



SUSTAINABILITY REPORT

2018



**SUSTAINABILITY
REPORT**

2018

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LETTER TO STAKEHOLDERS

(102-14)

In presenting the 2018 edition of the Sustainability Report, I would like to emphasise its significance for the company's 50th anniversary.



Feralpi now has a profile that the founders could never have imagined when they made a logistical and technological leap in an Italy that was experiencing an economic miracle. **Producing steel from scrap** has become a much more complex process, which **entails continuous innovation and involves an increasing number of stakeholders** in a network of hardware and software relationships. Roles and skills now differ greatly, and have reached a **level of sophistication** that has been driven by technological development increasingly focusing on quality and environmental impact.

In this transformation Feralpi has benefited from **incremental and progressive innovation**. This innovation has transpired with small, but continuous, steps, even though Industry 4.0 applications have made a significant discontinuity leap in recent years.

Feralpi now operates on a global market, and exports a product that was designed for local consumption to three continents.

The company has come out of a major recession having been strengthened by market challenges, thanks to innovation and founding values that have always been consistent in terms of **commitment to people and the environment**.

Prospects for the coming years are based on these values: increasing company presence on the market,

consolidating diversification, integrating the value chain and adapting governance to the increasing complexity of the Group and changing property requirements.

Aware of the challenges ahead as inhabitants of our planet, Feralpi has taken ownership of the proposal by The General Confederation of Italian Industry (Confindustria) to develop initiatives geared to achieving the UN Sustainable Development Goals, both in company business operations and relationships with stakeholders.

To this effect, the company is committed to the **radical application of the circular economy**, thanks to the intrinsic potential of steel, the promotion of a fair, sustainable and responsible industry through working closely with reference communities, the development of a good quality of life with technological and social innovation, and the adoption of measures to combat climate change with the application of new technologies. **We want to participate in the increasing sensitivity towards the environment and quality of life**, not just because these objectives are consistent with our value system, but also because we feel that in years to come it will no longer be possible to do business in the traditional way.

The Sustainability Report I am inviting you to read shows the results of Feralpi's social and environmental commitment. We are proud of these results, which are due to the collective effort of many people, who have supported the overall business at different levels and with various skills, sharing its values and strategies.

ENJOY THE READ.

Giuseppe Pasini

CORPORATE POSITIONS

FERALPI HOLDING



Board of Directors

Chairman Giuseppe Pasini
 Vice Chairman Cesare Pasini
 Managing Director Giovanni Pasini

Directors

Maria Giulia Pasini
 Marco Leali
 Andrea Tolettini
 Alessandra Tolettini
 Guido Corbetta



Board of Statutory Auditors

Chairman Giancarlo Russo Corvace
 Standing Auditors Alberto Soardi
 Stefano Guerreschi

HIGHLIGHTS: THE YEAR 2018 AT FERALPI

(GRI: 102-7)

2018	475,449	53,735	1,320,333	62%
2017	423,525	30,576	1,198,970	64%
FIGURES AS AT 31.12	Shareholders' equity (€/000)	Profit/loss for the year (€/000)	Total turnover (€/000)	Turnover abroad
2018	180,049	60,618	2,503	16
2017	143,829	36,861	2,447	15
FIGURES AS AT 31.12	Net overall value added (€/000)	Technical investments (€/000)	Steel produced (t 000)	Number of sites (subsidiaries only)
2018	6	1,548	30,699	4,702
2017	6	1,511	23,379	3,840
FIGURES AS AT 31.12	Countries where the Group operates	End-of-period workforce	Training hours delivered	Charity donations to the community (€/000)

01

THE GROUP AND ITS BUSINESS



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Mission,
Vision,
Organisation



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Reference
Market and
Group Strategy





“Produce and grow while respecting humankind and the environment”

Carlo Nicola Pasini

1.1. Mission, Vision, Organisation

(GRI: 102-16)

The Feralpi Group's production mission is to provide quality steel, special steels and items produced from downstream casting and rolling operations, with opportunities in the building trade and engineering industry. The **diversified production of steel** is not only geared towards high quality, but also the highest levels of environmental sustainability. Feralpi has adopted the circular economy approach in line with this objective, whereby the

production process starting with raw materials through to the finished product is not linear, but instead entails the maximum possible reuse of by-products, waste, scrap and the product itself at the end of its lifetime. This principle is at the base of the **electric arc furnace technology** and is systematically applied using the best technologies available and developing new patents resulting from activities centred on research and innovation.



The values, principles and standards of conduct guiding Feralpi are outlined in the Code of Ethics produced in compliance with the application of the Governance Model (legislative decree 231/2001 and subsequent amendments), and are updated on the basis of evolving legislation. The Code of Ethics & Governance Model can be downloaded from the company website at www.feralpigroup.com.

Operational flexibility and a sound **financial position** have always reflected the methods used by Feralpi to face the cyclical trend of the steel industry, alongside the differentiation of outlets in an increasingly global market. Feralpi makes the allocation of retained profit a priority, in order to support development and continually pursue innovation in three strategic areas - production efficiency, plant safety and environmental protection.

During the year, Feralpi continued the long-term strategies adopted, which involve diversification, the use of the best technologies available, directing investment in research and development, developing human resources, safeguarding the environment, safety in the workplace, and taking ownership of corporate social responsibility as a unifying vision of the various aspects.

Strategic aims are pursued through:



strengthening presence in the special steels sector



reinforcing downstream processing operations to diversify and verticalise the business, making the chain shorter to reach end customers and meet their requirements more quickly



increasing focus on product quality



seeking new markets abroad to offset the persistent weakness in the Italian market



developing process innovation, reinforced by ongoing research, often in partnership with external international organisations

The Group is managed at a sectorial level through Feralpi Holding S.p.A., which owns the subsidiaries and the associates, either directly or through sub-holding companies.

Company Organisation Chart



SHARING BEST PRACTICES
 In 2018 Feralpi wished to formalise and expand the improvement and exchange of best practices between the companies in the Group. This initiative builds on the exchange of best practices between production sites, with technicians in Italy and Germany and members of the following departments - Scrap, Rolling Mill Processes, Engineering & Maintenance, and Downstream Products - collaborating within four mixed, newly-created, pilot Steering Committees.

Legend

- Consolidated company
- Subsidiary
- Steel production
- Cold processing - downstream products
- Trading
- Metal structural work
- Equity Investment Management
- Environment
- Waste Disposal
- Fish-Farming
- Other
- Finance



1.2. Reference Market and Group Strategy

(GRI: 102-2; 102-6)

The Feralpi Group is a leading steel manufacturer in Europe, specialising in **construction steel** and **special steels**, rolling mill processes, cold working operations, structural steelwork and environmental services. The main products are: billets made of various steel grades, reinforcing steel in bar and coils, stretched coils, wire rod in various steel grades, cold-drawn wire, standard and made-to measure electro-welded mesh, lattice girders and spacers, mechanical joints, assemblies, pre-treated beams, special section bars and rolled products, pre-shaped bar, non-structural

electro-welded mesh, anti-cracking and special systems of building renovation, industrial and residential fencing, steel grids, trade and logistics services, disposal of hazardous solid waste services.

The Feralpi Group is present in **five countries in the European Union** and has commercial premises in Algeria. **62% of turnover is exported to the rest of Europe, Africa and Northern America**, the two major outlet markets are Italy and Germany.

Sales revenues by area of destination

€/000	2017	2018
Italy	431,323	500,421
Germany	416,475	434,719
Rest of EU	162,907	208,988
Rest of the world	188,265	176,205
Total	1,198,970	1,320,333

The **customers are** companies that roll billets for industrial purposes, building and pre-fabrication firms, processing and shaping centres, structural steelwork businesses and resellers.

Feralpi aims at strengthening its position in the market by focusing on four closely-linked lines of activity: ongoing improvements in product and service quality, according to a total quality approach; the increasingly inclusive pursuit of the circular economy, as a distinctive feature of its business; the will to anticipate innovations, focusing on research and the progressive implementation of Industry 4.0 logics; the priority given to investments for occupational safety and the environment.

Feralpi's **business policy** is geared towards a diversification in the relevant markets, the aim being to take out most of the opportunities arising from progressive extension of the target geographical area. The penetration on international markets is opposed by competitors who have the same goals and is subject to protectionist policies adopted by major outlet countries and the unpredictability of customs duties.

1.2.1. Total quality policy

(GRI: 103-1; 103-2; 103-3)

In the **UNI EN ISO 9001:2015 quality management system** the Feralpi Group recognises the means for safeguarding and developing leadership in the production of reinforcing steel in bar and billets, bars and sections in special quality steel, carbon and alloy steels, produced in accordance with legislation, national and international voluntary standards, and specific customer requirements. The management system is also applied to all activities that affect the quality of the products and services provided, from the order through to product delivery. The aim of **meeting customer requirements** in full at minimum cost is pursued in line

with sustainable development logic, in economic, social and environmental terms, with the involvement of personnel, suppliers, shareholders and the community.

The Feralpi Group has a reputation for **quality and reliability** on the market - manufacturing defects could compromise the safety and reliability of the end product, and therefore the safety of the infrastructure produced with the steel. Risks also exist in relation to providing customers with ancillary services, such as managing tenders, receiving orders and supplying the product.

This is why the objectives set out in the business policy refer to both products and services, and commit the company to:



involve personnel at all levels in the ongoing improvement of products and services



provide personnel with suitable information and training tools, in line with the UNI EN ISO 9001:2015 standard



optimise management and production processes



measure customer satisfaction relating to expectations



check product compliance to minimise complaints and prevent any non-conformities



make the necessary investments set out in the annual quality plan

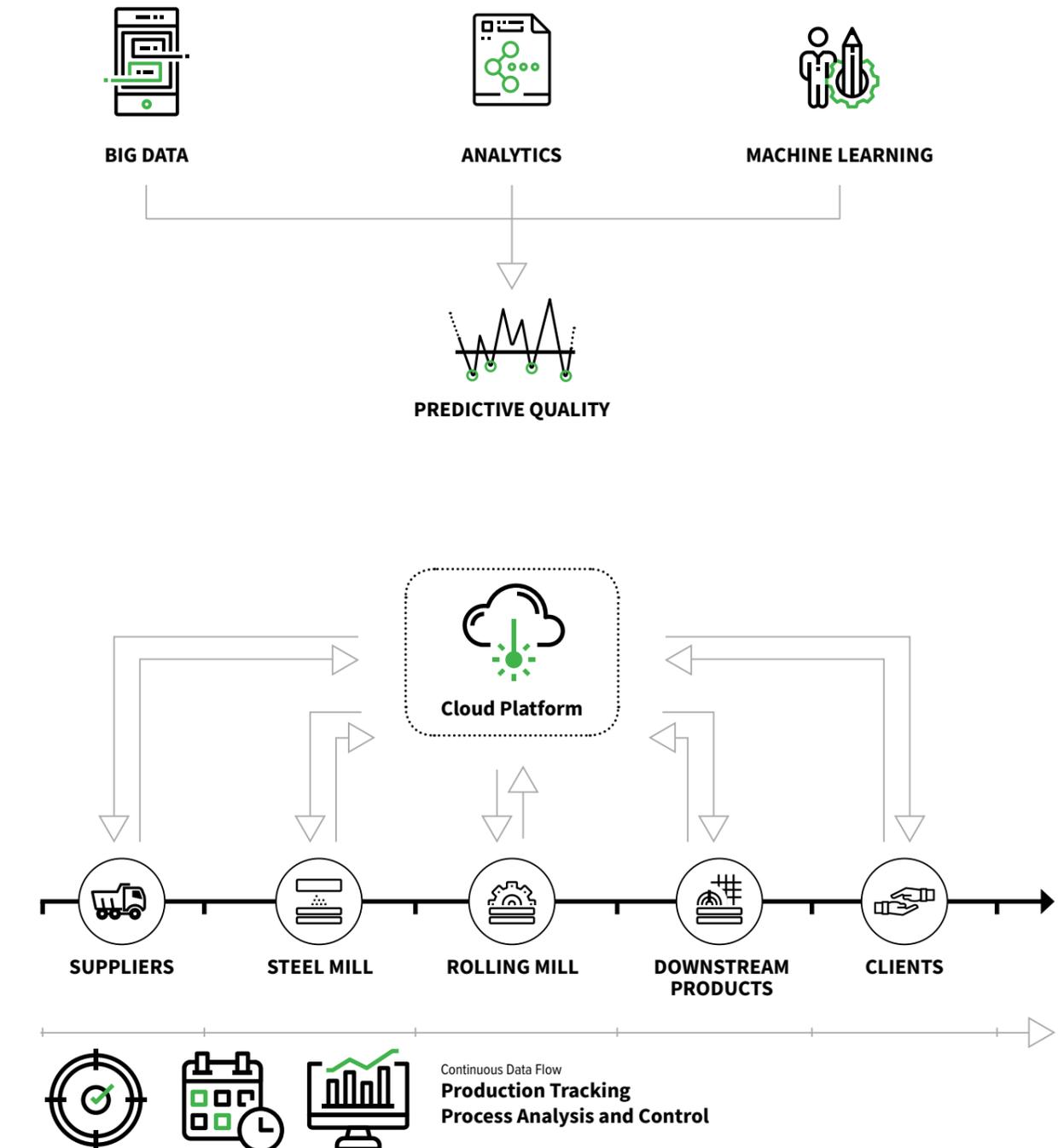
Feralpi has chosen to adopt Total Quality Management (TQM), i.e. the set of customer-oriented and market-oriented practices, techniques and methods to improve

products and services and develop internal skills and the Group's ability to satisfy customers.

The assessment of customer-oriented policies is focused on the monitoring the quality of products and related service. Monitoring involves customers, whose feedback, complaints and levels of satisfaction are systematically measured. Feralpi Siderurgica and Feralpi Stahl produce

annual quality improvement plans that are approved at the beginning of the year and updated throughout the year. These plans include actions resulting from reviews and anything that transpires from quality meetings and external audits.

Technologies enabling continuous quality improvement



A new method for analysing **customer satisfaction** was introduced at Feralpi Siderurgica during the financial year. The survey aims to measure levels of satisfaction more accurately and objectively, and was launched at the beginning of 2019.

A pilot project named “Predictive Quality” was set up half-way through 2018 at Acciaierie di Calvisano, which focuses on improving the quality of special steel billets intended for use in the most selective markets. This pilot project is within the scope of a wider initiative named “**Quality Integration**”, which aims to track production considering quality and process data.

Main certifications obtained by the Group’s steel mills

Feralpi Siderurgica	EMAS, Eco-Management and Audit Scheme
	UNI EN ISO 14001:2015, Environmental Management System
	UNI EN ISO 9001:2015, Quality System
	Minimum Recycled Content Certification
	OHSAS 18001, Occupational Health and Safety Management System
	SustSteel, Sustainability mark for steel products
	EPD, Environmental Product Declaration
	ICMQ Eco Gold, level of product eco-sustainability
Acciaierie di Calvisano	End of Waste, compliance with (EU) 333/2011 regulation
	Ecosismic, product anti-seismic and environmental certification
	UNI EN ISO 14001:2015, Environmental Management System
	UNI EN ISO 9001, Quality system
Feralpi Stahl	Minimum recycled Contents Certification
	TÜV certificate PED AD2000 W 0, risk control and safety of pressurized equipment
	EMAS, Eco-Management and Audit Scheme
	UNI EN ISO 14001:2015, Environmental Management System
Feralpi Stahl	UNI EN ISO 9001, Quality System
	EN ISO 50001, Energy Management System

1.2.2. Development of the circular economy

Feralpi is an example of circular economy, with the use of electric arc furnace technology and the recovery of scrap for steel manufacture. The company's products are made with more than 99% recycled material. **Over the years the circular economy approach has become more comprehensive with the achievement of the following results:**

- heat recovery at Acciaierie di Calvisano to optimise the temperature of sturgeon breeding tanks in the plains to the south of Brescia;
- the Environmental Product Declaration (EPD) in 2011 for round steel bar and rolls for reinforced concrete;
- extension of the EPD to cold rolled products and welded wire mesh in 2015;
- recovery of black slag from production processes, and transformation of the by-product known as 'green stone', which in 2014 was given CE 2+ marking in accordance with UNI EN standards;
- construction of an energy recovery plant with steam generation at the Feralpi Stahl site in Riesa (Saxony), starting in 2016;
- steelworks fume heat recovery in Lonato, and construction of a district heating network for industrial and urban buildings, starting in 2017;
- recovery of some spent refractories from casting ladles, making it possible to use less lime in the smelting process.

Work continued in 2018 to **develop the Lonato district heating network**, and the new utility company Comeca S.p.A. was set up in January 2019. The Lonato and Riesa sites have continued with their commitment to further improving scrap sorting operations, enabling non-ferrous material (e.g. copper and aluminium) to be sent for recovery procedures in the relevant chain.

“The fact that all scrap generated in Europe is smelted again and reused to make new products shows the circular nature of steel.”

Eurofer, Sustainability Vision Paper



CONSORZIO RICREA AWARD

Feralpi received an award from the recycling organisation Consorzio Recrea for the Group's metal package recycling efforts.

1.2.3. Research driving innovation

(GRI: 103-1; 103-2; 103-3; 201-4)

Innovation is pursued with an ongoing commitment to **applied research** through constant engagement with production departments. R&D initiatives are performed by the “**Research and Development and Process Technologies Department**”, that develops internal projects with external high-profile partners, through funding from regional institutions (Regional Grants for competitiveness and innovation), national institutions (Ministry of Economic Development, tax credits) and European institutions (Research Fund for Coal and Steel (RFCS) grants, Horizon 2020, SILC, Life).

European Grants enable the Group to cooperate with partners with the best specific expertise at an international level, understand the main emerging trends and most promising lines of research, actively participate in the creation of new ideas and produce solutions applicable to production.

The projects in progress have the following aims:

- to apply the concept of the circular economy through the development of systems for recovering and reusing waste materials from steelmaking in a multi-sector European context (Fissac with 26 partners and 7 nations);
- to increase the monitoring and optimisation of steel industry processes to enhance efficiency and production flexibility in implementing Industry 4.0 systems;
- to improve product quality and the development of new steel characteristics to increase competitiveness and penetration of the market;
- to increase the potential for energy recovery from heat waste in the steel cycle to further reduce environmental impact;
- to improve site safety.

The research activities that involved Feralpi Group's companies also benefited from the research and development tax break available under Italian legislation, in addition to the super depreciation benefits available for purchasing equipment under the Industry 4.0 policy promoted by the Italian government (Calenda Plan).

During the financial year the main research activities at Feralpi Siderurgica concerned the following:

- the **WireAccuracy4.0** project kicked off, aimed at the introduction of wire rod obtained with thermomechanical treatment and a fine calibration stage to improve dimensional tolerance. The project also involves the installation of tracking and control systems for the entire production cycle from the scrap to the downstream process department;

Through research activities the Feralpi Group has created an external network, which includes the main organisations, such as the Material Development Centre at Milan Polytechnic, Brescia University, the VDEh-Betriebsforschungsinstitut in Germany, the Centre de Research Metallurgique in Belgium, Swerea MEFOS in Sweden and the Material Processing Institute in the UK.

- the continuation of the **PerMonList** project, co-funded by the EU with the Research Fund for Coal and Steel Grant, which includes the participation of industrial research partners for the development of self-adaptive control systems for EAFs and off-ladle treatments;
- the participation of Feralpi in the long-term **FISSAC** project, aimed at recovering steel mill waste and developing the circular economy;
- as part of the long-term **Rimfoam** project, initial furnace charging tests were carried out with waste materials containing oxides of metal and hydrocarbons, which have shown the potential for recovering plastic materials in the steelmaking process.

At the Acciaierie di Calvisano plant activities continued regarding:

- the **SteelPro4.0** project on the development of special steels through innovation in implementing the manufacturing process, material characterisation and the integrated management of the production chain. The project is funded by the Lombardy Regional Government and involves Milan Polytechnic, Brescia University and private technological partners;
- the **QualityIntegration** project, funded by the Ministry for Economic Development, to increase product quality and production flexibility of wire rod and section bar through technologies applied to the entire production chain;
- the four-year **SupportCast** project, which is developed jointly with the Milan Polytechnic and is funded by the EU with the Research Fund for Coal and Steel Grant, the aim being to improve billet quality. This project also involves the Nave-based Fer-Par plant.

At the Riesa ESF steelworks:

- a long-term project supported by the Federal Ministry for the Environment continued, namely - Innovative combination of process engineering in a high-power steelworks with rolling mill, with the aim of reducing environmental pollution - sponsored by the Federal Ministry for the Environment to improve the efficiency of the production cycle;
- a project on improving the quality of microalloyed steel billets continued, with the participation of Freiberg University, which also collaborates in a project to optimise the efficiency of energy used in EAFs;
- a project to improve electric arc coverage using waste foam is based on the application of the “FEOS” system developed by SMS which, through the use of an acoustic sensor, assesses the efficiency of electric arc coverage with waste foam, and intervenes directly in the injection of carbon to manage the formation of waste foam. In a later phase a study commenced on the use of an alternative system developed by Primetals which, apart from considering acoustic emission from the furnace, also considers the distortions of the furnace's electrical parameters;

The results of research carried out by the Feralpi Group are published regularly and presented at international trade conferences such as “The 7th International Congress on the Science and Technology of Steelmaking (ICS2018)”, held in Venice in June 2018, and “The 4th European Conference on Clean Technologies in the Steel Industry (CleanTech)” held in Bergamo in November 2018.

- the four-year project **ConSolCast** commenced, which is implemented in collaboration with the VDEh-Betriebsforschungsinstitut in Germany and funded by the EU through the Research Fund for Coal and Steel, with the aim of creating methods to forecast and control solidification in continuous casting to improve casting performance.

1.2.4. Industry 4.0 logic

The term **Industry 4.0**, originally coined by the German government, concerns the application of cybernetics to industrial automation and control processes, in order to integrate them in and outside factories along the supply chain, creating new business models, and increasing productivity and process/product quality.

Feralpi takes part in this process with the following objectives:

- to improve product characteristics and introduce innovative properties such as dimensional tolerance, mechanical characteristics and uniform cross-sections;
- to introduce algorithms designed to ensure predictive maintenance in some processing phases;
- to increase productivity, reliability, traceability and process flexibility, improving partnerships with customers;
- to optimise resources, reduce waste and energy consumption;
- to improve safety and ergonomics in the workplace.

1.2.5. Safety and the environment as a primary focus

Various initiatives to improve safety and reduce environmental impact were started and/or completed in 2018.



REDUCING EMISSIONS

- introduction of smelting control technology, which further reduces emissions at the Riesa site;
- waste collection area at the Riesa site was enclosed to control dust emissions during handling operations;
- completion of operations to reduce noise emissions at Riesa, which had been well above legal thresholds. The relevant authority carried out an inspection which, after five weeks of monitoring, confirmed the positive results obtained compared with previous measurements.



ENERGY SAVINGS

- advanced management of furnace burners at the Lonato site, with the use of new software and the installation of new, more efficient burners to dry ladles;
- completion of the new heating system for the offices and changing rooms at Lonato, with heat recovery operations at the steelworks and continuation of the construction of the external district heating network;
- renovation of the automatic pump control system for the cooling circuit at Riesa;
- introduction of an accumulator in the Riesa steam production plant, in order to ensure the continuous supply of this energy source for the nearby tyre manufacturer.



SAFETY OF PERSONNEL

- completion of measures installed to ensure safety when working at height at the Calvisano and Riesa facilities, with the assembly of lifelines, anchoring features and protection for ladders accessing roofs and upper plant areas;
- organisation and marking of pedestrian areas, manoeuvring areas and parking bays in yards at the Riesa facility using appropriate signage;
- installation of an electric arc furnace sampling robot at the Calvisano site, to eliminate potentially hazardous tasks completely;
- installation of a new billet cross-section reduction system with complete segregation;
- revamping of the continuous casting plants and the wire rod line at rolling mill 2 on the Lonato site, and implementation of new iron alloy plant and new heating stations at the steel mill, each made with the essential aim of continually optimising safety levels.

Consult the Annual Report for information on production investments in general.

CORPORATE GOVERNANCE



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Governance structure: roles and responsibilities



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Governance model and risk analysis



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Corruption prevention



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Antitrust compliance programme



2.1. Governance structure: roles and responsibilities

(GRI: 102-5; 102-18)

Feralpi Holding S.p.A. is controlled by a family shareholder base and has a conventional structure of governance, with an Annual General Meeting, Board of Directors, and a Board of Auditors. A leading company is appointed to carry out an independent audit. As required by law, a three-member **board of statutory auditors** supported by a secretary is appointed by the shareholders' meeting. The ordinary and extraordinary management of the company lies exclusively with the Board of Directors, which comprises eight directors, including the Chairman with executive powers, Vice-Chairman and Managing Director. Gender equality requirements on the Board of Directors are complied with. The Board meets every month. The board members are selected on the basis of skills and experience gained at Feralpi, in accordance with informal procedures based on trust among shareholders. The Board of Directors determines the group's economic, social and environmental strategies in consultation with international market specialists.

The **Board of Directors** appoints the Supervisory Board and the Sustainability Committee, led by the chairman of the Holding Company's Board of Directors, who personally contributes to integrating the company's mission with the corporate social responsibility (CSR). The Board of Directors is also the main point of reference to which critical business issues, resulting from the activity performed by the Supervisory Board (SB) and the Sustainability Committee in their respective roles, are reported. In more general terms, the aim of the Sustainability Committee is to support the Board of Directors in understanding aspects on preventing social and environmental risks.

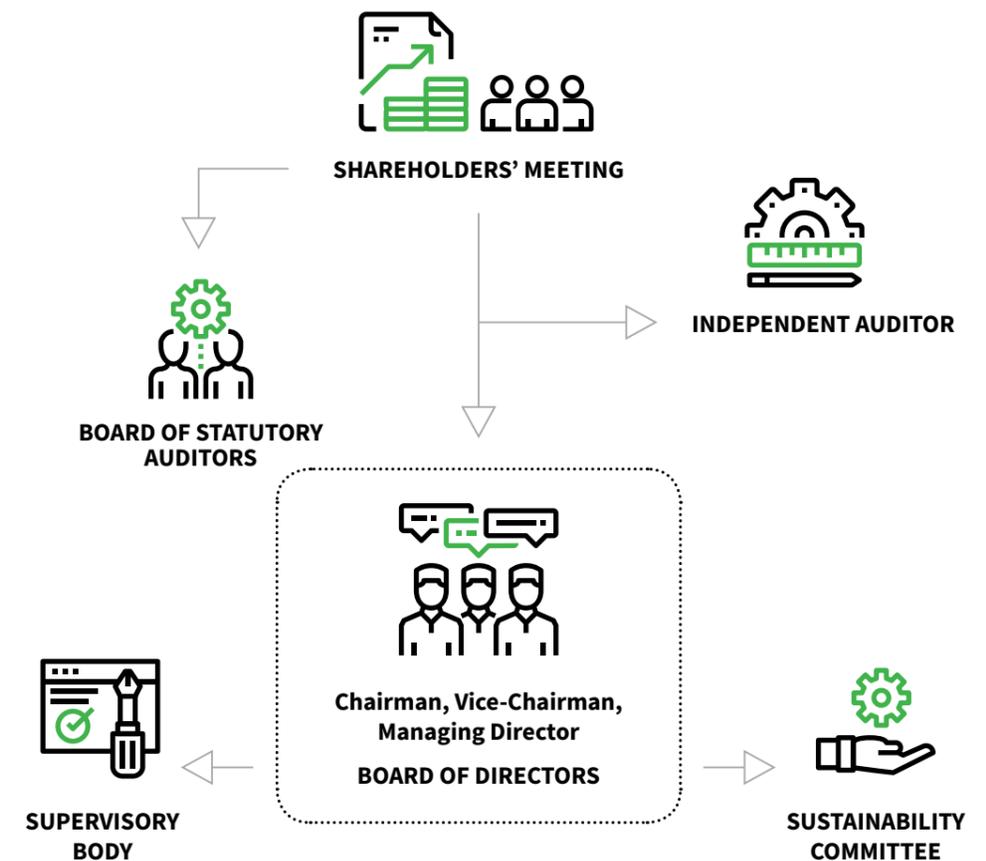
The strategic aims of Feralpi's social and environmental policy are defined in discussion with major internal and external stakeholders, including during regular consultations and surveys on opinions.

With regard to non-financial reporting, the Board approves the **Sustainability Report**, which is the main document illustrating the Group's social and environmental impact, and identifying the corresponding risks and opportunities. The **Group Chairman**, who also chairs the Sustainability Committee, informs the Board of the committee's activities. Following the issue of European Directive no. 95/2014/EU on non-financial reporting, the Feralpi Group decided to prepare an annual voluntarily non-financial Declaration (pursuant to Legislative Decree no. 254 of 2016).

The Feralpi Group **Sustainability Committee** performed regular periodic activity and met five times in 2018, including meetings held on a video-conference with German participants. The Committee has a strategic role in

defining the Group's sustainability policies, with the direct participation of the Group Chairman. As of 31st December 2018, **eight SBs** were operating within the Group in Feralpi Holding, Feralpi Siderurgica, Acciaierie di Calvisano, Nuova Defim, Feralpi Profilati Nave, Fer-Par, Presider and MPL. The SB is a collective board with two or three members, whereas the SB at Acciaierie di Calvisano and Nuova Defim, is a single-member board, represented by a safety leader.

In the reporting period, the SBs did not receive any reports of violation of the Organisational Model or the Code of Ethics, nor specific episodes of corruption nor did they raised or find complaints concerning such regulations as those regarding the environment, human rights, occupational health and safety and *privacy policy* issues.





2.2. Governance model and risk analysis

The Governance Model adopted by Feralpi has a **set of principles, rules and regulations that regulate company operations**, monitoring governance to ensure conditions of transparency and integrity are applied by everyone operating for, and on behalf of, the company. Adopting the model not only provides exemption from liability for a series of offences set out in legislative decree 231/2001, it also enables the company to intervene promptly to prevent breaches and tackle any that transpire, thanks to ongoing monitoring and close supervision of business areas at risk.

The **Governance Model** is based on Confindustria guidelines and can be consulted on the website

<http://www.feralpigroup.com/en/d-lgs-2312001-en/>



With the recent takeovers and the entry of new organisations in the Feralpi Group scope of consolidation, new companies are included in the Governance Model. On 29th March 2018, the Boards of Directors of Fer-Par and Feralpi Profilati Nave approved their model in accordance with legislative decree 231/2001.

Governance model for non-listed companies

This Governance Model aims to foster a general improvement in governance processes. The Italian Family Business Association (AIDAF) and Bocconi University promote principles for the governance of non-listed family-owned businesses, the Governance Model.

In a family-owned business a **governance** system that functions well facilitates the achievement of two objectives:

1. Enable the owners to express a clear vision for the future of the controlled Company/Group.
2. Enable **management** (be it family members or otherwise) to implement this vision using the best resources available on the market.

The Feralpi Group is among the companies that voluntarily signed up to this Governance Model in 2018.

This entails the implementation of a modern **governance** system, which can produce significant benefits for all company stakeholders, including employees, customers, suppliers, banks, backers and shareholders not involved in management.

In promoting transparency, trust and a meritocracy among stakeholders along the supply chain where the company operates, it provides a valuable tool for stimulating company competitiveness.



The Model was defined by mapping the following **sensitive company processes** subject to systematic monitoring and a risk analysis:

- allocating consultancy roles;
- selecting and recruiting personnel;
- managing expense policy for gifts, fees and entertainment for third parties;
- managing relationships with government departments during inspections, audits, reviews, and when applying for and obtaining public funds and tax benefits;
- managing activities relating to safety in the workplace;
- preparing financial statements, reports and company communication;
- managing relationships with corporate governing bodies;
- managing the procurement of goods and services;
- managing and monitoring financial flows.

Apart from risks of a financial, commercial and economic nature referred to in the annual business report, **business operations involve social and environmental risks of a different nature**. As Feralpi Siderurgica and Acciaierie di Calvisano are required to comply with the Integrated Environmental Authorisation procedure, they are subject to a risk of a major incident, and a similar classification applies to Feralpi Stahl in Riesa. Consult the notification and information document at the following link for information on major incident risk. For more general information on environmental risks, consult the relevant section on environmental management and EMAS declarations, which are regularly updated. The section on employee health and safety also illustrates typical risks in relation to site activities. Anti-corruption risks and actions are covered specifically in section 2.4. Risks resulting from non-compliance with quality standards set by the company, which also include supplier management, are covered in sections on Total Quality and supply chain management and policy.

Feralpi has not implemented an integrated and comprehensive Enterprise Risk Management system, but a risk assessment was carried out by each company independently, with a view to adopting the Governance Model set out in legislative decree 231/2001.

The Governance Model is based on the adoption of the **Code of Ethics**, which is the main tool for promoting, publishing and managing professional ethics and business within the company. The Code of Ethics is reviewed regularly following legislative amendments. The **latest version was reviewed by the Feralpi Holding's Board of Directors on 17th March 2017**, and subsequently extended to all companies within the Group.

Anonymous and protected reporting channels are in place in the event of breaches of the Code of Ethics. These channels ensure confidentiality for anyone reporting breaches and are addressed to the Supervisory Boards set up in the Group's main companies.



Notification and information document
<http://www.feralpigroup.com/en/modulo-di-notifica-e-informazione-sui-rischi-di-incidente-rilevante/>

General Data Protection Regulation (GDPR)

With regard to protecting the personal data of individuals, EU regulation 2016/679 (otherwise known as GDPR), has been fully applicable in EU member states since 25th May 2018. In Italy, legislative decree 101/2018 (in force since 19th September 2018) updated the previous data protection code (legislative decree 196/2003, otherwise known as the Privacy Code) to comply with GDPR provisions. Feralpi Holding S.p.A. appointed a Group Data Controller in accordance with article 37, section 2 of the GDPR, to ensure uniform application of the procedure. In May 2018 a data protection policy was adopted by the Feralpi Group, and the requirements set out in the GDPR have been implemented since then. Therefore, after mapping personal data treatment processes, a register of processes was completed, notices were adapted, and procedures adopted to manage data breaches and requests from data subjects wishing to exert their rights guaranteed by the GDPR. These activities are continually monitored to ensure the effective application of the principles set out in the GDPR, in terms of accountability, and restricting and minimising personal data processed.



2.3. Corruption prevention

(GRI: 103-1, 103-2; 103-3; 205-1; 205-3)

Under Italian legislation, the implementation of regulation 231/2001 and subsequent amendments requires **corruption risk** to be **analysed** for all Group companies, and related compulsory information provided for all personnel and suppliers.

The Governance Model for each company considers theoretical risks and potential breaches, including the offences set out in articles 24 and 25 of the decree among offences relating to sensitive operations. These concern corruption in relationships with government departments, and article 25-ter includes offences relating to private corruption and instigating corruption between private individuals.

Given the measures taken and the level of risk determined, Feralpi, as a group, has not deemed it necessary to draw up an additional policy on the matter.

With reference to the year 2018, **the company is not aware of any episodes of corruption and no cases regarding corruption have been reported. No legal proceedings or penalties are in progress against Feralpi or its employees relating to accusations of corruption.**



2.4. Antitrust compliance programme

(GRI: 103-1, 103-2; 103-3; 206-1)

At a global level, the iron and steel industry is characterised by a limited number of large transnational producers. The structure of the market, therefore, makes safeguarding competition a sensitive subject. The industry is also characterised by the production of a *commodity*, with consequences resulting from the comparability of the offering, and therefore the importance of price is a crucial element of market competition. As a result, the steel industry is the focus of special consideration by anti-trust authorities at a national and international level.

In 2018 Feralpi continued to implement the **compliance antitrust programme** in order to train and raise awareness among personnel, especially in relation to compliance with fair competition laws, regarding the exchange of sensitive information and relationships with resellers.

The Group has also produced an **Anti-trust Manual**, with a set of **operational guidelines**, published on the Feralpi website, with principles and instructions for personnel engaging in relationships with third parties on behalf of the Group's companies. In addition to training and paper documentation, the system is inspected on a two-yearly review cycle by external legal experts on the matter, which includes an inspection of company documentation and meetings with owners and anyone holding senior positions.

On 12th June 2018, Lazio Regional Court upheld the appeals of eight companies operating in the national steel industry, one of which was Feralpi, and annulled fines administered by the Anti-trust Authority during the previous financial year for alleged price fixing agreements. The fine already paid was reimbursed, however the Anti-trust Authority has appealed to the Council of State.

Feralpi feels it necessary to provide information on the subject of anti-trust, so that compliance with competition regulations constitutes an essential part of corporate culture, and the company encourages employees to develop a high level of **awareness regarding the anti-trust risks** relating to business operations.

“The Feralpi Group deems market competition to be an essential driver of the company's ethical growth and competitiveness. As a result, Feralpi makes compliance with anti-trust legislation a priority, and considers it an integral part of company culture.”

Giuseppe Pasini

APPROACH AND POLICIES



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The local communities





3.1. Social and environmental responsibility policies

(GRI: 102-12; 102-46; 102-47; 103-1; 103-2)

With the aim of pursuing the principles of economic, social and environmental sustainability that have always characterised the company's business operations, **Feralpi has signed up to the Confindustria Manifesto on corporate social responsibility in a business 4.0 context**, which was launched in January 2018. The manifesto states that, in addition to being efficient, companies should operate as culturally and socially aware players, engaging with all stakeholders.

The Confindustria Manifesto invites companies to support initiatives aimed at achieving the **Sustainable Development Goals (SDGs)**, approved by the United Nations in September 2015.

With this in mind, Feralpi has identified the channels towards which the company wishes to steer its Corporate Social Responsibility model. More precisely:

Feralpi has renewed its decision to create shared value for its stakeholders by moving in four directions



GOAL 9 › Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

WHAT'S FERALPI DOING? › Feralpi is contributing to this goal in various ways, through quality products destined for infrastructure, the ongoing pursuit of process innovation, and a focus on balance between industry and community.



GOAL 11 › Make cities inclusive, safe, resilient and sustainable.

WHAT'S FERALPI DOING? › Feralpi is contributing to this goal by continuously striving to integrate premises harmoniously in surrounding town areas, investing in the quality of products and the development of circular processes to provide clean energy, *engaging* with communities to improve inclusiveness, and establishing partnerships that also enable the safety of infrastructure to be improved.



GOAL 12 › Ensure sustainable consumption and production patterns.

WHAT'S FERALPI DOING? › Feralpi feels that the radical application of the circular economy model is the most effective way of achieving this objective, and is therefore steering company innovation in this direction.



GOAL 13 › Take urgent action to combat climate change and its impact.

WHAT'S FERALPI DOING? › Feralpi is aware that the company operates in an industry that uses energy-hungry technology, and has therefore always been committed to adopting strategies to contain consumption which impacts climate change.

Feralpi has drawn up **strategic social and environmental actions** in line with the above goals through its Sustainability Committee, which are illustrated below.

Material topics and management approach

Material topic	Description	Management approach
Economic value generated	Redistribution of economic value generated to stakeholders	Economic investment must consider social and environmental impact. Feralpi has decided to earmark profit for investment relating to this, to facilitate company stability over time. See section 4.3 . for further information.
Market presence	Capability to ensure good remuneration for its employees; focus on local suppliers	Remuneration paid by Feralpi is higher than minimum contractual levels. While local suppliers may not be prioritised over others, they can become a preferred supplier when they prove their reliability. See section 3.3 . and 3.8 . for further information.
Contribution to community wellbeing	Indirect economic impact, investment in infrastructure and services	Feralpi invests in plans to involve and engage with local communities, and supports initiatives to benefit local areas and organisations that contribute to local development and social inclusion. See section 3.9 . for further information.
Research and Innovation	Ability to innovate through planned research activities	Innovation is pursued with an ongoing commitment to applied research, through constant engagement with production departments. The R&D and Process Technology department develops projects internally and with external high-end partners. See section 1.2.3 . for further information.
Corruption	Preventive measures	Feralpi condemns all forms of corruption, and is committed to training on this issue and monitoring potentially sensitive positions. This aspect is provided for by the rigorous application of the Governance Model. See section 2.3 . for further information.
Competition	Compliance with competition protection regulations	The steel industry is the focus of special consideration by anti-trust authorities at a national and international level. Feralpi insists on raising awareness internally on anti-trust risks, so that compliance with competition regulations constitutes an essential part of corporate culture. See section 2.4 . for further information.
Environmental regulations	Compliance with environmental regulations	Feralpi has drawn up a major incident risk prevention policy for the Lonato and Calvisano sites based on all legal requirements for controlling emissions, treating water, treating, storing and transporting waste, and containing noise emissions. See section 3.2 . for further information.
Materials used	Monitoring of materials used in production, and reuse of waste and by-products	The company's high-level quality objectives involve the adoption of a strategy that focuses on the quality of materials required for the production process. Suppliers are required to ensure high levels of legal and environmental compliance. See section 3.8 . for further information.
Waste	Application of the principles of a circular economy	The systematic application of the circular economy model enables Feralpi to recover and reuse material generated by various production phases. The company's aim is to continually increase the recovery of material in all phases, using innovative technologies which have often been developed from research conducted within the Group. See section 3.2.2 . for further information.
Water	Controlling water consumption and maintaining the quality of water released	Feralpi aims to decrease water consumption through the efficient operation of cooling circuits, and ensures water released from plants is purified in accordance with legislation. See section 3.2.3 . for further information.
Energy	Controlling consumption, saving energy, self-generation	Feralpi believes a business-driven energy policy is strategic, targeting the best prices on the market and advanced technology, and the optimisation of consumption per product unit. See section 3.2.1 . for further information.

Material topic	Description	Management approach
Emissions	Control and reduction of direct and indirect emissions	Feralpi invests heavily in technology and research to contain atmospheric emissions using an over-compliance approach, in order to meet legal requirements and minimise impact on the community and the climate. See section 3.2.4 . for further information.
Product quality	High quality products and compliance with legislation	The objectives set out in the company business policy concern products and services, and are linked to a Total Quality Management approach. See section 1.2.1 . for further information.
Job support	Ability to create work and contribute to safeguarding local jobs	The Group's production sites mainly operate in areas where rates of unemployment are lower than the European average, therefore it can be difficult to source workers with specialist skills. The company employment policy is based on training in partnership with local organisations. See section 3.3 . for further information.
Involvement and focus on local communities	Operations that involve local communities	Engaging with local communities is centred on specialist professional training, the promotion of an industrial culture, and sport for young people, through long-term initiatives. In a social setting Feralpi prioritises the partnership approach through joint planning and collaboration. See section 3.9 . for further information.
Supply chain	Responsible supply chain management	Feralpi has a strategy that focuses on the quality of the materials required for the production process, to meet the high levels of quality the company targets. Suppliers are required to ensure high levels of legal and environmental compliance. Feralpi also conducts supply chain audits. See section 3.8 . for further information.
Protecting health and safety	Health and safety and the wellbeing of employees in and outside the work environment	The company has a prevention strategy that uses the best technologies available and reinforces a culture of prevention, thanks to ongoing training and by raising awareness among all collaborators. See section 3.4 . for further information.
Development of human capital	Personnel training plans	The management of human resources is based on training and skills development. Feralpi obtains the skills the company requires by carefully selecting personnel and providing systematic training at various levels. See section 3.3.7 . for further information.
Diversity and equal opportunities	Protection of equal opportunities for personnel and absence of gender, age and racial discrimination	Feralpi applies legislation that prohibits any type of gender discrimination in contractual conditions, and defines and limits factors that could result in differences relating to remuneration, career progression, and access to traditionally male roles. This is illustrated through the support provided by the company and the possibility for women to access technical departmental training. See section 3.5 . for further information.
Employment relations	Recognition of workers' rights and ability to establish loyal and transparent relationships	Feralpi complies with the rights of staff to have free representation in line with the principles set out in the company's Code of Ethics. Relationships with unions are based on constructive dialogue and engagement between the parties, and timely, transparent information. See section 3.3 . and 3.6 . for further information.
Human rights	Protection of human rights in the workplace	Feralpi applies the Universal Declaration of Human Rights and the company's Code of Ethics. Company operations are carried out in Europe, with the exception of the business premises in Oran, Algeria, where a limited number of personnel operate in accordance with national legislation. See section 3.7 . for further information.



3.2. Environmental management

(GRI: 103-1; 103-2; 103-3; 102-11)

Steel production has significant environmental impact, despite the extensive improvements made possible with technology. Feralpi manages to mitigate this impact with the pursuit of ongoing improvement objectives over a medium to long-term period. The company carried out an impact assessment of its business operations, products and services to prevent and manage environmental impact, promoting the use of the best technologies available in all countries where the company operates*. Feralpi believes that **using energy resources efficiently** contains environmental emissions, limits climate change, and reduces costs. The company has been successfully reducing its emissions into the atmosphere, water and soil for some time. Feralpi strives to **minimise the production of waste, and opts for recycling** instead of disposal, in line with a **circular economy model**.

In line with the aforementioned strategy, Feralpi has signed up to the **Confindustria Sustainability Principles** and recently adopted the principles set out by the World Steel Association (WSA) in the document Sustainable Steel Policy and Indicators 2016, which are based on the 17 sustainable development objectives set out by the United Nations, recognising them as an integral part of the company's short and long-term objectives. After obtaining ISO 14001:2015 certification, the Feralpi Siderurgica "Safety and Environmental Policy" has been reviewed since 2018. The new policy puts more emphasis on aspects relating to analysing the context, involving suppliers, and operating in line with the principles of the circular economy, with an emphasis on objectives to optimise resources and continually improve performance.

In accordance with the requirements of articles 13, 14, 15 of legislative decree 105/15 (establishing upper thresholds) on the production and storage of dust collected from fume abatement plants, Feralpi has drawn up a policy to prevent the risk of major incidents (RIR).

Steel is the most recyclable permanent material in the world.

Eurofer, Sustainability Vision Paper



Policy to prevent the risk of major incidents
<http://www.feralpigroup.com/wp-content/uploads/2016/10/politica-prevenzione-incidenti-rilevanti.pdf>

* Refer to Feralpi Siderurgica and Feralpi Stahl updated EMAS 2018 declarations.



The Feralpi Group applies the precautionary principle set out in article 15 of the Rio Declaration on Environment and Development (UN conference in Rio de Janeiro on 3rd-14th June 1992), stating that "Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation".

When evaluating the effectiveness of decisions regarding environmental risks, the Board of Directors consults expertise in subsidiary companies. Feralpi **regularly** evaluate the results of environmental policies adopted, by comparing them against targets established in annual and medium-term plans. The method used is to compare the indicators stipulated in the **EMAS declaration** annually, integrated with the results from the biennial workplace climate surveys, which gather the opinions of Group personnel on environmental issues. The opinion survey carried out regularly on a representative sample of the population of Riesa also contributes to monitoring the perception of Feralpi Stahl environmental policies.

The reporting of the environmental results obtained takes into consideration the different **impact of the Group's plants**. The three steel mills at Lonato, Riesa and Calvisano and the rolling mills at Lonato, Riesa and Nave have a significant direct and indirect impact, therefore they are subject to **continuous monitoring** and to the systematic protection of the work environment and plant areas. The chapters below only describe the interventions made in these plants as the impact is more relevant.



EMAS award Italy 2018

Feralpi Siderurgica has been awarded the EMAS Italia 2018 prize for the best multimedia environmental communication promoted by the Committee for Ecolabel, Ecoaudit and ISPRA.

With a view to incorporating sites harmoniously in their local surroundings, the fiftieth anniversary celebrations also provided an occasion for improving the appearance of the Lonato premises, and integrating them aesthetically in the surrounding landscape.

In 2018, none of the Group's plants at Lonato, Calvisano, Nave and Riesa received any fines or penalties for non-compliance with environmental legislation.

3.2.1. Use of energy resources

(GRI: 103-1; 103-2; 103-3; 302-1; 302-3; 302-4)

Given that the cost of energy represents the second highest cost item in the Feralpi production process, the company gives significant importance to **energy policies**, which are considered with a dual approach - contractual in terms of obtaining the **best prices on the market**, and technological aiming at **optimising consumption** per product unit, through the **constant monitoring** of energy-consuming processes, increased **plant efficiency** and upgraded control and regulation hardware and software. The importance attributed by the Group to the use of energy has led to the achievement of ISO 50001:2018 certification for the Feralpi Stahl steel mills at Riesa and the participation of Feralpi Siderurgica and Acciaierie di Calvisano in the instant interruptibility programme of the **Metal Interconnector Consortium***.

The share of electricity from renewable sources is estimated at 8.9%, as regards the main provider in Italy, and around 40.6% as regards Germany (https://www.energy-charts.de/ren_share.htm?source=ren-share&period=annual&year=all). In the latter case, reference is made to the domestic energy mix for 2018 (38.2% in 2017), since it is not possible to have a specific corporate data. The above-specified percentages do not necessarily refer to the energy purchased by the Group companies, as they could have been intended (totally or partially) to other users who have specifically requested it.

ZERO IMPACT ENERGY

Thanks to the photovoltaic plant in operation at the Lonato site, Feralpi produces a modest amount of renewable energy. Energy which is not renewable, but has zero impact, is possible through the use of steam from the Riesa plant, enabling the reduction of third-party environmental impact resulting from the use of other forms of non-renewable energy, in addition to a heat exchanger for the cooling plant at Acciaierie di Calvisano. As explained more fully in the section on the circular economy, in Lonato the expansion of the district heating system obtained from using heat from steelworks fumes continued.

Significant objectives were achieved during the financial year to reduce energy consumption per tonne of finished product in many smelting and rolling processes.

* The Metal Interconnector Consortium brings together the major users of electricity in the steel industry for the development of interconnection infrastructures in order to better exploit the opportunities offered by the European electricity market.

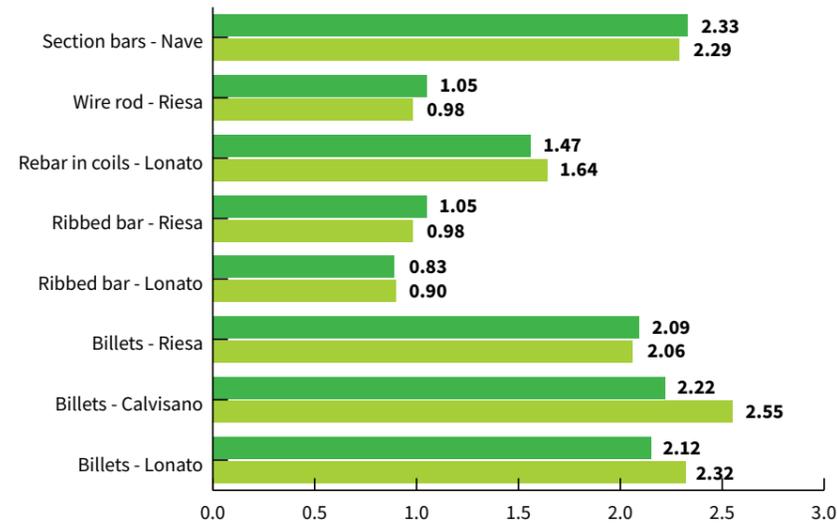
Klimaschutz-Unternehmen - Companies promoting environmental safeguarding

Feralpi Stahl is the first company in Saxony to be included in the select list of Klimaschutz Unternehmen for innovative contributions to environmental safeguarding and energy efficiency.

Group's overall use of energy by source (GJ)

	2017	2018
Electricity	5,304,683	5,333,796
Natural gas	2,338,238	2,447,127

Energy intensity in GJ per tonne of finished product



To see more indicators related to the results of Feralpi's energy policy, refer to the section entitled "Environmental indicators" in Chapter 5 "Performance".

N.B. The values refer to December each year. In the calculation, the overall consumption of natural gas, electricity, charcoal and coal for foamy slag was used for Lonato, and the overall consumption of electricity and natural gas for Calvisano, Riesa and Nave.



3.2.2. Production and processing of waste and by-products

(GRI: 103-1; 103-2; 103-3; 306-2)

Steel production is traditionally characterised by the production of significant amounts of waste, mainly concerning heavy residual waste due to sorting scrap and various types of slag (black, white and foam), fume abatement dust typical of the smelting process, and mill scale.

The systematic application of the **circular economy** model enabled Feralpi to recover and reuse material generated from various production phases. The company's aim is to continually **increase the recovery of material in all phases**, using innovative technologies, which have often been developed from research conducted within the Group.

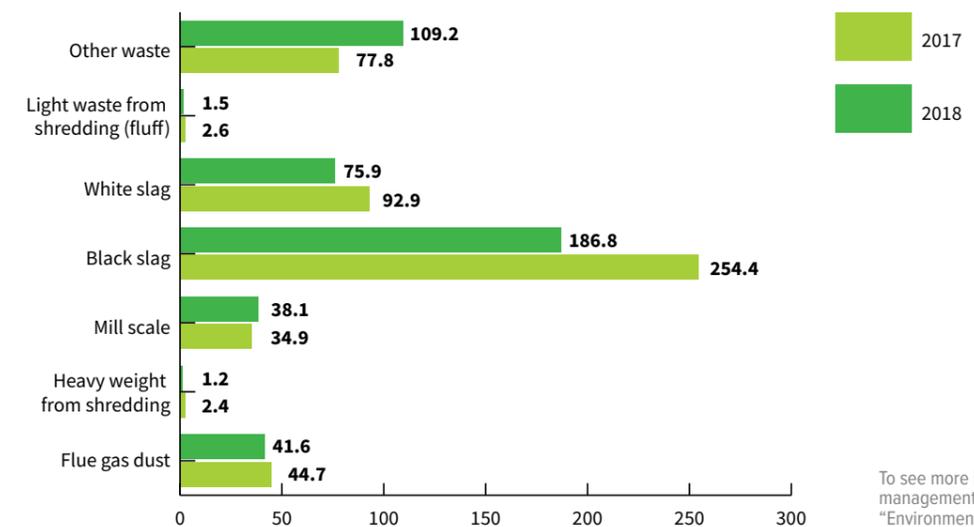
The main **results** of applying the circular economy approach are:

- the recovery of non-ferrous metal parts after sorting scrap;
- recovery of black slag and its transformation into what is known as Green Stone for use in construction;
- recovery of mill scale, sold to cement factories as an additive;
- partial recovery of zinc oxide from fume abatement dust;
- research carried out into recycling heat from non-metal parts generated by crushing scrapped vehicles.

Feralpi carries out **systematic checks** on the destination of waste that cannot be recycled and is sent for treatment and disposal. The suppliers of waste disposal services are selected on the basis of reliability and competence, and the provision of the option to track waste until it reaches its final destination.

During the financial year, total waste production declined by **18.8%**, even though production increased.

Production of waste in the Group (thousand tonnes)



To see more indicators related to waste management, refer to the section entitled "Environmental indicators" in Chapter 5 "Performance".

3.2.3. Use of water resources and liquid emissions

(GRI: 103-1; 103-2; 103-3; 303-3; 306-3; 307-1)

The need to cool plants for steel production requires large amounts of water. At the Lonato and Calvisano sites water is obtained directly from the underlying groundwater by means of wells. At the Riesa site it is obtained from the local council water supply and wells, however a meter is not available for the latter, therefore the total amount used is defined through estimation methodologies.

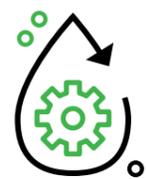
Rain water is collected on all waterproofed surfaces, sent to purification plants for treatment and then partly used for industrial purposes. Surplus water captured from the internal site sewage system is sent to the **purification plant** and released into the body of surface water in the case of Lonato and Calvisano, and into the urban sewage network in the case of Riesa.

With regard to water usage, Feralpi has a twofold objective - decrease its use through the efficient operation of cooling circuits, and ensure that water released from plants is purified in accordance with legislation.

Thanks to closed circuits in all plants, continuously recycling water prevents its use from having significant environmental impact.

As in previous years, none of the Group's plants (Lonato, Calvisano, Nave and Riesa) reported incidents involving the spillage of hazardous substances or pollutants on the premises.

During 2018, a container on a vehicle driven by a supplier of ferric chloride broke while being transported to Feralpi Siderurgica, and some of the contents spilled onto the vehicle platform and road, along the road network external to the site. The vehicle was stopped from entering by company personnel and the **emergency management procedure** was initiated. Even though the incident occurred outside the company perimeter and was the result of a supplier transport incident, Feralpi responded immediately with its own personnel, and provided absorption material to promptly deal with the spillage. A supplier re-qualification process was subsequently initiated.



Feralpi recycles 95% to 99% of water to cool its own plants.

Percentage of recycled/reused water

	2017	2018
Lonato	98	98
Calvisano	96	99
Nave	93	95
Riesa	99	99

To see more indicators related to the use of water resources, refer to the section entitled "Environmental indicators" in Chapter 5 "Performance".

3.2.4. Atmospheric emissions

(GRI: 103-1; 103-2; 103-3; 305-1; 305-2; 305-3)

The **control of emissions** in European countries is especially stringent and subject to national legislation, which requires permits to operate that are subject to increasingly strict checks.

Thanks to improvements in technology, modern steel production using **electric arc furnaces** has been very successful in containing atmospheric emissions. However, safeguarding the environment involves significant investment and ongoing research into the best solutions, in the awareness that additional positive results for the environment mean that investment has decreasing returns.

Feralpi's ongoing commitment in this regard has led to the achievement of first-rate results, as proved by the monitoring of the levels of various pollutants, which are much lower than authorised limits, due to:

- using the most advanced technologies available and continually improving them;
- continually monitoring the concentration of dust and extraction efficiency;
- ensuring plant efficiency with frequent maintenance operations;
- prompt intervention in the event of anomalies flagged in real time by monitoring systems.

The technological innovation underlying the results obtained at Feralpi plants in Italy and Germany is illustrated in detail in the related EMAS environmental declarations

Feralpi is particularly committed to reducing greenhouse gas emissions, replacing non-renewable sources with renewable sources, and applying the circular economy model to recover energy losses. Using heat from steelworks fumes for the Lonato district heating network, and the production of steam and electricity at Riesa are examples of the company's strategy to also provide third parties with alternative energy sources.

Feralpi is part of the Emission Trading System (ETS), an EU tool used to check greenhouse gas emissions through the monetary value of the emissions themselves and trading them with other operators.



Despite the increased production volumes, Feralpi managed to reduce total emissions of greenhouse gases by 2.8% in 2018.

Total direct and indirect greenhouse gases emissions (tCO₂)

	2017	2018
Scope 1 (direct emissions)	208,347	203,158
Scope 2 (indirect energy emissions)	622,925	603,892
Scope 3 (transports)	33,870	33,493
Total direct and indirect emissions	865,142	840,543

Note: Scope 3 emissions include an estimate of those resulting from personnel commuting, the incoming transport of scrap and the outgoing transport of finished products.

To see more indicators related to the emissions, refer to the section entitled "Environmental indicators" in Chapter 5 "Performance".



3.3. Human resources management

(GRI: 103-1; 103-2; 103-3)

3.3.1. The strategic importance of personnel

Company success has always depended on the development of human resources and the availability of skills that meet the challenges of the steel industry. Production diversification, the introduction and development of the best technologies, the digital Industry 4.0 transformation, and the decision to apply the circular economy model would not be successful if Feralpi could not ensure the contribution of **competent, motivated and proactive personnel**.

Major risks concerning personnel management mainly relate to the availability of suitable workforce, both in terms of numbers and professional qualifications. The company has to invest in **specialist training** where there are gaps in the local employment market, in order to obtain the required skill set. Risk relating to sourcing workers in local employment markets differs depending on where operations take place. In Italy the onset of the economic recession in 2018 made the steady jobs offered by the company appealing, even though issues remain with sourcing specialist skills, so training is provided internally. In Germany the performance of the economy means young people have more choice, and the company has to extend its recruitment catchment area. Furthermore, in addition to providing immigrant personnel with specialist training, other skills training such as language study is provided, fostering social integration.

Alongside recruitment there is also the risk that comes with losing skills, due to senior or specialist personnel leaving the company. By investing heavily in the development of human resources and welfare policies, the company has traditionally had a retention policy that focuses on **staff loyalty**.

Safety at work is another risk relating to human resources. The steel industry has always involved a certain

amount of risk, given that the processes require extremely high temperatures and the movement of heavy items. Thanks to the use of **new automated technologies**, characterised by continuous monitoring and considerable support, the work has become safer and the work environment healthier and more ergonomic. Risk relating to operations has gradually decreased, but the possibility of human error will always remain, though can be mitigated by improving education, raising awareness among employees, and spreading a **culture of safety**.

With the ongoing improvement in health and safety in the workplace, company commitment has turned to widening the **concept of health**, by also contributing to employee wellbeing outside the work environment. In recent years, the company has adopted measures to monitor potential cases of **work-related stress** and incentivise practices that **safeguard health in the life and families of employees**, encouraging both individual and collective **preventative measures**.

Feralpi believes that the management of human resources, in an increasingly competitive and open context, should also aim to encourage the predictive ability of those who make important decisions. Advanced training is not sufficient on its own to obtain this, a **team approach** is also required. A culture of teamwork underpins company success, commencing with the creation and coordination of alternating teams in departments, through to discussion groups and the sharing of ideas between departmental managers. Consequently, the management of human resources involves all Feralpi personnel and is therefore reported below in relation to the Group's established boundary.

3.3.2. Company objectives

The Feralpi personnel policy develops along five main lines - recruitment, training and the development of human resources, remuneration and performance assessment, industrial relations, and personnel welfare and health and safety in the workplace. Each of these aspects is managed on the basis of tools geared towards set objectives.

Recruitment procedures consider local job market conditions, which may differ significantly depending on the country where premises are located. **Feralpi has a preference for permanent employment agreements and adopts personnel redemption and loyalty policies** (*welfare, benefits and training*) that enable long-term investment in employees.

The training and development of human resources are a fundamental part of the Group's investments, and managed in conjunction with local training organisations, which

are systematically involved on the basis of long-term programmes. In Italy involvement is inspired by the dual German model too, with the transfer of skills based on complementary joint cooperation between experience developed at the company and the technical/practical skills from local professional training.

The remuneration scheme recognises merit and ability on the basis of collective performance assessments (production bonuses), whereas a **Management-By-Objectives** scheme is used at a managerial level.

The industrial relations system adopted by Feralpi facilitates prompt and transparent information, dialogue, participation and mutual responsibility of parties and, in recent years, it has successfully set up innovative welfare schemes that includes the families of employees too (see Chapter 3.6).

3.3.3. The assessment of company policies

Feralpi has developed a **system of indicators** in each area of the personnel policy, which enables the results obtained to be monitored and assessed with respect to set objectives. Recruitment procedures are assessed through *turnover* levels and most of the training courses are assessed by the participants at the end of the course and through **regular workplace climate surveys**.

Remuneration is linked to productivity and quality of industrial relations is subject to assessment via regular meetings between company parties. Health and safety in the workplace is monitored using accident indicators, and personnel wellbeing is mainly monitored through workplace climate surveys and objective indicators such as rates of absenteeism.

3.3.4. Employment trend

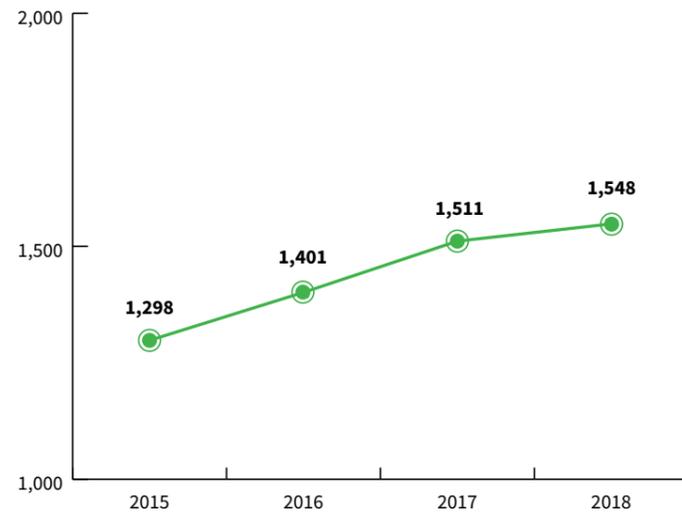
The Group's sites operate mainly in economically developed areas with a long industrial tradition, and unemployment rates are relatively lower than the European average (5.2% in the province of Brescia, 4.1% in the district of Dresda*). The company has difficulty in sourcing personnel in Riesa, and companies operating in the area have to compete to recruit qualified personnel. As a result Feralpi Stahl has a structured policy that includes:

- initiatives to involve students before they enrol in technical colleges, with work experience, summer contracts and open days;
- initiatives in partnership with local job centres to capitalise on female unemployment levels;
- initiatives with local job centres and non-profit organisations to develop recruitment campaigns, training and the integration of refugees;
- individual contracts in the recruitment of personnel with the most specialist skills, and who are difficult to source on the job market.

* Source Istat 2019 for the Brescia area and Eurostat 2019 for the Dresda district.

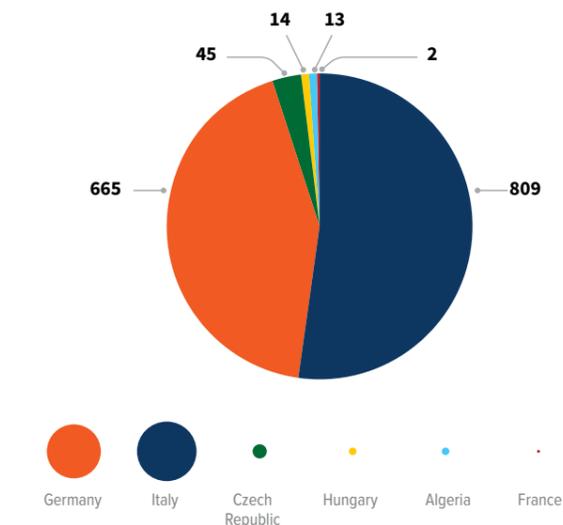
While the job market is generally healthy in Lombardy, finding staff for high-level roles remains a problem, also in relation to the increasing requirement for advanced technical/specialist skills generated by the gradual introduction of Industry 4.0. Employment policy continues to focus on considerable investment in training, in conjunction with local organisations.

Number of Feralpi Group personnel at the end of the financial year



At the end of 2018, the number of Group personnel increased by 2.5% on the previous year.

Distribution of personnel in the countries where Feralpi operates



As at 31st December 2018, 96.3% of Feralpi personnel had a permanent contract of employment.

3.3.5. Personnel remuneration

The remuneration system is based on **merit** and **ability**, determined by assessing collective performance (production bonuses). At a managerial level, during the financial year the Feralpi Group used a performance-driven scheme to direct, measure and reward practices that contribute to achievement i.e. management by objectives (**MBO**).

With regard to industrial relations, in 2018 two new supplementary agreements were signed at the companies Acciaierie di Calvisano and Presider.

The new four-year contract at Acciaierie di Calvisano (a year longer than previous contracts) has illustrated the effectiveness of the pre-existing performance bonus scheme, increasing the maximum theoretical value that can be achieved, and targeting higher performance levels with a review of the parameters.

With regard to Presider, which Feralpi took over in 2018, the new contract incorporated the scheme already in force in other companies in the Group, with a technical

component (consisting of 3 technical indicators) and a safety component (relating to accident severity ratings). Once again the maximum theoretical value that can be achieved increased, graded at higher performance levels. Both agreements allow the **performance bonus** to be **voluntary converted** into benefits and services via the company benefit platform “WELFER”, with an additional contribution from the company equivalent to 10% of the value converted.

Gross remuneration increased again in 2018 by €70,706 million (+6.6% on the 2017 figure).

3.3.6. Quality of the work environment

(GRI: 401-1; 403-2)

During the 2018 financial year, Feralpi continued with its commitment to **improving the quality of work activities** by increasing levels of **automation**, especially in repetitive tasks and at workstations that are unsuitable ergonomically, or potentially hazardous steelmaking activities. Examples include two robots installed at the Calvisano site, one for labelling products and the other for sampling at the furnace, to eliminate a potentially hazardous task, and the automation of various operations at the Nave site, which is undergoing significant modernisation.

By investing heavily in the development of human resources, the company has traditionally had a retention policy that focuses on staff loyalty. The employee turnover rate is currently 10.9%, which is relatively low. Likewise the figures for absenteeism decreased compared with the previous financial year.

Personnel turnover rates by geographical area

	2017	2018
Group	10.2	10.9
Italy	8.1	8.0
Germany	11.5	13.2

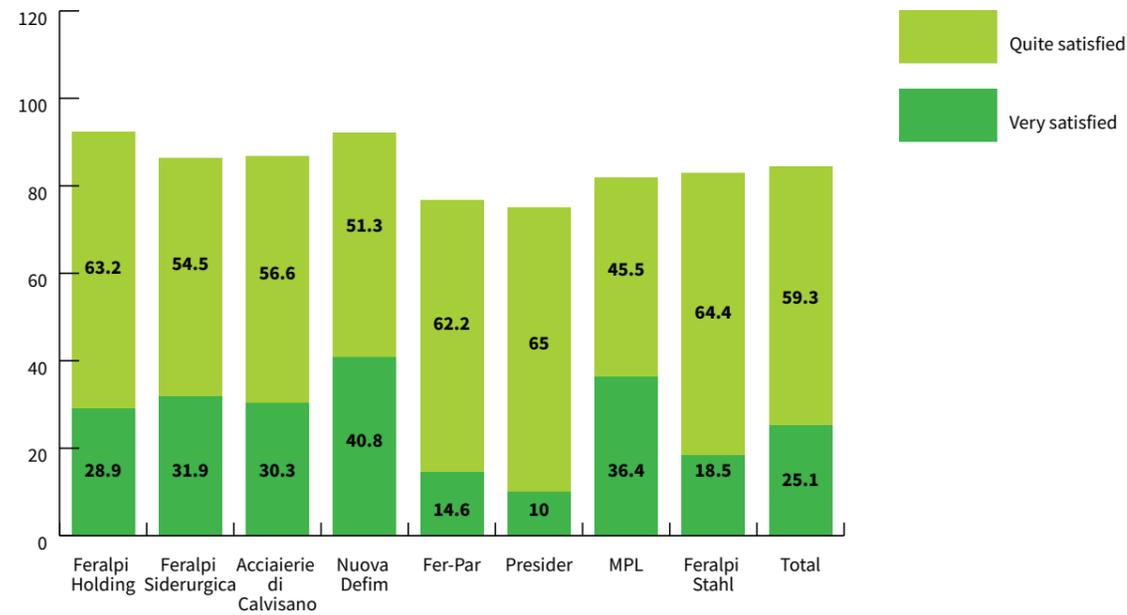
Note: turnover rate = leavers/total workforce x 100
Only for Germany, the leaves take also into account employees on parental leave and on sick leave exceeding 62 weeks as at 31st December. These employees, considering only Germany, are not included in the total workforce. Conversely, new entries include personnel returning during the year following the use of parental leave.

Personnel absenteeism rate by geographical area and by gender

		2017	2018
Group	Men	7.0	6.4
	Women	3.1	3.3
	Total	6.8	6.2
Italy	Men	6.6	5.8
	Women	2.2	1.4
	Total	6.4	5.5
Germany	Men	7.4	7.1
	Women	3.9	5.5
	Total	7.2	7.0

Note: Rate of absenteeism = (number of absent days / number of planned days) x 100. With regard to number of absent days, all types of absence were considered, except authorised leave for holidays, maternity/paternity leave, leave for weddings, study or family reasons and union activities, other cases of authorised paid leave and suspensions, starting from the first day of absence.

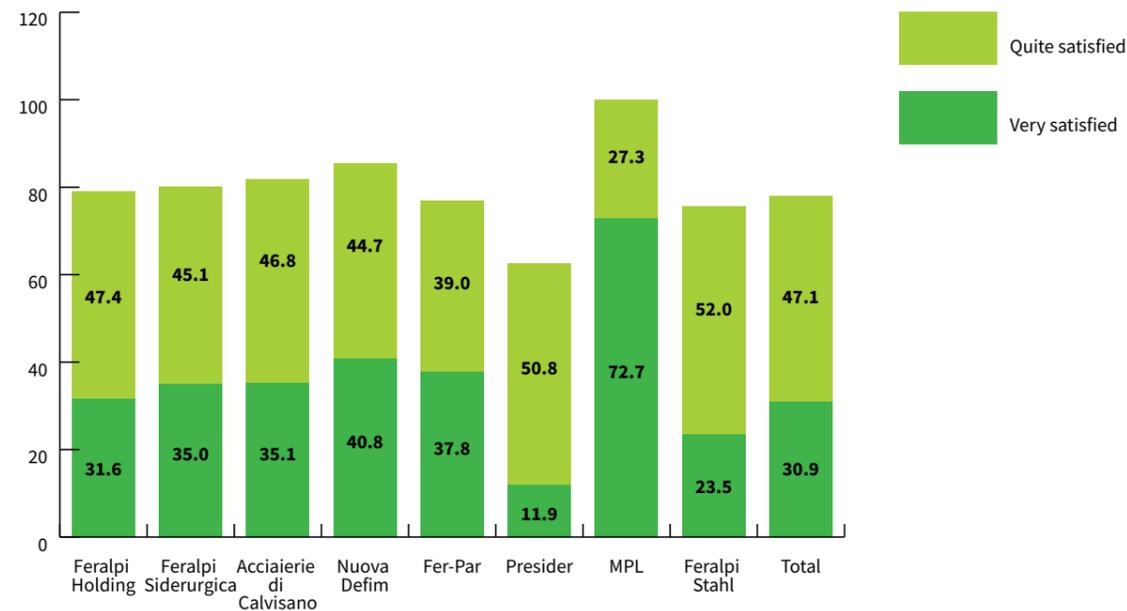
Job satisfaction by site (% of people stating they are very or quite satisfied)



Source: Workplace climate survey, 2019

The level of job satisfaction reported by Group personnel was consistently above 80% (very and quite satisfied) in the last survey on corporate climate, with scores exceeding 90% at some sites. Satisfaction with relationships with line managers also remained close to 80%.

Satisfaction in relationships with line managers (% of people stating they are satisfied)



Source: Workplace climate survey, 2019

3.3.7. Personnel training

(GRI 404-1)

Training methods consider the organisational setup in which professional training is arranged in Italy and Germany respectively. In Italy, specific agreements with local technical colleges enable experience to be gained with a **dual work-education scheme**, which forms the basis of professional training for companies in Germany. Feralpi initiatives in this area have involved significant investment in Italy and they have been recognised for their innovative nature, in an educational context which is very different from the system in Germany.

Training modules aimed at new hires cover the basics, such as health and safety in the workplace, quality policies in line with standard ISO 9001:2015, technical and trade-specific aspects, the environment, environmental management and energy, and organisational management. In a Group that is increasingly integrated at an international level, **language study** is of considerable importance and involves all personnel. With regard to **higher education**, during the financial year two employees from the Lonato and Calvisano sites enrolled on a two-year Master's degree course in metallurgy, and passed the required exams in the first year.

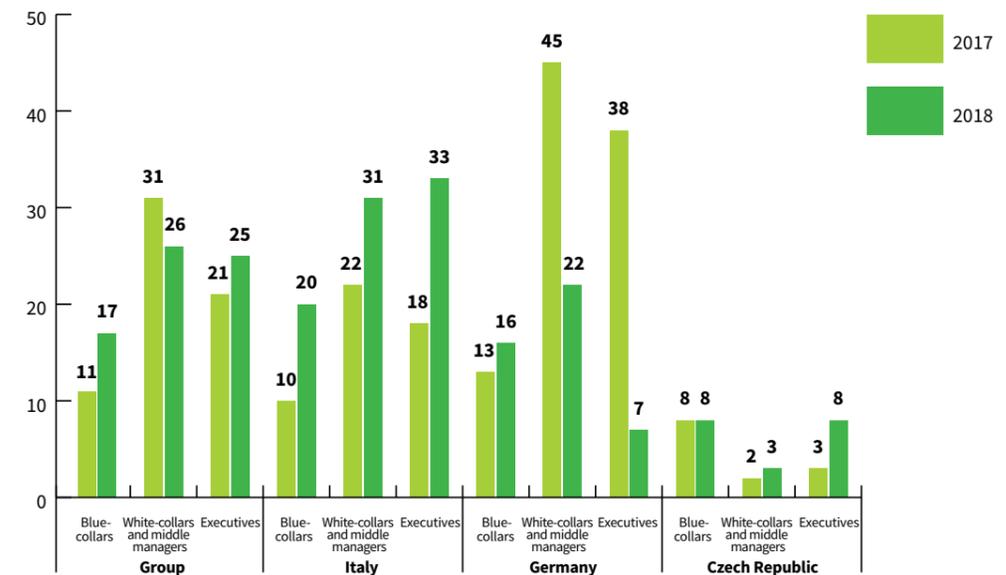
“Industria 4.0 will create greater complexity, abstraction requirements and *problem-solving* for all workers.”

Eurofer, Sustainability Vision Paper

The number of training hours provided by the Group in 2018 amounted to about 30,700, with almost 20 hours per capita.

Hours of training per capita by geographical area

(Note: countries where the presence of Feralpi amounts to less than 20 employees are not included)



e-FARMER PROJECT

The e-Farmer project commenced in 2018, with the aim of developing new graduates in technical, scientific, social and humanistic subjects with considerable inclination towards digital transformation, to enhance Feralpi with innovative expertise. The project is run in conjunction with Brescia University, and involves the selection of 12 young people to form two teams to work on the development of innovative projects with a significant impact on company processes. Members of the winning team will be recruited by Feralpi on apprenticeship contracts, and will have two years for the implementation phase.





3.4. Occupational Health and Safety

(GRI: 103-1; 103-2; 103-3; 403-2; 403-3)

Safeguarding the health and safety of employees remains crucial, despite the results achieved. Obviously typical production activity involves **levels of risk**, which have of course decreased over the long-term period thanks to continuous action, but which are judged ever more stringently by management and the wider public.

Employee health is now protected against risk, and the focus on continuous improvement is constant. The Group has no work tasks with a high probability of risk, or the risk of developing occupational diseases. This positive result must be safeguarded, while enabling additional objectives to be targeted in terms of employee physical and psychological wellbeing, in a context where risks are no longer specific but are in line with those for the population in general.

However, the subject of safety in the workplace must be viewed as much in terms of the positive results achieved as the increasing sensitivity surrounding this aspect, whereby acceptability thresholds are increasingly rigorous and attitudes more stringent in relation to injuries at work.

As a result, the Group has adopted a prevention strategy based on two aspects.



The first concerns the **use of the best technologies** available, which are continually upgraded thanks to the testing of innovative solutions.



The second concerns **reinforcing a culture of prevention**, thanks to ongoing training and awareness campaigns for all collaborators. The aim is to internalise safety as a priority in individuals, so it becomes automatic behaviour.

This twofold strategy takes the form of a policy that is shared with all sites that are taken over, which often do not apply the high levels of safety the Group demands.

The subject of health and safety in the workplace represents an ongoing challenge, which sees the investment of a significant amount of resources. Plant safety is considered a priority for productivity and an over-compliance approach is adopted.

All Group sites comply with health and safety legislation in force where they operate. As stipulated in Directive 2012/18/EU (implemented with legislative decree 105/2015), the Group's Italian steel mills have a **Safety Management System**. One or more employee internal safety representatives are elected or appointed by employees at sites in Italy, under company union representation. These representatives cover the entire workforce, with 93% of personnel electing their representatives directly. The Feralpi Siderurgica site in Lonato has obtained **OHSAS 18001 certification**, demonstrating the focus placed on health and safety.

Similar structures have been set up at Feralpi Stahl, where a committee is made up of representatives from HR, the work safety department, and the factory works council. This committee also facilitates the reintroduction of personnel who have been absent for health reasons.

The Feralpi Group provides a **medical centre on all main sites**, with nursing staff and a doctor present constantly. These medical centres carry out regular tests on exposure to potential risk factors, such as noise and chemical risk. Comparing the results of routine tests for various exposure indicators (e.g. levels of lead in the blood) carried out on personnel over the years has shown a **gradual reduction in the level of risk factors**. Between 2006 and

2016, tests carried out as part of the medical supervision plan showed that levels of lead in the blood, which were already well below the limit of 60 µg/dL, were three times lower, going from 15 to 5 µg/dL. Furthermore, the average value for lead levels in the blood measured during 2016 was almost overlapping the average value for the Italian adult population who had not been exposed. Extremely positive results were also obtained for exposure to PAHs. In this case too, the exposure indicator showed concentration levels not dissimilar to those of the population not exposed to the risk.

Company medical centres also assess and manage work-related stress, with the company doctor acting as the point of contact for sites located in Italy, whereas in Germany employers are held to carry out a specific **stress risk assessment** in line with legislation on health and safety in the workplace (ArbSchG).

Activities to promote health, safety and wellbeing at the Riesa site also include the organisation of a **Health Day**, which has been held since 2011. On the day in question personnel are involved in prevention measures, and personal protective equipment is distributed, such as insoles for safety footwear, prescription safety goggles, and adjustable ear protectors.

WORKPLACE HEALTH PROMOTION (WHP)

The Workplace Health Promotion (WHP) Project is a European initiative to support companies that want to invest in the health and wellbeing of their employees in the workplace. In Italy the project has been implemented by many health agencies in collaboration with Confindustria. The Lombardy Regional Government suggests good practices to companies for the implementation of health promotion initiatives, through its WHP network. The Feralpi Group has been involved in the WHP project since 2014, with long-term initiatives on promoting a healthy diet and giving up smoking, taking enough exercise, a good work-life balance, road safety, and preventing addiction to alcohol and/or other substances. The Feralpi Group companies that participated in the project (Feralpi Holding, Feralpi Siderurgica, Acciaierie di Calvisano, Fer-Par and Nuova Defim) received WHP accreditation certificates from the health agencies in 2018 as well.

Injury frequency rate by geographical area and by gender

		2017	2018
Group	Men	18.51	19.27
	Women	0.00	5.81
	Total	17.37	18.37
Italy	Men	18.37	20.30
	Women	0.00	0.00
	Total	17.49	19.06
Germany	Men	13.55	15.09
	Women	0.00	14.64
	Total	12.66	15.06

Note: rate = (number of accidents/hours worked) x1,000,000. Accidents leading to more than 3 days of absence were considered. Commuting accidents have been excluded.

As reported in the previous financial year, on 15th January 2018 a machinery foreman in the continuous casting area at Acciaierie di Calvisano was involved in an accident and suffered serious burns to 70-80% of his body. He was admitted to intensive care and subsequently treated at the burns unit at Milan Niguarda Hospital, where he underwent numerous skin grafts. Once out of danger he was transferred to a rehabilitation centre, where he slowly recovered main vital functions and some autonomy.

At the same site, a billet fell in the finished products yard and another employee's leg was crushed. This required the leg to be amputated below the knee. In both incidents the company arranged detailed investigations in conjunction with the health authorities, to determine the cause and reinforce prevention measures where possible.



3.5. Gender equality

(GRI: 103-1; 103-2; 103-3; 401-3)

Economic and cultural change has led to the presence of a greater number of women working in traditionally male industries. The steel industry is no exception to this transformation, even though it is still behind other sectors. The development of automation has made direct operations lighter, whereas indirect operations and the development of modern company roles have enabled **female employees** to take on not only **administrative roles**, but also technical jobs. The Feralpi Group is of the belief that its business can benefit from women's skills as much as those of men, and sees recruiting and training female personnel in **specialist technical areas** as an opportunity to capitalise on the availability of such talent in the job market.

The Feralpi Group is committed to making the work environment welcoming for female personnel, not only by applying legislation that prohibits any type of gender discrimination in contractual conditions, but also by identifying and limiting factors that could generate differences in relation to remuneration, career development and accessing traditionally male roles. The welfare services recently offered within the renewal of the Feralpi Siderurgica and Acciaierie di Calvisano company contract moves in this direction. In Riesa, Feralpi Stahl encourages the access of young women to **technical departmental training**.

The company's equal opportunity initiatives are monitored by measuring the distribution of female personnel on tasks and in departments, the calculation of remuneration differences, which never depend on treatment based on gender, and the results of the company welfare policies introduced with company agreements.

The principle of equal opportunities is also applied at the Riesa site, with the aim of reducing the concentration of just one gender working in particular roles. Improvements in ergonomics, and a reduction in heavy manual work made possible with technological developments, mean there is more of a balance of men and women in traditionally male roles. The company is therefore committed to encouraging the employment of female personnel in traditionally male roles, and this is demonstrated with the recruitment of two female crane drivers in 2018, illustrating that even in the steel industry women can perform male tasks and vice versa.



The amount of female personnel increased by 23.1% in 2018.



Female presence among Group personnel

	n.	%
2017	91	6.3
2018	112	7.2

An important indicator of gender equality is the **availability of maternity leave**, reducing the risk of becoming unemployed after the birth of children.

While there is a gender difference in role retention rates a year after returning from maternity leave, levels of returners following leave still show margins of improvement.

Use of parental leave and return to work by gender

	2017			2018		
	Men	Women	Total	Men	Women	Total
Are entitled to	100%	100%	100%	100%	100%	100%
Have used it	21	6	27	22	3	25
Returned to work	19	3	22	18	3	21
Are still working 12 months after the return	21	4	25	18	2	20
Return to work rate	90.5	50.0	81.5	81.8	100.0	84.0
Retention rate	91.3	100.0	92.6	94.7	66.7	90.9

Only for Germany, the leaves take also into account employees on parental leave and on sick leave exceeding 62 weeks as at 31st December. These employees, considering only Germany, are not included in the total workforce. Conversely, new entries include personnel returning during the year following the use of parental leave.

Turnover rate by gender

	2017	2018
Men	10.2	10.6
Women	8.8	14.3

Note: turnover rate = (leavers/total workforce) *100
 Only for Germany, the leaves take also into account employees on parental leave and on sick leave exceeding 62 weeks as at 31st December. These employees, considering only Germany, are not included in the total workforce. Conversely, new entries include personnel returning during the year following the use of parental leave.

To see more indicators related to female workers, refer to the section entitled "Social indicators" in Chapter 5 "Performance".



3.6. Industrial relations and company welfare

(GRI: 103-1; 103-2; 102-41)

During the financial year Feralpi continually operated in compliance with personnel rights of free representation at all sites, in line with the principles set out in the **company's Code of Ethics**. Relationships with unions are based on constructive dialogue and engagement between the parties, and timely, transparent information provided for employee organisations. Collective bargaining applies to all personnel at sites in Italy and Germany (equivalent to 95% of the Group).

Supplementary agreements were renewed at Acciaierie di Calvisano and Pre-sider in 2018, which pick up and extend innovative aspects already present in the Feralpi Siderurgica contract signed in the previous financial year.

Worthy of note are the measures that are part of the **company welfare** scheme. The Feralpi Siderurgica, Acciaierie di Calvisano and Fer-Par contracts include a flexible, integrated scheme of benefits, known as WELFer. This accompanies the performance bonus and enables not only financial recognition, but also the possibility of opting for a set of services and solutions, defined on the basis of employee requests that emerged from the 2017 corporate climate survey.

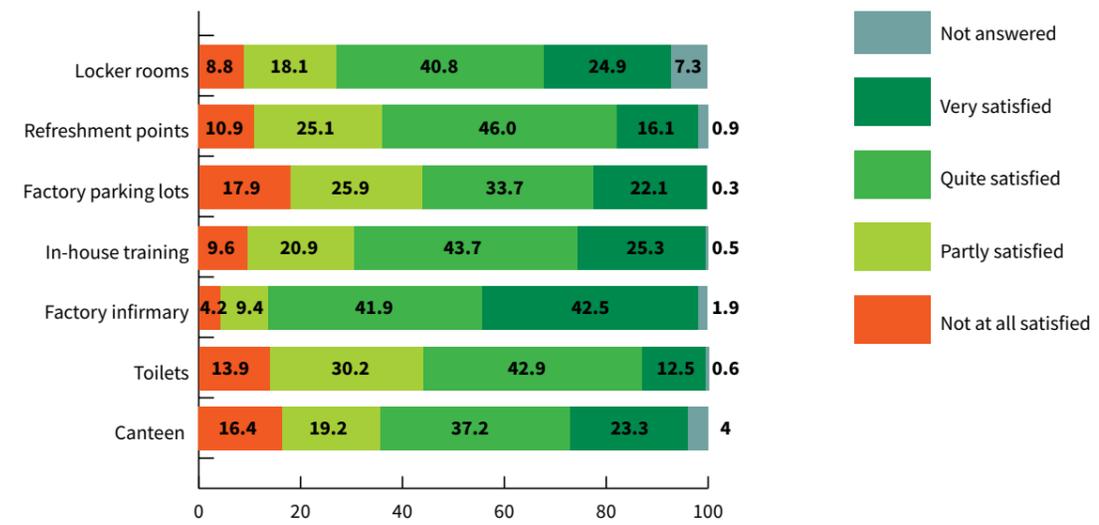


WELFer, the Feralpi company benefits scheme, operates as a 'market place' on a web platform which can be accessed via the HR Infinity Feralpi portal. Employees can customise their package of benefits and services, and obtain vouchers or reimbursements within an applicable expense budget.

At the Riesa site the company benefits scheme also includes a subsidised company canteen, access to various sports facilities, district nurseries, free use of the local swimming pool, and company incentives for personal savings plans and additional pension contributions.

The positive results obtained by the company, with regard to industrial relations, are corroborated by the levels of satisfaction reported by personnel in relation to the services that are part of collective agreements.

Levels of satisfaction with services provided for personnel



Source: Workplace climate survey, 2019



3.7. Respect for human rights

(GRI: 103-1; 103-2; 103-3; 412-2)

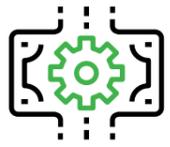
With regard to safeguarding and respecting human rights, material topic for the Legislative Decree 254/2016, the company refers to two main sources - the **Universal Declaration of Human Rights** approved by the United Nations in 1948, and the **company Code of Ethics**, which applies aspects of the Declaration which are directly linked to company business. Articles 23 and 24 of the Declaration are particularly relevant to Feralpi, stating that employers are responsible for fair and equal pay, satisfactory work conditions, limits to working hours, paid holiday, protection against the risk of unemployment, and union freedom. These **rights** are **protected in all countries with progressive employment legislation** and a modern welfare system, as in the European countries where Feralpi operates.

For the reasons above, Feralpi has reasonably concluded that the company is not exposed to risk resulting from failure to comply with human rights. As a result the company has not drawn up a specific policy on the matter, in the belief that strictly applying the existing legislation, and having the Group's supervisory bodies monitor operations, will be sufficient action to address any risks that may transpire in this regard.

However, at a local level Feralpi feels able to contribute to supporting actions that encourage full compliance with rights set out in the Italian Constitution that are directly linked to human rights, such as the principle that punishment must be designed to re-educate offenders (article 27 of the Constitution). In line with this principle Feralpi Siderurgica has signed up to the **Business and Legality Manifesto**, resulting from an agreement between the Brescia Industrial Association, the Supervisory Court, Brescia Prison Management and the Offender Supervisory Authority, and for 2019 is offering 9-month placements to offenders from prisons in the Brescia area.



Business and Legality Manifesto
<http://www.feralpigroup.com/wp-content/uploads/2019/02/Manifesto-Legality-C3%A0-e-Impresa.pdf>



3.8. Supply chain management and procurement policy

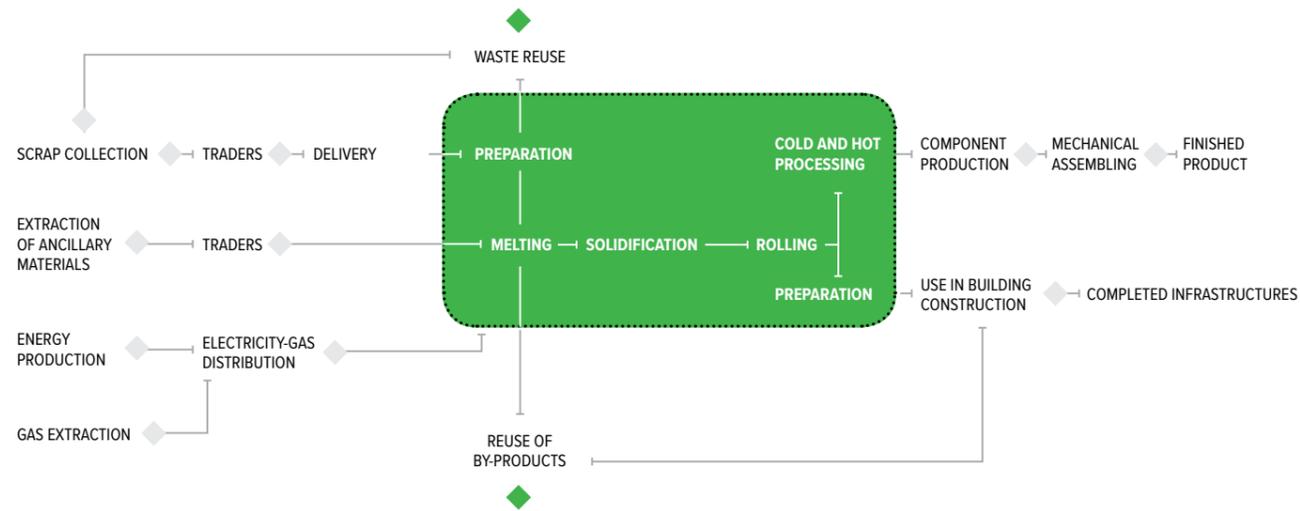
(GRI: 103-1; 103-2; 103-3; 102-9; 102-10; 204-1; 308-1; 414-1)

Feralpi operates along the steel product supply chain, and is positioned upstream of operations designed to provide semi-finished products for a wide range of applications in two main industries - construction and engineering. There are **three supply lines upstream** of Feralpi's operations - the provision of raw materials, energy supply (energy production and gas extraction), and supplementary materials required for smelting. This third line is fairly disparate and includes various materials. One of the main risks in relationships with suppliers is **corruption**, which is covered in section 2.3 of this report, and

this may transpire during the selection process or when final orders are placed. Another element of risk relates to **supplier quality** and **reliability**. It is essential for Feralpi to have suppliers who can guarantee top quality, so that the final Feralpi product meets the required quality standards, and production meets all required characteristics. Furthermore, having reliable strategic suppliers ensures that the supply chain and production process run smoothly.

There were no significant changes to the Feralpi Group supply chain during the financial year.

Simplified scheme of the Feralpi supply chain



The company's high quality targets require a strategy that focuses on the quality of the materials required in the production process. Before becoming suppliers, potential business partners must guarantee a certain level of **quality**, and **compliance** with standards and environmental legislation.

Strategic supplier selection criteria are based on **reliability**, and prioritise long-established suppliers who can guarantee quality, meet delivery timescales and offer

supply continuity over time. Non-strategic suppliers (for consumables and goods/services not directly linked to the production process) are more easily replaced and are subject to regular appraisals on the basis of comparison with competition.

The Feralpi supplier selection and approval process concerns not only professional/technical requisites, but also compliance with tax obligations, environmental legislation, and employee health and safety legislation. All suppliers must be familiar with the Feralpi Code of Ethics.

A plan was established in 2018 for the assessment and approval of scrap suppliers in accordance with environmental, quality and sustainability criteria. The plan was trialed in 2018 with the cooperation of approximately twenty scrap suppliers, and came into effect in January 2019.



To assess aspects relating to human rights, the environment, work and corruption, the Feralpi Group used *TenP - Sustainable Supply Chain Self-Assessment Platform*, a platform with information on sustainability ratings developed and managed by Global Compact Network Italia. The *TenP* makes reference to the Ten Principles of the UN Global Compact and takes into consideration the major international standards and conventions on sustainability.

Suppliers of major importance to Feralpi fall into four categories:

- **Suppliers of systems and technology**, including international companies (during the financial year, two significant system contracts commenced in Germany and Italy), with whom Feralpi establishes co-design relationships and partnerships with technical departments at each site. This type of supplier is selected on the basis of technical and economic criteria;
- **Scrap suppliers** must ensure continuous, quality supplies at prices in line with the market;
- **Energy suppliers** (electricity, methane gas, oxygen) are leading international players that can ensure safe, con-

- tinuous supplies, and support in monitoring changing market conditions, with the aim of capitalising on price opportunities;
- **Third-party companies** operating within site perimeters are checked beforehand, and systematically monitored in relation to legal requirements on safety and accident prevention in the workplace, including compulsory courses, the adoption of collective employment contracts, compliance with tax obligations, insurance cover, medical supervision, and obligations on organising building sites and any subcontractors.

In 2018, after adopting standard ISO 14001:2015, a **supplier review process** was introduced at the Lonato, Riesa and Calvisano sites, which is currently limited to contractor companies and waste disposal firms. Two macro categories of breaches have been identified for this type of supplier, i.e. environmental and safety breaches. Under the contract there are three types of penalties applicable to these companies - financial penalty for the company, individual access permit blocked, and individual access revoked completely.

To prevent penalties being administered, Feralpi encourages numerous **coordination meetings and information sessions** on the subject with managers from contractor companies.

Following the systematic and extensive checks carried out on suppliers in relation to all aspects outlined, Feralpi has not yet had to include specific social and environmental criteria among new supplier selection criteria, before or during supply relationships.

Percentage of turnover invoiced by local suppliers at the main production sites out of total supplies

Territorial area	2017	2018
Province of Brescia	31.4	28.8
Province of Como	4.3	5.1
Province of Turin	-	4.7
District of Meißen/Grossenhain	6.7	6.7
District of Seine-et-Marne	-	5.1

Ratio of local purchases from suppliers of materials, products and services to total purchases. By 'local' is meant the Province or District of reference.



3.9. The local communities

(GRI: 103-1; 103-2; 103-3; 413-1)

The Feralpi Group is aware that a company must engage with the area in which it operates, and cannot neglect the social, cultural and educational dimensions that full engagement entails. This has led to the creation of an extensive network of players and organisations with which the Group maintains a visible exchange of views and commitments, in line with company and stakeholder objectives.

With this in mind, Feralpi has identified the following **actions** to support projects that involve community organisations, trade associations, government departments, educational establishments, research bodies and sports organisations:

- **Safeguarding and caring for the environment;**
- **Education**, training and work as tools for change;
- **Social inclusion** through sport and culture, and the creation of inclusive spaces;

- **Promotion of individual physical and mental well-being and safety at work;**
- **Community development;**
- **Global emergencies.**

Furthermore, all CSR actions focused on **charitable activities** are developed not only in relation to the past, but also with an eye on the future, in order to create growth wherever the company operates, both in and outside company premises.

The relationship between the company and the local community is also assessed through discussion with local stakeholder representatives and directly with the public, through targeted opinion surveys. These tools have returned positive results that have remained stable over the years.

RIESA PUBLIC OPINION SURVEY

The Leipzig company INWT was appointed to repeat the opinion survey in March 2019, with the aim of updating the data collected every two years on public opinion in Riesa and the surrounding area, in relation to the economic role and environmental impact of the Feralpi Stahl site. The results are largely in line with those reported in the previous edition, and illustrate the company's positive reputation among the local resident population. In particular, on a 1 to 5 scale of consensus (agree completely/disagree completely), the question on the role of Feralpi Stahl in creating local jobs has an average score of 1.32 and a median value of 1 (maximum consensus). The question on ability in contributing to wellbeing in the Riesa district obtains an average score of 1.47 and a median value of 1. Of the people interviewed, under 45s are slightly more critical than over 45s. 51.8% of people interviewed are aware of the company's commitment to supporting social and cultural initiatives.

With regard to the environment, the positive feedback from the previous survey was repeated. The score in answering the question "Has Feralpi done much in recent years to reduce environmental pollution?" is 1.70 with a median value of 1, whereas only 3.3% of those interviewed disagreed. The opinion on environmental impact improves considerably among those who have visited the site, and those who are aware of the EMAS certificate obtained. Opinion on the site's acoustic impact also improves among those who live nearby.

The role of external relations is strategic for nurturing and extending dialogue with all stakeholders in the area and industry. Along with standard communication and press office activities, during the Group's 50th anniversary in 2018 Feralpi increased its presence on **social media** to include **LinkedIn** and **Instagram**, alongside the existing **YouTube** channel.

In 2018 Feralpi allocated **4.7 million euros** in the form of **charitable donations to benefit local communities** (+22.4% on 2017).



2018 was the Feralpi Group's 50th anniversary. On 15th September the company opened the doors of its headquarters for an event aimed at all stakeholders. **Heartbeats. L'innovazione nel Cuore**, was the spirit of the Feralpi Group's 50th anniversary, to represent an organisation that has always focused on people, while identifying technological innovation for efficient sustainable production that safeguards humankind and the environment. The common theme of the Group's open house event was gratitude, expressed through four key areas that have characterised contributions from organisations, events, sports and recreational activities, and educational workshops - the circular economy, social inclusion, sport and wellbeing, and training and young people. This was made possible with the collaboration of various organisations, departments and associations in the area that have been partnering Feralpi for some time. The open house event also included visits to production facilities. Anyone interested was able to learn about the production process, in line with the transparency policy, Feralpi has always implemented towards the community. Figures for the event: over 9000 people took part in the day, 21 local organisations were involved, over 2000 people visited the site, covering a total of more than 3400 kilometres, there were 4 key themes, 34 journalists and photographers, and more than 2 million readers, TV viewers and radio listeners participating through the global community.

The support Feralpi provides in the area has moved in four directions for some time now - local partnership initiatives to benefit the community, training programmes designed to bring young people into the job market, charitable activities, and the promotion of sport and inclusion.



FERALPI GROUP AND BRERA ACADEMY COMBINING ART AND INDUSTRY.

The partnership between the Feralpi Group and Brera Academy led to an art competition to design and implement a project dedicated to 50 years of Feralpi. International students enrolled on the level 2 business product design course took part, competing to win three grants for three projects, with the winning project subsequently being implemented and installed at the Feralpi Group headquarters. The quality of the work was so high that even though a 'league table' of winners was produced, a decision was made to implement the top two projects that were deemed the most suitable. The winning project is entitled **TRASFORMAZIONI: nuove forme alla materia** (TRANSFORMATIONS: new material forms), and the winners were awarded the first grant. In second place is the project entitled **LA VITA** (LIFE) by Ariazand Mohammad Hossein and in third place **SOSPENSIONE** (SUSPENSION) by Dario Torresani.

3.9.1. Employment and training for young people

Operating in business also means conveying the traditions of steel manufacturing, which have shaped communities in economic and social terms since the Second World War. As a result, Feralpi holds open days and events in the countries where it operates, so the world of steel is in direct contact with the surroundings which enable it to thrive. Various initiatives aim to engage with the community, in the spirit of **transparency and the consolidation of roots in the area**.

In 2018 Feralpi once again took part in the ninth edition of the national **SME day** promoted by Confindustria and the Brescia committee for small businesses, with the aim of showing young people the world of business and transmitting entrepreneurial values. On this occasion Feralpi Siderurgica opened its doors to more than 50 students from Vincenzo Capirola Secondary School in Leno and Cesare Battisti Secondary School in Salò. Over 500 students visited the Lonato site in 2018, demonstrating the importance the company places on promoting a culture of industry, and the correlation between education and the world of work.

In 2018 Feralpi supported the second edition of the **Smart Future Academy** project, which targets secondary schools with the aim of helping students understand what work interests them, by engaging with entrepreneurs from the business world, and professionals from the world of business, science, art and culture. As in the previous edition, eighteen 5th year students from the three schools Feralpi works with in the **alternating education-work scheme** (Cerebotani, Don Milani and Beretta) were given the opportunity to take part in the initiative free of charge.



THE ALTERNATING EDUCATION & WORK PROJECT

The alternating education and work project was set up by Feralpi in 2015, with the aim of supporting the education system in crucial education-work activities, providing students with basic industrial skills, enabling company areas involved to organise and optimise work experience placements. The project involves **116 hours of classroom-based teaching, and work shadowing in the field with internal and external company experts.**

The 4th edition of the scheme in 2018 saw the involvement of 75 students from 4 secondary schools (Luigi Cerebotani di Lonato del Garda, Don Milani di Montichiari, Carlo Beretta di Gardone Val Trompia, and Blaise Pascal di Manerbio) and 3 of the Group's production facilities (Feralpi Siderurgica, Acciaierie di Calvisano and Feralpi Profilati Nave).

FERALPI BOOTCAMP

The Feralpi Bootcamp is a company project set up in 2014 with various initiatives, including career guidance for the children of employees, advanced training courses (IFTS/ITS), and an alternating education and work scheme. As part of the activities for the children of Group employees, a visit to the companies Acciaierie di Calvisano, Agroittica Lombarda and Di.Ma. was organised on 14th June. This initiative, entitled **RicircoliAmo**, is for 10 to 13-year-olds, and aims to explain the circular economy model.

BAQ 2018 - MARK FOR EDUCATION-WORK ALTERNATION

Feralpi Siderurgica, Acciaierie di Calvisano and Fer-Par obtained the Confindustria quality mark awarded to companies providing high quality on-the-job training.



3.9.2. Supporting local sport

The role of the Feralpi Group in the **sports world** is again part of the policy to promoting culture – in the broadest sense of the term – social inclusion and dialogue with local communities.

Cycling, football, rugby and canoeing are activities which have been supported for some time, along with more specific initiatives designed to include young children through sport. For several years now, Feralpi Siderurgica sponsors the football associations Feralpisalò, Virtus Feralpi Lonato, Acc. Feralpi Amateur Football Club, the Feralpi Cycling Club, the Feralpi Montecclarese cycling club, Feralpi Triathlon and such contests as the Feralpi Fishing Trophy and the 9th edition of the Rally Kart Show held in Barghe, in the province of Brescia. Acciaierie di Calvisano supports the Calvisano Rugby and Calvina Sport Football associations, whereas Feralpi Stahl is the major sponsor of Fussball-Akademie in Riesa.

The decision to prioritise **team sports** is based on the belief that it helps young people to develop empathy, by learning rules of conduct, discipline and *fair play*, and taking ownership of the behaviour required for developing into men and women. This also applies to cultural activities carried out in schools, be they targeted at the youngest children or adolescents, with the aim of drawing the educational environment closer to the healthy values transmitted by a strong work ethic, with dedication and respect for all professions.

FERALPI CYCLING CLUB

The Feralpi cycling club was set up in Lonato in 1974 by Carlo Pasini, the founder of the Feralpi Group. The spirit of the cycling club is the desire to invest in young people, by teaching them the foundations, rules and lifestyle required to participate in a difficult but wonderful sport such as cycling, so they understand how sport in general, and cycling in particular, provides first and foremost a life education.

Figures for the 2018 season:



CLUB MEMBERS
51 Amateurs (between 19-80 years old)
83 Triathlon athletes





YOUTH TEAM
31 very young members 83 victories 114 placings in the top 5

16 beginners	12 victories	41 placings in the top 5
9 intermediate members	10 placings in the top 5	
9 juniors	1 victory	19 placings in the top 5

Victory in the Brescia provincial championship with the athlete Pasquale Lamanna






FERALPISALÒ

Feralpisalò is the professional football club which, thanks to Feralpi, stands out not only due to the quality of its recreational and sports projects, but also due to its social inclusion, educational and community initiatives. Feralpisalò action is not just limited to members choosing the training programme promoted by the club during the sporting seasons straddling 2018.

The organisation is **proactive over a wide area**, and considers young people not only from Salò and the Brescia Garda area, but also those throughout the province of Brescia.

Schools and institutions are valuable allies in this approach, which saw Feralpisalò return to the classroom in 2018 with its school project entitled **Gioco+Salute+Divertimento=Sport** (Games+ Health+ Fun= Sport). This initiative is designed to promote sport at school age, and its fourth edition involved more than 1200 children in various classroom-based and field events. **Sport transmits the main values that inspire Feralpisalò**, ranging from friendship, *fair play*, good conduct as supporters, and a healthy diet through to other aspects, such as managing money and road safety education, which has become increasingly important with the advent of *hover boards*.

The Feralpisalò youth project has more than 550 members and a staff of more than 90 people, including coaches, trainers and collaborators who look after the male and female categories on a weekly basis. More than 30 teams in the organisation are guaranteed **supervision from instructors with degrees in sports science or physical education qualifications, in addition to support assistants dedicated to their individual and collective development**. The results were significant not only in sporting terms (in 2018 the Berretti team became Italian champions in the national championship for that category), but also in receiving recognition in an educational context. Both the first male team and the female intermediate team won the cup at the end of their respective tournaments, demonstrating tangible examples of respect for human and sporting values pursued and incorporated into the club's mission statement.

These aspects are close to the heart of Feralpi Group tradition, and are passed on by Feralpisalò to other organisations in the area that are connected to the club through affiliation projects. This initiative is characterised by Feralpisalò sharing knowledge with youth groups in Brescia associations (8 clubs in 2018), leading to the **involvement of more than 1300 athletes**.



In 2016 the club added a special team to its organisation. The *Senza di me che gioco è?* project created an internal team made up of disabled athletes, and saw the club become the first to set up such a national model in a professional setting. Feralpisalò has organised the project through input from professional coaches and educators dedicated to working with athletes, young and old. With 22 members ranging in age from 8 to 32 years old, Feralpisalò has made its team larger not only in terms of numbers, but also in the wider spirit of involvement, belonging and social inclusion.

3.9.3. Initiatives supporting the community

When choosing which activities to support, another criterion used is requirements in the reference community, giving priority to **social/educational projects** that Feralpi has always considered to be strategic for the educational advancement of a society.

Feralpi chooses to invest time and money in specific projects to support cultural initiatives promoted by local or non-profit organisations, or local projects designed to support the development of a local community. The district heating project involving the Lonato steel mill, illustrated in the section on environmental impact, is worthy of mention as an example of a particularly positive partnership with Lonato del Garda City Council.

In the wake of the success of previous editions, the “**Bella Gröba – Familienfest**” for local residents and the families was repeated by Feralpi Stahl on 25th of August 2018 in the district north of Riesa premises, and was attended by over 1,000 people in the Gröba Castle gardens.

Feralpi Holding supported the event named **Brescian Sports Oscar** and the seminar entitled **I Paesaggi. Salvaguardia e promozione di un patrimonio italiano** [The Landscape. Safeguarding and Promoting Italian Heritage], a two-day event with technical reports, discussion and comparison of artists and professionals focused on “The landscapes”, intended not only as places to preserve and promote for cultural and tourism purposes, but as living factors that call for such principles as responsibility, ethics and aesthetics.

Through Calvisano Council, Acciaierie di Calvisano supported the **brochure for Calvisano Insieme** and **Natale delle Associazioni**, in addition to **Il treno, oggi**, the second edition of the national photography competition sponsored by Association Européen des Cheminots, Sezione Italia, Segreteria Lombardia, in collaboration with Museo Ferroviario Virtuale, which developed the theme of representing modernisation underway in railway transport, in light of an increasing commitment to safeguard the environment. Nuova Defim Orsogril provided mobile fencing to restrict space and event areas in support of Associazione Amici di Como, promoter of **La città dei Balocchi** event.

INDUSTRIAL AESTHETICS

Industrial organisations contribute to the landscape, have close links with the community where they are situated, and occupy a large area of the community. As a result, in 2018 the Feralpi Group Lonato site changed its appearance starting with the plant facilities, by deciding not to conceal them but to highlight them with bright colours, showing off every building and emphasising the fume plant, which is a major feature on company premises and preserves air quality, with an evocative sky blue. This was a way to visually incorporate the factory into the artistic historic setting as a main feature, and highlight the longstanding relationship between Feralpi and the surrounding community.

Furthermore, the evolution of the Feralpi Group through diversification and verticalisation was represented in an exhibition area opened for the event *Heartbeats, l’Innovazione del cuore*. The layout is made of Feralpi steel, and shows what usually remains unseen unless accessing a construction site - the framework for large structures. In addition to offering an educational component, the exhibition area also makes the space more pleasant and habitable. By revealing steel at the heart of a hypothetical town, it shows the importance of metal, without which it would be impossible to build, towns, infrastructure, or even the smart cities of the future.

3.9.4. Charitable donations

Feralpi makes considerable charitable donations in line with principles of **social responsibility and ethical conduct**, shared not only by the *management team*, but also by **employees at all levels**, remembering that the group's governance model focuses on people. Feralpi supports specific projects, in addition to the day-to-day operations of non-profit and non-government organisations, associations, charities and religious associations, including Associazione Nazionale Alpini, AIRC, and the Dominique Franchi non-profit foundation. Feralpi Siderurgica in particular has supported the renovation work on the Lonato parish community centre. Feralpi Stahl supports the Sprungbrett initiative to help disadvantaged children in the district of Gröba. In 2018 the company donated to the Bärenherz hospice for children suffering from cancer in Leipzig, and the association that supports the parents of children with cancer.

MPL provided the expertise and technology required to prepare the beams required for an emergency children's hospital that is being built in Uganda.

In 2018 the Carlo e Camilla Pasini fund provided support for various *social projects*, such as the *Nikolajewka – Un letto in più* fund created to provide more space, services, and therefore better quality of life for disabled individuals looked after and accommodated by the Nikolajewka school in Brescia, and the *Valle Sabbia 2018 fund* supporting social, cultural and education projects promoted by non-profit organisations based in Valle Sabbia. Through the fund the Feralpi Group supported the W.A. Mozart association to produce the musical *La Bulla di Sapone*, which tackles the subject of bullying in primary schools, and supports the significant educational value and ability to bring people together that music offers.

SUPPORTING THE BARENHERZ CHILDREN'S HOSPICE

In Autumn 2017, the Riesa employees devoted two days to the subject of health with numerous initiatives. Some of these were provided by the medical insurers AOK PLUS and BARMER, given the Group's commitment to social and public-spirited objectives. The Riesa factory works council presented various proposals to participating colleagues, and most voted to support the children's hospice. The second most voted option was an association which provides support for parents of children with cancer.

THE STAKEHOLDERS



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Identifying significant stakeholders



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Stakeholder engagement methods put in place in 2018



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Economic value generated and distributed



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Participation of Feralpi in industry associations



4.1. Identifying significant stakeholders

(GRI: 102-42; 102-40)

For more than fifteen years Feralpi has communicated and **actively engaged with the stakeholders** identified at the time of the first Sustainability Report in 2004. This is regularly reviewed in parallel with the Group's production and territorial development phases.

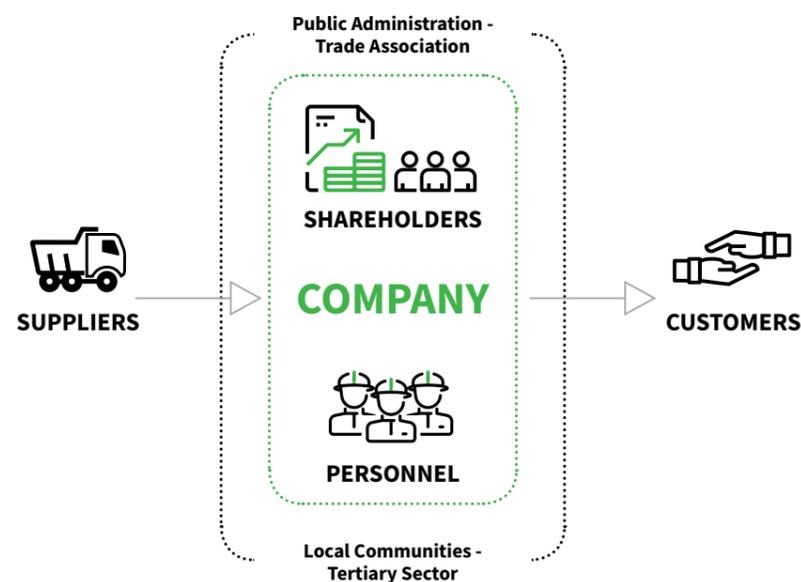
Recognising strategic stakeholders is part of company tradition and Feralpi's original identity, and it is a process that is continually monitored and reviewed. In 2018 Feralpi updated its list of stakeholders. All departmental managers, and not just the Sustainability Committee, took part in identifying the stakeholders during a training course on developing CSR in the company. On that occasion, the sustainability reporting work group asked each participant to identify and order groups of stakeholders,

and individual stakeholders within each group. The ranking obtained was subsequently approved by the Sustainability Committee*.

On the basis of this analysis, stakeholders were grouped into **internal stakeholders** (personnel and shareholders) and **external stakeholders**, which were split into those belonging to the value chain (suppliers upstream and customers downstream of the production process), and those representing significant social organisations (local and central government departments, public and private institutions, populations and non-profit organisations operating in the area).

The identification of relevant stakeholders has led to a more efficient review of the materiality matrix envisaged by the GRI Sustainability Reporting Standards, which identifies the themes relevant to the corporate sustainability strategy and hence the contents of this reporting.

Feralpi Group significant stakeholders



* Consult the methodology note in the 2017 Sustainability Report for stakeholder mapping.



4.2. Stakeholder engagement methods in 2018

(GRI: 102-43; 102-44)

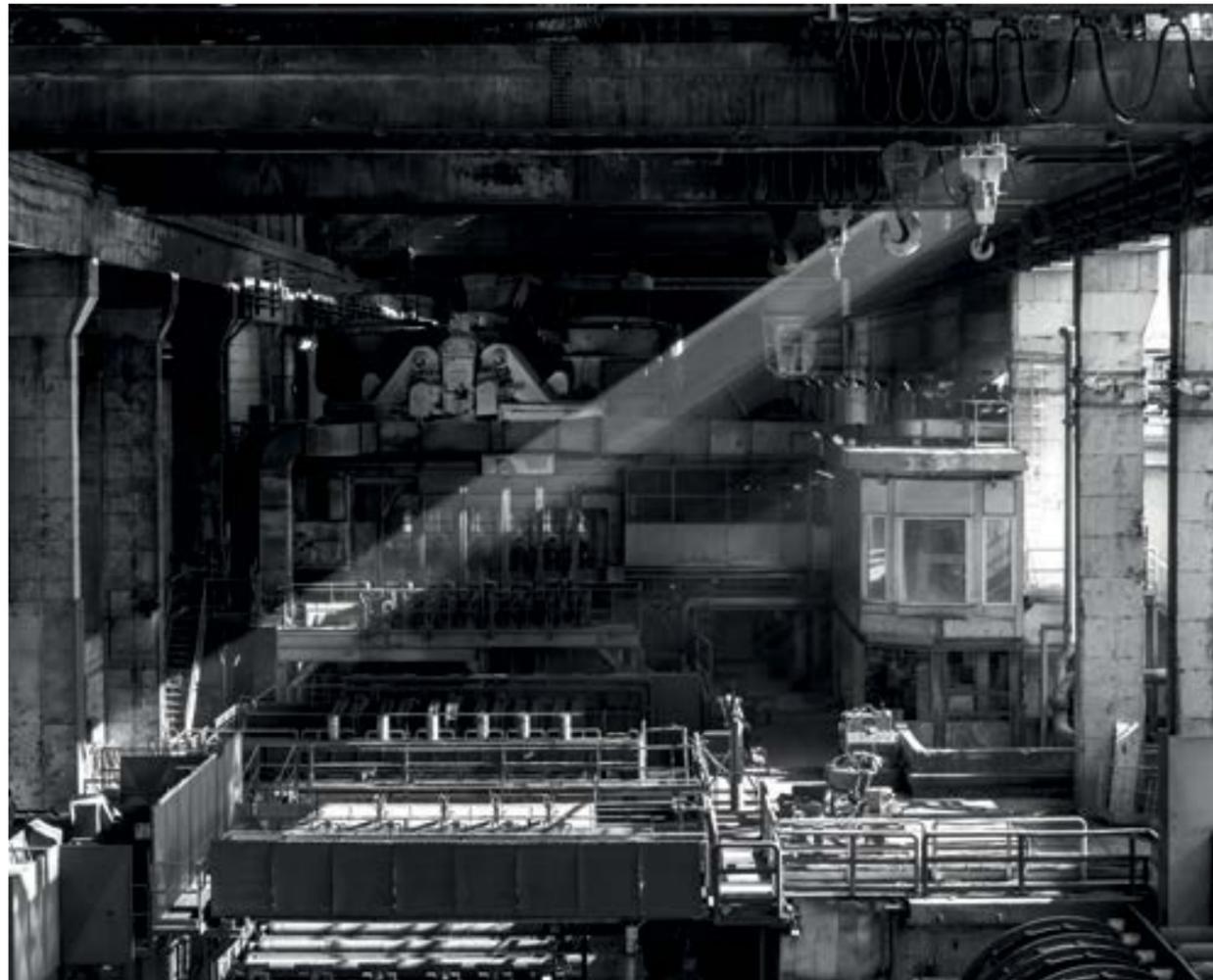
Stakeholder	Engagement method	Objectives
Employees	Work meetings, roundtables, participation in joint committees, meetings with the parties involved	Renewal of the Acciaierie di Calvisano supplementary contract and setting up of WELFer, a platform for the flexible supply of goods and services for Feralpi Siderurgica and Feralpi Holding employees
Shareholders	Annual Shareholders Meeting	Presentation of company accounts, financial report and sustainability report
	Organisation of the "Bella Gröba" family event	Strengthening links between the Feralpi Stahl Riesa premises and the surrounding community
	Organisation of the Feralpi's 50 th anniversary celebrations at the Lonato premises	Strengthening links between the Group and all its stakeholders
Local communities	Collaboration with BUND (Bund für Umwelt und Naturschutz Deutschland), the most important independent environmental organisation in Germany	Facilitating mutual understanding and identifying future shared actions.
	Guided tours at the premises for students from local schools	Conveying a positive image of the industry and the Company and promoting the growth of professional vocations among young people
	Meetings of Feralpi Stahl General Manager with members of the Saxon Parliament on environmental impact and hiring of foreigners	Illustrating the position of the Company regarding environmental and personnel recruitment policies
	Self-administered questionnaire	Understanding supplier opinion on significant aspects of Feralpi CSR activities
Suppliers	Self-administered questionnaire	Understanding customer opinion on significant aspects of Feralpi CSR activities
Customers	Self-administered questionnaire	Understanding customer opinion on significant aspects of Feralpi CSR activities
Public Administration	Meetings with local authorities: visit of Saxon Prime Minister Michael Kretschmer at the Riesa plants (13.08.18). During the 50 th anniversary celebrations, visits at Feralpi premises by Emilio del Bono, the Mayor of Brescia, Pier Luigi Mottinelli, Chairman of the Brescia Provincial Government, Roberto Tardani, the Mayor of Lonato del Garda, Alessandro Mattinzoli, councillor for Economic Development of the Lombardy Region	Informing local authorities about business development plans. Encouraging mutual collaboration on engaging initiatives and the implementation of <i>compliance</i> activities
	Giuseppe Pasini, chairman of Feralpi Holding, is the chairman of AIB (Associazione Industriale Bresciana) and coordinator of the Energy Technical Roundtable at Confindustria. Visit by Vincenzo Boccia Chairman of Confindustria, during Feralpi's 50 th anniversary celebrations	Contributing to the developing of industry and employment in the area, encouraging innovation and competitiveness and establishing a work culture
Trade Associations	Giovanni Pasini, managing director of Feralpi Holding, is a member of the AIE Executive Committee and the Federacciai Long Product Association and Vice-Chairman of the AIB metallurgy sector	Contributing to defending the interests of the steel industry in the national and local business scenario
	Frank Schaefer, manager of Feralpi Stahl, is vice-chairman of the Dresden Chamber of Commerce and Industry	Contributing to defending industry interests in Saxony
	Participation in the "SME Day 2018" organised by Confindustria	Strengthening relations with local schools

During the financial year, Feralpi tackled and resolved two issues that were raised by local stakeholders in the province of Brescia and the city of Riesa.

In July 2018, an anomalous increase in cases of bacterial pneumonia in the Milan hinterland, Brianza and Brescia area was highlighted. Halfway through September, following tests carried out by the Brescia health department on 354 samples from houses, reservoirs and factories, the press spoke of an epidemic originating from bacteria present in the cooling towers at various sites, including Acciaierie di Calvisano, which tested positive for Legionella. The company responded immediately to the order issued by the authorities to arrange remediation operations in Calvisano and Lonato. However, following biological analysis it emerged that the endemic presence of bacteria in the towers did not concern the Legionella

strain responsible for the cases of bacterial pneumonia. Nevertheless, the guidelines subsequently issued by the Brescia health authority were implemented in December 2018. At the end of the financial year, during the meeting held on 10th April 2019 between the Brescia industrial association, the Brescia health authority and the Brescia legal authorities, it was confirmed that the industrial cooling towers were not the cause of the infection, and that the companies did all in their power to introduce prevention measures agreed with the local health authorities.

In Germany, the BUND association withdrew two objections it had raised regarding permission granted for Feralpi to increase production capacity at the Riesa site, but subsequently agreed after receiving objective information on environmental measurements provided by the company and checked by the association.



4.3. Economic value generated and distributed

(GRI: 201-1; 103-1; 103-2; 103-3)

Financial year 2018 closed with an increase in Group turnover of 9.8% compared with the previous financial year and reached 1,366.3 million, whereas costs were slightly lower (+8.0%) and reached 1,144.8 million. The substantial stability of financial proceeds and the accessory management balance have contributed to generating **gross total added value of 223.1 million (+19.8%)**. Given that depreciation is basically in line with values for the previous year, net total added value available to stakeholders reached 180 million (+25.2%). These positive results reflect two factors. The expansion of the Group has

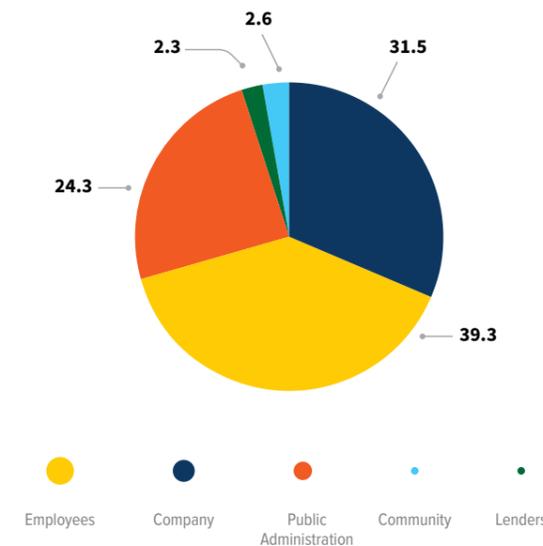
enabled an overall increase in business and added product value, along with an improvement in company results that were already part of consolidation before the financial year commenced.

Added value was distributed as follows: wages and salaries almost 66 million, plus 2.3 million for severance pay provision, and 2.5 million for other personnel costs, reaching a total of 70.7 million (+6.6%).

The company paid **local government** 43.7 million in the form of tax and social security contributions (+15.0%) and 4.1 million (+1.0%) went to lenders. The **community** benefitted from a total of 4.7 million in the form of direct charity donations and sponsorship (+ 22.5%).

56.8 million (+79.8%) was used to strengthen capital reserves, in the form of **provisions and non-distributed profit**.

Distribution of 2018 added value



THE INDUSTRY FELIX AWARD - EDITION 2018 COMPETITIVE LOMBARDY

Feralpi Holding received this award in the category for large companies based in Brescia, for best performance of the 2016 business year and balance sheet performance at a provincial level.





4.4. Participation of Feralpi in industry associations

(GRI: 102-13)

Through the Group's companies, Feralpi belongs to a network of national and international associations, which can be broken down into four areas:

Industry trade groups

All Italian companies in the Group are members of the Confindustria network through the **Federacciai** industry association, the Federmeccanica federation, and local associations where sites are located.

The Feralpi Group is a member of **RAMET**, which focuses on environmental research in relation to metallurgy, for the study and monitoring of impact on the work environment and community.

The subsidiaries in Germany are members of the steel industry federation, **Wirtschaftsvereinigung Stahl**, the Saxony industrial association, **Industrieverein Sachsen Chemnitz** and the local business association **Vereinigtes Wirtschaftsforum Riesa**. Feralpi Stahl is also a member of **Deutscher Ausschuss für Stahlbeton** e.V. in Berlin, for the definition of standards in German industry (DIN), and the improvement and distribution of construction products. Feralpi Holding is a member of the **Italian family business association (Aidaf)**, which works to defend and capitalise on family tradition in the entrepreneurial fabric of Italy.

Technical associations

Feralpi works regularly with **Riconversider**, a Federacciai consultancy firm that deals with business organisation, technological innovation and financial management, as set out in European and national standards, in addition to Unsider, an Italian steel standards agency, to promote international standards.

Together with other companies, Feralpi Holding has set up a **national study foundation to manage and control environmental risks**, with the aim of promoting the spread of a culture of safety. Feralpi Siderurgica is a member of the **industrial vehicle recycling association (AIRA)**.

ESF is a member of the building materials institute, **FEhS-Institut Duisburg**, and part of the German business union for the disposal of steel, **BDSV Bundesvereinigung Deutscher Stahlrecycling - und Entsorgungsunternehmen** e. V. and **ESN Entsorgungsgemeinschaft der Deutschen Stahl - und NE-Metall-Recycling-Wirtschaft** e.V.

ESF is also a member of the Saxony port and traffic association, **Sächsischer Hafen-und Verkehrsverein** e.V. Dresden.

Research

Feralpi Siderurgica is a member of the **Italian metallurgy association**, which works to promote materials science and technology and their applications, in addition to Sismic, a technical association that promotes seismic steels for reinforced concrete. Feralpi Siderurgica and Acciaierie di Calvisano are members of **Reach Ferrous Slag Consortium**, which assists companies in registering with the European Chemicals Agency ECHA, which promotes the safe use of chemicals, and registers, assesses, authorises and restricts chemicals. Feralpi Siderurgica attends the managerial round table set up by the **Green Economy Observatory at the Bocconi University IEFE dept.**, which offers an opportunity for the academic and business worlds to discuss, share and collaborate on green issues. Feralpi also collaborates with Brescia University and Milan Polytechnic. Feralpi Siderurgica is involved in the Lombardy intelligent factory association (**AFIL**), which encourages research and innovation in the advanced manufacturing industry, promoting best practices and enabling technologies, to support and develop leadership and competitiveness in Lombardy manufacturing. Acciaierie di Calvisano is involved with the **Lombardy Mobility Cluster**: this associa-

tion is one of nine technological clusters recognised by the Lombardy Regional Government, and is an institutional point of contact for research and innovation. It oversees the automotive, nautical, railway and intermodal (transport and infrastructure) sectors.

Feralpi Siderurgica is involved with a Lombardy research organisation (**CSMT**, a multi-industry and technological service centre) with the following aims: advancement and promotion of research, technological transfer and distribution, the incubation of ideas, and technical and specialist training.

Corporate sustainability

Feralpi Holding has been registered with the Italian **CSR Manager Network** since 2004, whose members include professionals and managers involved in corporate social responsibility, with the aim of promoting the culture of sustainability and developing relationships with major research centres worldwide.

Feralpi Holding is a member of Fondazione Sodalitas, the main Italian association for promoting the practice and principles of corporate social responsibility.



UMWELTALLIANZ SACHSEN – SAXONY ENVIRONMENTAL ALLIANCE

In 2018 Feralpi Stahl was once again recognised as actively working to safeguard the environment, and received an award from Thomas Schmidt, the Minister for the Environment and Agriculture in Saxony.

The initiative, which is sponsored by the Saxony Ministry for the Environment and Agriculture, the Saxony chambers of commerce for industry and small business, aims for efficient environmental protection geared to the future in the State of Saxony. Its principles are based on voluntary action, personal responsibility and cooperation. Certification or approval for an environmental management system, the construction of a photovoltaic plant, conversion to a more efficient heating or lighting system, are examples of voluntary actions to safeguard the environment that companies can use to apply for membership of Umweltallianz Sachsen.

05 | PERFORMANCE



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Key performance indicators



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Social responsibility indicators



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Environmental indicators



5.1. Economic indicators

(GRI: 201-1; 201-3; 202-1)

Creation of consolidated value added

Figures expressed in thousands of euros (€/000)	2017	2018
Revenues from sales and services	1,198,970	1,320,333
Changes in inventory of work in progress	27,601	33,156
Increase in fixed assets for in-house work	2,616	3,964
Other Revenues and income	15,647	8,861
A) VALUE OF PRODUCTION	1,244,834	1,366,314
Consumption of raw materials (scrap)	637,217	698,851
Energy	91,630	104,406
Consumable materials and supplies	149,924	194,996
Cost of services	141,410	136,349
Hire, purchase and leasing charges	3,411	4,643
Provisions for risks	29,451	9
Other provisions and write-downs	1,749	1,460
Other operating expenses	5,304	4,126
B) COSTS OF PRODUCTION	1,060,096	1,144,840
GROSS CHARACTERISTIC VALUE ADDED	184,738	221,474
Financial income	491	529
Adjustments to financial assets	990	1,068
Accessory items	1,481	1,597
Extraordinary items	0	0
GROSS OVERALL VALUE ADDED	186,219	223,071
Amortisation and depreciation	42,390	43,022
NET OVERALL VALUE ADDED	143,829	180,049

Distribution of consolidated value added

Figures expressed in thousands of euros (€/000)	2017	2018
Wages and salaries	61,648	65,943
Employee severance indemnity	2,257	2,304
Other costs	2,396	2,459
A - EMPLOYEES	66,301	70,706
Taxes	21,182	25,238
Social security contributions	16,817	18,465
B - PUBLIC ADMINISTRATION	37,999	43,703
Provisions	1,022	3,072
Non-distributed profit/loss	30,576	53,735
C - RISK CAPITAL	31,598	56,807
Distributed profit	0	0
Financial expenses	4,092	4,131
D - LENDERS	4,092	4,131
Charity	89	146
Sponsoring of sports/recreational activities	3,751	4,556
E - COMMUNITY	3,840	4,702
GROSS OVERALL VALUE ADDED	143,829	180,049

Group costs for personnel social security and insurance contributions

	2017*	2018
Compulsory public social security	11,283,723	12,764,532
Compulsory private social security	151,223	182,869
Voluntary private social security	35,065	37,700
Compulsory public insurance	1,181,021	1,328,936
Voluntary private insurance	284,977	256,293
Public welfare	90,037	187,129
WELFARE AND PENSION PLANS	13,026,045	14,757,459

* Italy, Germany and Algeria | An exchange rate of €1=130 DA for 2017, and €1=135 DA in 2018 was adopted for personnel in Algeria.

Ratio between standard salary and local minimum wage

	2017	2018	
ITALY			
Men	Salary level applied (average salary)	27,581	25,651
	Minimum salary level	21,158	21,451
	Percentage ratio between standard salary by gender and local minimum wage	130.36	119.58
Women	Salary level applied (average salary)	27,581	24,945
	Minimum salary level	21,158	21,511
	Percentage ratio between standard salary by gender and local minimum wage	130.36	115.96
GERMANY			
Men	Salary level applied (average salary)	19,926	20,570
	Minimum salary level	18,458	19,189
	Percentage ratio between standard salary by gender and local minimum wage	107.95	107.2
Women	Salary level applied (average salary)	19,926	20,570
	Minimum salary level	18,458	19,189
	Percentage ratio between standard salary by gender and local minimum wage	107.95	107.2
CZECH REPUBLIC			
Men	Salary level applied (average salary)	8,275	8,940
	Minimum salary level	5,168	5,691
	Percentage ratio between standard salary by gender and local minimum wage	160.12	157.09
Women	Salary level applied (average salary)	8,457	9,329
	Minimum salary level	5,168	5,691
	Percentage ratio between standard salary by gender and local minimum wage	163.64	163.93
ALGERIA			
Men	Salary level applied (average salary)	1,846	1,778
	Minimum salary level	1,662	1,600
	Percentage ratio between standard salary by gender and local minimum wage	111.11	111.11
Women	Salary level applied (average salary)	1,846	1,778
	Minimum salary level	1,662	1,600
	Percentage ratio between standard salary by gender and local minimum wage	111.11	111.11

The average weighted value of actual first employment salary is compared with the minimum wage stipulated in the collective contract. For Italy the 2017 figures relate to Feralpi Holding, the 2018 figures are the average for Italian companies. The ratio is not calculated for Hungary as there is no contractual or legal minimum wage there. Algeria: exchange rate applied 130 DA=1 € for 2017 135 DA=1€ for 2018. For Germany, in 2018 the average salary is calculated from a basic salary established by the company under an internal agreement, while the minimum salary ratio is 9.18. Data for France are not reported due to reasons associated with the number of employees at Presider Armatures.



5.2. Social indicators

(GRI: 102-8; 401-1; 403-2; 404-1; 404-3; 405-1; 405-2)

Members of Feralpi Holding's Board of Directors by gender and age group

Age	Men	Women	Total
<30	0	0	0
30 to 50 (included)	2	0	2
>50	4	2	6

Feralpi Group personnel as at 31.12.2018

	Men	Women	Total
Permanent	1,347	102	1,449
Temporary	48	8	56
TOTAL EMPLOYEES	1,395	110	1,505
FULL TIME	1,390	95	1,485
PART TIME	5	15	20
Total employees	1,395	110	1,505
Apprentices	41	2	43
Total personnel employed	1,436	112	1,548
Temporary and other contract jobs	40	4	44
Interns	13	2	15
Contractor personnel	3,107	61	3,168
Total personnel	4,596	179	4,775
TOTAL EMPLOYEES			
ITALY	758	51	809
GERMANY	616	49	665
THE CZECH REPUBLIC	38	7	45
HUNGARY	11	3	14
ALGERIA	11	2	13
FRANCE	2	0	2

For Germany, the figure does not take into account employees on parental leave or sick leave exceeding 62 weeks as at 31st December.

Breakdown of Feralpi Group personnel by gender and age group

	2017	2018
GENDER		
Men	1,348	93.7%
Women	91	6.3%
AGE GROUP		
< 30	229	15.9%
30-50	674	46.8%
> 50	536	37.2%

Movement of personnel by geographical area and gender

	2017	2018
PERSONNEL RECRUITMENT RATE¹ (%)		
Men	13.2	12.5
Women	15.4	17.9
Total	13.3	12.9
Italy		
Men	8.3	11.7
Women	11.4	5.9
Total	8.5	11.4
Germany		
Men	17.1	13.0
Women	22.2	28.6
Total	17.4	14.1
PERSONNEL TURNOVER RATE² (%)		
Men	10.2	10.6
Women	8.8	14.3
Total	10.1	10.9
Italy		
Men	8.3	8.0
Women	2.9	7.8
Total	8.1	8.0
Germany		
Men	11.2	12.7
Women	15.6	20.4
Total	11.5	13.2

¹ The recruitment rate (A) is calculated according to the following formula:
A=new hires/total workforce*100.

² The turnover rate (T) is calculated according to the following formula:
T=leavers/total workforce*100.

Only for Germany, the leaves take also into account employees on parental leave and on sick leave exceeding 62 weeks as at 31st December. These employees, considering only Germany, are not included in the total workforce. Conversely, new entries include personnel returning during the year following the use of parental leave.

Movement of personnel by geographical area and age group

	2017	2018
PERSONNEL RECRUITMENT RATE¹ (%)		
< 30	27.9	33.2
30-50	14.5	14.1
> 50	5.6	4.7
Total	13.3	12.9
Italy		
< 30	12.0	37.0
30-50	10.7	12.1
> 50	5.0	5.2
Total	8.5	11.4
Germany		
< 30	40.2	27.3
30-50	17.0	16.8
> 50	5.6	3.9
Total	17.4	14.1
PERSONNEL TURNOVER RATE² (%)		
< 30	16.6	17.1
30-50	7.4	7.7
> 50	10.8	12.9
Total	10.1	10.9
Italy		
< 30	7.0	4.1
30-50	5.5	4.1
> 50	11.0	13.2
Total	8.1	8.0
Germany		
< 30	23.1	20.9
30-50	8.0	11.3
> 50	10.3	12.3
Total	11.5	13.2

¹ The recruitment rate (A) is calculated according to the following formula:
A=new hires/total workforce*100.

² The turnover rate (T) is calculated according to the following formula:
T=leavers/total workforce*100.

Workers with a high incidence or risk of occupational diseases

In 2018, the Italian National Insurance Institute for Industrial Accidents (INAIL) did not identify any cases of occupational disease among the personnel of Feralpi Group.

Total number of deaths

In the course of the reporting year, no fatal accidents occurred in the Group's plants.

Severity rate

		2017	2018
Group	Men	925	1,031
	Women	0	45
	Total	868	1,962
Italy	Men	1,097	1,027
	Women	0	0
	Total	1,044	964
Germany	Men	625	749
	Women	0	117
	Total	584	709

Severity rate = (lost days / hours worked) * 1,000,000
Lost days are calendar days. Commuting accidents and those requiring less than 3 days of absence have been excluded.

Hours of annual training by gender and role

		2017	2018
GENDER			
Group	Men	16	20
	Women	17	23
	Total	16	20
Italy	Men	14	23
	Women	9	35
	Total	14	23
Germany	Men	20	17
	Women	27	15
	Total	21	17
ROLE			
Group	Blue-collar workers	11	17
	White-collar workers and middle managers	31	26
	Executives	21	25
	Total employees	16	20
Italy	Blue-collar workers	10	20
	White-collar workers and middle managers	22	31
	Executives	18	33
	Total employees	14	23
Germany	Blue-collar workers	13	16
	White-collar workers and middle managers	45	22
	Executives	38	7
	Total employees	21	17

Percentage of employees receiving performance appraisals, by gender

		2017	2018
Group	Men	84.57	79.11
	Women	58.24	50.89
	Total	82.90	77.07
Italy	Men	83.51	68.34
	Women	45.71	13.73
	Total	81.64	64.89
Germany	Men	94.75	100.00
	Women	77.78	100.00
	Total	93.58	100.00

Notes: At Feralpi Holding managerial staff have regular performance appraisals. A regular performance appraisal plan is in place for Feralpi Siderurgica and Acciaierie di Calvisano employees. Employees can view their appraisal file produced by their manager.

Comparison between average male and female remuneration

		2017	2018
Feralpi Holding	Blue-collar workers	-	-
	White-collar workers and middle managers	80.46	83.13
	Executives	-	-
Nuova Defim	Blue-collar workers	84.39	89.51
	White-collar workers and middle managers	56.06	54.36
	Executives	-	-
Presider	Blue-collar workers	-	-
	White-collar workers and middle managers	-	75.21
	Executives	-	-
ESF	Blue-collar workers	-	-
	White-collar workers and middle managers	64.04	66.31
	Executives	-	-

The table shows only branches where female personnel are present or where the breakdown by role concerns at least 6 members of female personnel. The calculation method used for ESF differs from the method used for other companies in Italy.

Percentage of employees receiving performance appraisals, by role

		2017	2018
Group	Blue-collar workers	88.55	82.61
	White-collar workers and middle managers	67.38	64.06
	Executives	80.77	66.67
	Total employees	82.90	77.07
Italy	Blue-collar workers	87.30	74.02
	White-collar workers and middle managers	66.83	45.42
	Executives	94.44	65.22
	Total employees	81.64	64.89
Germany	Blue-collar workers	99.80	100.00
	White-collar workers and middle managers	74.51	100.00
	Executives	66.67	100.00
	Total employees	93.58	100.00



5.3. Environmental indicators

(GRI: 301-1; 301-2; 302-1; 302-2; 303-3; 305-1; 305-2; 305-3; 305-4; 305-7; 306-1; 306-2; 306-4)

Use of materials and % recycled

Material	Unit	2017		2018	
		Used	% Recycled	Used	% Recycled
Scrap	t	2,713,552	100	2,759,097	100
Lonato		1,199,561	100	1,287,080	100
Calvisano		460,222	100	492,135	100
Riesa		1,053,769	100	979,882	100
Additives¹	t	27,770	0	23,632	0.63
Lonato		13,550	0	11,024	0
Calvisano		3,782	0	2,944	0
Riesa		10,438	0	9,664	1.54
Lime	t	105,812	0.1	97,945	0.13
Lonato ²		52,865	0.2	45,674	0.29
Calvisano		19,941	0	15,837	0
Riesa		33,006	0	36,302	0
Iron alloys	t	35,619	0	35,219	0
Lonato		15,633	0	16,832	0
Calvisano		5,368	0	5,032	0
Riesa		14,618	0	13,355	0
Refractory materials	t	18,489	0	17,474	5.59
Lonato		6,474	0	6,679	0
Calvisano		5,025	0	4,237	0
Riesa		6,990	0	6,558	14.88
Oxygen	Sm³	69,118,575	0	70,674,475	0
Lonato		33,319,472	0	35,028,176	0
Calvisano		9,414,382	0	10,866,540	0
Riesa		26,384,721	0	24,779,759	0
Inert gases	Sm³	2,051,325	0	2,057,878	0
Lonato		640,967	0	871,265	0
Calvisano		653,502	0	442,693	0
Riesa		756,856	0	743,920	0

¹ The additives used are charge carbons, and bulking, desulphurising, deoxidising and recarborising agents.

² The 2017 figure includes 112.32 tonnes of lime recovered internally. The 2018 figure includes 131.32 tonnes of lime recovered internally.

Use of energy by source

	Unit	2017	2018
Electricity	MWh	1,473,523	1,481,610
Lonato		646,078	676,096
Calvisano		258,020	266,464
Nave		6,591	8,194
Riesa		562,834	530,856
Natural gas	Sm³ - Standard mc	63,532,093	66,773,546
Lonato		36,536,960	37,842,364
Calvisano ²		2,757,106	4,118,086
Nave		2,976,654	3,706,100
Riesa		21,261,373	21,106,996
Diesel¹	Litres	1,380,066	1,355,842
Lonato		335,729	370,341
Calvisano		36,000	54,000
Nave		146	146
Riesa		1,008,191	931,355
Charge carbon	Tonnes	13,242	11,084
Lonato		8,040	5,391
Calvisano		896	948
Nave		0	0
Riesa		4,306	4,745
Photovoltaic	MWh	509	468
Lonato		509	468
Calvisano		0	0
Nave		0	0
Riesa		0	0
Waste foam	Tonnes	9,046	7,458
Lonato		1,303	992
Calvisano		2,357	2,385
Nave		0	0
Riesa		5,386	4,081

¹ The figure does not include diesel consumption for Feralpi Logistik which amounts to 778,795 litres in 2017 and 803,782 litres in 2018. In 2018, petrol consumption for ESF totalled 11,279 litres.

² The increase in natural gas consumption is due to the installation of 3 burners on the electric arc furnace instead of the 2 used previously and a new formulation of the chemical package.

Use of energy by source, expressed in GJ

	2017	2018
Electricity	5,304,683	5,333,796
Lonato	2,325,882	2,433,946
Calvisano	928,872	959,271
Nave	23,728	29,499
Riesa	2,026,201	1,911,080
Natural gas¹	2,338,238	2,447,127
Lonato	1,277,071	1,320,474
Calvisano	96,350	142,198
Nave	104,036	130,651
Riesa	860,781	853,804
Diesel²	49,325	48,528
Lonato	12,092	13,339
Calvisano	1,297	1,992
Nave	5	5
Riesa ³	35,931	33,192
Charge carbon⁴	381,969	324,998
Lonato ⁵	231,909	155,703
Calvisano	25,845	32,246
Nave	0	0
Riesa ³	124,215	137,049
Photovoltaic	1,832	1,686
Lonato	1,832	1,686
Calvisano	0	0
Nave	0	0
Riesa	0	0
Waste foam⁴	260,927	227,613
Lonato ⁵	37,583	28,643
Calvisano	67,989	81,095
Nave	0	0
Riesa	155,355	117,875
Total	8,498,382	8,383,748

¹ Compared to the previous year, the 2017 has been recalculated using SNAM's lower calorific value, as for the 2018 figure.

² Italy: specific weight 0.84 t/m³ and ETS coefficient 42.877. Riesa: GEMIS-Datebank reversion factors, 42.63 MJ/kg and 0.836 kg/l; for E10 and super petrol, conversion factors at 41.56 MJ/kg - 0.75 kg/l and 42.56 MJ/kg - 0.747, respectively. Petrol consumption for ESF totalled 359 GJ in 2018.

³ The figures does not include diesel consumption for Feralpi Logistik, which was 27,755 GJ and 2017 and 28,647 GJ in 2018.

⁴ A lower heating value of 28.844 GJ/t was used in 2017, and of 28.885 GJ/t in 2018 (table of standard ETS parameters).

⁵ The decrease in the consumption of charge carbon and waste foam is due to the constant commitment to optimise and enhance efficiency of the melting furnace and auxiliary equipment.

Indirect energy consumption, expressed in GJ

	2017	2018
FERALPI SIDERURGICA (LONATO)		
Employee commuting	5,253	5,578
Scrap transport	108,532	124,458
Upstream	113,785	130,036
Transport & distribution	110,734	108,355
Downstream	110,734	108,355
ACCIAIERIE DI CALVISANO		
Employee commuting	1,980	1,472
Scrap transport	30,582	34,351
Upstream	32,562	35,823
Transport & distribution	8,937	11,014
Downstream	8,937	11,014
FER-PAR (NAVE)		
Employee commuting	874	508
Scrap transport	0	0
Upstream	874	508
Transport & distribution	7,160	9,203
Downstream	7,160	9,203
FERALPI STAHL (RIESA)		
Employee commuting	6,907	7,603
Scrap transport	64,077	59,560
Upstream	70,984	67,163
Transport & distribution	114,886.13	108,756.64
Downstream	114,886.13	108,756.64

The transport of incoming scrap and outgoing products refers to road transport only, and is estimated at 28 tonnes for each load. With regard to employee commuting, one round trip a day per person was considered; for 2017 and 2018 the figure was 232 working days for Italy and 230 for Germany.

Total direct greenhouse gas emissions (GHG) (Scope 1: tCO₂eq)

	2017	2018
EU ETS		
Lonato	104,792	97,736
Calvisano	20,326	24,397
Nave	5,767	7,166
Riesa	77,553	73,428
REFRIGERANT GASES		
Lonato	231	371
Calvisano	19	0
Nave	22	0
Riesa	0	0

Scope 1 emissions of EDF (424.39 tCO₂ in 2017 and 428.54 tCO₂ in 2018) and Feralpi Logistik (2,042.17 tCO₂ in 2017 and 2,122.73 tCO₂ in 2018) were not included for Riesa.

Volumes of water recycled and % reused in m³/h

	2017	2018
TOTAL HOURLY CIRCUIT FLOW RATE (Qt)		
Lonato	10,000	11,160
Calvisano	4,090	3,500
Nave	700	700
Riesa	6,636	6,636
HOURLY MAKEUP WATER (Qp)		
Lonato	234	227
Calvisano	147	40
Nave	49	33
Riesa	69	66
TOTAL HOURLY VOLUME OF RECYCLED AND REUSED WATER (Qr)		
Lonato	9,766	10,933
Calvisano	3,943	3,460
Nave	651	667
Riesa	6,567	6,570
PERCENTAGE OF WATER RECYCLED/REUSED		
Lonato	98	98
Calvisano	96	99
Nave	93	95
Riesa	99	99

The total circuit flow rate expressed in cubic metres/hour results from a calculation based on contributions measured at different points in the cooling circuits for water distributed to the plants. The value of makeup flow rate in cubic metres/hour is obtained from the ratio of total taken from wells and number of hours of operation for the main cooling circuits. Percentage of water recycled/reused=Qr/Qt, dove Qr=Qt-Qp

Indirect greenhouse gas emissions (GHG) resulting from electricity use (Scope 2: tCO₂eq)

Indirect emissions resulting from:	2017	2018
ELECTRICITY USE		
Lonato	242,279	243,395
Calvisano	96,757	95,927
Nave	2,472	2,949
Riesa	281,417	261,711
STEAM		
Lonato	0	0
Calvisano	0	0
Nave	0	0
Riesa	0	0

To calculate indirect CO₂ emissions resulting from electricity use at Italian sites (Lonato, Calvisano and Nave), a national Italian electricity emission factor was used corresponding to 360 gCO₂/kWh for 2016 and 375 gCO₂/kWh; for Germany a national German factor was applied equivalent to 500 gCO₂/kWh in 2017 and 493 gCO₂/kWh in 2018. For photovoltaic energy, an emission factor of zero was used. Scope 2 emissions calculated using the marked-based method for 2017 amount to 307,876 tCO₂eq in Lonato, 122,954 tCO₂eq in Calvisano, 3,141 tCO₂eq in Nave and 411,730 tCO₂eq in Riesa; for 2018, 322,180 tCO₂eq in Lonato, 126,978 tCO₂eq in Calvisano, 3,905 tCO₂eq in Nave and 388,337 tCO₂eq in Riesa. The emission factors amount to 476.53 gCO₂/kWh for Italy and 731.53 gCO₂/kWh for Germany for 2017 and 2018, respectively.

Other indirect greenhouse gas emissions (GHG) (Scope 3)

	2017	2018
INCOMING SCRAP TRANSPORT - tCO₂		
Lonato	7,986	9,158
Calvisano	2,250	2,433
Nave	0	0
Riesa	4,742	4,408
OUTGOING PRODUCT TRANSPORT - tCO₂		
Lonato	8,148	7,973
Calvisano	658	780
Nave	527	692
Riesa	8,502	8,049
EMPLOYEE COMMUTING - tCO₂		
Lonato	371	394
Calvisano	140	150
Nave	70	41
Riesa	476	517

The transport of incoming scrap and outgoing products refers to road transport only, and it is estimated at 28 tonnes for each load. With regard to employee commuting, one round trip a day per person was considered; 232 working days were considered for Italy and 230 for Germany. The following parameters were used to calculate emissions: average diesel consumption of 0.202 kg of diesel/km (Source INEMAR ARPA Lombardy organisations for the year 2014), emission factor 3.155tCO₂/t diesel (Source: standard ETS factors for the year 2018).

Intensity of greenhouse gas emissions

tCO ₂ /t finished product	2017	2018
DIRECT EMISSIONS (SCOPE 1)		
Siderurgica	0.09	0.08
Calvisano	0.05	0.06
Nave	0.09	0.09
Riesa	0.09	0.09
INDIRECT EMISSIONS RESULTING FROM ELECTRICITY USE		
Siderurgica	0.21	0.21
Calvisano	0.24	0.23
Nave	0.04	0.04
Riesa	0.32	0.33

The intensity of emissions is calculated on the basis of Scope 1 and Scope 2 emissions as the numerator and on the basis of the finished product (i.e. everything that leaves rolling mills) as the denominator.

Emissions into the atmosphere³

	Unit	2017	2018
Dust²			
Lonato	t	3.57	2.60
Calvisano		1.45	1.57
Nave		0.01	0.11
Riesa		2.59	1.89
PM10			
Lonato	t	0.58	0.45
Calvisano		1.24	1.96
Riesa		2.19	1.59
NOx⁽²⁾			
Lonato	t	154.11	153.06
Calvisano		55.08	49.22
Nave		5.23	1.26
Riesa		89.60	47.27
CO⁽²⁾			
Lonato	t	1,303.15	1,814.32
Calvisano		463.07	693.08
Nave		0.29	0.41
Riesa		1,092.7	548.75
Dioxins and furans			
Lonato	gl-TEQ	0.07	0.01
Calvisano		0.05	0.02
Riesa		0.10	0.010
IPA			
Lonato	kg	0.06	0.05
Calvisano		0.12	0.09
Riesa		-	-
COT			
Lonato	t	23.74	32.28
Calvisano		8.41	5.03
Riesa		-	-
Pb			
Lonato	kg	34.42	10.81
Calvisano		9.53	17.85
Riesa		11.52	5.44
Zn			
Lonato	kg	561.07	191.05
Calvisano		224.42	408.51
Riesa		858.02	568.25
Hg			
Lonato	kg	52.88	13.90
Calvisano		3.25	8.66
Riesa		11.89	66.23
SOx⁽²⁾			
Lonato	t	25.56	13.32
Calvisano		49.77	37.75
Nave		0.03	0.04
Riesa		56.02	31.79
Pcb³			
Lonato	kg	0.04	0.01
Calvisano		0.11	0.04
Riesa		0.17	0.03

¹ The figures for Nave concern substances produced by rolling operations only. ² Figure for the site. ³ Dioxin-like without toxicity factor.

Note: the variability of NOX values depends on the heating furnace operating mode, which varies in relation to the product being processed during sampling.

Total water discharged by destination in m³

	2017	2018
DISCHARGED INTO SEWERS	13,264	17,010
Lonato	0	0
Calvisano	0	0
Riesa	13,264	17,010
DISCHARGED INTO SURFACE WATER	636,478	595,321
Lonato	631,851	589,976
Calvisano	4,627	5,345
Riesa	0	0
TOTAL WATER DISCHARGED	649,742	612,331

Analysis of water discharged

	2017	2018	
LONATO			
COD	mg/l	9.00	15.00
Suspended solids	mg/l	6.83	3.33
Total hydrocarbons	mg/l	0.25	0.25
Zinc (Zn)	mg/l	0.07	0.06
Iron (Fe)	mg/l	0.08	0.15
Nickel (Ni)	mg/l	0.01	0.03
Copper (Cu)	mg/l	0.03	0.06
Total surfactants	mg/l	0.10	0.10
Lead (Pb)	mg/l	0.01	0.01
Phosphorous (P)	mg/l	0.40	0.30
Electrical conductivity	µS/cm	2,477	2,257
CALVISANO			
Suspended solids	mg/l	6.00	5.00
Iron (Fe)	mg/l	0.12	0.10
Lead (Pb)	mg/l	0.03	0.05
Phosphorous (P)	mg/l	0.10	0.20
Electrical conductivity	µS/cm	649.00	519.50
NAVE			
COD	mg/l	12.50	25.00
Suspended solids	mg/l	2.50	7.75
Total hydrocarbons	mg/l	0.25	0.25
Zinc (Zn)	mg/l	0.03	0.03
Iron (Fe)	mg/l	0.04	0.19
Copper (Cu)	mg/l	0.01	0.03
Lead (Pb)	mg/l	0.01	0.01
Phosphorous (P)	mg/l	0.25	1.20
Electrical conductivity	µS/cm	588.00	656.00
RIESA			
COD	mg/l	56.04	44.30
Suspended solids	ml/l	0.83	0.10
Total hydrocarbons	mg/l	0.17	0.25
Zinc (Zn)	mg/l	2.67	0.05
Copper (Cu)	mg/l	0.17	0.02
Lead (Pb)	mg/l	0.40	0.02
Phosphorous (P)	mg/l	0.59	0.23
Electrical conductivity	µS/cm	1,536.00	1,585.00

Total weight of waste by type (t)

	2017	2018
FUME ABATEMENT DUST	44,691	41,607
Lonato	20,805	21,112
Calvisano	8,353	6,718
Riesa	15,534	13,778
HEAVY CRUSHED WASTE	2,415	1,221
Lonato	0	21
Calvisano	0	0
Riesa	2,415	1,200
MILL SCALE	34,951	38,135
Lonato	18,731	20,176
Calvisano	906	876
Nave	854	1,634
Riesa	14,461	15,449
BLACK SLAG	254,401	186,811
Lonato ¹	101,577	45,909
Calvisano	52,533	46,616
Riesa	100,292	94,286

	2017	2018
WHITE SLAG	92,899	75,907
Lonato	53,510	31,422
Calvisano	23,573	28,424
Riesa	15,816	16,061
LIGHT CRUSHED WASTE (FLUFF)	2,603	1,533
Lonato	0	198
Calvisano	0	0
Riesa	2,603	1,335
OTHER WASTE	77,810	109,215
Lonato	33,909	65,455
Calvisano	5,820	10,798
Nave	3,783	5,834
Riesa	34,298	27,128
TOTAL WASTE	509,773	454,429

¹ The considerable decrease in black slag classed as waste in 2018 is due to a recovery of the by-product market, which was saturated in 2017.

Total weight of waste disposed of by type and destination (t)

Waste type	2017			2018		
	Recovered	Disposed of	Total	Recovered	Disposed of	Total
NON-HAZARDOUS						
Lonato	138,711	64,394	203,105	123,799	33,933	157,732
Calvisano	59,162	23,573	82,735	58,227	28,453	86,680
Nave	4,517	82	4,600	7,456	0	7,456
Riesa	154,956	12,993	169,519	148,364	6,704	155,068
TOTAL	357,346	102,612	459,959	337,846	69,091	406,937
HAZARDOUS						
Lonato	16,937	8,489	25,426	17,460	9,100	26,560
Calvisano	6,850	1,600	8,450	6,723	29	6,752
Nave	4	33	37	8	3	11
Riesa	12,993	2,907	15,901	11,739	2,430	14,169
TOTAL	36,784	13,029	49,814	35,930	11,562	47,492
TOTAL WASTE			559,587			454,429

Waste type by destination

	2017								2018							
	Reuse	Recycling	Recovery	Landfill	Incinerator	Composting	Other treatment	Total	Reuse	Recycling	Recovery	Landfill	Incinerator	Composting	Other treatment	Total
NON HAZARDOUS																
Lonato	0	0	138,702	64,383	0	10	10	203,105	0	0	123,791	33,922	0	8	11	157,732
Calvisano	0	0	59,162	23,573	0	0	0	82,735	0	0	58,227	28,453	0	0	0	86,680
Nave	0	0	4,517	82	0	0	0	4,599	0	0	7,456	0	0	0	0	7,456
Riesa	70	121,090	33,796	11,959	2,603	0	0	169,518	34	110,882	36,113	6,704	1,335	0	0	155,068
HAZARDOUS																
Lonato	0	0	16,937	4,055	0	0	4,434	25,426	0	0	17,460	3,847	0	0	5,253	26,560
Calvisano	0	0	6,850	1,600	0	0	0	8,450	0	0	6,723	29	0	0	0	6,752
Nave	0	0	4	0	0	0	33	37	0	0	8	0	0	0	3	11
Riesa	286	9	12,698	2,876	32	0	0	15,901	19	283	11,465	2,384	18	0	0	14,169
TOTAL	509,771								454,429							

Hazardous waste exports, imports, treatment and percentage of waste sent abroad (t)

Hazardous waste	Imported from abroad		Exported abroad		Handled		% sent abroad	
	2017	2018	2017	2018	2017	2018	2017	2018
Lonato	0	0	0	0	25,426	26,560	0	0
Calvisano	0	0	0	0	8,450	6,752	0	0
Nave	0	0	0	0	37	11	0	0
Riesa	0	0	4,535	3,322	15,901	10,847	29	23

APPENDICES



p.92
Methodology note

p.97
GRI Standards
Correlation table

p.105
Correlation table
in compliance with
Legislative Decree 254/2016

Methodology note

(GRI: 103-1; 103-2; 103-3; 102-1; 102-3; 102-4; 102-42; 102-44; 102-45; 102-46; 102-47; 102-48; 102-49; 102-50; 102-51; 102-52; 102-53; 102-54; 102-55)

A) INTRODUCTION

In line with 2017, the company decided to voluntarily draw up its Sustainability Report on an annual basis, with this edition covering the 2018 financial year (1st January – 31st December). The document can be consulted in the Sustainability section on the website at www.feralpigroup.com. Although the Feralpi Group is outside the scope of the application of Legislative Decree no. 254/2016 for non-financial reporting, the company has deemed it appropriate to begin incorporating some requirements of the Decree.

The structure of the report has changed compared with previous editions. In particular, **sections and chapters have been organised according to significant topics**, rather than on the basis of relationships with reference stakeholders.

Another difference compared with the previous report edition is related to the **internal reporting scope**, which was extended in 2018. In particular, the companies Presider S.p.A. and MPL S.r.l. have been included. The criteria for defining external reporting scope have however remained unchanged, while considering their application to the two companies mentioned above.

The reporting criteria used still relate to the GRI Sustainability Reporting Standards published in 2016 by the Global Reporting Initiative (GRI). The materiality matrix and the topics reported are the same as in the previous edition, with the following additions:

- **variation in the calculation of the weighting factor attributed to different stakeholders**, to consider the ranking of importance expressed by the management team. In particular, a weighting factor different to the opinions expressed on the importance of topics expressed by stakeholders was attributed, in order to consider the priority accorded to them by the company. A weighting factor of 3 was attributed to the average val-

ue of employees and shareholders (at first and second places respectively in the ranking), a weighting factor of 2 was attributed to customers and suppliers (third and fourth places), and a weighting factor of 1 to the community and institutions/ government departments (fifth and sixth places).

- **inclusion of respect for human rights among the material topics**, with particular reference to the contents of the Universal Declaration of Human Rights approved on 10th December 1948, and pursuant to the emerging requirements of Legislative Decree 254. In particular, this topic was included in the materiality matrix as significant for external stakeholders, and not very significant for internal stakeholders, as indicated in past analyses on defining key topics for Feralpi.

B) REPORTING CRITERIA APPLIED

With regard to **social and economic performance**, the scope of the report is in line with the Feralpi Group's Consolidated Financial Statement as of at 31st December 2018. Consolidated criteria include all subsidiaries and exclude associate companies. With regard to **environmental performance**, similar to previous editions, reference is made to the four major operating companies and their respective locations, namely Lonato del Garda (BS) council district with Feralpi Siderurgica S.p.A., Viadana di Calvisano (BS) council district with Acciaierie di Calvisano S.p.A., Nave (BS) council district with Fer-Par S.r.l. and the district of Riesa, Saxony with ESF GmbH. The Feralpi Siderurgica and Feralpi Stahl steelworks produce steel billets with electric arc furnace technology and hot rolling operations. Acciaierie di Calvisano only produces steel billets with electric arc furnace technology, and the rolling mill Fer-Par only carries out hot rolling operations.

The other production facilities in Italy in Pomezia (Rome), Alzate Brianza (CO), Anzano al Parco (CO) Montichiari (BS), Maclodio (BS), Borgaro Torinese (TO), Rivoli (TO), in France in Saint-Soupplets, in the Czech Republic in Kralupy, in

Hungary in Czepele and in Algeria in Hai El Amir (Oran) generate negligible environmental impact, whereas their social and economic impact contribute to the Group's overall impact, while being insignificant if taken individually. Consequently, their analysis falls within the scope of reporting on the Group as a whole.

The following definitions are used in the report:

- the term Feralpi Group or Group refers to the group as a whole, including the scope of the parent company Feralpi Holding's Consolidated Financial Statement;
- the term Feralpi Siderurgica refers to the combination of operations at the Lonato del Garda site;
- the term Acciaierie di Calvisano refers to the combination of operations at the Calvisano site;
- the term Feralpi Stahl refers to the combination of operations at the Riesa site, in the Czech Republic and Hungary, with ESF GmbH operating as Group Subholding for foreign operations.

This sustainability report was completed in accordance with the GRI standards core option.

The name of the organisation reported is Feralpi Group, which includes the set of companies controlled by the parent group Feralpi Holding S. p. A., with legal headquarters at Via Aurelio Saffi, no. 15, Brescia, and administrative headquarters at Via Carlo Nicola Pasini, no. 11, Lonato del Garda, in the province of Brescia.

As with previous editions, in accordance with the decision of the Board of Directors, the company had this report audited by a leading external auditor.

C) DEFINITION OF MATERIAL TOPICS TO BE REPORTED

In applying the GRI Standards, **the definition of the report's contents is based on four phases** - identification, allocation of priority, approval and review of significant topics (**material**), and the concept of dual significance for the company and the main stakeholder groups. With regard to the management vision, the materiality analysis approved by the Sustainability Committee on 21st January 2018 was confirmed.

In particular, the decision on the importance of topics is based on assessing significant impact for the organisation in economic, environmental and social terms. This assessment is carried out by the management team (company vision) according to cost-opportunity criteria arising from selected topics set out in the reporting standards, in ad-

dition to four topics not present in the GRI Standards but which Feralpi deem to be relevant - research and innovation, contribution to supporting local jobs, contribution to local wellbeing, and the ongoing improvements in product quality.

The **decision on the importance of topics** is based on a survey of a sample of stakeholder groups (clusters) carried out in relation to their strategic significance for the company. The survey is based on responses to a questionnaire that formulates a summary opinion for each topic, expressed using five levels of the Likert scale* (priority, very important, important, quite important, not important). In this edition of the sustainability report a moderate weighting of stakeholder opinions was applied, with the aim of giving greater consideration to the opinion of the most significant stakeholders.

The report shows information reported that differs when compared with the previous sustainability report, due to Group takeovers.

D) PROCEDURE TO IDENTIFY AND SELECT SIGNIFICANT STAKEHOLDERS ENGAGED BY FERALPI

All departmental managers, and not just the Sustainability Committee, took part in identifying the stakeholders during a training course held on 16th February 2018. On that occasion, starting with a list proposed by the sustainability reporting work group, each participant completed an individual form, which asked for groups of stakeholders and individual stakeholders within each group to be arranged in decreasing order of importance. As a result, 8 rankings were obtained, summarised, and the average values calculated for individual groups. The stakeholder mapping was approved electronically by the members of the Sustainability Committee in March 2018. Consult the Methodological Note in the 2017 edition of the sustainability report for information on its construction.

* The Likert scale is a psychometric technique used to measure attitudes and opinions by asking closed questions to construct ordinal data.

E) CONSTRUCTION OF THE FERALPI GROUP MATERIALITY MATRIX FOR THE PERIOD REPORTED

Rankings cross over when attributing the priority of material topics i.e. the ranking expressed by management and approved by the Sustainability Committee on 21st January 2018, and the ranking expressed by stakeholders asked in March 2018 and reviewed on the basis of the new weighting allocation. The overall result is illustrated in the matrix below, followed by the list of significant topics.

Feralpi Group Materiality Matrix for the reported period



For more information on the Sustainability Report, please contact comunicazione@it.feralpigroup.com.

Significant reporting areas, description of material topics and their scope

Material topic	Description	Corresponding GRI Standards	Scope of Material Topic		
			Internal	External	Constraints
Economic value generated	Redistribution of economic value generated to stakeholders	GRI 201: Economic Performance	Feralpi Group		
Market presence	Capability of Feralpi to ensure good remuneration for its employees, and expenditure focused on local suppliers	GRI 202: Market Presence	Feralpi Group		
Feralpi's contribution to local community	Indirect economic impact, investment in infrastructure and services	GRI 204: Procurement Practices	Feralpi Group		
Corruption	Preventive measures	GRI 205: Anti-corruption	Feralpi Group		
Competition	Compliance with competition protection regulations	GRI 206: Anti-competitive behaviour	Feralpi Group		
Compliance with environmental regulations	Compliance with environmental regulations	GRI 307: Environmental Compliance	Feralpi Group	Contractor companies for internal operations and outsourcing of cold processing operations	Reporting on this aspect not extended to contractor companies for internal operations and those dealing with outsourced cold processing operations
Materials used	Monitoring of materials used in production, and reuse of waste and by-products	GRI 301: Materials	Feralpi Siderurgica, Feralpi Stahl, Acciaierie di Calvisano		
Waste	Implementation of the circular economy principles	GRI 306: Effluents and waste	Feralpi Siderurgica, Feralpi Stahl, Acciaierie di Calvisano, FER-PAR	Contractor companies for internal operations and outsourcing of cold processing operations	Reporting on this aspect not extended to contractor companies for internal operations and those dealing with outsourced cold processing operations
Water	Controlling the use of water and maintaining the quality of water discharged	GRI 303: Water	Feralpi Siderurgica, Feralpi Stahl, Acciaierie di Calvisano, FER-PAR		
Energy	Controlling consumption, saving energy, using sources of clean energy, through self-generation too	GRI 302: Energy	Feralpi Siderurgica, Feralpi Stahl, Acciaierie di Calvisano, FER-PAR	Scrap suppliers, transporters of finished products	
Emissions	Control and reduction of direct and indirect emissions into the atmosphere	GRI 305: Emissions	Feralpi Siderurgica, Feralpi Stahl, Acciaierie di Calvisano, FER-PAR	Scrap suppliers, transporters of finished products, contractor companies for internal operations and outsourced cold processing operations	Reporting on this aspect not extended to contractor companies for internal operations and those dealing with outsourced cold processing operations
Research and innovation	Capability of the Group to create innovation through planned research	-	Feralpi Group		

Material topic	Description	Corresponding GRI Standards	Scope of Material Topic		
			Internal	External	Constraints
Product quality	High quality standards and compliance with legislation	-	Feralpi Group		
Job support	Ability to create work and contribute to safeguarding local jobs	GRI 401: Employment	Feralpi Group		
Protecting health and safety	Focus on occupational health and safety and the well-being of employees both in and outside the work environment	GRI 403: Occupational Health and Safety	Feralpi Group	Contractor companies for internal operations and outsourcing of cold processing operations	Reporting on this aspect not extended to contractor companies for internal operations and those dealing with outsourced cold processing operations
Development of human capital	Personnel training plans	GRI 404: Training and education	Feralpi Group		
Diversity and equal opportunities	Protection of equal opportunities for personnel and absence of gender, age and racial discrimination	GRI 405: Diversity and equal opportunities	Feralpi Group		
Employment relations and management	Recognition of workers' rights and ability to establish loyal and transparent relationships	GRI 402: Labour / Management Relations	Feralpi Group	Contractor companies for internal operations and outsourcing of cold processing operations	Reporting on this aspect not extended to contractor companies for internal operations and those dealing with outsourced cold processing operations
Involvement and focus on local communities	Operations that involve local communities	GRI 413: Local communities	Feralpi Group		
Supply chain	Responsible supply chain management	GRI 308: Supplier Environmental Assessment GRI 414: Supplier Social Assessment GRI 204: Procurement Practices	Feralpi Group	Suppliers	Reporting on this aspect is not extended to suppliers
Respect for human rights	Protection of human rights in the workplace	GRI 412: Human rights assessment	Feralpi Group		

GRI Standards Correlation table

(GRI 102-55)

GRI Standards	Disclosure	Page	Omissions		
			Omissions	Reasons	Explanation
GENERAL DISCLOSURES					
ORGANISATIONAL PROFILE					
GRI 102: General Disclosures	Disclosure 102-1 Name of the organisation	Methodology note			
	Disclosure 102-2 Activities, brands, products and services	1.2. Reference Market and Group strategy			
	Disclosure 102-3 Location of headquarters	Methodology note			
	Disclosure 102-4 Location of operations	Methodology note			
	Disclosure 102-5 Ownership and legal form	2.1. Governance structure: roles and responsibilities			
	Disclosure 102-6 Markets served	1.2. Reference Market and Group strategy			
	Disclosure 102-7 Scale of the organisation	Group Highlights			
	Disclosure 102-8 Information on employees and other workers	5.2. Social indicators			
	Disclosure 102-9 Supply chain	3.8. Supply chain and procurement policy			
	Disclosure 102-10 Significant changes to the organisation and its supply chain	3.8. Supply chain and procurement policy			
	Disclosure 102-11 Precautionary principle or approach	3.2. Environmental management			
	Disclosure 102-12 External initiatives	3.1. Social and environmental responsibility policies			
	Disclosure 102-13 Membership of association	4.4. Participation of Feralpi in industry associations			
STRATEGY					
Disclosure 102-14 Statement from senior decision-maker	Letter to stakeholders				
ETHICS AND INTEGRITY					
Disclosure 102-16 Values, principles, standards and norms of behaviour	1.1. Mission, Vision, Organisation				
GOVERNANCE					
Disclosure 102-18 Governance structure	2.1. Governance structure: roles and responsibilities				

GRI Standards	Disclosure	Page	Omissions			
			Omissions	Reasons	Explanation	
STAKEHOLDER ENGAGEMENT						
GRI 102: General Disclosures	Disclosure 102-40 List of stakeholder groups	4.1. Identifying significant stakeholders				
	Disclosure 102-41 Collective bargaining agreements	3.6. Industrial relations and company welfare				
	Disclosure 102-42 Identifying and selecting stakeholders	4.1. Identifying significant stakeholders Methodology note				
	Disclosure 102-43 Approach to stakeholder engagement	4.2. Stakeholder engagement methods in 2018				
	Disclosure 102-44 Key topics and concerns raised	4.2. Stakeholder engagement methods in 2018 Methodology note				
	REPORTING PRACTICE					
	Disclosure 102-45 Entities included in the consolidated financial statements	Methodology note				
	Disclosure 102-46 Defining report content and topic Boundaries	3.1. Social and environmental responsibility policies Methodology note				
	Disclosure 102-47 List of material topics	3.1. Social and environmental responsibility policies Methodology note				
	Disclosure 102-48 Restatement of information	Methodology note				
	Disclosure 102-49 Changes in reporting	Methodology note				
	Disclosure 102-50 Reporting period	Methodology note				
	Disclosure 102-51 Date of most recent report	Methodology note				
	Disclosure 102-52 Reporting cycle	Methodology note				
	Disclosure 102-53 Contact point for questions regarding the report	Methodology note				
	Disclosure 102-54 Claims of reporting in accordance with the GRI Standards	Methodology note				
Disclosure 102-55 GRI Content Index	GRI Standards Correlation table					
Disclosure 102-56 External assurance	Methodology note					
TOPIC-SPECIFIC DISCLOSURE						
GRI 200 ECONOMIC INDICATORS						
ECONOMIC PERFORMANCE						
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 4.3. Economic value generated and distributed Methodology note				
	Disclosure 201-1 Direct economic value generated and distributed	4.3. Economic value generated and distributed 5.1. Economic indicators				
	Disclosure 201-3 Direct benefit plan obligations and other retirement plans	5.1. Economic indicators				
GRI 201: Economic performance 2016	Disclosure 201-4 Financial assistance received from government	1.2.3. Research driving innovation				

GRI Standards	Disclosure	Page	Omissions		
			Omissions	Reasons	Explanation
MARKET PRESENCE					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 3.3. Human resources management 3.8. Supply chain management and procurement policy Methodology note			
	Disclosure 202-1 Ratios of standard entry-level wage by gender compared to local minimum wage	5.1. Economic indicators			
GRI 202: Market presence 2016					
PROCUREMENT PRACTICES					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 3.9. The local communities Methodology note			
	Disclosure 204-1 Proportion of spending on local suppliers	3.8. Supply chain management and procurement policy			
GRI 204: Procurement practices 2016					
ANTI-CORRUPTION					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 2.3. Corruption prevention Methodology note			
	Disclosure 205-1 Operations assessed for risks related to corruption	2.3. Corruption prevention			
GRI 205: Anti-corruption 2016					
	Disclosure 205-3 Confirmed incidents of corruption and actions taken	2.3. Corruption prevention			
ANTI-COMPETITIVE BEHAVIOUR					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 2.4. Antitrust compliance programme Methodology note			
	Disclosure 206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	2.4. Antitrust compliance programme			
GRI 206: Anti-competitive behaviour 2016					

GRI Standards	Disclosure	Page	Omissions		
			Omissions	Reasons	Explanation
GRI 300 ENVIRONMENTAL INDICATORS					
MATERIALS					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 3.2.2. Production and processing of waste and by-products Methodology note			
GRI 301: Materials 2016	Disclosure 301-1 Materials used by weight and volume Disclosure 301-2 Recycled input materials used	5.3. Environmental indicators			
ENERGY					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 3.2.1. Use of energy resources Methodology note			
GRI 302: Energy 2016	Disclosure 302-1 Energy consumption within the organisation	3.2.1. Use of energy resources 5.3. Environmental indicators			
	Disclosure 302-2 Energy consumption outside of the organisation	5.3. Environmental indicators			
	Disclosure 302-3 Energy intensity	3.2.1. Use of energy resources			
	Disclosure 302-4 Reduction of energy consumption	3.2.1. Use of energy resources	Amount of reductions in energy consumption	Information not available	Qualitative information reported
WATER					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 3.2.3. Use of water resources and liquid emissions Methodology note			
GRI 303: Water 2016	Disclosure 303-3 Water recycled and reused	3.2.3. Use of water resources and liquid emissions 5.3. Environmental indicators			
EMISSIONS					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 3.2.4. Atmospheric emissions Methodology note			

GRI Standards	Disclosure	Page	Omissions		
			Omissions	Reasons	Explanation
GRI 305: Emissions 2016	Disclosure 305-1 Direct (scope 1) GHG emissions	3.2.4. Atmospheric emissions 5.3. Environmental indicators			
	Disclosure 305-2 Energy Indirect (Scope 2) GHG emissions	3.2.4. Atmospheric emissions 5.3. Environmental indicators			
	Disclosure 305-3 Other indirect (Scope 3) GHG emissions	3.2.4. Atmospheric emissions 5.3. Environmental indicators			
	Disclosure 305-4 GHG emissions intensity	5.3. Environmental indicators			
	Disclosure 305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	5.3. Environmental indicators			
EFFLUENTS AND WASTE					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 3.2.2. Production and processing of waste and by-products Methodology note			
GRI 306: Effluents and waste 2016	Disclosure 306-1 Water discharged by quality and destination	5.3. Environmental indicators			
	Disclosure 306-2 Waste by type and disposal method	3.2.2. Production and processing of waste and by-products 5.3. Environmental indicators			
	Disclosure 306-3 Significant spills	3.2.3. Use of water resources and liquid emissions			
	Disclosure 306-4 Transport of hazardous waste	5.3. Environmental indicators			
ENVIRONMENTAL COMPLIANCE					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 3.2. Environmental management Methodology note			
GRI 307: Environmental compliance 2016	Disclosure 307-1 Non-compliance with environmental laws and regulations	3.2.3. Use of water resources and liquid emissions			
SUPPLIER ENVIRONMENTAL ASSESSMENT					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 3.8. Supply chain management and procurement policy Methodology note			
GRI 308: Supplier environmental assessment 2016	Disclosure 308-1 New suppliers that were screened using environmental criteria	3.8. Supply chain management and procurement policy			

GRI Standards	Disclosure	Page	Omissions		
			Omissions	Reasons	Explanation
GRI 400 SOCIAL INDICATORS					
EMPLOYMENT					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 3.3. Human resources management Methodology note			
GRI 401: Employment 2016	Disclosure 401-1 New employee hires and employee turnover Disclosure 401-3 Parental leave	3.3.6 Quality of the work environment 5.2. Social indicators 3.5. Gender equality			
MANAGEMENT RELATIONS					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 3.6. Industrial relations and company welfare Methodology note			
GRI 402: Labour/management relations 2016	Disclosure 402-1 Minimum notice periods regarding operational changes	The Company complies with the provisions of the Italian National Collective Bargaining agreement (CCNL)			
OCCUPATIONAL HEALTH & SAFETY					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 3.4. Occupational Health and Safety Methodology note			
GRI 403: Occupational Health & Safety 2016	Disclosure 403-2 Rates of injury, occupational diseases, absenteeism and work-related fatalities Disclosure 403-3 Workers with high incidence or high risk of diseases	3.4. Occupational Health and Safety 3.3.6 Quality of the work environment 5.2. Social indicators 3.4. Occupational health and safety	Accident rates for contractors	Information not available	Figures collected for Feralpi Group employees only
TRAINING AND EDUCATION					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 3.3. Human resources management Methodology note			

GRI Standards	Disclosure	Page	Omissions		
			Omissions	Reasons	Explanation
GRI 404: Training and education 2016	Disclosure 404-1 Average hours of training per year per employee Disclosure 404-3 Percentage of employees receiving regular performance and career development reviews	3.3.7 Personnel training 5.2. Social indicators 5.2. Social indicators			
DIVERSITY AND EQUAL OPPORTUNITIES					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 3.5. Gender equality Methodology note			
GRI 405: Diversity and equal opportunities 2016	Disclosure 405-1 Diversity of governance bodies and employees Disclosure 405-2 Ratio of basic salary and remuneration of women to men	5.2 Social indicators 5.2 Social indicators			
ASSESSMENT OF RESPECT FOR HUMAN RIGHTS					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 3.7. Respect for human rights Methodology note			
GRI 412: Human rights assessment 2016	Disclosure 412-2 Employee training on human rights policies or procedures	3.7. Respect for human rights			
LOCAL COMMUNITIES					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 3.9. The local communities Methodology note			
GRI 413: Local communities 2016	Disclosure 413-1 Operations with local community engagement, impact assessments and development programmes	3.9. The local communities			
SUPPLIER SOCIAL ASSESSMENT					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 3.8. Supply chain management and procurement policy Methodology note			
GRI 414: Supplier social assessment 2016	Disclosure 414-1 New suppliers that were screened using social criteria	3.8. Supply chain management and procurement policy			

GRI Standards	Disclosure	Page	Omissions		
			Omissions	Reasons	Explanation
OTHER MATERIAL TOPICS					
RESEARCH AND INNOVATION					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 1.2.3. Research driving innovation			
PRODUCT QUALITY					
GRI 103: Management Approach 2016	Disclosure 103-1 Explanation of the material topic and its boundary Disclosure 103-2 Management approach and its components Disclosure 103-3 Evaluation of the management approach	3.1. Social and environmental responsibility policies 1.2.1. Total quality policy Methodology note			

Correlation table in compliance with Legislative Decree 254/2016

Although outside the scope of the application of Legislative Decree 254/2016, the Feralpi Group has produced a table correlating the Decree, material topics, and the information in this sustainability report. The table is published to ensure the transition process underway between the financial statements and the non-financial declaration is as transparent as possible.

Topic under Italian Legislative Decree no. 254/2016	DNF Reference section
Governance model [Art. 3.1, subsection a) - Description of the governance and organisational model of corporate operations, including any models adopted pursuant to Italian Legislative Decree no. 231/2001; Art. 3.1, subsection b) - Description of the policies implemented by the company, including due diligence policy; Art. 3.1, subsection b) - Description of main risks, generated or suffered, deriving from company operations]	Section 2.1 Section 2.2 Section 3

Scope or reporting under Leg. Decree no. 254/2016	Material topic	Risks	Policies, codes and guidelines	Main management action	Reference Section
ENVIRONMENTAL	Compliance with environmental rules and regulations			1. Environmental analysis 2. Environmental declaration 3. EMAS declaration 4. Environmental investments 5. Assessment of impact by own operations	Section 3.2
	Waste				
	Water	1. Reputational risks 2. Environmental risks 3. Legal risks 4. Safety-related risks	1. Environmental and safety policy	6. Adoption of the ISO 14001:2015 standard 7. Adoption of World Steel Association (WSA) principles in the Sustainable Steel Policy and Indicators 2016 document 8. Emission Trading System (ETS) membership	
	Energy and percentage of energy from renewable sources				
	Emissions				
	Materials used				
SOCIAL	Research and innovation				
	Contribution to community wellbeing		1. Total Quality Policy	1. Constant dialogue with all stakeholders	Section 4.3
	Engagement and focus on local communities	1. Reputational risks 2. Product safety-related risks 3. Industry risks due to lack of presence or attention 4. Risks of poor economic welfare of the local community	2. Quality Manual 3. Code of Ethics 4. Social Media Policy 5. Stakeholder dialogue programmes 6. Support activities and sponsorship of local initiatives	2. Participation in industry and trade associations 3. Pursuit of quality in the supply of products and services 4. Communications with the advisory body 5. Compliance with Confindustria's Charter of Sustainability Principles 6. Compliance with UN Sustainable Development Goals 7. Open days, mainly for schools 8. Contribution to the economic development of the community through the creation of jobs, participation in welfare-oriented projects, sponsorships and charity donations	Section 4.4 Section 1.2 Section 2.1 Section 3.2 Section 3.1 Section 3.9 Section 3.9
	Employment support				
	Economic value generated				
	Product quality				
	Presence of the local market				
Supply chain					

Scope or reporting under Leg. Decree no. 254/2016	Material topic	Risks	Policies, codes and guidelines	Main management action	Reference Section
RESPECT FOR HUMAN RIGHTS	Human rights	Not significant risks	Given the risk non-significance, Feralpi deemed it unnecessary to define a specific policy	Participation in the Brescia Industrialists' Association initiative for placements reserved to offenders from prisons in the Brescia area	Section 3.7
PERSONNEL	Health & Safety protection	<ol style="list-style-type: none"> 1. Accident risks 2. Reputational risks 3. Recruitment risks 4. Work-related stress risks 5. Litigation risks 6. Risks of inadequate competence of resources and local supply level of quality 	<ol style="list-style-type: none"> 1. Risk of major incident (RIR) prevention policy 2. Operating procedure: safety regulations for personnel 3. Definition of competences 4. Welfare policies 5. Policies to reduce gender segmentation 6. Remuneration policy 7. Selection criteria for suppliers 	<ol style="list-style-type: none"> 1. Investments in Health & Safety 2. Safety surveillance plan 3. Emergency management training 4. Multi-year training programmes 5. Welfare initiatives 6. Equitable remuneration and performance assessment 7. Specific training for female staff 8. Company bargaining 9. Selection of local suppliers 	Section 1.2 Section 3.4
	Human capital enhancement				Section 3.3
	Work and management relations				Section 3.6 Section 3.3
	Diversity and equal opportunities				Section 3.5 Section 3.3 Section 3.8
	Presence of the local market				
ANTI-CORRUPTION	Corruption	<ol style="list-style-type: none"> 1. Corruption risk 2. Reputational risks 3. Legal risks 	<ol style="list-style-type: none"> 1. Governance model 231 2. Code of Ethics 	In-house training	Section 2.3



AUDIT REPORT





Feralpi Holding S.p.A.

Independent auditors' report on the "Sustainability Report 2018"
(Translation from the original Italian text)



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Independent auditors' report on the "Sustainability Report 2018"

(Translation from the original Italian text)

To the Board of Directors of
Feralpi Holding S.p.A.

We have been appointed to perform a limited assurance engagement on the "Sustainability Report 2018" (hereinafter the "Sustainability Report") of Feralpi Holding S.p.A. and its subsidiaries (hereinafter also the "Group" or the "Feralpi Group") for the year ended on December 31, 2018.

Directors' responsibility on the Sustainability Report

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

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

The Directors are also responsible for defining the commitments of the Group regarding the sustainability performance and the reporting of the results achieved, as well as for the identification of the stakeholders and of the significant matters to report.

Auditors' independence and quality control

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

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

Auditors' responsibility

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

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

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

In particular, we have performed the following procedures:

- a. analysis of the process relating to the definition of material aspects included in the Sustainability Report, with reference to the criteria applied to identify priorities for the different stakeholder categories and to the internal validation of the process outcomes;
- b. comparison of economic and financial data and information included in the Sustainability Report with those included in the Group's consolidated financial statement as of December 31, 2018;
- c. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the Sustainability Report.

In particular, we have conducted interviews and discussions with the management of Feralpi Holding S.p.A. and with the personnel of Feralpi Siderurgica S.p.A. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of data and information to the department responsible for the preparation of the Sustainability Report.

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

- at Group level
 - i. with reference to the qualitative information included in the Sustainability Report, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
 - ii. with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for Fer-Par S.r.l. (production site of Brescia, Italy), ESF GmbH (production site of Riesa, Germany), that we have selected based on their activities, relevance to the consolidated performance indicators and locations, we have carried out site visits during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the "Sustainability Report 2018" of Feralpi Group for the year ended on December 31, 2018 has not been prepared, in all material aspects, in accordance with the requirements of the GRI Standards, as described in the paragraph "Methodology Note" of the Sustainability Report.

Brescia, May 30, 2019

EY S.p.A.

Signed by: Stefano Colpani, Partner

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



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