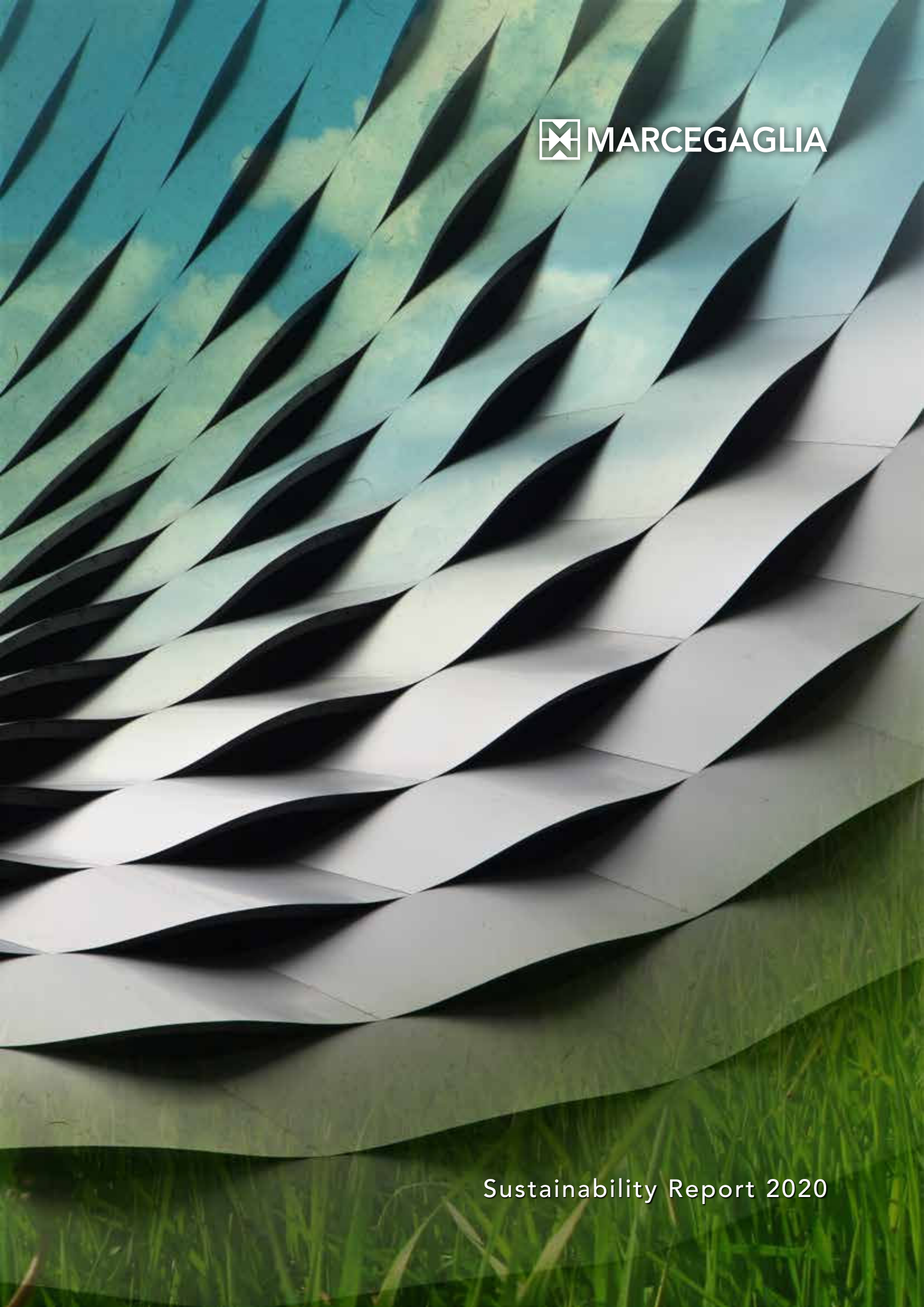
MARCEGAGLIA
Sustainability Report 2020

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# LETTER TO OUR STAKEHOLDERS

After the complex and difficult year that Italy and the world experienced in 2020 due to the COVID-19 pandemic, we have symbolically chosen 2021 for our first Sustainability Report.

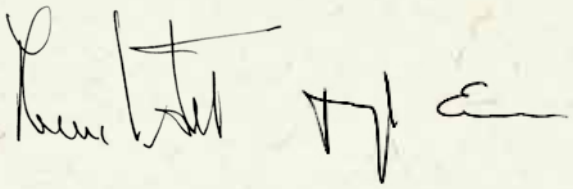
The global emergency situation, from which we are finally emerging, has reminded us all that respect for our planet and its resources is fundamental, that only by agreeing on actions and goals with fairness and a sense of responsibility can we ensure positive impacts on our lives and on the lives of others. This is also why we chose 2021 for a public statement of the culture of values, behaviours and choices that has characterized Marcegaglia's history for over 60 years.

Our family has always believed that "doing business" cannot and must not be strictly a search for profit, but also paying attention to the people who work with us and for us, at the Company and alongside the Company. Businesses have a social role – because they cannot help but do so – in generating and distributing wealth and wellbeing; in providing personal and economic fulfilment for those who work for them; and in having a social, cultural, sporting and artistic impact on the local community.

We feel a deep sense of duty to take up an important heritage: the Marcegaglia name embodies a tradition of values, sacrifice, dreams made reality and respect that comes from our parents, Steno and Mira. From them we inherited a "mission": to work for the company, united, with passion and pride, without ever ceasing to look ahead, combining intuition and pragmatism. From them we have learned to have a sense of responsibility for ourselves and our family, as well as for those of our employees and all our contractors. To be reliable members of the communities in which we are present with our plants and for all those who depend on our decisions, aware that we can make a difference. To understand and respond to the needs of the people and places around us. To identify the right priorities and goals to achieve and do it all together, with as much sharing and inclusion as possible.

This is what doing business means to us.

*Antonio and Emma Marcegaglia*



# 1. INTRODUCTION

The first Marcegaglia Steel Spa **Sustainability Report** focuses on the **17 Italian production sites** – Marcegaglia Carbon Steel (10); Marcegaglia Ravenna; Marcegaglia Specialties (2); Marcegaglia Gazoldo Inox; Marcegaglia Plates; Marcegaglia Palini e Bertoli and Marcegaglia Rivoli – and aims to make everyone aware of the **economic, environmental and social activities** that are most relevant to Stakeholders and Management.

Although the Company is not among the entities required to prepare a non-financial statement (NFS), it has decided to make public its commitment to promoting economic development and constant innovation in the areas of production efficiency, plant safety and environmental protection.
All this is done by adopting the best available technologies, making large investments in R&D and ensuring the continuous training and involvement of its employees.

This first edition of the Report is intended to mark the start of a strategic pursuit of an increasingly conscious sustainability that permeates all of the Group's activities, to strengthen its "green" soul and maximize its positive impact on employees, the community and the environment.

A Sustainability Committee was created for the development of this project, strongly supported by Antonio and Emma Marcegaglia, in their dual role as shareholders and CEO of the group, with the involvement of the members of the Board of Directors; the Directors of Human Resources, Legal Affairs and Administration; the Energy Manager and the Research & Development and Waste Management Managers; the Coordinator of Social Responsibility Policies, the Quality Systems Director and the company MADE HSE S.r.l.

This Report has been prepared in accordance with the "GRI Sustainability Reporting Standards" as updated by the "Global Reporting Initiative" to 2020.

The "core" reporting option has been chosen: the information presented relates to the last three financial years (2018-2020) and concerns material topics, i.e. those reported to be of greatest interest to Stakeholders and Management.

*For further details, refer to the materiality analysis and the GRI Content Index, which make up the final chapters of this Report.*

## 2. A FAMILY AND ITS VISION FOR THE FUTURE: ROOTS IN GAZOLDO DEGLI IPPOLITI, A GLOBAL OUTLOOK

The history of the Group is also and above all the **history of a family**, that of Steno and Mira Marcegaglia. It all began in Gazoldo degli Ippoliti, in the province of Mantua, with what would prove to be a winning intuition: the enormous development potential of the steel transformation sector.
This was in **1959**, at the height of Italy's economic boom. Steno Marcegaglia – born in 1930, of humble origins, a past as a Coldiretti trade union leader – together with a friend, opened a small workshop of 120 square metres, where, with two workers and a profiling machine, he produced guide rails for rolling shutters, an article that was beginning to be used more and more in Italian homes. Only a year went by and, with determination and farsightedness – qualities that would be characteristic of his life and business history – he insisted on upgrading the facilities and distinguishing himself from the competition: he bought out the entire company and purchased a second-hand rolling mill with internal combustion engine, two old furnaces for annealing the rolled strip and a rudimentary pickling line.

### Internal growth

He did not stop there. As early as **1962**, he began to think about **growth**: he set his sights on the plant in Contino di Volta Mantovana, a small village very close to Gazoldo degli Ippoliti, where he started the production of open cold-drawn bars.
In **1969** the company entered the **tube sector**, a turning point in the Group's history and the beginning of its gradual, uninterrupted growth. The most interesting aspect of this phase is not only the progressive expansion of the product range, but the intuition that the production process should include cold re-rolling. This allowed Marcegaglia to expand its market, but above all to manage its customers differently. "Cold" products were in

fact purchased directly by producers of durable consumer goods (in particular, cars and household appliances). In this way, the company broke from the traditional approach to production and entered the entire processing and pre-processing of coils area, acting both as a cold re-roller and as a service centre and hot and cold tube mill. In **1982**, in order to increase the production of tubes, a new factory was built, the third one in **Casalmaggiore**, equipped with technologically advanced systems.

## Acquisitions

In **1983** a targeted process of **acquisitions of existing plants and companies** began. It started with three companies with an uncertain future: Lombarda Tubi of Lomagna (Lecco), Saom of Boltiere (Bergamo) and Trisider of Tezze sul Brenta (Vicenza). In **1985**, a turning point, three important companies of the Maraldi Group, which had been under extraordinary administration for years, were taken over by Marcegaglia: Maraldi of Ravenna, Salpa of Cervignano del Friuli and Forlisider of Forlì. The significant restructuring plan implemented led to the construction of two factories that would become fundamental to the Group and serve as the springboard for the launch of the **flat products** and **stainless steel**: Ravenna and Forlì.
In **1987** Profilnastro of Dusino San Michele (Asti) was acquired out of in receivership: its production of **hot strip tubing** was upgraded and technologically updated with new investments. In **1998**, with the acquisition of the former Siderplating plant in San Giorgio di Nogaro (Udine), a further production site was created and the Group expanded its product range by introducing **heavy plates**.

## Internationalisation

Towards the end of the Nineties, the company launched its **internationalisation policy** in order to better organise its activities and presence abroad, opening not only commercial offices but also production plants. Germany, Great Britain, Poland, Russia and Turkey are just some of the European countries where the Group still has important production units. In **1991** the project to enter overseas markets began, first in the **United States** and then, in **1999**, in **Brazil**.

## The decision to focus on the core business

In the second half of the 2000s it was decided to **strengthen the core business** and begin a gradual divestment of diversified activities, strengthening the leadership in stainless steel processing, expanding the range of products and adding, in the Gazoldo degli Ippoliti plant, stainless steel coils and sheets. Today the entire core business is grouped within the holding Marcegaglia Steel (97% of total activities) through the following companies: Marcegaglia Ravenna, Marcegaglia Carbon Steel, Marcegaglia Gazoldo Inox, Marcegaglia Specialties and Marcegaglia Plates. These would be joined in 2019 by the newly acquired **Marcegaglia Palini e Bertoli** (active in the heavy plates sector) and in **2020 by Marcegaglia Buildtech** (building envelope, guardrails and construction equipment). Finally, the holding company Marcegaglia Investments groups together the diversified activities (3%), among which tourism stands out, with the Albarella and Pugnochiuso complexes.

## Marcegaglia Carbon Steel and Marcegaglia Ravenna

**Marcegaglia Carbon Steel** transforms and markets carbon steel products: with 10 production sites in Italy, it is **Europe's leading producer of carbon steel welded tubes** with a wide range of products and finishes with its own plants in Casalmaggiore and Gazoldo degli Ippoliti.
**Marcegaglia Ravenna** is the **main metal-steel plant of the Group** and the one with the **largest service centre**

**in Italy** for automated finishing, slitting and packaging of strips and sheets. The plant, which covers an area of more than 540,000 m², 225,000 of which indoor, is equipped with the most modern equipment and the most advanced production technologies for chemical pickling, cold rolling, static annealing, galvanizing and pre-painting of steel coils, as well as a service centre for levelling and cutting carbon steel coils. The site is also a **state-of-the-art logistics and intermodal hub**, where all the Group's industrial and commercial activities converge. It is served by an efficient railway network and one of the largest ports in the Adriatic, used both for imports of raw materials and exports of finished products, yielding a significant reduction in environmental impact.

## Marcegaglia Specialties (with Marcegaglia Gazoldo Inox)

It processes **stainless steel** to make flat products, welded tubes and bars from special carbon steels. With **three production sites** in Italy, the company processes a total of 700,000 tons of steel per year: the Gazoldo degli Ippoliti site carries out pickling, re-rolling and finishing activities with an important service centre for flattening and cutting; while the Forlì plant is the largest production plant in the world for welded stainless steel tubes and Contino is Italy's leading wire drawing mill.

## Marcegaglia Plates

This Italian Group company is among the main players in the **heavy plates** sector. Production is concentrated in the **two units in San Giorgio di Nogaro**. With total production of one million tons per year, Marcegaglia Plates distributes its products all over the world with great logistic flexibility: thanks to its strategic location, it can offer road, rail and ship transport, thanks to a dock on the Corno river and support from the nearby ports of Monfalcone, Trieste and Venice.

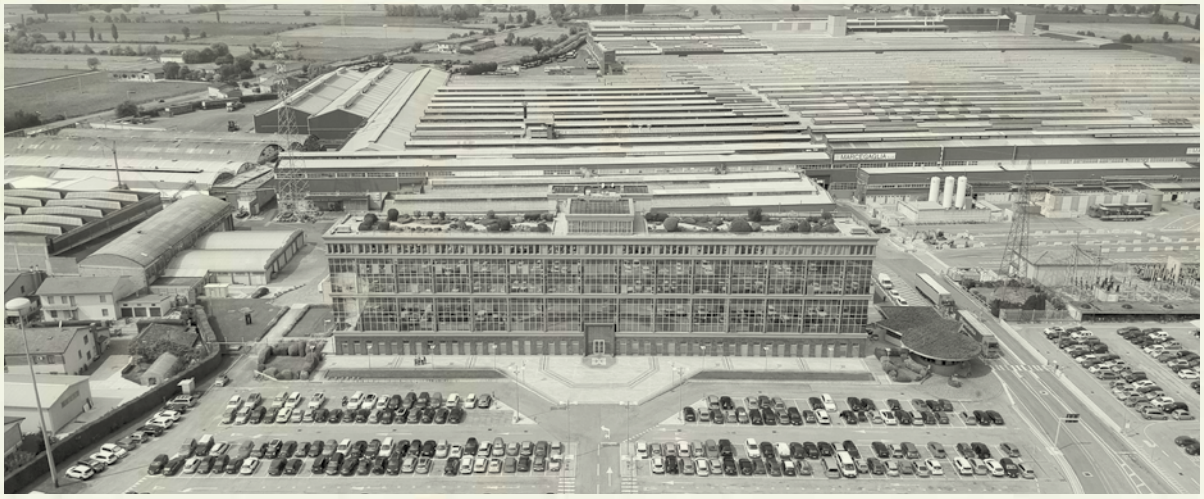
## Marcegaglia today

In its **more than 60 years of history**, the Group – without ever losing sight of its roots and its unique, original model of "single-family" management – has become a **leader in the Italian and European steel market**. Today it is present on **three continents**, has a **turnover of 5.5 billion Euros**, **6,600 employees**, **60 business units** and **28 plants** and is the world's leading independent steel processor.

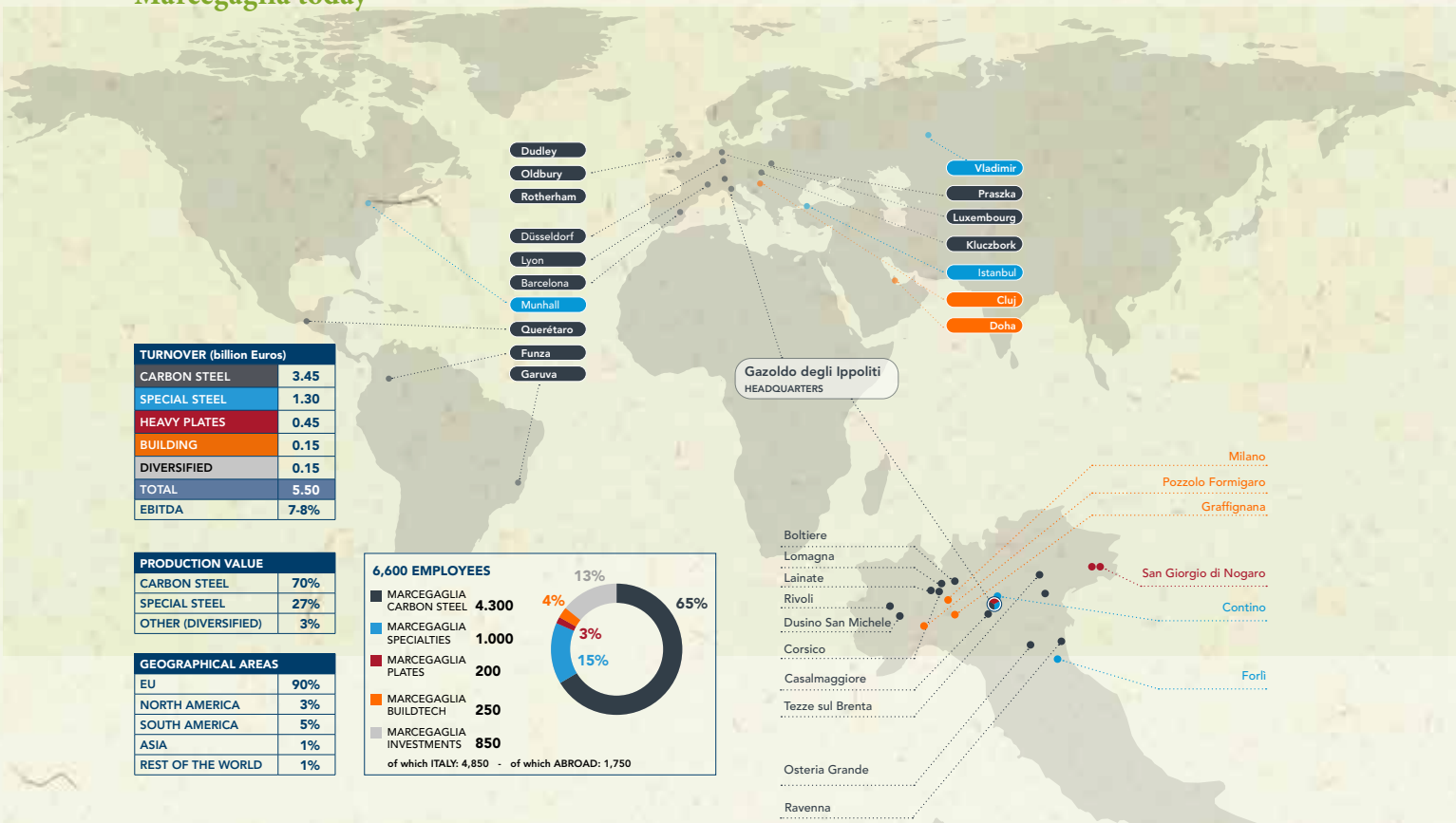
With **5.7 million tons** processed per year, a wide range of products (from coils to strips, from tubes to heavy plates for trains, from carbon to stainless steel), **72 international standards** for the production of carbon and stainless steels, **136 internal specifications** adopted as protocol, customised for the customer, the Group has a widespread presence in the most diverse sectors of application: from distribution to specialisations in construction, automotive, food, commerce, mechanics, agriculture, chemical and petrochemical, industrial plant engineering, thermo-mechanics and hydraulics, furniture, energy and many others.
It also boasts a **unique strategic positioning**: downstream of its primary production, in fact, Marcegaglia is also present in the internal value chain in the steel industry and, thanks to its flexibility, reactivity and decision-making speed, it can succeed even in the most difficult markets, maintaining strong results and investments in innovation, development and acquisitions.

The considerable attention paid to the origin of raw materials is another key element in the management of production processes. Thanks to more than **60 partnership agreements that have lasted more than 10 years**, signed with major steel suppliers on five continents, the company is able to source quality raw materials and various grades of steel to offer its more than 15,000 customers around the world tailor-made service, also made possible by its operational and logistical excellence.

The Group, which is still **headquartered in Gazoldo degli Ippoliti**, has always been chaired and managed by the Marcegaglia family. Today it is managed by Steno and Mira's children, Antonio and Emma, harnessing the inestimable, inexhaustible heritage of the personal, family and business values that together have always shaped the way they feel and experience their roles with the Company.



# Marcegaglia today




| TURNOVER (billion Euros) | |
|---|---|
| CARBON STEEL | 3.45 |
| SPECIAL STEEL | 1.30 |
| HEAVY PLATES | 0.45 |
| BUILDING | 0.15 |
| DIVERSIFIED | 0.15 |
| TOTAL | 5.50 |
| EBITDA | 7-8% |

| PRODUCTION VALUE | |
|---|---|
| CARBON STEEL | 70% |
| SPECIAL STEEL | 27% |
| OTHER (DIVERSIFIED) | 3% |

| GEOGRAPHICAL AREAS | |
|---|---|
| EU | 90% |
| NORTH AMERICA | 3% |
| SOUTH AMERICA | 5% |
| ASIA | 1% |
| REST OF THE WORLD | 1% |

**6,600 EMPLOYEES**

| | |
|---|---|
| MARCEGAGLIA CARBON STEEL | 4.300 |
| MARCEGAGLIA SPECIALTIES | 1.000 |
| MARCEGAGLIA PLATES | 200 |
| MARCEGAGLIA BUILDTECH | 250 |
| MARCEGAGLIA INVESTMENTS | 850 |




of which ITALY: 4,850 - of which ABROAD: 1,750

**5.7 MILLION** TONS PROCESSED YEARLY

**5.5 BILLION** EUROS SALES

(5.3 BILLION EUROS SALES MARCEGAGLIA STEEL)

**6,600** EMPLOYEES

**28** STEEL PLANTS

**60** SALES OFFICES

**1st INDEPENDENT PLAYER**

IN STEEL PROCESSING SECTOR IN THE WORLD

**1st PRODUCER** OF STAINLESS STEEL WELDED TUBES

IN THE WORLD

**1st PRODUCER** OF CARBON STEEL WELDED TUBES

IN EUROPE

**1st SERVICE CENTER** IN ITALY

MARCEGAGLIA CARBON STEEL

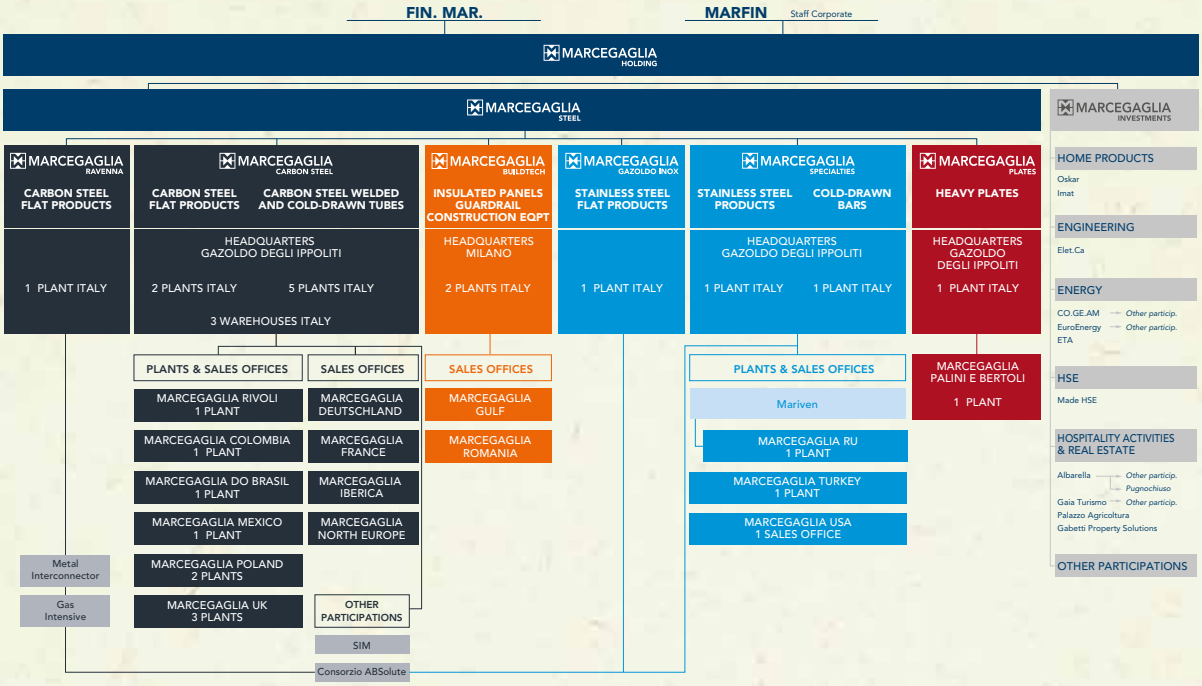
MARCEGAGLIA SPECIALTIES

MARCEGAGLIA PLATES

MARCEGAGLIA BUILDTECH

MARCEGAGLIA INVESTMENTS

## Group structure




## Product range

## Made HSE

MADE HSE (Marcegaglia Ecology Department. Health, Safety, Environment) is the group company that provides **consulting**, **laboratory analysis** and **training services** in the areas of environmental protection, health and safety at work. It was created in the early '90s out of the desire to spread and increase the sensitivity and culture surrounding issues viewed as strategic within the company.

MADE HSE is based on an innovative cultural approach: the Group was one of the first few companies to bring an internal structure of professionals with specific, top-tier technical skills, to the constant, tenacious process of raising awareness aimed at protecting the environment, improving working environments and safety in companies, starting with Group companies, in the conviction that strict compliance with regulations is not in conflict with themes of productivity, efficiency and economy; on the contrary, it is functional to and synergistic with them.

From a small internal department, made up of just a few technicians tasked with responding optimally to the profound transformation imposed by the implementation in Italy of European environmental, health and safety directives, MADE HSE now has **75 employees** with solid skills and experience in the various technical-scientific disciplines, along with chemical and microbiological analysis laboratories that also work for external bodies and companies: proof of the company's absolute independence and authority.

# 3. STAKEHOLDER

Marcegaglia group Stakeholders are internal and external to the organisation. The former – and employees in particular – are the focus of the next chapter. External stakeholders include suppliers and customers, but also the social partners, government, banks and institutions, as well as the population and the community of the various areas in which we operate. A stakeholder analysis was performed to correctly identify the materiality matrix required by the GRI Standards (on which, refer to the final chapters of the Report).

**A sustainable value chain**

The sustainability of the value chain is characterised by the correct, responsible management – from a social and environmental as well as an economic point of view – of all procurement, production and distribution processes directly managed by the Group or linked to it through the work of its suppliers. One of the Group's strengths has been to have built up, over the years, a vast network of customers/suppliers with whom it has established, in addition to economic relations, sound relationships of reliability, loyalty, shared objectives and values, constant dialogue and true collaboration. Relationships that in 2020 – marked by the COVID-19 pandemic – were even stronger and allowed both the Group and its customer/supplier base to rely on a continuity of production and supply that was not to be taken for granted and made all the difference.

Customer satisfaction and support are fundamental: each Group company pays careful attention to indications and requests that can improve the quality of the products and services offered, and acts accordingly to ensure that its research, development and marketing activities are raised to the highest quality standards. The relationship between the Company and its customers is characterised by mutual credibility, reliability and availability.

Obligations towards customers are based on good faith and proper performance; in the event of disputes, efforts are made to encourage amicable settlements. Communications with customers, including advertising messages and the content of the company website, are clear, compliant with applicable regulations and not misleading.

Before contractually binding itself to third parties – as far as suppliers and long-term partners are concerned – the Company carries out an adequate due diligence procedure to assess possible risks of violation of human, labour, environment, ethics, and competition rights throughout the supply chain. In particular, it verifies the reputation of the parties with whom it intends to enter into contracts and their main representatives (shareholders and directors); their financial situation; the technical competence to render the service covered by the contract; their most important customers and any relations with public authorities. The Company performs this control process using dedicated software (Vendor Management System). The efficient management of suppliers and the measurement of their performance, based on objective parameters, allows not only better, more effective cost control, but also the pursuit of excellence in service and mitigation of any risks, by ensuring regulatory and documentary compliance. The system qualifies, manages and monitors the Supplier Register with ad hoc questionnaires; assignment of scores; creation of a scorecard based on responses from the supplier and evaluations/audits performed by the customer.

Purchasing processes are based on the search for maximum competitive advantage, in the medium as well as the short term, the granting of equal opportunities to each supplier and the principles of fairness and impartiality. Efforts are made to ensure availability of appropriately documented means, including financial means, organisational structures, planning skills and resources, know-how and the existence and effective implementation, where the specifications so require, of adequate company quality systems. Contracts are entered into with suppliers in line with the regulatory principle of good contractual faith and the proper performance of mutual obligations.

### Trade associations, collaborations and partnerships

Stakeholders, as a whole, are a central element of our business model because they represent the internal and external context of reference in which the Company acts and operates. Marcegaglia has a close relationship and exchange of views with:

- national and local institutions, starting from the Ministries of Economic Development, Labour, Ecological Transition, Infrastructure and Technological Innovation, and extending to the regions and municipalities of all the territories in which we are present;
- the industry's key trade associations (starting with Confindustria and Federacciai);
- the trade unions and single union representatives (RSU).

## **4.** A CULTURE OF VALUING PEOPLE

The Marcegaglia community is by **People for People**, as desired by its founder, Steno Marcegaglia. Personal development and growth begin with job placement, which involves working alongside expert staff and subsequent training using all available methods: frontal, e-learning and on-the-job. It continues over the years to strengthen the skills of employees and collaborators and expand them according to the roles, attitudes and personal interests of each. Training is an essential tool for the growth of individual professionalism, especially important to the honing of production and management processes that the Group performs continuously with all its companies.

To promote its spread, and as evidence of the strong commitment made by the Company since its foundation, in 2019, on its 60th anniversary, it was decided to set up **Marcegaglia Academy**, a highly specialised educational programme for the ongoing training of personnel of all Group companies, with a strong focus on the experimentation of new training approaches, both in the treatment of management issues and topics related to occupational safety, environmental protection and sustainability. The goal is to create an organisation that can be an industry leader in steel training, by pooling specific skills and professional excellence in the sector and the academic and business communities, while also providing transversal, innovative knowledge and skills to the local community and its members, as a place of comprehensive culture and training.

The Academy is accompanied by a number of important school initiatives such as, for example, the "**A Steem for Steel**" project, which aims to raise awareness among young people, particularly secondary school students, of the importance of STEEM (Science, Technology, Engineering, Economics and Maths) studies in order to access the numerous professional and career opportunities in industrial manufacturing and the steel sector. Created in 2020 as the brainchild of Raffaella Poggio, consultant to the Marcegaglia Foundation, the project benefited from the contribution of some of the most important Italian steel companies, in addition to the Marcegaglia Group itself: Acciaierie Venete, Danieli Group, Sideralba and, for the second edition, Pipex Italia.


Its objective: to introduce young people to the virtuous aspects (circular economy and environmental sustainability) and the most innovative sides of the Italian steel industry, through experiences in the field, alongside leading companies that have combined technological innovation in their production processes, investing in digital transformation to keep this sector a jewel of the Italian economy. Another fundamental objective is to encourage women to consider the opportunities offered by the sector, against the stereotypes that keep young women away from technical and scientific disciplines. The first edition in 2020 saw the involvement of 1,135 students from all over Italy. The second edition, held completely online, consisted of masterclasses and virtual meetings.

Another important project is "**ITS Maker**", arising from the ongoing collaboration with the national higher education institute ITS Maker in Forlì. The staff of the Forlì plant provided both classroom lectures on specific topics – metallurgy, characteristics of stainless steels, production of stainless steel welded tubes with different welding technologies (laser and high frequency induction), management systems for quality, safety, environment and energy – and to welcome students to internships with the company, thanks to a training course of over 400 hours.


## Employees and contractors

Human resources – the people who work at the Company and with the Company – are among its main stakeholders and are considered strategic for the Group's growth and development, not only with a view to healthy profits, but also to greater awareness of ethical values, social and environmental protection, and a culture of health and safety. Respect, dedication and a sense of responsibility are the keys that characterise relationships within the company at all levels and are crucial to the management of our activities.

The Group devotes particular attention to the satisfaction of its staff and contractors and encourages constructive dialogue with workers' representatives and the social partners. The Company applies the category contract (metalworking industry national collective labour agreement), supplementary company contracts and its Code of Ethics. The regulatory and economic conditions deriving from the supplementary company contracts, which are the result of a constant, constructive relationship with the trade unions and company representatives, are very advanced and place the company at the forefront of the sector.

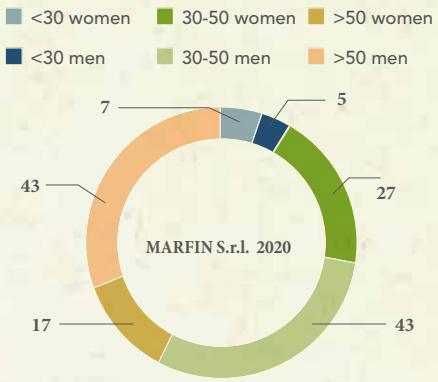
To support its policy of inclusive, sustainable growth, Marcegaglia Steel S.p.A. has undertaken the development of a Social Responsibility Management System (according to the SA8000 standard). In addition to formalising a specific policy and related documentation, a Social Responsibility Policy Coordinator and a dedicated team (Social Performance Team) have been identified; they meet with the Human Resources Director to verify compliance with social responsibility requirements: absence of child labour; refusal of the use of forced or compulsory labour, including by suppliers; a constant commitment to the continuous improvement of worker health and safety; freedom of association and right to collective bargaining; attention to equal opportunities against discrimination; and careful management of disciplinary practices, working hours and remuneration. Representatives of the national trade unions are an integral part of the Social Performance Team.

There were 3,925 total employees in 2020 in the Italian offices alone – the subject of this Report – down 2% on 2019. An analysis of the numbers for the last three years – divided by age, category and gender – shows that the percentage of women is in line with the industry average, considering that these numbers largely exclude the administration and purchasing area, managed by Marfin S.r.l., also part of the Marcegaglia Group. For the sake of completeness and transparency, we also report the data relating to the personnel of this company, which has 36% female staff, followed by the data of Marcegaglia Steel S.p.A.


MARFIN S.r.l.

| AGE | <30 | | 30-50 | | >50 | |
|---|---|---|---|---|---|---|
| YEAR | Women | Men | Women | Men | Women | Men |
| 2018 | 4 | 4 | 30 | 45 | 14 | 38 |
| 2019 | 5 | 5 | 27 | 45 | 17 | 40 |
| 2020 | 7 | 5 | 27 | 43 | 17 | 43 |

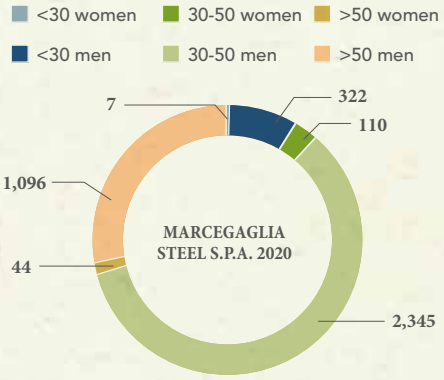
| CATE-GORY | DIRIGENTI | | QUADRI | | IMPIEGATI | | OPERAI | |
|---|---|---|---|---|---|---|---|---|
| YEAR | Women | Men | Women | Men | Women | Men | Women | Men |
| 2018 | 1 | 11 | 0 | 6 | 46 | 70 | 0 | 1 |
| 2019 | 1 | 11 | 0 | 5 | 47 | 74 | 0 | 1 |
| 2020 | 1 | 11 | 1 | 7 | 49 | 73 | 0 | 0 |




MARCEGAGLIA STEEL S.p.A.

| AGE | <30 | | 30-50 | | >50 | |
|---|---|---|---|---|---|---|
| YEAR | Women | Men | Women | Men | Women | Men |
| 2018 | 9 | 380 | 114 | 2,514 | 32 | 1,006 |
| 2019 | 7 | 363 | 115 | 2,442 | 40 | 1,038 |
| 2020 | 8 | 322 | 110 | 2,345 | 44 | 1,096 |

| CATE-GORY | DIRIGENTI | | QUADRI | | IMPIEGATI | | OPERAI | |
|---|---|---|---|---|---|---|---|---|
| YEAR | Women | Men | Women | Men | Women | Men | Women | Men |
| 2018 | 1 | 33 | 3 | 65 | 141 | 701 | 10 | 3,101 |
| 2019 | 1 | 35 | 3 | 60 | 148 | 694 | 10 | 3,054 |
| 2020 | 1 | 33 | 3 | 56 | 148 | 693 | 10 | 2,981 |



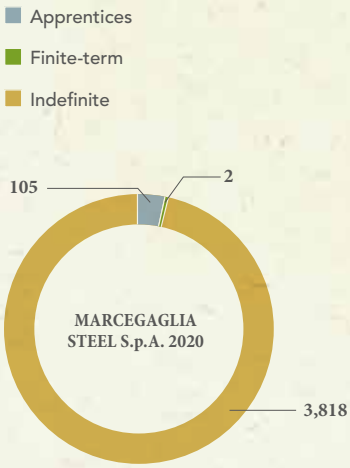

As far as contract types are concerned, the preference is for indefinite-term contracts and, only in the case of job placement programmes, apprenticeship contracts.

**CONTRACT TYPE** - MARCEGAGLIA STEEL S.p.A.

| | INDEFINITE | | | | |
|---|---|---|---|---|---|
| YEAR | EMPLOYEES | WORKERS | EXECUTIVES | MIDDLE MANAGERS | TOTAL |
| 2018 | 835 | 3,060 | 34 | 68 | 3,997 |
| 2019 | 829 | 2,980 | 36 | 63 | 3,908 |
| 2020 | 819 | 2,906 | 34 | 59 | 3,818 |

| | APPRENTICES | | | | |
|---|---|---|---|---|---|
| YEAR | EMPLOYEES | WORKERS | EXECUTIVES | MIDDLE MANAGERS | TOTAL |
| 2018 | 6 | 46 | - | - | 52 |
| 2019 | 12 | 83 | - | - | 95 |
| 2020 | 20 | 85 | - | - | 105 |

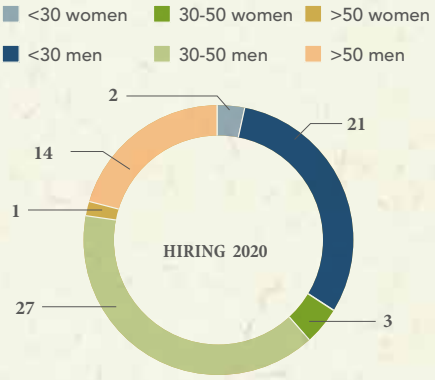
| | FINITE-TERM | | | | |
|---|---|---|---|---|---|
| YEAR | EMPLOYEES | WORKERS | EXECUTIVES | MIDDLE MANAGERS | TOTAL |
| 2018 | 1 | 5 | - | - | 6 |
| 2019 | 1 | 1 | - | - | 2 |
| 2020 | 2 | 0 | - | - | 2 |




Hiring is assessed on the basis of turnover levels; the relevant summary data are shown in percentage terms, followed by absolute values for a better understanding of the trend.

**TURNOVER** - MARCEGAGLIA STEEL S.p.A.

| | TURNOVER | | | | | |
|---|---|---|---|---|---|---|
| YEAR | Overall | Women | Men | <30 | 30-50 | >50 |
| 2018 | 5.7% | 8.6% | 5.3% | 11.5% | 2.7% | 10.4% |
| 2019 | 7.9% | 6.2% | 8.0% | 23.0% | 4.6% | 10.7% |
| 2020 | 8.7% | 9.7% | 8.7% | 33.7% | 4.1% | 11.0% |



**HIRING** - MARCEGAGLIA STEEL S.P.A.

| AGE | <30 | | 30-50 | | >50 | |
|---|---|---|---|---|---|---|
| YEAR | Women | Men | Women | Men | Women | Men |
| 2018 | 2 | 109 | 3 | 52 | 0 | 11 |
| 2019 | 2 | 55 | 6 | 47 | 0 | 11 |
| 2020 | 2 | 21 | 3 | 27 | 1 | 14 |

| CATEGORY | EXECUTIVES | | MIDDLE MANAGERS | | EMPLOYEES | | WORKERS | |
|---|---|---|---|---|---|---|---|---|
| YEAR | Women | Men | Women | Men | Women | Men | Women | Men |
| 2018 | 0 | 1 | 0 | 6 | 5 | 17 | 0 | 148 |
| 2019 | 0 | 3 | 0 | 3 | 8 | 23 | 0 | 84 |
| 2020 | 0 | 0 | 1 | 3 | 5 | 23 | 0 | 36 |

**TERMINATIONS** - MARCEGAGLIA STEEL S.P.A.

| AGE | <30 | | 30-50 | | >50 | |
|---|---|---|---|---|---|---|
| YEAR | Women | Men | Women | Men | Women | Men |
| 2018 | 0 | 20 | 3 | 51 | 7 | 96 |
| 2019 | 1 | 27 | 0 | 65 | 1 | 103 |
| 2020 | 1 | 14 | 4 | 32 | 3 | 100 |

| CATEGORY | EXECUTIVES | | MIDDLE MANAGERS | | EMPLOYEES | | WORKERS | |
|---|---|---|---|---|---|---|---|---|
| YEAR | Women | Men | Women | Men | Women | Men | Women | Men |
| 2018 | 0 | 2 | 0 | 4 | 10 | 23 | 0 | 138 |
| 2019 | 0 | 2 | 0 | 10 | 2 | 36 | 0 | 147 |
| 2020 | 0 | 2 | 1 | 7 | 7 | 23 | 0 | 114 |

# 5. CULTURE OF SAFETY, HEALTH AND WELLBEING

The Group believes that pursuing and promoting a culture of safety, health and wellbeing is a primary, priority objective that is in no way in conflict with other company objectives. Production fully respectful of individual safety and the environment that surrounds us is a foundational value of the Group's industrial policy. Reducing the number of accidents at work and ensuring that everyone can work in a safe, healthy environment are objectives pursued constantly, with the utmost commitment.

Accident performance is monitored according to the indicators set by the UNI 7249 standard. During the three-year period 2018-2020, the trend – which has been stable for many years – continued towards a constant decline in the overall number of accidents and all related indicators (frequency, incidence and severity). In particular, severity was reduced by 45%, resulting in a more than 50% decrease in the number of days lost.

| Period | Hours worked | No. of accidents counted | Frequency index | Severity index | Overall index |
|---|---|---|---|---|---|
| JAN 18 - DEC 18 | 6,761,016 | 178 | 26.33 | 0.98 | 45.37 |
| JAN 19 - DEC 19 | 6,726,127 | 160 | 23.79 | 0.73 | 40.77 |
| JAN 20 - DEC 20 | 5,952,898 | 110 | 18.48 | 0.54 | 29.48 |

For a point of comparison that is as close as possible in time and representative of the steel industry's situation, below are the frequency index data referring to the item Transformation and Pure Rolling Mill, extracted from the 2019 Report (published in January 2021) of Federacciai's Safety Monitoring Centre:

| 2019 Report by FEDERACCIAI SAFETY MONITORING CENTRE | Frequency index |
|---|---|
| PURE ROLLING MILL | 17.98 |
| TRANSFORMATION | 22.56 |

***Pure rolling mill:*** *production site that differs from a steelworks in that only primary steel products (flat and long, ex-ECSC) are rolled;*
***Transformation:*** *production site that has no steel casting plant and does not produce primary steel products. Therefore, this category includes all processing companies that produce tubes, forgings, wire rod derivatives, etc.*

The decrease in the number of hours worked, which was noticeable in 2020 compared with previous years, is attributable to the slowdown imposed on production activities by government measures, which occurred, in particular, in the first quarter, to manage the Covid-19 emergency. Obviously, this reduction may have had a positive impact on the results obtained, which are still better than the sector average. The trend confirms that the efforts and investments in prevention, from training to the structural interventions constantly planned and implemented, to the forces in the field in terms of dedicated human resources, have led to significant growth of attention and culture of safety and continue to yield excellent results in terms of numbers. We will therefore continue down this path – which is proving successful – with even greater conviction and confidence.

For external companies operating under contract, specific procedures are followed to assess their technical suitability, formalise detailed obligations on safety at work in the contracts and report and manage interference risks. The technical fitness of external companies is verified by checking the regularity of: the administrative

documentation relating to the satisfaction of the correct technical and professional requirements; the salary and contractual situation of the personnel employed; appropriate training for the tasks carried out; the suitability of the equipment used; and any subcontracting. To manage activities under contract, done under a work permit, coordination meetings are held with the supervisors of the companies involved at the start of and during the activities to cooperate in reducing risks to the lowest achievable level.

At each site, moreover, when visitors and drivers arrive they receive precise information (on print or in video) on the correct behaviour to adopt, rules to follow, road conditions, personal protective equipment to use and instructions to follow in case of emergency and evacuation.

### Initiatives to promote a culture of safety

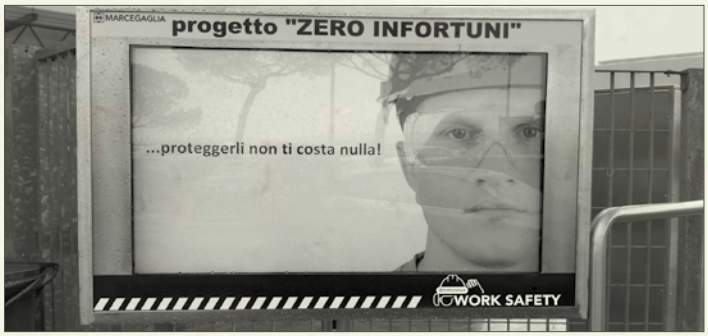
The initiatives launched several years ago to increase the level of awareness among employees and contractors regarding health and safety protection continued in 2020. The cornerstone of the various activities is the "**Zero Accidents Project**", implemented for the first time at the Ravenna plant and now well established.

The goals are:

- to stimulate the interest of workers and increase their awareness of compliance with the rules for the protection of health and safety at work;
- to raise the level of awareness of individuals and consolidate practices of greater respect for rules and correct behaviour;
- to achieve a reduction, to the minimum possible level, in the number and level of severity of accidents at work.

Communication activity is also important with regard to these issues and is carried out mainly through the **Multimedia Safety Notice Board** channel, which is designed to make it easy to consult documents and view video material, as well as providing the opportunity for workers to make suggestions (the two most effective suggestions are rewarded with cash prizes during the Shareholders' Meeting).
Depending on the departments in which they are located, the notice boards display accident indicators, training indicators, communications and operating instructions. The approach is mainly informative and visual: incorrect and correct situations are compared and the activities, places and operations that involve risks of injury are highlighted. Reports on accidents and near misses that have occurred in the individual department or plant are also available. Along with the instructions and useful references in case of emergency, the notice boards also contain instructions on the work phases in which the use of PPE is mandatory (as defined in the Risk Assessment Document).

Communication and awareness action is rounded out by the campaign – created exclusively by our company MADE HSE – "**Dai valore alla sicurezza**" (Give value to safety), which includes a series of coordinated videos and panels, visible in all strategic points of the production site.




In particular, the **6S method**, oriented towards maximum efficiency and quality in processes and products, is also applied at the **Gazoldo degli Ippoliti plant**. The ultimate goal is to identify and eliminate the root causes of near misses and to develop preventive and improvement actions across all departments, setting performance and behavioural levels to be achieved.

A new approach to accident and near-miss analysis and management was also adopted at the same time, with the direct involvement of all levels of the company. In this regard, periodic meetings are held with supervisors and workers' safety representatives/single union representatives, field inspections to raise awareness among operating personnel, monthly meetings with the head of the Prevention and Protection Service, delegates, and management, along with extraordinary meetings to inform and coordinate specific activities to improve safety levels.

Within the strategic plans of the **Forlì plant**, the **BBS Extension and Maintenance** project (started in 2019, will continue during 2021) has been expanded into a broader initiative, **Accident Reduction**, with strong involvement of plant management, the Prevention and Protection Service and top management figures. This project was developed throughout 2020 and saw, in addition to maintaining the BBS process with the training of new observers and leaders, also a new procedure for the analysis and evaluation of injuries, accidents and near-misses, with the direct involvement of all levels of the company to strengthen awareness and constant and daily attention to safety.

The "questionnaire" initiative was repeated at the **Casalmaggiore plant**: for several years, all workers at the plant have been asked a series of questions about safety, the environment and energy. At the end, at meetings organised with all workers, the correct answers are announced and the issues concerning the questions with the highest number of wrong answers are discussed. During these meetings, trends in accidents, near-misses and ongoing initiatives are also illustrated, and workers are made aware of the safety-environment instructions on the factory system that they should be familiar with. In addition, a campaign was carried out through the posting of specific panels commissioned from a leading communications company to raise awareness of safety and environmental issues: constant and rigorous use of PPE, management of separate waste collection, energy saving and safety procedures in the factory computer system.

At the **Boltiere plant**, all staff underwent specific first aid and fire prevention training, regardless of whether they were actually included in the emergency teams. Awareness was raised among supervisors on the subject of accident management, near-misses, emergencies, PPE, supervision, etc., as well as on environmental issues, formalising and extending awareness-raising initiatives to the management and handling of hazardous substances, containment basins, safety data sheets, labelling of containers and storage areas.

At the **Corsico plant**, all personnel underwent specific training on environmental and energy issues.

Coordination between the Prevention and Protection Services of all sites is maintained, as required by the multi-site integrated management system. Coordination meetings between the heads of the Prevention and Protection Services of the various companies in the steel area, set up to share and assess structural proposals for improving safety, are held every quarter. During 2020, due to the restrictions related to the COVID-19 pandemic emergency and the consequent severe strain on each service, these meetings were replaced by constant remote contact and related sharing of protocols and operational solutions.

# COVID-19: OUR RESPONSE TO THE PANDEMIC EMERGENCY

The COVID-19 pandemic emergency required a **responsible, immediate and lucid response, based on dialogue and constant discussion** with the social partners and on cooperation and coordination at all levels of the company, out of an awareness that our primary need is to **protect the health of workers and ensure the continuation of production activities, while guaranteeing safe and healthy working conditions and environments**.

For this reason, we immediately set up "Committees for the application and verification of the rules of the Shared Protocol" at each site, as provided for in the Shared Protocol for the regulation of measures to combat and contain the spread of the COVID-19 virus in the workplace, signed on 14 March 2020 by the employers' and trade union organisations at the invitation of the President of the Council of Ministers (then further supplemented on 24 March) and immediately adopted at all sites, with the appropriate additions relating to the specific situation of each site. As prescribed, the Protocol adopted and constantly updated on the basis of regulatory developments and currently still in force provides for **the adoption of multiple safety measures**, including adequate information on the behaviour to be adopted, the risks, the procedures for access to workplaces for employees and external companies, cleaning and sanitation activities, hygiene measures, the adoption of PPE, changes in work organisation, the management of any symptomatic persons within the company, and health surveillance activities.

As a result of the measures provided for in the Protocol and in coordination between the sites, internal transfers were blocked and the necessary tools were activated in record time to ensure, where possible, **flexible working** and **remote meetings**.

Workplaces, and offices and common areas in particular, were transformed to ensure the **proper physical distance between people**. The frequency of cleaning operations was increased, introducing periodic extraordinary disinfection of workplaces, air-conditioning systems and company vehicles.

Particularly extensive and intensive was the organisational effort to **ensure a sufficient supply of PPE**, especially with regard to surgical and FFP2 masks, on which strict controls were maintained in relation to the certification bodies, verifying the effective suitability and truthfulness of the certifications issued, to ensure the most effective protection for all personnel.

As recommended by the institutional bodies, we also took steps – successfully, and despite the enormous supply difficulties encountered – to **implement the normal flu vaccinations**, which are now carried out every year.

When infections were detected, we took steps to launch **immediate and transparent coordination with the health authorities**, ensuring the traceability and providing maximum and timely collaboration for the prompt and safe management of the cases identified.

# 6. OUR CONTRIBUTION TO THE UN 2030 AGENDA (SDGs)

| GOAL | | ASSOCIATED ACTION |
|---|---|---|
|  | **GOAL 4:**<br>Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all | **Marcegaglia Onlus Foundation:**<br>Resilio Project and Rwanda Project |
|  | **GOAL 5:**<br>Achieve gender equality and empower all women and girls | **Marcegaglia Onlus Foundation:**<br>Projects Atelier Bebrél, DAFNE Women on the path, With CAV against domestic violence and Zeus Protocol |
|  | **GOAL 9:**<br>Build resilient infrastructure, foster innovation and promote inclusive, responsible and sustainable industrialisation | **Industrial development projects**<br>consistent with national, regional and local plans for the reduction of environmental impacts |
|  | **GOAL 11:**<br>Make cities inclusive, safe, resilient and sustainable | **Cultural support:**<br>Festivaletteratura, Raccontiamoci le mafie, FAI |
|  | **GOAL 12:**<br>Ensure sustainable consumption and production patterns | **Management of production cycles**<br>for efficient use of natural resources, optimisation of chemical consumption and reduction of waste |
|  | **GOAL 13:**<br>Take urgent action to combat climate change a nd its impacts | **Commitment to the adoption of techniques**<br>to contain energy consumption that affect climate change |

# 7. CIRCULAR ECONOMY

## Steel and the circular economy

Steel falls into the category of durable goods and is considered a permanent material. It can be regenerated and reused over and over again without ever losing any of its original properties, resistance and durability, which allow it to have a very long life cycle, ample opportunities for industrial synergies and to be easily separated from other materials thanks to its magnetic characteristics and specific weight. These are all reasons why steel is the most recycled material in the world and naturally poised to take full advantage of the opportunities of the circular economy – one of the key factors in reducing $CO_2$ emissions and combating climate change.
In addition to reuse, steel's contribution to the circular economy also involves aspects related to production processes: the efficient use of natural resources, energy vectors and the reduction of waste and by-products production.
Marcegaglia Steel S.p.A. has always paid particular attention to waste reduction thanks to specific process management policies: scrap metal is a durable material that can be remelted over and over again without losing its strength, ductility and formability properties. Waste consisting of scrap metal is 100% recoverable and, where possible, the by-products generated by steel transformation processes are used in other applications, including to encourage industrial symbiosis between plants or cycles that would otherwise be disconnected. Given the considerable number of the Group's production sites and the related opportunities, further projects are currently being developed to optimise by-product reuse flows.

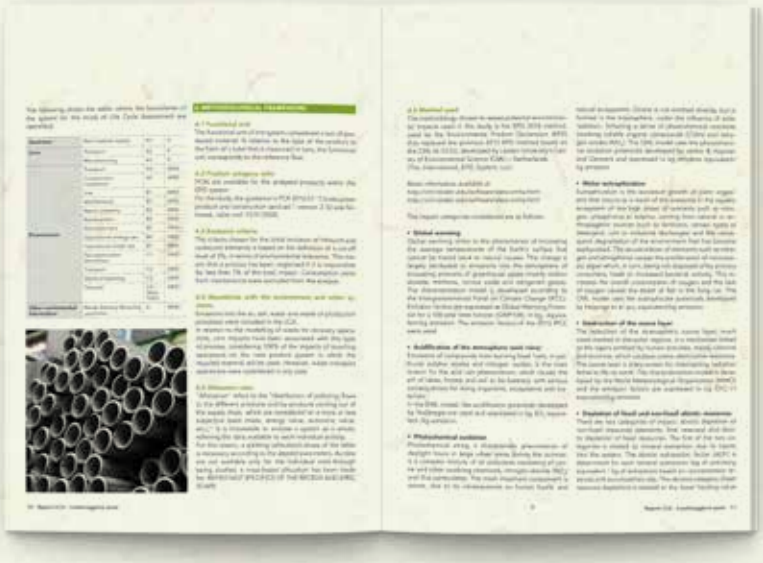
Most of the materials coming out of our production cycles require essential packaging methods (strapping) and are only packaged on request; moreover, these same materials are easily disassembled or separated in subsequent applications; accordingly, the contribution to the circular economy appears inherent in the steel cycle.

## LCA statements on semi-finished products

As part of the assessment of the overall impacts of semi-finished products, in 2016 Marcegaglia Steel S.p.A. already began a study of the life cycle of its products using LCA (Life Cycle Assessment) methodology according to the ISO 14040 standard. As required by international regulations applicable to the sector, the analysis includes a focus on the environment, with a specific approach to the functional unit, which for steel processing coincides with ton of material processed, and is based on an iterative method that contributes to the completeness and consistency of the study and the results presented. Important guiding principles include:

- transparency, to ensure correct interpretation of results;
- completeness, to ensure that all attributes or aspects of the natural environment are considered;
- scientific approach.

Principles contributing to the analysis of impact categories: global warming, ozone depletion, photochemical ozone creation, acidification, eutrophication, water use, abiotic fossil and non-fossil resources.
At present, studies are in progress for semi-finished products leaving the Ravenna, Casalmaggiore and Boltiere plants, while work is ongoing to develop production analysis at the Forlì site and at both Gazoldo degli Ippoliti sites.

## **8.** CERTIFICATIONS: 9001, 50001, 14001, 45001 AND SA8000

Since the 1990s, the Quality Management System, in accordance with ISO 9001, has been applied in the Group's production sites as the main tool for controlling the manufacturing processes of semi-finished products. The Management System for Occupational Safety and Health (first according to the BS 18001:2007 standard; then according to the ISO 45001 standard) and for the Environment (according to the ISO 14001 standard), present since the early 2000s at some sites, has seen continuous growth that resulted, in 2016, to the **certification of all Marcegaglia Steel S.p.A. plants**, by opening up to worker participation and consultation; promoting training and awareness of stakeholders; setting targets for improvement; optimising performance and reducing environmental impacts.
In 2017, the Integrated Management System was further expanded with the ISO 50001 standard, identifying the processes required to improve energy performance, including energy efficiency, use and consumption, and establishing action plans that took account of legal and information requirements related to significant energy uses to reduce their impacts.
The process of updating the Integrated Health and Safety, Environment and Energy Management System to the High Level Structure (HLS), now common to all ISO standards, was completed in 2020, following the refinement of the understanding of the organisation's context, the systematic determination of stakeholder expectations and the management of risks and opportunities.

GOAL

SA8000

The projects for 2021 aim at **aligning the** ISO 14001, ISO 45001 and 50001 certifications for the most recently acquired companies (Marcegaglia Palini e Bertoli S.p.A. and Marcegaglia Rivoli S.p.A.) and at obtaining certification according to the **SA8000 standard, related to social responsibility** for Marcegaglia Steel S.p.A.

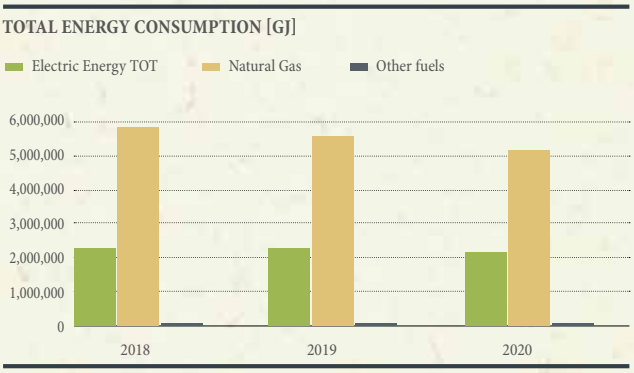
## 9. ENERGY *Disclosures GRI 302-1; GRI 302-3; GRI 302-4*

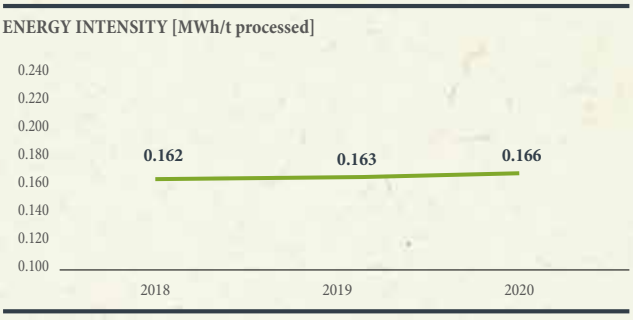
The energy required for the transformation of cold and hot steel products, the core business of Marcegaglia Steel S.p.A., has always been the focus of attention with a view to **efficient process management**.
Efficiency and sustainability issues are the main focus with regard to the energy topic.
The main energy vectors used are electricity and natural gas; diesel fuel is used exclusively for internal movement and transport. Only one of the plants uses LPG for heating and hot water production.

Marcegaglia Steel's consumption in the three-year period 2018-2020 broken down by energy vector:

| YEAR | EE from photovoltaics [GJ] | EE from grid [GJ] | EE TOT [GJ] | NG [GJ] | DIESEL [GJ] | PETROL [GJ] | LPG [GJ] | CONSUMPTION TOTAL ENERGY [GJ] | CONSUMPTION TOTAL ENERGY [MWh] |
|---|---|---|---|---|---|---|---|---|---|
| 2018 | 9,336 | 2,297,492 | 2,306,829 | 5,828,484 | 70,177 | 123 | 493 | 8,206,105 | 2,279,474 |
| 2019 | 9,877 | 2,289,033 | 2,298,910 | 5,630,166 | 69,021 | 42 | 582 | 7,998,722 | 2,221,867 |
| 2020 | 9,304 | 2,184,878 | 2,194,181 | 5,196,566 | 61,810 | 51 | 508 | 7,453,116 | 2,070,310 |

Looking at the values for the last three years, we can see a **constant decrease in consumption for all energy vectors**. Examining the trend in energy intensity, i.e. the specific energy consumption per ton of steel processed, it may be seen that this value stands at 0.16 MWh/t for the entire three-year period 2018-2020.



TARGET
$-CO_2$

Although all coil transformation lines are already aligned with sector BATs, a project is underway to reduce energy consumption at the Ravenna galvanizing plant, with particular reference to the revamping of galvanizing line 1, which will allow a 20% reduction in specific consumption compared with previous performance.

## Energy efficiency

As stated above, the cold and hot transformation of steel is an inherently energy-intensive process. Constant, continuous improvement is thus required to identify opportunities for energy efficiency in production processes and auxiliary support systems for processing plants. Over the years, a number of initiatives have been put in place, including the installation of a boiler for the recovery of fumes from the furnaces of galvanising plants, which uses the heat generated by the combustion process to produce steam, with the consequent savings in natural gas on steam production, amounting to 1,142,379 $Sm^3$/year of unused methane gas and equivalent to the prevention of emissions of 2,266 t/$CO_{2eq}$. Other initiatives include the installation and management of systems to control the suction and ventilation of the main plant equipment; the analysis of the compressed air networks of some plants with the elimination of losses and reduction of management waste; the optimisation of condensate recovery systems for steam use; the replacement of lighting with new systems based on LED technology; the modernisation of welding technologies with a full solid state system; and new insulation of parts of plants and hot fluids to prevent the dispersion of thermal energy.

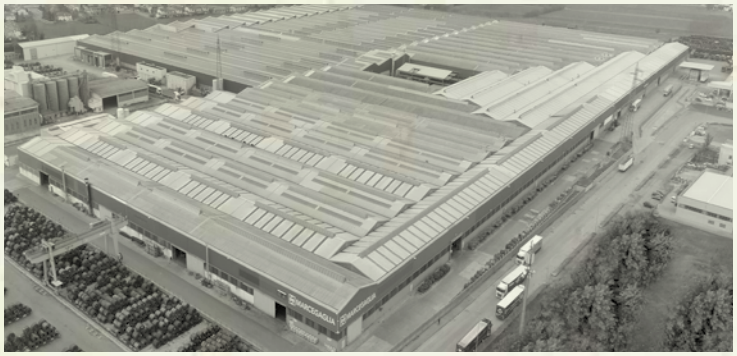
Other **efficiency enhancements** are currently being examined, such as the application of overhead cranes equipped with braking energy recovery systems and the electrification of certain thermal processes, along with a **project to recover electricity** from the expansion of methane gas coming from the grid. Other important investments and activities aimed at improving the energy efficiency of the processes are planned shortly, in particular for the combustion furnaces of the galvanising plants in Ravenna and for the slab rolling furnaces in San Giorgio di Nogaro, initiatives that will make it possible to obtain considerable benefits in energy and environmental terms thanks to the latest generation of burners (Low $NO_x$).

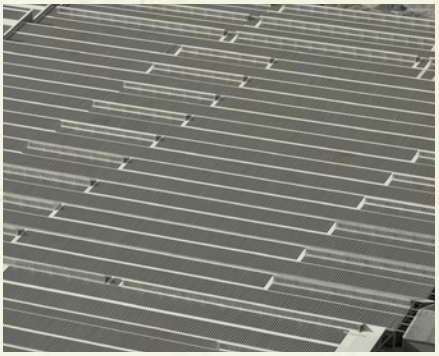
Finally, for about two years Marcegaglia Steel S.p.A. has been engaged in a **technological scouting process** ("**Energy Efficiency Management**" Project) with the support of ENGIE Servizi S.p.A., a leading international energy efficiency company (ESCo). The long-term goal is to **significantly reduce consumption and related atmospheric emissions**.

## Renewable sources

As early as the end of 2009, **photovoltaic systems** were installed on the roofs of the **Ravenna**, **Casalmaggiore** and **Lomagna** plants. The total installed capacity is about 3.3 MWp and the energy produced and self-consumed since the start-up of the plants is about 29 GWh, equal to an estimated environmental benefit of 9,183 tons of $CO_2$ emissions avoided.

The technical and economic feasibility of further installations of photovoltaic systems at other production sites is being assessed, so as to increase the self-produced contribution from renewable sources.





### Cogeneration

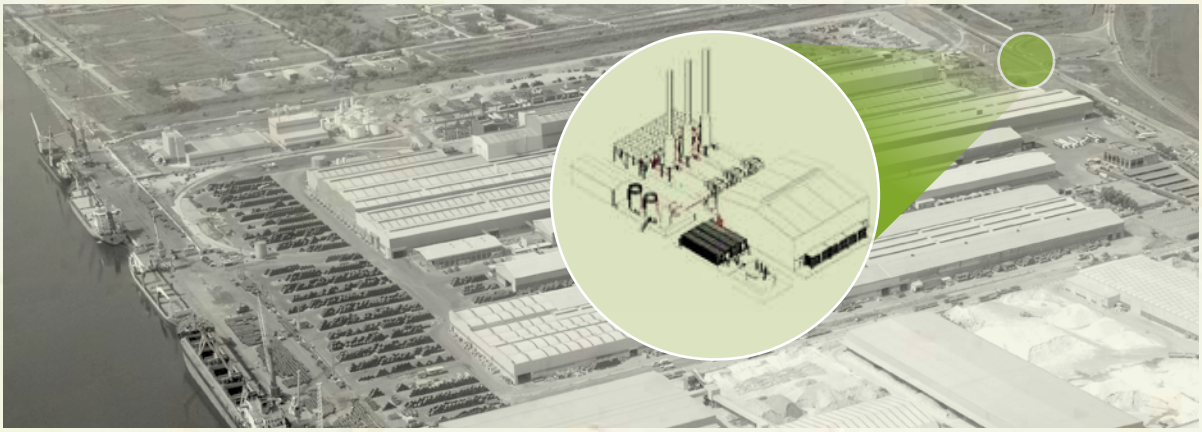
Two cogeneration plants are being installed at the two main energy-intensive facilities of Marcegaglia Steel S.p.A., Ravenna and Gazoldo degli Ippoliti. In this process, the Group availed itself of the support of ENGIE Servizi S.p.A., which was responsible for the overall design of both plants and will handle the construction, commissioning and operation phases. The energy advantage of such a system lies in the simultaneous production of electrical and thermal energy. The goal of the project: to produce enough energy for the two plants to be fully self-powered.

At both sites, the cogenerators have been designed to comply with the High Yield Cogeneration (HYC) qualification, which, according to European legislation implemented in Italy with the Ministerial Decree of 4 August 2011, identifies plants that generate Primary Energy savings of more than 10% (reference threshold for plants with installed power >1 MW). The two plants will consist of natural gas powered reciprocating engines, alternators for the production of electricity and heat recovery systems such as recovery boilers for steam generation and thermal modules for the recovery of hot water.

In particular, the plant to be built in Ravenna will involve the installation of three engines for an installed capacity of about 35 MWe (for a total of 69.5 MWt); whereas, in Gazoldo degli Ippoliti, two engines will be installed for an installed capacity of about 21.5 MWe (for a total of 42 MWt); it should be noted that the engines chosen have a high electrical efficiency, at 51%, among the highest currently available in the class.

The thermal energy produced will be distributed in the form of steam and hot water, which will be used to heat the process fluids necessary for the various steel transformation plants (acid treatment, cleaning, drying, etc.). The pre-existing system of steam production by means of old-technology gas generators will thus be completely modernised, also yielding benefits in terms of a reduction in polluting emissions.

Lastly, an about 60% reduction in nitrogen oxides ($NO_x$) is expected with reference to the electricity generated and thermal energy production from existing generators. At the level of $CO_2$ emissions (including indirect emissions), both cogeneration plants will allow a reduction of 16% compared to the current configuration with mains drawdown and use of steam from generators with methane burner. For parameters such as SOx and dust, given that the type of plant does not provide for characteristic concentrations of these pollutants in the atmosphere, almost complete elimination is estimated, compared to the previous configuration of thermal power plants with external burner.



### Positioning on industry benchmarks and future energy consumption scenarios

With reference to the forthcoming revision of the FMP-BREF (Ferrous Metal Processing Best Available Techniques reference document) relating to the best available techniques in the environmental and energy fields applicable to the steel processing sector, the positioning of the processes carried out in the plants of the companies of Marcegaglia Steel S.p.A. was assessed with respect to the performance indicators envisaged for the steel and metallurgical sector. These analyses show that, for the processes to which indicators apply, the **positioning for galvanizing**, **heat treatment and rolling activities is better than the target values** indicated by the BREF, thus already attesting to a **good energy performance by the plants**.

TARGET

-2%

In light of the ongoing activities to optimize energy performance indicators at several Marcegaglia Steel S.p.A. sites, the overall objective is to reduce energy intensity, starting from next year, by at least 2%.

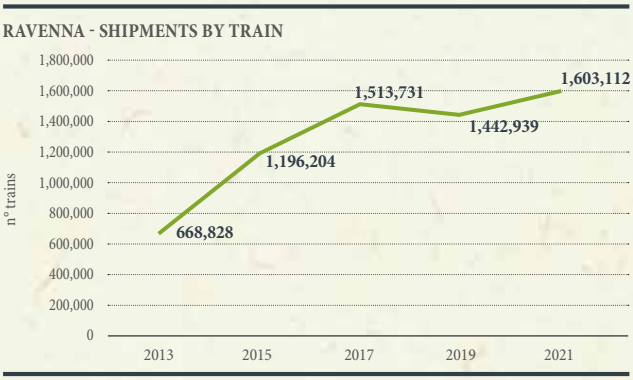
## Transport

Each year Marcegaglia Steel S.p.A. **moves more than 12 million tons of steel** between its various production sites using an integrated logistics network consisting of road transport, internal rail networks in Ravenna and San Giorgio di Nogaro, and the Ravenna plant dock, which alone moves more than 3.5 million tons.

Over the last few years, the emission impact of internal transport has improved considerably thanks to the growing use of **electric handling smart devices**, aimed at optimising plant logistics by reducing transport and related combustion pollution. The most significant measures already put in place and in the process of further implementation concern the adoption of:

- **Roll trailer**, i.e. movable trolley systems that can be detached from tractors and positioned in strategic areas of the plant. The inclusion of these trolleys has allowed Ravenna to go from 16 traditional handling vehicles to just 3 tractors handling numerous movable trailers.
- **AGVs**, i.e. electrically powered smart trolleys, to move material by mapping a predefined route;
- **Automatic warehouses** for the transfer of semi-finished products from warehouses to production lines and/or vice versa;
- **Satellite mapping of coil and slab handling equipment**: a GPS tracking system that locates the position of raw material handling equipment and minimises the distance between storage warehouses and process lines.

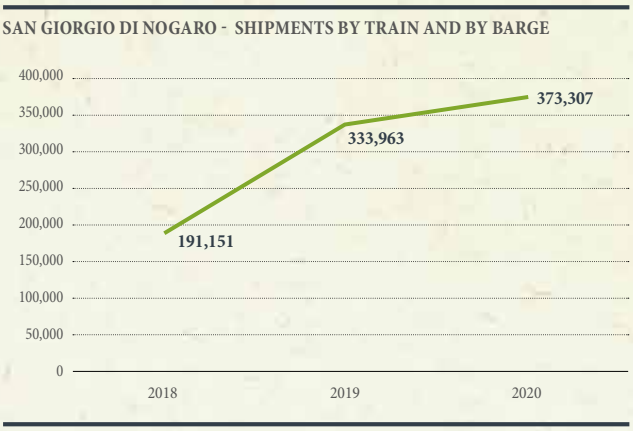
In **Ravenna**, in order to improve handling of incoming and outgoing goods, the use of railways has been strongly emphasised: this project began in 2013 with the shipment by train of over 600 thousand tons of material per year, and has been expanded each year to reach over 1.6 million tons in 2021. All this has led to a reduction in road transport with consequent tangible benefits on road traffic and related atmospheric emissions.




TARGET
**2million**

The objective for the future, in keeping with investments in railway infrastructure, is to further increase rail transport capacity to 2 million tons per year.

At the **San Giorgio di Nogaro** plant, road haulage of 900 thousand tons of slabs per year has been avoided since 2018 thanks to the use of barge transport of slabs from the Port of Monfalcone to Porto Nogaro and the enhancement of rail transport.




TARGET

700,000

The objective for the future is to further increase train and barge transport capacity to 700,000 tons of road haulage avoided each year for the movement of raw materials and finished products in San Giorgio di Nogaro.

## 10. ATMOSPHERIC EMISSIONS *Disclosures GRI 305-1; GRI 305-2; GRI 305-4*

The production activities carried out at Marcegaglia Steel S.p.A. sites involve the atmospheric emissions typical of steel processing.
Dust, $NO_x$ and $CO_2$ are the parameters that characterise this environmental matrix in almost all iron and steel plants. Air quality and health monitoring programmes for the workplace and for individual emission points are in place in compliance with the requirements of the authorisations issued by the competent local authorities.

There are eight sites managed with an **Integrated Environmental Authorisation**: **Ravenna**, **Forlì**, **Boltiere**, **Rivoli**, both sites in **Gazoldo degli Ippoliti** and both sites in **San Giorgio di Nogaro**. At all these sites, the implementation of a monitoring plan, the application of the best available technologies (BATs) and the maintenance of a certified environmental management system allow environmental performance to be assessed constantly. Even at plants subject to a Single Environmental Authorisation, a focus on emission abatement systems and periodic self-controls also allows the impact on the air matrix to be kept under control.
Specifically, we have been working for years to reduce dust emissions by developing abatement systems and modernising production facilities.
In the area of $NO_x$ emissions, reference should be made to the energy efficiency projects currently underway on combustion systems.
In $CO_2$ emissions, Marcegaglia Steel S.p.A. and its main production sites participate in the European Union Emissions Trading System (EU ETS), governed by Directive no. 2003/87/EC and adopted by the EU to control emissions and achieve $CO_2$ reduction targets in the main industrial sectors and in the aviation industry at an international level. The Directive establishes an obligation for operators in these sectors to obtain a greenhouse gas emission permit from the competent national authority and then follow the procedures for annual reporting, certification, declaration and return of allowances. An analysis of scope 1 and scope 2 GHGs – from which the gases $CH_4$, $N_2O$, HFC, PFC, $SF_6$ and $NF_3$ are excluded as not relevant – allows the Carbon Footprint to be represented. Scope 1 GHGs refer to direct emissions from installations within the organisation's boundaries due to the use of fossil fuels, emissions deriving from the combustion of fossil fuels in heating systems and those deriving from the consumption of fuel by company vehicles. Scope 2 GHGs, on the other hand, refer to indirect emissions resulting from the withdrawal of electricity from the national grid. No heat or steam is imported.

| YEAR | GHG Scope 1 [$tCO_2eq$] | GHG Scope 2 [$tCO_2eq$] |
|---|---|---|
| 2018 | 331,205 | 180,039 |
| 2019 | 320,170 | 170,774 |
| 2020 | 296,879 | 156,752 |

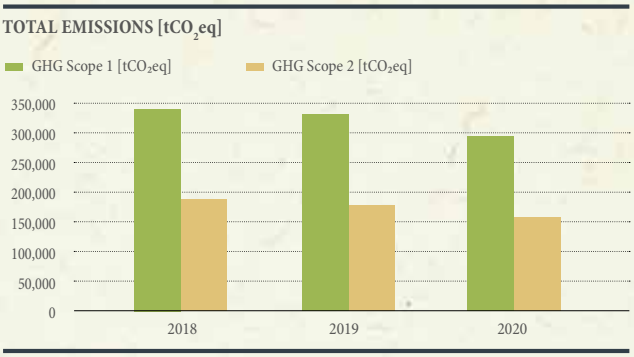


*Table on specific emissions, i.e. the quantity of greenhouse gases generated for each ton of steel processed: the data show an almost constant trend over the last three years.*

| YEAR | GHG emissions intensity [$tCO_2eq/t$ processed] |
|---|---|
| 2018 | 0.036 |
| 2019 | |
| 2020 | |

TARGET

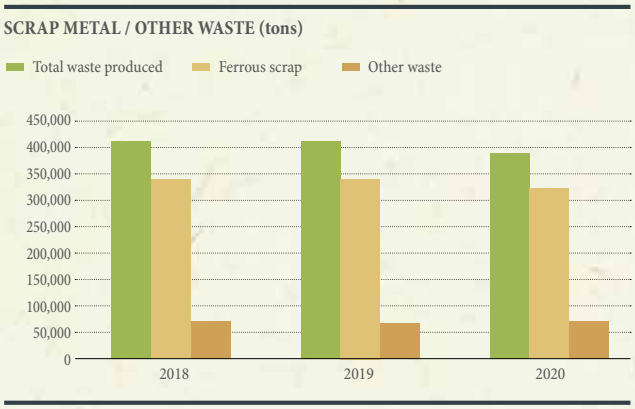
-EMISSIONS

Plant innovation is proceeding across the board at the various sites; of particular note is what is being done at the Ravenna plant, which over the years has made it possible to reduce the mass flow of emissions into the atmosphere and which will continue over the next three years, culminating in a 2% reduction in dust emissions, 10% reduction in nitrogen oxides ($NO_x$) and 8% reduction in sulphur oxides.

## 11. WASTE MANAGEMENT *Disclosures GRI 306-1; 306-2; 306-3; 306-4; 306-5*

Waste management is one of the issues on which the new European directives have focused. The goal pursued by Marcegaglia Steel S.p.A., starting in its production departments, is to reduce waste production, increase the sorting of materials into homogeneous categories and thus facilitate recovery.

The main waste produced by our activities is represented by: scrap metal, iron oxide, rolling mill scale, sludge (metal and sewage) and spent emulsions. Metallic waste makes up about 83% of the total and goes into the circular economy by being sent to electric arc furnace steel mills. Thanks to agreements with some of these steel mills – Italy is the number-one country in Europe in terms of the production of steel from ferrous scrap – this waste is returned to us as semi-finished products (e.g. coils), thus achieving full circularity.

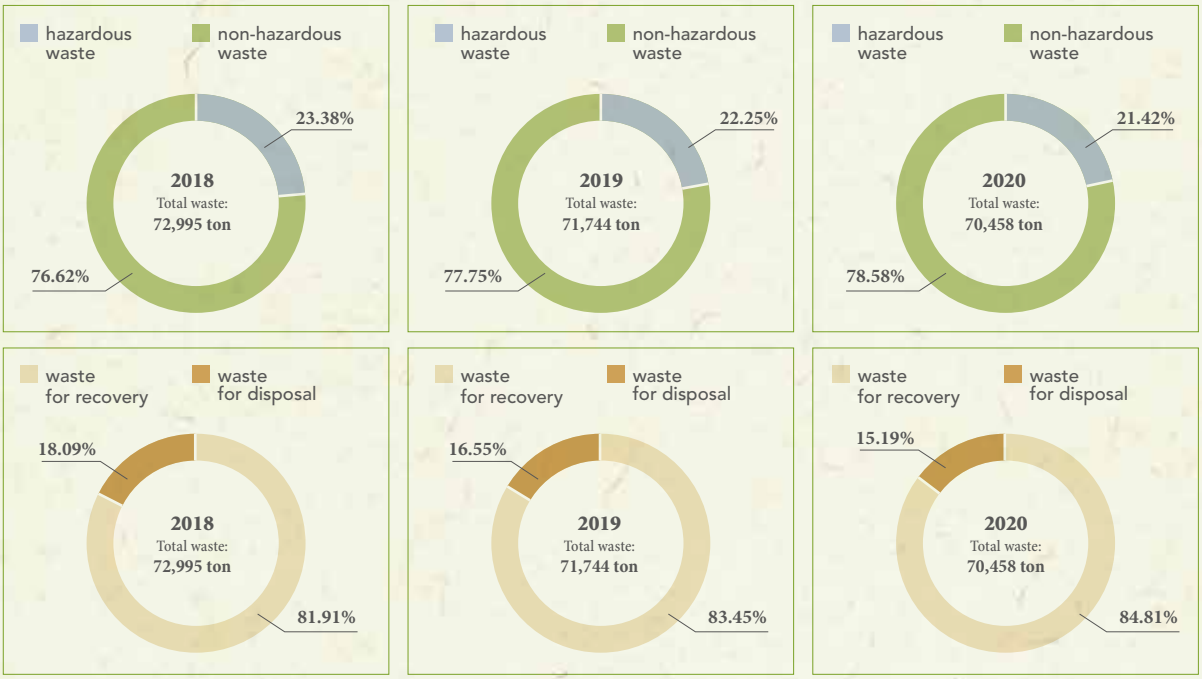



Waste is collected in the departments and sorted by type, then transferred to temporary storage areas and from there sent to external plants for recovery or disposal.
In 2020 Marcegaglia Steel S.p.A. recorded a reduction in overall waste production compared to the previous year (approximately -5.5%), mainly in hazardous and non-hazardous waste sent for disposal (approximately -8% and -35% respectively). This figure is in line with the strategy to reduce waste production and is in keeping with the management objectives for the next few years, calling for, in order of priority: recovery of materials, energy recovery and, only as a final and residual choice, disposal in landfills.

Another goal that Marcegaglia Steel S.p.A. aims to achieve, following the new legislation (Legislative Decree 116/2020), is to encourage possible connections between plants in order to create that 'industrial symbiosis' for the use of by-products. According to a circular economy logic, for example, at the Ravenna and Boltiere plants, some materials are managed as by-products and sent directly to external players for the production of new products. These are so-called 'zinc mattes' used for the production of zinc oxide or new zinc alloys and ferrous sulphate (iron sulphate heptahydrate), generally used in agricultural and livestock products.

## Three-year summary (2018-2020)

| WASTE GENERATED | 2018 [ton] | 2019 [ton] | 2020 [ton] |
|---|---|---|---|
| **Total waste produced (H+NH)** | **412,526** | **413,222** | **390,551** |
| *of which scrap metal sent for recovery* | *339,531* | *341,478* | *320,093* |
| **Total hazardous waste** | **17,067** | **15,962** | **15,089** |
| Hazardous waste for recovery | 4,752 | 4,954 | 4,945 |
| Hazardous waste for disposal | 12,315 | 11,008 | 10,144 |
| **Total non-hazardous waste (excluding scrap)** | **55,928** | **55,782** | **55,369** |
| Non-hazardous waste for recovery | 55,036 | 54,918 | 54,810 |
| Non-hazardous waste for disposal | 892 | 864 | 559 |



## GOAL

The goal for next year is to prioritise waste recovery solutions, increasing their share by 1% (which corresponds to approximately 700 tons/year).
Recycling waste, instead of landfilling it, reduces greenhouse gas emissions due to the lower energy required compared to the extraction and processing of raw materials. These reductions range from 260 to 470 kg of $CO_2$ per ton of waste (EPA data, September 2006).

## EXAMPLES OF RECOVERY

### ZINC POWDERS

At the plants in Gazoldo degli Ippoliti, Casalmaggiore, Boltiere and Dusino San Michele, the dust from welding galvanised pipes is collected in special containers. These powders, which contain a considerable amount of zinc, are **sent for recovery** and, through a specific industrial process, **become zinc sulphate or zinc carbonate destined for the industrial, livestock and agricultural sectors**.

### STAINLESS STEEL LINE POWDERS

At the Gazoldo Inox plant, waste is collected from the treatment of fumes coming from the cooling sections (and related abatement systems) downstream of the annealing furnaces of the stainless steel annealing and pickling plants. These powders are **sent to external plants for recovery in order to obtain**, through a special patented industrial process, **a ferroalloy used in foundries/ steelworks** to produce stainless steels.

### FLAKE/LAMINATE

Flake/laminate is recovered at the plants of San Giorgio di Nogaro and Contino di Volta Mantovana.
It is **sent for recovery in the chemical and cement manufacturing industries** (e.g. counterweights).

### IRON OXIDE

At the Ravenna plant, the hydrochloric acid used in the coil pickling process is **regenerated** (using a regeneration plant that separates the acid from the metals and impurities removed during the pickling process) **and made usable again**. The iron oxide formed in the reactor is constantly extracted and sent to a storage tank, from which it is loaded onto vehicles and sent for recovery at external plants.

## 12. WATER *Disclosures GRI 303-1; 303-2; 303-3; 303-4*

The water consumption of steel processing activities relates almost entirely to the cooling phases, which always occur indirectly (with the exception of hot rolling) and to the implementation of process solutions.
Water is a precious resource and must be shared at a local level. Accordingly, over the years, **systems** have been increased **to reduce water consumption**, including: **closed-cycle cooling towers**, **air exchangers** instead of water exchanges and r**ecirculation and recovery of process solutions**. Wherever technically possible, water is reused in subsequent processes to generate less impact on the environment in terms of resource use.

The water is procured from groundwater or public waterworks. None of our plants are located in water-stressed areas. Groundwater abstraction is used at sites in municipalities that do not have an aqueduct network or at plants located in isolated areas. In addition, some sites have a separate network system, where withdrawals from the aqueduct are used for drinking and sanitary purposes and the remaining production needs are met by drawing from groundwater, where not identified as a resource to be protected by the competent local authority.

Marcegaglia Steel S.p.A. does not draw from protected water sources and promptly reports the volumes of water consumed. In the case of the need for new intake works, in-depth studies are carried out to assess the impact on the local water system. Where necessary, feasibility studies are conducted on the reuse of rainwater, in order to reduce water withdrawals, and the reuse of already treated process water, to reduce consumption and the volume of discharges at the same time.

Data for the three-year period confirm a reduction in overall water consumption, especially in coil processing plants, considering the contraction due to the COVID-19 emergency in 2020.

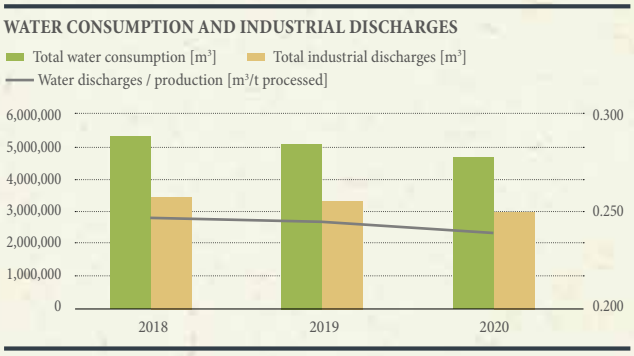
| | GROUNDWATER WITHDRAWALS [m³] | WATER MAINS WITHDRAWALS [m³] | TOTAL WATER USE [m³] |
|---|---|---|---|
| **2018** | 3,810,599 | 1,506,383 | **5,316,982** |
| **2019** | 3,612,086 | 1,501,505 | **5,113,591** |
| **2020** | 3,331,787 | 1,427,745 | **4,759,532** |

At the level of water discharges, during the design phase, compliance with requirements and the best available technologies is assured, alongside the impact on the public sewage system, favouring, where possible, the discharge of rainwater runoff into surface water bodies.
The types of treatment systems installed upstream of discharge vary according to the processes performed and are designed to capture the specific pollutants that may be present; factories include simple systems such as sand collectors and oil separators as well full-fledged chemical-physical and/or biological treatment plants.

The following table shows data on industrial wastewater discharged, broken down by address, normally measured through meters, with a focus on discharges from plants equipped with a company wastewater treatment plant: Marcegaglia Ravenna, Marcegaglia Gazoldo Inox, Marcegaglia Carbon Steel (Boltiere plant) and Marcegaglia Palini e Bertoli.

| | SURFACE WATER BODY [m³] | OF WHICH FROM PURIFIERS [m³] | DISCHARGES INTO PUBLIC SEWERS [m³] | OF WHICH FROM PURIFIERS [m³] | TOTAL VOLUME OF DISCHARGES [m³] |
|---|---|---|---|---|---|
| 2018 | 3,146,355 | 2,209,166 | 311,346 | 99,643 | **3,457,701** |
| 2019 | 3,024,983 | 2,187,980 | 294,731 | 108,531 | **3,319,714** |
| 2020 | 2,714,761 | 2,038,348 | 266,446 | 83,415 | **2,981,207** |

The following table shows – once again for a three-year period – the downtrend in the consumption of water resources and the volume of industrial effluents, as well as the ratio – also decreasing – of effluents produced to the tons processed.




Water consumption has been decreased through various actions implemented over the years such as:
- **rationalisation of the cooling system** using evaporative towers for several production lines (Forlì and Gazoldo degli Ippoliti);
- use of **air exchangers and chillers** instead of water exchangers (Casalmaggiore and Forlì);
- **optimisation of the use of process water** before it is sent to the wastewater treatment systems upstream of the final discharge (Gazoldo degli Ippoliti and Ravenna);
- adoption of **technologies to extend the life of process solutions** (Forlì, Gazoldo degli Ippoliti, Ravenna);
- replacement of existing plants with **higher-performance plants in line with technological development**, such as cooling towers (Gazoldo degli Ippoliti).

# THE FRONTIER OF TOMORROW

In May 2021, again with a view to contributing to sustainability and innovation in the green economy, the Marcegaglia Group was asked to take part in an important sustainable steel project: **the world's first truly completely green steel plant**.

The plant will be built in the town of Boden, in northern Sweden, by the Swedish steel company **H2 Green Steel (H2GS)** with the initial financial contribution of some major investors and international groups focused on cutting-edge technologies for environmental sustainability and Industry 4.0. The Marcegaglia Group is not only one of the financial investors in the project, but also plays a strategic role as an industrial partner, in terms of production and sales.

The innovative steel complex will come on stream in 2024, well ahead of the EU's 2050 ecological targets, and will initially produce 2.5 million tons of green steel per year, with a target of 5 million tonnes by 2030. H2GS will power the plant with green hydrogen, using only local renewable energy sources (such as wind and hydropower) and high quality iron ore, of which the Swedish cluster in Boden, a world leader in metallurgy and steelmaking, is particularly rich.

# 13. PROCESS AND PRODUCT INNOVATION

The strategic focus of R&D activities is centred on the **development of high-performance products with a low carbon footprint**, **and on the optimisation of metallurgical processes**, with particular attention to energy efficiency, plant productivity, and reduction of direct and indirect $CO_2$ emissions.
The various companies in the Group are constantly looking for innovative solutions, including through robotisation and the use of neural networks, both with internal structures and in collaboration with external bodies and companies. Strong interconnection between all plants is currently guaranteed by a supply chain updated to the most modern technologies and able to manage the production flows, from procuring raw material to shipping the finished product.

## MasterModel project

The development of products offering constantly higher performance – required, for example, for the automotive industry – has led to digital process integration via a strategy consisting of a structured combination of mathematical predictive models and advanced devices for monitoring process conditions. At the **Ravenna plant**, the innovative **MasterModel** project has been implemented to digitalise/integrate all hot coil transformation processes (from pickling to galvanising) with a view to Industry 4.0. MasterModel is a high-level mathematical system (automatic line driver) that combines predictive metallurgical models and virtual sensors for online monitoring of mechanical properties. This solution integrates the metallurgical characteristics of the input material, i.e. the hot coil (chemical composition, mechanical properties, microstructure and cold reduction ratio), with the quality objectives of the final product. It adjusts the parameters of the key process sections (furnace, zinc bath, air knives, skin-pass and flattening machine) and optimises the thermal cycle transitions fully automatically. MasterModel therefore provides as output a tailor-made annealing cycle, coil by coil, ensuring better uniformity of product properties and lower energy consumption. The key factor that has enabled the digitalisation and integration of 'hot' and 'cold' processes is the **Tensil-Pro system**, for which, a patent application was filed in Italy in 2017 (and granted in 2018), as well as worldwide in the main steel producing countries (China, Russia, USA, India and Korea). Tensil-Pro is a smart-sensor formed by combining a lamination cage and a complex mathematical model capable of providing real-time measurement of the mechanical and microstructural properties of processed coils.
This system can be applied in hot and cold rolling of all steels (multiphase, ferritic and austenitic) and metal alloys (aluminium, copper, etc.).

## Products for the ecological transition

The global steel industry has an important role to play in reducing direct $CO_2$ emissions, but it can also contribute to the production of specialised products for applications that are low carbon in their life cycle. A reorientation of steel grades and sales volumes towards high-strength products and specialised steels for electric vehicles (in particular, non-oriented high-performance magnetic steels for powerdrives) is expected in the near term.
Multiphase advanced high strength steels (AHSSs) can reduce the total weight of a vehicle by 8-10% compared to conventional steel. Under the impetus of increasingly stringent environmental regulations, the current automotive trend is to increase the percentage of use of AHSSs (CP, DP, TRIP, TWIP) to over 50% of the car body mass.
In the electric car market, the qualities of steel, especially high-strength steel, which is set to become an essential

part of the passenger protection structure (active and passive) and batteries, are becoming more and more clearly defined. This family of structural steels is in addition to non-oriented magnetic steel grades for the construction of electric motors.
In this scenario, the group is amplifying its efforts to play a leading role in high-strength structural steel front, as well as in non-grain oriented magnetic steels with improved properties in more demanding conditions of use.

## Implementation of Artificial Intelligence in processes (NT4Seel Project)

In recent years, a multitude of **sensors and high-tech devices** have been implemented in all processes **to perform online checks**. Standard methodologies are incapable of yielding useful results due to the amount of information to be processed and the lack of speed of algorithms and software architectures. Valid methodologies for meeting these requirements can be found in knowledge domains such as: Machine Vision, Data Analytics and, comprehensively, Big Data. The **NewTech4Steel** project (European RFCS programme) focuses on demonstrating how big data approaches can be applied advantageously to the steel industry. As part of this project, at the Ravenna plant, an online mathematical model has been implemented: on the basis of the main cold rolling data, hot mechanical characteristics and strip flatness after rolling, it provides an assessment of the criticality of the product being galvanised.

## Other applications of machine learning models for process data analysis (Neural Designer)

The implementation of **Machine Learning** methodology, and in particular of neural network models in the context of process data analysis, has yielded brilliant solutions to some metallurgical problems, such as the definition of the galvanising cycles of DP780 and the optimisation of static annealing cycles.

## Robotisation and warehouse management with stock reduction

Driven by the need to **increase levels of safety**, **productivity and quality**, process robotisation has taken on an increasingly important role in all the Group's factories in recent years: **manipulators for assembling blades on slitters, anthropomorphic devices for cleaning the zinc vat and smart overhead cranes** that manage increasingly high warehouses are just some examples of how technology is successfully minimising and increasingly the efficiency of the most onerous activities.

## High frequency welding line upgrade

The ongoing process – to be extended to all the lines of the Forlì plant – is designed to yield the following benefits:

- monitoring and supervising all the steps of manufacturing welded pipe
- process automation/optimisation
- enabling of predictive maintenance scenarios
- enabling of innovative scenarios

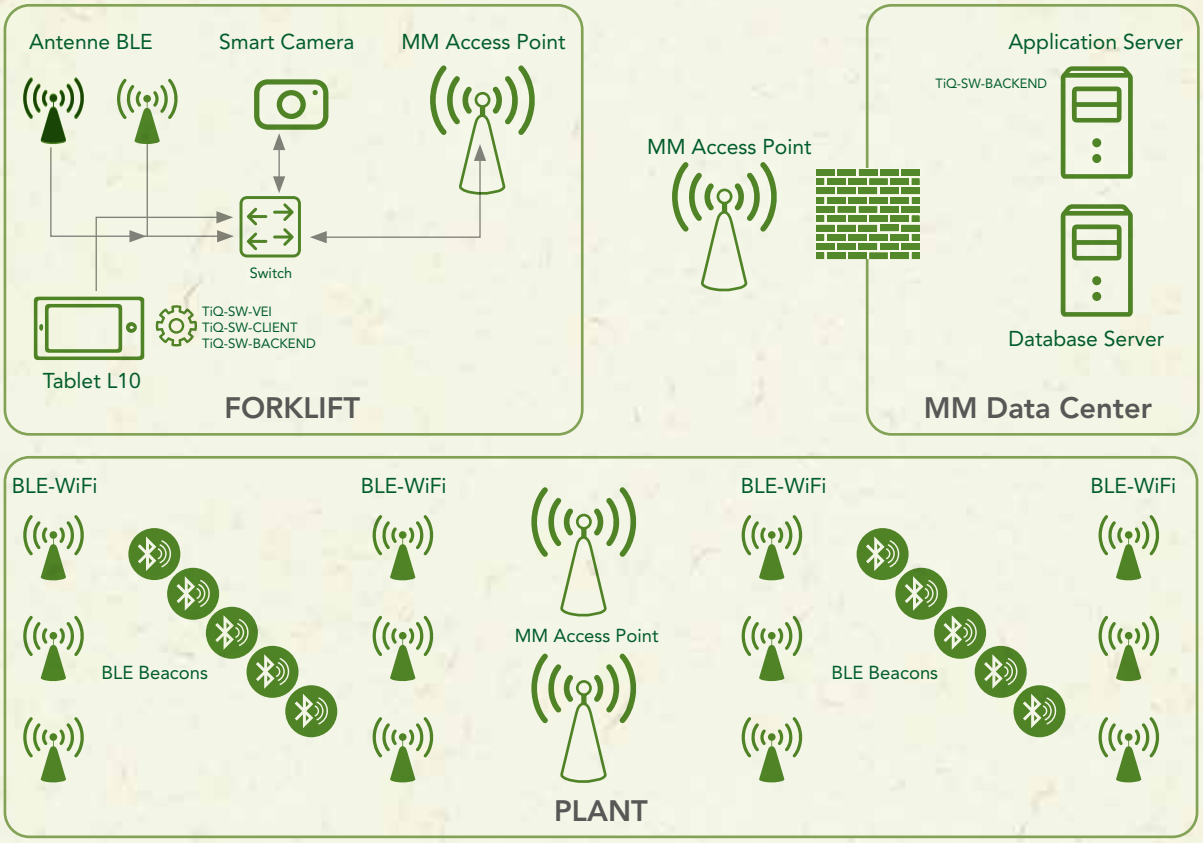
This process was completed by creating a convergent industrial network that connects the individual machine parts of the production lines under consideration with the IT systems supporting the business. This smart factory solution is composed of various software layers that allow structured aggregation of the multitude of data collected, made available in an effective, bidirectional way, to higher-level applications for the formulation of algorithms for the analysis of production processes (Analytics).

## Use of "fiber" laser welding technology for welded tubes manufacturing

In collaboration with leading national research centres, the Forlì plant has combined the theoretical and scientific approach with industrial reality thanks to welding technology that innovates on the consolidated $CO_2$ laser technology: the result is **high-performance welded joints** with a significant **reduction in investment costs**, **equipment management and energy and maintenance savings**.

## Strip/coil location thanks to "Beacon" technology

Bluetooth technology, integrated with the use of an accelerometer, can be used to capture, in real time, the movement of material from one parcel to another, and thus identify its correct positioning within the plant.



This system, interfaced with the company's MES, provides real-time access to the information necessary to feed the production lines via the mobile devices of all players involved in the work order process.

At the **San Giorgio di Nogaro** plants, **Marcegaglia Plates** and **Marcegaglia Palini e Bertoli**, other important projects are in progress:

• **Smart Rolling**: a spin-off of the MasterModel project, its objective is to extend the results achieved in the world of cold transformation to the field of hot rolling of heavy plates. Thanks to the big data approach and the use of smart sensors integrated with mathematical models, automatic production can be adjusted in real time, predicting future cold mechanical properties immediately;

• **Intellitracking**: a project that stems from a particular property of heavy plates, namely the significant critical logistical issues generated when they are stacked one on top of another. Intellitracking is a combination of CCD systems, high-temperature laser-marking machines, optical systems mounted on gantries and vehicles that feed data to a centralised analysis unit, which develops predictive scheduling and parcelling strategies and sends them to logistics centres. It is a self-learning system that will serve to reduce unnecessary handling;

• **Infinity∞list**: this project aims to create a communication system parallel to the traditional factory information system in order to provide a wealth of detailed information for each single user or group. It is clear that organising a true information flow that is structured but also flexible requires a tool always open to change: Infinity∞list digitalises knowledge and information and delivers it whenever it is needed;

• **Alternating current electrolytic process**: the alternating current pickling process (licensed by RINA Consulting Centro Sviluppo Materiali) has recently been introduced for the electrolytic section. The process guarantees a significant reduction in the consumption of hydrofluoric acid and hydrogen peroxide, since pickling is achieved through the dissolving action of the electric current at 50Hz. It also significantly reduces the time normally needed for descaling and pickling treatment. The advantages in terms of environmental sustainability lie mainly in the complete elimination of waste generated by traditional mechanical descaling processes and in the reduction of energy consumption compared to DC electrolytic pickling.

Finally, the **Gazoldo degli Ippoliti** plant has been working on optimising the **ecological pickling process for stainless steel** for over fifteen years. In traditional pickling processes, the most critical issues in terms of environmental impact are due to the presence of hexavalent chromium, nitrates in liquid waste and $NO_x$ in gaseous waste. Marcegaglia has long introduced "ecological" pickling processes that do not use nitric acid and do not produce hexavalent chromium, using both electrolytic and chemical solutions based on sulphuric acid and ferric ion supported by oxidation induced by hydrogen peroxide.

## 14. A CULTURE OF DEVELOPMENT AND LOCAL INCLUSION

The relationship between business and the community has always been strong and is based a mutual exchange: business creates work by contributing to the economic and social development of the community which, in turn, participates profitably in the company's activities.

This is the spirit animating the many initiatives benefiting the community, designed to spread its values and corporate culture, especially in the **Mantua area**, where it all started and the Group's headquarters are still located today. These include the partnership with Mantua's **Festivaletteratura**, support for the activities of the **Fondazione Palazzo Te** and the **Chamber Orchestra**, and the **"Dialoghi di teatro contemporaneo" (Dialogues of contemporary theatre) festival** at the Cinema del carbone, also in Mantua. Also of note is its support for **FAI**, the **Italian Environmental Fund**, as well as various sporting, social and cultural activities, including the **Biennial Exhibition of Ancient Mosaics** in Ravenna and the **Festa Artusiana** in Forlì.



On the **island of Albarella** several initiatives are carried out with local athletic associations. In addition to the historical relationship with Rugby Rovigo Delta, the 2020/21 Italian Champion, there are also experiences with Pugilistica Rodigina, which will once again hold the Third Boxing Tournament on the island this year, and with Skating Club Rovigo, with whom a three-year collaboration has been initiated, inaugurated with a new edition of Albaroller. Numerous activities were also carried out with Coni Rovigo, which made it possible to bring athletes and children from other local sports to Isola: from the canoe-polo tournament played in the waters of the fjords, to the Softball and Baseball Smile Tournament.
Another important initiative that is always held in Albarella is the **HandiCamp**, created in 1989 together with the Rotary Club of Rovigo: a 15-day experience for disabled children and their carers. Health care by a Rotarian physician is provided throughout the stay.

## Marcegaglia Onlus Foundation

The Marcegaglia Onlus Foundation is a non-profit organisation established in Milan in **2010** by the Marcegaglia family: Steno and his wife Mira, their children Emma and Antonio with his wife Carolina Toso Marcegaglia, who is its president. The Foundation is a natural offshoot of the philanthropic spirit that has always characterised the Marcegaglia family and fully expresses their distinctive managerial character, including through precise resource management.

The organisation exclusively pursues **objectives of solidarity**, support and creation of **projects in the social and health**, **educational and economic-social fields**; in particular, it has been at the forefront of promoting the social and cultural development of women, especially those in disadvantaged conditions, with the aim of **building a world in which inequalities are increasingly reduced and the role of women is enhanced**.

The Foundation encourages collaboration and planning with other non-profit organisations, in a synergistic, systemic logic, and aims to involve businesses capable of pooling resources and skills. Furthermore, in order to reach the untapped areas of need in the world's poorest emerging countries, it has chosen to work in partnership with local institutions and organisations so as to meet the real needs of the various communities and monitor the activities financed.
The projects carried out by the Foundation are based on an awareness that, in order to overcome poverty and social hardship, the conditions must be created for true sustainable development: accordingly, the focus is on initiatives aimed at providing the beneficiaries with information, knowledge and tools to grow independently and emancipate themselves.

### Projects: in Italy and abroad

In these first ten years, the Foundation's activities have ranged from India to Haiti, Niger, Sierra Leone and Rwanda. Even where small, these initiatives have offered an important chance at redemption for many people in situations of extreme poverty.
Some of the most recent projects carried out in **Rwanda** are:

- **One Cow**: the population of Rwanda is suffering from drought and subsequent famine, and many women, widowed by genocide, have to support entire families on their own. In this context, the Foundation has decided to work in close collaboration with local institutions by participating in pre-existing government programs capable of having a real impact without imposing initiatives from outside. The first step was to embrace the government's "**One Cow per poor family**" program, which focuses on a traditional activity: animal husbandry. In 2013 the Foundation decided to implement the program in one of the poorest areas of the country, the district of Bugesera, in particular in the village of Rilima, with a goal in mind: to make it more effective in the long run by selecting women among all possible recipients, for their reliability and entrepreneurial spirit, and by combining the donation of a pregnant cow with other initiatives such as **solid training**, support from a veterinarian, the donation of **goats** and the start-up of **home gardens**;


• The first 20 beneficiaries of the "One Cow" project were soon joined by another 50 women with the **Three Goats** project, which provided for the donation of three goats to those who did not have enough land to keep a cow. The positive effect of the project was already evident after a few months: thanks to the milk produced, the women improved the diet of their families and started a small income-generating activity that allowed them to send their children to school and live with dignity. From 2013 to 2020, 488 families joined the project; this figure is constantly evolving because the calves born are passed on to other women, thus creating a virtuous circle of development;
• **Health insurance**: 1.440 people from 344 households were covered to pay for health insurance, essential to access medical care;
• **School feeding programme, girls scholarship and TVET scholarship**, to combat early school leaving and provide scholarships to access vocational courses;
• **House for widowed women**: nine houses were rebuilt for 26 families in Nyarugenge; the metal structure for the roof and cement were supplied to build 18 houses in Shyara and 24 toilets in Rilima;
• **Emergence families support**: 312 families benefited from various emergency interventions, such as food and specialist medical care;
• **Fruits trees**: 4,600 fruit trees were distributed and another 9,000 will be distributed by the end of the year;
• **Malnutrition free**: the campaign against malnutrition reached a total of 1,412 children through the Model Village Kitchen programme.

In addition to its commitment abroad, a significant part of the Foundation's work is dedicated to Italy, especially in the areas where the Group's production plants are located. In particular, the following activities should be noted:
• training and support in the **Anti-Violence Centres** in Mantua and Carrara;
• integration of **Roma and Sinti communities** into Mantua society;
• the BREBEL Workshop in Brescia for the **job placements** of socially vulnerable people **in the tailoring sector**;

- the QUID Cooperative - CRISALIS Project to promote the social integration and economic independence of **female victims of sex trafficking** from third countries;
- the Zeus Protocol to raise awareness of and prevent **gender-based violence**;
- the Dafne project to consolidate the autonomy of **women in precarious situations** through job placements with local businesses.

Finally, during 2020, there were some particular initiatives related to the COVID-19 pandemic emergency situation, such as support for the **Carlo Poma Hospital in Mantua**, for example, to meet the initial needs of a situation in which the hospital was on the front line, with limited resources.
The Marcegaglia family got in touch with the top management of the health facility to understand the most immediate needs and through the Foundation supported the Mantua hospital with 200 thousand Euros used to finance ten emergency therapy beds and two radiology systems. Thanks to an international fundraising campaign launched by the Foundation through the contributions of private donors, customers and suppliers of the Marcegaglia Group, a further 31 thousand Euros was raised and used to purchase: three monitors for the neurosurgery department dedicated to COVID-19 patients, infrared thermometers, 30 Vital Test saturimeters, syringe pump stacking systems and annual rental of the Home Doctor telemedicine platform to better manage patients at home.

## Employee participation

Starting in 2013, a series of initiatives were launched to bring the Foundation closer to the group's employees. These included the call for proposals "**Give us an idea**", in which each collaborator could indicate non-profit organisations in their area active in projects to support women. The associations identified were asked to submit a project consistent with the guidelines proposed by the call. Twenty-nine non-profit organisations took part in the selection process, which ended with the choice of the winning project "INNESTI: female talents for ancient knowledge" proposed by the CO.AL.A Consortium of Asti, which received funding of 20 thousand Euros. Local craftsmanship was safeguarded by training eight Italian and foreign women in situations of hardship in three workshops: ethnic catering, weaving and wafer-making.

Another initiative related to the annual call for applications to award **28 scholarships in memory of Steno and Mira Marcegaglia** to deserving children of employees enrolled in high school and university. This was done out of the conviction that, involving more and more people in the Foundation's mission, starting from those who are closest, can result in improvement in terms of effectiveness, value and number of initiatives.

## Marcegaglia House: a multi-faceted, innovative urban requalification project

Marcegaglia House is today a hotbed of greenery and sounds, of innovative ideas and permanent projects to create the right doorway onto the Marcegaglia world – steel, but also family, values and ideas for the future.
A **permanent museum structure** – to be inaugurated in 2021 – will be built on a 1,300 square metre space in the group's headquarters in Gazoldo degli Ippoliti. Through a dynamic, emotional story, it will retrace the history of the founder, Steno Marcegaglia, the family and the company in all their phases of development.
The itinerary will be divided into eight themed stages, each of which will be equipped with various **interactive installations and multifunctional illustrative spaces**. It will begin with the vast wooded area of the park in front of the factory and offices, which will create a new landscape for the whole surrounding area, a place where to stop and get a peek at the content displayed inside. Guests will then be welcomed by Zhang Huan's "Buddha of Steel Life" (a work exhibited at the Triennale di Milano for Steellife, the first international contemporary art exhibition dedicated to steel and created in 2009 to coincide with the 50th anniversary of Marcegaglia's founding) and by stations with constantly evolving contents. It leads to the centre of the structure, where steel will change shape to become art and culture, flanked by a theatre for conferences, debates and the projection of immersive, moving films. Inside, the company's history – based on a wealth of recollections and testimonies of the extraordinary human and entrepreneurial adventure of the founder, Steno Marcegaglia – will frame the production of all the Marcegaglia products, showing visitors how the widest range of semi-finished and finished steel products in the world is achieved.
The Group's **Academy** will also be located in Marcegaglia House. A digital library, organised as a constantly updated historical and technical archive, will be the final stage of the journey to get an inside look at a business that, by making itself great, has also brought distinction to its community.

## 15. GOVERNANCE

Marcegaglia Steel S.p.A. is indirectly controlled (through Marcegaglia Holding S.p.A., Marfin s.r.l. and Finmar s.r.l.) by Antonio and Emma Marcegaglia, who are also the sole members of the Board of Directors. This role is also held for the subsidiaries of Marcegaglia Steel S.p.A., whose Boards of Directors also include experienced managers capable of ensuring specific supervision over the business sectors of the various companies.

**The governance of the Company has a traditional structure: Shareholders' Meeting, Board of Directors and Board of Statutory Auditors**. These bodies are supported, for each of the Divisions, by the Executive Committees, by the Supervisory Body appointed in accordance with the Legislative Decree 231/01, by the Sustainability Committee and by the specific figures provided for by the legislation (employers and delegates pursuant to Legislative Decree 81/08 and 152/06, Group Data Protection Officer pursuant to GDPR 2016/679 and Corporate Social Accountability Manager).

The **Executive Committees** are chaired by the Chairman and Vice-Chairman of the companies and are composed of the main managers responsible for the commercial and operations aspects of the specific business, together with the strategic staff functions. The main task of the Executive Committees, in support of the owners, is to monitor the performance of the business in meeting the expected profitability targets through: examination and definition of budgets; investment policies; production allocations; oversight of product margins; definition of improvement plans; and examination of risks/opportunities of the business in the medium term.

# 16. GOVERNANCE MECHANISMS

## Organisation and Management Model pursuant to Legislative Decree no. 231/01

Marcegaglia S.p.A. was one of the first large companies in Italy to adopt an **Organisation and Management Model** pursuant to Legislative Decree no. 231/01, approved by its Board of Directors as early as 6 December 2004 and subject to constant updates and revisions. In 2015, following the new corporate organisation, the directors confirmed and strengthened the effort to promote and protect legality, establishing that each company be equipped with its own Organisation and Management Model and a Supervisory Board, whose current members are, for the most part, specialised professionals from outside the organisation, who meet frequently. This choice is part of the Group's broader policy of transparent, correct management inspired by respect for the legal regulations in force and the fundamental principles of business ethics in the pursuit of the company's corporate purpose. The adoption of the Model has a very strong preventive function thanks to the mapping of risks and supervisory activities. In compliance with the provisions of the law and the Model, a **Supervisory Board** has also been appointed, consisting of three members in the operating companies and a single member in the holding companies. The Model is widely circulated to all Stakeholders through ad hoc information and training initiatives. Each Company undertakes not to start or in any case continue any relationship with those who do not intend to comply with the Model.

In the actual Model, after an analytical mapping of the risks (risk assessment), the processes that are sensitive to the possible commission of the offences referred to in Legislative Decree no. 231/2001 are identified and preventive protocols to reduce the commission of offences insofar as possible are thus implemented. The system for handling reports in the event of infringement of the principles contained in the Model, including through recourse to **whistleblowing** and the system of penalties is expressly described. **Particular importance has been given to crimes related to health and safety in the workplace, provided for by art. 25-septies of the Decree**. Workplace safety has been the subject of constant, specific and in-depth analysis. The director with delegated powers over safety at each Company dictates the guidelines for a safety management system that complies with the ISO 45001 international standard.

In particular, with regard to issues of respect for health and safety in the workplace, pursuant to Legislative Decree no. 81/08 and subsequent amendments and additions, as well as environmental regulations, pursuant to Legislative Decree no. 152/2006 and subsequent amendments and additions, and finally the regulations on major accident risks, pursuant to Legislative Decree no. no. 105 of 26 June 2015, for some years now an Employer has been identified within the Board of Directors, holding decision-making powers and spending autonomy relating to the organisation, management and control of the Group's plants.

With the exception of the powers that cannot be delegated as per Article 16 of the same Decree 81/08, the Employer proceeds to sub-delegate the powers conferred by appointing a Special Proxy for each plant of the Group, identifying persons who have adequate professional requisites and experience, as well as autonomous powers of organisation, management and control and expenditure (normally the Plant Managers) who expressly accept the delegation of functions conferred. The activities carried out are monitored on a monthly basis directly with the Board of Directors and the Owner.

An integral and essential part of the Model are the **Code of Ethics** and the **Anti-Corruption Policy**.

The **Code of Ethics** contains directives relating to the ethical principles of the company and of the entire Group so that employees and contractors may operate in full compliance with legality and correctness; it governs relations with stakeholders on the basis of the essential assumptions of loyalty and correct co-operation and sets the basic conditions for "ethical" management of working conditions and workplaces. The Code of Ethics essentially expresses the set of duties and ethical responsibilities in the conduct of business and corporate activities. The addressees are: company representatives, internal and external contractors, partners and, in any case, all those subjects who operate under the direction and supervision of the Company, as well as the shareholders of the Company. Principles and rules of conduct of the Code of Ethics orient the decision-making processes and professional training, and guide the conduct of the Company; these rules and principles are binding in the performance of business activities, for the addressees and external stakeholders.

The **Anti-Corruption Policy** reinforces and supplements, but does not replace, the Code of Ethics by explaining in greater detail what each Company does to prevent offences relating to corruption in dealings with the Public Administration and, pursuant to the provisions of Article 25-ter of Legislative Decree 231/01, what it does to prevent private corruption and incitement to corruption between private individuals. The Policy is adopted to protect transparency and is inspired by existing best standards (e.g., ISO 30017:2016). It is addressed to all employees, including officers and directors of all Group companies, and all those acting on behalf of and in the interests of the Company, including external distributors, consultants, suppliers, contractors, joint venture partners, companies with service agreements and those with which a cash pooling agreement has been entered into.

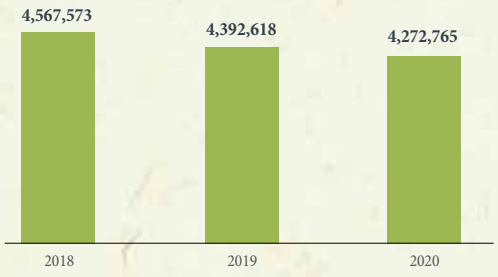
**Antitrust Policy**: the group attaches fundamental importance to training its staff in all areas that may present risks or that in any case require special precautions. The steel sector is characterised by few competitors; the specific sector of the so-called "processors" is even more restricted; processed products are often without significant peculiarities; therefore, the "price" element makes the difference, which is why the utmost attention is paid to the issue of protection of competition. The Code of Ethics provides that in each Company, in order to protect the value of fair competition, collaborators shall refrain from collusive, predatory behaviours and abuse of dominant position and shall undertake to report to the competent bodies, by means of appropriate reporting tools, all practices aimed at reducing free competition in the market. The Company fully and scrupulously complies with the antitrust rules and the provisions issued by the market regulating authorities and is obliged, through the appropriate offices of the Group's affiliated companies, to report all initiatives of antitrust significance undertaken by it. The Company shall not refuse, conceal or delay any information requested by the Antitrust Authority and other regulatory bodies in their inspection functions and shall actively cooperate in the course of the investigation procedures.

The **GDPR**: the group, in compliance with the provisions of Art. 37(2) of European Regulation 2016/679, has appointed a group data protection officer and has fulfilled the required obligations by mapping the processing of personal data, compiling the register of processing, adapting the disclosures and adopting the necessary procedures.

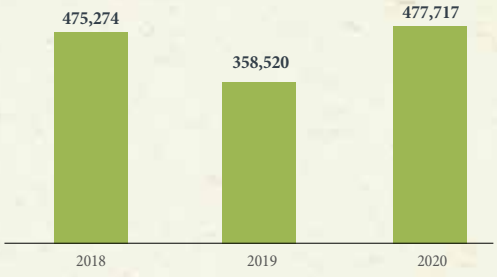
# 17. ECONOMIC PERFORMANCE

Added value is the wealth produced by the Marcegaglia Group which is distributed to the various stakeholders such as personnel (wages, salaries, severance pay and social security contributions), lenders (interest payable and exchange losses), public administration (taxes paid) and the community (donations and gifts). Retained value instead refers to retained earnings.
Within the reporting perimeter of this Sustainability Report, the 2020 financial year closed with revenues of 4,273 million Euros, a decrease of 3% compared to the previous year. Production costs were also lower (-8% compared to 2019), reaching 3,686 million Euros.

**REVENUES FROM SALES AND SERVICES** (in thousands of €)

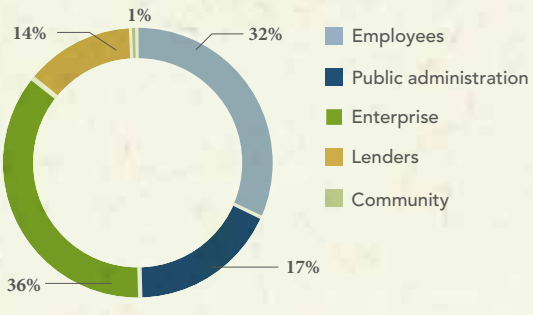



**OVERALL NET VALUE ADDED** (in thousands of €)

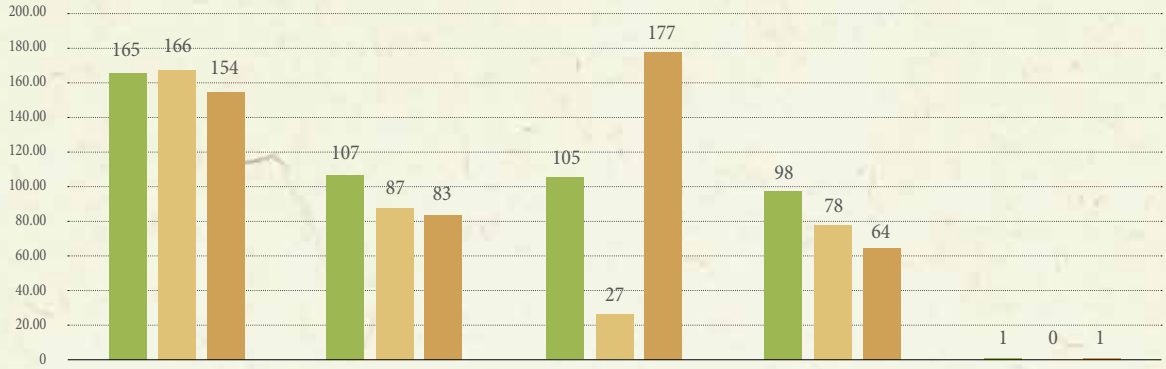



The overall net value added for stakeholders amounted to 477 million Euros (+33% compared to 2019 and +0.5% compared to 2018). Of this, 36% went to capital enhancement, 31% to staff remuneration and 17% to the government through taxes paid. Lenders were allocated 64 million Euros (14%) and the community 0.9 million Euros.

**DISTRIBUTION OF GLOBAL NET ADDED VALUE TO STAKEHOLDERS**



**GLOBAL NET ADDED VALUE DISTRIBUTION TO STAKEHOLDERS (2018-2020)**
(in thousands of €)




| | EMPLOYEES | PUBLIC ADMINISTRATION | ENTERPRISE | LENDERS | COMMUNITY |
|---|---|---|---|---|---|
| 2018 | 164.93 | 106.67 | 105.20 | 98.13 | 0.62 |
| 2019 | 166.4 | 87.07 | 26.57 | 77.96 | 0.49 |
| 2020 | 153.50 | 82.79 | 176.71 | 64.09 | 0.90 |

In 2020, 39,676,426 Euros was received from the public administration in the form of, among other things, tax relief, tax deductions, research and development incentives, exemptions from system charges under the legislation on energy-intensive businesses and excise tax refunds and exemptions.

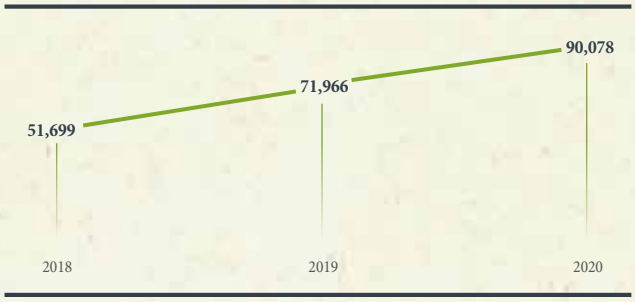
## Production of consolidated added value

| FIGURES IN € | 2020 | 2019 | 2018 |
|---|---|---|---|
| Revenues from sales and services | 4,272,764,673 | 4,392,617,505 | 4,567,572,517 |
| Change in inventories of work in process, semi-finished and finished products | -214,296,363 | 34,051,697 | 109,396,170 |
| Change in inventories of contract work in progress | - | - | - |
| Increase in fixed assets for internal work | 6,940,005 | 7,259,955 | 3,850,113 |
| Other revenues and income | 20,173,113 | 21,986,896 | 63,685,270 |
| **A) VALUE OF PRODUCTION** | **4,085,581,428** | **4,455,916,053** | **4,744,504,070** |
| Raw materials | -3,145,212,128 | -3,395,829,765 | -3,556,117,207 |
| Raw and ancillary materials and consumables | -52,222,337 | -58,892,954 | -55,705,301 |
| Maintenance and other materials | -26,433,360 | -29,426,157 | -30,596,922 |
| Energy | -72,517,232 | -87,484,670 | -105,897,333 |
| Costs for services | -372,000,752 | -401,443,605 | -420,848,274 |
| Lease and rental expense | -8,075,523 | -7,379,949 | -6,421,351 |
| Provisions for risks | - | - | -31,000 |
| Other provisions and write-downs | - | - | - |
| Other operating expenses | -9,378,873 | -12,775,962 | -11,185,428 |
| **B) COST OF PRODUCTION** | **-3,685,840,205** | **-3,993,233,062** | **-4,186,802,816** |
| **GROSS CHARACTERISTIC ADDED VALUE** | **399,741,223** | **462,682,991** | **557,701,254** |
| Financial income | 11,041,990 | 13,968,125 | 35,900,678 |
| Value adjustments of financial assets | -10,046,398 | 7,360,091 | 4,414,026 |
| **GROSS GLOBAL ADDED VALUE** | **400,736,814** | **484,011,207** | **598,015,958** |
| Amortisation, depreciation and write-downs | -148,864,770 | -152,546,600 | -146,826,689 |
| Deferred and prepaid tax | 214,093,360 | 22,811,601 | 22,499,857 |
| Income and costs from participation in tax consolidation scheme | 11,751,352 | 4,244,208 | 1,584,541 |
| **NET GLOBAL ADDED VALUE** | **477,716,756** | **358,520,416** | **475,273,667** |

## Distribution of consolidated value added

| DISTRIBUTION | 2020 | 2019 | 2018 |
|---|---|---|---|
| Wages and salaries | 141,746,660 | 153,881,361 | 153,325,866 |
| Post-retirement benefits and similar obligations | 10,735,714 | 10,860,474 | 10,744,642 |
| Other costs | 1,018,931 | 1,693,427 | 856,681 |
| **A - EMPLOYEES** | **153,501,305** | **166,435,262** | **164,927,189** |
| Current and previous years' tax | 35,401,492 | 35,894,804 | 56,459,462 |
| Social security contributions | 47,392,873 | 51,174,880 | 50,209,743 |
| **B - PUBLIC ADMINISTRATION** | **82,794,365** | **87,069,684** | **106,669,205** |
| Undistributed profits or losses | 176,709,418 | 26,570,080 | 105,197,991 |
| **C - ENTERPRISE** | **176,709,418** | **26,570,080** | **105,197,991** |
| Distributed profit | - | - | - |
| Financial charges | 64,090,519 | 77,956,114 | 98,128,996 |
| **D - LENDERS** | **64,090,519** | **77,956,114** | **98,128,996** |
| Donations | 621,150 | 489,276 | 350,285 |
| **E - COMMUNITY** | 621,150 | 489,276 | 350,285 |
| **NET GLOBAL ADDED VALUE** | **477,716,756** | **358,520,416** | **475,273,667** |

| INVESTMENTS (in €/000) | | |
|---|---|---|
| 2018 | 2019 | 2020 |
| 51,699 | 71,966 | 90,078 |




In **2020**, the Marcegaglia Steel companies' **investment policy** was further enhanced, for a total of 93.4 million Euros, of which 90.1 million Euros for the activities of the Italian plants and 3.3 million Euros for the foreign companies, focusing on product, process and sustainability innovation.

In particular, investments were made in Marcegaglia Carbon Steel and Marcegaglia Specialties, including the related spin-off companies Marcegaglia Ravenna and Marcegaglia Gazoldo Inox.
**Marcegaglia Carbon Steel** (with Marcegaglia Ravenna) made capital expenditure of **71.6 million Euros**, mainly concentrated at the Ravenna plant for 56.5 million Euros, including 27.9 million Euros for the completion of the investment in the new rolling mill, 1.6 million Euros for the completion of the upgrade (quality and productivity) of galvanising line 1 and 12 million Euros for the expansion of warehouses and related plant; among the other production sites, mention should be made of Gazoldo degli Ippoliti for 10 million Euros, with the latest work relating to the upgrade of the pickling line for 1.7 million Euros and 2.5 million Euros to strengthen the service centre.
**Marcegaglia Specialties** (with Marcegaglia Gazoldo Inox) made investments of **10.8 million Euros**, mainly in the Gazoldo degli Ippoliti facility for 4.8 million Euros, mainly related to the pickling and austenitising phase (2 million Euros) and in the Forlì facility for 4.1 million Euros, for various renovation works.

The plants for the production of heavy plates (Marcegaglia Plates and the newly acquired Marcegaglia Palini e Bertoli) also underwent significant interventions at the end of 2020 to improve quality, productivity and energy savings.

Other significant "investment chapters" relate to energy efficiency, expansion of the finished coil warehouses in Ravenna, increased automation of logistics within the plants, and sustainability.

# 18. METHODOLOGICAL NOTE

*GRI: 103-1; 102-1; 102-3; 102-4; 102-42; 102-44; 102-45; 102-46; 102-47; 102-50; 102-51; 102-52; 102-53; 102-54; 102-55*

This document reflects the guidelines and international standards adopted by Marcegaglia Steel S.p.A. during the drafting process of its first Sustainability Report, aimed at providing a complete, accurate and exhaustive account of the environmental, economic and social indicators of interest to the company.
The information is managed in accordance with the guidelines provided by Global Sustainability Reporting (GRI), Greenhouse Gas Protocol (GHG) and UN Sustainable Development Goals (SDGs), in particular:

- **Global Sustainability Reporting (GRI)**: the GRI organisation defines the methods for reporting economic, social and environmental performance in accordance with the most significant material issues for the organisation. The document was therefore prepared in accordance with the GRI Sustainability Reporting Standards 2020 in accordance with the "in accordance core" option;
- **Greenhouse Gas Protocol (GHG)**: the GHG is an international standard that defines the methodology for calculating emissions of climate-altering gases associated with organisations during their operations in the period considered. In accordance with the GHG Protocol, the national emission factors elaborated annually by ISPRA and also reported for the UNFCCC national emission inventory were used for the calculation of emissions from the main energy vectors. Specifically for Scope 2 emissions attributable to electricity purchased from the grid, the location-based methodology was adopted, according to the national grid data provided by ISPRA. Fuel emissions were calculated based on values extracted from the DEFRA English National Conversion Tables compiled for company reporting activities;
- **UN Sustainable Development Goals (SDG's)**: the SDGs are 17 common goals defined by the international community as targets to be achieved by 2030, which the company has assessed and considered, identifying various planned actions to help achieve the targets.

**Reporting period and frequency**
All environmental and energy indicators presented are for each calendar year (January to December) of the 2018 - 2020 period, unless otherwise noted in the document. The review is scheduled to take place annually.

**Reporting boundary**
The report contains data and information on the Italian companies in which Marcegaglia Steel S.p.A. holds an interest, with reference to the following company names and related plants:

- Marcegaglia Carbon Steel S.p.A. – plants in Boltiere (BG), Casalmaggiore (CR), Corsico (MI), Dusino San Michele (AT), Gazoldo degli Ippoliti (MN), Lainate (MI), Lomagna (LC), Osteria Grande (BO), Ravenna (RA), Tezze sul Brenta (VI)
- Marcegaglia Gazoldo Inox S.p.A. – Gazoldo degli Ippoliti (MN) plant
- Marcegaglia Palini e Bertoli S.p.A. – San Giorgio di Nogaro (UD) plant
- Marcegaglia Plates S.p.A. – San Giorgio di Nogaro (UD) plant
- Marcegaglia Ravenna S.p.A. – Ravenna (RA) plant
- Marcegaglia Rivoli S.p.A. – Rivoli (TO) plant
- Marcegaglia Specialties S.p.A. – Contino di Volta Mantovana (MN) and Forlimpopoli (FC) plants

The term "Marcegaglia Group" is also used in the Report to refer to the Group as a whole. The name of the organisation reported is Marcegaglia Steel S.p.A., which includes all the subsidiaries with registered office and administrative headquarters at Via Bresciani 16, Gazoldo degli Ippoliti (MN).

**Data collection methods**
Environmental data is based on the collection of actual data; in particular, it is specified:
water supply data from the aqueduct, if not available for the year 2020, were derived from the consumption trend provided by the operator;
data concerning total waste produced refer to special waste; therefore the scope of the analysis does not include waste assimilable to urban waste (RSU), which is disposed of with the public collection service and therefore cannot be quantified.

**Definition of functional unit**
The functional unit used within this document is equal to one ton of processed steel.

**Contact details for information regarding the report**
info@marcegaglia.com

# 19. MATERIALITY ANALYSIS

In the application of GRI Standards, the definition of material issues was based on the **identification**, **prioritisation and validation of relevant issues on the basis of their importance for stakeholders and for Marcegaglia Steel**.

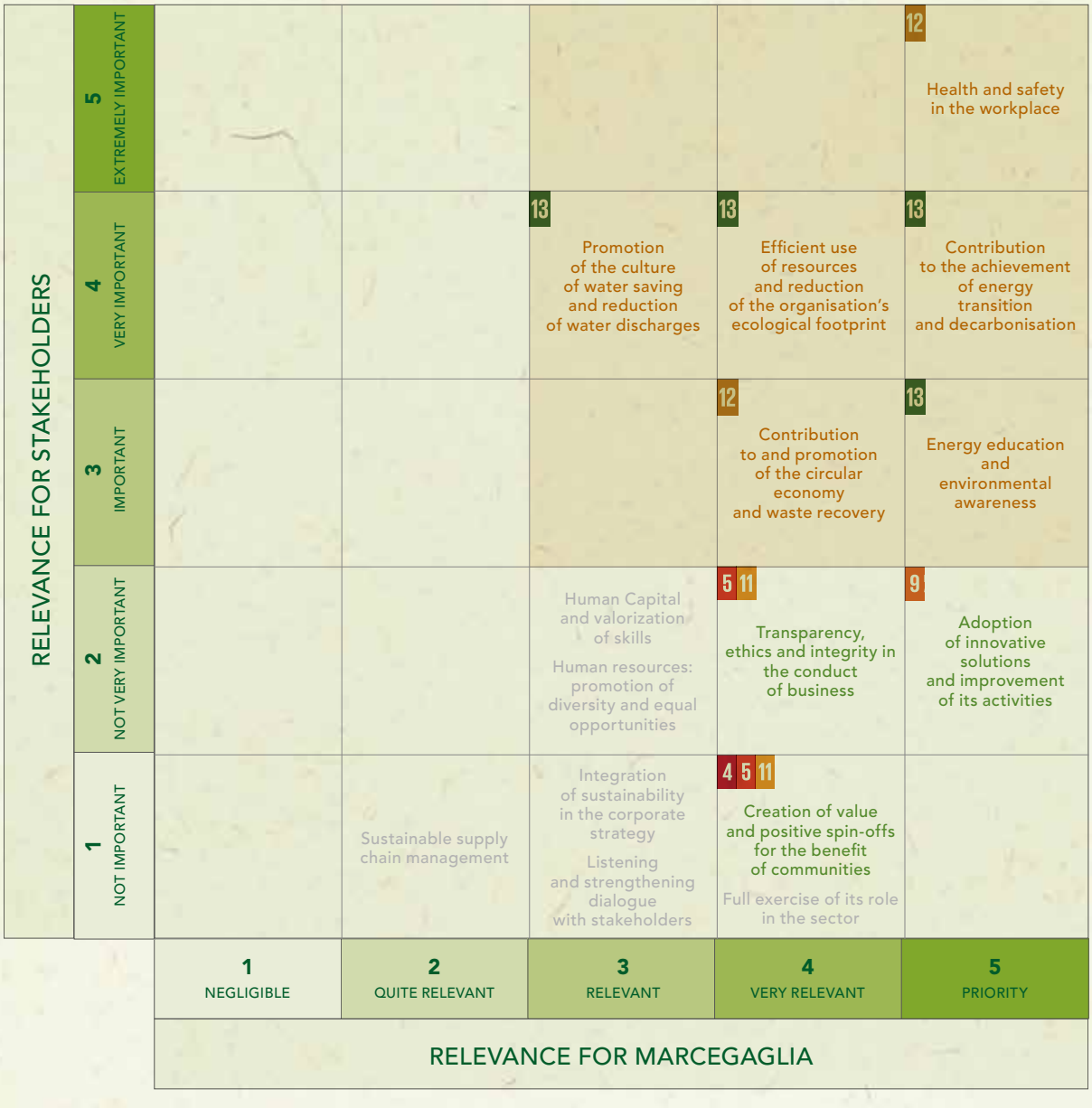
The starting point was a vision of the impacts, both positive and negative, identified by top management participating in the Sustainability Working Group, taking into consideration the projects implemented, in progress or planned, based on the geographical and social location of the plants, the management methods implemented and customer expectations. Each theme was given a **score on a five-level scale** (priority, very relevant, relevant, fairly relevant, negligible), and the results thus obtained determined its relevance.

Subsequently, data was collected for the determination of **stakeholder relevance judgement**.
In order to do this, a **sustainability questionnaire** was drawn up, based in part on a documentary analysis of benchmarking of the main companies operating in the sector, in which all sites were involved and were asked to distribute the questionnaire, also involving suppliers. Clients were considered for the area related to environmental matrices and some citizens and members of the scientific community also gave their input.
For the 2022 version, the number of stakeholders involved will be expanded to include trade associations and regulatory bodies.

The questionnaire was set up to include **15 points**, representative of the **most salient issues**, formulating a synthetic judgement for each theme, expressed according to a scale of five levels (not important, not very important, important, very important, extremely important).

In the final phase of prioritising material issues, the rankings expressed by management and the stakeholders surveyed were cross-referenced to obtain the result shown in the matrix. A summary table of the relevant material issues follows.

## Materiality matrix




*non-material topics*

GOAL:

In addition to the material issues expressed in the table, the following have also been reported as significant within this document:

- the creation of value and positive spin-offs for the benefit of the communities,
- the adoption of innovative solutions and improvement of its activities,
- transparency, ethics and integrity in the conduct of business.

For each issue considered, the description, the GRI disclosure and the scope of impacts considered are reported.

| MATERIAL THEMES | GRI DISCLOURES | PERIMETER IMPACTS | | INVOLVEMENT IN IMPACTS (DIRECT/INDIRECT) |
|---|---|---|---|---|
| | | INTERNAL | EXTERNAL | |
| **Creation of value and positive spin-offs for the benefit of communities** | 201-1; 413-1 | Marcegaglia Steel | communities, employees, regulators | direct |
| **Contribution to the achievement of energy transition and decarbonisation** | 302-1 302-2 302-3 302-4 305-1 305-2 305-4 | Marcegaglia Steel | regulators, suppliers, communities, trade associations | direct/indirect |
| **Efficient use of resources and reduction of the organisation's ecological footprint** | 302-1/4 303-1 303-2 303-3 303-4 303-5 305 1-2-4 | Marcegaglia Steel | communities, employees, regulators, customers | direct/indirect |
| **Promotion of the culture of water saving and reduction of water discharges** | 303-1 303-2 303-3 303-4 303-5 | Marcegaglia Steel | communities, regulatory bodies | direct |
| **Contribution to and promotion of the circular economy and waste recovery** | 306-1 306-2 306-3 306-4 306-5 | Marcegaglia Steel | customers, suppliers, communities, trade associations | direct/indirect |
| **Energy education and environmental awareness** | 304-1 304-2 306-1/5 | Marcegaglia Steel | citizens, employees, regulators | indirect |
| **Health and safety in the workplace** | 403-1 403-2 403-3 403-4 403-5 403-6 403-7 403-8 403-9 403-10 | Marcegaglia Steel | employees, regulators, customers, suppliers, citizens | direct |
| **Transparency, ethics and integrity in the conduct of business** | 205-1 205-2 412-1 412-2 | Marcegaglia Steel | customers, regulators | direct |
| **Adoption of innovative solutions and improvement of its activities** | 203-1 | Marcegaglia Steel | citizens, employees, regulators | direct/indirect |

# **20.** GRI CONTENT INDEX

| | DISCLOSURE | PARAGRAPH OF REFERENCE | OMISSION AND MOTIVATION |
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| **GRI 102: General Disclosures** | ORGANISATION PROFILE | | |
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| | 102-2 Main activities, brands, products | 1 | |
| | 102-3 Location of headquarters of the organisation | 18 | |
| | 102-4 Countries in which the organisation operates | 1;18 | |
| | 102-5 Ownership structure and legal form | 1;15;18 | |
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| | 102-8 Information on employees and other types of workers | 3 | |
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| | 102-10 Significant changes within the organisation and its supply chain | 2 | |
| | 102-11 Explanation of how the precautionary principle or approach, if any, is applied | 8;18 | |
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| | 102-13 Participation in national and/or international trade associations | 3 | |
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| | DISCLOSURE | PARAGRAPH OF REFERENCE | OMISSION AND MOTIVATION |
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| | 102-46 Report content definition and topic boundaries | 18 | |
| | 102-47 List of material topics | 19 | |
| | 102-48 Review of information | | There are no previous versions of this Sustainability Report with the same scope |
| | 102-49 Changes in Reporting | | There are no previous versions of this Sustainability Report with the same scope |
| | 102-50 Reporting period | 1;18 | |
| | 102-51 Date of most recent report | | There are no previous versions of this Sustainability Report with the same scope |
| | 102-52 Reporting periodicity | 18 | |
| | 102-53 Contacts to request information about the report | 18 | |
| | 102-54 Statement on reporting in accordance with GRI Standards | 1;18 | |
| | 102-55 GRI table of contents | 19 | |
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| | 103-2 Management method and its components | 19 | |
| | ECONOMIC PERFORMANCE | | |
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| **GRI 203: Indirect economic impacts** | 203-1 Infrastructure investments and services financed | 17 | |
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| | 205-3 Cases of corruption and action taken | | In the three-year period of reference there were no ascertained cases of corruption |
| **GRI 206: Anti-competitive behaviour** | 206-1 Legal actions for anticompetitive behaviour, antitrust and monopolistic practices | 16 | |

| | DISCLOSURE | PARAGRAPH OF REFERENCE | OMISSION AND MOTIVATION |
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| | DISCLOSURE | PARAGRAPH OF REFERENCE | OMISSION AND MOTIVATION |
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| | 103-3 Assessment of the management approach | 4; 8 | |
| | 403-1 Occupational health and safety management system | 4; 8 | |
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| | 103-3 Assessment of the management approach | 4; 8 | |
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