CORPORATE RESPONSIBILITY REPORT

2018

voestalpine

ONE STEP AHEAD.

www.voestalpine.com

TABLE OF CONTENTS

1. PREFACE

Ladies and Gentlemen, Dear Reader

The third voestalpine Corporate Responsibility (CR) Report appears at a time of ever-growing concern about the climate, both in meteorological terms and in a political and economic sense. Advancing power politics in particular, in more and more countries of the world, are increasingly leading to armed conflicts, sanctions, and the introduction of trade barriers. In an environment already generally characterized by escalating global uncertainty, climate change and the global warming that follows constitute a challenge of a scale hitherto unknown for decision-makers in politics and business.

Responsible corporate management demands that we face these challenges, and actively work to shape our future. voestalpine has most recently documented its commitment to this task by signing up to policies including the UN Global Compact and the worldsteel Sustainable Development Charter. Within the company we have clearly formulated the corresponding guidelines and objectives in our CR Strategy; this document sets out voestalpine's understanding of sustainability, including the planning and implementation of projects and measures through to the associated reporting, for all of the Group's activities, from procurement and production through to customers and employees.

A key input for managing our sustainability activities comes from the Sustainable Development Goals (SDGs). Formulated in dialogue with the stakeholders and signed by 193 UN Member States, these 17 goals address the major challenges facing business and society. While formulating our strategy here at voestalpine, we have considered at great length the goals to which we can make a coherent, and thus effective, contribution. They are set out in detail in the chapter on "CR Strategy" and are repeatedly highlighted in the form of symbols throughout this report. This visual concept creates a graphic connection between our Group's products and processes and the SDGs as the guiding principle behind our actions.

At the focus of our efforts to make a sustainable contribution to climate protection lie comprehensive measures to reduce CO_2 emissions and generally decarbonize our processes, i.e., to replace fossil fuels with renewable sources of energy. This requires profound technological changes to our manufacturing processes over the next decades. In research projects and pilot facilities we are working on process innovations which are also explained in more detail in this report. For example, from today's viewpoint we consider hydrogen, at least to some extent, as a promising alternative to coal and coke, today's conventional sources of energy. However, it remains to be seen whether the technological process is both viable and economically feasible.

In a networked world sustainability and responsibility know no boundaries. Nowadays, assessing a product over its entire life cycle and considering the supply chain as a whole is standard procedure in modern CR reporting. voestalpine has actively addressed both of these issues over the past years. Undertaking life cycle assessments (LCA) requires permanent, close contact with our suppliers and customers as this is the only possible means of gaining a transparent and comprehensive overview of this complex sustainability measure. Incidentally, this also demonstrates the special characteristics of steel as a material which, with a relatively manageable energy input, is infinitely recyclable.

In order to model the many aspects of sustainability in purchasing and in the logistics chains in our production we have launched a comprehensive Sustainable Supply Chain Management (SSCM) project. In a first phase the supply chain for sophisticated steel products has been examined. Risks have been defined, and procedures related to supplier management have been analyzed and optimized, for all materials and all regions. You will find more information on this topic in the chapter on “Transparency in the supply chain”.

Behind all these projects, and the joint efforts to make an active contribution towards a livable future for our planet, stands the know-how and daily commitment of more than 50,000 dedicated voestalpine employees all around the world. As an employer, voestalpine's primary responsibility is to its employees and their families. For that reason, we have established extremely strict standards within the Group in the fields of health & safety, training and continuing education, as well as equal treatment and diversity, and encourage the sharing of best practice models between our 500 sites around the world.

This is the third voestalpine Group CR Report. Although the formal nature of our reporting remains a recent development, the concept of sustainability has a long history as an integral part of our daily business life. Both in developing new and more environmentally-friendly processes, and conserving resources during production, our company has traditionally adopted a leading role within its industry—and this applies to all its areas of business. For example, in 2017 the World Steel Association (worldsteel) named voestalpine as one of six 'Steel Sustainability Champions' worldwide. Awarded for the first time, this accolade honors companies whose sustainability activities make them a model for the industry. Their key selection criteria are commitment, performance, and activities.

Austrian legislators have highlighted the significance of sustainable business by introducing the Sustainability and Diversity Improvement Act (NaDiVeG) which came into force in 2016. In it companies which meet defined criteria are obliged to provide regular communications on their activities and performance in these fields. The CR Report meets this obligation for all of the Group's companies, and will therefore be published on an annual basis in future. A condensed Fact Sheet will be published in parallel, offering a summarized overview in 14 languages in order to cover all of our company's most important markets, and supplemented by communications via social media. We hope that in doing so we can provide our stakeholders, in particular suppliers, customers, employees, shareholders, and political decision-makers, with a comprehensive overview of what we have achieved so far, and our future plans relating to corporate responsibility and sustainability.

Dr. Wolfgang Eder
Chairman of the Management Board
CEO of voestalpine AG

2. ABOUT THIS REPORT

This report is the third Group-wide Corporate Responsibility Report (CR Report) of voestalpine AG. It contains information and data about the activities and performance concerning the sustainable development of the company. The United Nations Agenda 2030 with its 17 Sustainable Development Goals (SDGs) provides a recognized global framework for viable and sustainable development. For this reason, for the first time this issue of the report will refer to the SDGs, outlining the global sustainability goals which voestalpine strives to attain through its CR Strategy and sustainable business development.

STANDARDS AND SPECIFICATIONS

The present CR Report was prepared in accordance with the Global Reporting Initiative (GRI) sustainability reporting guidelines ("core" option), globally the most widespread and recognized framework for drawing up sustainability reports.

voestalpine has participated in the United Nations (UN) Global Compact since 2013. The initiative calls on companies around the world to implement ten principles covering the areas of human rights, labor standards, the environment, and anti-corruption. This CR Report documents the results of voestalpine's efforts to implement these principles in its corporate practice, and it is therefore a progress report on the implementation of the principles of the UN Global Compact (Communication On Progress; COP).

The Sustainability and Diversity Improvement Act (NaDiVeG)–the national implementation of EU Directive 2014/95/EU (NFI Directive) on the obligatory disclosure of non-financial indicators–came into force in Austria in December 2016. In publishing this report voestalpine is fulfilling the requirements of the NaDiVeG.

REPORT PARAMETERS

Unless otherwise stated, the information, facts, and figures published in this report refer to the entire voestalpine Group. The economic key figures and employee data encompass all of the Group's consolidated companies. When compiling the environmental performance indicators, all of the 130 voestalpine production companies, i.e., companies that process, convert, or treat a product, in which voestalpine has a stake greater than 50%, were included.

Sustainability impacts along the value chain that occur outside of voestalpine premises and beyond the Group's direct sphere of influence are only partially addressed in this report.

REPORT CONTENT

voestalpine addresses those issues relevant to the sustainable development of the company systematically and on an ongoing basis. Both external and internal stakeholders were included in the process of determining the content and material topics covered in this CR Report (see Chapter 4, “Stakeholders and material topics”).

REPORTING PERIOD

The voestalpine business year is from April 1 to March 31. The reporting period for the economic key figures and employee data comprises the business years 2016/17 and 2017/18; the environmental data refers to the 2016 and 2017 calendar years within the reporting period.

In order to improve comparability and to make the development of the key figures clear over a longer period, the tables depict the key figures of the last five business and/or calendar years.

REPRESENTATION OF INFORMATION

Over the past years voestalpine has developed to become a global leading technology and capital goods Group, with around 500 Group companies and locations worldwide. In addition to crude steel production at the primary production sites Linz and Donawitz, since fall 2016 voestalpine has operated a HBI plant in Corpus Christi (Texas), and also produces components at several sites from steel which is partially externally sourced. For that reason, in Chapter 11, "Environment", it has been necessary to redefine the previously applied "Crude steel production" reference values in order to calculate the specific environmental key figures.

REPORTING CYCLE

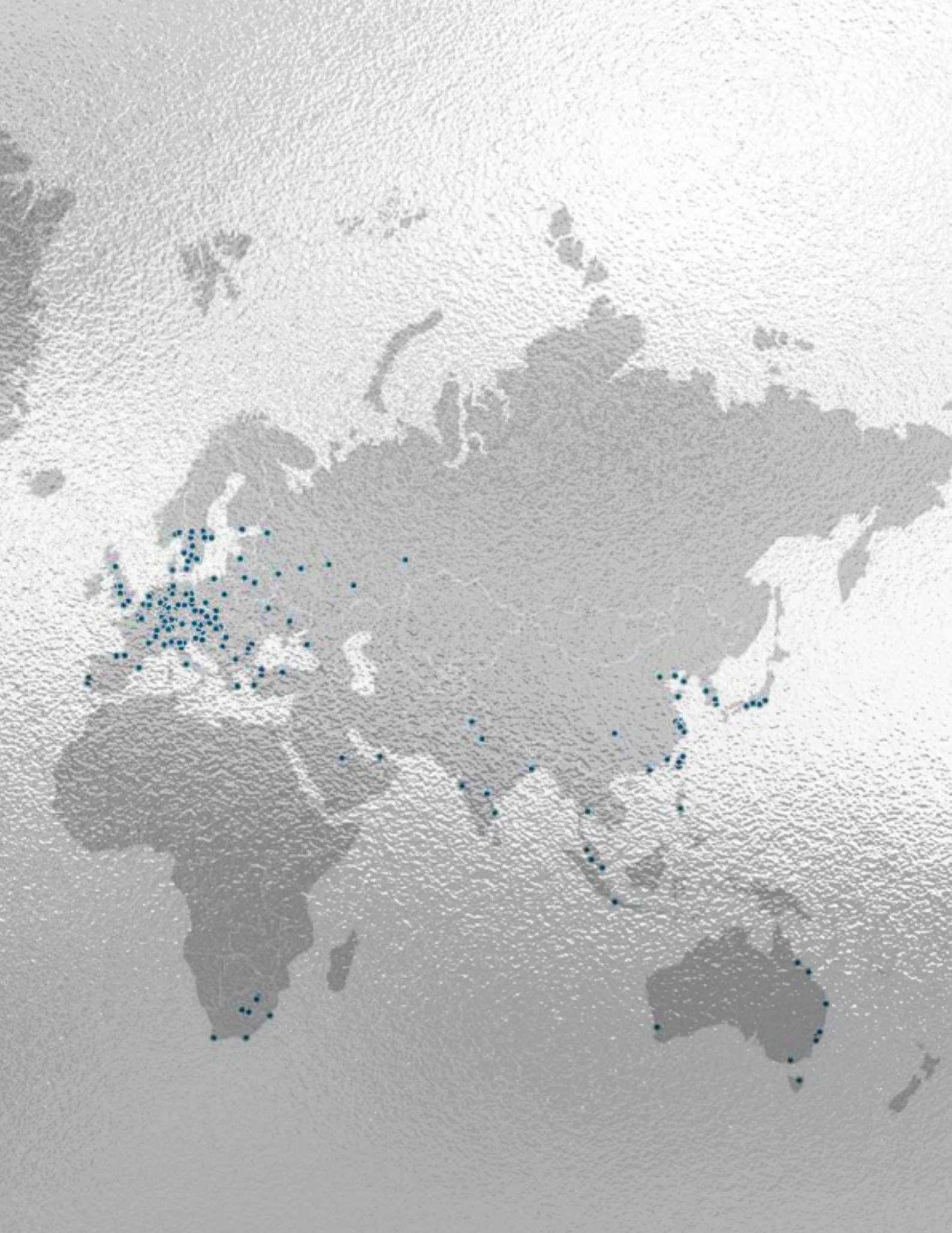
To date voestalpine has published a CR report every second year, and a CR Fact Sheet in the intervening years. In future the Group will publish its CR Report annually. The CR Fact Sheet, which summarizes the key facts and figures contained in the report, will also be published annually, concurrently with the CR Report.

LANGUAGES

The CR Report is published in German and English. The CR Fact Sheet is available in 14 languages.

3. FACTS, FIGURES, DATES

voestalpine is a global leading technology and capital goods Group, headquartered in Linz, Austria. The Group has 500 companies and locations in more than 50 countries and on all five continents.

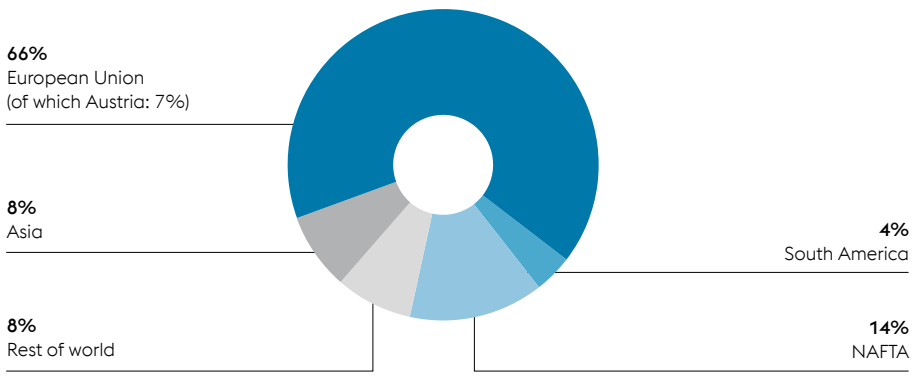


3.1 DEVELOPMENT OF THE KEY FIGURES

In millions of euros	2013/14	2014/15	2015/16	2016/17	2017/18
Revenue	11,077.2	11,189.5	11,068.7	11,294.5	12,897.8
EBITDA	1,374.0	1,530.1	1,583.4	1,540.7	1,954.1
EBITDA margin	12.4%	13.7%	14.3%	13.6%	15.2%
EBIT	788.4	886.2	888.8	823.3	1,180.0
EBIT margin	7.1%	7.9%	8.0%	7.3%	9.1%
Employees (FTE)	47,485	47,418	48,367	49,703	51,621
Research expenses	128.4	126.7	131.8	140.3	152.0
Operating expenses/ Environmental expenditures in Austria	218.0	222.0	237.0	231.0	258.0
Environmental investments (Austrian production sites)	23.0	43.0	55.0	46.0	40.0
Crude steel production (in millions of tons)	8.118	7.929	7.733	7.596	8.140

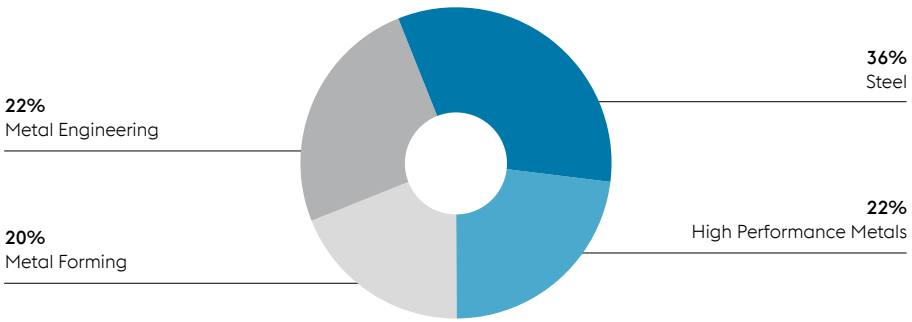
REVENUE BY REGIONS

As percentage of Group revenue, business year 2017/18



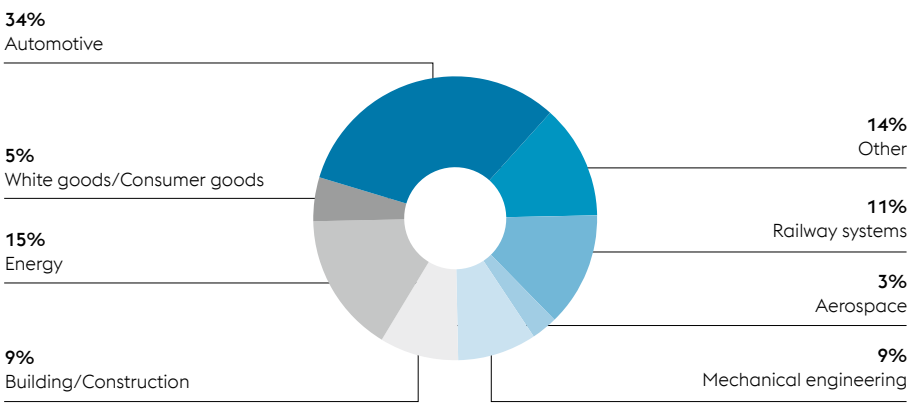
REVENUE BY DIVISIONS

As percentage of total divisional revenue, business year 2017/18



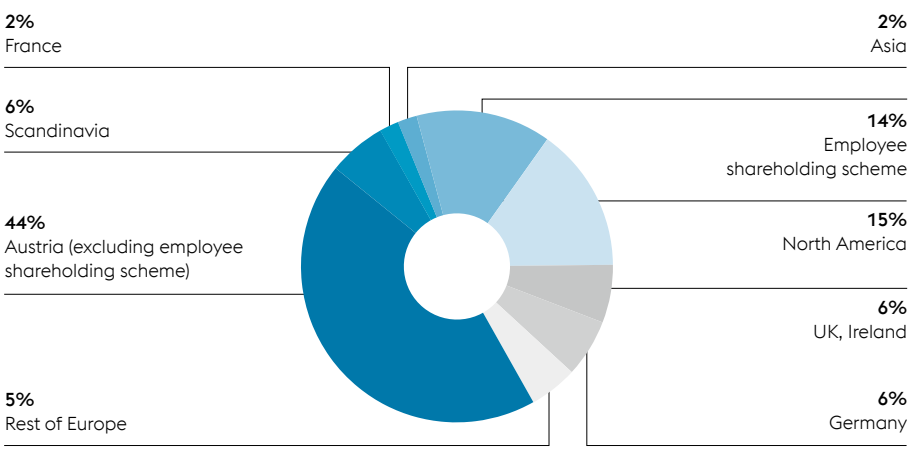
REVENUE BY INDUSTRIES

As percentage of Group revenue, business year 2017/18



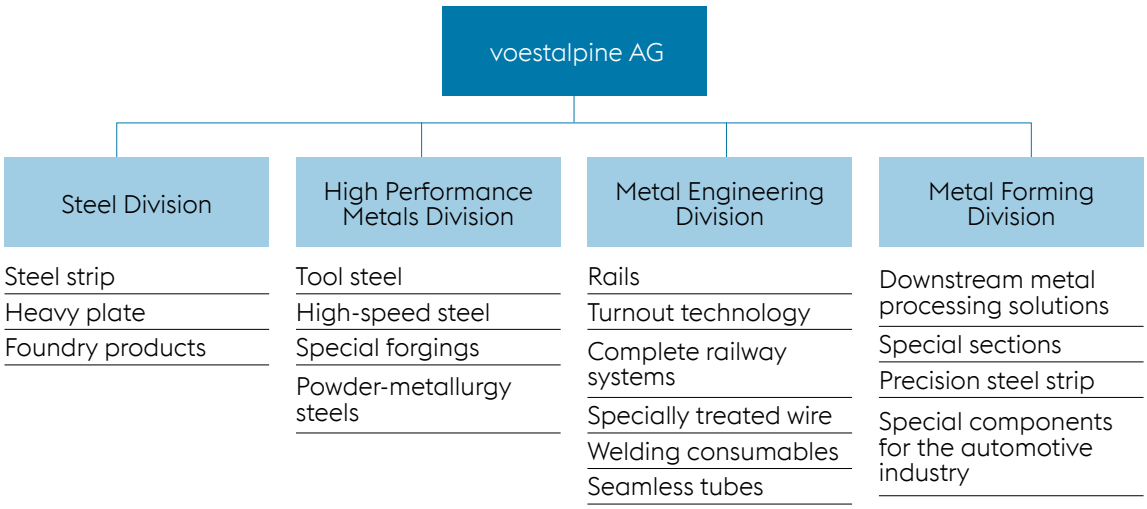
SHAREHOLDER STRUCTURE

As percentage, as of March 31, 2018



3.2 THE FOUR DIVISIONS

voestalpine is a leading global provider of product and system solutions in steel and other metals. Its significant level of material and processing expertise is applied in technology-intensive industries and niche sectors which demand the highest quality standards. The voestalpine Group consists of four divisions.



3.2.1 STEEL DIVISION

The Steel Division generates the most revenue in the Group. It is the leader in highest quality strip steel, as well as the global market leader in heavy plate for the most sophisticated applications, and complex casings for large turbines.

The Steel Division produces advanced hot and cold-rolled steel, as well as electrogalvanized, hot-dip galvanized and organically coated steel strip. Its other activities include electrical steel, heavy plate, a foundry, and a number of downstream sectors–the Steel & Service Center and the logistics service are managed as independent companies. In Corpus Christi, Texas, the division operates the world's most advanced direct reduction plant which produces high-quality prematerials (HBI) used in steel production both by voestalpine and external customers. The main divisional company and its largest operative enterprise is voestalpine Stahl GmbH in Linz.

The division is the first port of call for major automotive manufacturers and suppliers requiring strategic product development, and supports its customers around the world. It is also a key partner to the European white goods and mechanical engineering industries. The Steel Division produces heavy plate for the oil & natural gas industries, and for renewable energy, used under extreme conditions including for deep-sea pipelines and in permafrost regions.

To learn more about the Steel Division please visit:
http://www.voestalpine.com/group/en/divisions/steel/

3.2.2 HIGH PERFORMANCE METALS DIVISION

The High Performance Metals Division was established through the acquisition of Böhler-Uddeholm AG; it is a group of affiliated companies specialized in producing and processing technologically-sophisticated high performance materials, as well as customer-specific services including heat treatment, high-tech surface treatments, and additive manufacturing processes. Its production companies are located in Austria, Germany, Sweden, Brazil, and the USA. The High Performance Metals Division offers its customers material availability and processing, together with local contacts via its global network of sales and service centers.

The High Performance Metals Division manufactures long products, narrow strip, open die and closed die forgings in special steel. It is the global market leader for tool steel and a leading provider of high-speed steel, valve steels and other products made from special steels, as well as powder materials, nickel-based alloys and titanium. The most important customer segments are automotive, oil and natural gas exploration, mechanical engineering, as well as the consumer goods and aerospace industries.

The primary customer group is the tooling industry which mainly supplies the automotive and consumer goods industries. The second pillar of the division lies in components for extremely demanding applications in the oil & natural gas industry and in aerospace. The High Performance Metals Division is the leading global supplier to the aerospace industry. Companies in the division supply materials and components for engines and engine mountings, for fuselages, wings, and tail units, as well as components for landing gear, doors, and hatches, as well as forged parts.

To learn more about the High Performance Metals Division please visit:
http://www.voestalpine.com/group/en/divisions/high-performance-metals/

3.2.3 METAL ENGINEERING DIVISION

The Metal Engineering Division integrates the voestalpine Group's activities for long products in the steel, rail, wire and seamless tube business segments. It is the global market leader in turnout technology and associated signaling technology, as well as the European market leader in high-quality rails and quality wire. The division is also a leading provider of high-quality welding consumables.

The Metal Engineering Division produces the world's broadest assortment of high-quality rails and switch products, high-quality rod wire and drawn wire, pre-finished seamless tubes, medium and high-alloyed welding consumables, as well as semi-finished steel products.

The division also offers complete logistics and service packages for the rail and turnout technology business segments, including planning, transport, logistics, installation, and recycling. The Metal Engineering Division also has access to its own high-quality steelmaking facilities.

Products manufactured by the Metal Engineering Division are delivered worldwide to customers in the railway infrastructure, oil & natural gas, automotive, mechanical engineering, and construction industries.

To learn more about the Metal Engineering Division please visit:
http://www.voestalpine.com/group/en/divisions/metal-engineering/

3.2.4 METAL FORMING DIVISION

The Metal Forming Division is the competence center at voestalpine for highly developed special sections, tube and precision strip steel productions, as well as pre-finished system components made from pressed, stamped, and roll-formed parts. Around the world the division produces special tubes and sections to customer specifications, as well as highest quality precision steel tubes. The division also offers pioneering automotive body parts used in lightweight construction to the automotive industry and renowned suppliers. It also produces cold-rolled special strip steel for use in the most advanced applications. The division is also known as a provider of intelligent rack system solutions for complex logistics challenges.

The division's flexible, mid-sized units have the expertise to provide their customers with fast solutions to problems in all phases of the development and production process. Among its customers are practically all of the leading manufacturers in the automotive and automotive supply industries, with a definite focus on the premium segment, as well as numerous companies in the commercial vehicle, construction, storage, energy and (agricultural) machinery industries. Thanks to a combination of material expertise and processing competence which is unique in the industry, paired with its global presence, this division is the preferred partner to customers looking for innovation and quality.

To learn more about the Metal Forming Division please visit:
http://www.voestalpine.com/group/en/divisions/metal-forming/

4. STAKEHOLDER AND MATERIAL TOPICS

voestalpine has numerous stakeholder groups, whose concerns and interests vary significantly according to their field of activity.

When preparing the first Corporate Responsibility Report in 2013 the relevant stakeholder groups were defined and arranged in four groups. The voestalpine Corporate Responsibility Steering Committee regularly examines this list to ensure it remains complete and up to date. This committee is chaired by the CEO and includes the heads of the Group units Compliance, Legal, Environment, Research, Communication, Human Resources, health & safety, Investor Relations, Procurement, Raw Materials Procurement, and International Business Relations. It meets as required to discuss current issues. The CR executives and the management are also engaged in intensive bilateral communication on the subject of topics relevant to corporate responsibility.


3
GOOD HEALTH
AND WELL-BEING

4.1 STAKEHOLDER COMMUNICATION

voestalpine is in regular contact with the stakeholder groups outlined above by way of its Management Board, its executives, and employees. It makes use of numerous opportunities including discussions and panels with experts, conferences and trade fairs, analyst and investor meetings. Important formats for structured communication with internal stakeholders are the regular employee survey and annual performance dialogues. voestalpine is also represented on a wide variety of committees serving advocacy groups, trade associations and initiatives, as well as platforms.

During the reporting period there was contact with individual stakeholder groups across a whole range of different formats, and with respect to different topics, as described below.

4.1.1 EMPLOYEES

The voestalpine Group currently has a global workforce of over 50,000 employees. In addition to the annual performance dialogues for around 65% of its employees, the employee survey which is run every three years (with the next in 2019) plays a key role.

Following the last employee survey in 2016, a variety of measures were implemented, on topics such as information & communication, career development opportunities, and identification/ employer.

4.1.2 CUSTOMERS AND SUPPLIERS

voestalpine maintains open dialogue and close cooperation with all its business partners. These relationships, many of which are long standing, form the basis for trusted and transparent cooperation. They enable the development of new processes and products which meet the requirements of all those involved, as well as ensuring the responsible use of resources.

The voestalpine Code of Conduct is binding for suppliers and business partners, and forms part of its terms and conditions. Furthermore, there are also regular technical visits and viewings of the production sites. There is more information on this topic in Chapter 7, “Transparency in the supply chain”.

4.1.3 ANALYSTS AND INVESTORS

voestalpine AG has been listed on the Vienna Stock Exchange since 1995. Institutional investors and analysts are one of the company's key stakeholder groups. The members of the Management Board and the managers of the Investor Relations Department maintain close contact with shareholder representatives and investors, meeting at investor conferences, roadshows, and individual visits, in order to discuss current issues and the market situation. At regular intervals voestalpine holds so-called "Capital Markets Days" which are special investor events at which trends and developments related to a principle Group focus are presented.

4.1.4 RESEARCH INSTITUTIONS AND UNIVERSITIES

Working closely with universities and research institutions is essential, particularly in the field of research and development. voestalpine supports outstanding dissertations, Master's theses, and research projects, as well as funding endowed professorships. The voestalpine Management Board regularly attends special student events at institutions such as the Montanuniversität Leoben in order to answer questions from students. (For more details see Chapter 10, "Research and development".)

4.1.5 NGOS, ADVOCACY AND SPECIAL INTEREST GROUPS, AND PLATFORMS

voestalpine experts collaborate in various working groups and in committees of advocacy and special interest groups, and platforms such as EUROFER, worldsteel, ASMET, and Estep. voestalpine is also invited to contribute its knowledge and opinions on a variety of standpoints during EU consultations. Within the context of corporate responsibility, the focus lies on employee topics such as health & safety, and specific ecological issues including life cycle analysis (LCA).

In terms of environmental issues, voestalpine engages in intensive, facts-based exchanges with NGOs on the subject of energy and climate policy.

4.2 STAKEHOLDER DIALOGUE ON ENERGY AND CLIMATE POLICY

voestalpine engages in intensive dialogue with political decision-makers, advocacy groups, science and the interested public, at global as well as European and national level.

Since early 2016 an institutionalized dialogue forum has been actively considering the long-term direction of Austrian energy and climate policy. Representatives include the local branches of the WWF, GLOBAL 2000, and Greenpeace, the Austrian renewable energy umbrella association EEÖ, and voestalpine. The dialogue is moderated by the Federal Environment Agency (UBA).

The forum arose from the conviction that solving the conflicting aims of decarbonizing the economic system on one hand, and industrial interests on the other, is vital. It considers framework conditions which allow decarbonization to become a reality, while simultaneously ensuring that energy-intensive industries remain competitive during this transformation process.

At the turn of the year 2016/17 a joint consensus paper was drawn up which was then supported by all the dialogue partners in, for example, talks with the federal government and at various levels within the specialist departments, and contributed to shaping an integrated energy and climate strategy. The dialogue forum is expanded as required to include additional partners such as experts from business, ministries, and the energy sector, in order to discuss solutions and support their subsequent implementation.

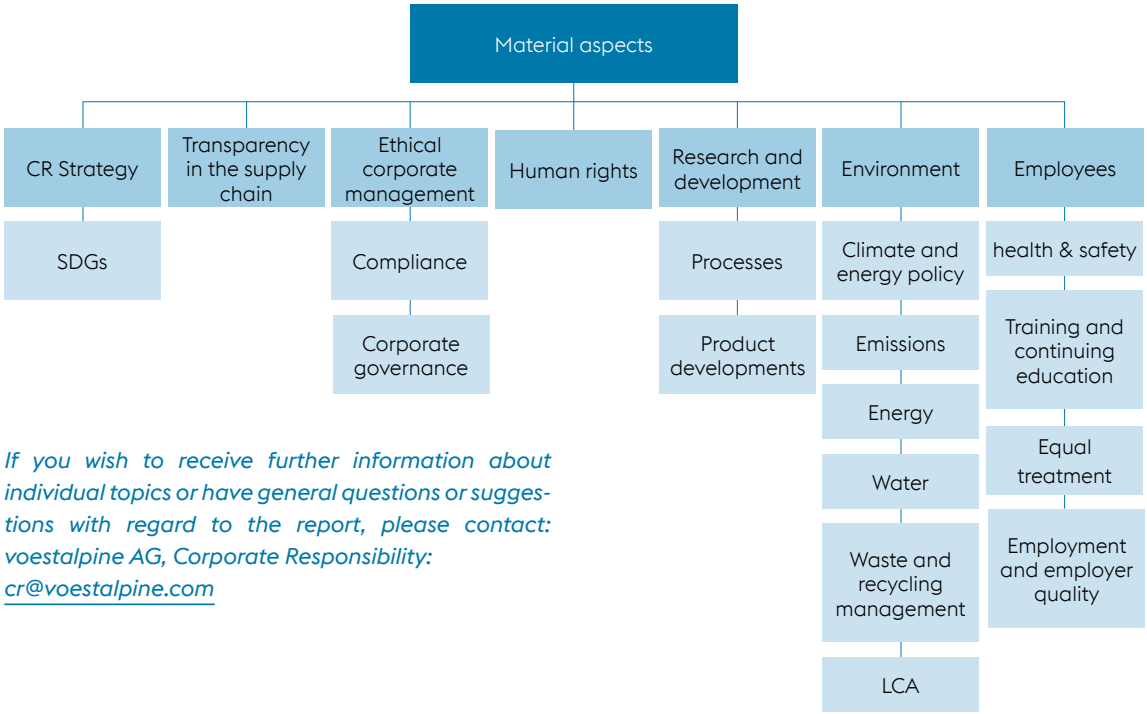
The consensus paper drawn up by the dialogue forum is available at: https://www.voestalpine.com/group/static/sites/group/.downloads/en/group/Consensus-paper_dialogue_june2017.pdf

voestalpine is also actively engaged in discussion events with pupils (e.g., as part of the pupils against air pollution initiative), students, and in many industrial, scientific and public opinion forums on the subject of energy and climate policy.

4.3 MATERIAL TOPICS

voestalpine uses its ongoing communication with internal and external stakeholder groups in order to identify those topics which are important to Corporate Responsibility management and reporting. Prior to compiling the CR Report the Corporate Responsibility manager is tasked with gathering feedback from internal contact persons for sustainability, as well as the heads of the relevant specialist units. They report on the topics that have been raised and discussed with external contacts.

The resulting list of topics regarded by the stakeholder groups as important are supplemented by those which have been identified as the result of collaboration in relevant committees, analysis of the industry media, and by a benchmark analysis of selected competitors, suppliers and customers. The collected information forms the basis upon which the Corporate Responsibility Steering Committee prioritizes the relevant topics according to their materiality. Information about voestalpine's approach and performance with respect to all the key topics is published in the CR Report. The following topics have been identified as central to this report.

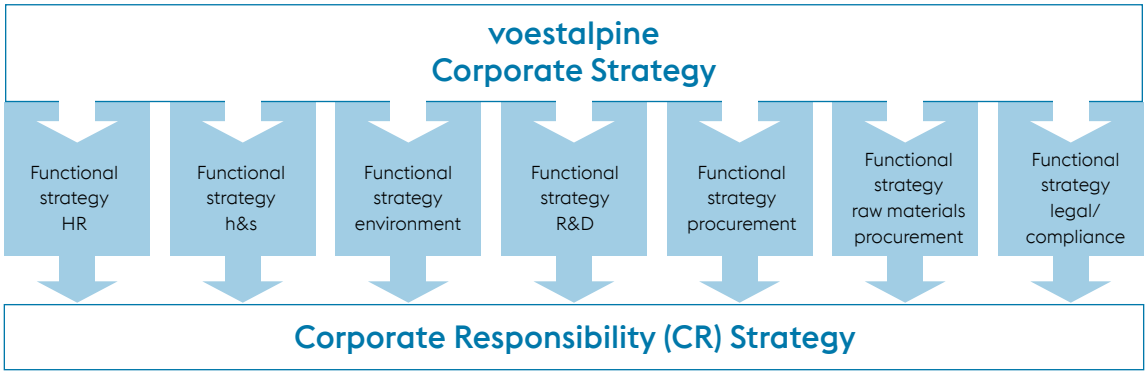


If you wish to receive further information about individual topics or have general questions or suggestions with regard to the report, please contact: voestalpine AG, Corporate Responsibility: cr@voestalpine.com

For the first time a short online survey is planned for the current business year in order to determine stakeholder opinions on specific issues and the perceived relevance of various topics.

5. THE CORPORATE RESPONSIBILITY STRATEGY

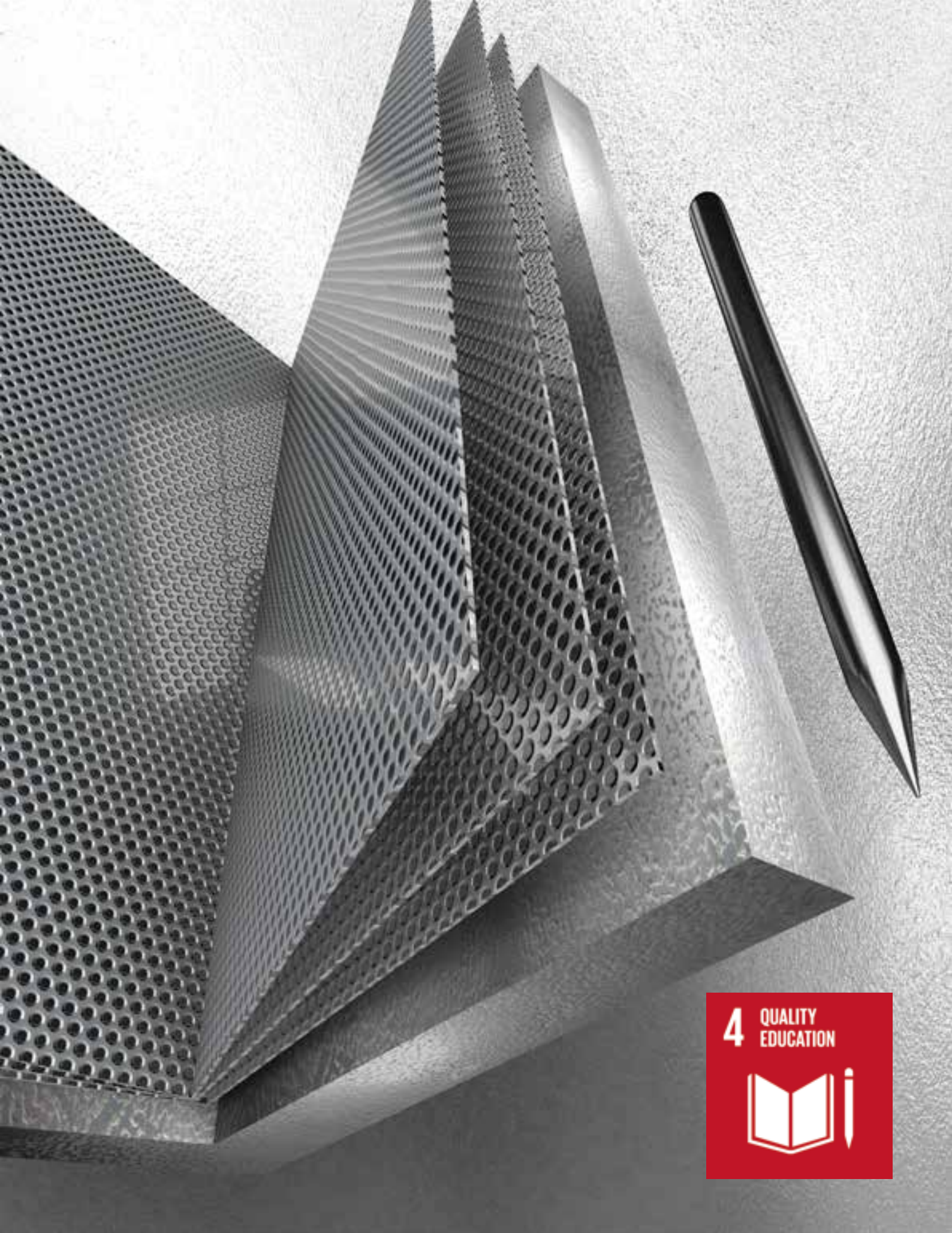
Sustainability is a key consideration in our daily activities at voestalpine. This is also reflected in the Corporate Responsibility (CR) Strategy which was updated during the past business year. It is an integral part of the Corporate Strategy and directly derived from the functional strategies. For that reason, the Management Board of voestalpine AG as well as the heads of the specialist departments were included in the process of updating the CR Strategy. After extensive coordination the updated strategy was adopted during a workshop in early 2018.



In addition to the functional strategies, various key internal and external factors were considered in drawing up the CR Strategy including employee and customer concerns, environmental issues, products and innovations, and the demands of maintaining a transparent supply chain.

CR Strategy and Sustainable Development Goals

In order to address the contribution played by voestalpine to achieving the Sustainable Development Goals (SDGs), these external sustainability goals were also considered during the process of preparing the Corporate Responsibility Strategy.


4
QUALITY
EDUCATION

5.1 SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) were drawn up by a United Nations working group, together with thousands of stakeholders, and adopted by a UN General Assembly resolution during the United Nations Sustainable Development Summit in New York on September 25, 2015. 193 UN member states have signed up to the 17 goals and 169 targets for global sustainable development with its specific objectives.

The SDGs were implemented as of January 1, 2016, and are designed to cover a period of 15 years (to 2030). The role of the private sector in reaching these goals was explicitly highlighted.

In its daily business activities voestalpine contributes significantly to achieving the following 12 SDGs:

Goal 3: Good health and well-being
Goal 4: Quality education
Goal 5: Gender equality
Goal 6: Clean water and sanitation
Goal 7: Affordable and clean energy
Goal 8: Decent work and economic growth
Goal 9: Industry, innovation and infrastructure
Goal 11: Sustainable cities and communities
Goal 12: Responsible consumption and production
Goal 13: Climate action
Goal 16: Peace, justice and strong institutions
Goal 17: Partnerships for the goals

5.2 THE CORPORATE RESPONSIBILITY STRATEGY

5.2.1 HUMAN RESOURCES

Corporate culture

We create a respectful corporate culture in which we support and encourage trust, diversity, self-determination, and personal responsibility. To this effect the voestalpine culture, as a symbol of our Group-wide identity, is constantly developing.

Diversity

We value the individual character of all our employees and their abilities, irrespective of gender, age, background, religion, sexual orientation, or any impairment, and create the preconditions for equal treatment, health promotion, and work which reflects the various phases of life.

Training and continuing education

Targeted measures are implemented to support voestalpine employees in gaining qualifications which will widen their career opportunities. Furthermore, we regard both the training of young people and lifelong learning as long-term determinants of the company's success.

5.2.2 health & safety

Human safety and health are key fundamental values at voestalpine and enjoy the highest priority.

We work to further reduce injury frequency, and to raise the health rate of all voestalpine Group employees, wherever they work and whatever their function.

We regard Group-wide minimum safety standards as the basis for a successful health & safety corporate culture.

5.2.3 ENVIRONMENT

Emissions in the air, soil and water: minimizing with the best available technologies

Process-related emissions cannot be entirely avoided. We operate our production sites by economically applying the best available technologies, as well as developing new ones, in order to minimize the environmental impact on the air, soil and water as far as possible.

Circular economy & Life Cycle Assessment: an integrated approach to materials

We support the comprehensive and integrated consideration and evaluation of materials (Life Cycle Assessment), as well as all processes and value chains within the context of the circular economy.

Energy and climate policy: commitment to low-carbon production

We are meeting the long-term challenge of decarbonizing business and society both through comprehensive research and development (much of it on a cooperative basis) to create new technologies, and by being involved in an open and constructive stakeholder dialogue with environmental organizations, political decision-makers, and science.

5.2.4 RESEARCH & DEVELOPMENT

We are continually researching innovative products and processes, and developing novel technologies, in order to remain the benchmark for resource efficiency and environmental standards.

We pursue active know-how management both internally and externally, and regard this as the key to success. We take on the responsibility of training and continuing to educate our researchers in-house, sharing our knowledge within the Group, and using the synergies which arise from pooling our expertise.

In the field of research we place great value in long-term, trusted relationships with our customers and suppliers, and work closely together with universities and scientific institutions.

5.2.5 GENERAL PROCUREMENT

Supplier management

When selecting its suppliers, voestalpine ensures their adherence to ecological and social principles. We have integrated sustainable supplier management into our procurement processes in order to create long-term partnerships.

Training and continuing education

With information events such as the Purchasing Power Day, and the three-stage Purchasing Power Academy established by the Group, voestalpine ensures continuing professional development is available for employees working in purchasing.

Procurement processes

The procurement process is continuously optimized in order to ensure its compliance. The Code of Conduct forms the basis for social actions and decisions.

5.2.6 RAW MATERIALS PROCUREMENT

An integrated approach to lifecycle concepts

Applying a lifecycle approach (Closed Loop) together with our customers guarantees the highest levels of efficiency in the process of recycling our raw and reusable materials.

Suppliers

Together with our suppliers we have set ourselves the challenge of permanently optimizing our supply chains. Regular visits to the sources of raw materials and prematerials, especially mines and deposits, are a fixed element in this process. Together we develop methods for designing an efficient supply chain which meets the CR guidelines. New suppliers are assessed in terms of CR, quality, performance, and– depending on the outcome–included in the portfolio. The project SSCM (Sustainable Supply Chain Management) screens our raw material supply chains, examining the key factors which determine compliance with corporate responsibility. voestalpine ensures that all raw materials are subject to this process, thereby minimizing risk over the long term.

Conflict Minerals

We oblige all suppliers from whom we source materials and who are subject to the Dodd-Frank Act to operate in accordance with its provisions. A cfsi report ensures that all materials procured on behalf of the Group are "conflict free".

Securing supplies

A key task of raw materials procurement management is to secure the long-term, competitive supply of raw materials and energy. A high degree of integration into upstream and downstream processes, scenario planning, and adaptive supply concepts serve to minimize potential risks.

5.2.7 ETHICAL CORPORATE MANAGEMENT–LEGAL & COMPLIANCE

Ethical corporate management

In order to ensure that the management and control of the Group follows the goal of creating responsible, sustainable and long-term value, the Management Board and Supervisory Board announced that the Group would abide by the Austrian Corporate Governance Code as early as 2003.

Compliance

We commit to complying with all the laws in all of the countries in which voestalpine is active. Furthermore, compliance is the expression of a culture built on ethical and moral principles.

Human rights

We commit to upholding human rights in accordance with the UN Charter and the European Convention of Human Rights, and we support the UN Global Compact.

6. CLIMATE PROTECTION

Global, European, and national climate protection requirements challenge energy-intensive sectors such as the steel industry to develop novel production technologies based on a stable, renewable energy system and to implement these technologies across the board on a large scale in the long term.

6.1 THE POLITICAL FRAMEWORK

The United Nations global climate accord (Paris Agreement), which took effect on November 4, 2016, is to replace the Kyoto Protocol as the global climate protection framework from 2020. The process established at the 2015 World Climate Conference in Paris with respect to the evaluation and monitoring of climate protection measures as well as the development and design of incentive and funding mechanisms is now being fleshed out and implemented step by step. The Paris Agreement aims to limit the rise in the global temperature to 2 degrees Celsius, if possible even 1.5 degrees Celsius, above pre-industrial levels and provides for the virtually complete abandonment of fossil fuels by approx. the year 2050 to this end ("decarbonization").

However, the voluntary commitments ("nationally determined contributions") so far of the roughly 180 states and regions that are party to the global climate accord will not be sufficient to this end.


5
GENDER
EQUALITY

Both the European Union and its member states contributed the "2030 Goals" they adopted in 2014 to the global climate accord. These goals have constituted the parameters of the European strategy for energy, climate, competition, and innovation policies since then. Accordingly, by 2030 CO_2 emissions must be lowered at minimum by 40% compared with 1990. This results in a mandatory reduction by 43% relative to 2005 (the date on which the emissions trading system, ETS, was established) for sectors such as the steel industry that are subject to the ETS. At this time, however, a tightening of the already very ambitious targets for 2030 and the subsequent requirements for 2050 are being discussed at the level of the EU. Any failure to do so within a framework that is not as global as possible will trigger an even greater risk of competitive distortions for energy-intensive industries than is already the case to date.

In the company's view, this puts the spotlight particularly on two areas in connection with the European Energy Union. For one, the Clean Energy Package known as "Clean Energy for all Europeans" was adopted by the trilogue (i.e. the final deliberations between the Commission, the Council, and the Parliament of the European Union) at the time this report was published. This package regulates key elements such as the expansion of renewable energies, the design of the energy market, energy efficiency, and the overarching governance required for preparing periodic national energy and climate plans. For another, negotiations on the EU's 9th Framework Program (FP9), including the future funding and focus of the research and technology initiatives once the current Horizon 2020 Program ends, are taking place at this time. The development and implementation of new, large-scale production technologies is key to the steel industry. Cross-sector collaboration also requires promoting decarbonization in the long term through innovative approaches to energy management based on renewable sources of energy that encompasses generation, provision, infrastructure, and consumption. The European steel industry is currently preparing an updated road map of the challenges, potential solutions, and requirements for the period up to 2050.

At the national level, the Austrian Energy and Climate Strategy was adopted in May 2018. It sketches out the framework for decarbonization up to 2030 and the transformation pathway up to 2050. The specifics of implementing projects, measures, and showcase projects (regarding hydrogen, for example) are set forth in special administrative laws as, for example, the new Austrian Energy Act, which is designed to combine individual statutory requirements into an integrated framework.

6.2 EU EMISSIONS TRADING

The amendment of the EU Emissions Trading System (EU ETS) was adopted for the 2021 to 2030 trading period at the end of 2017. This system obliges companies to buy rights for every ton of carbon dioxide emitted, and certain industries are allocated a specific number of certificates at no cost.

While a formal, so-called "Carbon Leakage Protection" program has already been in place, the focus on benchmarks (i.e. the state-of-the-art in each case) is designed to offer incentives for achieving them as well as for preventing industries currently still saddled with "inevitable" CO_2 emissions from being relocated to regions outside of Europe. In actual fact, however, the target of allocating no-cost emissions trading certificates to the top 10% of the best performers in each case is clearly being missed due, in particular, to deductions required for methodological reasons which, in turn, leads to significant under-allocations (shortfalls in emissions rights). The voestalpine Group's resulting need for additional allowances in the ETS trading period that runs until 2020 will correspond to about one third of its total CO_2 emissions. It is estimated from today's vantage point that the need for additional allowances will be more or less the same during the 2021-2030 period. The EU Commission will establish the benchmark for no-cost allowances only after the respective legal framework has been put in place.

However, the most recent price developments with respect to emissions trading certificates lead us to believe that the voestalpine Group will face a significantly higher financial burden after 2021 due to the significant tightening of emissions rights under the revision of the ETS. The "CO_2 price" soared by around 180% in the business year 2017/18; most of this increase occurred after the adoption of the ETS revision.

Based on current estimates, during the 2021-2030 trading period the voestalpine Group will need to buy additional allowances annually for up to approx. 4.5 million tons. Assuming a per-ton price range of EUR 20 to EUR 30, this would translate into costs per annum of between EUR 90 million and EUR 135 million, and costs for the entire trading period of between EUR 900 million and more than EUR 1.3 billion.

Aside from the no-cost allocation (which is sufficient only in theory) and the practically unattainable benchmarks, voestalpine's main criticism is that the ETS siphons funds from companies that they need for their own energy and climate protection investments. voestalpine thus proposes that ETS expenditures be redirected back to the companies for specific purposes in order to push the development of low-carbon technologies and the restructuring of the energy system this requires.

6.3 DECARBONIZATION: CHALLENGE AND POSSIBLE SOLUTIONS

The emission intensity of steel production stems, chemically speaking, from the coal-/coke-based production technology pursuant to the "Linz-Donawitz" (LD) process (production of pig iron in the blast furnace, production of crude steel in the oxygen converter), which still is the state-of-the-art for steel production worldwide. The production of pig iron in a blast furnace relies on coke as a reducing agent: it delivers the carbon necessary for removing oxygen from the iron ore. The carbon still contained in the iron ore is oxidized in the LD converter by blowing oxygen into it. The CO_2 emissions resulting from this process can only be reduced by partially replacing the carbon (fully, in the long run), i.e., by means of entirely new metallurgical processes.

"Less CO_2" means "more energy"

The fossil raw materials are at one and the same time the most important conveyors of energy in the process. As far as their power needs are concerned, voestalpine's steel facilities in Linz and Donawitz, Austria, are largely autonomous, because they get most of their electricity from the integrated, coal-/coke-based energy cycle. Process gases arising from the production of steel (e.g., at the blast furnace) are converted into electricity in our own power plants which, in turn, is used in downstream facilities (e.g., rolling mills).

voestalpine would need the equivalent of about 33 TWh of additional renewable electricity from the external grid just at these two facilities in order to replace this fossil fuel-based cycle. This corresponds roughly to 30 hydroelectric plants.

Hence, the production of steel is faced with two major challenges:

>> The industry is pursuing different approaches to develop and bring to industrial maturity novel, breakthrough technologies. voestalpine is focusing on the direct avoidance of emissions (carbon direct avoidance) by way of hydrogen. The development and use on a major industrial scale of hydrogen metallurgy is a long-term project which, from today's standpoint, will take until about 2035 to mature.

>> However, switching to processes available at that time will have to be not only technologically feasible but also financially viable. Renewable energy will have to be available in sufficient quantities that provide the highest possible energy security and stability and, not least, at internationally competitive prices.

Incremental decarbonization: the voestalpine way

voestalpine's scenario for achieving the climate targets provides for step-by-step decarbonization by way of the long-term vision of using hydrogen. Here is an overview of the three pillars of this approach:

>> Direct reduction, a transitional technology:
The direct reduction plant in Texas, USA, which was put into operation in the fall of 2016, produces hot briquetted iron (HBI) and/or direct reduced iron (DRI) using natural gas instead of coal/coke. Using HBI in the existing blast furnaces in Linz and Donawitz will make it possible to lower CO_2 in the Group by up to 5%. Subsequently, natural gas as a reducing agent can be replaced incrementally by "green" hydrogen.

>> Hydrogen, the cutting-edge technology:
The Sustainable Steelmaking (SuSteel) pilot plant in Donawitz is conducting research on using hydrogen plasma smelting instead of the current blast furnace/LD steel plant technology to reduce iron ore.

>> "Green hydrogen," the renewable generation of energy:
A pilot plant is being built as part of the EU's H2FUTURE project at the Linz facility in cooperation with partners for large-scale testing of the proton exchange membrane (PEM) electrolyte technology.

6.4 H2FUTURE: THE VISION OF "GREEN" HYDROGEN IN THE STEEL INDUSTRY

The H2FUTURE project consortium—which includes voestalpine, VERBUND, Siemens, the Austrian Power Grid (APG), as well as the scientific partners K1-MET and the Energy Research Centre of the Netherlands (ECN-TNO)—is building the currently largest electrolyzer facility for generating green hydrogen at voestalpine's Linz facility, for the management of energy in the future using hydrogen. This showcase project is supported by the EU Commission as part of the Horizon 2020 Program (Fuel Cells and Hydrogen Joint Undertaking).

The project's goals and milestones

Electricity is required to generate hydrogen. At this time, hydrogen is produced almost exclusively by fossil means, specifically, by the formation of natural gas. H2FUTURE aims to produce "green" hydrogen, i.e., hydrogen that has been generated by renewable means from water using the so-called proton exchange membrane (PEM) electrolyte technology. The hydrogen generated is to be tested for use as an industrial gas, and the facility on the whole within the electricity balancing market.

H2FUTURE examines key issues of linking sectors such as energy and industry, as well as the applicability of the technology to other industrial sectors that can utilize hydrogen in their production processes. Another key issue concerns the integration of the rapid-response PEM electrolyzer facility into the electricity balancing markets by developing demand-side management solutions. Such solutions use load management at major consumers to offset fluctuations in the increasingly volatile electricity grid.

The project was launched in 2017 and the construction work started in early 2018. Now already nearing completion, the installation of the electrical core components will begin in the summer of 2018; the initial commissioning is slated for the end of 2018. The start-up of the extensive pilot program, which will run until about the middle of 2021, is planned for the spring of 2019.

6.5 SUSTAINABLE STEELMAKING: STEEL PRODUCTION WITHOUT INTERMEDIATE STEPS

The most visionary approach to research in this field concerns the ability to produce steel directly from iron oxides without any intermediate steps. The Sustainable Steelmaking (SuSteel) project aims to develop novel hydrogen plasma technology for the CO_2-free and thus more sustainable production of steel. It entails using hydrogen plasma to both reduce oxides and serve as a source of energy for smelting.

The use of hydrogen as a reducing agent merely produces climate-neutral water. In order to push the development of this approach all the way to its actual technological implementation, a pilot plant for the incremental adoption of components and component groups is being operated in collaboration with our consortium partners (Montanuniversität Leoben and K1-MET) at voestalpine's Donawitz facility in cooperation with voestalpine Stahl GmbH, Linz. This facility is designed to demonstrate on a small scale by 2019 that the smelting reduction of iron oxides in the hydrogen plasma, and thus the ability to produce CO_2-free steel, are fundamentally feasible.

7. TRANSPARENCY IN THE SUPPLY CHAIN

As a Group that operates worldwide, voestalpine also bears responsibility in its purchasing activities. Therefore, it is a matter of course for the Group to apply high standards throughout the supply chain in order to ensure a high level of transparency.

The purchasing terms and conditions and Code of Conduct apply to all suppliers and include numerous points creating standards for responsible procurement. voestalpine is applying its Sustainable Supply Chain Management (SSCM) project in order to analyze raw materials procurement–the most important area of purchasing–for its compliance with corporate responsibility, and to establish the appropriate operational criteria. The first phase was completed at the end of 2017.

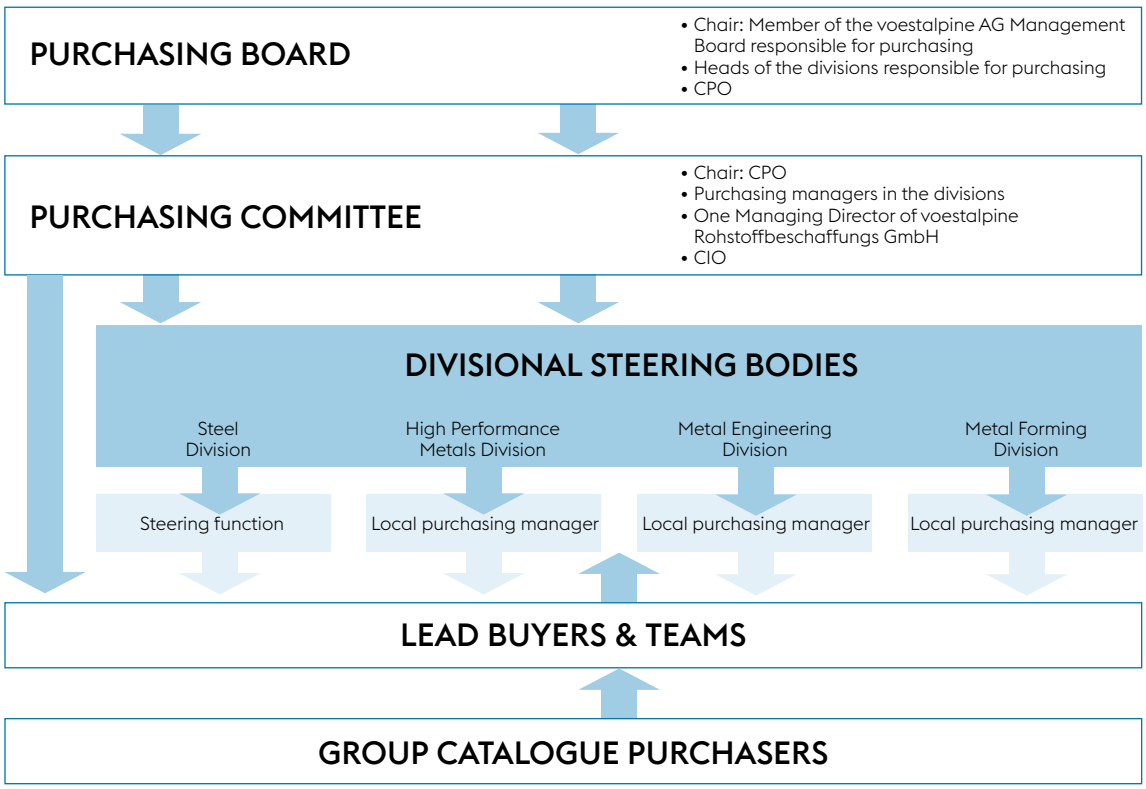
The voestalpine Purchasing Board is the steering body for corporate procurement, and is supported by the Purchasing Committee as the implementation body. It bears responsibility for the corporate procurement strategy and has overall control of purchasing within the Group. The Purchasing Board meets once each quarter and develops the framework conditions for the purchasing structure, passes resolutions on strategy content, decides in the case of escalation procedures, and actively communicates its decisions and resolutions.

The Purchasing Committee meets monthly, carrying out the Purchasing Board's instructions to implement strategy and control purchasing within the Group:

- Monitoring and developing the purchasing structure, in particular the Lead Buyer structure
- Making decisions with respect to escalations arising from the purchasing and Lead Buyer structure
- Strategic prioritization of projects, requests, and topics
- Group-wide harmonization of the commodity group structure
- Coordination on procedures with cross-divisional suppliers
- Regular status reports to the Purchasing Board

The Group Catalogue Purchasers are responsible for particular catalogues and suppliers across the Group, i.e., they establish uniform prices and conditions in the catalogues within the Group. This offers the benefits of pooling, reducing the pressure on resources in the individual companies.


6
CLEAN WATER
AND SANITATION



voestalpine's purchasing responsibilities and relevant purchasing principles are described in the Corporate Responsibility Strategy as follows:

7.1 GENERAL PROCUREMENT

Supplier management

When selecting its suppliers, voestalpine ensures their adherence to ecological and social principles. We have integrated sustainable supplier management into our procurement processes in order to create long-term partnerships.

Training and continuing education

With information events such as the Purchasing Power Day, and the three-stage Purchasing Power Academy established by the Group, voestalpine ensures continuing professional development is available for employees working in purchasing.

Procurement processes

The procurement process is continuously optimized in order to ensure its compliance. The Code of Conduct forms the basis for social actions and decisions.

7.2 RAW MATERIALS PROCUREMENT

An integrated approach to lifecycle concepts

Applying a lifecycle approach (Closed Loop) together with our customers guarantees the highest levels of efficiency in the process of recycling our raw and reusable materials.

Suppliers

Together with our suppliers we have set ourselves the challenge of permanently optimizing our supply chains. Regular visits to the sources of raw materials and prematerials, especially mines and deposits, are a fixed element in this process. Together we develop methods for designing an efficient supply chain which meets the CR guidelines. New suppliers are assessed in terms of CR, quality, performance, and– depending on the outcome–included in the portfolio. The project SSCM (Sustainable Supply Chain Management) screens our raw material supply chains, examining the key factors which determine compliance with corporate responsibility. voestalpine ensures that all raw materials are subject to this process, thereby minimizing risk over the long term.

Conflict Minerals

We oblige all suppliers from whom we source materials and who are subject to the Dodd-Frank Act to operate in accordance with its provisions. A cfsi report ensures that all materials procured on behalf of the Group are "conflict free".

Securing supplies

A key task of raw materials procurement management is to secure the long-term, competitive supply of raw materials and energy. A high degree of integration into upstream and downstream processes, scenario planning, and adaptive supply concepts serve to minimize potential risks.

The three most important cornerstones of the purchasing structure are lead buying, purchasing processes and systems, as well as training and continuing education:

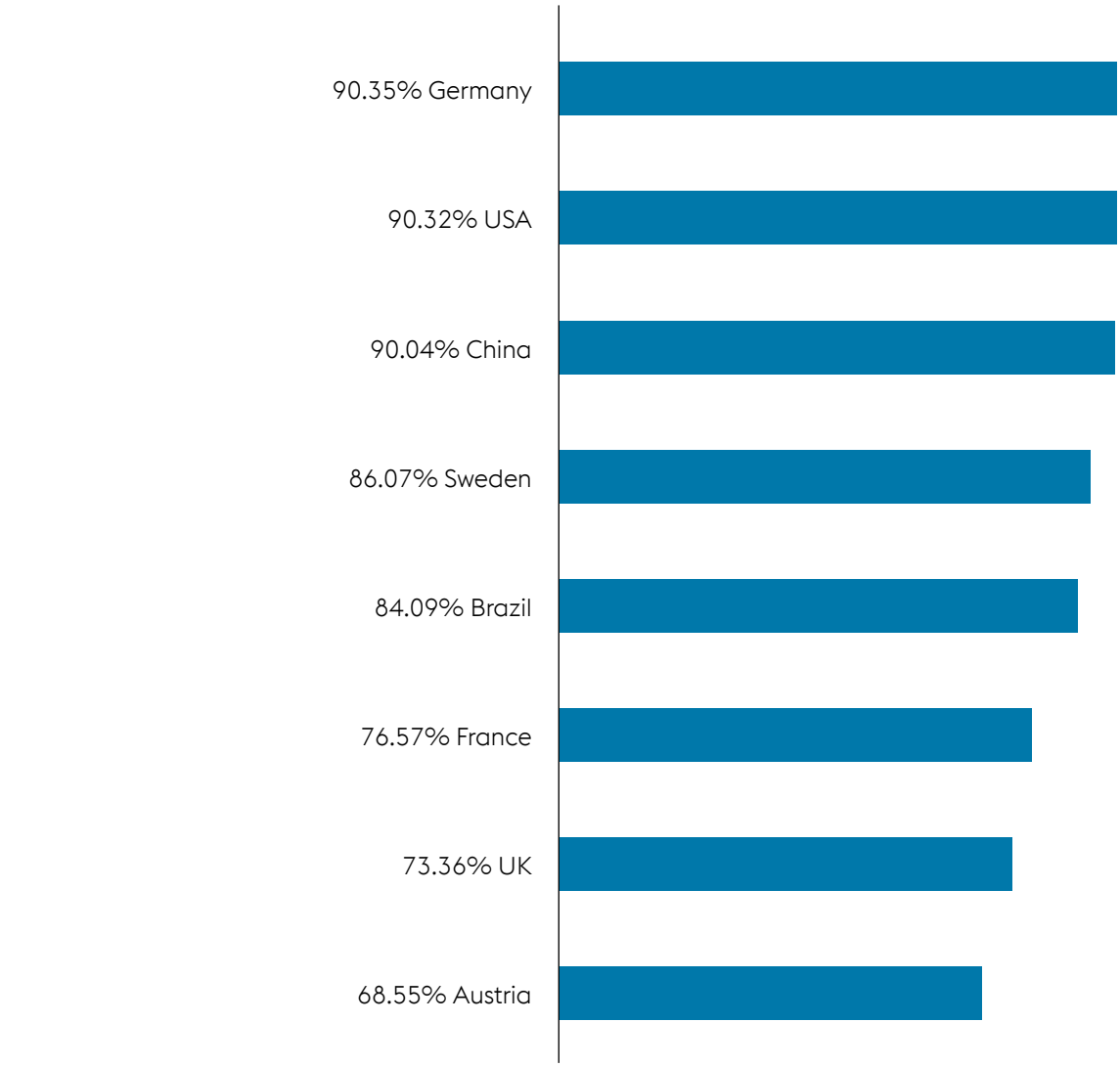
Lead buying is the process of pooling similar materials and raw materials from different companies into material groups which are then purchased by the Lead Buyer. The advantages of lead buying can be combined with those of a decentralized purchasing organization (regional purchasing competence remains at the production sites) in order to optimize purchasing power in negotiations with suppliers when determining quality and price. Lead buying is an important part of the corporate purchasing structure, and has established itself as a significant value creation factor within the company over the past years.

7.3 LOCAL SUPPLIERS

Where reasonable and feasible, voestalpine purchases from suppliers located close to the sites. As a result, around 68.55% of all suppliers to voestalpine companies in Austria also have their headquarters in Austria. However, local or regional supplies are not always possible. For example, the majority of raw materials are mined in distant locations.

LOCAL SUPPLIERS

Share of domestic suppliers in each country (in %)



7.4 SUSTAINABLE SUPPLY CHAIN MANAGEMENT PROJECT

The first phase of the Sustainable Supply Chain Management (SSCM) project introduced in the last voestalpine CR Report has been successfully concluded. During this phase typical supply chains in the steel production sector were examined for risks associated with materials, countries of origin, and suppliers.

EXAMPLE SUPPLY CHAIN: THE STEEL PRODUCTION SECTOR

Ore → Coal → Scrap → Alloys → Aggregates → Processing

Key materials considered during the project:

Main materials	Alloys	Aggregates
Iron ore Coking coal Scrap	Aluminium Boron Chromium Cobalt Manganese Molybdenum Nickel Niobium Phosphorus Silicon Titanium Tungsten Zinc	Burnt lime Calcium carbide Magnesite

The following countries of origin for these materials were included when examining the supply chain (in alphabetical order):

Albania • Australia • Austria • Brazil • Canada • China • Czech Republic • Finland • Germany • Norway • Poland • Russia • South Africa • Sweden • Turkey • Ukraine • USA

The raw materials, country of origin, and suppliers were examined with respect to:

Environment

Waste & recycling
Wastewater
Biodiversity
Soil emissions
Air emissions
Energy consumption
Water consumption

Human rights

Discrimination
Child labor
Forced labor
Collective bargaining & freedom of association
Health and protection of the local population

Working conditions

Working times
Workplace safety and health protection
Fair payment

Governance

Compliance
Anti-corruption

In addition, intensive discussions were held with experts both within (from Corporate Responsibility, Purchasing and Raw Materials Purchasing, Risk Management, Quality Assurance, and health & safety) and outside voestalpine (from associations, research institutions, NGOs, and selected customers), with their results also included in the evaluation. After working in partnership with suppliers over many years, and with the close contacts that result, many issues could be considered and dealt with in personal discussions.

RESULTS OF THE SSCM PROJECT

The project findings were entered into a matrix indicating potential risks, or "hotspots".

This allowed human rights hotspots, particularly child labor and forced labor, to be ruled out for all suppliers.

In terms of environmental challenges faced by suppliers, the suppliers are requested to present and offer solutions which will then be examined during on-site visits.

All suppliers in the steel supply chain are certified according to ISO 9001. The majority of suppliers–where they are producers–are already ISO 14001 or OHSAS 18001 certified, or are currently in the process of acquiring this certification.

The results of the on-site visits, which take place at least once a year and are the basis for supplier evaluations, are also included in the SSCM project and can help to clarify any potential uncertainties with respect to risks.

The evaluation scheme groups suppliers into categories A, B, and C, with A denoting the best possible evaluation. Where a supplier fails to achieve, or no longer achieves, grade A, then voestalpine works together with the supplier to determine the reasons and to develop measures to restore their previous status. Where the supplier development measures fail to have the desired effect, or suppliers are not willing to implement the measures, then the business relationship is brought to a structured end, and a new supplier chosen.

The results of this project are regularly examined, with new suppliers or countries of origin also considered. It is intended that SSCM be expanded to cover other supply chains within the Group over the medium term.

8. ETHICAL CORPORATE MANAGEMENT

Ethical corporate management is responsible corporate governance that is geared to creating sustainable, long-term value, and to ensuring that the conduct of all Group employees is in compliance with statutory provisions and internal guidelines as well as fundamental moral and ethical values.

Ethical corporate management

In order to ensure that the management and control of the Group follows the goal of creating responsible, sustainable and long-term value, the Management Board and Supervisory Board announced that the Group would abide by the Austrian Corporate Governance Code as early as 2003.

Compliance

We commit to complying with all the laws in all of the countries in which voestalpine is active. Furthermore, compliance is the expression of a culture built on ethical and moral principles.

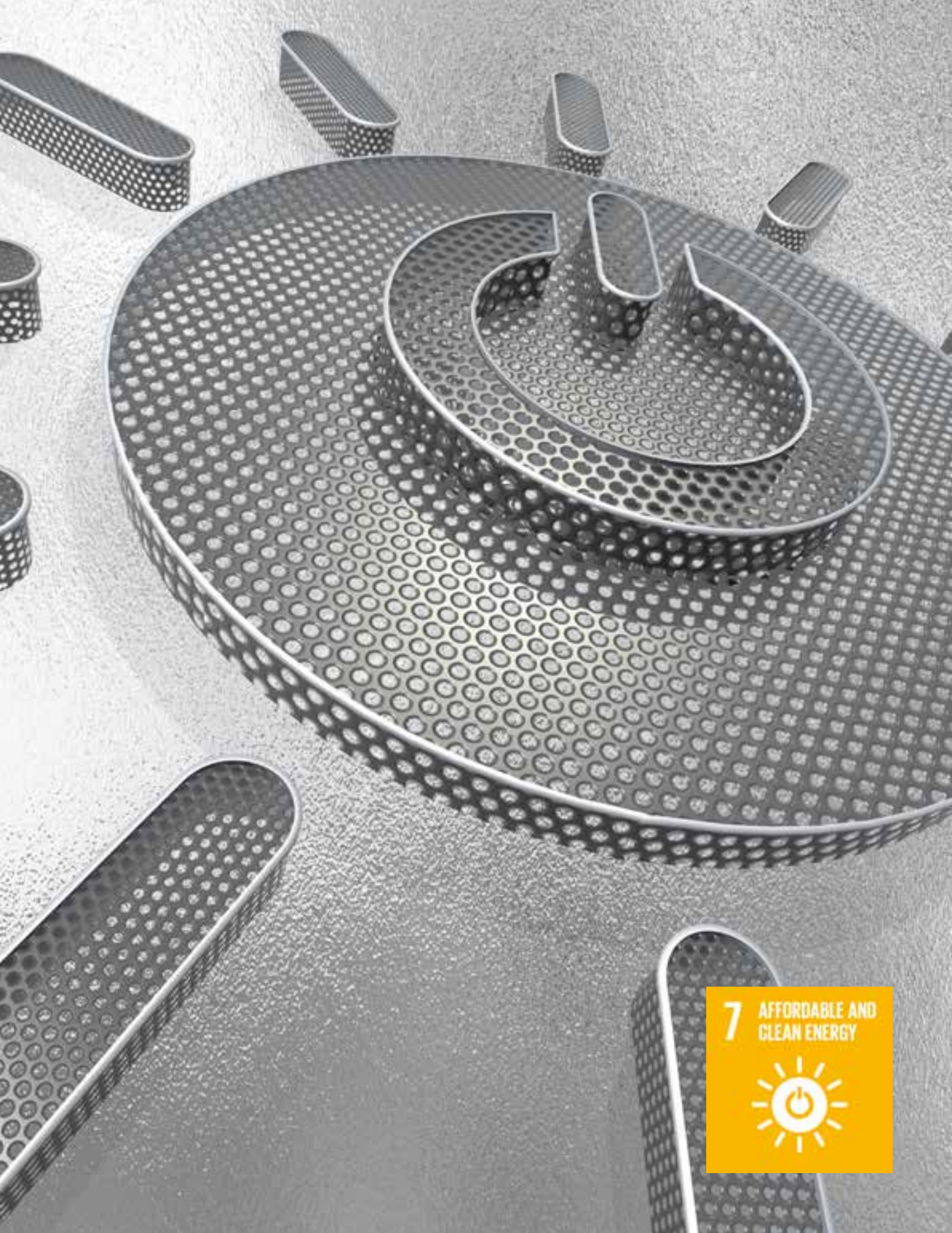
Human rights

We commit to upholding human rights in accordance with the UN Charter and the European Convention of Human Rights, and we support the UN Global Compact.

8.1 COMPLIANCE

voestalpine requires its companies and all its employees to comply with all laws in all the countries in which it operates. However, for voestalpine compliance is more than merely acting legally and in accordance with other external regulations. It is the expression of a culture built on ethical and moral principles. The principles of this corporate culture as it relates to the treatment of customers, suppliers, employees and other business partners are explicitly stated in the voestalpine Code of Conduct.

voestalpine likewise requires that its suppliers fully comply with all applicable laws in their respective countries, and they are particularly requested to respect and uphold the fundamental values of human rights.


7
AFFORDABLE AND
CLEAN ENERGY

8.1.1 CODE OF CONDUCT

The voestalpine Code of Conduct was set forth in written form in 2009. It is the result of numerous conversations and discussions among the Management Board, company CEOs and department heads of the voestalpine Group. It is based on the Group's corporate values and provides the foundations for ethically and legally sound conduct by all of the Group's employees.
The Code of Conduct was published in German and thirteen additional languages, and can be downloaded from the Internet:
http://www.voestalpine.com/group/en/group/compliance/

The Code of Conduct covers the following areas:

- >> Compliance with laws and other external and internal regulations
- >> Fair competition
- >> Corruption/bribery/acceptance of gifts
- >> Money laundering
- >> Respect and integrity
- >> Conflicts of interest
- >> Handling of corporate information/ confidentiality
- >> Corporate communications
- >> Use of the Internet and IT
- >> Insider information
- >> Reporting of misconduct

The Code of Conduct applies to all members of the Management Board, CEOs, and employees of all companies in which voestalpine AG has a direct or indirect stake of at least 50% or which it controls in any other way. With regard to all other companies in which voestalpine AG has a direct or indirect stake of at least 25%, but which it does not control, the Code of Conduct is brought to their attention and they are requested to enforce it by way of independent recognition thereof by their decision-making bodies that are governed by corporate law.

In the event of a violation against statutory provisions, internal guidelines, regulations and directives, or against provisions of the voestalpine Code of Conduct, employees will be subject to disciplinary measures. Furthermore, violations can have consequences under criminal and/or civil law, e.g., recourse claims and claims for compensatory damages.

voestalpine is pursuing the goal of having the Code of Conduct apply throughout its sphere of influence. Suppliers and consultants are required to comply with the Code of Conduct for Business Partners. Additionally, Group companies are urged to bring the Code of Conduct to the attention of their customers and to strongly encourage them to commit to compliance therewith. All of voestalpine's business partners are also requested to promote compliance with the Code of Conduct among their own business partners along the entire supply chain.

voestalpine AG has adopted several Group guidelines to serve as a helpful tool for employees in applying the Code of Conduct. The compliance rules and regulations associated with the voestalpine Code of Conduct are currently comprised of the following sections:

Business Conduct

These guidelines are an expansion and concretization of the Code of Conduct with regard to the subjects of corruption/bribery/acceptance of gifts and conflicts of interest and regulate, for example, permissibility of gifts, invitations and other benefits, donations, sponsoring, ancillary activities, and the private purchase of goods and services from customers and suppliers by voestalpine employees. Furthermore, the prohibition of political contributions is set forth under "Business conduct". Donations to politicians, political parties, organizations affiliated or associated with political parties, or political front organizations are not tolerated in the voestalpine Group. Donations to political front organizations that are devoted solely to social issues are excepted; however, they must be approved by the Management Board of voestalpine AG in each individual case.

Dealings with business intermediaries/brokers and consultants

This guideline provides additional information on the topics of corruption, bribery, and acceptance of gifts. It defines the procedure to be complied with prior to contracting or engaging sales representatives, representatives, or other sales consultants. An objective analysis of the prospective business partner's business environment and scope of activities prior to establishing business relations is required, in order to ensure that the business partner can comply with all applicable laws and the voestalpine Code of Conduct.

Antitrust law

This guideline describes the prohibition of agreements restricting competition, provides rules for dealings and interaction with, and in, associations, professional associations, or other industry organizations, and defines concrete rules of conduct for employees of the voestalpine Group. Additionally, handbooks have been developed on the topics of information sharing and benchmarking, buying collaborations, and supply relationships with competitors, which provide employees with information on these topics from an antitrust perspective.

Compliance Manual/Compliance Prevention Program

These rules and regulations provide information about compliance strategy, compliance structure, prevention measures, detection of and reaction to violations, sanctions, and the web-based whistleblower system.

Code of Conduct for voestalpine Business Partners

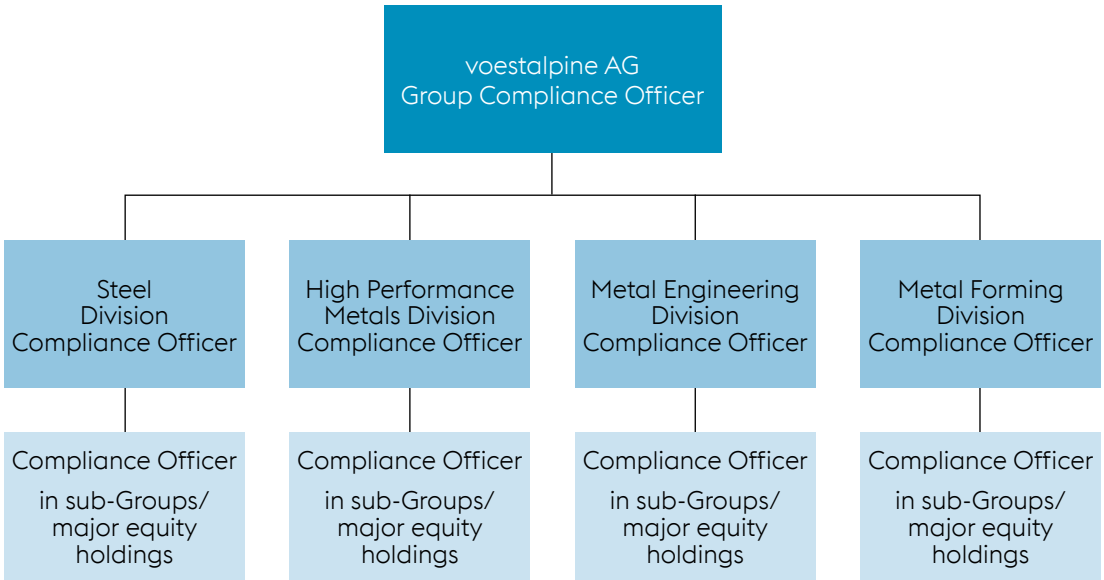
These rules and regulations that are directed towards suppliers of goods and services, as well as business intermediaries, consultants, and other business partners, and define the principles and requirements for doing business with voestalpine.

voestalpine requires from its business partners that they respect and comply with human rights as fundamental values in accordance with the European Convention on Human Rights and the UN Charter on Human Rights. In particular, this applies to the prohibition on child and forced labor, equal treatment of employees, and the right of employee representation and collective bargaining.

8.1.2 COMPLIANCE SYSTEM

The management of the respective Group company is responsible for adherence to the compliance regulations. A compliance system was set up in the voestalpine Group in the business year 2011/12 to support management in meeting this responsibility and to set up the necessary processes.

In addition to a Group compliance officer, a compliance officer was appointed in each division; furthermore, additional compliance officers were appointed in certain divisional sub-units. The Group compliance officer reports directly to the Chairman of the Management Board and is not bound by directives. The divisional compliance officers report to the Group compliance officer and to the respective heads of the divisions.



The compliance officers are responsible for the following areas:

>> Antitrust law
>> Corruption
>> Capital market compliance
>> Fraud (internal incidences of theft, fraud, embezzlement, breach of trust)
>> Conflicts of interest
>> Special issues that are assigned to the compliance officers by the Management Board of voestalpine AG (e.g., UN or EU sanctions)

All other compliance issues, e.g., environmental law, taxes, accounting, labor law, protection of employees, or data protection are not part of the compliance officer's area of responsibility. These compliance issues are handled by the respective specialist departments.

8.1.3 PREVENTATIVE MEASURES

Within the scope of its compliance efforts, voestalpine places particular importance on preventative measures, including training, discussions with management, and communication. Since 2002, CEOs, sales personnel, and other employees have attended courses sensitizing them to antitrust law.

Since the introduction of e-learning courses at the voestalpine Group (antitrust law from 2009; Code of Conduct from 2012) more than 53,000 employees of the voestalpine Group have completed e-learning courses on the Code of Conduct and antitrust law (including refresher and advanced courses).

Additionally, an e-learning refresher course on the Code of Conduct with a focus on corruption was rolled out in the business year 2017/18, and is designed for those employees who have already completed the basic compliance training on the Code of Conduct. The course was issued to around 14,500 employees, and by the end of March 2018 it had already been completed by roughly 12,000 employees.

In addition to the e-learning courses, target-group oriented, face-to-face training has been carried out Group-wide, especially for sales employees. This training was focused on compliance with the law and internal guidelines as well as corruption and antitrust law in the respective sphere of activity of the participants.

Compliance training is mandatory for young executives: there are six to seven training sessions each year for up to 40 employees. Additionally, face-to-face training on the topic of capital market compliance is also provided for employees of voestalpine AG.

Furthermore, compliance is a regular topic in Group communications and often mentioned–including by top management–at major employee events at both the Group and the divisional level.

8.1.4 REPORTING OF COMPLIANCE VIOLATIONS

Reports of compliance violations should primarily be made openly, that is, providing the whistleblower's name. According to the Code of Conduct, such reports can be made to the direct supervisor, the appropriate legal or HR department, management of the respective Group company, the audit department of voestalpine AG, or one of the Group's compliance officers. Upon request, whistleblowers are ensured of absolute confidentiality.

Since 2012 it has also been possible to anonymously report violations via a web-based whistleblower system. Reports using this system can be made only in the areas of antitrust law, corruption, fraud, and conflicts of interest, in other words, only reports on these issues are processed through the system. The system enables compliance officers to communicate with whistleblowers while maintaining absolute anonymity.

8.2 CORPORATE GOVERNANCE

The Management Board and the Supervisory Board of voestalpine AG recognized the Austrian Corporate Governance Code in 2003 and have also implemented all the amendments introduced since that date without exception.

In addition to the mandatory "L rules" (legal requirements), voestalpine AG voluntarily complies with all of the "C rules" (comply or explain) and the "R rules" (recommendation) of the Code. The Corporate Governance Code provides Austrian stock corporations with a framework for managing and monitoring their company. The Code is based on the provisions of Austrian stock corporation, stock exchange, and capital market law, as well as the OECD Principles of Corporate Governance. It was most recently updated in January 2018. The Code achieves validity when companies voluntarily undertake to adhere to it. The Code aims to establish a system of management and control of companies and Groups that is accountable and geared to creating sustainable, long-term value. By voluntarily undertaking to adhere to the Code, voestalpine backs these objectives and commits to providing a high degree of transparency for all the company's stakeholders.

Business transactions with associated companies or parties or pending proceedings (e.g., antitrust proceedings) are reported on in the quarterly reports and in the annual reports of voestalpine AG.

9. HUMAN RIGHTS

voestalpine is committed to respecting and upholding human rights in accordance with the UN Charter and the European Convention on Human Rights. Since 2013 voestalpine has supported the UN Global Compact whose ten principles include labor standards, environmental protection, and anti-corruption, in addition to human rights. This report is simultaneously the annual Communication on Progress (COP).

The commitment to respecting and upholding human rights is outlined in detail in the chapter entitled "Respect and integrity" of the voestalpine Code of Conduct. Human rights are also a crucial point in the mandatory Code of Conduct for Business Partners.

UN GLOBAL COMPACT– THE 10 PRINCIPLES

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

LABOR STANDARDS

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

ENVIRONMENTAL PROTECTION

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.


8
DECENT WORK AND
ECONOMIC GROWTH

COLLECTIVE BARGAINING AND THE RIGHT TO FREEDOM OF ASSOCIATION

Around 80% of the voestalpine workforce is in an employment relationship that is regulated by a collective agreement.

Every employee has the fundamental right and freedom to become a member of a union. In all voestalpine companies, employee representatives can be elected by the workforce. The voestalpine Group has a Group Works Council and a European Works Council, both of which have a good basis for communication with the management.

CHILD LABOR AND FORCED LABOR

voestalpine is strictly against child and forced labor. Thus far, there is not a single known case of child labor, forced labor, or compulsory labor in the entire Group. Nor does voestalpine tolerate any form of child labor, forced labor, or compulsory labor amongst its suppliers or business partners.

The Code of Conduct for voestalpine business partners states:

The Business Partner undertakes to respect and comply with human rights as fundamental values on the basis of the European Convention on Human Rights and the UN Charter on Human Rights. In particular, this applies to the prohibition on child and forced labor, equal treatment of employees, and the right of employee representation and collective bargaining.

HUMAN TRAFFICKING AND MODERN SLAVERY

Companies within the voestalpine Group who are subject to the UK Modern Slavery Act fulfil its conditions by publishing a statement to that effect. The Code of Conduct and the Code of Conduct for Business Partners explicitly mention and expressly prohibit human trafficking and modern slavery.

HUMAN RIGHTS TRAINING FOR SECURITY PERSONNEL

voestalpine plant security personnel consists largely of company employees. The Code of Conduct also applies to employees of third-party companies, and the Code of Conduct for Business Partners applies to their employers. Both documents stipulate compliance with human rights.

voestalpine carries out human rights training of its own employees; external security personnel are trained by their employer.

RIGHTS OF INDIGENOUS PEOPLES

As voestalpine operates solely in developed industrial regions, the rights of aboriginal peoples are not restricted in any way by voestalpine's business operations.

10. RESEARCH AND DEVELOPMENT

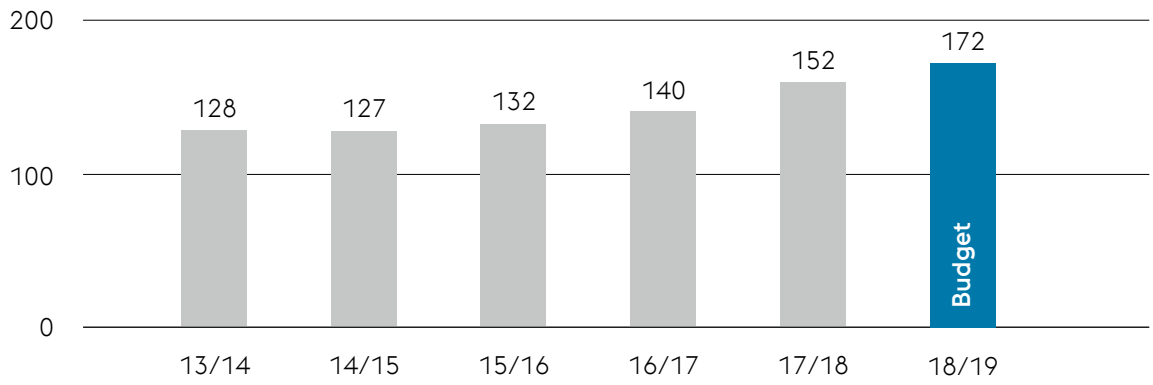
Research and development (R&D) plays a crucial contribution to voestalpine's economic success and sustainable growth. For a technology-driven company such as voestalpine, the continuous development of new products and production processes is vital in order to stand out from the competition and remain successful in the market. Innovations ensure the long-term future of the company.

10.1 RESEARCH EXPENDITURES

Research expenditure has risen continuously in recent years. The budget of EUR 172 million in BY 2018/19 reflects the high standing of R&D within the Group.

GROSS R&D EXPENSES

(excl. R&D capital investments) per business year, in millions of euros




9
INDUSTRY, INNOVATION
AND INFRASTRUCTURE

10.2 INNOVATION GUIDELINES

voestalpine–THE NEXT STEP AHEAD

From the idea to implementation, working together for success

We encourage the best ideas and create USPs along the entire value chain

Decentralized R&D creates a global voestalpine network

The brightest minds are researching for voestalpine

Active know-how-management both internally and externally is the key to success

The innovation guidelines support the vision of being "the next step ahead", and are anchored in the CR strategy:

We are continually researching innovative products and processes, and developing novel technologies, in order to remain the benchmark for resource efficiency and environmental standards.

We pursue active know-how management both internally and externally, and regard this as the key to success. We take on the responsibility of training and continuing to educate our researchers in-house, sharing our knowledge within the Group, and using the synergies which arise from pooling our expertise.

In the field of research we place great value in long-term, trusted relationships with our customers and suppliers, and work closely together with universities and scientific institutions.

Innovative products and processes

Steel makes an indispensable contribution to a sustainable future. The use of steel in lightweight automotive construction or in the energy sector, for example, can bring significant energy savings and help reduce CO_2. Without steel there would be no wind turbines, no hydropower plants, no electric motors and consequently no electric vehicles, no electricity pylons, no environmentally-friendly railways, metro systems or tramways, etc.

Even in the future, steel production will remain an energy intensive process. However, the voestalpine Group is consistently working towards the gradual decarbonization of steel production. voestalpine is applying bridging technologies which are primarily based on natural gas, as in the new direct reduction plant in Texas, in an effort to replace coal with alternative energy sources in steel production. The next step is to develop the direct reduction process using hydrogen in place of natural gas. A hydrogen electrolyzer plant is currently being built at the site in Linz in order to research the technology and its potential use in steel production.

Both new and existing processes are being continually developed in order to conserve resources and improve environmental sustainability. The projects are aimed at reducing the quantities of primary materials used, lowering water consumption, and reusing residual materials such as slag and dust in an environmentally sustainable manner. Rapid advances in digitalization also contribute to raising process efficiency and quality further.

Product development is focused on industries with the most sophisticated technological requirements such as mobility and energy. In the automotive and aerospace industries the focus lies on lightweight construction as a means of saving fuel and reducing emissions. voestalpine works to achieve this goal by developing ultra-high-strength steels and high-quality forged components from light alloys.

The high-strength and ultra-high-strength steels of up to 2,000 MPa also contribute to passenger safety, by ensuring a high level of crash performance for safety-relevant automotive components.

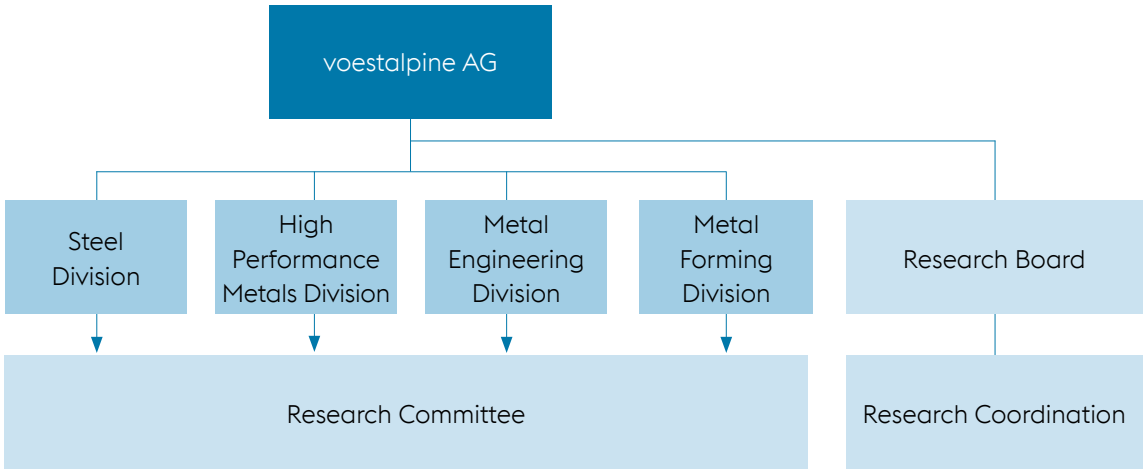
In the railway infrastructure sector, the highest priority is given to passenger safety and high track system availability. For that reason voestalpine develops rail materials which double rail service life, together with intelligent turnout systems whose assistance and diagnostics systems not only enable remote control and monitoring, but also intelligent, proactive self-diagnosis. This will allow turnout failures to be reduced by up to 50% in future, significantly raising availability and safety.

For the energy industry materials are developed which can withstand extreme conditions such as particularly tough or sour-gas-resistant tubes, and materials for use at high temperatures which in turn raises the output efficiency of turbines.

The development of high efficiency electrical steel and compacore® inline-bonded lamination stacks significantly increases electric motor efficiency, which in turn substantially reduces energy consumption. For this development voestalpine, together with its cooperation partner the Johannes Kepler University Linz, was awarded the 2018 special state prize VERENA.

Knowledge transfer within the Group

Research and development at voestalpine is decentralized, located close to the production facilities and the market. This global network of over 70 sites is controlled by the Research Board and Research Coordination. A variety of formats are used for the purposes of knowledge transfer: information is shared between R&D managers within the Research Committee, corporate projects link existing knowledge available across divisional boundaries, R&D expert clusters offer platforms for researchers to discuss particular topics, and the synergy platform–the Group's own annual internal conference–offers the opportunity to share knowledge whilst meeting in person and networking.



Continuing professional development for researchers

On average around 120 Master's theses and 90 dissertations are being written about current voestalpine research topics. Consequently, there is a constant pool of young researchers who become very familiar with the Group and its areas of activity whilst still studying.

Nearly a third of these academic works already examine issues related to digitalization.

Long-term and trusted relationships

Collaboration is becoming increasingly important, also in the field of research. “Partnership” is not only a sustainable development goal, it is also anchored in voestalpine's strategic R&D guidelines. Global networking, and cooperation with external partners including customers, suppliers and scientific institutions, is undoubtedly a key to successful R&D.

voestalpine aspires to create strategic, long-term partnerships based on trust and technological equality which create value for both partners.

With their application-oriented fundamental research, scientific partners, whether national or international, such as university institutes, universities of applied science, research institutes, competence centers, and Christian Doppler Laboratories, all make an important contribution to academic research. Cooperative partnerships benefit from geographical and cultural proximity, and for that reason local scientific expertise is used.

R&D cooperation with customers is equally important, allowing their particular needs to be directly met. Here, too, long-term development partnerships are encouraged, with R&D employees–“Resident Engineers”–in permanent contact with selected customers.

11. ENVIRONMENT

Active environmental protection is a core element of voestalpine's corporate philosophy. It is part of all segments of the production chain and is directed toward very economical use of resources (especially raw materials and energy) and minimization of the environmental impact of our processes and products.

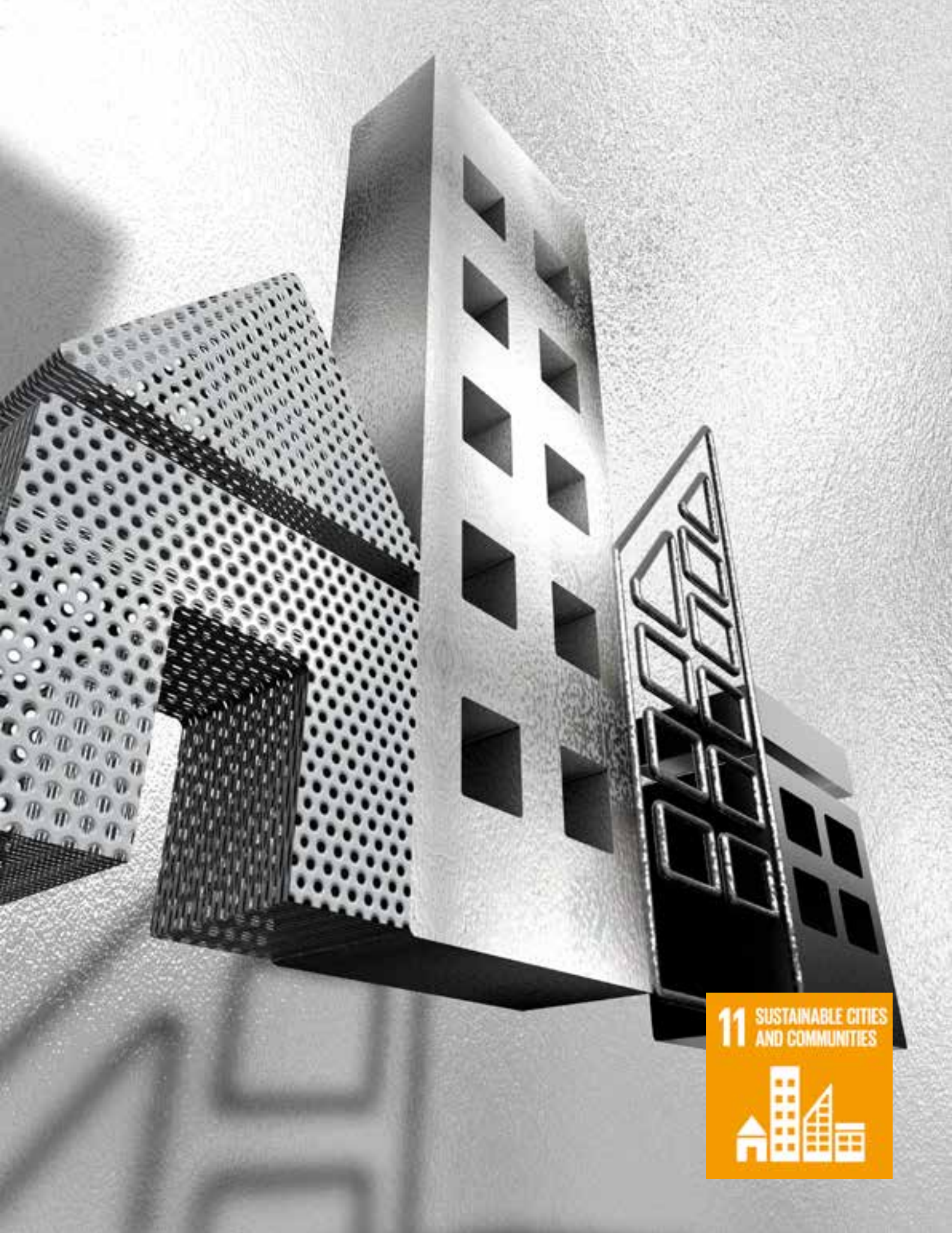
In the voestalpine Group, environmental protection begins with the production facilities, where we strive to make use of the best available technologies, undertake intensive research in order to develop environmentally-friendly steel production processes and products, implement measures to increase efficiency, reduce emissions, achieve energy savings, and–last but not least–facilitate transparent and efficient environmental management.

At all of our production locations, we are committed to the following principles:

- >> Holistic responsibility for our products
- >> Optimization of production processes
- >> Establishment of environmental management systems
- >> Integration of employees into the process by ensuring that each individual behaves in an environmentally-responsible way
- >> Open and objective dialogue

As the result of these consistent efforts, voestalpine has a leading position within the European steel industry, for example, with regard to emissions intensity and resource efficiency. Many innovative processes were developed within the company or jointly with industrial partners and used for the first time worldwide at voestalpine.

As of December 31, 2017, 73 of 130 locations (56%) operated an environmental management system in accordance with ISO 14001, and 16 locations were certified according to EMAS.


11
SUSTAINABLE CITIES
AND COMMUNITIES

Environmental protection is a core element of voestalpine's CR Strategy. It includes the company's guiding principles as follows:

Emissions in the air, soil and water: minimizing with the best available technologies

Process-related emissions cannot be entirely avoided. We operate our production sites by economically applying the best available technologies, as well as developing new ones, in order to minimize the environmental impact on the air, soil and water as far as possible.

Circular economy & Life Cycle Assessment: an integrated approach to materials

We support the comprehensive and integrated consideration and evaluation of materials (Life Cycle Assessment), as well as all processes and value chains within the context of the circular economy.

Energy and climate policy: commitment to low-carbon production

We are meeting the long-term challenge of decarbonizing business and society both through comprehensive research and development (much of it on a cooperative basis) to create new technologies, and by being involved in an open and constructive stakeholder dialogue with environmental organizations, political decision-makers, and science.

Note on this chapter: Over the past years voestalpine has developed to become a global leading technology and capital goods Group, with around 500 Group companies and locations worldwide. In addition to crude steel production at the primary production sites Linz and Donawitz, since fall 2016 voestalpine has operated a HBI plant in Corpus Christi (Texas, USA), and at several sites also produces components from steel which is partly externally sourced. For that reason, in the chapter on "Environment" it has been necessary to redefine the previously applied "crude steel production" reference values in order to calculate the specific environmental key figures.

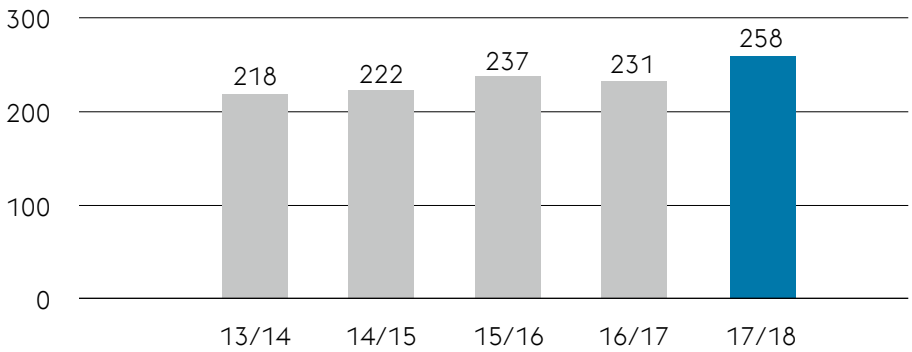
11.1 OPERATING EXPENSES FOR ENVIRONMENTAL PROTECTION SYSTEMS

For many years, voestalpine has been consistently advancing the application of high environmental and environmental technology standards. This is also reflected in the environmental expenditure and investment indicators.

In the business year 2017/18, environmental investment amounted to EUR 40 million and the ongoing costs of operations for environmental systems came to EUR 258 million.

ENVIRONMENTAL EXPENDITURES voestalpine AG

In millions of euros

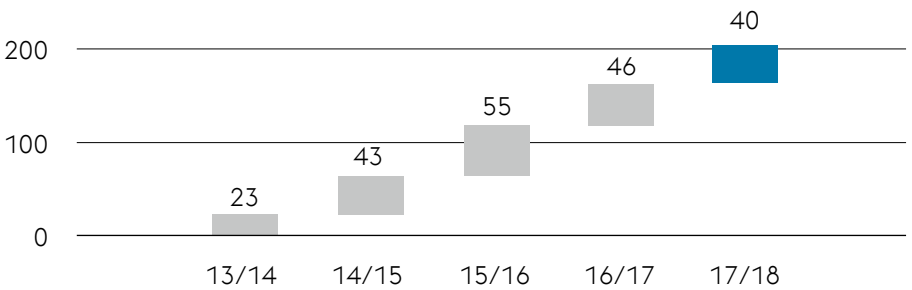


At around 50%, the greatest percentage of environmental expenditures in the business year 2017/18 was spent on air purification measures and the purchase of CO_2 certificates as part of the EU emissions trading system. Around a quarter of the expenses went towards waste recycling, reuse and disposal, and 20% for water protection measures.

11.2 ENVIRONMENTAL INVESTMENTS

ENVIRONMENTAL INVESTMENTS voestalpine AG

(cumulative) in millions of euros



11.3 AIR EMISSIONS

The major air pollutants that occur during the production of steel besides greenhouse gases (in particular CO_2) are sulfur dioxide (SO_2), nitrous oxide (NO_X), and dust. Emissions of all of these pollutants comply with the statutory threshold limits. These parameters are measured and their annual loads recorded by means of continuous measurements, intermittent laboratory analyses, and material flow analysis.

voestalpine makes every effort to minimize to the greatest extent possible the air pollutants that occur during production for purely technical reasons related to the process. On one hand, this is done by optimizing of the technical process (process integrated measures) and on the other, through end-of-pipe measures utilizing state-of-the-art technology. Fundamentally, technical limitations prevent the process-related emissions, which result primarily from the raw materials required and from existing production processes, from being avoided entirely. Due to the environmental measures that were begun in the mid-1980s, and have continued since then with significant technical effort and financial expense, emission levels have reached the minimum currently technically achievable.

Therefore, no additional significant reduction is possible using currently available technologies, as illustrated below. For example, the specific emissions for CO_2, SO_2, and NO_X in the last five years are within the production-based fluctuation range. During the last three decades, the specific emissions produced by the voestalpine Group (i.e., based on one ton of crude steel) have been reduced as follows: CO_2 by 20%, SO_2 by 75%, NO_X by 27%, and dust by 95%.

11.3.1 GREENHOUSE GAS EMISSIONS

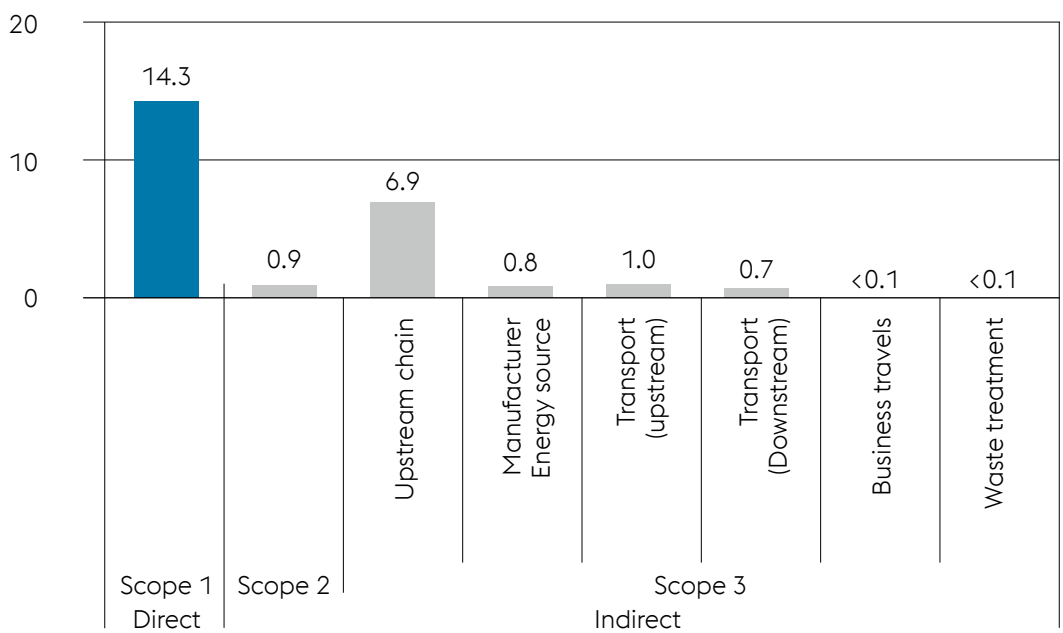
Crude steel production using the blast furnace/LD process depends on the use of carbon as a reducing agent; the resulting process-related CO_2 emissions are technically unavoidable.

Since fall 2016 voestalpine has operated a direct reduction plant for the production of high quality sponge iron (HBI–hot briquetted iron) in Corpus Christi, Texas. During this process natural gas is used to reduce ore pellets. As a result, the specific Greenhouse Gas emissions for the reduction process can be lowered compared to the coal-based smelting reduction process.

Operations at around 130 voestalpine production sites generated greenhouse gas emissions of around 14.3 million tons in 2017, with the majority consisting of process-related and currently unavoidable CO_2 emissions.

DIRECT AND INDIRECT GHG EMISSIONS

In millions of tons of CO_2e



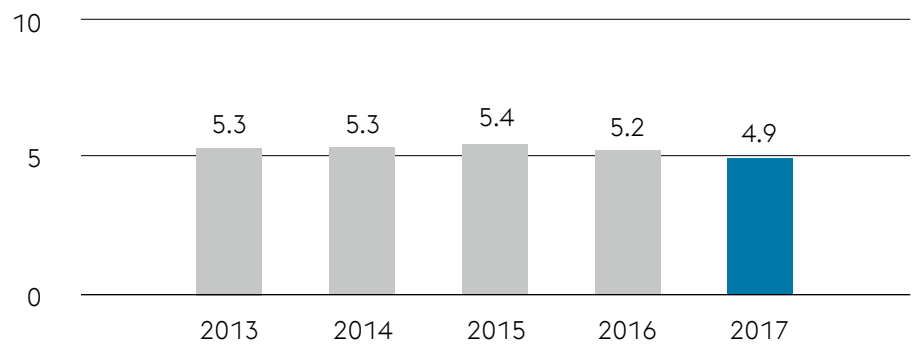
11.3.2 SO_2 EMISSIONS

Many raw materials contain sulfur which is consequently introduced into the production process. During certain processing steps and when by-products (coke oven gas and blast furnace gas) are used for thermal recycling, sulfur is emitted in the form of sulfur dioxide (SO_2).

The specific SO_2 emissions in the calendar year 2017 were 0.45 kg per ton of crude steel. The reduction over previous years is due to optimization of the separation performance in the sintering plant at the site in Linz, as well as the altered product reference values (including HBI in Texas).

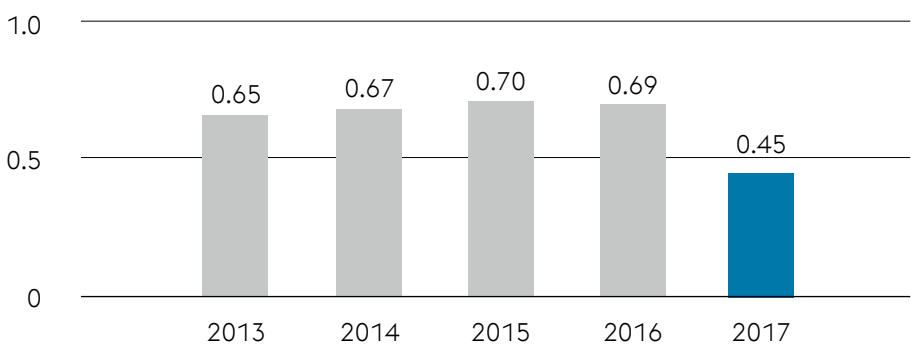
SO_2 EMISSIONS

kt



SPECIFIC SO_2 EMISSIONS

kg/t of product

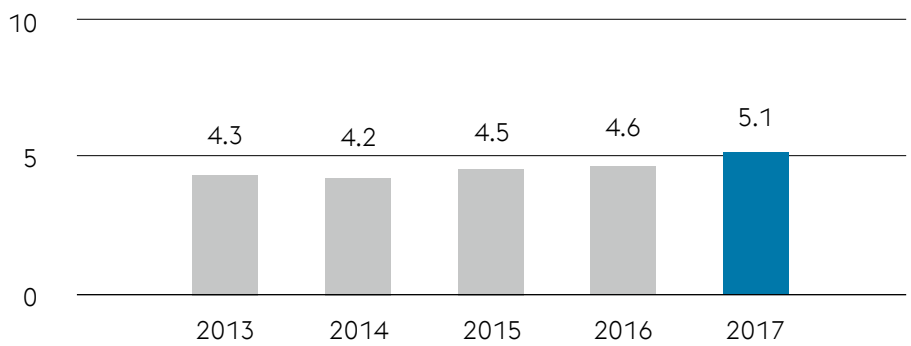


11.3.3 NO_X EMISSIONS

Nitrous oxides (NO_X) are gaseous nitrogen compounds which are created during combustion processes. In steel production they result from operating the industrial facilities and from thermal recycling of the blast furnace gases. By deploying denitrification systems and improved combustion technologies, voestalpine has significantly reduced these emissions to a low level in a long-term comparison, and held them at this level over the past years. In calendar year 2017, the specific NO_X emissions from operations were around 0.51 kg per ton of crude steel.

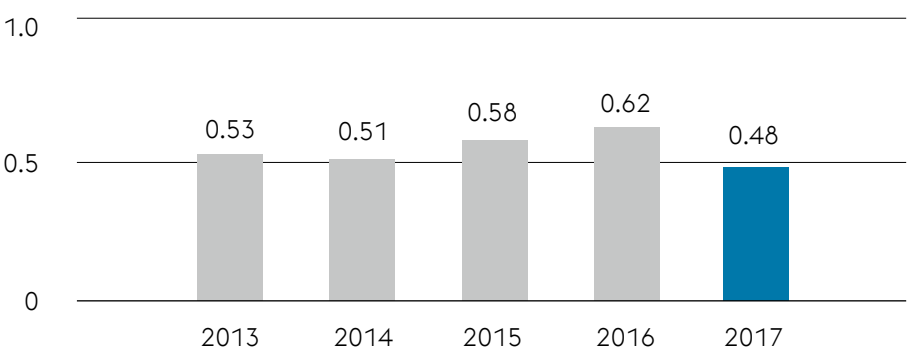
NO_X EMISSIONS

kt



SPECIFIC NO_X EMISSIONS

kg NO_X /t of product

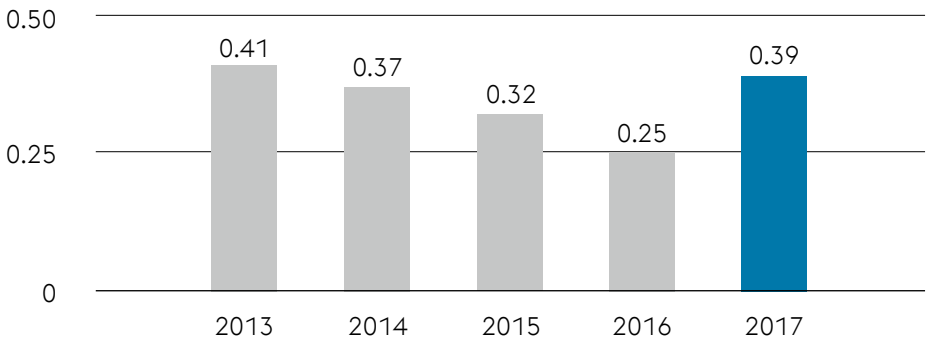


11.3.4 CAPTURED DUST EMISSIONS

Dust-laden exhaust gases and emissions occurring during production are captured and routed to a de-dusting system using state-of-the-art measures and precautions. In calendar year 2017, a direct reduction plant for the production of sponge iron became fully operational in Corpus Christi (Texas, USA). This is the main reason for the increase in absolute dust emissions. The specific dust emissions at voestalpine continue to remain at a very low level.

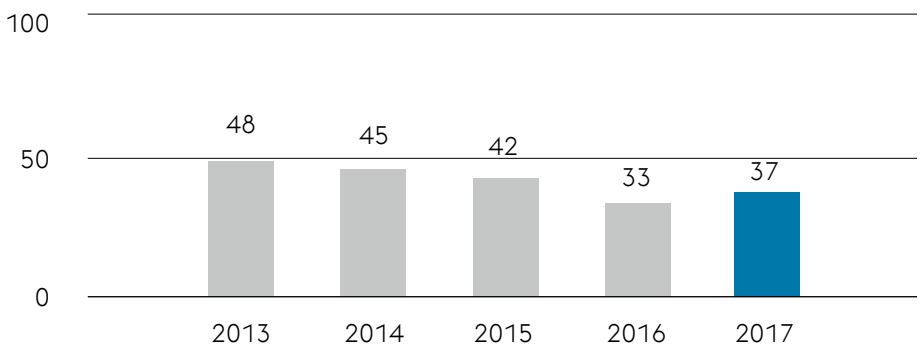
CAPTURED DUST EMISSIONS

kt



SPECIFIC CAPTURED DUST EMISSIONS

g/t of product

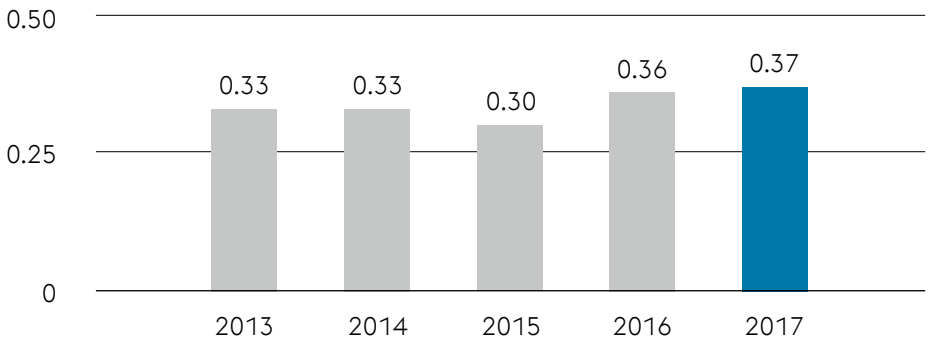


11.3.5 ORGANIC AIR POLLUTANTS

Organic air pollutants (VOC) are primarily process-related, the result of the thermal process stages in crude steel production and in the combustion processes. In order to reduce VOC emissions further, regenerative afterburning in connection with the drying of coal was introduced at the site in Linz in 2017. In terms of production quantities, VOC emissions amounted to around 34 grams per ton of crude steel.

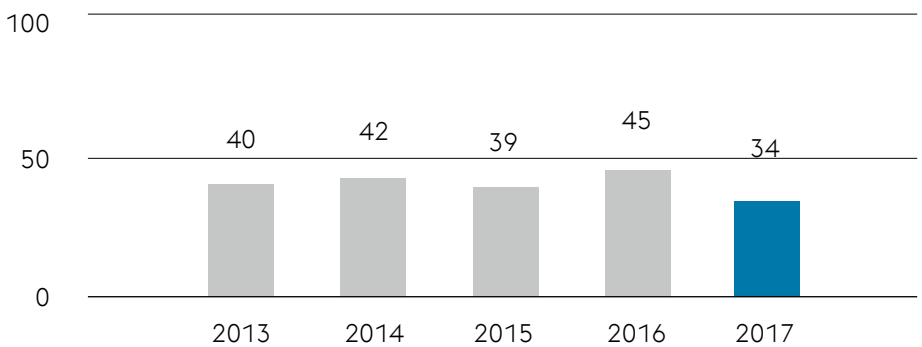
VOC EMISSIONS

kt



SPECIFIC VOC EMISSIONS

g/t of product



11.4 WATER MANAGEMENT

Water is used in the production of pig iron and crude steel for cooling and for the generation of steam, and is one of the most important consumables and auxiliary materials. Conserving water resources, and with particular consideration of the local circumstances, is achieved using methods including closed-circuit systems and the multiple use of process water.

In accordance with ISO 14046, voestalpine takes an integrated life cycle assessment approach to the water circulation system at all production locations.

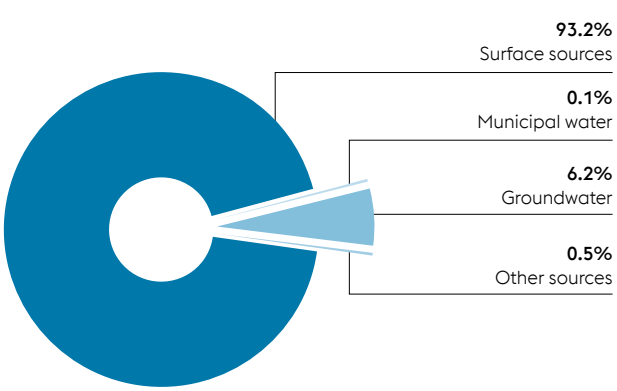
By calculating the net blue water consumption and the water scarcity footprint, a detailed examination which includes the local hydrogeological conditions determines the contribution of each production location to water scarcity in its region.

The amount of water used by voestalpine in calendar year 2017 was around 760 million m^3, with more than 93% used solely for cooling purposes. This water was sourced from surface water and returned to this source in the same quality.

Accordingly, the voestalpine AG net blue water consumption in 2017 amounted to 14.1 million m^3, or 1.32 m^3/ton of crude steel. At 53.89 million m^3, or 5.03 m^3/ton of crude steel, the significantly larger share of overall net blue water consumption derived mainly from raw materials procurement and the use of special alloying elements.

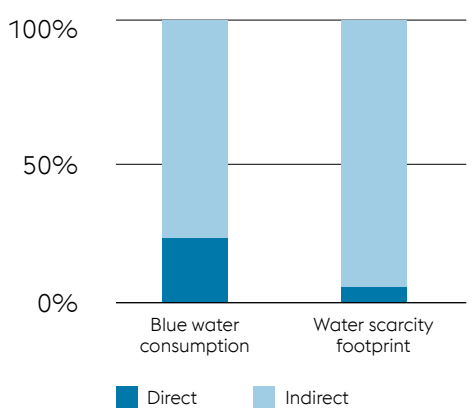
Calculating the water scarcity footprint also indicates that, where the value chain as a whole (cradle-to-gate) is considered, voestalpine operations make a relatively negligible contribution to water scarcity in individual regions and ecosystems.

WATER CONSUMPTION 2017



WATER FOOTPRINT AT THE LINZ SITE

In %



11.5 WASTE AND RECYCLING MANAGEMENT

In addition to conserving resources in production and processing, voestalpine undertakes numerous activities designed to optimize the durability of its products, as well as their reusability, recyclability and recoverability.

Due to their composition, many of the by-products generated by the production and downstream processing of pig iron and steel can be utilized in-house as recycled materials, or in other industrial branches (e.g. steel mill dust in the zinc industry, slag in the cement industry) as secondary raw materials.

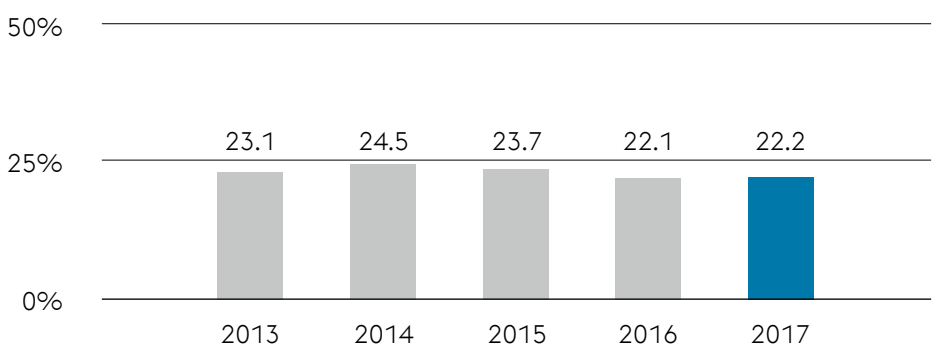
Process management in integrated metallurgical facilities is optimized on an ongoing basis in order to ensure a high degree of internal recycling and external utilization of waste and residual products that accrue from production facilities and downstream machinery, including filter dust and mill scale. Additionally, products, residual materials, and waste that accrue in external production facilities are also utilized in voestalpine production facilities, for example, scrap, plastic pellets, and used oil and grease.

At the crude steel production sites in Austria, Germany, Sweden, and Brazil, the percentage of recycled materials of the total material used was 22.2% in the calendar year 2017, roughly the same level as in previous years.

The specific volume of non-hazardous waste in 2017 amounted to 116 kg per ton of crude steel. The specific volume of hazardous waste was 22 kg per ton of crude steel. Fluctuations between the reporting periods are largely the result of construction activities and the resultant construction waste, for both hazardous and non-hazardous waste.

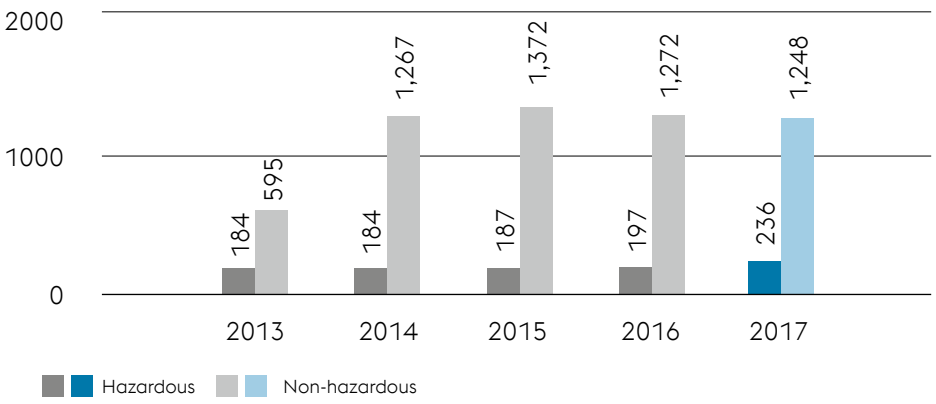
RECYCLING RATE

In %



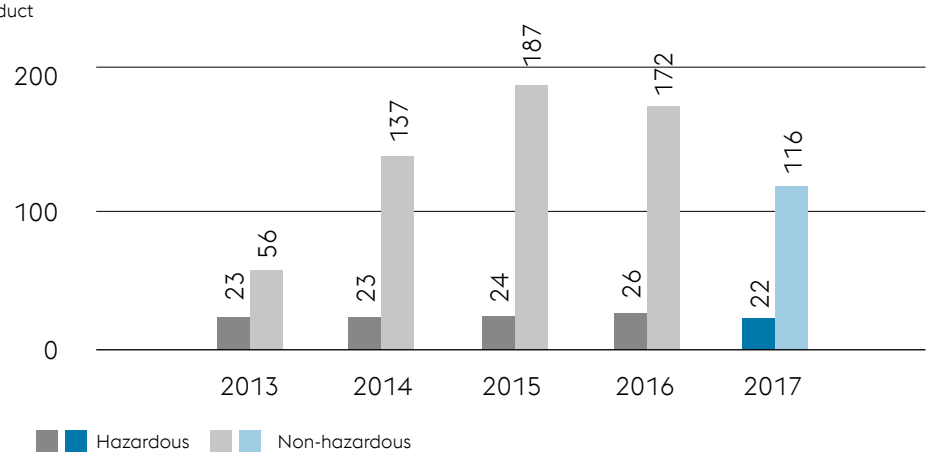
VOLUME OF WASTE

kt



SPECIFIC VOLUME OF WASTE

kg/t of product



11.6 ENERGY

Energy consumption is an important consideration in the steel industry, not only in terms of environmental impacts, but also as a key cost factor. For that reason, voestalpine is determined to use energy as efficiently as possible. In conventional, integrated metallurgical facilities, efficiency increases are achieved through continual optimization of process gas recycling, utilizing waste heat potential, and an energy management system.

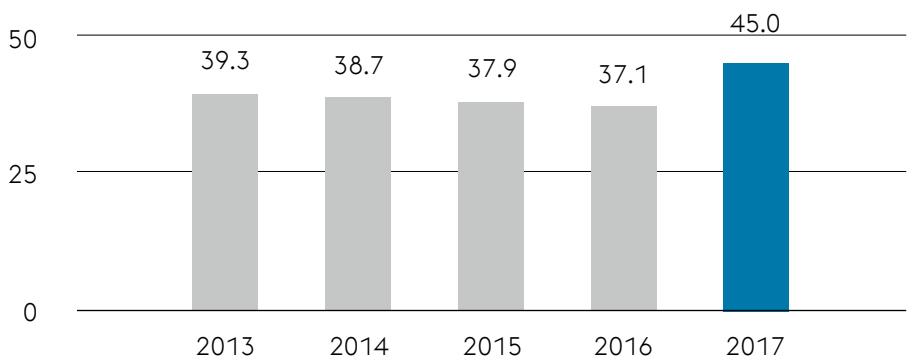
Total energy consumption of the voestalpine Group in 2017 was 45 TWh (4.2 MWh/ton of crude steel), with the crude steel producing locations Linz and Donawitz, as well as the newly constructed direct reduction plant in Texas, by far the largest consumers.

The start of full scale operations at the site in Texas and production increases at the crude steel production sites led to an overall increase in energy consumption.

The most important energy sources are coal and coke (46% resp.19.42%), followed by natural gas (26.1%). At around 5.8% of overall energy consumption, the share of electricity procured externally was comparatively small.

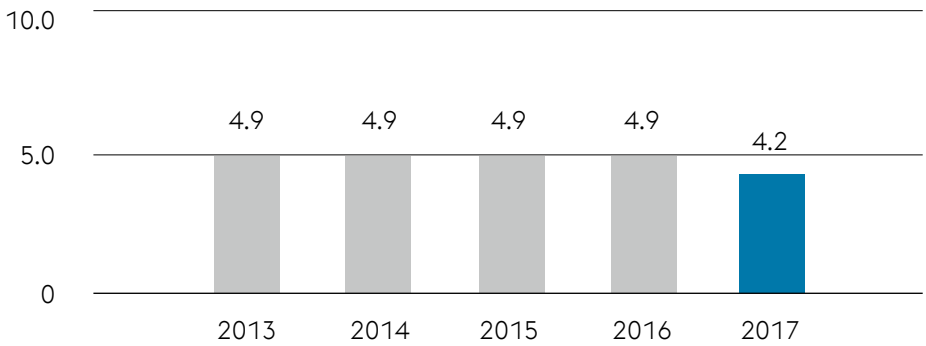
TOTAL ENERGY CONSUMPTION

TWh

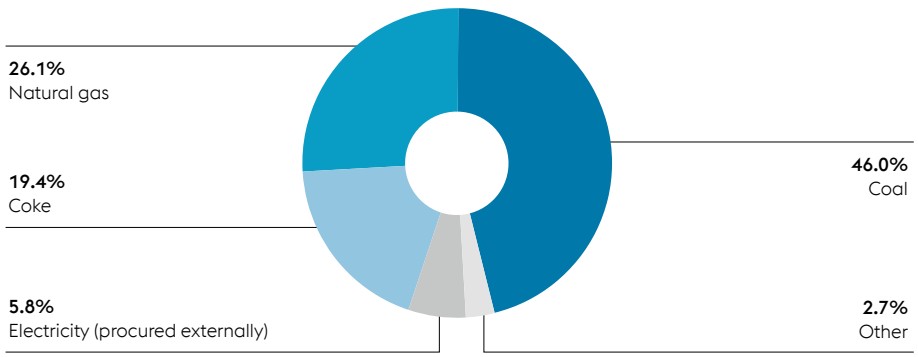


SPECIFIC TOTAL ENERGY CONSUMPTION

MWh/t of product



SHARE OF ENERGY SOURCES 2017



voestalpine LIFE CYCLE ASSESSMENT

Evaluating the environment impacts of products always requires an integrated approach over their life cycle. Life Cycle Assessment (LCA) considers all the process and value chains of the materials used, beyond company boundaries, and includes this information in the product's ecological assessment.

Meanwhile, voestalpine's business partners demand LCA data and specific ecological assessments in order to undertake transparent and robust evaluations of their products in which steel plays an important role, and to communicate this information. Already much legislation and various regulations demand transparent and verifiable information on the environmental impacts in the individual life cycle phases, or are starting to require this information. In a circular economy the integrated approach is a key aspect of sustainable products.

As a means of meeting these requirements, voestalpine works directly with customers, for example, in the automotive industry, construction industry, and the infrastructure sector, to make available meaningful and reliable LCA information and ecological assessments.

Furthermore, voestalpine has published environmental product declarations (EPD) for selected products, prepared in accordance with uniform rules and independently checked, which objectively present their environmental characteristics.

By taking this comprehensive and holistic approach it is possible to demonstrate the advantages of steel as a material with respect to its almost limitless service life, to define options for optimizing production processes, and to develop product innovations.

voestalpine applies a holistic method also to determine the specific net blue water consumption; this method extends beyond the exclusive view of specific water consumption to include both direct and indirect aspects from the upstream stages of the process and value chain.

So that the potential offered by the LCA can be used in full, standardized methods for determining environmental impacts and reliable data must be used, with the data collected according to largely harmonized factors. Numerous experts in the voestalpine divisions and at corporate level are involved in coordinating data collection and evaluation, as well as introducing and applying shared standards.

By participating in international research projects and international expert committees, for example, standardization, and expert groups, etc., voestalpine can take part in and help shape the development of existing methods and new approaches to ecological product evaluations.

A major challenge faced by voestalpine as a globally active company is the multitude of laws, standards and regulations. Here significant harmonization efforts are required in terms of applications, industries, as well as countries. voestalpine actively participates in various working groups, for example, at EUROFER and worldsteel, in drawing up meaningful and objectifiable measured values and uniform guidelines.

12. EMPLOYEES

Highest quality and innovation can only be achieved with excellently educated and highly motivated employees. For that reason voestalpine places great value in a respectful corporate culture, which reflects the diversity and individuality of our employees and their qualifications, and which is mirrored in the guiding principles of the CR strategy.

Corporate culture

We create a respectful corporate culture in which we support and encourage trust, diversity, self-determination, and personal responsibility. To this effect the voestalpine culture, as a symbol of our Group-wide identity, is constantly developing.

Diversity

We value the individual character of all our employees and their abilities, irrespective of gender, age, background, religion, sexual orientation, or any impairment, and create the preconditions for equal treatment, health promotion, and work which reflects the various phases of life.

Training and continuing education

Targeted measures are implemented to support voestalpine employees in gaining qualifications which will widen their career opportunities. Furthermore, we regard both the training of young people and lifelong learning as long-term determinants of the company's success.

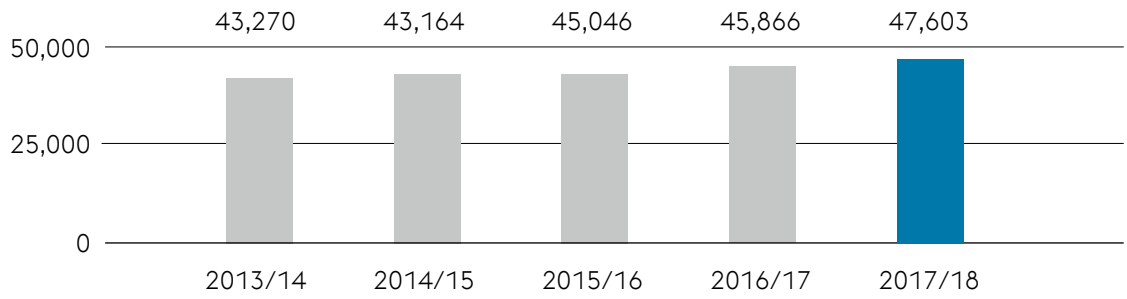

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

12.1 EMPLOYEE STRUCTURE

As of the reporting date of March 31, 2018, the voestalpine Group had a global workforce of 47,603 employees. Including 1,301 apprentices and 3,868 temporary employees, this number rises to 51,621 FTEs (full time equivalents).

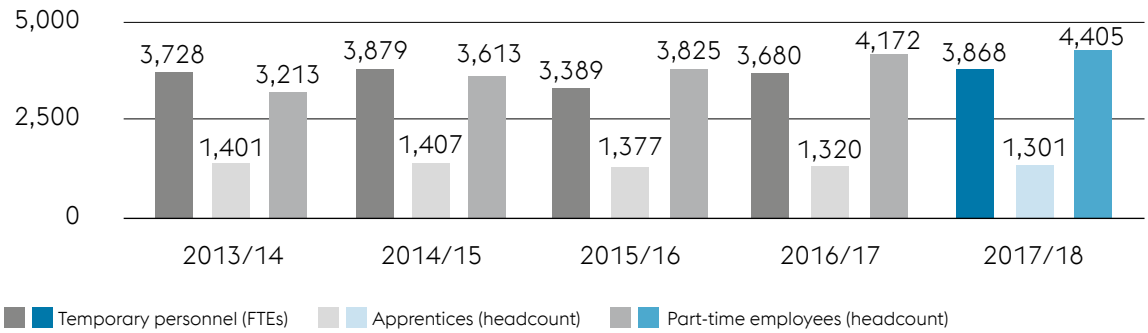
DEVELOPMENT OF THE NUMBER OF EMPLOYEES

Persons (excl. apprentices, headcount) per business year



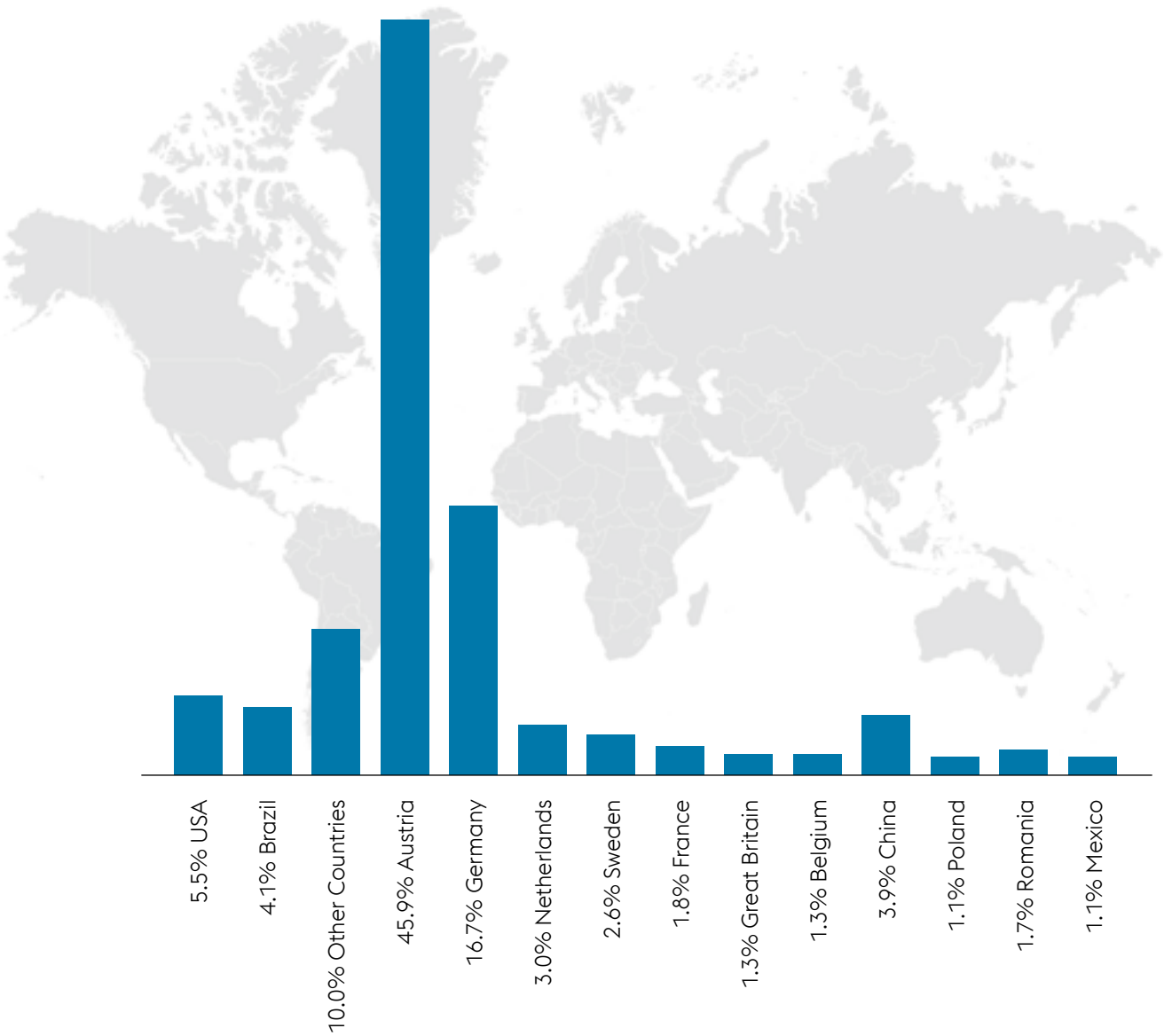
STRUCTURE OF THE WORKFORCE ACCORDING TO TYPE OF EMPLOYMENT

(without full time employees) per business year

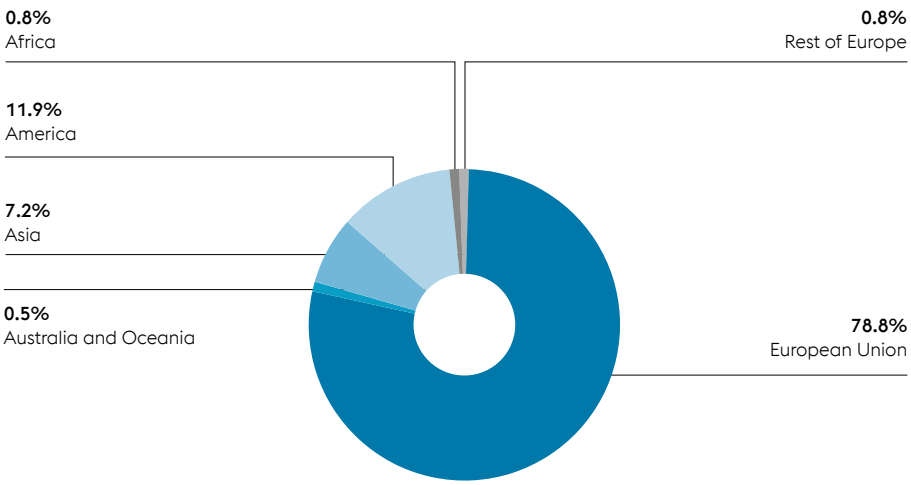


12.1.1 EMPLOYMENT ACCORDING TO COUNTRIES AND REGIONS

voestalpine is active with around 500 Group companies and locations on 5 continents in 50 countries. 45.9% of employees are based in Austria. More than half of all employees (54.1%) work at locations outside Austria.



voestalpine sees it as a duty to live up to its social responsibilities at each of its sites. Because of the number of jobs and employment structure, it is natural that employees at each site are also predominantly local residents. In terms of recruitment, voestalpine enjoys the particular advantage of being regarded as an attractive employer in its local job markets.



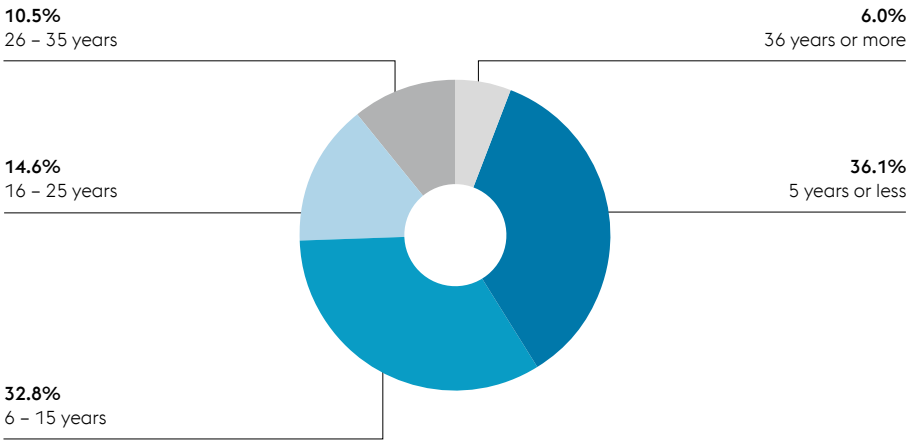
voestalpine employees speak a multitude of languages, and for that reason the most important publications are issued in German and English, and also translated into a number of other languages. For example, the Code of Conduct, the Corporate Responsibility Factsheet, and the employee magazine are all available in a total of 14 languages.

12.1.2 JOB TENURE AND FLUCTUATION

As in past years, in the business year 2017/18 the largest group of employees within the voestalpine Group is those with a job tenure of five years or fewer, due to the constantly increasing number of employees.

JOB TENURE

As of the reporting date March 31, 2018



During the past business year the fluctuation rate for employment terminated by the employee or by mutual agreement was 6.8%. In 2017/18 the number of applications for every job vacancy was 29. Over the past years this figure has continuously risen, and demonstrates voestalpine's attractiveness as an employer.

12.1.3 AGE STRUCTURE OF THE EMPLOYEES

As of March 31, 2018, the average age of employees in the Group was 41.1. The following table shows the average age by employment relationship and gender:

AVERAGE AGE OF THE EMPLOYEES

per business year

	2013/14	2014/15	2015/16	2016/17	2017/18
Workers	40.4	40.4	40.5	40.5	40.4
Salaried employees	42.0	42.1	42.3	42.2	42.4
Women	39.9	39.7	39.8	39.5	39.7
Men	41.1	41.3	41.4	41.4	41.3

12.2 ATTRACTIVENESS AS AN EMPLOYER

12.2.1 EMPLOYEE SURVEY

voestalpine conducts employee surveys every three years. The last survey took place in 2016. Concrete measures were implemented based on the results, in the areas of information & communication, career development, and identification/employer. The next employee survey is set to take place in 2019.

12.2.2 EMPLOYER BRANDING

For voestalpine, employer branding means positioning itself proactively as an attractive employer. This enables it to acquire new employees who are the best and the brightest in various specialist areas, and to retain existing staff. We can drive innovation and compete successfully in our markets only if we have committed employees who are experts in their fields. In addition to internal measures, we are also undertaking numerous external personnel marketing activities in order to enhance voestalpine's employer brand, for example, collaborations with (primarily technical) universities, participation in career fairs, and sponsoring.

A strong presence on all of the relevant online and social media channels as well as active reporting about the company increase voestalpine's visibility among target groups.

12.3 EQUAL TREATMENT

Over 51,000 employees (FTE) work around the world within the voestalpine Group. Each and every employee is valuable and must be respected for their individual abilities.

With the signing of the Diversity Charter by voestalpine CEO Dr. Wolfgang Eder in February 2018, the Group demonstrated its approach toward diversity and equal treatment. voestalpine respects everyone with whom it has a relationship (employees, customers, business partners), irrespective of gender, skin color, nationality, ethnic background, religion or belief, disabilities, age, sexual orientation, and identity. This declaration and corresponding measures create a climate of acceptance and mutual trust. As laid out in the chapter on "Respect and integrity" in the voestalpine Code of Conduct, the Group does not tolerate any form of discrimination.

12.3.1 PERSONS WITH DISABILITIES

In Austria, companies with more than 25 employees are required to make jobs available for persons with disabilities. For reasons relating to data protection and privacy, information about the possible disability of employees is not collected outside Austria. voestalpine fulfills all statutory obligations at all of its locations in this respect.

12.3.2 WOMEN AT voestalpine

As of the reporting date of March 31, 2018, the percentage of women in the workforce in the Group as a whole was 13.8%. The percentage of female workers is 4.9%, and female salaried employees 28.8%. As of March 31, 2018, the percentage of female executives (salaried employees who hold positions with staff responsibility, including forepersons but excluding members of the Management Board) was 12.3%. There was a slight rise in the share of women in all these areas and, at 47.4%, the share of female apprentices completing non-technical training (Female apprentices "other") is particularly high.

PERCENTAGE OF FEMALE EMPLOYEES

per business year

	2013/14	2014/15	2015/16	2016/17	2017/18
Total of all female employees	13.4%	13.3%	13.1%	13.5%	13.8%
Female executives	10.6%	11.0%	12.0%	11.5%	12.3%
Salaried female employees	28.4%	28.4%	28.4%	28.5%	28.8%
Female workers	4.3%	4.1%	3.9%	4.5%	4.9%
Female apprentices (technical training)	8.6%	12.1%	11.8%	12.4%	13.5%
Female apprentices (other)	49.5%	55.9%	55.2%	50.8%	47.4%

12.4 TRAINING AND CONTINUING EDUCATION

Highly qualified staff are a prerequisite for innovation and quality, and consequently for the success of voestalpine. Targeted measures are implemented to support voestalpine employees in gaining qualifications which will widen their career opportunities.

The total cost for personnel development in the business year 2017/18 was over EUR 54 million. 75.6% of employees took part in training and continuing education measures. In the business year 2017/18, Group-wide voestalpine employees underwent a total of 791,589 hours of training, an average of 22 hours per trained employee.

12.4.1 MANAGEMENT TRAINING

In the business year 2017/18, a total of 254 executives from 24 countries began the multiphase "value:program"; the share of female participants was 15.7%. The principle focuses are specialist topics, strategy, change management, leadership, compliance, and organization.

12.4.2 PROFESSIONAL ACADEMIES

In addition to proven programs for executives and future executives, there are numerous internal training programs for the ongoing professional qualification of salaried and wage-earning staff that teach specialist skills based on specific requirements.

EARLY CAREER PROGRAM IN NORTH AMERICA

Based on the successful Young Professionals Training program developed for China, in 2017 voestalpine started a similar program in North America. After China, the NAFTA region (USA, Canada, Mexico) is the largest growth market for voestalpine. However, it is not intended to grow only market share, but also identification and a feeling of belonging for the colleagues in North American Group companies.

In the business year 2017/18 voestalpine was represented in North America by all four divisions at around 70 locations, and with a workforce of almost 4,000 employees. They generated revenue of almost EUR 1.8 billion in this region, a total which is forecast to grow to EUR 3 billion by 2020.

The Early Career Program is aimed at sales and technical employees in voestalpine companies who have the potential to take on more senior positions and/or management roles. The program consists of three modules, each lasting three days, held at different locations in the USA.

They include the transfer of know-how about voestalpine, such as the Group's organizational structure, products, markets and customers. Furthermore, the voestalpine strategy with a focus on North America is addressed, and internal rules and regulations such as complying with the Code of Conduct discussed. The participants also receive training in business skills (communication, presentation, negotiation techniques and project management) and have the opportunity to network with colleagues. Participants are taught by (inter)national trainers and internal experts.

12.5 APPRENTICES

As of the reporting date of March 31, 2018, 1,301 apprentices were being trained in around 50 skilled trades, the majority (59.5%) at locations in Austria. 21.6% were being trained in Germany under the dual system. As a result of their demand-oriented training, almost 100% of the young workers who have successfully completed their apprenticeship are hired as permanent employees.

voestalpine regards it as a clear duty to invest in training highly-qualified young workers. In addition to excellent specialist training, stress is also laid on developing personal and social competences. The Group currently invests over EUR 70,000 in training each apprentice.

TOP PLACES IN COMPETITIONS

The 40 voestalpine companies which currently train apprentices are extremely proud of their trainees who regularly win local, national, and even international prizes.

For example, two apprentices from voestalpine Krems GmbH won the first and third place in the industrial category in the apprentice competition run by Lower Austria's Economic Chamber.

Gold and silver went to two voestalpine apprentices in the Metal Engineering Division who demonstrated outstanding performances in the Styrian state apprenticeship competition for metals technology. The two prize winners are apprentices with voestalpine Weichensysteme GmbH in Zeltweg, and voestalpine Böhler Welding Austria GmbH in Kapfenberg.

Five youngsters from voestalpine Automotive Components Schwäbisch Gmünd GmbH & Co. KG were selected as the best apprentices in Ostwürttemberg, collecting prizes for their efforts in November 2017. The 50 skilled trades taught at voestalpine cover everything from chemical laboratory technician and metal technician to careers in gastronomy. Here again, an apprentice at Caseli, the voestalpine catering company in Linz, impressed the judges to win first place in a 2017 state apprenticeship competition in Upper Austria.

voestalpine apprentices are also successful internationally. The WorldSkills professional championships in Abu Dhabi may not have brought places on the podium, but it did result in a medallion for excellence. Over 1,200 participants from all over the world fought to win the title in 51 different career categories. The voestalpine team was chosen after preselections at national level, and consisted of three young skilled workers from voestalpine Stahl GmbH in Linz, and a trainee at voestalpine Automotive Components Bunschoten B.V. in the Netherlands.

The voestalpine training centers also won prizes: in October 2017 Böhler Edelstahl in Kapfenberg, Austria, was awarded the national prize for the best apprentice training organization, and was acclaimed for its pioneering training concept. The jury were impressed by projects such as the digital training factory which is already preparing voestalpine apprentices for future workplace digitalization.

12.6 STAHLSTIFTUNG

The "Stahlstiftung" (Steel Foundation) was founded in Linz, Austria in 1987, as an employee foundation. It's task was and remains to provide former employees of the previous VOEST-ALPINE Group, as well as employees from a number of companies outside of the Group, who had to leave due to a crisis, with the opportunity of professional reorientation through up to four years of training and continuing education courses in order to compensate for, or at least alleviate, the impact of the job loss.

In the business year 2017/18, more than 88% of the participants looking for work were able to find new professional perspectives with the help of the Stahlstiftung. As of the reporting date March 31, 2018, a total of 374 individuals were receiving assistance from the Stahlstiftung, of whom 56.7% were former employees of the voestalpine Group. The total number of Stahlstiftung active members in the business year 2017/18 was 676, 12.2% fewer than the previous year's figure (770 persons).

12.7 EMPLOYEE PARTICIPATION PLAN

voestalpine has had an employee participation plan since 2001, and it has been continually expanded since that date. Today the employee foundation is the second largest voestalpine shareholder. In addition to all the employees in Austria, personnel in Great Britain, Germany, the Netherlands, Poland, Belgium, the Czech Republic, Italy, Switzerland, and Romania hold company shares. As of March 31, 2018, roughly 25,100 employees have a stake in voestalpine AG through the voestalpine Mitarbeiterbeteiligung Privatstiftung; they hold about 22.8 million shares which, due to the general bundling of voting rights, represent 12.9% of the company's share capital. In addition, the foundation also manages around 2 million "private shares" owned by current and former employees; this corresponds to about 1.1% of the voting shares.

In total, as of March 31, 2018, 14% of voestalpine AG's share capital is owned by employees.

13. health & safety

The independent corporate Health & Safety Management department was established in 2015 and reports directly to a voestalpine AG Management Board member. It is run by the Chief health & safety Officer and encourages cooperation across the Group. The department works intensively on introducing uniform standards and procedures for reducing injury frequency.

Our health & safety guidelines:

Human safety and health are key fundamental values at voestalpine and enjoy the highest priority.

We work to further reduce injury frequency, and to raise the health rate of all voestalpine Group employees, wherever they work and whatever their function.

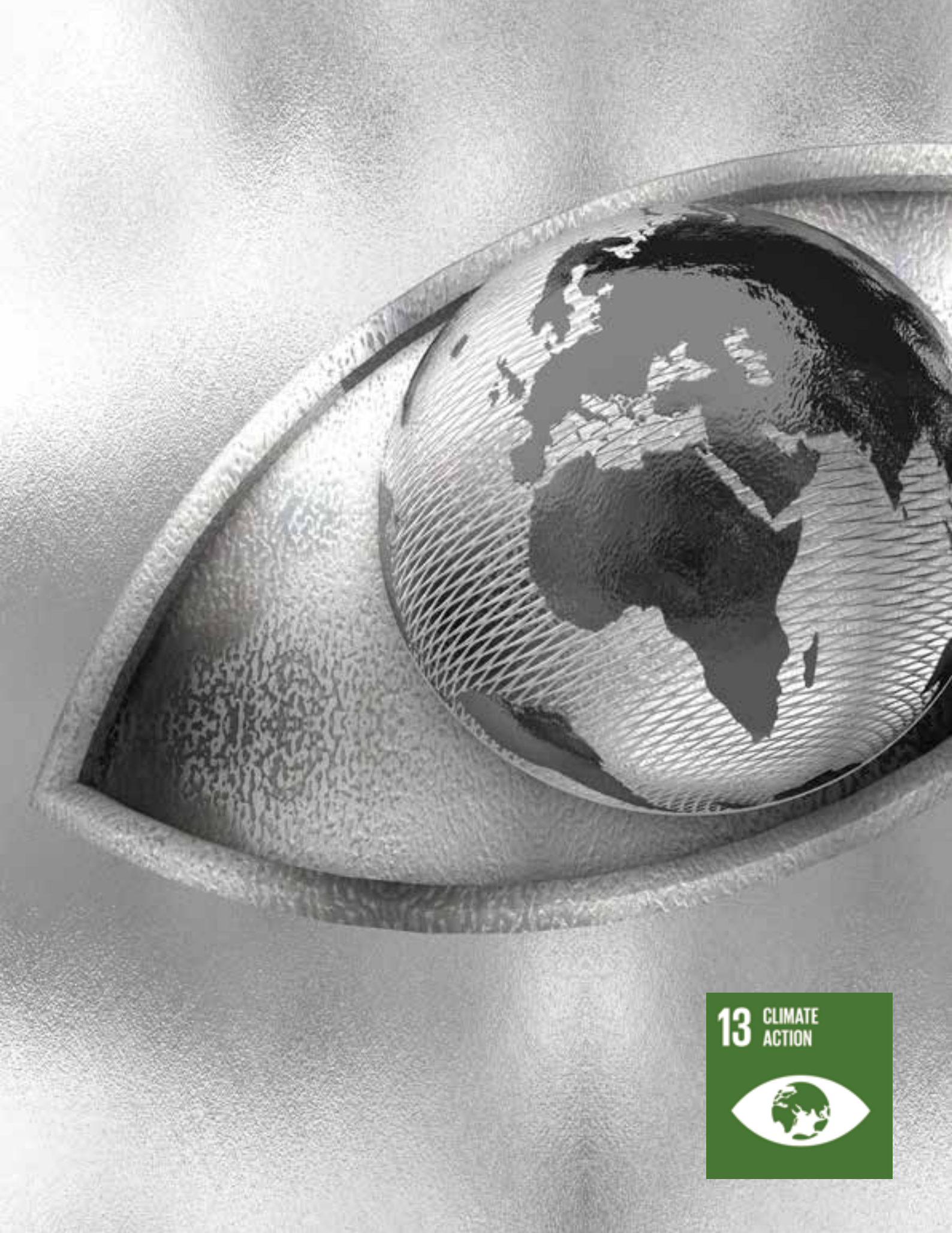
We regard Group-wide minimum safety standards as the basis for a successful health & safety corporate culture.

The following minimum safety standards have been defined for the voestalpine Group:

>> Each company has its own safety organization.
>> Executives undertake safety audits.
>> Near misses are reported, documented and the appropriate measures taken.

A web tool is used to examine the effectiveness of the corporate minimum safety standards.

The voestalpine health & safety organization is developing a health & safety culture intended to be practiced by employees throughout the Group. As well as the Chief health & safety Officer, the Board, and the Committee, managers have been appointed for this role in each division. Safety projects designed to avoid accidents and strengthen safety awareness have been started in all the divisions.


13
CLIMATE
ACTION

13.1 LOST INJURY FREQUENCY RATE

The two most important key performance indicators which are being uniformly tracked by the companies throughout the Group are the Lost Injury Frequency Rate (LTIFR) and the health quota.

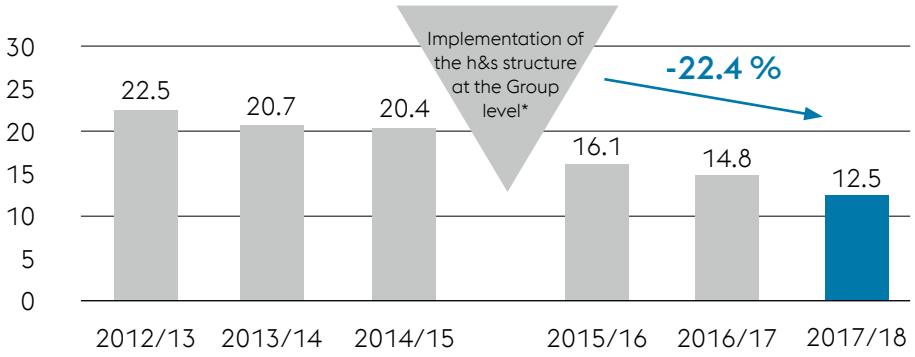
The LTIFR captures the number of work-related accidents per million working hours which result in more than three lost days.

As the definitions of reportable work-related accidents, lost days, and lost working hours differ widely in the countries in which voestalpine operates, a uniform definition has been established at the Group level. The figures captured from the business year 2015/16 onwards are governed by this definition. These therefore deviate from the earlier figures. The graphic shows that due to consistently applying divisional h&s measures the number of work-related accidents has gone down continuously in the past years.

There were no fatal work-related accidents involving voestalpine employees across the entire Group in business year 2017/18.

DEVELOPMENT OF THE LOST TIME INJURY FREQUENCY RATE (LTIRF)

As of March 31



*Change in definition of the key figures

POSITIVE EXAMPLES OF LOWERING THE LOST INJURY FREQUENCY RATE

At the voestalpine Safety Days in Linz in March 2018 the safety specialists were invited to share their experiences in implementing minimum safety standards. The event focused on learning from one another. Seven positive examples from across the divisions were highlighted by the Group's health & safety Committee.

1. *Steel Division: The "selbst.verständlich" event with five focuses (injuries to hands and fingers, slings, think about joints, talk on workplace safety, short play entitled "2 minutes before work")*
2. *High Performance Metals Division: EH&S toolbox: harmonizing EH&S documentation, central document storage, real-time evaluation*
3. *High Performance Metals Division: The use of robots: automation with grinding and welding robots*
4. *Metal Engineering Division: "Bewusst sicher" campaign: program to introduce a zero-accident culture involving all hierarchical levels*
5. *Metal Engineering Division: Safety course: ten stations covering topics related to workplace safety, first aid, and health promotion. Matching exercises for personal safety equipment, perception exercises, raising awareness of the importance of our health.*
6. *Metal Forming Division: Ideas management: all ideas incorporated into online software, info screens provide employees with workplace safety information.*
7. *Metal Forming Division: Practicing safety begins at the top: workplace safety as the first item in technical discussions. Site management holds return to work discussion after a reportable accident. Inspections always together with the department head.*

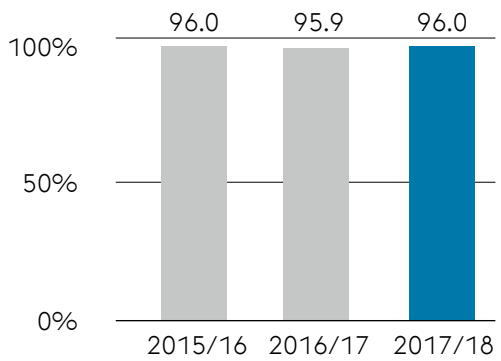
13.2 HEALTH QUOTA

The health quota indicates the percentage of the target working hours during which the employees were actually present during a predefined period. The company focuses on the presence of all workers and salaried employees.

A high health quota is not only positive for the employees, but also for the company. It is an expression of an effective health policy, and the company's responsible and respectful attitude towards its employees. Whilst making every effort to achieve a high quota, care should be taken that employees don't come to work while ill.

DEVELOPMENT OF THE HEALTH QUOTA

As of March 31



13.3 OHSAS 18001

A large number of voestalpine Group companies already have certified occupational safety and health management systems. All of the companies of the Steel Division and the Metal Engineering Division have already been certified in accordance with OHSAS 18001, for example. As OHSAS 18001 certifications are being rolled out throughout the entire Group, more and more companies will be certified according to this occupational safety and health management.

13.4 WORKPLACE SAFETY AND CONTRACTORS/OUTSIDE COMPANIES

voestalpine also endeavors to ensure that the life and health of employees of third-party companies are also protected. Binding guidelines have been issued in this regard which must be complied with by employees of contractors and third-party companies.

14. SOCIETY

The companies of voestalpine AG engage with the needs of local communities at each of their locations by supporting diverse projects and organizations. The broad spectrum of activities ranges from social issues to culture, and sport.

voestalpine often steps in as a major donor when natural disasters cause significant damage to communities close to its locations. Most recently the Group assisted employees and local residents at the plant in Corpus Christi, Texas, after the devastating impact of Hurricane Harvey.

In the cultural sector, in addition to a series of regional activities the focus currently lies in supporting the Cleveland Orchestra, Vienna's Burgtheater, and the “Klassik am Dom” concert series in Linz.

Another priority is supporting e-mobility, in particular by cooperating with Formula E. Starting with the 2018/2019 season, voestalpine will be a partner to the ABB FIA Formula E Championship in its European races for an initial period of two years. The world's first fully-electric street racing series will be run in European cities including Paris, Berlin, Rome, and Monte Carlo as the “voestalpine European Races”.


16
PEACE, JUSTICE
AND STRONG
INSTITUTIONS

MANAGEMENT BOARD
voestalpine AG

From left to right: Franz Rotter, Herbert Eibensteiner, Robert Ottel, Wolfgang Eder, Franz Kainersdorfer, Peter Schwab

Linz, September 10, 2018

Wolfgang Eder

Herbert Eibensteiner

Franz Kainersdorfer

Robert Ottel

Franz Rotter

Peter Schwab

This report is a translation of the original report in German, which is solely valid.


17
PARTNERSHIPS
FOR THE GOALS

15. APPENDIX

15.1 GRI CONTENT INDEX

GRI code	Description	Reported	Reference / Explanation	UNGC
102	**GENERAL DISCLOSURES**			
	Organizational Profile			
102-1	Name of the organization	●	p. 8	
102-2	Activities, brands, products and services	●	pp. 16-18	
102-3	Location of the organization's headquarters	●	p. 12	
102-4	Countries where the organization operates	●	pp. 12-13; AR pp. 6-7, 196-208	
102-5	Nature of ownership and legal form	●	pp. 15-16	
102-6	Markets served	●	pp. 14-15	
102-7	Scale of the reporting operation	●	p. 14; AR pp. 2, 8-9	
102-8	Employee structure	●	pp. 88-91	6
102-9	Organization's supply chain	●	pp. 47-50	
102-10	Significant changes regarding the organization's size, structure, ownership, or its supply chain	●	AR pp. 107-108 Ownership and structure of voestalpine are largely unchanged. Changes in the scope of consolidation are depicted in the AR.	
102-11	How the precautionary approach or principle is addressed	●	pp. 67, 70; AR pp. 55-59	
102-12	Externally developed charters, principles, or initiatives	●	voestalpine is a participant of the UN Global Compact and a signatory of the worldsteel sustainable development charter and diversity charter.	
102-13	Memberships in associations and advocacy organizations	●	pp. 115-118	
	Strategy			
102-14	Statement from senior decision-maker	●	pp. 6-7	

GRI code	Description	Reported	Reference / Explanation	UNGC
	Ethics and Integrity			
102-16	Values, principles, standards, and norms of behavior	●	pp. 26-32, 52-55	10
	Governance			
102-18	Governance structure	●	AR pp. 10-13	
	Stakeholder Engagement			
102-40	List of stakeholder groups	●	p. 20	
102-41	Collective bargaining agreements	●	p. 62	3
102-42	Identifying and selecting stakeholders	●	p. 20	
102-43	Approach to stakeholder engagement	●	pp. 22-25	
102-44	Key topics and concerns raised	●	pp. 22-25	
	Reporting Practice			
102-45	Entities included in the consolidated financial statements	●	p. 9; AR pp. 196-208	
102-46	Defining report content and topic boundaries	●	pp. 9, 25	
102-47	List of material topics	●	p. 25	
102-48	Restatements of information	●	p. 10	
102-49	Changes in reporting	●	There was no significant change in the list of material topics.	
102-50	Reporting period	●	p. 9	
102-51	Date of most recent report	●	p. 10	
102-52	Reporting cycle	●	p. 10	
102-53	Contact point for questions regarding the report	●	p. 122	
102-54	Claims of reporting in accordance with the GRI Standards	●	p. 8	
102-55	GRI content index	●	pp. 108-113	
102-56	External assurance	●	p. 120	

GRI code	Description	Reported	Reference / Explanation	UNGC
200 series	**ECONOMIC**			
201	**Economic Performance**			
103	Management approach disclosures	●	pp. 34-40	7
201-1	Direct economic value generated and distributed	●	AR pp. 30-40, 84-85	
201-2	Financial implications and other risks and opportunities due to climate change	●	pp. 34-40	7
201-3	Defined benefit plan obligations and other retirement plans	●	AR pp. 147-152	
204	**Procurement Practices**			
103	Management approach disclosures	●	pp. 42-47	
204-1	Proportion of spending on local suppliers	●	p. 47	
205	**Anti-corruption**			
103	Management approach disclosures	●	pp. 52-58	10
205-2	Communication and training about anti-corruption policies and procedures	●	p. 57	10
206	**Anti-competitive Behavior**			
103	Management approach disclosures	●	pp. 52-58	
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	●	AR pp. 153-154	

GRI code	Description	Reported	Reference / Explanation	UNGC
300 series	**ENVIRONMENTAL STANDARDS**			
301	**Materials**			
103	Management approach disclosures	●	pp. 70-72, 81	8
301-2	Recycled input materials used	●	p. 81	8
302	**Energy**			
103	Management approach disclosures	●	pp. 70-72, 83	7, 8
302-1	Energy consumption within the organization	●	pp. 83-84	7, 8
302-3	Energy intensity	●	p. 84	8
303	**Water**			
103	Management approach disclosures	●	pp. 70-72, 80	7, 8
303-1	Total water withdrawal by source	●	p. 80	7, 8
303-2	Water sources significantly affected by water withdrawal	●	p. 80	8
305	**Emissions**			
103	Management approach disclosures	●	pp. 34-40, 70-72, 74	7, 8, 9
305-1	Direct (Scope 1) GHG emissions	●	pp. 74-75	7, 8
305-2	Energy indirect (Scope 2) GHG emissions	●	pp. 74-75	7, 8
305-3	Other indirect (Scope 3) GHG emissions	●	pp. 74-75	7, 8
305-4	GHG emissions intensity	●	p. 14	8
305-5	Reduction of GHG emissions	●	pp. 38-40	8, 9
305-7	Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions	●	pp. 74, 76-79	7, 8

GRI code	Description	Reported	Reference / Explanation	UNGC
306	**Effluents and Waste**			
103	Management approach disclosures	●	p. 70-72, 80-81	8
306-1	Water discharge by quality and destination	●	p. 80	8
306-2	Waste by type and disposal method	●	pp. 81-82	8
308	**Supplier Environmental Assessment**			
103	Management approach disclosures	●	pp. 42-50	8
308-1	New suppliers that were screened using environmental criteria	●	pp. 48-50 All new and existing raw materials suppliers for steel production were screened according to environmental criteria.	8
400 series	**SOCIAL STANDARDS**			
401	**Employment**			
103	Management approach disclosures	●	pp. 86, 92 *http://www.voestalpine.com/group/en/jobs/working-at-voestalpine/*	6
401-1	New employee hires and employee turnover	●	p. 91	6
403	**Occupational Health and Safety**			
103	Management approach disclosures	●	p. 98	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	●	pp. 100-102	
404	**Training and Education**			
103	Management approach disclosures	●	pp. 86, 94-95	6
404-1	Average hours of training per year per employee	●	p. 94	6
404-2	Programs for upgrading employee skills and transition assistance programs	●	pp. 94-96	6

GRI code	Description	Reported	Reference / Explanation	UNGC
405	**Diversity and Equal Opportunity**			
103	Management approach disclosures	●	pp. 86, 92	6
405-1	Diversity of governance bodies and employees	◐	p. 93; AR. pp. 10-13	6
407	**Freedom of Association and Collective Bargaining**			
103	Management approach disclosures	◐	pp. 60-62	3
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	◐	p. 62	3
414	**Supplier Social Assessment**			
103	Management approach disclosures	●	pp. 42-50	2
414-1	New suppliers that were screened using social criteria	◐	pp. 48-50 All new and existing raw materials suppliers were screened according to social criteria	2
415	**Public Policy**			
103	Management approach disclosures	●	pp. 52-58	10
415-1	Political contributions	●	In the period under review, voestalpine did not make any donations or other contributions to politicians or political parties.	10

LEGEND
● Fully reported
◐ Partially reported

AR Annual Report 2017/18

UNGC As a participant of the UN Global Compact, voestalpine is obligated to publish an annual progress report. The column with the designation UNGC indicates about which of the ten principles the respective description provides information

UN GLOBAL COMPACT– THE 10 PRINCIPLES

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

LABOR STANDARDS

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

ENVIRONMENTAL PROTECTION

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

15.2 MEMBERSHIPS

voestalpine AG and its Group companies are members of numerous associations, clubs, and interest groups, and participate in working groups or work on projects through their employees. The following provides a selection of memberships that are relevant from the perspective of Corporate Responsibility.

American Society of Safety Engineers (ASSE)	USA
ARA Association (Altstoff Recycling Austria Verein)	Austria
Associacao Serrana de Recursos Humanos (ARH Serrana)	Brazil
Association for the Promotion of the Institute for Environmental Law, Austria (Verein zur Förderung des Instituts für Umweltrecht, Österreich)	Austria
Association of Austrian Safety Engineers (Verband Österreichische Sicherheits-Ingenieure, VÖSI)	Austria
Association of Friends and Alumni of the University of Technology, Vienna, Austria (Verband der Freunde und Absolventen der TU Wien, Österreich)	Austria
Association of Integrated Communication (Verband für integrierte Kommunikation, VIKOM)	Austria
Association of Women in the Metal Industries (AWMI)	USA
Association to Promote Research and Innovation (Verein zur Förderung von Forschung und Innovation, VFFI)	Austria
Austrian Advertising Research Association (Österreichische Werbewissenschaftliche Gesellschaft, WWG)	Austria
Austrian Association for Quality Assurance (Österreichische Vereinigung für Qualitätssicherung)	Austria
Austrian Energy Consumers Association (Österreichischer Energiekonsumenten-Verband, ÖEKV)	Austria
Austrian Mining Association (Bergmännischer Verband Österreichs)	Austria
Austrian Research Promotion Agency (Österreichische Forschungsförderungsgesellschaft, FFG)	Austria
Austrian Society for Environment and Technology (Österreichische Gesellschaft für Umwelt und Technik, ÖGUT)	Austria
Austrian Society for the History of Mining and Metallurgy (Montanhistorischer Verein Österreich)	Austria
Austrian Society of Occupational Medicine (Österreichische Gesellschaft für Arbeitsmedizin, ÖGA)	Austria

Austrian Standards Institute	Austria
AUSTROLAB – Association Representing the Interests of Accredited Conformity Assessment Bodies (Verein zur Wahrung der Interessen von akkreditierten Konformitätsbewertungsstellen)	Austria
B.C. Human Resources Management Association	Canada
Belgian Research Center of the Technological Industry (WTCM) (Forschungsgesellschaft für die technologische Industrie)	Belgium
British Standards Institution (BSI)	Great Britain
Business Club for Railways	Hungary
Certified Human Resources Professionals	Canada
Christian Doppler Society (CDG – Christian Doppler Gesellschaft)	Austria
Cologne consulting company for employer-funded retirement plans (Kölner Spezial-Beratungs-GmbH für betriebliche Altersversorgung)	Germany
COMET / K1-MET Competence Center for Metallurgical and Environmental Process Development (COMET / K1-MET Kompetenzzentrum für metallurgische und umwelttechnische Verfahrensentwicklung)	Austria
Compliance Link	Great Britain
Compliance Practice – Austrian Compliance Network (Compliance Praxis – Compliance Netzwerk Österreich)	Austria
Council for Research and Technology for Upper Austria (Rat für Forschung und Technologie für Oberösterreich, RFT OÖ)	Austria
Donors' Association for the Promotion of the Sciences and Humanities in Germany (Stifterverband für die Deutsche Wissenschaft e.V.)	Germany
EMAS	Austria
Employers Association of the Matraalia Area	Hungary
EUROFER – European Confederation of Iron and Steel Industries (Europäische Wirtschaftsvereinigung der Eisen- und Stahlindustrie)	Belgium
European Committee for Standardization (CEN)	Belgium
European Steel Technology Platform (ESTEP)	Belgium
EXBA – Exchange for Business Angels	Germany
Federal Association of Energy Consumers (Bundesverband der Energieabnehmer)	Germany
Federal Association of Human Resources Managers (Bundesverband der Personalmanager e.V.)	Germany
German Association for Occupational Pensions (Arbeitsgemeinschaft für betriebliche Altersversorgung e.V., ABA)	Germany
German Association for People Management (Deutsche Gesellschaft für Personalführung e.V., DGFP)	Germany

German Iron and Steel Institute (Verein Deutscher Eisenhüttenleute)	Germany
Hong Kong People Management Association	Hong Kong
HSS Forum – International High Speed Steel Research Forum	Germany
Industry Pension Association (Industrie-Pensions-Verein e.V.)	Germany
Informal Platform of Austrian Labor Foundations (Informelle Plattform österreichischer Arbeitsstiftungen)	Austria
Institute of Safety Management	USA
Institution for Personnel and Organizational Development (Institut für Personal- und Organisationsentwicklung, IPO)	Austria
International Metallographic Society (IMS)	Austria
Kepler Society JKU	Austria
LIMAK – Austrian Business School GmbH	Austria
MUFG Research and Consulting Association	Japan
National Association of Railway Business Women	USA
National Employers Organisation of South Africa (NEASA)	South Africa
Photovoltaic Austria Federal Association (Bundesverband Photovoltaic Austria)	Austria
Physio Austria – Federal Confederation for Physical Therapy (Bundesverband der PhysiotherapeutInnen Österreichs)	Austria
Platform for Innovation Management (Plattform für Innovationsmanagement)	
Public Relations Association Austria (Public Relations Verband Austria, PRVA)	
Rail Forum Europe, RFE	Belgium
Railway Business Forum	Poland
Railway Engineering-Maintenance Suppliers Association, REMSA	USA
Railway Industry Association, RIA	Great Britain
Regional Club Upper Austria of the Austrian Automobile, Motorcycle and Touring Club (Landesclubzentrale OÖ)	Austria
Research Association for Steel Application (Forschungsvereinigung Stahlanwendung e.V., FOSTA)	Germany
Research Fund for Coal and Steel, RFCS	Belgium
respACT – Austrian Business Council for Sustainable Development	Austria
Royal Society for the Prevention of Accidents, RoSPA	Great Britain
Shanghai Institute of Labor and Social Security	China
Singapore National Employers Federation	Singapore
Society for Human Resources Management, SHRM	USA
Society of Friends of the Academy of Sciences (Förderverein der Akademie der Wissenschaften)	Austria
Solar Electric Power Association, SEPA	USA

Steel Institute VDEh (Stahlinstitut VDEh)	Germany
Sustainable Process Industry through Resources and Energy Efficiency, SPIRE	Belgium
The Austrian Society for Metallurgy and Materials (ASMET)	Austria
The Women Secretaries & Administrative Professionals Association of Thailand	Thailand
Umbrella Association of the Occupational Medicine Centers of Austria (Dachverband der arbeitsmedizinischen Zentren Österreichs)	Austria
United Nations Global Compact, UNGC	USA
University Management Club Linz (Uni Management Club Linz, UNIMC)	Austria
Upper Austrian Institute for Economic Promotion, Forum for Work & Human Resources (WIFI OÖ GmbH, Forum Arbeit & Personal)	Austria
Vocational Education and Rehabilitation Center (Berufliches Bildungs- und Rehabilitationszentrum, BBRZ)	Austria
WingNet Vienna University of Technology (WingNet TU Wien)	Austria
Working Group of the Upper Austrian Labor Foundations (ARGE OÖ Arbeitsstiftungen)	Austria
worldsteel – World Steel Association	Belgium

15.3 GLOSSARY

CFSI (Conflict Free Sourcing Initiative)	Reporting guidelines for conflict resources
CO_2-e	CO_2 equivalent, unit for standardizing climate impact of various greenhouse gases
Conflict-free	"Conflict-free" raw materials as defined by the Dodd-Frank Act
Conflict minerals	Raw materials mined or extracted in conflict or high-risk regions
Corporate Governance: L rules C rules R rules	Rule categories pursuant to the Austrian Corporate Governance Code: L rule: (legal requirement): The rule is based on mandatory statutory provisions C rule (comply or explain): Rule should be complied with; any deviation must be explained and a reason provided in order to be in compliance with the Code R rule (recommendation): Rule that is in the nature of a recommendation; non-compliance need not be disclosed or explained (Source: Austrian Corporate Governance Code, version July 2015, Austrian Working Group for Corporate Governance, www.corporate-governance.at)
Dodd-Frank Act	US Federal Act obliging companies to avoid using raw materials sourced from conflict regions
EBIT	Earnings Before Interest and Taxes Earnings before taxes, equity interests of non-controlling shareholders, and financial result
EBITDA	Earnings Before Interest and Taxes, Depreciation and Amortization Earnings before taxes, equity interests of non-controlling shareholders, financial result, and amortization
EMAS	ECO Management and Audit Scheme Regulation of the European Parliament and the Council of Europe on the voluntary participation of organizations in a Community eco-management and audit scheme
FTE	Full-time equivalents; figure indicating number of full-time positions in the Group, calculated to take into account part-time employees on a pro-rata basis corresponding to their working hours
HBI (Hot Briquetted Iron) / DRI (Direct Reduced Iron) technology	Direct reduction of iron ore by means of reduction gas; the product is solid sponge iron (DRI) or sponge iron pellets (HBI)
Headcount	Actual number of individual employees
Load per annum	The amount of certain substances that are introduced into wastewater or air, aggregated over the course of the year
Life Cycle Assessment (LCA)	Systematic analysis of the environmental impact of products during their entire life cycle, taking economic, social, and technical aspects into account, in order to achieve an objective assessment
MPa	Megapascal, unit of tensile strength
Scope 1, 2 and 3	Emissions categories in accordance with the Greenhouse Gas Protocol
USP	Unique selling proposition, distinguishes a product from its competitors

15.4 INDEPENDENT ASSURANCE REPORT

Grant Thornton Unitreu

Translation of the independent assurance report – for the original see the German version

Independent Assurance Report on the Combined Consolidated Non-financial Report 2017/18

We have performed an independent assurance engagement in connection with the combined consolidated non-financial report 2017/18 (the „CR Report“) of

voestalpine AG,
(„the Company“).

Management’s Responsibility
The Company’s management is responsible for the proper preparation of the CR report in accordance with the reporting criteria. The Company applies the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§§ 243b and 267a UGB) and the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards, Option “Core”) as reporting criteria.

The responsibility of the legal representatives of the company includes the selection and application of reasonable methods for sustainability reporting as well as the use of assumptions and estimates for individual sustainability reporting as well as the use of assumptions and estimates for individual sustainability disclosures that are reasonable under the circumstances. Furthermore, the responsibility includes the design, implementation and maintenance of systems and processes relevant for the preparation of the sustainability reporting in a way that is free of – intended or unintended – material misstatements.

Auditors’ Responsibility
Our responsibility is to state whether, based on our procedures performed, anything has come to our attention that causes us to believe that the CR report of the Company is not in accordance with the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§§ 243b and 267a UGB) and the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards, Option „Core“) in all material respects.

Our engagement was conducted in conformity with Austrian Standards for independent assurance engagements (KFS/PG 13) and in accordance with the International Standard on Assurance Engagements (ISAE 3000) applicable to such engagements. These standards require us to comply with our professional requirements including independence requirements, and to plan and perform the engagement to enable us to express a conclusion with limited assurance, taking into account materiality.

An independent assurance engagement with the purpose of expressing a conclusion with limited assurance is substantially less in scope than an independent assurance engagement with the purpose of expressing a conclusion with reasonable assurance, thus providing reduced assurance.

The procedures selected depend on the auditor’s judgment and included the following procedures in particular:

- Inquiries of personnel on corporate level, which are responsible for the materiality analysis, in order to gain an understanding of the processes for determining material sustainability topics and respective reporting boundaries of the Company;
- Risk assessment, including a media analysis on relevant information concerning the sustainability performance of the Company in the reporting period;
- Evaluation of the design and implementation of the systems and processes for the collection, processing and control of the disclosures on environmental, social and employees matters, respect for human rights and anti-corruption and bribery, including the consolidation of data;
- Inquiries of personnel on corporate level resopnsible for providing and consolidating and for carrying out internal control procedures concerning the disclosures on concepts, risks, due diligence processes, results and performance indicators;
- Inspection of selected internal and external documents in order to determine whether qualitative and quantitative information is supported by sufficient evidence and presented in an accurate and balanced manner;
- Analytical evaluation of the data and trend explanations of quantitative disclosures, submitted by all sites for consolidation at corporate level;
- Evaluation of the consistency of the requirements of the Austrian Sustainability and Diversity Improvement Act (§§ 243b and 267a UGB) applicable for the Company and the GRI Standards (Option “Core”) with disclosures and indicators in the report;
- Evaluation of the overall presentation of the disclosures.

Grant Thornton
Unitreu

The procedures that we performed do not constitute an audit or a review. Our engagement did not focus on revailing and clarifying of illegal acts such as fraud, nor did it focus on assessing the efficiency of management. Furthermore, it is not part of our engagement to review future-related disclosures and statements from external information sources and expert opinions.

This assurance report is issued based on the assurance agreement concluded with the Company. Our responsibility and liability towards the Company and any third party is subject to paragraph 7 of the General Conditions of Contract for the Public Accounting Professions.

Conclusion
Based on the procedures performed, nothing has come to our attention that causes us to believe that the CR Report of the Company is not in accordance with the legal requirements of the Austrian Sustainability and Diversity Improvement Act (§§ 243b and 267a UGB) and the sustainability reporting guidelines of the Global Reporting Initiative (GRI Standards, Option “Core”) in all material respects.

Vienna, 31 August 2018

Grant Thornton Unitreu GmbH
Wirtschaftsprüfungs- und Steuerberatungsgesellschaft

Univ. Doz. Dr. Walter Platzer m.p.
Austrian Chartered Accountant

CONTACT & IMPRINT

Contact

voestalpine AG, Corporate Responsibility
T. +43/50304/15-6599
cr@voestalpine.com

voestalpine AG, Investor Relations
T. +43/50304/15-3152
ir@voestalpine.com

voestalpine AG, Corporate Communications
T. +43/50304/15-2090
mediarelations@voestalpine.com

www.voestalpine.com
www.voestalpine.com/group/en/group/corporate-responsibility/

Imprint

Owner and media proprietor: voestalpine AG, voestalpine-Strasse 1, 4020 Linz

Publisher and editorial staff: voestalpine AG, Corporate Responsibility, T. +43/50304/15-6599
cr@voestalpine.com, www.voestalpine.com

Design and implementation: 7 Punkt Communication Group GmbH, www.7punkt.at

Printed by: Kontext Druckerei GmbH, www.kontextdruck.at

voestalpine AG
voestalpine-Strasse 1
4020 Linz, Austria
T. +43/50304/15-0
F. +43/50304/55-Ext
www.voestalpine.com

voestalpine
ONE STEP AHEAD.