



SUSTAINABLE DEVELOPMENT



Communication of Progress

Assessment by the Peers

December 2015

I. Implementing the Ten Principles into Strategies & Operations

Criteria 1: The COP describes mainstreaming into corporate functions and business units

Policies, processes and planned activities	The Sustainable Development charter describes policy in accordance with the Group Code of Ethics, available on the website and published in 2009.	<i>Sustainable Development charter</i>
Place responsibility for execution of sustainability strategy in relevant corporate functions	The Sustainable Development Strategic Plan 2015-2020 will be implemented within the Group in accordance with the UN Global Compact principles.	
Align strategies, goals and incentive structures of all business units and subsidiaries with corporate sustainability strategy	Approval of a 5-year Sustainable Development strategic plan from Board of Directors and validated by the Supervisory Board. Annual review. Implementation through operational and structural functions.	<i>Registration Document 2015 / p.70</i>

Criteria 2: The COP describes value chain implementation

Policies, processes and planned activities	See the Sustainable Development charter available on the Vallourec group website, which has been set up in accordance with the Group Code of Ethics available on the website too, and published in 2009.	<i>Sustainable Development charter</i>
Analyze each segment of the value chain carefully, both upstream and downstream, when mapping risks, opportunities and impacts	The Sourcing Department conducts on sites audits and supplier risk analysis with the support of ECOVADIS external consulting. The Purchasing Dept established a specific information system for integrated management of purchases and suppliers, with visibility at all levels, from local to global. This system, which will be ramped up in 2016, contains in particular a specific data sheet for each supplier, in which sustainable development and safety criteria feature strongly.	<i>Registration Document 2015 / p. 89</i>
Communicate policies and expectations to suppliers and other relevant business partners	Vallourec's requirements for sustainable development, ethics and safety have been part of the main messages delivered to suppliers during the "Top Management Meetings" (TMM) that have been regularly organized with the Group's largest suppliers.	<i>Registration Document 2015 / p. 89</i>
Implement monitoring and assurance mechanisms (e.g. audits / screenings) for compliance within the company's sphere of influence	Systematic evaluation of suppliers based on CSR and environmental criteria with help of a specialized firm. Launch in 2015, of a specific project to standardize and fine-tune methods and tools linked to supplier qualification and development (audits and ongoing improvement plans), which will include a strengthened CSR section. Vallourec conducted more than 600 audits or supplier risk analyses at all of its sites. This effort will continue in 2016 with the same objectives, but with increased precision. To do so, an entirely new set of stronger, harmonized audit guidelines was prepared in 2015, including, very significantly, sustainable development, ethics and safety criteria.	<i>Registration Document 2015 / p. 89</i>

	In conformity with the new U.S. laws and European directives, Vallourec has likewise committed to monitoring potential “Conflict Minerals” coming out of certain African countries which could be used by its suppliers.	
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Robust Human Rights Management Policies & Procedures		
Criteria 3: The COP describes robust commitments, strategies or policies in the area of human rights		
Commitment to comply with all applicable laws and respect internationally recognized human rights, wherever the company operates (e.g., the Universal Declaration of Human Rights, Guiding Principles on Human Rights)	Part 4.1.3 of the Registration Document 2015. In conformity with the Code of Ethics of the Group published in 2009 and with the Principles of responsibility signed with unions in 2008.	<i>Registration Document 2015 / p.72 Website</i>
Integrated or stand-alone statement of policy expressing commitment to respect and support human rights approved at the most senior level of the company	Annual renewal of the membership to the principles of the UN Global Compact by the Chairman of the Board of Directors, related to the publication of the annual CoP. Letter of commitment from the Chairman of the Board of Directors to support the Universal Declaration of Human Rights.	<i>Vallourec Pledge Letter 2016</i>

Criteria 4: The COP describes effective management systems to integrate the human rights principles		
Process to ensure that internationally recognized human rights are respected	Audits are conducted by HR and Internal Audit.	
Operational-level grievance mechanisms for those potentially impacted by the company's activities	A whistleblowing system has been set up in the U.S., to pass alerts on from employees on work conditions. It is managed by a service provider.	<i>Registration Document 2015 / p.71</i>

Criteria 5: The COP describes effective monitoring and evaluation mechanisms of human rights integration		
System to monitor the effectiveness of human rights policies and implementation with	Audits are conducted by HR and Internal Audit.	

quantitative and qualitative metrics, including in the supply chain		
Monitoring drawn from internal and external feedback, including affected stakeholders	Audits are conducted by HR and Internal Audit.	

Robust labour management policies & procedures

Criteria 6: The COP describes robust commitments, strategies or policies in the area of labour

Policies, processes and planned activities	In its "Agreement on the principles of responsibility applicable to Vallourec companies", approved by the European Works Council on 9 April 2008, Vallourec affirmed its undertaking to abide by the fundamental principles of the international conventions of the International Labour Organization.	<i>Code of Ethics</i> <i>Registration Document 2015 / p.72</i>
Written company policy to obey national labour law, respect principles of the relevant international labour standards in company operations worldwide, and engage in dialogue with representative organization of the workers (international, sectoral, national)	The Code of Ethics sets up the implementation of the Social Responsibility Principles of Vallourec towards its employees in compliance with the respect of national laws and international agreements, the implementation of healthy working environment ensuring the physical and mental integrity, health and safety of employees, the right for employees to associate and take part in collective negotiations.	<i>Code of Ethics</i> <i>Registration Document 2015 / p.72</i>

Criteria 7: The COP describes effective management systems to integrate the labour principles

Policies, processes and planned activities	Wherever the Group is established, it has made employer-employee dialog a priority. This is organized in each country, in accordance with local regulations. To date, at least 82% of production staff are covered by business line or company collective agreements.	<i>Registration Document 2015 / p. 81</i>
Dialogue mechanism with trade unions to regularly discuss and review company progress in addressing labour standards	Several discussions have been conducted in France, Germany, UK, Brazil and Mexico to negotiate among others agreements about work conditions, access to employment for young and seniors, simplification and securization of employee savings schemes, early retirement schemes, H&S, bargaining agreements.	<i>Registration Document 2015 / p.81</i>
Other established or emerging best practices	In 2015, the Group is still facing with a deep market turmoil, and therefore employment negotiations resulted in the signing of agreements at almost all of the companies to implement social measures accompanying the plan to safeguard the Group's competitiveness.	<i>Registration Document 2015 / p. 81</i>

Criteria 8: The COP describes effective monitoring and evaluation mechanisms of labour principles integration

Policies, processes and planned activities	Vallourec conducts every 2-3 years a survey with all of its employees worldwide to find out their perception, expectations and concerns, and to measure their level of commitment. The last survey took place in 2013, the next one will be programmed in 2016.	<i>Registration Document 2015 / p. 82</i>
System to track and measure performance based on standardized performance metrics	Audits are conducted by HR and Internal Audit.	<i>Registration Document 2015 / p.128-129</i>
Dialogues with representative organization of workers to regularly review progress made and jointly identify priorities for the future	Social dialog with works councils or central works councils, elected consultative committees or staff delegates, as well as health and safety and working condition committees.	<i>Registration Document 2015 / p. 81-82</i>
Process to positively engage with the suppliers to address the challenges (i.e., partnership approach instead of corrective approach) through schemes to improve workplace practices	Vallourec's requirements for sustainable development, ethics and safety have been part of the main messages delivered to suppliers during the "Top Management Meetings" (TMM) that have been regularly organized with the Group's largest suppliers.	<i>Registration Document 2015 / p. 89</i>

Robust environmental management policies & procedures

Criteria 9: The COP describes robust commitments, strategies or policies in the area of environmental stewardship

Policies, processes and planned activities	Vallourec's manufacturing policy is to minimize the impact of its activities on the environment. Its commitments are explained in the Sustainable Development Charter published by the Group in 2011 and in the Group's Environmental Policy published in 2014. Each site's Director is responsible for setting up an environmental management system. The Environment Department coordinates all environmental initiatives led by each site's environmental managers for implementing Vallourec's policies.	<i>Registration Document 2015 / p. 92</i>
Reference to relevant international conventions and other international instruments (e.g. Rio Declaration on Environment and Development)	Group entities are the object of certification in term of quality, health/safety, energy and environment.	<i>Registration Document 2015 / p. 92</i>

Written company policy on environmental stewardship	The Sustainable Development Charter stipulates to protect the environment and to wisely use the natural resources.	<i>Sustainable Development Charter</i>
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Criteria 10: The COP describes effective management systems to integrate the environmental principles

Policies, processes and planned activities	The Group developed the Vallourec Energy Management System based on the methodology of the GreenHouse project and international energy efficiency standard ISO 50001. Numerous sites are engaged in the same process and working groups are in place in Germany, France, the United States, China and Indonesia. Vallourec promises to certify its primary production facilities under ISO 50001. The sites at the Vallourec Tubos do Brasil, Vallourec Oil & Gas UK, Vallourec Tubes France Saint- Saulve and Aulnoye, Vallourec Deutschland, Valinox Nucléaire France and Vallourec Changzhou plants, for example, were already certified as at 31 December 2015 and represented 47% of production. Other sites have engaged in the same process, and work groups are underway in France, China and Indonesia to obtain ISO 50001 certification in 2016.	<i>Registration Document 2015 / p. 100</i>
Environmental risk and impact assessments	Internal environmental audits are regularly organized in each country to assess compliance with regulations. Specifically, the Performance & Risk audit evaluates performance and risk levels for each environmental concern as well as the environmental management system (EMS) in place. The results are used to identify priorities and corresponding action plans.	<i>Registration Document 2015 / p. 92</i>
Internal awareness-raising and training on environmental stewardship for management and employees	Employee training and education on the environment, sustainable development and energy efficiency are carried out in the plants through poster campaigns, periodical publications, briefings and compliance programs, among other measures. The Global Compliance Program, developed and coordinated by the Group Legal Department, has an educational component on compliance with environmental regulations.	<i>Registration Document 2015 / p. 93</i>

Criteria 11: The COP describes effective monitoring and evaluation mechanisms for environmental stewardship

System to track and measure performance based on standardized performance metrics	Regular audits are performed by outside specialists to assess compliance of the production sites' activities with statutory and regulatory requirements.	<i>Registration Document 2015 / p. 92</i>
Leadership review of monitoring and improvement results	The results are consolidated monthly and communicated quarterly to the sites and to the Group Management Committee (GMC) members, in the form of a specific report to each entity.	<i>Registration Document 2015 / p. 92</i> <i>Code of Ethics</i>

Audits or other steps to monitor and improve the environmental performance of companies in the supply chain	Internal environmental audits are regularly organized in each country to assess compliance with regulations. Specifically, the Performance & Risk audit evaluates performance and risk levels for each environmental concern as well as the environmental management system (EMS) in place. The results are used to identify priorities and corresponding action plans.	<i>Registration Document 2015 / p. 92</i>
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Robust anti-corruption management policies & procedures		
Criteria 12: The COP describes robust commitments, strategies or policies in the area of anti-corruption		
Policies, processes and planned activities	Consistent with the principles set out in the Code of Ethics and with the commitments of the Global Compact of the United Nations to which the Group acceded in 2010, Vallourec seeks to prevent specific risks relating to competition, the fight against corruption and respect for the environment within the framework of a global compliance program. To do so an e-learning program has been rolled out since 2014 to educate all technical and supervisory staff, and managers of the Group, about the laws and regulations. Training initiatives were continued at a global level in 2015, particularly in France, Brazil and Singapore for Group subsidiaries located in the Asia-Pacific region.	<i>Registration Document 2015 / p.72</i>
Publicly stated formal policy of zero-tolerance of corruption	In the Code of Ethics, signed by the General Manager, the "Vallourec Attitude" part stipulates the fight against corruption.	<i>Code of Ethics</i>
Policy on anti-corruption regarding business partners	The Code of Ethics stipulates that any Vallourec employee is not allowed to receive or to give any gift to/from any counterpart. In 2015, three new procedures were adopted and rolled out within the Group: the procedure relating to sales agents, the procedure relating to gifts and invitations, and the procedure relating to sponsorship and sponsoring, local partners, lobbying and political life. These procedures formalize the principles and guidelines that were already contained in the Global Legal Compliance Program, which has been rolled out globally since 2011.	<i>Code of Ethics</i> <i>Registration Document 2015 / p.71</i>

Criteria 13: The COP describes effective management systems to integrate the anti-corruption principle		
Policies, processes and planned activities	Regular e-mailing campaigns are completed to raise awareness of employees about corruption.	
Internal checks and balances to ensure	Local ethic correspondents report backs to the Code of Ethics Officer.	<i>Registration Document 2015 / p. 71</i>

consistency with the anti-corruption commitment		
Communications (whistleblowing) channels and follow-up mechanisms for reporting concerns or seeking advice	The Code of Ethics stipulates that any employee can report any doubt/question upon relationships with third party, to its manager. The implementation of a whistleblowing system in units in the U.S. permits to get back alerts from employees.	<i>Registration Document 2015 / p. 71</i>

Criteria 14 : The COP describes effective monitoring and evaluation mechanisms for the integration of anti-corruption

Leadership review of monitoring and improvement results	Internal controls have been reinforced.	<i>Registration Document 2015 / p. 71 and 137</i>
Outcomes of integration of the anti-corruption principle	Annual outcomes are presented to the Board of Directors.	<i>Registration Document 2015 / p. 71 and 137</i>

II. Taking action in support of broader UN goals and issues

Criteria 15: The COP describes core business contributions to UN goals and issues

Align core business strategy with one or more relevant UN goals / issues	Membership to UNO objectives through the Global Compact, especially for water and energy topics in 2016.	<i>Website</i>
Develop relevant products and services or design business models that contribute to UN goals / issues	Vallourec is developing a portfolio of eco-solutions contributing to the environment protection, through the reduction of GHG, the reduction of energy and raw material consumption, when its end-user customers are operating with Vallourec eco-solutions (connections for oil and gas exploration & production, tubes used for flaring reduction, steel foundations for offshore wind farms, steel structure consuming less energy and raw materials for the construction sector).	<i>Website</i>

Criteria 16 : The COP describes strategic social investments and philanthropy

Policies, processes and planned activities	Vallourec has initiated numerous relationships with local stakeholders in its activities, such as professional organizations and local authorities, residents' associations and groups with a social or environmental	<i>Registration Document 2015 / p. 90</i>
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	<p>objective related to its sites' activity, with following topics:</p> <ul style="list-style-type: none"> - Consistency of actions undertaken within a single region - Regular, high quality discussions - Priority given to actions supported by the Group's employees - Preference for actions that support education, healthcare and local development. 	
Pursue social investments and philanthropic contributions that tie in with the core competencies or operating context of the company as an integrated part of its sustainability strategy	Except developed countries, where social and cultural activities are well advanced, Vallourec support local populations in Brazil and in Indonesia with economic, social, cultural and sport programmes. Furthermore the company supports environmental and medical actions.	<i>Registration Document 2015 / p. 90</i>
Adopt and modify operating procedures to maximize contribution to UN goals / issues	Thanks to its eco-solutions, especially in the industrial process, Vallourec invested to optimize its sources of energy (charcoal use from sustainable management of its forest in the Brazilian plants), and to use efficient furnaces to reduce energy consumption. The environmental policy aims at reducing water intake for its steel plants and tube mills, to add value of its wastes.	<i>Registration Document 2015 / chapter 4.4</i>

Criteria 17: The COP describes advocacy and public policy engagement

Publicly advocate the importance of action in relation to one or more UN goals/issues	In 2015 Vallourec committed to define a carbon pricing to use for assessing profitability of investment projects. Implementation is due in Q1 2016.	
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Criteria 18: The COP describes partnerships and collective action

Join industry peers, UN entities and/or other stakeholders in initiatives contributing to solving common challenges and dilemmas at the global and/or local levels with an emphasis on initiatives extending the company's positive impact on its value chain	Vallourec is a member of the World Steel Association, which committed to Sustainable Development in 2015.	
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III. Corporate Sustainability governance and leadership

Criteria 19: The COP describes CEO commitment and leadership

CEO leads executive management team in development of corporate sustainability strategy, defining goals and overseeing implementation	Approval of the 5-year Sustainable Development Strategic plan (2015-2020) by the Board of Directors, validated by the Supervisory Board. Annual review. Implementation is completed by operational and functional structures.	<i>Registration Document 2015 / p. 70</i>
Make sustainability criteria and UN Global Compact principles part of goals and incentive schemes for CEO and executive management team	Supervisory Board members have a compensation integrating a bonus index-linked to performances on safety improvement and waste recycling rate.	<i>Registration Document 2015/ chapter 7 appendix 2 , paragraph 2.3.3</i>

Criteria 20: The COP describes Board adoption and oversight

Board of Directors (or equivalent) assumes responsibility and oversight for long-term corporate sustainability strategy and performance	Approval of the 5-year Sustainable Development Strategic plan (2015-2020) by the Board of Directors, validated by the Supervisory Board. Annual review. Implementation is completed by operational and functional structures.	<i>Registration Document 2015 / p. 70</i>
Board establishes, where permissible, a committee or assigns an individual board member with responsibility for corporate sustainability	The Strategic Committee of the Supervisory Board examines questions related to Sustainable Development.	

Criteria 21: The COP describes stakeholder engagement

Policies, processes and planned activities	The Sustainable Development Department has started to build in 2015 a Group matrix to clearly take into account the expectations of its stakeholders. Outcomes will be published and analyzed in H1 2016.	<i>Registration Document 2014 / p. 62: introduction to Chapter 4</i>
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Define sustainability strategies, goals and policies in consultation with key stakeholders	Thanks to the feedback of the materiality matrix in completion, the stakes of the Sustainable Development Strategic Plan will be reviewed if needed.	
Establish channels to engage with employees and other stakeholders to hear their ideas and address their concerns, and protect 'whistle-blowers'	Through the Opinion surveys, expectations expressed by employees are taken into account. The implementation of a whistleblowing system in units in the U.S. permits to get back alerts from employees.	<i>Opinion => Registration Document 2015 / p. 82</i>

ANNEX: Business & Peace		
1. The COP describes policies and practices related to the company's core business operations in high-risk or conflict-affected areas		
Policies, processes and planned activities	The Group has a share of its activity and business in emerging countries to be close to its customer needs. Therefore operations in such countries present different types of risk despite procedures put in place by the Group's Security Department.	<i>Registration Document 2015 / p. 124</i>
Information on how policies, strategies and operating practices have been adapted to the specific high-risk/conflict context based on due diligence	The Group applies a mapping of the risks for each of its entity. Among the risks which are assessed, the geopolitical risk is systematically assessed too. Therefore action plans are set up. On the Group intranet, a chapter is dedicated to the travel policy (stay and transport) regarding several sensitive countries: Algeria, Angola, Iraq, India, Kenya, Mexico, Nigeria, Saudi Arabia. Specific guidelines are available. A behaviour's guide, especially with regards to kidnapping is available.	<i>Intranet</i>
Adherence to best practices even where national law sets a lower standard, including in the management of security services	An insurance company provides employees moving out of the working place, with coverage. The insurance contract goes beyond regulations. On sites, the security policy plans means providing much better safety conditions than local regulations.	
Management of the supply chain to avoid contributing to conflict through purchasing decisions and practices	Implementation of a strict rule within the Group which does not allow to do business with any country under embargo, watchfulness is commanded in any high-risk country, suppliers are submitted to risk analysis for removing any risky supplier (i.e. conflict mineral), in compliance with the Code of Ethics.	<i>Registration Document 2015 / p. 89</i>

2. The COP describes policies and practices related to the company's government relations in high-risk or conflict-affected areas

Policies, processes and planned activities	Application of the Code of ethics	
Assessment of opportunities for constructive engagement with government actors in order to support peace	The Vallourec Group has no relationships with local governments with regards to peace process.	
Measures undertaken to avoid complicity in human rights violations by government actors	Application of the Code of ethics. Application of an updated process with regards to local sale agents to prohibit any corruption act or attempt.	
Management practices aimed at preventing corrupt relationships with government officials	In 2015, three new procedures were adopted and rolled out within the Group: the procedure relating to sales agents, the procedure relating to gifts and invitations, and the procedure relating to sponsorship and sponsoring, local partners, lobbying and political life. These procedures formalize the principles and guidelines that were already contained in the Global Legal Compliance Program, which has been rolled out globally since 2011.	<i>Registration Document 2015 / p. 71</i>
Other established or emerging best practices	Updated process with regards to local sale agents to prohibit any corruption.	

3. The COP describes local stakeholder engagement and strategic social investment activities of the company in high-risk or conflict-affected areas

Policies, processes and planned activities	The company is not involved in any strategic social investment activities.	
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2016 AXIS OF PROGRESS

TOPICS	OBJECTIVES
GOVERNANCE	
	Set up and publish medium and long term objectives Ensure Ethics code is applied
HUMAN RESOURCES	
	Include SD in Vallourec University programs Reinforce diversity
HEALTH & SAFETY	
Work conditions	Reinforce the health policy Reduce noise at source Improve job positions ergonomy Pursue LTIR and TRIR reduction as well as near-missed accident situations
ENERGY	
Plant certification	Pursue the ISO 50001 certification for other plants (Brazil, USA)
ENVIRONMENT	
Biodiversity	Assess the impact of our business on the biodiversity
Carbon	Set up an internal carbon price
Chemsafe project	Keep on substituting CMR to reach 0 CMR in the manufacturing process
Life Cycle Analysis	Deploy LCA methodology for key product
Water	Reduce consumption for several plants Reduce chemical components in discharged water
STAKEHOLDERS	
Local communities	Create a critical friends panel

