the Group's least performing site with an average specific consumption of 7 m^3 per tonne of steel produced, is still in progress, for which a reduction of at least 90% is expected.

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.

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

Water withdrawals

Source	Unit of measurement	2020	2021	2022
Surface water bodies (e.g. lakes, rivers, etc.)	1,000 l	422,560	386,526	383,989
Aquifers	1,000 l	1,805,661	1,833,663	1,454,158
Consortium waterworks	1,000 l	41,177	48,501	87,788
Other	1,000 l	-	-	3,680
Total water sourced		**2,269,398**	**2,268,690**	**1,929,615**

Effluents

Source	Unit of measurement	2020	2021	2022
Surface water bodies (e.g. lakes, rivers, seas)	1,000 l	1,186,779	1,251,814	1,047,633
Sewerage	1,000 l	15,751	18,817	15,646
Authorised discharge and ground	1,000 l	18,086	19,995	13,143
Total water discharged		**1,220,616**	**1,290,626**	**1,076,422**

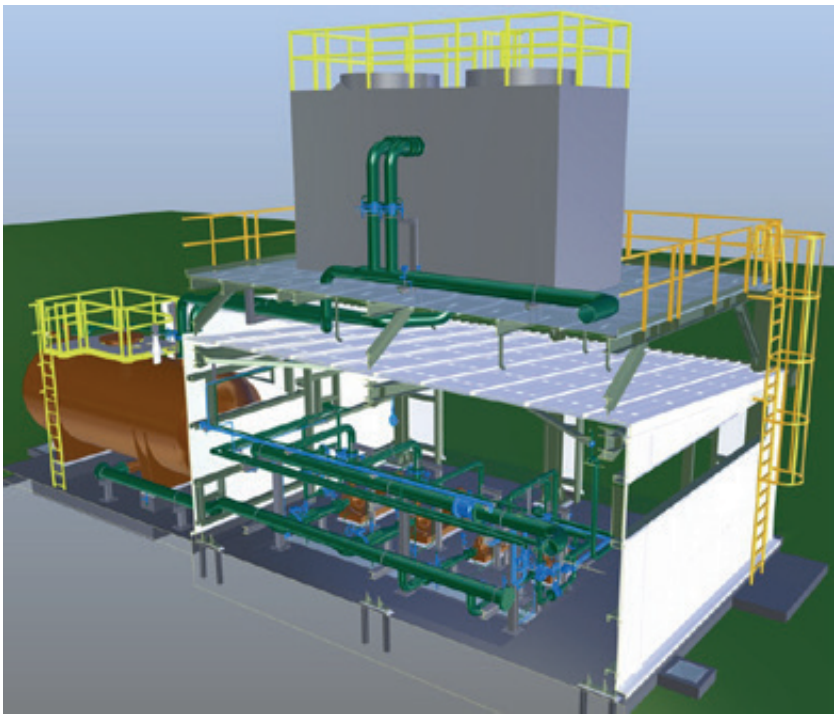
Restatement of information due to a refined calculation method

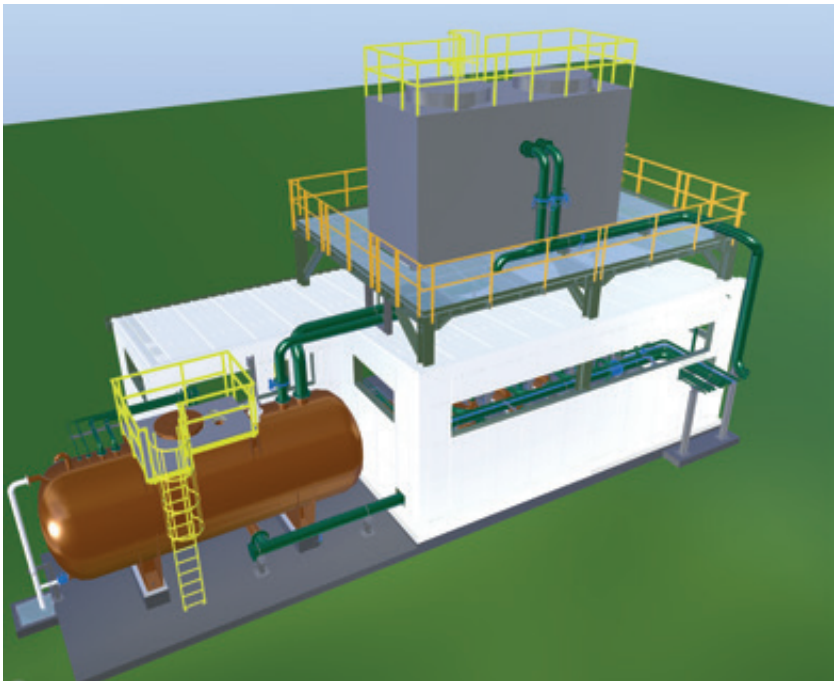
NEW BUJA WATER TREATMENT PLANT

Danieli & C. S.p.A. was tasked with the construction of the new water treatment plant for the Buja (UD) plant, with start-up scheduled for May-June 2023.

The goal is to recycle all non-contact water from the rolling mill, reheating furnace and finishing section in order to achieve a recycling rate close to 95%, further improving the plant's water consumption.

The water treatment plant will be directly integrated into the existing rolling plant so that it can be controlled directly from the rolling mill control panel.





5.7 Emissions from our production processes

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 process) are mainly due to the combustion of natural gas in heating furnaces or for heat treatments.

Polluting emissions into the atmosphere	U. m.	2020	2021	2022
NOx	**tonnes**	315.52	406.25	425.51
SOx	**tonnes**	277.25	275.69	214.26
Dust	**tonnes**	6.51	5.85	10.73
Other significant emission categories (see AIA) CO	**tonnes**	168.7	784.82	523.72

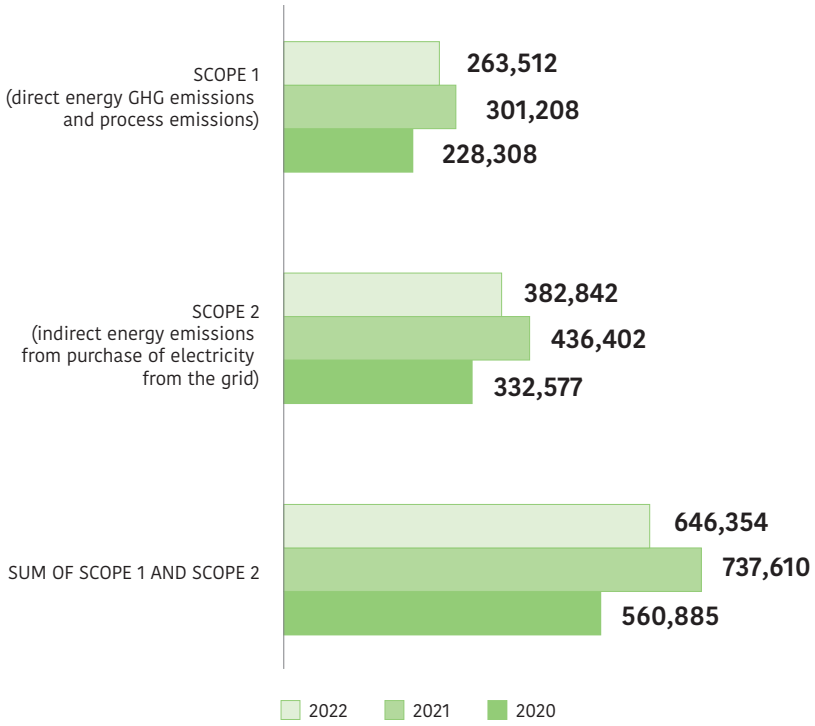
5.7.1 Greenhouse gas emissions

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 Buja 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 this second 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 2022, considering the Location-based approach, are about 646 ktonnes CO_2 eq, broken down as presented in the following graph.

Direct and indirect greenhouse gas emissions in CO_2eq tonnes

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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 and partly revised in 2021 by the Global Reporting Initiative (GRI), according to the "with reference to" option.

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.

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

- **Accuracy:** the level of detail of the contents reported in this Sustainability Report is adequate for understanding and assessing Acciaierie Venete's sustainability performance during the reporting period.
- **Clarity:** the choice of a 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.
- **Verifiability**: the indicators presented in the Report are reported for the three-year period 2020-2022 and accompanied by a comment on trends so as to allow the control and comparability of information by the external auditing firm.
- **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 2021 that may be significant for the assessment of Acciaierie Venete's sustainability performance by stakeholders.

6.2 The reporting boundary

This document is the fourth edition of Acciaierie Venete's Sustainability Report and contains a description of the initiatives and activities for 2022, as well as the performance trends for the three-year period 2020-2022. The collection of performance indicators and the frequency of reporting are annual.
The reporting boundary includes Acciaierie Venete SpA.
The reporting year to which the information and data included in this section refer is 2022.
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.

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 SpA.

Turnover rate

The turnover rate (incoming, outgoing and total) is calculated as the number of hirings 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 table "UK Government GHG Conversion Factors for Company Reporting- Fuel properties" published by DEFRA, in the latest available version.

Greenhouse gas emissions

Greenhouse gas emissions have been calculated according to the principles set out in the international standard ISO 14064-1. In particular, it should be noted that the only greenhouse gas considered was carbon dioxide (CO_2). The emission factors used for the calculation of CO_2 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 2020-2022. The CO_2eq 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 2020-2022. 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 2020.

7.
GRI CONTENT INDEX


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GRI CONTENT INDEX

Declaration of use	Acciaierie Venete has reported the information mentioned in this GRI content index for the period 01/01/2022 - 31/12/2022 with reference to GRI Standards.
GRI 1 used	GRI 1: Foundations 2021

GRI STANDARD	Information	Page
GRI 2: General disclosures 2021	2-1 Organisational details	8, 20
	2-2 Entities included in the organisation's sustainability reporting	75
	2-3 Reporting period, frequency and contact point	75
	2-4 Restatements of information	83
	2-5 External assurance	83
	2-6 Activities, value chain and other business relationships	20-23, 26-31, 40, 42
	2-7 Employees	49-51
	2-8 Workers who are not employees	49-51
	2-9 Governance structure and composition	10-11
	2-13 Delegation of responsibility for managing impacts	59-60
	2-14 Role of the highest governance body in sustainability reporting	10-11, 2
	2-17 Collective knowledge of the highest governance body	10
	2-22 Statement on sustainable development strategy	2
	2-23 Policy commitments	7
	2-27 Compliance with laws and regulations	13, 26-27, 60
	2-28 Membership associations	56, 35-36
	2-29 Approach to stakeholder engagement	42
GRI 3: Material Topics 2021	3-1 Process to determine material topics	39-42
	3-2 List of material topics	42
	3-3 Management of material topics	63-65 ; 72-73; 70-71; 67-69; 68;73; 20; 32-33; 32-36; 23-27; 21; 26-27; 26-29; 12-14; 56-57; 61-63; 53-54; 52-53; 12-13; 21; 11; 7
GRI 201: Economic Performance 2016	201-1 Economic value directly generated and distributed	15
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	18

GRI STANDARD	Information	Page
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	27
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	12-13
	205-2 Communication and training about anti-corruption policies and procedures	12-13
	205-3 Confirmed incidents of corruption and actions taken	12
GRI 206: Anti-competitive Behaviour 2016	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	12-13
GRI 301: Materials 2016	301-1 Materials used by weight or volume	65
GRI 302: Energy 2016	302-1 Energy consumption within the organization	64
	302-3 Energy intensity	64
GRI 303: Water and Effluents 2018	303-3 Water withdrawal	70
	303-4 Water discharge	70
	303-5 Water consumption	70
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	73
	305-2 Energy indirect (Scope 2) GHG emissions	73
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	72
GRI 306: Waste 2020	306-3 Waste generated	68
	306-4 Waste diverted from disposal	68
	306-5 Waste delivered to disposal	68
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	50
GRI 403: Occupational Health and Safety 2018	403-9 Work-related injuries	61
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	53
	404-3 Percentage of employees receiving regular performance and career development reviews	54


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8. INDEPENDENT AUDITORS' REPORT

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ACCIAIERIE VENETE SPA

LIMITED ASSURANCE REPORT ON THE SUSTAINABILITY REPORT

YEAR ENDED 31 DECEMBER 2022

Limited Assurance report on the Sustainability Report 2022

To the Board of Directors of Acciaierie Venete SpA

We have been engaged to undertake a limited assurance engagement on the Sustainability Report of Acciaierie Venete SpA (hereinafter the "Company") for the year ended 31 December 2022.

Responsibilities of the Directors for the Sustainability Report

The Directors of Acciaierie Venete SpA are responsible for the preparation of the Sustainability Report with reference to the *"Global Reporting Initiative Sustainability Reporting Standards"* issued in 2016, and updated to 2021 by *GRI - Global Reporting Initiative* (the "GRI Standards"), as illustrated in the "Methodology note" section of the Sustainability Report.

The Directors are also responsible for the internal control determined to be necessary to enable the drafting of a Sustainability Report that is free from material misstatements due to fraud or error or non-intentional events and behaviours.

The Directors are also responsible for defining the Company's sustainability performance targets, as well as for identifying its stakeholders and the content of the Sustainability Report.

Auditor's Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics* for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *International Standard on Quality Management 1 (ISQM 1)* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

PricewaterhouseCoopers Business Services Srl

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Società soggetta all'attività di direzione e coordinamento della PricewaterhouseCoopers Italia Srl
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Auditor' responsibility

Our responsibility is to express a limited assurance conclusion, based on the procedures performed, on whether the Sustainability Report complies with the requirements of the *GRI Standards*. We conducted our work in accordance with criteria established by the *International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements other than Audits or Reviews of Historical Information* (hereinafter also "*ISAE 3000 Revised*") issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. That standard requires that we plan and perform procedures to obtain limited assurance about whether the sustainability report is free from material misstatement.

The work performed was less in scope than in a reasonable assurance engagement conducted in accordance with ISAE 3000 *Revised* (*reasonable assurance engagement*) and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the Sustainability Report were based on our professional judgement and included inquiries, primarily of personnel of the company responsible for the preparation of the information presented in the Sustainability Report 2022, as well as inspection of documents, reperforming of calculation and other procedures designed to obtain evidence considered useful.

In detail, we performed the following procedures:

1. analysis of the process of definition of the material topics reported in the Sustainability Report, with reference to the methods of analysis and understanding of the organization's context, identification, assessment and prioritization of actual and potential impacts and to the internal validation of the results of the process;
2. understanding of the processes underlying the generation, collection and management of significant qualitative and quantitative information included in the Sustainability Report.

   In detail, we inquired of and discussed with the management of Acciaierie Venete SpA and we carried out limited analyses of documentary evidence, in order to obtain information about the processes and procedures supporting the collection, aggregation, processing and submission of non-financial information to the corporate function in charge of the preparation of the Sustainability Report.

Furthermore, for significant information, taking into account the activities and characteristics of the Companies:

a) with reference to the qualitative information presented in the Sustainability Report, we carried out interviews and obtained supporting documents to verify its consistency with available evidence;

b) with reference to quantitative information, we performed both analytical procedures and limited tests to verify, on a sample basis, the accuracy of data aggregation, in addition, we discussed with the persons responsible and obtained documentary evidence, on a sample basis, about the correct application of the procedures and calculation methods applied for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Acciaierie Venete SpA Sustainability Report for the year ended 31 December 2022 is not prepared, in all material respects, with reference to the requirements of the GRI Standards as illustrated in the "Methodology note" section of the Sustainability Report.

Padova, 23 June 2023

PricewaterhouseCoopers Business Services Srl

Paolo Bersani
(Partner)

This report has been translated to English from the Italian original solely for the convenience of international readers. We have not performed any controls on the Sustainability Report 2022 translation.

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