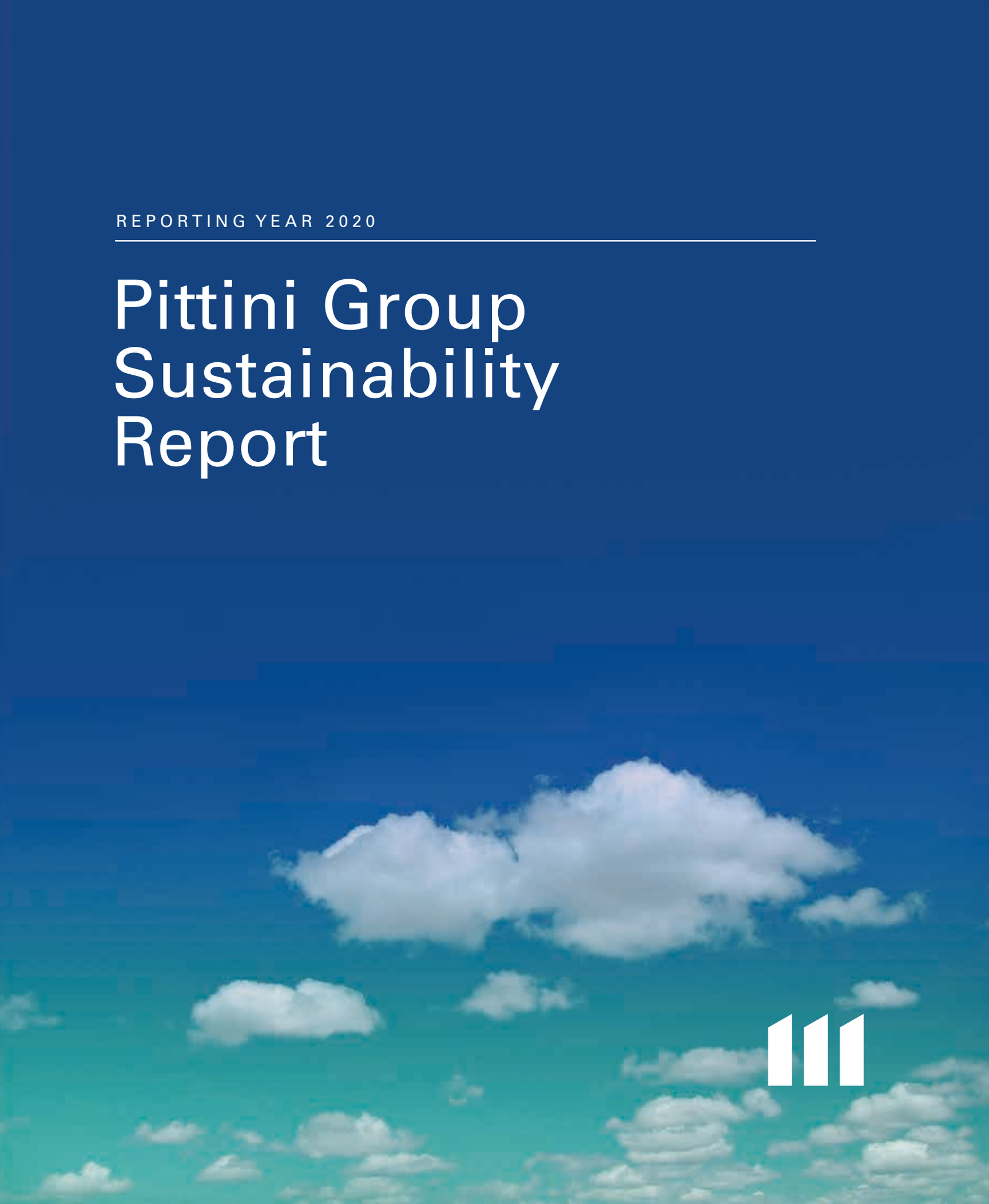
REPORTING YEAR 2020

Pittini Group Sustainability Report



REPORTING YEAR 2020

Pittini Group Sustainability Report

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LETTER FROM THE PRESIDENT

Dear Stakeholders,

this first sustainability report represents an important testimony of our Group's commitment to virtuously reconciling business objectives with concrete and measurable results in the social and environmental areas.

The document embodies the direction and strategic objectives the Group has undertaken to reduce our environmental footprint, following the Sustainable Development Goals of the United Nations 2030 Agenda and offering our contribution in fighting climate change, as also envisaged by the European Green New Deal. You will also learn about our commitment to creating value within the international construction and mechanical engineering supply chains and within the communities in which we operate, thanks also to the activities of bodies created for this purpose such as our corporate school *Officina Pittini per la Formazione*, and the newly founded *Fondazione Gruppo Pittini*.

2020 was an unprecedented year. We have been overwhelmed by the still ongoing pandemic that has forced us to change our processes and behaviours.

Workplace safety, which has always been central to our activities, has become even more essential, and we have implemented extraordinary measures and health protocols in our plants in order to continue to operate safely. This has allowed us to generate value for all the supply chains in which we are present and for the communities where our activities are carried out. By the way, our protocols for preventing the spread of COVID-19 have been validated and certified by third parties and are still applied today.

Despite the continuing pandemic emergency, we have continued to make major investments that are at the heart of a business plan geared towards innovation with a view to Industry 4.0 and which in turn incorporates ESG (Environmental, Social and Governance) criteria.
The objective of the plan is to confirm our position among the international leaders in the steel sector, anticipating the standards of industrial excellence through technological innovation, sustainability and the development of talent, starting with our employees, who have always been the driving force behind our growth.

I wish you a good read.

Federico Pittini
President of the Pittini Group

HIGHLIGHTS

Pittini in short

2020 figures compared to 2019 and relating to C.S.I. Srl (sub-holding of the Pittini Group) unless otherwise specified

The Pittini Group

Italy's leading steel producer
in the long steel sector

Approximately 3 million tonnes of steel
Annual production

18 manufacturing and logistics service facilities

8 companies make up the Group

Financial performance in 2020*

€ 1,395 million
Revenues

€ 51 million
Investments

€ 1,409 million
Economic value generated, 97% of which was distributed

Export 66%
of total sales

*Data relating to the three companies Ferriere Nord S.p.A., Acciaierie di Verona S.p.A. and Siderpotenza S.p.A

Research and innovation

11 ongoing **projects**

5 factories involved

98 partners from 17 countries
including 12 universities and 7 research centres

Thematic areas
product quality, process, environmental protection and product circularity

Environmental protection in 2020**

82%
of recycled input materials used

7%
reduction in energy consumption

21%
reduction in water consumption

74%
of total waste generated directed to recovery/recycling

10%
reduction in direct and indirect CO_2eq emissions

**Data relating to the 3 companies Ferriere Nord S.p.A. (Osoppo), Acciaierie di Verona S.p.A. (Verona) and Siderpotenza S.p.A.

Our people in 2020

1,746
employees

94
new recruits

96%
with open-ended contract

22,069 total training hours
provided during the year

-11%
fewer work-related accidents recorded than in 2019

Customers served

Our products are sold in
65 countries around the world

5 product
types

15
different customer categories
in the construction, mechanical engineering, automotive, road and motorway construction, carpentry, oil and gas, shipbuilding and agriculture sectors

1/ THE PITTINI GROUP

Company profile

The Pittini Group, headquartered in Osoppo (Udine), is a steelmaking group with a strong international vocation that bases its production processes on electric furnaces. With around 3 million tonnes of steel produced, it is Italy's leading producer of long steel for the building and mechanical sectors (in steel industry terminology, long steel refers to steel products, including wire, wire rod, rails and bars, as well as types of structural steel sections and beams; the distinction with respect to flat steel is due to their geometric conformation), accounting for 14% of the entire domestic production. The Group consists of eight companies and eighteen manufacturing and logistics service facilities shown in the picture. This composition is updated to 31 December 2020. Ferriere Nord, Siderpotenza (created from the split of the Potenza plant with Ferriere Nord) and Acciaierie di Verona are the most representative companies based in Italy.

Meltshops and Rolling mills

Ferriere Nord
Osoppo (UD), Italy
- Meltshop with electric arc furnace
- Wire rod rolling mill
- Rebar rolling mill

Acciaierie di Verona
Verona, Italy
- Meltshop with electric arc furnace
- Wire rod rolling mill

Siderpotenza
Potenza, Italy
- Meltshop with electric arc furnace
- Rebar rolling mill

Cold steel processing

Ferriere Nord
Osoppo (UD), Italy
- Electro-welding wire mesh plant
- Recoiling plant

Ferriere Nord
Verona, Italy
- Recoiling plant

Ferriere Nord
Nave (BS), Italy
- Electro-welding wire mesh plant

La Veneta Reti
Loreggia (PD), Italy
- Electro-welding wire mesh plant
- Cold wire drawing plant

Bstg
Linz, Austria
- Electro-welding wire mesh plant

Bstg
Graz, Austria
- Electro-welding wire mesh plant

Kovinar
Jesenice, Slovenia
- Electro-welding wire mesh plant

Siat
Gemona del Friuli (UD), Italy
- Cold drawn wire and flat production

Pittarc Siat division
Gemona del Friuli (UD), Italy
- Welding wires production plant

Aggregate production plants

Ferriere Nord
Osoppo (UD), Italy
- Granella® plant

Siderpotenza
Potenza, Italy
- Granella® plant

Sales offices and distribution centres

Siderpotenza
Ceprano (FR), Italy
- Distribution centre

Pittini Stahl
Aichach, Germany
- Sales office

Pittini Siderprodukte
Geroldswil, Svizzera
- Sales office

1/ PITTINI GROUP

The Group produces **3 million** tonnes of steel per year with constant growth based on three fundamental pillars:

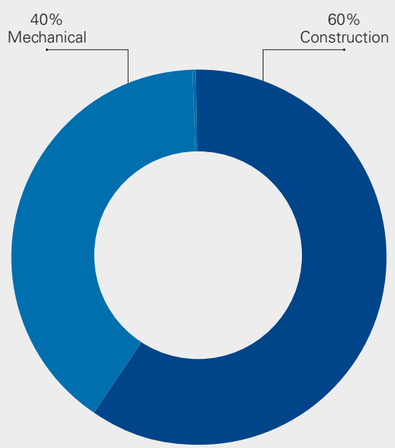
- the pursuit of increasingly robust **verticalisation of production**;
- continuous investment in product and process innovation also aimed at environmental protection;
- a strong **dedication to people**.

The size of the Group and the unique know-how developed over years allow it to offer a wide and specialised range of products, which are marketed under different brands as follows:

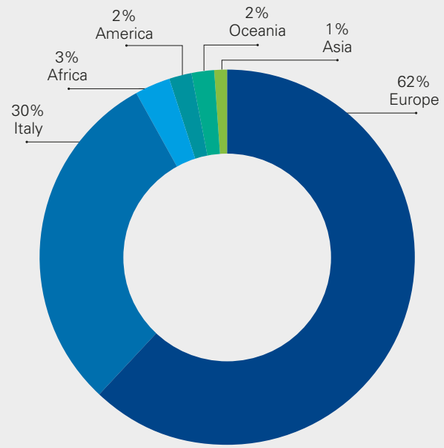
- **PITTINI** - Wire rod and reinforcing steel produced by the plants of Ferriere Nord Osoppo (UD) and Nave (BS), Siderpotenza, Acciaierie di Verona, La Veneta Reti (PD);
- **BSTG** (only for Austria);
- **KOVINAR** (only for Slovenia);
- **SIAT** (drawn products);
- **PITTARC** (welding wire).

The construction, infrastructure and mechanical engineering industries are the main target markets for the Group's products, for which steel is specifically designed and manufactured.
The range of steel solutions offered by the Pittini Group is one of the most comprehensive on the market to meet any requirement.

Sector of destination of shipments (2020)



Geographical target markets (2020)



1/ THE PITTINI GROUP

Business sectors

Mechanical engineering

Pittini is a reference in the market for the production of quality wire rod with low, medium and high carbon content. The wire rod produced by the plants in Osoppo and Verona is used in the mechanical engineering industry where it is processed into a wide variety of products and parts for everyday use. The wire rod produced has obtained EPD - Environmental Product Declaration - certification.

Construction steels

The Group stands out for its innovations in this area:

- contribution to the industrialisation of reinforcement in the 1960s with the introduction of latticework and electrowelded mesh;
- in 2002, the Group was the first manufacturer in the world to produce hot-rolled coils, creating a new benchmark in the sector with Jumbo®, the rebar in coils which, since 2015, has also been available in a 5-tonne version to better meet the logistical and production needs of its partners;
- introduction in the late 1990s of the HD brand synonymous with high ductility steel developed for seismic-resistant constructions;
- EPD certification of the main products.

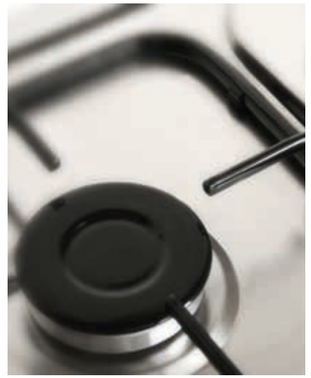
1/ THE PITTINI GROUP

Road paving solutions

The **Group** provides a range of road and viaduct solutions that are characterised by sustainability, innovation and ease of installation. In particular, **Pittini** is one of the first steel producers to reinterpret the production cycle with a view to the **circular economy**, also involving potential industrial residues for new uses. Electric furnace slag has been the subject of continuous analysis and research that has led to its development into a real product for which the **Granella®** brand was registered in 2009. Granella® is used as an aggregate in the construction of asphalt, concrete and cement mixes (more on this in section 2.1 Circular economy and recycling of raw materials), allowing for the replacement of valuable aggregates of natural origin such as basalt, diabase and porphyry. In doing so, millions of tonnes of slag, otherwise directed to disposal, have become a valuable component in numerous new projects, with an obvious positive environmental impact.

Cold drawn and cold rolled products

The Group's verticalisation process has been aimed at expanding its offer with a wide range of cold-drawn and cold-rolled steels.
These SIAT-branded products are intended for the window and door industry, household appliances, automotive and the construction industry. The versatility of use is such that the laminate plate is used in the production of enamelled stove grates as well as for the reinforcement and protection of offshore submarine cables.



Welding wires

The PITTARC division thanks to its experience of almost 50 years has developed technologies, plants and production processes that make it a leader in the field of **welding wires** using wire rod from the Pittini Group steel mills. Welding wires are used in the mechanical engineering industry, pressure vessels, piping (especially oil and gas), the energy sector and heavy and light carpentry.

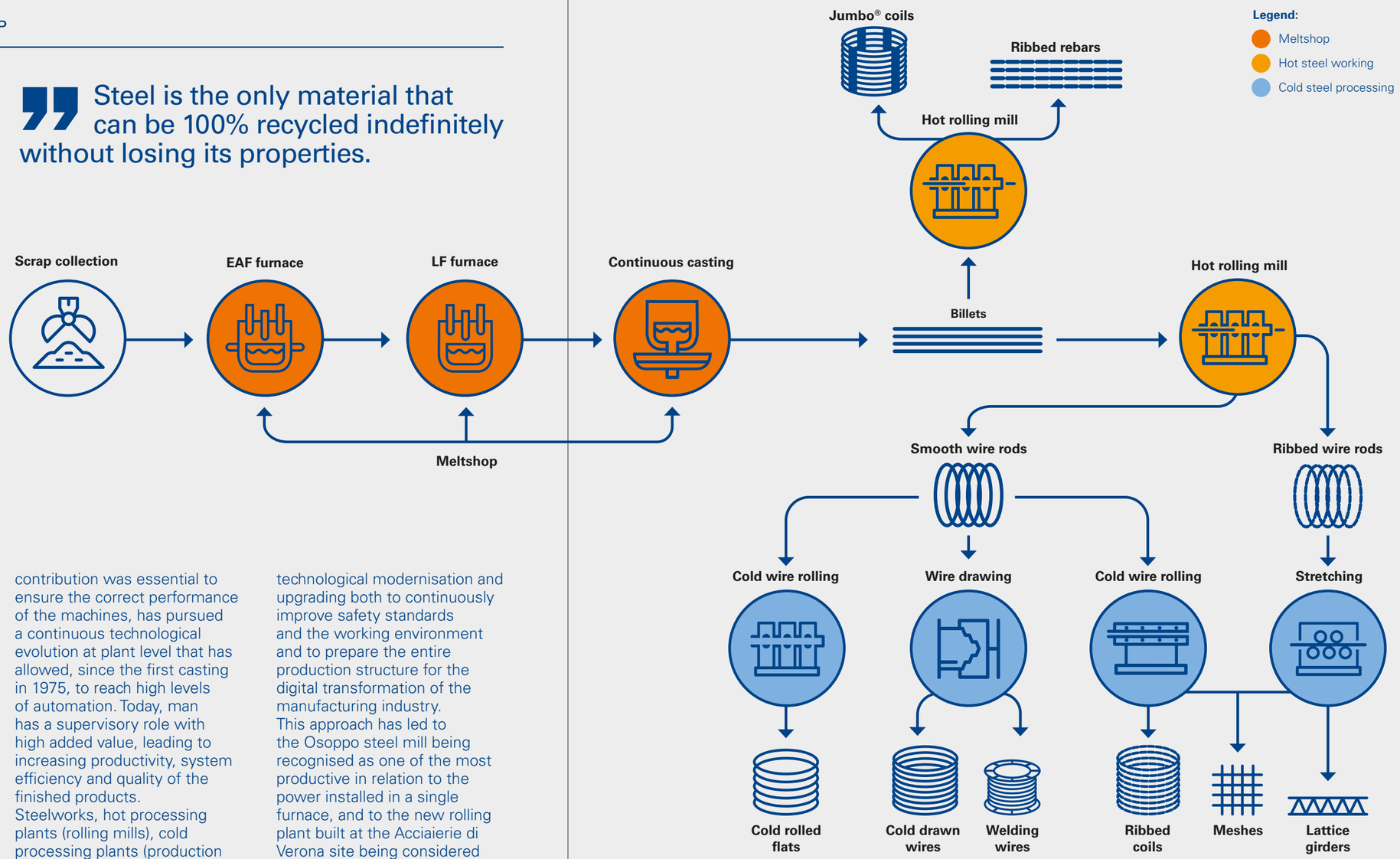
1/ THE PITTINI GROUP

Our production process

> Steel is the only material that can be 100% recycled indefinitely without losing its properties.

Steel, a ferrous alloy composed mainly of iron and carbon, is the basis of a country's industrial activity, and the level of its production helps to define its degree of industrialisation.

The most important distinction in the steel production process is made between blast furnace (LD) and electric arc furnace (EAF) production. In the blast furnace, pig iron is produced from iron ore and carbon coke, which is then transformed into steel in the converters. The **EAF** produces steel from **recycled ferrous material**. This is the most sustainable and environmentally friendly technology for this type of production, because it allows better energy management and reduced emissions compared to the blast furnace and is an example of circular economy. Thanks to the complete **control of the production cycle**, the Group is able to pursue and act according to a 'circular' development model and to offer a wide range of products that meet high quality standards. The Pittini Group, which started from a craftsmanship approach where the human contribution was essential to ensure the correct performance of the machines, has pursued a continuous technological evolution at plant level that has allowed, since the first casting in 1975, to reach high levels of automation. Today, man has a supervisory role with high added value, leading to increasing productivity, system efficiency and quality of the finished products. Steelworks, hot processing plants (rolling mills), cold processing plants (production of electrowelded wire mesh, coils and rolled/drawn products) and aggregate production plants are subject to constant technological modernisation and upgrading both to continuously improve safety standards and the working environment and to prepare the entire production structure for the digital transformation of the manufacturing industry. This approach has led to the Osoppo steel mill being recognised as one of the most productive in relation to the power installed in a single furnace, and to the new rolling plant built at the Acciaierie di Verona site being considered a model for the application of **Industry 4.0**.



Each step in the production model is described in the picture, from the input of raw materials - the recycled iron materials - to the output of the final product.

1/ THE PITTINI GROUP

Ethical values and philosophy

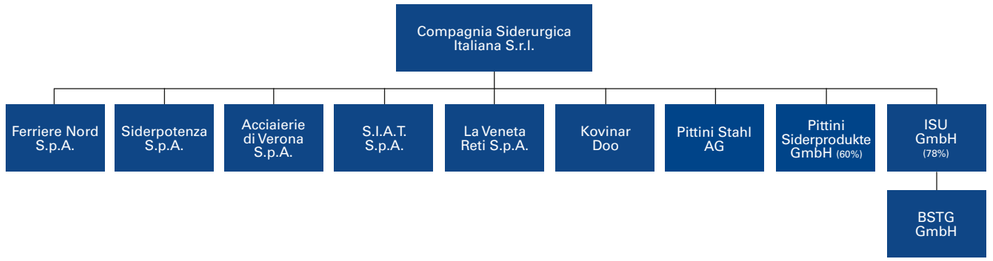
For the Pittini Group, the continuous improvement of processes, the protection of health in the workplace, the protection of the environment and respect for the territory, are fundamental principles that are translated into the three themes that guide its activities:

- **reliability**: it enables the achievement of objectives by guaranteeing reliability and quality, meeting the expectations of all stakeholders;
- **innovation**: constantly evolving, in production methods, processes and organisation in order to anticipate and be ready for the challenges of the future;
- **people**: it means feeling part of the organisation, developing one's full potential and making the best contribution to company results.

The Pittini Group is in the process of adopting an organizational model in accordance with **Legislative Decree No. 231/2001**; also in this perspective it is preparing the **Code of Ethics** as it believes that ethics is an approach of fundamental importance for the proper functioning and credibility of a company towards investors, shareholders, suppliers, users and, in general, towards the entire territory in which it operates. The Code of Ethics is a document containing a set of social rules. and moral rules drawn up by the company and to which all members of the company must adhere, is the charter of rights and duties where responsibilities and values are defined towards the outside and inside of the company. Its aim is to keep the **spirit and soul** of the company in mind at all times.

Governance structure

The Pittini Group has recently started a process of revision of its governance system to support the overall strategic development of the various manufacturing entities. In particular, the reorganisation process developed along two lines: the revision of governance mechanisms in the parent company and in the subsidiaries and the rethinking of the organisational model, with a specific reflection on information systems. In 2020, with the demerger of Ferriere Nord S.p.A., the corporate reorganisation of the Group was completed, accompanied by policies aimed at a more advanced integration of the supply chain and a growing and organic production specialisation.



The reorganisation saw first of all the creation of the sub-holding company Compagnia Siderurgica Italiana S.r.l., which took over the management and coordination of the subsidiaries, making it possible to simplify the Group's decision-making processes and administrative aspects. The management bodies of the individual operating companies report to the corporate structure and perform their functions in line with the strategic guidelines defined by the Group's top management. Finally, in order to ensure an overall view of the dynamics of the Group, the 'Organisation' function was set up under the direct supervision of the Compagnia Siderurgica Italiana top management. The new function coordinates the IT area and will develop specific skills in analysing and improving the Group's business processes.

Management systems

In relation to the quality of processes and activities the Pittini Group has chosen to certify its management systems in accordance with the applicable standards described below for the companies listed.

Environment sector	UNI EN ISO 14001:2015	Ferriere Nord S.p.A. (Osoppo) Acciaierie di Verona S.p.A. Siderpotenza S.p.A. S.I.A.T. S.p.A. La Veneta Reti S.p.A
	Reg. CE 1221/2009 (EMAS)	Ferriere Nord S.p.A. (Osoppo) Acciaierie di Verona S.p.A.
	UNI EN ISO 14021:2016 Environmental claims on the percentage of recycled material in finished products	Ferriere Nord S.p.A. Acciaierie di Verona S.p.A. Siderpotenza S.p.A.
	Reg. 333/11	Ferriere Nord S.p.A. (Osoppo) Acciaierie di Verona S.p.A. Siderpotenza S.p.A.
Energy sector	Energia UNI EN ISO 50001:2018	Ferriere Nord S.p.A. (Osoppo)
Quality Management Systems	UNI EN ISO 9001:2015	All Group Companies
Occupational Health and Safety Management Systems	ISO 45001:2018	Ferriere Nord S.p.A. (Osoppo) Acciaierie di Verona S.p.A. Siderpotenza S.p.A. S.I.A.T. S.p.A. La Veneta Reti S.p.A
	UNI10617	Ferriere Nord S.p.A. (Osoppo)
Competence of testing and calibration laboratories	Accreditation by Accredia according to UNI CEI EN ISO IEC 17025:2005	Ferriere Nord S.p.A. (Osoppo) Siderpotenza S.p.A.

1/ THE PITTINI GROUP

Relationship with stakeholders

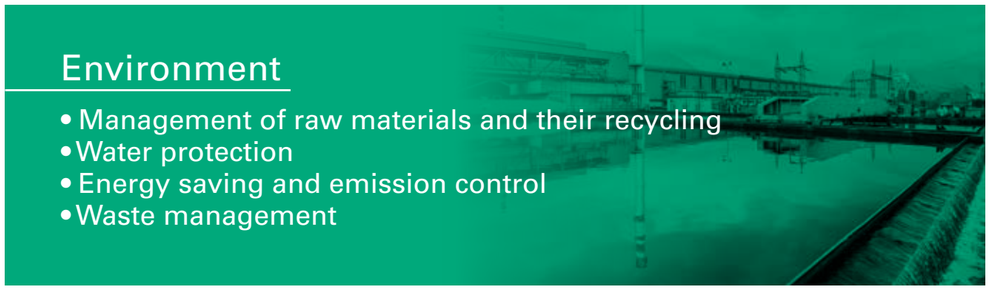
Stakeholders are those who are actually or potentially significantly affected by the Group's activities and have expectations that the Group will evaluate its decisions also in consideration of their needs.

The Pittini Group has engaged in a series of activities to identify its stakeholders and the sustainability issues of interest to them.

Six types of stakeholders and nine material issues (important for both the Pittini Group and the stakeholders) have been identified.

List of types of stakeholders

The **Pittini Group** has identified the **material issues** to be reported, which are listed below by area.



Environment

- Management of raw materials and their recycling
- Water protection
- Energy saving and emission control
- Waste management

Social aspects

- Health and safety at work
- Talent management and skills enhancement

Governance and financial aspects

- Respect for ethical principles
- Investment in innovation
- Value distributed throughout the territory

1/ THE PITTINI GROUP

Pittini Group strategic sustainability action lines

The sustainability strategy of Pittini Group is characterised by continuity with the actions carried out in the past and is attentive, in particular for the aspects related to the environment, to the evolution of the global situation framed in the vision developed at national and European level by industry bodies such as ESTEP (European Steel Technology Platform) which has developed the Clean Steel Partnership Road Map.

For an industry characterised by high energy and material consumption such as that of the Pittini Group, there are four areas of focus: energy, circular economy, CO2 emissions, use of water resources.
They are closely related and synergistic with each other. Much work has been done in the past, often with cutting-edge aspects in the sector, but it still needs to receive attention, not least through the computerisation and extensive automation of industrial processes and also through the application of the principles of industrial symbiosis.

Energy
- Pursuing the minimisation of specific energy consumption.
- Recovery of energy from thermal processes allowing it to be reused inside or outside the process and plant.

Circular economy
- Pursuit of materials research, dissemination, technological development, promotion for an increasingly technically appropriate use of steel slag processing products.
- Maximisation of the reintegration of its residues into the same or different production cycles.
- Use in its own production cycle of by-products or products derived from reuse of waste and residues from other processes.

CO_2 emissions
- Plant development to maximise energy efficiency.
- Replacement of fossil carbons used in the EAF process with carbon-based materials derived from the treatment of plant biomass such as biochar and biomethane.
- Preferential choice in the supply of energy and materials that allow in an overall analysis of the product life cycle a lower emission of CO_2.
- Preparation of plants for the use of hydrogen through research, design and implementation of prototype technological applications in the production process.
- Preparation of installations for the capture of CO_2 from hot process emissions with a view to its possible reuse.

Use of water resources
- Increased efficiency in the use of the water resource through a high degree of recirculation in the circuits, integration of the circuits of the different sections of the same plant, transfer of water to circuits with progressively less restrictive requirements, installation of treatment/purification systems capable of restoring the quality of the water to the process requirements, automation and computerisation of the monitoring and management methods of the resource. The ultimate goal is to eliminate exhaust and reduce consumption.

2/ ENVIRONMENTAL PERFORMANCE

Environmental performance

Steel production processes certainly have a significant impact on the environment: the most significant aspects are those related to energy consumption, atmospheric emissions, the management of production residues and the management of water resources.
Investors have also become particularly attentive to sustainability assessments and have started to use specific indicator systems to assess the interventions that organisations put in place and to forecast the risks of incipient environmental, social and economic changes.
Within the framework of steel production and transformation activities, reconciling industrial development and environmental protection has always been a challenge that has continuously stimulated all the people who have worked for the Group and those who still work for it today.
Over the years, the containment of emissions in any environmental matrix (air, water, soil, noise, emissions, waste), the rational use of resources, the sustainable management of plants and their positive relationship with the territory, have been a constant and ever-increasing priority addressed through research into plants, processes and materials.
The management of environmental protection and related protection of the territories in which the Group operates is developed in line with the specific legislative provisions and regulations defined at national and regional level. The activities of steel plants with steelworks and rolling mills are in fact subject to the **Integrated Environmental Authorisation (AIA)** issued by the authorities in accordance with the best available technologies for each type of production in Europe (BAT).
The Group, determined to improve its environmental performance over time, to achieve high objectives and to continuously monitor the results achieved as well as its own performance, wanted its companies to adopt an Environmental Management System (EMS) compliant with the UNI EN ISO 14001 standard, which has been implemented at various levels in all plants.
A further step towards transparency and sustainability was the decision to join the **EMAS**[1] scheme at the Verona (2020) and Osoppo (2021) plants, with the registration of the relevant sites and publication of the respective declarations.
The Group's approach to preventing potential impacts from production activities has resulted in significant investments in environmental protection, as well as in worker safety and product quality. In this regard, we highlight, for example, the recent three-year investment plan called 'Green Steel' dedicated to the Potenza plant.

[1]Eco-Management and Audit Scheme (EMAS) is a voluntary instrument created by the European Community and regulated by Regulation (EC) No. 1221/2009 as amended, to which organisations (companies, public bodies, etc.) can voluntarily adhere in order to assess and improve their environmental performance and provide the public and other interested parties with information on their environmental management.

Companies in the steel sector contribute at European level to defining the state of the art of processes in terms of environmental performance. The result is a document, updated every 10 years or so, in which all the best available techniques (BATs - Best Available Techniques) are identified. It is public and accessible on the portal of the European body EIPPCB.
The BATs are incorporated into the individual integrated authorisations.
There are two applicable BREFs for the Group's activities:
- BREF for Iron and Steel production (IS) published in 2012 for steel mills.
- BREF for the Ferrous Metals Processing industry (FMP) published in 2001 for rolling mills.

BATs are the reference for environmental authorisations that are issued by the authorities and are a prerequisite for operating plants. Within this authorisation and reference framework, several improvements have been carried out on the Pittini plants over the years. Examples of work carried out or in progress in some plants are as follows:
- *the installation of "ultra low NOx" burners in reheating furnaces;*
- *the installation of activated carbon systems for the removal of organic micropollutants and the control of process parameters;*
- *continuous revamping of the steelworks' extraction systems;*
- *the installation of continuous feed scrap technology at the steel mill's melting furnace to reduce the potential for fugitive emissions;*
- *the transfer of billets from the continuous casting to the preheating furnace of the wire rod mill to realise the energy savings associated with hot charging.*

From an organisational point of view, the Group is structured with a strategic HSE Manager function at corporate level and Environmental Managers appointed at the level of each individual plant.

The application of the Deming cycle for continuous improvement (Plan-Do-Check-Act-Planning-Operation-Measure-Act) requires the involvement of top management, which, during specific meetings, checks the progress of the set objectives and, once they have been achieved, sets new ones. In this way, the PDCA model takes the form of a virtuous circle which, by repeating improvement, reaches ever higher levels.
The Group's policies are made known to all persons working with it. They are also essential for their effective implementation, dedicated training sessions in which our employees are invited to participate in order to strengthen their behaviour and consequent professional practices.

2/ ENVIRONMENTAL PERFORMANCE

Circular economy and raw material recycling

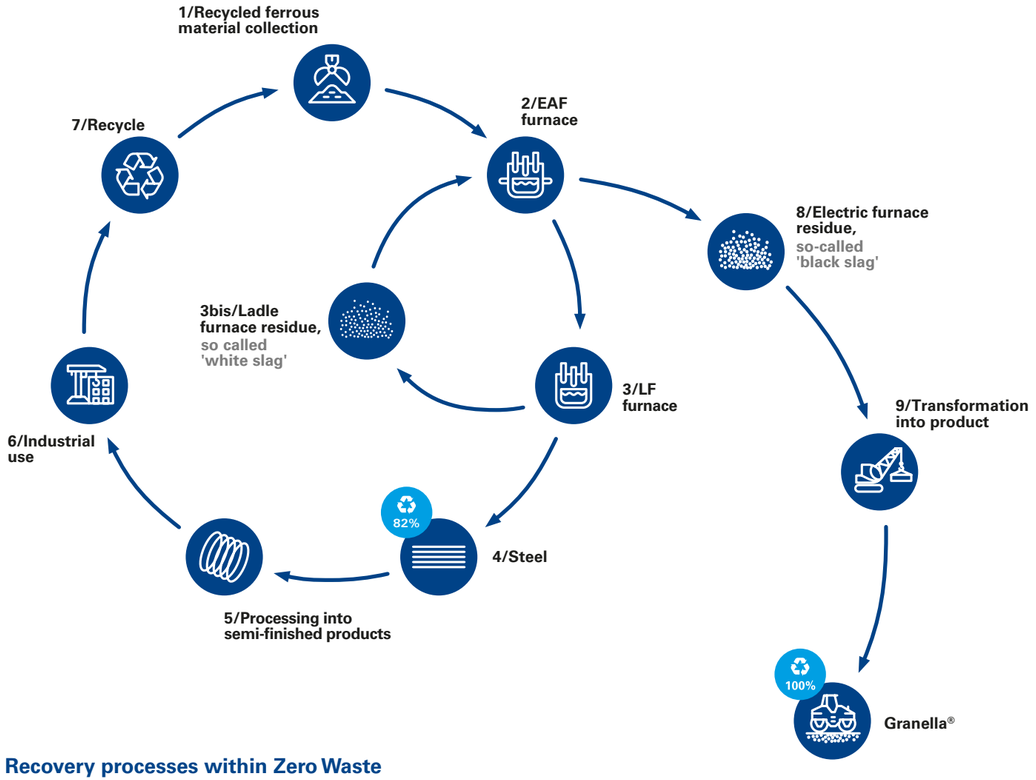
In the creation of new steel products, the continuous reduction in the use of raw materials of natural origin, together with recovery/recycling activities of residual products in internal processes and 'industrial symbiosis' practices, are a real objective for companies in the sector; both for the economic opportunities arising and, above all, for the aspects related to the reduction of environmental impact.
It must be made clear that, once produced, steel can be recycled and reused thanks to its characteristic of being a **permanent material**, i.e. capable of maintaining its strength, ductility and formability intact over time. Steel is considered to have an overall **recovery rate of more than 78% and 100% of the products derived from it are suitable for recycling**[2]. It is a perfect example of a circular economy.
The materials used in the EAF production process are mainly and essentially made up of ferrous scrap (material classified as 'end of waste' according to EU Regulation No. 333/2011), cast iron and pre-cast iron, as well as some additives[3].
The '**Zero Waste**' initiative, which began in the mid-1990s at the Osoppo site, was subsequently extended to other Group production sites, and has continued to evolve over the years up to the present day. The aim is to minimise waste through the continuous search for the enhancement of its positive qualities, also by resorting to specific innovation of processes, plants and materials.
Zero Waste focuses primarily on the most significant materials in terms of quantity, such as electric furnace slag, ladle slag, flue gas dust, scale and refractories. Secondary materials which today, thanks to the results of the project, are valorised inside or outside the production cycle, becoming substitutes for other raw materials such as basalt, porphyry, limestone, iron ore, zinc ore and lead.
As a result, **the proportion of material** entering the production process, mainly ferrous scrap from recycling, **which does not become finished steel products**:

- **becomes Granella®**, a new product,
- **remains within the production cycle** (such as ladle slag reintroduced into the EAF in place of lime),
- **is recovered** from third parties in an industrial symbiosis,
- only a very small part, in the order of 3% by mass, is not recoverable and **is directed to disposal.**

[2] According to the White Book of Steel published by the World Steel Association, the steel recovery rate identifies the percentage ratio between the amount of scrap recovered and the amount of scrap available. The steel recycling rate is the percentage ratio between the amount of recycled scrap and the amount of available scrap
[3] This classification is enshrined in EU Regulation No. EU333/2011, which sets out the criteria - such as the quality of scrap, the waste used as material in the recovery operation, and the treatment processes and techniques - according to which certain types of scrap iron, steel, aluminium and aluminium alloys cease to be waste and are therefore defined as 'end-of-waste'.

In the case of Pittini steel, recovery and recycling activities are made possible thanks to a production centred mainly on electric furnace technology based on scrap recovery.
The entire smelting and refining process in the mills required a total of 3,038,948 tonnes of raw and related materials in 2020, 82.2% of which came from recycled material (up from 78.9% in 2019).

The raw steel produced by the steelworks (billets) is the raw material (semi-finished product) for the Group's rolling mills to produce, by means of hot rolling processes, wire rod, rebar and Jumbo® coil.
In 2020, the Group's production of hot rolled products was obtained from semi-finished products of which 79.1% came from recycled material (up from 73.7% achieved in 2019).



Recovery processes within Zero Waste

2/ ENVIRONMENTAL PERFORMANCE

Below are the main results obtained from the recovery processes in the logic of circular economy:

- EAF slag: to date, some **400,000 tonnes per year of Granella®** are used in place of materials that would otherwise have to be extracted from quarries. The use of Granella® in long-lasting drainage coverings has also led to an appreciation of the new material and has consolidated a positive relationship with the area. In addition to these benefits, an equal amount of material has been diverted from potential landfill.
- Ladle slag and refractories: these materials are also **used internally in the cycle** in quantities of more than 45,000 tonnes per year, otherwise they would be directed to disposal.
- Flue gas dust from the steelworks (about 50,000 tonnes per year) is sent for recovery to third-party zinc extraction plants, reducing the need for mineral extraction.
- Scale: about 50,000 tonnes per year are directed to recovery at third-party plants, saving material from mining sites.

The Group, with a view to extending its knowledge of the impacts associated with the manufacture of its products, throughout their life, starting in 2018 has launched a life-cycle assessment progressively extended to the entire production of all plants. Thanks to this activity it is possible to obtain environmental declarations such as the carbon footprint, the water footprint and the Environmental Product Declaration (EPD) according to the UNI EN ISO 14025 standard on environmental product performance.

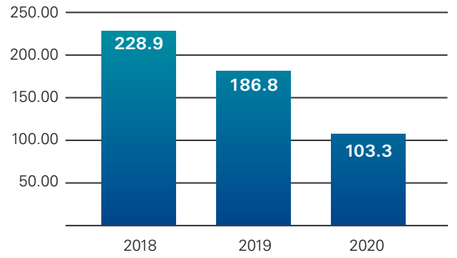
Granella® *by* Pittini
Already CE-marked in accordance with EU Regulation No. 305/2011 and UNI EN 13043, UNI EN 12620 and UNI EN 13242 standards (relating to aggregates for asphalt, cementitious mixes and for use in civil engineering works and road construction), in 2018 Granella® obtained Environmental Product Declaration (EPD) certification and thus became **the first aggregate derived from steel mill slag with a certified environmental product declaration.**


ICMQ
CONVALIDA DELLA EPD
Validation of EPD
ICMQ – 19063EPD
FERRIERE NORD S.p.A.

[4] The BREF for steel production reports the following specific waste production values: furnace slag 60-270 kg/ton, ladle furnace slag 10-80 kg/ton, flue gas dust 10-30 kg/ton, spent refractories 1.6-22.8 kg/ton.
[5] Source: 2021 Sustainability Report published by Federacciai covering the entire Italian steel industry, including integrated steelworks

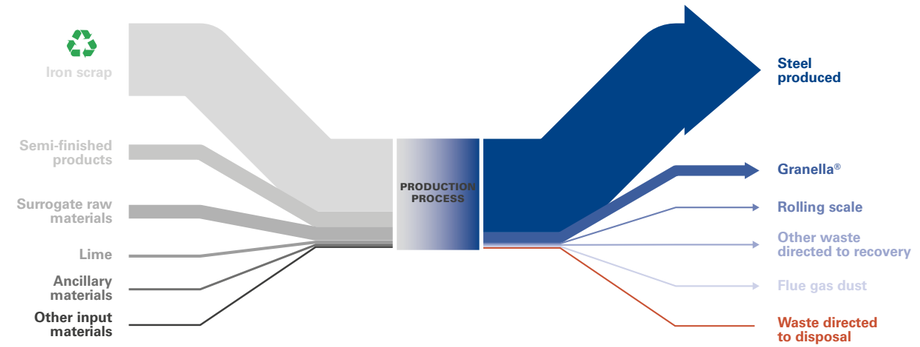
Waste treatment

This report does not include the analysis of waste generated by upstream and downstream processes, but only the waste generated by the production process in the three reporting plants. The production of steel with an electric furnace is normally associated with a significant production of residues, the main ones being slag, flue gas dust, rolling scale and refractories.
In Europe, electric arc furnace steelworks produce specific waste in the range of 80 to 400 kg/tonne. The Italian steel sector is characterised by an average waste production of about 150 kg per tonne of steel[5].
At the **Pittini Group**, the **Zero Waste** project has made it possible to valorise waste produced in larger quantities, transforming it into new products or recycling it within the process. As a result, the specific waste production corresponds to the lowest values in the panorama of European steelworks and almost one third of the national average for the sector. **In 2020, the waste produced was 59 kg per tonne of (rolled) steel, a reduction of 20 kg/tonne compared with 2019 (79 kg/tonne).**
This significant reduction is the result of the transformation, at the Osoppo plant, of part of



Total waste Acciaierie di Verona (kg/ton)

Acciaierie di Verona's slag into Granella®. This activity, which started in 2019 and continued in 2020, will continue in the coming years. In the chart, relating to the Acciaierie di Verona plant, it can be seen that the amount of waste produced during the three-year period 2018-2020 has decreased significantly.
A further spin-off of the Zero Waste project has been to try to recover most of the remaining waste through forms of industrial 'symbiosis'. Flue gas dust and rolling scale are sent to third-party plants that recover and valorise the substances they contain.



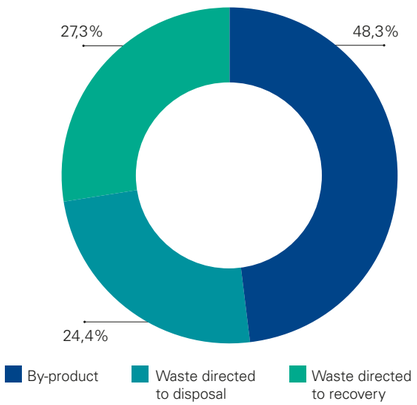
Qualitative representation of the flow of incoming and outgoing materials involved in the production process of the three reporting plants. The thickness of the arrows is proportional to the total mass.

2/ ENVIRONMENTAL PERFORMANCE

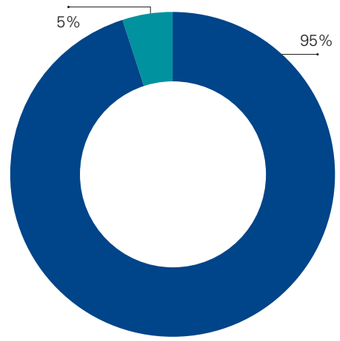
Focus on slag management

The charts below compare the slag management data in the Lombardy region, one of the most important in Italy for the electric steel industry, with those of the Group's steel mills. You can see the results obtained in the reduction of waste both for EAF and secondary slag (LF slag), which make our plants a benchmark for the whole sector.

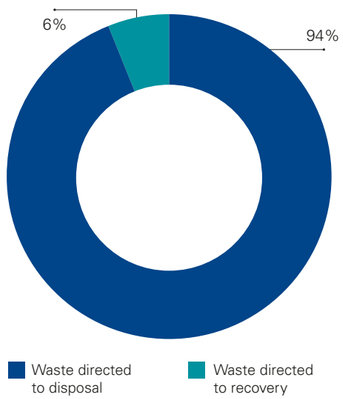
EAF slag - Lombardia



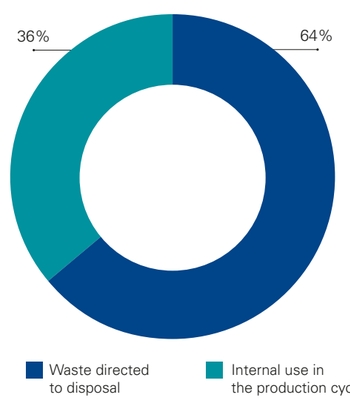
EAF slag Pittini Group



LF slag - Lombardia



LF slag Pittini Group



2020 figures from Federacciai 2021 Sustainability Report

Energy and emissions

Energy

Steel production and processing activities are highly energy-intensive and impactful in terms of environmental and economic impacts. In 2018, the electricity requirement of the entire national steel industry was 7,4% of net electricity production in Italy.
From the end of 2019, with the entry into force of the National Integrated Energy and Climate Plan 2030 (PNIEC 2030) and from the beginning of 2020 with the approval of the European Green Deal, the implementation of a process of industrial decarbonisation is considered increasingly urgent: for this reason it is necessary that companies with high energy consumption move towards new consumption models that are increasingly efficient and sustainable.

To this end, the **Zero Waste Energy** project - launched in 2010 - has involved the assessment of all energy sources and their consumption and has led the Group's largest company, Ferriere Nord, to implement an Energy Management System (EMS) - in accordance with the UNI EN ISO 50001 standard - and to adopt the relevant Energy Policy. Energy consumption basically consists of electricity, mainly absorbed by the electric furnaces in the steelworks, and natural gas, mainly used in the pre-heating furnaces of the rolling mills to heat the billets before the rolling process.
The electricity consumption per tonne of laminate produced (this ratio is called energy intensity) during 2020 was 2.16 GJ.

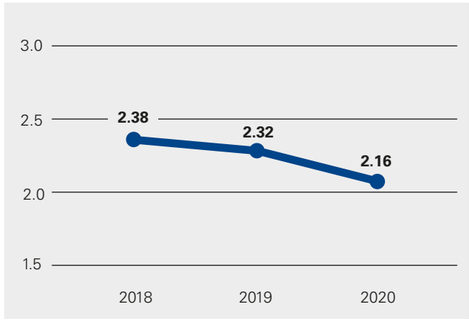
GJ is the abbreviation for Giga Joule = 1,000,000,000 joules. It is a unit of measurement of energy. One GJ corresponds to 0.277778 MWh.

At the Pittini Group, over the years, projects have been implemented to improve the efficiency of the installations and to **install LED lamps**. Another contribution was made by a photovoltaic system installed at the Ferriere Nord site in Osoppo, which accounts for **1,341 GJ of self-generated electricity**. On the basis of an agreement with the municipalized company AGSM, a **district heating plant** was also built for the benefit of the urban context of Verona, which produced 52,692 GJ of energy in 2020.

Heat recovery from Acciaierie di Verona plants enables more than 700 homes to be heated, saving 760,000 tonnes of gas and avoiding 1,300 tonnes of CO2 released into the atmosphere.

Overall, a net electricity saving of 6.9% was achieved in the year under review.

Average energy intensity for electricity (GJ/ton)



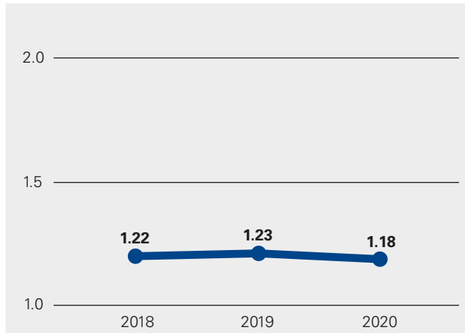
[6] *Source: Terna Statistical Yearbook for 2020.*

2/ ENVIRONMENTAL PERFORMANCE

Regarding the use of **natural gas**, which is mainly used in rolling mills, **1.31 GJ per tonne of rolled products was consumed in 2020**. Savings in natural gas consumption are possible thanks to heat recovery and the loading of still hot billets into the preheating furnace (hot charging). Heat recovery from the melting process takes place via district heating to company buildings (in Osoppo) or to the benefit of the 'city of Verona' and via the production of cold for the process (in Verona). **In 2020, methane savings were 5.1% compared to 2019 consumption**.
The data on energy intensity for natural gas described by production site and for the three years under review show a value lower than the national average, which for the steel sector stands at 2.86 GJ/tonne.

*The average natural gas energy intensity of the Pittini Group plants is **59% lower** than the national average for the steel industry each year.*

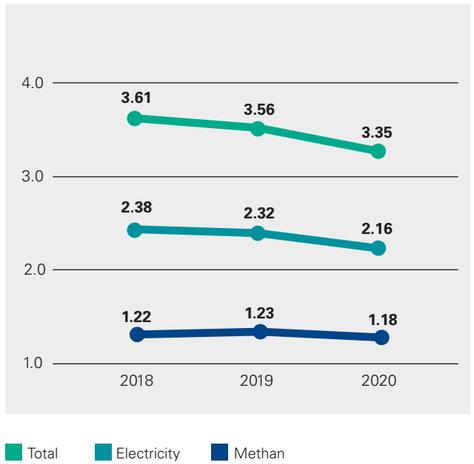
Energy intensity for natural gas (GJ/ton)



The joint efforts to save electricity and natural gas have led to a **reduction in overall energy consumption in our plants of 463,688 GJ over the three years, or 4.8% of total consumption.**

The chart below shows the trend in overall energy intensity (electricity, natural gas) net of the above-mentioned savings in the three years in question (for the sake of consistency, the energy intensities have all been related to tonnes of rolled product), which, even taking into account the differences between the production processes, is **about half the average consumption value of the national steel sector**, placing the Group's plants among the most efficient in terms of energy consumption.

Energy intensity for electricity and methane (GJ/ton)



[7] *Source: 2021 Sustainability Report published by Federacciai*

Within the framework of the energy management system and the Zero Waste Energy project, Group companies have implemented further energy efficiency measures with the aim of reducing consumption. The implementation of some of these measures was facilitated by obtaining white certificates, negotiable securities certifying the achievement of savings in energy end-use through measures and projects, which made the investment sustainable.
The effectiveness of the measures is verified through specially installed monitoring systems.

The main actions carried out are briefly described below.

Company (plant)	Energy source	Initiatives carried out
Ferriere Nord (Osoppo)	Electricity	• Implementation of a new water system (steelworks) to replace the cooling system serving the steelworks;
		• *Revamping of the flue gas system, i.e. improvement of the flue gas extraction system from the steelworks furnace by replacing motors and fans;*
		• Addition of a new chiller, replacing a refrigeration unit serving the lattice girders section for process cooling;
		• Introduction of a new air compressor at the metalworking department;
		• Revamping of the casting pumps, i.e. replacement of the motors of some of the auxiliary service pumps of the steel mill;
		• Installation of LED lamps (in two departments of the plant).
	Natural gas	• Recovery of heat from production plants for space heating;
		• Hot charging operation at the rolling mills, which consists of coordinating the productions of the steelworks and rolling mills so that the product of the steelworks arrives already preheated at the rolling mills, allowing an important saving of gas used by the material reheating furnace.
Siderpotenza (Potenza)	Natural gas	• Hot charging operation at the rolling mills (as above).
Acciaierie di Verona (Verona)	Electricity	• Production of cooling for the cooling process through heat recovery: heat that would have to be dissipated by a cooling system is recovered by special machines that can then cool other users;
		• Installation of LED lamps (in one department of the factory).
	Natural gas	• Recovery of heat from production plants for space heating.

2/ ENVIRONMENTAL PERFORMANCE

Emissions

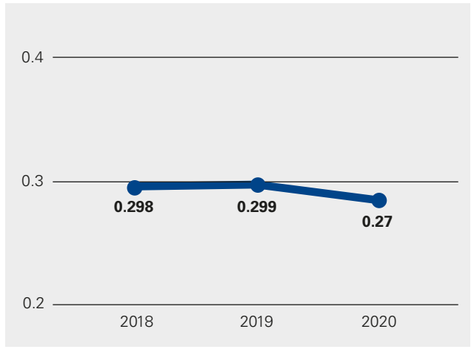
Steel production results in the emission of CO_2 into the atmosphere. This incidence concerns both direct emissions (Scope 1) mainly influenced by the carbon content of the materials used, in particular coal, natural gas, scrap/cast iron and electrodes, and indirect emissions (Scope 2) mainly deriving from the use of electricity and particularly impactful for the Group, whose production activity is partly based on the electric furnace.

In 2020, the Group's total CO_2 emissions - direct (Scope 1) and indirect (Scope 2) - amounted to 0.27 tonnes of CO_{2eq} per tonne produced (referring to rolled products), with a progressive reduction over the years. If compared with the average industry figure published by the World Steel Association, the value is almost **seven times lower**[8].

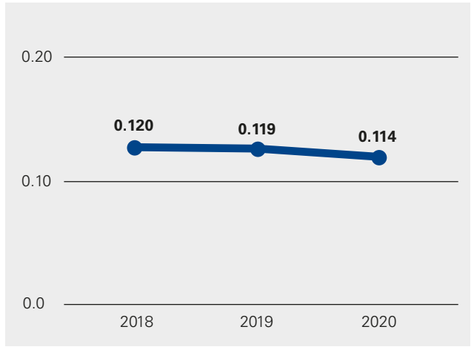
As far as direct emissions are concerned (Scope 1 quota only), the average value for 2020 was 0.114 tCO_{2eq} released per tonne of steel produced, with a slightly downward trend over the three-year period under review, corresponding to about a quarter of emissions compared to the national reference average for the sector (0.4 t_{CO2eq}/t_{steel})[9].

Since 2018 we have reduced CO_2 emissions by 7.8% per tonne of steel produced

Specific CO_{2eq} emissions (total) (t_{CO2eq}/t)



Specific CO_{2eq} emissions (Scope 1) (t_{CO2eq}/t)



[8] Source: 'Sustainable Steel - Indicators 2020 and steel application' published by World Steel Association AISBL. The figure is 1.83 tCO_{2eq}/t crude steel and includes integrated steelworks
[9] Source: 2019 Sustainability Report published by Federacciai covering the entire Italian steel industry, including integrated steelworks.

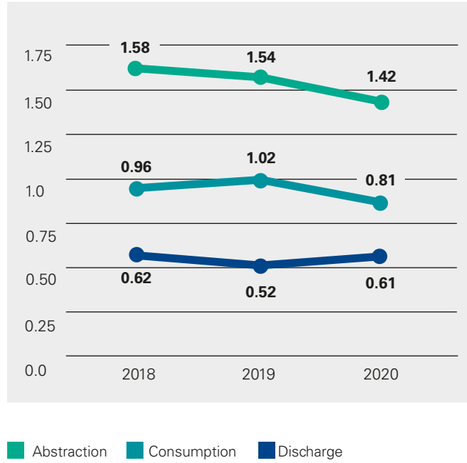
Water resources

The activity of the steelworks involves the use of water mainly for cooling the plants and treating semi-finished and finished products. Impacts related to water use mainly concern the quantity consumed, i.e. the difference (and ratio) between the water withdrawn and the water returned to its natural cycle. All plants provide the competent authorities with the results of monitoring the quantity and quality of water withdrawn and discharged. The Osoppo and Verona plants withdraw water for the industrial plants from the underground water table through wells, while the Siderpotenza plant receives water from third parties (Acquedotto Lucano). In these plants, the cooling water is recovered, treated and recirculated in the circuits after partial replenishment.

A quantity of waste water, after appropriate treatment, is discharged into consortium sewers or, in the case of Verona, into surface water. Chemical and physical analyses are carried out periodically to check the quality of the discharged water in relation to the limits set by the individual authorisations and the applicable legal provisions. Minimum standards for the discharge of water for industrial use are set by national and local regulations, and reported within the Integrated Environmental Authorisations.
The industrial discharges of Osoppo and Potenza are managed by a consortium for the industrial area, while the discharges of Verona are managed by a company sewage treatment plant, which releases the discharge into the surface water body.
Water for human consumption is withdrawn, for all plants, from private or public waterworks in the area.

Total water abstraction decreased by 7.8% in 2020 compared to 2019

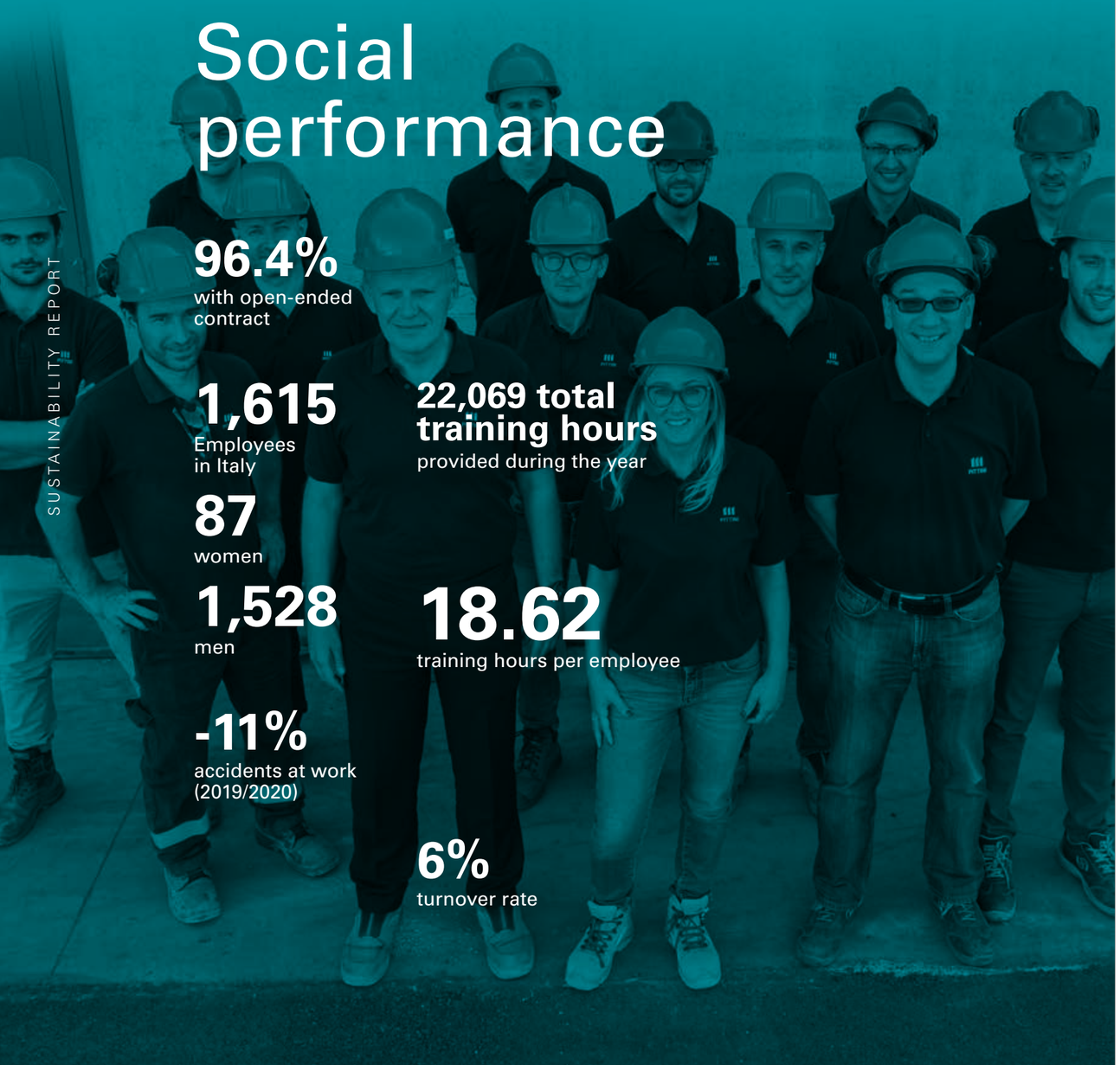
Use of water resources in the Group (MC/ton)



Water consumption decreased by 20.6% in 2020 compared to 2019

3/ SOCIAL PERFORMANCE

Social performance



Partnerships and collaborations: valorising the territory and local communities

Synergistic inclusion in the territory in which we operate is a key element in defining our actions and in fulfilling our values. Reliability, accountability, commitment, innovation and growth guide our internal culture, are vectors of interaction with local communities and constitute guidelines in the selection of the initiatives we support with a strong social value. The company has always been committed to solidarity: examples of this are the economic contributions and the supply of equipment or instrumental means given to various schools (Bearzi and Volta Institutes, both based in Udine, and ISIS D'Aronco in Gemona) and local primary schools. The Group also offered its support in activities promoting school and university education, such as the 'I fuoriclasse della scuola' project - signed in collaboration between the Ministry of Education, Universities and Research and the Foundation for Financial and Savings Education - which awards scholarships to the most deserving students. It has also supported charitable associations, local amateur sports clubs and cultural organisations, the most recent of which was the 'I Maestri' exhibition in Illegio.

With a view to strengthening its charitable activities by targeting specific objectives, the **Pittini Group Foundation** was set up at the beginning of 2019. This body responds to the Pittini Group's desire to concretely express its social responsibility towards the community through projects and initiatives in the field of training, territory and solidarity. The Foundation aims, in particular, to contribute to the growth of communities through the disbursement of funds and the promotion of its own projects, acting throughout the country with a focus on the areas where the Group is present with its plants.

The value of people

People are the most valuable capital and are placed at the centre of all Pittini Group projects. Therefore, responsible and transparent management of employees, as well as internal enhancement of their skills, are essential elements for the growth and development of the whole organisation.
In particular, knowing how to attract new talents with different skills and professionalism and cultivate their potential over time, through continuous updates and ad hoc training courses, is an important lever for development in the continuous process of innovation, especially in relation to the growing need to find staff with specific technical skills. At the same time, the ability to retain employees and make them aware of their value as individuals, beyond figures and results, is an important long-term investment in both motivation and operational performance.

In the reporting year, the Pittini Group employed a total of **1,615** people in Italy. **96,4%** are employed on full-time permanent contracts, a slight increase on the previous year, and the total turnover rate is **6%**. In 2020, despite the Covid emergency, the Group continued to stabilise fixed-term contracts and through them to consolidate the professional skills available at the various companies.

3/ SOCIAL PERFORMANCE

All information below relates to the Pittini Group in Italy. The foreign subsidiaries Kovinar and Bstg (with 52 and 79 employees respectively in 2020) bring the total to **1,746**.

The Group is particularly attentive to the satisfaction of its employees, which is why it encourages constructive dialogue with employee representatives and social partners. Pittini applies the metalworkers category collective contract to all its employees who can take advantage of a wide system of second level collective bargaining that covers both the economic part and other aspects of the employment relationship such as safety, training and professional development.
In order to find the best talent and offer valuable opportunities, the Group has, over time, built strong relationships with the world of education.

BITS (ITS label) and BAQ (quality apprenticeship label) certifications have been obtained and maintained in recent years.

In the year 2020, **93 school-to-work projects** were launched in cooperation with **9 national universities** and **28 regional schools**

Health and safety of employees as essential elements

The attention paid to employees is a key element in defining the actions to be undertaken, and the commitment to social sustainability can only go hand in hand with care for their health and safety, ensuring the same protections are afforded to everyone inside the various facilities.
To this end, a Workers' Safety Management System (WSMS) has been defined and implemented, certified according to ISO 45001:2018.
In accordance with the provisions of Legislative Decree (Consolidated Act) 81/2008, different actors collaborate within the WSMS and specific processes are foreseen for the investigation, identification and assessment of risks for activities through the application of hierarchical controls in order to eliminate or minimise risks. The personnel managing these processes are competent and responsible according to the meaning and definitions of the same regulation applied. The way in which any information from employees on the subject is acquired and used is also laid down in detail. The Group carries out constant monitoring in order to constantly improve its working conditions and performance.

In detail

The risks to which operators are exposed are often intrinsic to the type of activity carried out and to the characteristics of the steel sector: this does not detract from the fact that, although they cannot be completely eliminated, they must be subject to intense activity aimed at their maximum reduction.
The Group has developed ad hoc projects to underline the importance of protecting its employees and to bring the issue of safety to everyone's attention. In order to increase awareness of the most critical health and safety activities and processes, an area has been set aside for training on working at height and in confined spaces. In this way it is possible to experience and simulate, in a protected environment and in a practical way, different rescue situations.
A total of 74 accidents were recorded in 2020. Excluded from this count is the company Kovinar for which, due to Covid-19, data could not be recorded. The Group's commitment to the progressive and continuous reduction of the accident phenomenon led to an **11% decrease in accidents** compared to the previous year (in which there was already a 9% decrease compared to the previous year). Of particular note is the drastic drop in accidents with a prognosis of more than 30 days, down to 16 events from 46 in 2019 (-66%).

3/ SOCIAL PERFORMANCE

Talent management and skills enhancement

The Group emphasises the growth of its human resources and the continuous improvement of skills and professionalism that have a decisive influence on the company's success. **Investment in training, combined with the ability to retain resources by building staff loyalty, plays a strategic role here.**
The first period in the company is decisive for a successful continuation of the professional career, which is why the company is committed to ensuring that everyone feels welcome from day one and has all the tools necessary to work at their best. With the aim of introducing new recruits to the new environment, the '**Steel Date**' project was launched a few years ago to familiarise them with the environment, company functions, corporate culture and colleagues.

The management of personnel training is entrusted to the **corporate school Officina Pittini per la Formazione**, founded in 2003, which takes care of all projects at Group level according to the specific training needs and the annual budget allocated to them. Since 2004, the corporate school has been accredited by the Friuli Venezia Giulia Region and participates in funded training programmes. Training is carried out both in the classroom, in the company's own facilities, and remotely, thanks to the new **MyOPF platform** activated in 2020. A total of **22,069 hours of training** were provided during the year, an increase on the previous year, with an average of **18.62 hours per employee.**

Officina Pittini per la Formazione (OPF)

*It was founded in 2003 as the **corporate school of the Pittini Group** and is one of the first corporate schools in Italy. It is a non-profit organisation and was accredited by the Friuli Venezia Giulia Region's Training Department in 2004. As an accredited body, it has extended its activities outside the Group, offering courses and services for the benefit of the local area, individuals and companies. Over the years, the school has become a key player in the process of integrating the worlds of education and work, promoting the spread of an innovation-oriented entrepreneurial culture and offering training courses that are always up-to-date in terms of technology and organisation. OPF is a learning laboratory, where professional knowledge and transversal skills can be developed. In 2010 and 2014 the corporate school was awarded two prizes by Confindustria: the 'Orientagiovani' prize for alternating school-work is an award given for the commitment shown towards the training and orientation of students at technical and vocational schools in the region. In 2015, it obtained ISO 9001 certification, an internationally recognised standard for Quality Management Systems (QMS). In 2020, the school-to-work project developed by Officina Pittini per la Formazione with Istituto Malignani in Udine was among the finalists of the Eccellenze Duali 2020 competition, organised by the Italian-German Chamber of Commerce AHK, coming second.*

Management4Steel

*In 2019, the idea of creating a **steel academy** to develop young talent and prepare them for managerial roles within the Group became a reality. The project, developed in collaboration with Aso, Duferco and Feralpi, aims to train boys and girls through the acquisition of technical and management skills, increasingly oriented towards Industry 4.0 and the strengthening of soft skills. This initiative also promotes the creation of an internal network within the steel industry, in which collaboration and transversal knowledge will be the main competitive levers. The Pittini Group has chosen to involve in the first edition three young profiles with high potential from Ferriere Nord, SIAT and Acciaierie di Verona. The employees involved completed their training in September 2020.*

Steel Training

*2019 saw the implementation of another one-year training project, in collaboration with Istituto Salesiano Bearzi in Udine. The **training-work course**, aimed at new graduates in the mechatronics field, involved eight selected young people who, for twelve months, were able to deepen their technical knowledge and soft skills, combining theoretical training in the classroom (550 hours) with valuable work experience in the various company departments (1,300 hours of practical activity). At the end, the participants obtained the qualification of technicians specialised in the operation and maintenance of automated systems and were hired by the Pittini Group with an open-ended contracts. 2020 saw the launch of the second edition of this project. Due to the advent of Covid-19, the candidate selection phase was managed by the HR department through an assessment centre, which for the first time was carried out completely remotely.*

4/ FINANCIAL PERFORMANCE

Financial performance

300
million €
Investment
(2016-2020)

1,33
billion € Turnover

66%*
of which was exported

1.409.846.608
Direct economic value generated

1.364.888.631
Economic value distributed

13.500
hours in Research activities

*Values refer to the consolidated financial statements of C.S.I. S.r.l.

The Group's commitment and creation of economic value

Turnover	2018	2019	2020
Turnover in billion €	**1.55**	**1.49**	**1.33**
of which % exported	**63%**	**63%**	**66%**

Pittini Group's turnover (values referred to the consolidated financial statements of C.S.I. S.r.l.), which fell in 2020 by -10% due to Covid-19, has achieved an average annual growth since 2016 of + 6% thanks to the contribution of the new company acquired in 2015, Acciaierie di Verona S.p.A., and to the growth of exports, which now account for 66% of turnover.
Below you will find the economic value generated by the three reporting companies:

Direct economic value generated	2018	2019	2020
Direct economic value generated corresponding to wealth produced	**1,632,494,604**	**1,526,943,960**	**1,409,846,608**

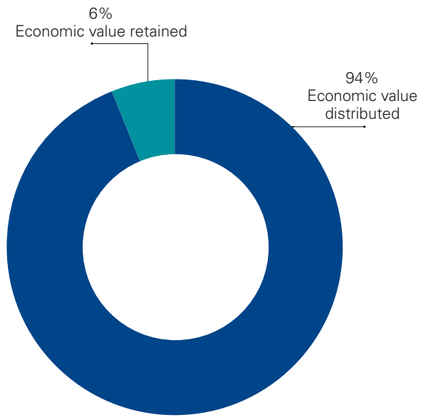
Economic value distributed	2018	2019	2020
Operating costs: personnel, financial charges...	**1,605,388,234**	**1,485,670,381**	**1,364,888,631**

Economic value retained	2018	2019	2020
Value generated minus value distributed	**27,106,370**	**41,273,579**	**44,957,977**

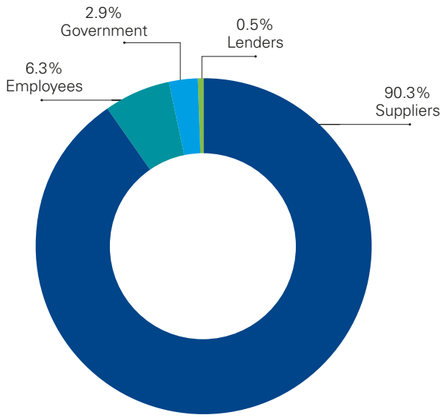
4/ FINANCIAL PERFORMANCE

The largest share of the value distributed is paid to suppliers for the purchase of raw materials, ancillary materials, consumables, goods, services (mainly energy and transport services) and for the rental of machinery and equipment. The second largest share is allocated to employees for the payment of wages, salaries and other costs associated with personnel management; lower percentages are allocated to lenders (financial charges and dividend distribution). Then there are payments to the government (current taxes and operating tax expenses) and investment for the development of the territory and local communities.

Economic value generated (2020)



Economic value distributed (2020)

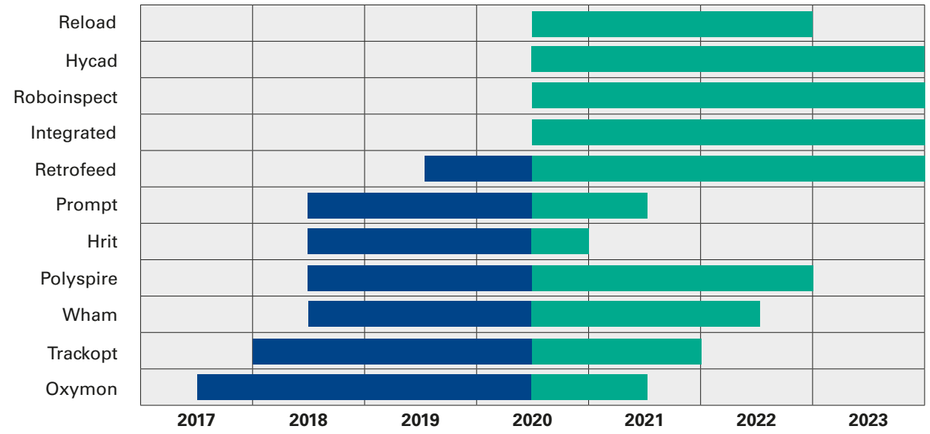


The graphs refer not only to the three reporting companies but to all the companies of the Group Compagnia Siderurgica Italiana S.r.l..

Innovating to grow in value and improve products

The Group has always invested in research and innovation as a central element in safeguarding and promoting the company's competitiveness in the medium and long term, with favourable effects on economic, environmental and social performance.

The Group's research and innovation projects and the timeframe for their implementation can be found in the table below:



Also in 2020, in line with previous years, Group companies carried out experimental activities aimed at increasing product quality, technological improvement of plants in view of **Industry 4.0** and efficiency of production processes, with particular attention to the synergies that can be developed in the reduction of environmental impacts, circular economy and safety in the workplace.
To date, **98 partners** from **17 countries**, including **12 universities** and **7 research centres**, have been involved in the initiatives.
There are **11 projects** currently underway, covering the plants in **Osoppo** (steelworks, rolling mill and cold processing plant), **Potenza** (rolling mill) and **Verona** (plant).
The projects are part of the European Programmes RFCS - Research Fund for Coal and Steel, Horizon 2020, the Regional Operational Plan of the European Regional Development Fund (ROP ERDF) and the National Operational Plan Research & Innovation (NOP R&I). In 2020, the Group devoted more than **13,500 hours to research** on product quality, process technologies and environmental protection, i.e. focused on obtaining new benefits in terms of the circular economy.

4/ FINANCIAL PERFORMANCE

Investment

In the Pittini Group, the investment made in the period 2016-2020 exceeded **€ 300 million** with an average incidence on turnover for the period of over **4.6%** (3.9% in 2020 due to the slowdown in the supply of equipment by suppliers due to the difficulties related to the pandemic), higher than the national incidence; according to the 'Report on the competitiveness of productive sectors', published by ISTAT, the national average incidence in the period 2016-2018 (last available data) was 2.9%.
The Group has always believed and invested in research and innovation activities as a central element in safeguarding and promoting the company's competitiveness in the medium and long term, with favourable effects on economic, environmental and, therefore, social performance.
Also in 2020, in line with previous years, Group companies carried out experimental activities aimed at increasing product quality, technological improvement of plants in view of Industry 4.0 and efficiency of production processes, with particular attention to the synergies that can be developed in the reduction of environmental impacts, circular economy and safety in the workplace.

Investments of Pittini Group (€ Billion)	2018	2019	2020
Turnover	**1,546**	**1,488**	**1,326**
Investments of the Group	**95**	**77**	**51**
% of turnover	**6.2%**	**5.2%**	**3.9%**

Green Steel environmental protection development programme in Potenza

Green Steel is a project involving the Potenza plant with environmental protection at the forefront. This is a wide-ranging plan, launched in 2018 and due to be completed by 2023, which identifies an investment programme made up of a series of complex interventions whose common denominator is the improvement of the effects of production activity on the environment. The main objectives are to rationalise water consumption, reduce atmospheric emissions, increase the energy efficiency of the processes, improve noise impact and cover the area dedicated to the storage of ferrous material. These measures will raise the level of environmental protection beyond what was established by the European Commission with the 'Implementing Decision 2012/135/EU' of 28 February 2012, which establishes the conclusions on the best available techniques (BATs - Best Available Techniques) for the production of iron and steel.
The programme consists of five actions:

- The '**Water Closed Circuit**' project involving the process water cooling system of the plant through the adoption of closed-circuit technologies, with the use of air-cooled exchangers, which will allow the reduction of water consumption thanks to its reuse. The planned plant modifications will also allow other objectives to be achieved, including the reduction of additive consumption, the improvement of noise impact and the reduction of steam emissions (fumes).
- The '**GREEN EAF**' project involving the electric arc furnace at the steelworks in order to improve its environmental performance. The solutions identified are characterised by the use of the most modern technologies applicable to the steel industry and will allow the reduction of electricity consumption, the reduction of CO_2 produced during the smelting process, the improvement of noise impact and the reduction of lime consumption
- The '**Emissions Reduction**' project involving further reduction of atmospheric emissions through two specific measures adopted in the industrial processes of the plant. In particular, the changes will involve upgrading the flue gas extraction system of the steel mill and improving the efficiency of the preheating furnace of the rolling mill.
- The '**Scrap Area Covering**' project involving the extension of the covered area of the ferrous material storage area. The features of this new construction will ensure indoor storage, reduction of dust and noise emissions from material handling.
- The '**Soundproofing**' project consisting in the construction of systems for the confinement and reduction of noise coming from the plant, in particular from the areas where the systems that constitute the major sources of noise emission are located. These are several measures that will confine and reduce noise emissions to the neighbouring areas of the plant. In addition, a green barrier will be built around the perimeter of the plant, using different plant species to mitigate noise from the industrial site.

The programme is co-financed by the European Union, European Regional Development Fund - Operational Programme Enterprise and Competitiveness 2014-2020.

UNIONE EUROPEA
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PON IMPRESE E COMPETITIVITÀ 2014-20
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4/ FINANCIAL PERFORMANCE

The Susteel - Sustainable Steel environmental protection development programme in Verona

The project aims to contribute to the reduction of the environmental impact of the plant located in Verona through a number of measures aimed at minimising the pollutants released into the atmosphere during the various phases of the production cycle and at reducing energy consumption by the plant. The investment programme started in 2020 and will be completed by 2023.
Over the last few years, the Verona production unit has undergone a major modernisation of its systems, both in the steelworks and in the rolling mill, called 'Masterplan'. The activities carried out to date have resulted in a modern and efficient production plant.
What is now being pursued with the Susteel - Sustainable Steel programme is an equally important increase in environmental sustainability. There are three projects planned, the first two of which are aimed at improving environmental performance beyond the levels required by sector regulations:

- **Scrap Area Covering.** The investment project for the extension of the covered scrap area includes the extension of the current covered area. The new facility will allow the material to be stored in a protected area, preventing possible dust emissions and reducing the noise produced to the outside. In addition, a rail connection is planned to serve the new covered area, which will reduce the movement of material by road in favour of an increase in the use of rail wagons, with a positive impact on the management of vehicle traffic and urban road system.

- **Flue Gas System Upgrading.** Investment project to increase the extraction capacity of the flue gas system serving the steelworks, aimed at reducing diffuse emissions into the atmosphere.

In addition to improving the filtering capacity and thus reducing dust emissions into the surrounding environment, the investment will also reduce the energy consumption and noise impact of the plant.

- The third project included in the development programme is the **Direct Billet Transfer System** , which aims to introduce significant energy savings into the production cycle.
In particular, the hot billets leaving the steelworks, which will undergo the subsequent rolling process, are currently cooled and stored in an intermediate warehouse. For the subsequent rolling process, the billet must then be heated in a special preheating furnace. The creation of an intermediate system for transferring hot billets from the steelworks to the rolling mill will allow energy savings equal to the amount of methane that must be used to preheat the billet.
The new underground automatic roller conveyor will allow further benefits related to the decommissioning of diesel handling equipment, and in particular the reduction of emissions related to their exhaust fumes and the increase of safety levels of the operations.

The measures that will be adopted in the context of the programme are essentially aimed at achieving environmental protection objectives that will allow the production site to reduce its impact on the surrounding urban environment in particular.

5/ METHODOLOGY

GRI index

The purpose of this report is to disclose the Pittini Group's commitment and the information contained within the Sustainability Review. The Sustainability Report is prepared, drafted and published on **an annual basis**. The reporting period is the '**calendar year**'. This report refers to 2020 and to the 3 companies Ferriere Nord S.p.A. Osoppo plant, Siderpotenza S.p.A. Potenza plant and Acciaierie di Verona S.p.A., unless otherwise specified.
Information relating to the individual production sites mentioned above and reported in accordance with selected and applicable parts of certain GRI topic-specific standards, as GRI-referenced, is available in the document 'Sustainability Review', which can be provided to stakeholders upon request by writing to the email: pittinigroup@pittini.it.
It has been **audited for assurance (GRI-referenced)**.
The GRI topic-specific standards and related parts to which the Sustainability Report refers and according to which the information has been reported are specified in the table below.

Disclosure	GRI 201: ECONOMIC PERFORMANCES 2016
201-1	Direct economic value generated and distributed

Disclosure	GRI 301: MATERIALS 2016
301-1	Materials used by weight or volume
301-2	Recycled input materials used

Disclosure	GRI 302: ENERGY 2016
302-1 a-e, g	Energia consumata all'interno dell'Organizzazione
302-3	Intensità energetica
302-4 a,b	Riduzione del consumo di energia

Disclosure	GRI 303: WATER AND EFFLUENTS 2018
303-1 a	Interactions with water as a shared resource
303-3 a,b,c	Water withdrawal
303-4 a,b,c	Water discharge
303-5 a,b	Water consumption

Disclosure	GRI 305: EMISSIONS 2016
305-1 a,b,d,e,f	Direct (Scope 1) GHG emissions
305-2 a,c,e	Energy indirect (Scope 2) GHG emissions
305-4	GHG emissions intensity
305-7 a,b	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions

Disclosure	GRI 306: WASTE-2020
306-1	Waste generation and significant waste-related impacts
306-3 a	Waste generated

ASSURANCE

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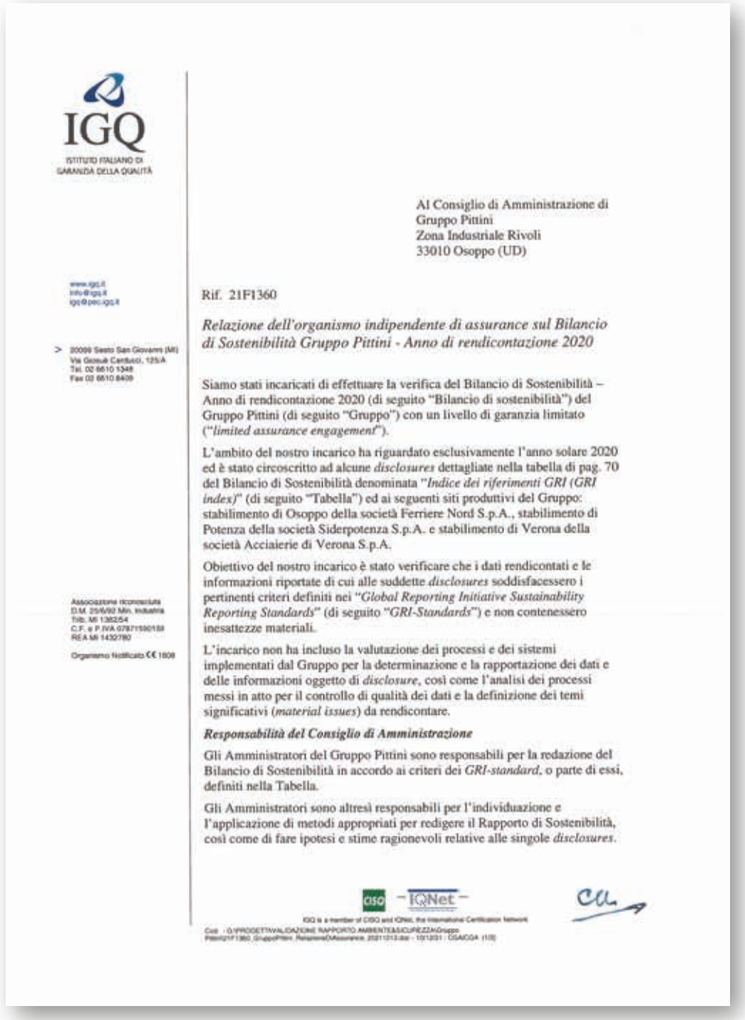

IGQ
ISTITUTO ITALIANO DI GARANZIA DELLA QUALITÀ

Al Consiglio di Amministrazione di
Gruppo Pittini
Zona Industriale Rivoli
33010 Osoppo (UD)

Rif. 21F1360

Relazione dell'organismo indipendente di assurance sul Bilancio di Sostenibilità Gruppo Pittini - Anno di rendicontazione 2020

Siamo stati incaricati di effettuare la verifica del Bilancio di Sostenibilità – Anno di rendicontazione 2020 (di seguito "Bilancio di sostenibilità") del Gruppo Pittini (di seguito "Gruppo") con un livello di garanzia limitato ("*limited assurance engagement*").

L'ambito del nostro incarico ha riguardato esclusivamente l'anno solare 2020 ed è stato circoscritto ad alcune *disclosures* dettagliate nella tabella di pag. 70 del Bilancio di Sostenibilità denominata "*Indice dei riferimenti GRI (GRI index)*" (di seguito "Tabella") ed ai seguenti siti produttivi del Gruppo: stabilimento di Osoppo della società Ferriere Nord S.p.A., stabilimento di Potenza della società Siderpotenza S.p.A. e stabilimento di Verona della società Acciaierie di Verona S.p.A.

Obiettivo del nostro incarico è stato verificare che i dati rendicontati e le informazioni riportate di cui alle suddette *disclosures* soddisfacessero i pertinenti criteri definiti nei "*Global Reporting Initiative Sustainability Reporting Standards*" (di seguito "*GRI-Standards*") e non contenessero inesattezze materiali.

L'incarico non ha incluso la valutazione dei processi e dei sistemi implementati dal Gruppo per la determinazione e la rapportazione dei dati e delle informazioni oggetto di *disclosure*, così come l'analisi dei processi messi in atto per il controllo di qualità dei dati e la definizione dei temi significativi (*material issues*) da rendicontare.

Responsabilità del Consiglio di Amministrazione

Gli Amministratori del Gruppo Pittini sono responsabili per la redazione del Bilancio di Sostenibilità in accordo ai criteri dei *GRI-standard*, o parte di essi, definiti nella Tabella.

Gli Amministratori sono altresì responsabili per l'individuazione e l'applicazione di metodi appropriati per redigere il Rapporto di Sostenibilità, così come di fare ipotesi e stime ragionevoli relative alle singole *disclosures*.

IQNet
IQG is a member of CISQ and IQNet, the International Certification Network

ASSURANCE

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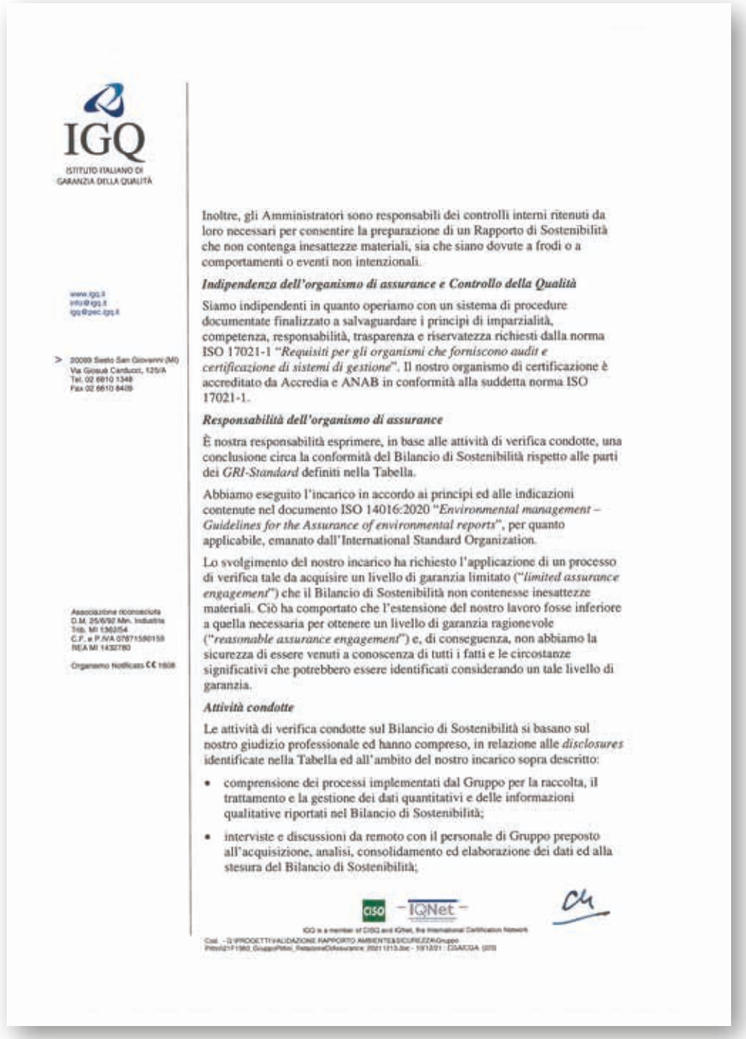

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Inoltre, gli Amministratori sono responsabili dei controlli interni ritenuti da loro necessari per consentire la preparazione di un Rapporto di Sostenibilità che non contenga inesattezze materiali, sia che siano dovute a frodi o a comportamenti o eventi non intenzionali.

Indipendenza dell'organismo di assurance e Controllo della Qualità

Siamo indipendenti in quanto operiamo con un sistema di procedure documentate finalizzato a salvaguardare i principi di imparzialità, competenza, responsabilità, trasparenza e riservatezza richiesti dalla norma ISO 17021-1 "*Requisiti per gli organismi che forniscono audit e certificazione di sistemi di gestione*". Il nostro organismo di certificazione è accreditato da Accredia e ANAB in conformità alla suddetta norma ISO 17021-1.

Responsabilità dell'organismo di assurance

È nostra responsabilità esprimere, in base alle attività di verifica condotte, una conclusione circa la conformità del Bilancio di Sostenibilità rispetto alle parti dei *GRI-Standard* definiti nella Tabella.

Abbiamo eseguito l'incarico in accordo ai principi ed alle indicazioni contenute nel documento ISO 14016:2020 "*Environmental management – Guidelines for the Assurance of environmental reports*", per quanto applicabile, emanato dall'International Standard Organization.

Lo svolgimento del nostro incarico ha richiesto l'applicazione di un processo di verifica tale da acquisire un livello di garanzia limitato ("*limited assurance engagement*") che il Bilancio di Sostenibilità non contenesse inesattezze materiali. Ciò ha comportato che l'estensione del nostro lavoro fosse inferiore a quella necessaria per ottenere un livello di garanzia ragionevole ("*reasonable assurance engagement*") e, di conseguenza, non abbiamo la sicurezza di essere venuti a conoscenza di tutti i fatti e le circostanze significativi che potrebbero essere identificati considerando un tale livello di garanzia.

Attività condotte

Le attività di verifica condotte sul Bilancio di Sostenibilità si basano sul nostro giudizio professionale ed hanno compreso, in relazione alle *disclosures* identificate nella Tabella ed all'ambito del nostro incarico sopra descritto:

- comprensione dei processi implementati dal Gruppo per la raccolta, il trattamento e la gestione dei dati quantitativi e delle informazioni qualitative riportati nel Bilancio di Sostenibilità;
- interviste e discussioni da remoto con il personale di Gruppo preposto all'acquisizione, analisi, consolidamento ed elaborazione dei dati ed alla stesura del Bilancio di Sostenibilità;

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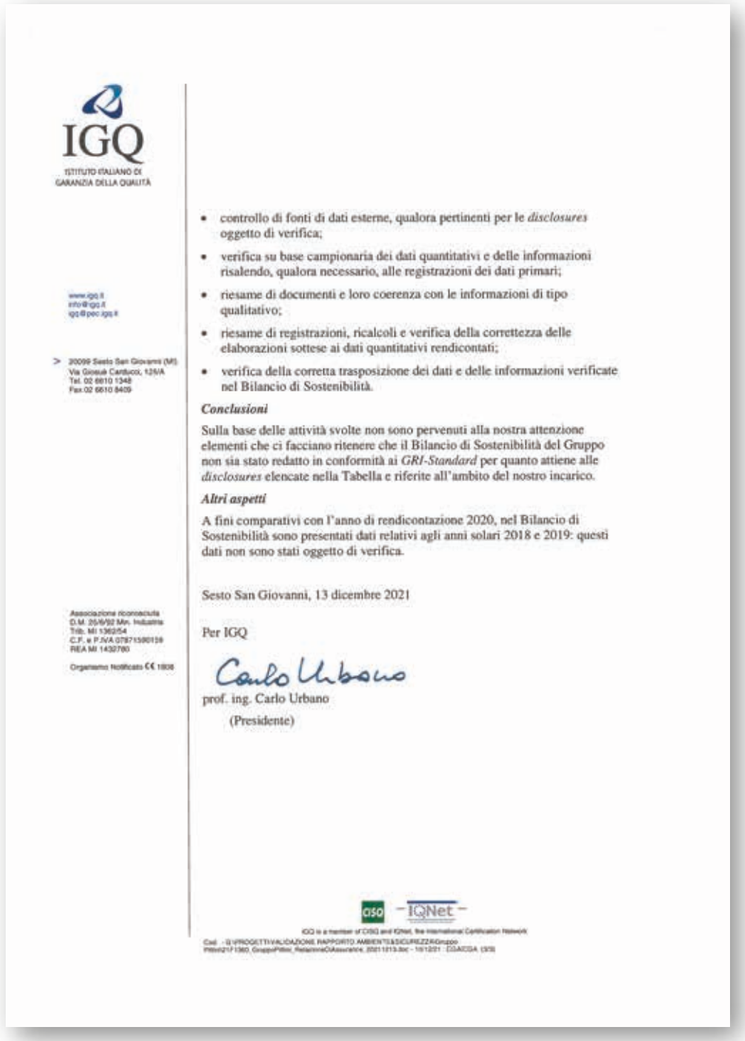

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- controllo di fonti di dati esterne, qualora pertinenti per le *disclosures* oggetto di verifica;
- verifica su base campionaria dei dati quantitativi e delle informazioni risalendo, qualora necessario, alle registrazioni dei dati primari;
- riesame di documenti e loro coerenza con le informazioni di tipo qualitativo;
- riesame di registrazioni, ricalcoli e verifica della correttezza delle elaborazioni sottese ai dati quantitativi rendicontati;
- verifica della corretta trasposizione dei dati e delle informazioni verificate nel Bilancio di Sostenibilità.

Conclusioni

Sulla base delle attività svolte non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che il Bilancio di Sostenibilità del Gruppo non sia stato redatto in conformità ai *GRI-Standard* per quanto attiene alle *disclosures* elencate nella Tabella e riferite all'ambito del nostro incarico.

Altri aspetti

A fini comparativi con l'anno di rendicontazione 2020, nel Bilancio di Sostenibilità sono presentati dati relativi agli anni solari 2018 e 2019: questi dati non sono stati oggetto di verifica.

Sesto San Giovanni, 13 dicembre 2021

Per IGQ

prof. ing. Carlo Urbano
(Presidente)

Associazione riconosciuta
D.M. 25/9/92 Min. Industria
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Organismo Notificato CE 1808

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Portfolio

Consultant:
Allaround

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