



**Gonvarri**  
Steel Services

**Sustainability**  
Report 2017





# Sustainability Report 2017

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**Gonvarri**  
Steel Services



# Letter from the President

Jon Riberas

102-14

President, Gonvarri Steel Services

Dear readers,

It is a pleasure to present the 2017 Sustainability Report of Gonvarri Steel Services, in which the most relevant information and data regarding our performance is shown, following the guidelines of the new standard of the Global Reporting Initiative (GRI). Furthermore, we have renewed our commitment to the United Nations Global Compact.

This year the 50<sup>th</sup> anniversary of the first plant of the group, "Gonvarri Burgos", was celebrated. In 1967, D. Francisco Riberas, my father, started his professional adventure in his country with few resources, great enthusiasm and a great vision, which is being shown, step by step, by Gonvarri Steel Services at present. At this event, we had the attendance of the complete team of Gonvarri Burgos, important figures of the local authorities, customers and providers, collaborators and friends who wished to share this emotive event with us.

This year the Report has a new design and focus, with some changes from the structure of previous years, of which we highlight:

- The new development of content following our Management Model "Drive", with a roadmap based on five focal points: Growth, Innovation, Efficiency, People and Sustainability. This allows us to adapt the Report to our vision, strategy and real management, integrating indicators (GRI) and material aspects into it.
- The importance that the Sustainability Development Goals (SDG) have for Gonvarri. For this reason, we included more detailed information about our performance in these objectives that we most actively support, such as:

- The active contribution to reducing injuries and deaths by traffic accidents (SDB 3.6) and to having safer types of transport in place (SDG 11.2).
- The improvement of our products and processes through innovation and the use of the best technology (SDG 9.4).
- The contribution to the fight against climate change and to reducing energy consumption, mainly through our initiatives in Energy Efficiency (SDG 7.3).
- The improvement of the training and education of our professionals, mainly in less developed countries, enabling them to benefit from future projects (SDG 4.4).
- The amplification and improvement of our methodology to understand the opinion of our stakeholders, through a technological data and information analysis tool, which counts with the direct participation of the direction, employees, customers and providers, assessing material issues by their importance and the perception of these identified issues.

Regarding our business, Gonvarri Steel Services shows, for another year, sustainable growth. As reflected by our financial results, with a total Income that has risen to 3,038 million euros (+30%), an EBITDA of 210 million euros (+35%) and a Net Profit of 99 million euros (+13%), allowing us to face new challenges. Moreover, in this year we have made important investments and acquisitions, which have enabled us to strengthen our position in some countries and to grow in others.

In China, the plants Gonvama Shenyang (Northeast), Changshu (East) and Chongqing (West) have begun operating, and we have also increased our presence in Mexico with the new Gonvarri Baja California plant. In Europe, the new Laser Automotive Valencia plant has come into operation.

At the beginning of 2018 saw the acquisition of the Constructor Group with which the warehousing and logistics business was further amplified and the acquisition of the Spanish engineering company Suports Desarrollo y Soluciones, which specializes in aluminium solutions for photovoltaic installations on the roofing of buildings, car parks and ground for the Solar Steel division.

2017 has been a key year in ethics and compliance, we have made significant progress in the new Compliance Model. In September the Board of Directors approved the new Code of Ethics and Conduct, as well as the structure of the new Ethical Committee. In 2018 an ambitious dissemination and training plan for all plants of the group has been designed.

Additionally, we have undertaken numerous initiatives related to the project "Emotional Driving", which focusses on road safety, where one of our priorities is to contribute to the reduction of the number of accidents and their negative impact through the encouragement of a "Road safety" culture, aligned to our commitment with the Objectives for Sustainable Growth (SDG 3.6 and 11.2).

In this context, we have given special weight to initiatives related to education and early sensitization. We have designed a brochure which summarizes what, why and how we do Emotional Driving and we have implemented several activities focused on different interest groups such as employees, youths and children.

Among others, we participate together with the Foundation LQDVI in 8 national congresses in collaboration with Movistar, where the message of responsible use of the mobile phone is transmitted to more than 10,000 youths. In a partnership with AESLEME, we visited numerous schools and study centers in the Community of Madrid, underscoring the importance of driving in a safe manner, as well as cooperating and transmitting these lessons learned and the importance of not having distractions at the wheel to their parents,

To close the year, Emotional Driving presented the "on Christmas, forget about the mobile phone at the wheel" campaign, with the aim to raise awareness about the risk and dangers of using the mobile phone while driving. The campaign, aligned with SDG 3.6, was very well received by the employees of the company and had a strong impact on the social networks, being a video shared by leading institutions with regard to road safety, on a national and international level: DGT, Ponle Freno and Fesvial, to name but a few.

Just as in previous years, we maintain an active role against climate change and we continue to minimize our energy consumption through our project of Energy Efficiency and through the development of highly efficient photovoltaic solar structures and through savings derived from energy efficiency measures, we have indirectly contributed to avoiding 223,572 tons of CO<sub>2</sub>.

We continue to advance and to grow with a team of strong and committed professionals, that together form the great family of Gonvarri Steel Services and I would like to thank them for their enthusiasm and dedication.

# Letter from the CEO

102-14

Josu Calvo

CEO, Gonvarri Steel Services

Dear friend,

Following our commitment of 2014 to inform our stakeholders about our economic, social and environmental performance, it is my pleasure to present the 2017 Sustainability Report of Gonvarri Steel Services.

We have ended a year in an environment that saw a strengthening global economy and an increasing global output. From the second semester of 2016, the steel prices have bounced back, thanks to cuts in production and installed capacity primarily in China and to the better global outlook. This has facilitated an increase in the demand of crude steel by 5.3% against last year, with China continuing as the first producer, followed from a distance by Japan, India and the United States.

In this global framework, our results show a volume of business of 3,038 million euros and a gross operating profit (EBITDA) of 210 million euros. This allows us to go beyond and help enhance the value of the communities in which we are present, through paying taxes, our expenditure in local providers and personnel, among others, reaching a total distributed economic value of 3,019 million euros.

The improvement of the group's results, following the shareholders philosophy, has been reinvested to speed up the internalization and diversification process through which we aim to consolidate the growth and the future of our company and its workers. To this goal, they have earmarked 109 million euros that become reinforce with very important new investments in 2018 as the culmination of our Strategic Plan 2016-18.

The investments have mainly focused on Gonvama China, where the plants of Shenyang, Changshu and Chongqing have begun operating. In Europe, the new plants "Laser Automotive Valencia" and "Steel & Alloy Popes Lane" stand out, which will begin operating at the beginning of 2018, principally for the auto business line.

Regarding the solar structures business line, we have inaugurated a new plant in Mexico, "Gonvarri Baja California" and we have acquired the Spanish engineering company "Suports Desarrollo y Soluciones", which specializes in solar housing structures lighter and with greater application, with which to advance in the way green housing in the near future.

At the beginning of 2018, we closed the acquisition of the Constructor Group, with which we amplify the storage and logistics business line, which will operate under the "Gonvarri Material Handling" society.

We are also reinforcing and expanding the Gonvauto South Carolina and Gonvarri Czech plants, and the plants of Gonvauto Puebla and Gonvarri Poland are in the enlargement process. This will allow us to increase our production and to diversify our product portfolio all around the world.

Regarding our strategy and business model, this year we have consolidated our Management Model "Drive", which is scalable and sustainable long-term, around which this Report revolves. For its proper development and transversal implementation in all the group, we have developed an ambitious national and international communication plan in all our plants.



Overall, we have met objectives and reached our expectations which shows the strength of our business model, and which allows us to keep growing and diversifying, and to keep contributing to the development and progress of the countries we are active in.

This growth is also reflected in employment. We have around 500 professionals more than last year, and although this growth has been generated from almost all our plants, China stands out the most due to the new facilities being launched.

In health and safety, it has been a very negative year, which we have to regret the loss of an employee in Germany. After this incident we have tightened preventive measures, communication, sensitization and controls that allow us to advance towards a safer work environment for all.

Regarding the "Compliance Model" launched in 2016 via the Internal Audit area, we have made notable advances. The approval of the new Code of Ethics and Conduct by the Board of Directors stands out for its importance, as well as the Statute of the Compliance Committee and the Compliance Policy, the Rule Zero, the functions and responsibilities of Internal Audit and Compliance, just as the antifraud and corruption Policy and the Compliance Model supervision plan.

In 2018, an ambitious global communication and training plan for the new Code of Ethics and Conduct is in the pipeline. Additionally, the new complaint channels and the restructuring of the Ethics Channel is operational and available for all stakeholders.

We are currently immersed in new challenges such as the digital revolution and sustainable mobility. Gonvarri cannot ignore these changes and challenges. For this reason, we have defined a new more agile and flexible innovation model, which allows us to adapt our culture and business to today's market and its new way of working, to develop more efficient and sustainable products that help to differentiate and to improve our climate. This endeavor is reflected in our R&D investment that reached 1.5 million euros.

A clear example of this commitment is the Gonvarri 4.0 project, through which we develop technological solutions that bring productivity, quality and safety (key issues for the Group), and that improve the way of working of the professionals at Gonvarri. For its implementation, we have started a successful pilot project in the Gonvauto Galicia plant for its high operational efficiency, for which a multidisciplinary team was selected, led by the Innovation area, in collaboration with various technological providers.

Finally, we have reinforced our commitment to the Sustainability Development Goals (SDG), in the Management Model "Drive", in 4 focal points. In the Report, we describe the main principles which were developed in training and employment (SDG 4.4), the project "Emotional Driving"(SDG 3.6), efficiency and innovation (SDG 9.4) and energy efficiency and climate change (SDG 7.3).

With that being said, our future vision is optimistic and responsible being conscious of the difficulty of the coming challenges.

- 
- 1 OUR BUSINESS
  - 2 **DRIVE. MANAGEMENT MODEL**
  - 3 **ANNEXES**





**Gonvarri**  
Steel Services

# 1 OUR BUSINESS

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# OUR COMPANY

Gonvarri Corporacion Financiera, S.L. (henceforth Gonvarri or GSS) was founded in 1958, conducting business in manufacturing, processing and trading in steel products and metals related to the iron and steel industry (102-1).

The corporate structure of the Gonvarri Corporacion Financiera is 100% owned by HOLDING GONVARRI S.R.L. (102-5)

The headquarters are located in (102-1 and 102-3):

[Prolongación de Embajadores, s/n.](#)  
28053 Madrid - Spain

(102-3)

From the beginning, Gonvarri Steel Services has experienced huge growth, diversifying itself to a global level, and it has a presence in 16 countries with 37 operating plants and 1 plant under construction.

In 2017, the plants Gonvarri Baja California, Laser Automotive Valencia started operating, as well as the Chinese plants Gonvama Shenyang (Northeast) and Changshu (East) and, at the end of the year, Chongqing (West). Moreover, the construction of the Steel & Alloy Popes Lane plant is in its final stage.

Similarly, the acquisition of the Constructor Group and the Engineering Support and Development Solutions stands out, which we include in the Report in 2018 (102-10).



## Milestones

Next, the Groups evolution since its beginning in 1958 will be shown.



# 2017 Gonvarri in figures

102-7



\* Global perimeter.

Perimeter of the Sustainability Report: 14 countries, 34 factories and 3,513 employees at 31 December 2017.

# Divisions in Gonvarri

In terms of activity and geographical position, the company is grouped into (102-2 and 102-6):

## Gonvauto Iberia

- Gonvauto Navarra
- Gonvauto Barcelona
- Gonvauto Galicia

## Western Europe

- Gonvarri Valencia
- Laser Automotive Barcelona
- Gonvarri en Barcelona
- Gonvarri Burgos
- Gonvarri Tarragona
- Gonvarri Portugal
- Laser Automotive Valencia
- Steel&Alloy UK
  - S&A Aycliffe
  - S&A Bridge Street
  - S&A Darlostone
  - S&A West Bromwich

## Central Europe

- Laser Automotive Brandenburg
- Gonvauto Thüringen
  - Laser Automotive Thüringen
  - Gonvarri Aluminum
- Gonvarri Polonia
- SG Kaluga
- Gonvarri Czech
- AMG Senica

## Gonvarri Metal Structures

- Hiasa
- Gonvauto Asturias
- GMS Arizona
- Gonvarri Turkey
- Gonvarri Colombia
- Gonvarri Baja California
- Offices of Bilbao

## Gonvarri Material Handling

- Constructor
- Kasten
- Dexion
- PSS

## Asia

- GAIPPL Pune
- GVS Dongguan
- Gonvama
  - Loudi
  - Shenyang
  - Changshu
  - Chongqing

## NAFTA

- Gonvauto Puebla
- Gonvauto Carolina del Sur

## LatAm

- MAG Resende
- AMG Campinas
- AMG Paraná
- Gonvarri Argentina

## Misceláneos

Offices of:

- Corporación Financiera
- Italy
- Marrocco
- GonvaSolar

## 50<sup>th</sup> Anniversary Gonvarri Burgos

Gonvarri Burgos, the first plant of the group, had its 50<sup>th</sup> anniversary. It started activity in 1967 with its first cutting line and currently has a workforce of 245 employees. Annually, over 650,000 tons of steel are processed there.

For its 50<sup>th</sup> anniversary celebration, a commemorative exposition was organized which took us on a tour through its history which reflected the values that have made this company great: Honesty, Humility, Tenacity and Work.

Additionally, the official 50<sup>th</sup> anniversary App was developed, which is available for iPhone and Android, in which it is possible to take an interactive tour through the different sections of the exposition and be brought to the origins of the company by the virtual reality room.

In addition, an institutional event was held to which our president Jon Riberas, his brother Francisco Riberas, president of Gestamp, attended, together with employees, former employees, directors and customers of Gonvarri. In the event, Arturo Sagredo, managing director of Gonvarri Burgos, received an emotive tribute and a commemorative plaque for his years leading the plant.

The main authorities of Burgos and Castile and León also attended, among which Juan Vicente Herrera, president of the Governing Board of Castile and León, who defined the company



as "one of the most emblematic and historic companies in the territory he presides; and Francisco Javier Lacalle, mayor of Burgos, who stressed the importance of the Gonvarri Burgos plant in the city as a "reference in the creation of employment and professionalization of its industry".

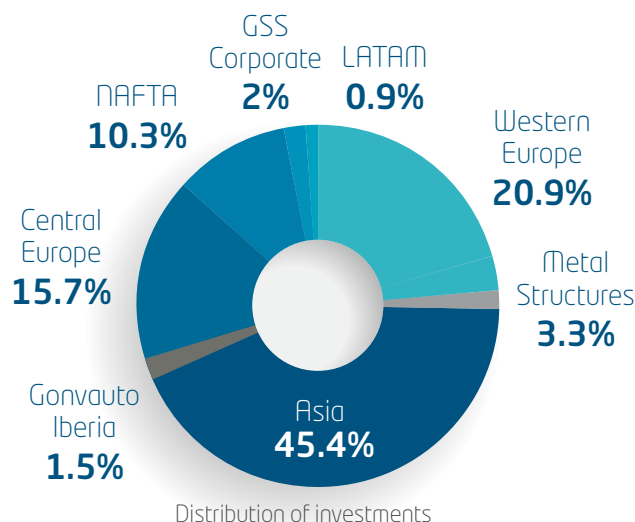
At the end of this event, Juan Vicente Herrera inaugurated a commemorative statue for the 50<sup>th</sup> anniversary of Gonvarri Burgos.

A net profit of 99,328 thousand euros was presented in 2017 and a CAPEX of 109,312 thousand euros.

In this regard, the investment in Golvama principally stands out, where three plants were inaugurated, Shenyang (Northeast), Changshu (East) and Chongqing (West).

Similarly, the new Laser Automotive Valencia plant started operating, the construction of the new Steel & Alloy plant in Oldbury (UK) and the second expansion phase of the plant in the Czech Republic were finalized, which will start operating at the beginning of 2018.

Additionally, the expansion of the warehouses in Poland and in NAFTA have started and the plants in Puebla (Mexico) and South Carolina (US) have been expanded.



## Associations and organizations

102-13

### Corporate level

- Fundación SERES
- Fundación Consejo España - China

### Europe

- European Steel Association (EUROFER)

### Spain

- Confederación Española de Organizaciones Empresariales del Metal (CONFEMETAL)
- Unión de Empresas Siderúrgicas (UNESID)
- Asociación Española de Contabilidad y Administración de Empresas
- AMCHAMSPAIN
- Asociación Innovación en Prevención
- Asociación Española para la Calidad (AEC)
- Casino de Madrid
- Instituto Empresa Familiar

### Golvauto Barcelona and Gonvarri Barcelona

- Foment del Treball
- Patronal multisectorial de Empresas Catalanas (CECOT)
- Clúster de Automoción de Cataluña
- Unión Patronal Metalúrgica Associació D'empresaris de Castellbisbal
- Unió de Magatzemistes de Ferros de Catalunya i Balears
- Asociación de Empresarios de Castellbisbal
- Unió Empresarial Metallúrgica Consell d'úsuaris del Transport de Catalunya

### Gonvarri Valencia

- Clúster de Automoción de Valencia-Asociación Valenciana de la Industria de Automóvil (AVIA)
- Asociación Empresarios Camp de Morvedre (ASECAM)
- Federación del Metal de Valencia (FEMEVAL)
- Unión de almacenistas del hierro de España (UAHE)

### Golvauto Galicia

- Asociación de Industriales Metalúrgicos de Galicia (ASIME)
- Clúster del Automóvil de Galicia (CEAGA)
- Golvauto Navarra
- Asociación de Empresarios del Metal (ANEM)
- Asociación de la Industria Navarra (AIN)

### Gonvarri Burgos

- Asociación Española para la Calidad (AEC)
- Asociación de empresarios propietarios del Polígono Industrial Gamonal-Villimar (ASPIGAVI)
- Asociación Plan Estratégico Ciudad de Burgos
- Fundación Universidad de Burgos
- Federación Empresarial del Metal (FEMEBUR)
- Federación de asociaciones empresariales de Burgos (FAE)
- Hiasa/Golvauto Asturias
- Federación de Empresarios del Metal y Afines del Principado de Asturias (FEMETAL)

### Gonvarri Tarragona

- Asociación Provincial de Empresas del Metal de Tarragona (APEMTA)

### Gonvarri Portugal

- Associação Nacional das Empresas Metalúrgicas e Eletromecânicas (ANEME)

### Gonvarri Colombia

- Asociación Nacional de Industriales de Colombia (ANDI)
- Instituto Nacional de Normalización Técnica (ICONTEC)

### Gonvarri Alemania

- Initiative Erfurter Kreuz
- Steel&Alloy
- Confederation of British Metal Forming

### Gonvarri Turquía

- Tod Galvader
- Kasiad

### Golvauto Puebla

- Canacintre (Cámara Nacional de la Industria de Transformación)
- Riptac (Relaciones Industriales de Puebla y Tlaxcala A.C.)

### Golvauto South Carolina

- HR Association Chamber of Commerce.

GSS GLOBAL PERIMETER PERIMETER OF THE SUSTAINABILITY REPORT	 Countries	 Operational facilities	 Professionals
		<b>16</b>	<b>37</b>
	<b>14</b>	<b>34</b>	<b>3,513</b>

### USA

**2**  **81** 

Gonvarri Arizona  
Gonvauto South Carolina

### MEXICO

**2**  **164** 

Gonvarri Baja California  
Gonvauto Puebla

### COLOMBIA

**1**  **225** 

Gonvarri Colombia

### ARGENTINA

**1**  **55** 

Gonvarri Argentina

### U.K.

**5**  **194** 

Steel & Alloy Popesline\*  
Steel & Alloy Aycliffe  
Steel & Alloy Bridge Street  
Steel & Alloy Darlostone 1  
Steel & Alloy West Bromwich

### PORTUGAL

**1**  **83** 

Gonvarri Portugal

### BRAZIL

**3**  **297** 

AMG Campinas  
MAG Resende\*\*  
AMG Paraná

## GERMANY

2  197 

Gonvauto Thüringen  
 · Laser Thüringen  
 · Gonvarri Aluminium  
 Laser Automotive  
 Brandenburg

## POLAND

1  98 

Gonvarri Polska

## RUSSIA

1  58 

SG Kaluga

## CZECH REP.

1  58 

Gonvarri Czech

## TURKEY

1  258 

Gonvarri Turkey

## SLOVAKIA

1 

AMG Senica\*\*

## INDIA

1 

Gaipi PUNE\*\*

## CHINA

5  245 

Gonvama Shenyang  
 Gonvama Changshu  
 GVS Dangguan  
 Gonvama Loudi  
 Gonvama Chongqing  
 Office Gonvama

## SPAIN

10  1.470 

Headquarters  
 Gonvarri Burgos  
 Gonvarri Barcelona  
 Gonvarri Tarragona  
 Gonvarri Valencia  
 Gonvauto Barcelona  
 Gonvauto Galicia  
 Gonvauto Navarra  
 Hiasa  
 · Gonvauto Asturias  
 Laser Automotive Barcelona  
 Laser Automotive Valencia

\* Under construction

\*\* Not included in the scope of the report

# Markets

102-2

The company has a presence in 16 countries, which allows us to cover the entire global market. We continue to invest in service facilities, with new production lines subject to the increase in demand and internal initiatives of the company, which allows us to strengthen our position in the global market.

In the sections 102-2 and 102-4, the divisions and countries where GSS is active are elaborated. The main activity in 2017 will be outlined hereunder:

## JANUARY

Launch of GVS Dongguan, completion of the carve-out of certain assets of DGS.



## MARCH

Start-up of Blanking 4 of Gonvarri South Carolina and of blanking and welding in Gonvvara Changshu.



## MAY

Celebration of the 50<sup>th</sup> anniversary of our first plant Gonvarri Burgos.

Development and publication of the two first key processes (commercial risk management and scrap metal management) in the PE16-18 framework.



## FEBRUARY

Start of the construction Steel&Alloy Greenfield Popes Lane.



## APRIL

Start-up of Blanking 7 of Gonvarri Thüringen.



## JULY

Start-up of the new plant Gonvarri Baja California.



## SEPTEMBER

Start-up of the blanking and welding lines in Gonvama Chongqing.

Approval of the new Code of Ethics and the rules of procedure of the Ethics Channel by Gonvarri, as well as the compliance and anti-fraud policies.



## NOVEMBER

Opening of the Gonvama Changshu plant.



## JUNE

Start of production of the Gonvama Shenyang blanking and welding lines.



## AUGUST

Start of the amplification of Gonvarri Czech.



## OCTOBER

Negotiation for de acquisition of the Constructor Group which markets their products under the Constructor, Kasten, Dexion and PSS brands.

Start of the amplification of Gonvauto Puebla.



## DECEMBER

Agreement with JLR to start NITRA project which implies the construction of our second plant in Slovakia. Acquisition of the "Suports Desarrollo y Soluciones".

# Main brands and products

102-2



**Gonvarri**  
Steel Services

The company operates under the shared brand "Gonvarri Steel Services" which is adapted to the different plants and business lines. All of them

have the same isotype in common, as a sign of the company's corporate identity.

Our values "Honesty, Humility, Tenacity and Work" are an essential part of our brand and have been entrenched in the DNA of Gonvarri Steel Services from the very beginning.

We are an industrial company dedicated to steel processing, in steady growth, with a workforce that is mainly active in the plants (83.3%). For this reason, our brand is based on universal and simple values that represent its greatness, just like the strength and commitment of its workers.

These values continue to be valid at present, being easily adapted to the changes and current situation of the company, allowing us to continue being leaders in our sector.

Finally, the company has been co-branded with its partners in the following plants; SG Kaluga (Russia) with Severstal, AMG Parana and AMG Campinas (Brazil) and AMG Senica (Slovakia) with ArcelorMittal, MAG Resende (Brazil) with Mitsui and ArcelorMittal and in China with our partner Vama.

## Products

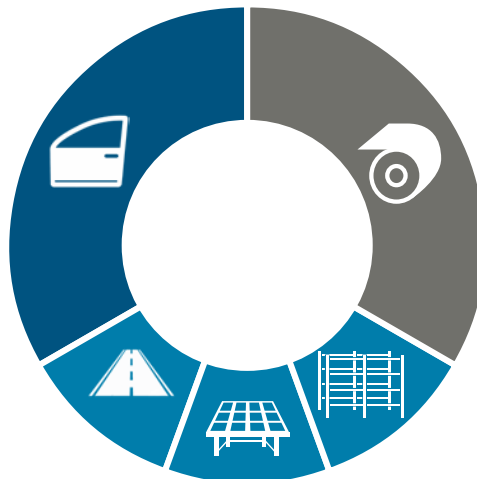
The quality and innovation of our products allow us to differentiate from our competitors and so to create competitive advantages.

In our service centers, steel and aluminium are treated with a series of high-tech processes which allow our products and formats to be accurately adjusted to the requirements of our customers, always complying with the most rigorous standards.

Our products can be grouped into 5 business lines as are outlined in the next section:

### AUTOMOTIVE

Leaders in the supply of flat steel, steel tubing and 3D laser cutting to the main automotive Tier 1s and OEMs as well as to important stamping companies.



### INDUSTRY

Versatility and adaptation to the customer through various products: fuel and chemical storage depots, ad hoc structures and products made to order for various industrial customers.

### ROAD STEEL

Development of practically all containment systems for highways, just as anti-noise screens and sound-absorbing coating of tunnels, strictly meeting all regulations and with numerous patents.

### SOLAR STEEL

In permanent growth. Designs and develops fixed and mobile solar structures, as well as streetlights and electricity towers.

### MATERIAL HANDLING

Develops, manufactures and assembles integral storage systems, focused on companies that require the storage of raw materials, work-in-process or finished goods during their processes.



# OUR MANAGEMENT MODEL "DRIVE"

Drive is the Management Model that pushes Gonvarri to reach its profitability and growth objectives. The model is based on people, on the efficiency of the continuous improvement of its processes, on the particular effort in innovation, and always with a focus on sustainability.

During its dissemination informative on-site sessions were held in all plants based on a cascade communication; from the Direction to their direct collaborators (managers), and these to their teams, until descending to all the professionals who make up Gonvarri.

To contribute to its proper understanding, a myriad of supporting material was made available, such as rollups, "Drive" decks of cards, leaflets, rollout manuals, explanatory videos, etc. Additionally, the employees were able to ask about their concerns about Drive through the web "Leading the Change". On this page it is possible to interact with the model, by clicking on each element, as well as through the App on the same platform.

## Drive and the Sustainability Report

In Gonvarri, sustainability is part of the company's values and principles and thus of its strategy and management.

For this reason, we have modified the design of the Report this year. This, consistent with our Management Model "Drive", with our commitment with the "Sustainability Development Goals" and with topics that are relevant to our stakeholders, allow us to give an approach which is more appropriate and coherent to our way of understanding sustainability and its impact on the management of the company.

As in past years, the Report has an annual periodicity, and covers the information comprised between January 1<sup>st</sup> 2017 and December 31<sup>st</sup> 2017, being the last report of the year 2017 (102-50, 102-51 and 102-52).

The Report is made in accordance with "the GRI Standards- Comprehensive Option", which list of GRI Contents is annexed to the Report, jointly with the independent external verification report of the company PwC (102-54 and 102-56).

For general questions about this report, you may refer to (102-53):



rsc@gonvarri.com

+34 91 379 10 00



C/ Ombú 3, floor 6.  
28045 Madrid. Spain



People



Efficiency



Innovation



Sustainability



# GOVERNANCE

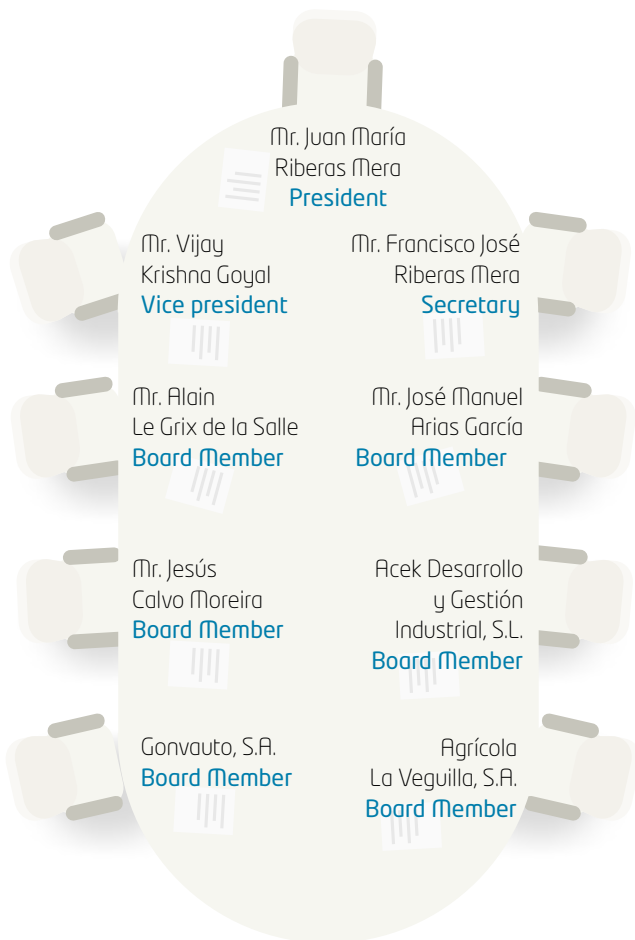
## Governance Structure

102-18

The governing bodies of the society are the General Shareholders' Meeting and the Board of Directors, which is the highest governing, supervision, decision and control body of Gonvarri.

In the Statutes of Gonvarri, the functioning of the Board of Directors and the requirements and deadlines for convening the General Shareholders' Meeting are reflected.

As of December 31<sup>st</sup> 2017, the Board of Directors is formed by:



The company ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L. represented by Mr Juan María Riberas Mera held the position of Managing Director at 31 December 2017, vested with each and every one of the powers attributed to the Board itself, except those that according to the Law or the Articles of Association may not be delegated.

GSS is an unquoted company, whose members of the Board of Directors represent all shareholders, and therefore there is no legal imperative to have representatives from other stakeholders, nor to take other factors related to diversity, minorities, etc. into consideration. (102-22 and 102-24). The President of GSS does not hold an executive position (102-23).

The performance of the Board of Directors is not reviewed, as the members are the owners of the company through their shares and represent all partners. This year there have not been any changes to the members or the organizational practices (102-28).

The Board of Directors makes relevant decisions in plenary session and delegates, when applicable, the execution of these. Additionally, special powers of attorney can be agreed by the Board of Direction in favor of employees of the company to carry out specific elements in those operations previously approved by this body (102-19).

The powers for the designation of the Board Directors correspond exclusively to the General Shareholders' Meeting, which constitutes the interest of all the company partners (102-24). For either a natural or legal person to be appointed as administrator, being a partner, it is not required. Likewise, the conditions that prohibit such function are established in the Statutes.

The partner will not be able to exercise his voting right associated with their participations when in one of the conflict of interest cases established in article 190 of the Royal Legislative Decree 1/2010, of the July 2, in which the Consolidated Text of the Corporate Law was approved (102-25).

Regarding the information and consultation mechanisms (102-21), these are done through the different administrations that act as a conduit between the Board of Directors and the different stakeholders. Furthermore, the General Manager holds biannual meetings with all the corporate staff. In these meetings, the relevant elements related to the management and the company's situation are outlined and the feedback from the staff on these matters and other matters of interest is received, with all the corporate staff in Madrid available for direct consultation.



## The responsibilities, functions, communication and knowledge of the highest governing body in relation to sustainability

Through our parent group, we count with a global corporate culture that retains the very same values and principles from our origin, but which are tailored to the local needs of each country, to the current market conditions and to the stakeholders' demands.



The Board of Directors is responsible for the approval and commitment to complying with the Code of Ethics, the Sustainability Policy, as well as the compliance policies. Moreover, company employees can be expressly empowered to carry out specific elements of operations previously approved by this body (102-20 y 102-26).

Specifically, the following policies and codes were approved in 2017: the new Code of Ethics, the Compliance Policy, the supervising Plan of the complaint channel, the antifraud Policy and the internal audit Statute. The heads of the different administrations keep a permanent and fluent communication with the General Manager of the company. Any important worry is immediately conveyed by the heads of the different areas to the General Manager, who, if necessary, will convey this to the Board of Directors (102-33).

The company participates and integrates its economic, social and environmental responsibilities into the different managements, whose highest managers bring any decisions to be taken to the General Manager and, where appropriate, to the Board of Directors. Additionally, they are permanently informed of economic, social and environmental matters, through different internal communication mechanisms, such as: periodical meetings with the directors of the different areas, the biannual meetings of the General Manager with the staff, the development and approval of the Sustainability Report and different communication mechanisms like the intranet "Leading the Change" (102-27).

In regard with the Sustainability Report, this is coordinated through the Corporate Management of Communication, Marketing and Sustainability. A materiality study is performed annually in which key points for its stakeholders are gathered and implemented throughout the Report. Its function is transversal within the organization, as it covers the different societies within the Group (102-32).

The Report follows a supervision and revision process, to finally be approved by the Managing Director. Additionally, to ensure the trustworthiness of the information, it is externally verified by an independent body.

## Risk Management Functions of the highest governing body

For the development and execution of new projects, a thorough study is performed in which all the quantitative and qualitative aspects of the project are analyzed and weighted, just as the investment, financing and potentials risks for the different administrations of the company and the Management Committee, prior to its presentation and subsequent approval to the Board of Directors.

All these activities and the possible risks derived from these are continuously analyzed by the management and the GSS teams, which allows for risk detection and the implementation of the necessary correcting measures in a fast and agile way. In the Risk Management section, the risk management and identification methodology is described (102-29, 102-30 y 102-31).



## Nature and amount of aspects raised in the Board of Directors (102-34)

The General Shareholders' Meeting will be invoked by the administrators and, when applicable, by the liquidators of the Society, within the 6 first months of each year, to ratify the corporate management, to approve, when applicable, the financial statements of the previous year and to determine on the use of the result.

The administrators will invoke the General Shareholders' Meeting this way when they deem it necessary or convenient and, in any event, when one or various partners that represent at least 5 percent of the share capital request so. When the Management and representation of the Society are entrusted to a Board of Directors the established guidelines for that purpose will be followed.

It will gather at least 4 times a year, and additionally when its President or Vice-President deem it appropriate. The announcement will always be made in writing, directed to each Counselor, minimally five days in advance of the meeting.

The Board of Directors can designate an Executive Commission or one or more Managing Directors among themselves, determining the people who must perform said roles and their course of action, it may delegate, totally or partially, temporarily or permanently, all the powers which are subject to delegation pursuant to Law.

All debates and agreements of the Board shall be recorded in the Minutes Book, which shall be signed by the President and the Secretary or by the Vice-President and the Vice secretary when applicable.

In regard with the most relevant topics which were dealt with, the annual accounts of the previous year were designed and in all meetings the projects, investments, budgets, sales and market situation were followed up on, just as the on the issues most relevant to each administration.



## Remuneration of the Board of Directors

The remuneration of the Administrative Body consists of a fixed pecuniary amount that will be set in a General Shareholders' Meeting prior to the end of the year. This will be compatible with other professional or payments that, when applicable, correspond to the administrator for any executive or advisory function they perform in the Society and will determine standards for their corresponding payment.

In the case that the Administrative Body takes the form of the Board of Directors, it will determine the amount each of its members has to receive, in function of their dedication to the direction of the Society. If the Administrative Body takes another form, it will correspond to the General Shareholders' Meeting to decide if, in function to said parameters, the remuneration of each administrator will be the same or will vary. (102-35).

To calculate the remuneration stakeholders shall not be considered nor consulted (102-36 y 102-37).

# ETHICS, ANTICORRUPTION AND COMPLIANCE

In 2016 a project focused on developing the new "Compliance Model" was initiated through the Internal Audit area. Within this project a deep revision of the Code of Ethics and Conduct was done, just as the revision of various anti-corruption, risk, commercial sanctions and information exchange policies, among others, which were all approved by the Board of Directors in September 2017 and January 2018. These policies will be outlined hereunder:

## Code of Ethics and Conduct

The code is applicable to all Societies integrated into the Group, as well as to investee companies that are under effective control. In the investee companies where the Code is not applicable, principles and guidelines consistent to this Code are promoted.

It is mandatory for employees, collaborators, directors and the managers of the Group know the full content of the Code and especially the principles and behavioral guidelines in it. It is mandatory that they carry out training in this subject and that they pass an exam of the principles and guidelines contained in the code of ethics and conduct

## The statute of the Compliance Committee

The aim of this document is to define the scope, responsibilities and the powers of the Compliance Committee, just as the principles and guidelines that will regulate its composition and functioning, to control, supervise, evaluate and improve the "Compliance Model".

## Compliance Policy

This establishes the commitment of the Group to the corporate values and behavioral guidelines of its "Code of Ethics and Conduct", assuming the firm obligation to prevent, detect and punish any behavior that implies a breach of the legal obligations set by the internal and external regulations applicable to GSS.

Its compliance scope encompasses: criminal risk prevention policies, personal data

protection, codes of conduct, accounting, financial reporting, transparency and Corporate Governance standards, compliance to IT regulations, to competition Law, Industrial and Intellectual Property Law, to Tax and Customs legislation, to occupational risk prevention legislation, to environmental legislation, to sectoral legislation, to restrictions and international sanctions, as well as to the roles and functions of the Board of Directors and the management of the company.

## Rule zero

This has as its objective to organize the production, approval and publishing of the internal regulation devised by GSS and designated to the people that are in its structure or related to GSS in any of their own areas of activity. It is an internal global guideline that shall be applied to all departments or division and, therefore, is of obligatory compliance for all employees of the GSS Group.

## Anti-fraud and corruption Policy

This policy establishes the commitment of the Group to the corporate values and behavioral guidelines set in its "Code of Ethics and Conduct" explicitly expressing the objection of the GSS Group to committing any type of conduct that implies or might imply an act of fraud or corruption.

It is applicable to all the societies in the Group with a majority shareholding, directly or indirectly, by its parent society, Gonvarri Corporación Financiera, S.L. and to all the people of the Group in the performance of their functions and responsibilities in all activity areas in which they represent the Group.

The document implements the operational principles concerning prevention, detection, control and sanctioning of fraudulent and misconduct, in its fight against fraud and corruption, basing these on the corporate ethical culture and its commitment to regulatory compliance.

## Compliance Model supervision plan

The principles that apply to the management, supervision, monitoring and revision of the model are explicitly stated by this plan.

In this area, the GSS Board of Directors, as the most responsible for the safeguarding and management of the risk of default within the Group, mandates the Compliance Committee with the responsibility to ensure its correct supervision and revision.

The plan has the objective to determine the roles and responsibilities in the supervision process, as well as the criteria to be used in its implementation, including the testing of the Compliance Model and the definition of the communication and reporting procedures between the different parties involved in the periodical supervision of said Model.

## Functions and responsibilities of Internal Audit department and compliance

This policy defines the functions, competencies, responsibilities and operational principles of the management of Internal Audit and Compliance, under the supervision of the Executive Director and the Managing Director.

## Rules of procedure of the Ethics Channel

These define the operating principles and the terms of use on which the Ethics Channel is based, such as the functions and responsibilities of each of the bodies involved in the management and processing of queries/complaints.

The Ethics Channel is made available to all employees, directors, managers and collaborators in the Gonvarri Group and also to other external stakeholders, such as customers, providers or the society in general. This with the same objective of consulting doubts about the application of the Code of Ethics and Conduct, just as notifying the possible misconducts that correspond to the breach thereof. This is further elaborated in the sustainability chapter.

## Corporate policy on trade sanctions

This policy's aim is to complement the general provisions, related to the compliance to all laws and regulation on sanctions and international trade restrictions, determined by the Code of Ethics and Conduct and in the Compliance Policy of the Group. It encompasses broad economic sanctions against a country or territory; as well as the particular economic sanctions based on lists, in which certain entities, people and organizations are included.

## Corporate policy for tax risk management

This policy has as its objective to ensure the compliance to the applicable tax legislation and to procure an adequate coordination of the adopted policy by entities that belong to the Group, avoiding risks and fiscal inefficiencies in the execution of business decisions.

## Corporate policy for risk control and management

This policy has as its aim to determine some basic principles, such as an internal control framework and the management of any type of risk that the Group Gonvarri Steel Services faces.

The risk management system of the GSS Group provides reasonable assurance that all meaningful risks: strategic, operational, financial, and of compliance; are prevented, identified, evaluated, and subject to continuous supervision. This information is further elaborated on in the Risks and Opportunities section.

## Corporate policy for information exchange with the competition

This policy has as its aim to define the rules and standards that govern the exchange of information between the personnel of competing companies and our own.

The exchange of information constitutes an especially sensitive act that may imply an infringement of antitrust laws and/or be a crime; this is why mandatory rules of conduct are defined, just as the corresponding sanctions.

Following the approval of all compliance policies and the rules of procedure of the Ethics and complaints Channel, an ambitious communication and training plan for 2018 has been devised, which is outlined in the chapter sustainability. The training done in 2017 is included in the People chapter.

# Complaints and ongoing disputes

In 2017, the Ethics Committee received a report of workplace harassment in the central offices. After the investigation, it was concluded that the claim was unfounded (406-1). Apart from that, no discrimination cases nor complaints from third parties have been detected. (205-3).

In 2017, 4 proceedings have begun as a result of work accidents related to work procedures. These may lead to sanctions for social security surcharges derived from lack of security measures in Spain, all of these are ongoing at the end of closing the report.

Regarding other initiated procedures against the society, ongoing disputes and sanctions, there are no other meaningful instances that have a relevant economic impact on the Company in regard to unfair competition, monopolistic practices and practices against free competition (206-1), health and safety impacts of products and services(416-2), justified complaints related to customer privacy violations nor to customer data losses (418-1) nor any incidents derived from products information and labelling (417-2), nor breaches resulting from marketing communications (417-3) and nor any non-compliance to the laws and legislation in the social, environmental and economic areas (307-1 and 419-1).

# OUR CONTRIBUTION TO THE SDG

In September 2015, the member states of the United Nations engaged with a historic commitment when approving the 17 Sustainability Development Goals (SDG) 2016 - 2030, as a new roadmap to follow the next 15 years. The contents of these SDG can be interpreted in 169 goals that cover social, environmental and economic aspects.

From our commitment to sustainability, we, at Gonvarri Steel Services, are aware of the importance of an active participation to contribute to the success of these. For this reason, we have defined 4 direct objectives which are linked to our management model and our future strategy, just as other indirect objectives, which are outlined next:

**People**

Project: **Training for new employees. Start-up teams Development and job stability.**

**8 DECENT WORK AND ECONOMIC GROWTH**  
Promote inclusive and sustainable economic growth, employment and decent work for all.

**4 QUALITY EDUCATION**  
Ensure inclusive and quality education for all and promote lifelong learning.  
**SDG 4.4** By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

**10 REDUCED INEQUALITIES**  
Reduce inequality within and among countries.

**People**

**Sustainability**

**3 GOOD HEALTH AND WELL-BEING**  
Ensure healthy lives and promote well-being for all at all ages.  
**SDG 3.6:** By 2020, halve the number of global deaths and injuries from road traffic accidents.

**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**  
Build resilient infrastructure, promote sustainable industrialization and foster innovation.

**11 SUSTAINABLE CITIES AND COMMUNITIES**  
Make cities inclusive, safe, resilient and sustainable.

**17 PARTNERSHIPS FOR THE GOALS**  
Revitalize the global partnership for sustainable development

**Sustainability**

Project: **Emotional Driving**  
Project: **Innovation: Road safety.**

## SUSTAINABLE DEVELOPMENT GOALS





Profitable growth

**7 AFFORDABLE AND CLEAN ENERGY**

Ensure access to affordable, reliable, sustainable and modern energy for all.

**SDG 7.3.** By 2030, double the global rate of improvement in energy efficiency.

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**

Ensure sustainable consumption and production patterns.

**13 CLIMATE ACTION**

Take urgent action to combat climate change and its impacts.

Efficiency

Project: **Energy efficiency**  
Project: **Innovation. Light vehicles**

**9 INDUSTRY, INNOVATION AND INFRASTRUCTURE**

Build resilient infrastructure, promote sustainable industrialization and foster innovation.

**SDG 9.4** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

**17 PARTNERSHIPS FOR THE GOALS**

Revitalize the global partnership for sustainable development

**8 DECENT WORK AND ECONOMIC GROWTH**

Promote inclusive and sustainable economic growth, employment and decent work for all.

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**

Ensure sustainable consumption and production patterns.

Innovation

Project: **Gonvarri 4.0**  
Project: **SPG**  
Project: **Processes and products**

# RELEVANT ASPECTS: MATERIALITY ANALYSIS

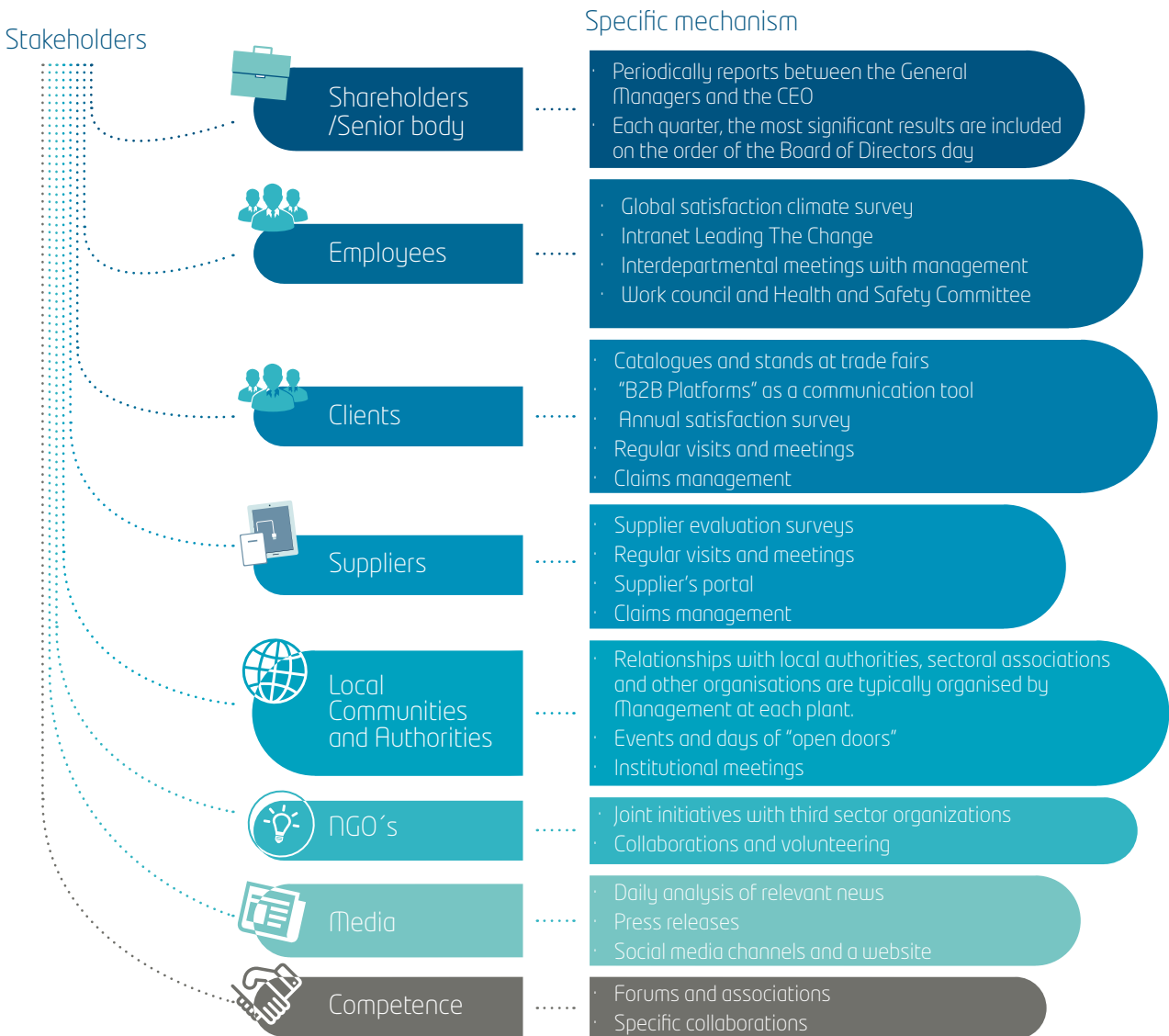
## Our stakeholders: Identification and communication

102-40, 102-42 and 102-43

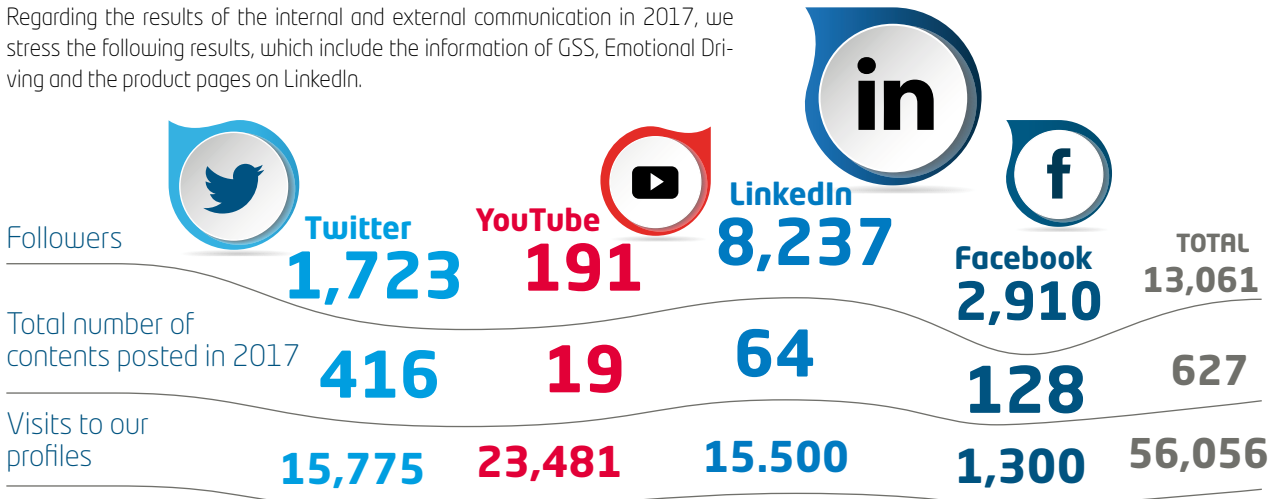
The relation with our stakeholders is a priority issue in Gonvarri. In this area, we consider every organization that could exert a substantial influence, and what is or might be affected by our activity. For this reason, since the publication of the first Sustainability Report in 2013, we have analyzed and updated our identified stakeholders, to improve the communication and response chan-

nels true to their expectations and to orientate the content of the Report to the economic, social and environmental areas.

We have different communication channels specifically for each of our identified stakeholders. This allows us to have an active dialogue, to respond faster and more efficiently to trends and to their needs, as is outlined below:



Regarding the results of the internal and external communication in 2017, we stress the following results, which include the information of GSS, Emotional Driving and the product pages on LinkedIn.



## Materiality study

102-44, 102-47, 102-49, 103-1, 103-2 and 103-3

For the "Identification of material aspects", a benchmark of the companies in the sector was done, appearances in the communication media were analyzed and assessed, as were reports from analysts regarding topics relevant to our sector, and implementation and development in the company (policies, plans, etc.). This allowed us to group the relevant information in 21 aspects.

Next, we weighed these 21 aspects, from an internal and external perspective, to identify the most relevant to our stakeholders and to the company.

For this identification, we amplified and improved our methodology for information collection and representativeness of our stakeholders through technological data and information analysis tools, counting with the direct participation of the management, employees, customers and providers, through the assessment of the importance and perception of the identified aspects.

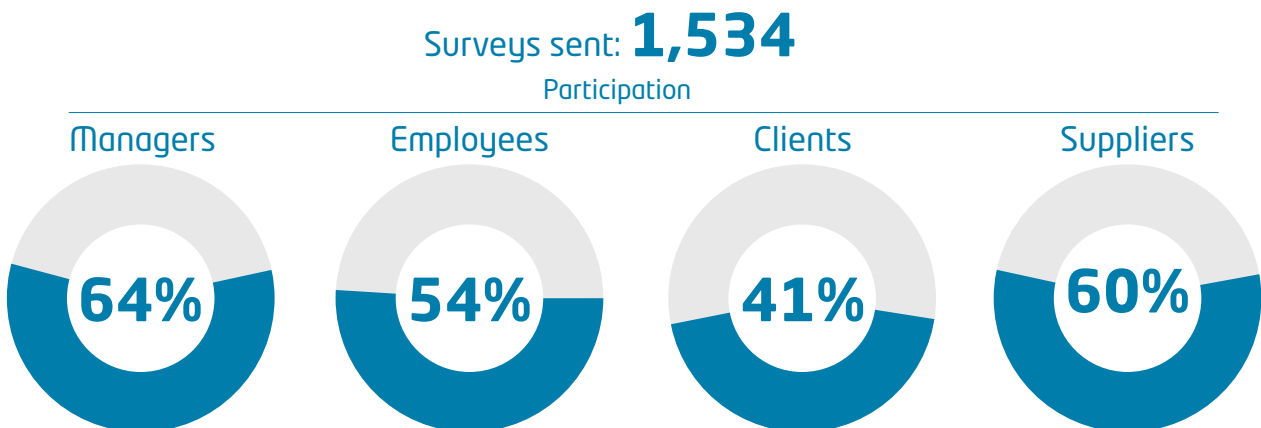
This improvement allows us to have this information, not only at a corporate level, but also for each country where GSS has a presence and, with it, to specify local measures that improve our management and response. The process is shown in the attached graphic:

## External and internal coverage:

102-46



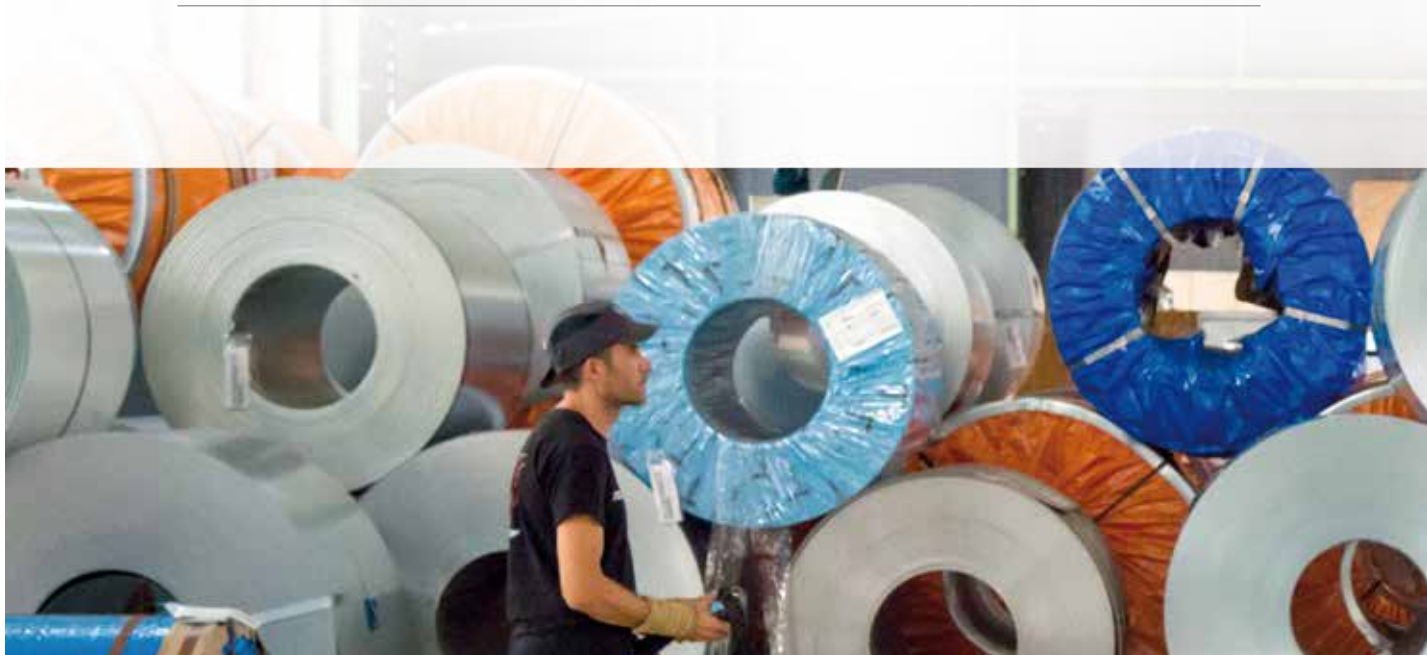
The average participation of the interviewed stakeholders, directors, employees, providers and customers is around 54% as outlined next:



There have not been any relevant changes with respect to last year. The minor changes are indicated in their corresponding sections (102-49). There has been no restatement of the information regarding the previous year (102-48).

After this analysis, consideration and revision, a total of 11 global material subjects were defined, taking into account the answers of all stakeholders in all countries. In the table the material aspects are indicated and the chapters in which they are elaborated:

GSS Global Material Subjects	Reference material
1 Presence in new countries and new product development.	 <b>Our business</b>
2 The commitment of senior management to sustainability and governance.	 <b>Our business</b>
3 Formal ethical and anti-corruption framework. Communication, implementation and Complaint channels.	 <b>Drive: sustainability</b>
4 Formal risk control and compliance framework. Communication, implementation and complaint channels.	 <b>Drive: profitable growth</b>
5 Policies related to Human Rights, Complaint and response channels.	 <b>Drive: sustainability</b>
6 Talent attraction and retention. Training, professional development and performance assessment programs.	 <b>Drive: personas</b>
7 Social action and local community dialogue programs and strategy.	 <b>Drive: sustainability</b>
8 Security and health management for employees and outsourced contracts.	 <b>Drive: efficiency</b>
9 Environmental management.	 <b>Drive: efficiency</b>
10 Energy: Consumption, plans, and energy efficiency programs and development of renewable energies.	 <b>Drive: sustainability</b>
11 Innovation: products, quality, security, environmental impact and process efficiency.	 <b>Drive: efficiency</b>  <b>Drive: innovation</b>



Apart from the analysis of the global answers, these have been analyzed on a country level, to determine the material aspects that are important on a national level rather than on a global level.

The material issues by country are summarized below:



**ARGENTINA:**

Material Aspects

Reference material

Transparent communication with the stakeholders.  **Our business**

Diversity advancement and policies.  **Drive: People**



**BRAZIL:**

Material Aspects

Reference material

Transparent communication with the stakeholders.  **Our business**



**COLOMBIA:**

Material Aspects

Reference material

Diversity advancement and policies.  **Drive: People**



**MEXICO:**

Material Aspects

Reference material

Transparent communication with the stakeholders.  **Our business**



**POLAND:**

Material Aspects

Reference material

Information on indirect economic impacts.  **Drive: profitable growth**

Diversity advancement and policies.  **Drive: People**

Regarding these aspects, additional information will be given in the corresponding chapters. The rest of the countries do not present additional material aspects.



- 
- 1 **OUR BUSINESS**
  - 2 **DRIVE. MANAGEMENT MODEL**
  - 3 **ANNEXES**



**Gonvarri**  
Steel Services

## 2 **DRIVE.** **MANAGEMENT** **MODEL**

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- 32 Profitable growth 
- 41 People 
- 53 Efficiency 
- 70 Sustainability 
- 88 Innovation 

# Profitable growth





# Current context

This has been a year of change and challenges for the steel sector. The global production of crude steel reached 1,691.2 Mt, which is a 5.3% increase compared to the previous year. China continues as the first producer, then followed at a distance by Japan, India, United States and Russia. Additionally, prices shot up, mainly in the second semester, keeping this trend in 2017.

The annual production of crude steel for Asia was of 1,162.5 Mt, which means a 5.4% increase compared to 2016. China stands out in this growth, which reached 831.7 Mt, and is 5.7% more than last year.

- China continues in a restructuration process resulting from the slowdown of its economy and, in particular, in the overproduction of steel. In this context, at the end of 2017, they announced the elimination of exportation taxes for steel products for 2018, to face the continuing drop of its exports and the "anti-dumping" measures from Europe and the US.
- India is playing a more and more important role, as much because of the increase in its internal demand as because of the increase in exportation, reaching 101.4 Mt, 6.2% more than in 2016. South Korea increased its production by 3.7%, reaching 71.1 Mt. However, Japan reduced its production by 0.1%, reaching a total of 104.7 Mt.

The annual production of crude steel in North America was 116.0 Mt, which is 4.8% more than in 2016. The US reached 81.6 Mt of crude steel, which is a 4.0% increase compared to last year.

Nevertheless, the US continues its trade protectionism policy. In 2018 the president announced an increase in global tariffs or 25% for steel and 10% for aluminium, to reactivate these sectors. If this goes through, it would mean a considerable

reduction of the North American market for steel and aluminium imports, which must be distributed to the rest of the markets. The immediate consequences will be an oversupply and a very likely decrease in prices, production cuts and staff cuts. In this context, the automotive and aeronautic sectors will be the most affected by the increases in price derived from these tariffs.

The estimated production of crude steel in the CIS was of 102.1 Mt, staying stable compared to last year. Russia produced 71.3 Mt which means a 1.3% increase. On the other hand, Ukraine registered a 6.4% decrease with a final figure of 22.7 Mt (a figure estimated by Worldsteel)

The European Union (28) produced 168.7 Mt of crude steel, which is a 4.1% increase compared to 2016. Italy stands out with 24.0 Mt (2.9% increase) and Spain with 14.5 Mt (6.2% increase), principally in its second semester. Germany starts to note a certain growth derived from its competitive advantage, high technological level and the situation of the market in general. In the United Kingdom, the uncertainty due to Brexit is added.

The annual production of crude steel for Latin America was of 43.7 Mt in 2017, which is an 8.7% increase. Brazil leads this ranking with 34.4 Mt (a 9.9% increase) and Colombia stands out, whose steel industry continues to consolidate, as does its internal consumption. This is similar in Mexico and Chile.

Finally, one of the major challenges in the future will be cutting production and moving on to better production conditions, in which both improvements in working conditions as well as those in production technology are included. All are complemented by a bigger environmental concern and more and more restrictive legal requirements. (Source: global steel production figures Worldsteel)



# Our Growth

2017 stood out for being a year with important investments and acquisitions, which have allowed us to strengthen our position in some countries and grow in others. Compared to last year, information about the following plants is added to the Report (102-49).

- In China, the plants Gonvama Shenyang (North East), Changshu (East) and, at the end of the year, Chongqing (West) started operations.

- We increased our presence in Mexico with the new Gonvarri Baja California plant.
- In Europe, the new Laser Automotive Valencia plant stands out and the new plant of Steel & Alloy, Popes Lane, is almost finished. Additionally, the Constructor Group was acquired with which the storage and logistics business is amplified, and so was the Spanish engineering company Suports, Desarrollo y Soluciones.

Next, the new plants will be described briefly.



## China: Gonvama plants

In 2015, the construction of 4 new plants began in China, which have gradually started operating since the end of 2016.

All of them have cutting-edge installations and equipment in their blanking, laser ablation and laser welding lines. The objective is to supply products to our Chinese customers with the highest quality guarantee and the same logistic standards as in Europe or the US.

Since its launch, expert teams from Gonvarri, VAMA and Arcelormittal have moved to China for its startup, to convey their knowledge and way of working to the new teams of Gonvama and, by doing so, put the four plants into operation in the best conditions.

We have a portfolio of international and Chinese customers, among which are the main global automotive manufacturers, local manufacturers, and the main stamping companies. We have a collaborative agreement with AM to be able to intervene in the early stages of the design of the automobile to push our technology and assist our customers in the use of our advanced solutions to save costs, make the vehicle lighter and contribute to the security.

- **Gonvama Shenyang** has a total surface area of 18,143 m<sup>2</sup> built with warehouses, offices and accesses. Its production capacity is 90k tons of auto formats.

Phase 1 of the project has been in operation since April 2017 which comprises: a blanking press with capacity for 1,250 tons, 2 ablation lines, one continuous LWB line and one laser line. For 2019, the amplification of this plant is in the pipeline (phase 2), with a new blanking press.

- **Gonvama Changshu** covers a surface area of 17,663 m<sup>2</sup>, built with warehouses, offices and accesses. Its production capacity is 100k tons of auto formats.

Phase 1 of the project has been in operation since April 2017, which comprises of a blanking press with capacity for 1,250 tons, 2 ablation lines, one continuous LWB line and one Door Ring product innovation line. In 2019 the amplification of this plant is in the pipeline (phase 2), with a new hybrid blanking press (steel and aluminium).

- **Gonvama Chongqing** covers a surface area of 14,171 m<sup>2</sup>, built with warehouses, offices and accesses. Its production capacity is 90k tons of auto formats.

Phase 1 of the project has been in operation since April 2017 which comprises of a blanking press with capacity for 1,250 tons, 2 ablation lines, one continuous LWB line and one high-velocity laser line.

- **Gonvama Loudi** has a surface area of 14,171 m<sup>2</sup>, built with warehouses, offices and accesses. Its production capacity is 90k tons of auto formats.

Phase 1 of the project has been in operation since April 2017 which comprises of a blanking press with capacity for 1,250 tons, 2 ablation lines, one continuous LWB line and one high-velocity laser line.



## Constructor Group

In 2017 Gonvarri Steel Services started the acquisition of the Constructor Group, closing formally the operation at the beginning of 2018.

The group currently operates under the "Gonvarri Material Handling" brand, being one of the main European providers for engineering and manufacturing of storage solutions. This allows us to further strengthen the business by increasing both the experience and the resources for its development.

Gonvarri Material Handling operates under 4 brands, as are outlined next:

**Dexion** was born in London at the end of the 1940s. Nowadays, with more than 80 years of experience, the products of Dexion range from simple shelf systems to custom built storage solutions, dynamic systems, warehousing and recovery systems, interior designs and steel constructions.

**Constructor** was originally founded in Norway in 1856. After several changes in the 1980s, it became Constructor and since then the company has grown to become the leading company in Scandinavia in storage, archiving and logistic solutions.

**Kasten** has been in the steel manufacturing business since 1886 in Helsinki, Finland. Nowadays, it is a market leader and

is specialized in all kinds of storage technology, from the most rudimentary steel shelf units to the most advanced turnkey project, totally automatized and sophisticated.

**PSS** created in the United Kingdom, started its activity in the 70s with planned storage systems, until it became part of Constructor Group in 2008. PSS has almost 40 years of experience in the manufacturing of storage systems and the logistics business, being able to supply a great range of shelf systems, through pallets, shelves, projecting systems and mezzanine storage areas.



## Gonvarri Baja California

Gonvarri MS Baja California started operating on May 2nd, 2017. Its main activity is the manufacturing of solar structures for the production of renewable (solar) energy.

The installation covers a surface area of 6,086 m<sup>2</sup>, and is strategically located in the city of Tijuana, bordering the US, which gives us a competitive advantage and a large market of operation.

The MS Metal Steel division transforms steel by processing tubes and beams of different dimensions for solar parks.



## Laser Automotive Valencia

Laser Automotive Valencia S.L started its activity in May 2017 for 3D cutting in cold and hot stamping of automotive components.

It currently covers a productive surface area of 2,450 m<sup>2</sup>, with 4 identical laser units (Trumpf TreLaser Cell 8030), which gives us a productive capacity of 22,500 h/year and thus allows us to satisfy our customers' demand in terms of quality and on time.



## Suports Desarrollo y Soluciones

Suports Desarrollo y Soluciones is a Spanish engineering company founded in 2006 that specializes in aluminium solutions for photovoltaic installations on covers of buildings, car parks and ground.

With this acquisition, Suports and its Mexican subsidiary become an important part of the Solar structures division of Gonvarri Metal Structures.

The workforce of Suports has highly technical personnel focused on the development and supply of efficient solutions for the photovoltaic market.

# Balance

201-1

After the crisis in recent years, in 2016 we saw an upturn in activity that continued into 2017. This has been the case in Europe, which is affected by various factors, among which, the result of Brexit and the uncertainty of future negotiations, the significant increase of nationalist and Eurosceptic opinions, continued attacks from ISIS and fiscal and commercial measures from the US which impact the global outlook with certain uncertainty.

However, the numerous factors that have helped to improve our results should also be noted, among which, we stress the higher prices of commodities (mainly energy and metals), the establishment of new anti-dumping policies and the moderate reduction of the production capacity in China and the improvements and increase in sales, mainly in the automotive sector.

Within this framework, Gonvarri Steel Services continues to advance towards the objective to increase its international presence and to create value in the communities it introduces itself in. This is possible thanks to a positive balance and adequate financing.

At the sector's current juncture, steel has experienced a very significant rebound, after various years of strain on the sales and margins, which derives from the increase of the main raw materials (especially the mineral iron and coke), as well as the elimination of a part of China's installed overcapacity, and the anti-dumping measures against Chinese and Russian steel imposed by the EU, Mexico and Canada.

This year, the Gonvarri plants Baja California, Laser Automotive Valencia and the Gonvva plants Shenyang (Northeast), Changshu (East) and, at the end of the year, Chongqing (West) all started their activity. The construction of the Steel & Alloy plant Popes Lane is about to be finalized. Additionally, the acquisition of the Constructor Group should be noted.

At the closing of the year, our EBITDA was 210,086 thousand euros, with a consolidated net profit of 106,474 thousand euros, which means a net improvement of 13% compared to last year.

Although the result is uneven in the different regions, they stand out as a positive way with an increase of 40% (21M€) Western Europe, 46% (6M€) Gonvauto Iberia and 40% (2M€) Asia, on the other hand, the result of Metal Structure has been negative in 228% (11M€).

The main consolidated economic results are summarized below:

<b>Economic Value Created</b>	<b>thousand €</b>
Turnover	3,038,010
Financial Income	3,995
Other income	24,266
<b>TOTAL EVC</b>	<b>3,066,271</b>

<b>Economic Value Distributed</b>	<b>thousand €</b>
Operational Costs	2,708,958
CAPEX	109,312
Payments to capital providers	13,660
Taxes	77,604
Personnel	108,623
Investments in the Community	1,160
<b>TOTAL EVD</b>	<b>3,019,317</b>

<b>ECONOMIC VALUE RETAINED</b>	<b>46,954</b>
--------------------------------	---------------

The municipalities or regions in which Gonvarri has a presence received a total of 77,604 thousand euros in tariffs, fees and taxes, which have contributed to the improvement of the standard of living and the services for the inhabitants of the area. Its distribution by country is outlined in the attached table.

Country	
Argentina	648
Brazil	1,643
China	3,740
Colombia	1,276
Spain	747
USA	53,124
Mexico	2,078
Poland	849
Portugal	2,585
United Kingdom	4,830
Czech Republic	1,245
Russia	195
Turkey	1,163
Others	2,480
<b>TOTAL</b>	<b>77,604</b>

On the other hand, the company has received economic support and subsidies equivalent to 2,018 thousand euros, distributed as is shown next: Arizona (13.5%), Gonvarri Aluminium (71.7%), Gonvarri Valencia (7.6%), Gonvauto Galicia (6.0%) and Gonvarri MS Corporate (1.2%) (201-4).

Regarding the rest of the accounting obligations, the societies that make up the GSS Group are, for the majority, obligated to perform annual audit reports on their individual annual accounts due to the total volume of their assets, the turnover and the average number of employees.

After their approval by the corresponding body, these reports are presented in due time and form to the commercial register for each of their accounting periods, the legalization of their official Books and the deposits of the annual Accounts. Additionally, the societies of the Group are up to date with their payments to the General Treasury of the Social Security and their tax obligations.

Finally, as is stated in the Code of Ethics and Conduct, GSS does not provide economic help to Governments (415-1).

## Investments

The investments made this year reach a total of 109,312 thousand euros, maintaining the strategy to reinforce our global presence and increase our product portfolio.

In this context, the investment made in Gonvama stands out, where three new plants have been inaugurated: In Shenyang (Northeast), Changshu (East) and Chongqing (West), joining the Loudi plant, which was inaugurated in 2016. All of them are working with the new AHSS and VHSS steels

Similarly, the construction of the new Steel & Alloy plant in Oldbury (UK) has been finalized, starting activity at the beginning of 2018, with a new blanking press and a longitudinal cutting line, both of which enable the growth of the company in the United Kingdom.

In Central Europe, the expansion of the plant in the Czech Republic stands out, having finalized the second phase of its expansion,

where 3 new 3D laser cutting units have been incorporated and the productive space has been increased to 4,500 m<sup>2</sup>. Poland, on their part, have initiated the construction of a new building and the expansion of their storage building.

The investments in NAFTA are also noteworthy, with the expansion of the Puebla plant (Mexico) through the construction of a new building that will house a new transversal line. The expansion in Union, South Carolina (US), where in the fourth trimester of 2017 the project to install of a new blanking press was initiated, will add to the existent one at the beginning of the year.

At a national level, in 2017 a new society was created in which Gonvarri has a 51% participation to establish a new 3D laser cutting business in Silla, Valencia, relying initially on 3 3D laser lines.

The distribution of the investments over the different divisions is shown next:

Western Europe	Metal Structures	Iberia Gonvauto	Asia	Central Europe	NAFTA	GSS Corporate	LATAM
22,834	3,648	1,649	49,648	17,134	11,238	2,147	1,015

## Financing

In 2017 the projects developed and financed by Gonvarri Steel Services have not included any clauses or commitment in Human Rights or anti-corruption practices. (4.12-3)

# Main effects, risks and opportunities

102-15

Gonvarri Steel Services is subject to various risks inherent to its activity derived from cultural and legal obligations in the countries where it operates.

To minimize these risks, the Internal Audit area was formally created in 2016 and the new "Compliance Model" was developed to improve tracking, measuring and risk control mechanisms. The application of this model is planned initially in Spain, and it will be extended afterwards to the rest of the countries.

For this reason, after a diagnosis of the situation, the implementation was started in Spain in 2017. This has led to the completion of new policies and protocols, the design of controls and, especially important, the modification of the new Code of Ethics and Conduct of the group and the configuration of a more versatile, multi-channel Ethics Channel which guarantees the anonymity of its users.

Prior to its communication and dissemination, a series of key documents were approved by the Board of Directors inherent to the compliance model; The Code of Ethics, the Compliance Policy, the complaint channel supervising plan, the anti-fraud policy and

the statute of internal audit, which will continue in 2018 with the foreseeable approval of other policies such as: commercial sanctions, relations with competitors and crime prevention protocol, among others.

In last year, the project "Risk Map" was also started for all the Group, focused mainly on the identification of risks associated with our activity. In 2017, with the collaboration of the areas involved, the Anti-Corruption Policy was approved and new controls were adapted and designed to correctly manage and minimize the risks identified in relation to the corruption/fraud among others issues, being analyzed those actives projects in 2017 (205-1).

Similarly, we should underline the launch of a project to segregate functions into four phases: Conceptual design, operative design, role modification and modifications of powers of attorney, which is expected to be finalized in 2018, given its complexity and magnitude.

The main detected risks in 2017 are outlined hereunder:

	Risks	Mitigation	Opportunities
<b>Strategic and environmental risks</b>	Derived from possible changes in the strategic lines or the country's situation (political change, regulations, currency depreciation, trade restrictions, etc.).	<ul style="list-style-type: none"> <li>• Application of the "Viability and development analysis methodology" and external Due Diligences.</li> <li>• Insurance policies with companies of the first order.</li> </ul>	Important local economic impact, through the generation of new business opportunities (local providers and services), new employment opportunities, economic resources for public administrations (taxes), etc.
<b>Financial Risks</b>	<p>Market Risks: derived from exchange rates and interest rates.</p> <p>Credit Risks: Derived from cash and cash equivalents, from derivative financial instruments and deposits and receivables.</p> <p>Liquidity risk: derived from sustaining sufficient cash and marketable securities, availability of financing and capacity to settle market positions.</p>	<ul style="list-style-type: none"> <li>• Simulation of scenarios considering refinancing, roll-overs, alternative financing and hedging.</li> <li>• Use of hedging in purchase-sale transactions to avoid exchange rate fluctuations taking the Dollar as a reference.</li> <li>• Liquidity Policy and credit limits, periodically revised by the Board of Directors.</li> <li>• Flexibility in financing and tracking of the liquidity reserves.</li> <li>• Insurance to ensure collection for clients considered to have risk of default.</li> </ul>	Operating in different countries is a competitive opportunity and an opportunity to be close to the customer, which allows us to "compensate" for the risks or incidences that might arise in certain countries, with other sounder countries that have a profitable and sustainable growth.
<b>Operational and infrastructure risks</b>	Risks derived from technological or quality defects, management problems, etc. that develop into problems in product quality, delivery times, etc.	<ul style="list-style-type: none"> <li>• Initiatives for improvement, tracking, measuring and efficiency, as for example: the Gonvarri Production System, the quality standards (ISO 9000 and ISO-TS 16949), contingency plans, etc.</li> <li>• Innovation projects to adapt to the market needs</li> <li>• Broad-ranging insurance policies</li> </ul>	<p>The improvement and efficiency in products and processes, allow us to detect numerous opportunities to save on consumption, production times, residue reduction, safety, etc.</p> <p>Innovation allows us to grow and adapt to the customer's needs.</p>
<b>Social, environmental risks and Climate Change</b> 102-11	<p>The growth forecasts indicate that the world population will shoot up and go beyond 10 billion (UN) mainly in developing countries.</p> <p>This means a more intensive use of natural resources, available products and services, among which are vehicles and renewable energy.</p>	<ul style="list-style-type: none"> <li>• Environmental Management Systems ISO 14001 and the Environmental Performance Index (EPI).</li> <li>• Principle of prudence and continuous improvement through the Code of Ethics and Conduct, the Integrated Policy and the Sustainability Policy.</li> <li>• Joint projects with customers to adapt to their needs.</li> <li>• Development and Innovation.</li> </ul>	<p>Local development in the places where we have presence.</p> <p>Circular Economy: 100% recyclable steel.</p> <p>Automotive Sector: development of new safe and lighter products and increase of sales.</p> <p>Development of modern and innovative steel solar structures.</p> <p>Our contribution to the SDG</p>
<b>Health and Safety risks</b>	Derived from incorrect behavior or errors in the protection and safety mechanisms, which may lead to workplace accidents and even death.	<ul style="list-style-type: none"> <li>• Integrated Policy, whose requirements and obligations are set in the management system under the OHSAS 18001 standard.</li> <li>• Training, raising awareness, initiatives and projects to improve safety.</li> </ul>	Through training and bidirectional meeting, numerous improvement initiatives have been detected and put into practice.
<b>Corporate Governance, ethical, fraud, and compliance Risks</b>	These derive from behavior that goes against the guidelines established in the human rights, ethics and anti-corruption policies, which means an important economic and reputational risk.	<ul style="list-style-type: none"> <li>• To minimize this risk, dependable Policies and Codes and the corresponding complaint mechanisms are available.</li> </ul>	Through the undertaken analysis and diagnosis, numerous improvement actions have been detected, which allow us to minimize the risks of corruption and to improve the company's reputation.
<b>Data protection and confidentiality risks</b>	2017 was the year with the most frequent and largest cyberattacks all over the world. For this reason, the vulnerability and security of information and data is an increasingly present threat for all companies.	<ul style="list-style-type: none"> <li>• Diagnosis of the information security and its risks based on the ISO 27000 standard.</li> <li>• Periodic system scan to detect external and internal vulnerabilities and their correction according to the level of criticality.</li> <li>• Measures to adapt to the new LOPD (Organic Law on Protection of Personal Data)</li> <li>• We are training and raising employees' awareness on prevention and protection techniques (for example: the "Anti-Phishing" campaign).</li> </ul>	Adapting to new technologies and a safer working culture allows us to be more efficient and to reduce risks.

# Most significant risks in 2017

In 2017, Gonvarri Steel Services faced different risks which derived from the market situation in the countries it operates in, which have not had a significant global impact on the yearly results due to its diversification over different markets.

Most significant detected risks:

- The volatility of the prices of raw materials, which are directly influenced by the abrupt raise of iron and, to a lesser extent, of zinc, which have affected the rise of steel prices and, as a result, on the value of the available stock in the plants; principally in the second semester of the year.
- Shortage of supply along the distribution chain. While there still is an overcapacity for steel production, fundamentally in China, the imposed anti-dumping measures in different areas such as the European Union, Mexico and Argentina, together with the increase of prices, have a negative impact on the offer and availability of steel.
- The ever-increasing pressure from the customers on price forces a narrowing of the margins in every step of the distribution chain.
- Turkey's situation, due to conflicts in adjacent countries and the migratory crisis, suffers a limitation of its natural exportation markets.
- The volatility of some currencies in countries where we have a specific gravity (Turkish lira, Argentinean peso, yuan).
- The successive scandals related to CO2 emissions in the automotive sector and its impact on diesel vehicles.
- The reform of the steel sector in China with the fusion of various steel companies, just as the closing and restructuring of others, could affect us in the future, being partners of the Hunan Valin Steel company.
- The "Brexit" referendum in the United Kingdom and its exit from the European Union (EU) forecast periods of unease in the post-Brexit negotiations with the potential implementation of tariffs to certain industries.
- The significant increase of nationalistic and Eurosceptic opinions.
- Risks which derive from the protectionist policies of the US president, mainly related to the enforcement of steel and aluminium tariffs.

## Supply Chain

### Steel purchases

102-9

Focused on the steel and aluminium purchasing in the Corporate Department of Steel Purchases, where large volumes are negotiated through an impartial and objective mechanism, in coordination with the need of the different divisions in terms of expected orders, customer requirements and available stock.

The purchasing activity and management of the distribution chain need to face the present tendencies and demand in an increasingly global business, in which not only price, quality and delivery related aspects are considered, but also the performance in ethics, compliance, sustainability, human rights, environment and health and safety.

"Purchasing" is one of the 16 key processes defined by the company and has been reviewed incorporating the new compliance approach. For this reason, it was analyzed and revised, defining new controls to improve its management and to minimize the identified risks correctly. These improvements will be operational in the first trimester of 2018.

Among them, we highlight the incorporation of various questions in the "supplier selection" phase, about compliance (ethics, anti-corruption, etc.) and sustainability (sustainability management, human rights and conflictive minerals), in addition to the already existent questions about the environment, quality and health and safety.

During the selection process, in the case that a provider does not reach the requisite level or is unable to provide the solicited information, the necessary improvement actions are jointly planned, so that it can adapt, in a reasonable timeframe, to our requirements and become part of our distribution chain.

If the supplier does not show collaboration in the established period, or if breaches of any of our criteria are detected (proven instances of child labor, forced labor, unacceptable working conditions, environmental damage, etc.), the established measures are applied, which may lead to exclusion as a potential GSS provider.

With regard to purchases for the Auto division, we should indicate that in many cases the purchases come contractually predefined by the customer, who has internally validated these in accordance with their requirements. In these cases, the objective, in accordance with the IATF 16949 standard, is to supervise, track and assess.

## Non-steel purchases

Focused on the purchases of other auxiliary raw materials (oil, lubricants, chemical products, etc.), other materials (packaging, spare parts, etc.) and services (cleaning, transport, travels, etc.) that require a structured negotiation process and the application of a specified methodology due to the volume they represent.

These negotiations are mainly done through the Suppliers Portal to guarantee total transparency and traceability. All providers are registered in the portal, in which they include basic information.

As part of the negotiation process, the obligation to read and accept a series of policies and procedures is made, among which is included the Code of Ethics and Conduct, as is the Human Rights, to transfer our values and principles to our providers.

Similarly, those providers that provide products and/or services on a regular or potential basis to the Gonvarri plants, and that, due to the nature or criticality of the product/service, may have influence on the quality of the final product Gonvarri supplies to its customers, will be subject to a homologation process and a posterior reevaluation. For that matter, it is an indispensable requirement for the provider to have the ISO - 9001 certification.

## Local Purchases

In this section the minor, non-centralized purchases made in plants are included.

These are normally carried out through local suppliers and the homologation criteria are not homogeneous to the different plants, environmental and health and safety criteria being more frequently applied than social or human rights criteria.

In comparison with last year, no relevant changes have been made to the distribution chain, except those that derive from the new operating installation which mainly affect the availability of new local suppliers (102-10).



## Expenditure in local suppliers

204-1

In 2017, the total expenditure in suppliers rose to 3,120,754 thousand euros, from which 71% corresponds to local suppliers. The percentual distribution by country is shown next.

\*To calculate the percentage expenditure on local suppliers, consideration is given to all those suppliers that have their corporate headquarters or commercial office in the country in question.

Country	Total supplier's expenses	Local supplier's expenses	*Local %
Germany	321,260	278,174	87%
Argentina	74,164	24,111	33%
Spain	68,056	1,613,566	83%
USA	1,954,143	53,467	79%
Mexico	345,175	99,255	29%
Poland	141,764	8,490	6%
Portugal	140,278	79,346	57%
Czech Republic	7,841	6,808	87%
Russia	68,073	52,800	78%
<b>Total General</b>	<b>3,120,754</b>	<b>2,216,018</b>	<b>71%</b>





# People

*Committed and connected, aiming to thrive and reach their objectives*

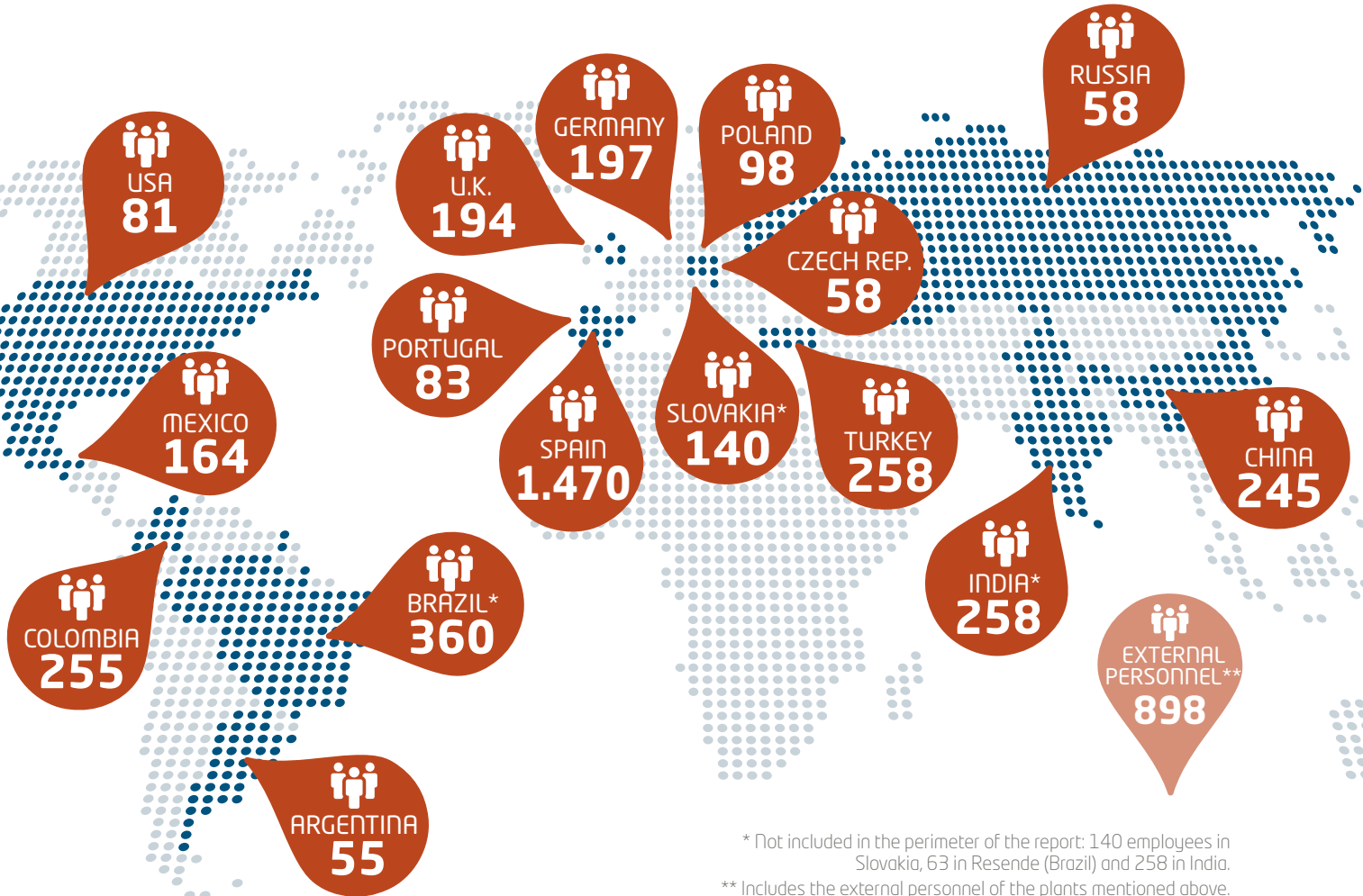
The focus on People is precisely what places Gonvarri in the hearts of its professionals and at the same time drives the feeling of pride for its work, team and company.





# Our team

In 2017, Gonvarri Steel Services team is formed of **4,872 professionals** (own and external) distributed over **16 countries**. The perimeter of the report adds **3,513 professionals** (own) distributed over **14 countries** (professionals from Senica (Slovakia), Resende (Brazil) and Pune (India) are not included) (405-1).



\* Not included in the perimeter of the report: 140 employees in Slovakia, 63 in Resende (Brazil) and 258 in India.  
 \*\* Includes the external personnel of the plants mentioned above.

## Main figures:



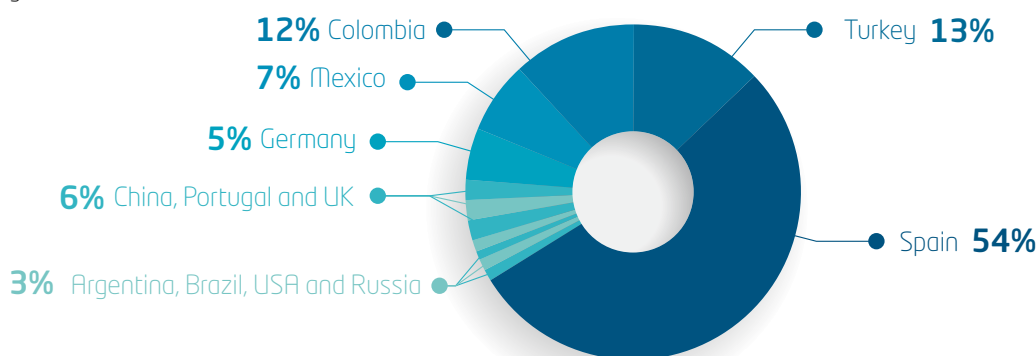
The enclosed table indicates the distribution of the workforce by age, professional category and gender:

Country	MAN									WOMAN									
	Managers			Middle Managers			Plant&Office personnel			Managers			Middle Managers			Plant&Office personnel			
	≤30 years	>30 ≤50 years	>50 years	≤30 years	>30 ≤50 years	>50 years	≤30 years	>30 ≤50 years	>50 years	≤30 years	>30 ≤50 years	>50 years	≤30 years	>30 ≤50 years	>50 years	≤30 years	>30 ≤50 years	>50 years	
Germany	0	4	0	0	23	0	31	98	14	0	0	0	0	4	0	5	15	3	<b>197</b>
Argentina	0	0	1	0	6	1	0	40	0	0	0	0	0	5	0	2	0	0	<b>55</b>
Brazil	0	1	2	1	20	1	91	118	12	0	1	0	1	3	0	18	25	3	<b>297</b>
China	0	12	0	0	20	2	77	94	1	0	1	0	1	4	0	10	23	0	<b>245</b>
Colombia	0	7	0	1	14	4	13	112	67	0	1	1	0	4	2	9	18	2	<b>255</b>
Spain	0	24	18	2	122	77	69	695	321	0	2	0	1	21	2	11	92	13	<b>1,470</b>
USA	0	1	0	1	12	3	5	41	7	0	0	0	2	2	2	3	2	0	<b>81</b>
Mexico	0	1	0	8	26	0	46	60	7	0	0	0	1	6	0	2	7	0	<b>164</b>
Poland	0	1	0	0	8	0	50	14	0	0	0	0	0	3	0	9	13	0	<b>98</b>
Portugal	0	1	0	0	14	4	7	29	9	0	1	0	0	4	1	0	10	3	<b>83</b>
U.K.	0	3	2	0	6	2	28	92	40	0	0	0	0	0	0	1	12	8	<b>194</b>
Czech R.	0	1	0	0	4	2	15	11	2	0	0	0	1	3	0	6	13	0	<b>58</b>
Russia	0	3	0	0	12	0	10	19	2	0	0	0	1	0	0	5	6	0	<b>58</b>
Turkey	0	2	1	4	17	1	55	133	27	0	0	0	0	3	0	10	5	0	<b>258</b>

Concerning the governing members, 67% are over 50 years old, and the remaining 33% are between 30 and 50 years old. Similarly, 67% of the governing members have the local nationality and all are men.

## External Personnel

In 2017, a total of 664 external employees were subcontracted (631 men and 33 women). In the attached chart their distribution by country is shown:



## Turnover

401-1

The average turnover rate in Gonvarri (considering the numbers of exits against the total workforce), is 19%. In 2017, 1,091 new professionals became part of the company: 939 men and 152 women. 34% of the hirings are related to the launch of the new plants in China and Baja California.

On the other side, 684 people left the company (587 men and 97 women). Their distribution by gender and country is shown in the table:

Country	Hires			Leavings		
	M	W	Total	M	W	Total
Germany	29	5	34	17	5	22
Argentina	4	3	7	3	1	4
Brazil	78	10	88	32	9	41
China	191	38	229	27	3	30
Colombia	5	12	17	44	17	61
Spain	169	24	193	105	14	119
USA	31	3	34	57	5	62
Mexico	148	13	161	69	5	74
Poland	28	6	34	25	1	26
Portugal	9	3	12	7	0	7
U.K.	31	3	34	21	3	24
Czech R.	42	16	58	34	22	56
Russia	5	3	8	11	1	12
Turkey	169	13	182	135	11	146
	<b>939</b>	<b>152</b>	<b>1,091</b>	<b>587</b>	<b>97</b>	<b>684</b>



# Attraction and retention of talent

Gonvarri Steel Services is aware that the development and future of the company depend on the commitment and work of its team. For this reason, having a strategy that allows us to rely on trained, qualified and motivated

experts, in a pleasant work environment, is a key aspect to grow as a competitive, reliable and sustainable company.

- 
**1 Hiring** The search for the best fit for the position.
- 
**2 Training and skills development** Training mechanisms adapted to the personnel.
- 
**3 Job stability** Job security to show trust in the team and in long-term relations.
- 
**4 Performance review** Objective assessment of their development and promotion.
- 
**5 Internal Promotion** Career development and talent recognition. Mobility opportunities between countries.

In 2017, the workforce consists of 83.7% permanent contracts and 16.3% temporary contracts.

The case of Gonvama China stands out, where there are no permanent contracts until two temporary periods have been completed in the same company, and, as the plants have started operating last year, the percentage of permanent contracts is very low.

The gender, contract and country distribution is set out below (102-8):

Country	CONTRACT				EMPLOYMENT			
	Permanent		Temporary		Full-time		Part-time	
	m	w	m	w	m	w	m	w
Germany	96	22	74	5	169	20	1	7
Argentina	46	6	2	1	48	6	0	1
Brazil	239	50	7	1	177	42	69	9
China	8	1	198	38	206	39	0	0
Colombia	211	35	7	2	218	37	0	0
Spain	1,205	135	123	7	1,297	138	31	4
USA	70	11	0	0	70	10	0	1
Mexico	147	17	0	0	147	17	0	0
Poland	40	8	33	17	73	25	0	0
Portugal	50	16	14	3	64	19	0	0
U.K.	135	21	38	0	171	12	2	9
Czech Republic	35	23	0	0	35	23	0	0
Russia	46	11	0	1	46	12	0	0
Turkey	240	18	0	0	240	18	0	0
	<b>2,568</b>	<b>374</b>	<b>496</b>	<b>75</b>	<b>2,961</b>	<b>418</b>	<b>103</b>	<b>31</b>



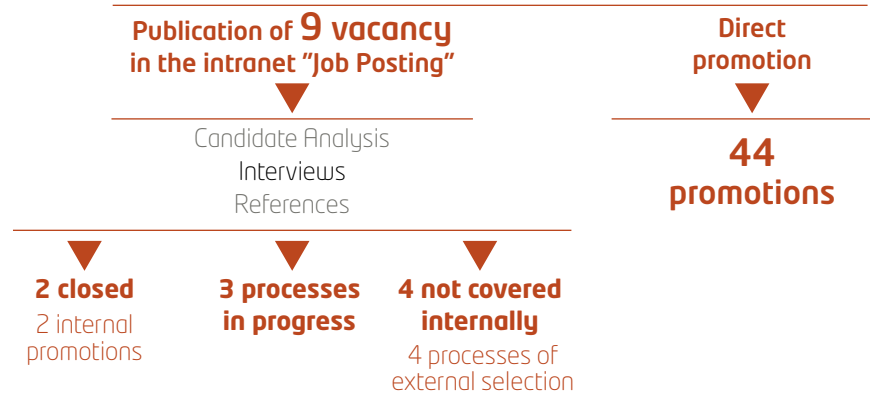
# Internal promotion

The internal promotion is a fundamental measure to achieve the satisfaction of our employees through career development and talent recognition, as the human team is the most important asset of the company.

When a specific position needs to be filled, then, the vacancy is published internally via a Job Posting on the in-

tranet noticeboard. In addition to the vacancies covered by this process, there have been 44 internal promotions throughout the group, with which it contributes to improving the satisfaction and motivation of our professionals.

## INTERNAL PROMOTION SCHEME 2017

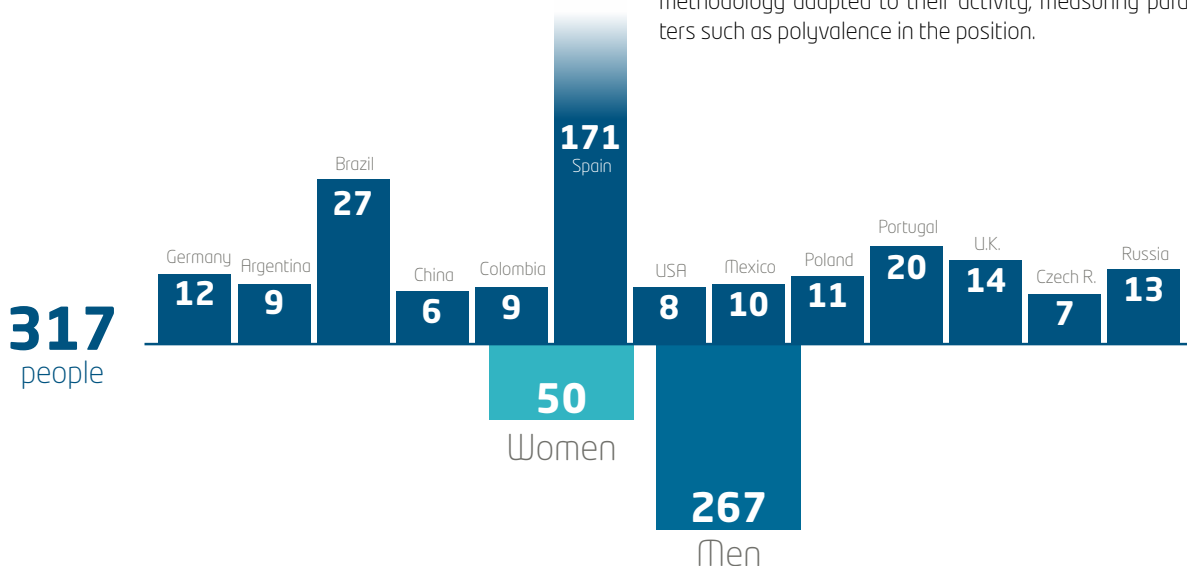


# Performance assessment

At Gonvarri we have an objective-based evaluation centralized system at the institutional level through the "ETWeb" platform, so that the experts can keep up with their performance and know what is expected from them. This system is applied in all our installations, except in Turkey and Baja California where its implementation is planned for 2018. (404-3).

Based on the results goals and improvement measures are established, which impact on the quality of work and the employee's satisfaction.

Additionally, some plans have implemented their own performance evaluation systems; with which more than 2,000 employees have been evaluated, covering in many cases assess 100% of the staff, factory workers included, with a methodology adapted to their activity, measuring parameters such as polyvalence in the position.





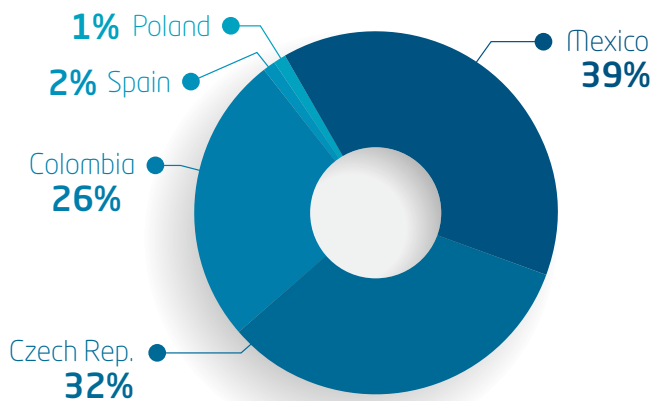
# Awareness and training

Our priority is to have training mechanisms and plans to know and train all personnel, adapted to the different levels of the company. The following table details the distribution by country, gender and category (404-1):

Country	Men			Women		
	Managers	Middle Managers	Plant&Office personnel	Managers	Middle Managers	Plant&Office personnel
Germany	240	320	5,977	120	160	1,327
Argentina	12	960	1,600	46	70	0
Brazil	93	1,276	6,509	79	180	1,112
China	672	1,861	5,275	30	427	793
Colombia	252	1,704	17,578	220	791	2,680
Spain	12,262	0	0	0	0	0
USA	1,474	7,926	26,585	97	1,506	3,227
Mexico	46	659	8,718	0	191	521
Poland	447	6,105	9,133	0	1,230	4,648
Portugal	0	965	819	29	223	125
U.K.	67	377	7,036	0	0	386
Czech Republic	0	129	433	0	106	213
Russia	400	407	625	0	32	289
Turkey	80	340	5,105	0	67	120
	<b>16,045</b>	<b>23,029</b>	<b>95,393</b>	<b>621</b>	<b>4,982</b>	<b>15,441</b>

Regarding the Code of Ethics (which includes Human Rights and anti-corruption), in 2017 a total of 528.5 training hours were completed, 520 on-site and 8.5 online, the latter all in Spain (205-2 y 412-2).

Their distribution is shown next:



Within the training programs completed in 2017, we highlight the following (404-2):

- **Plant Supervisor Academy:** Oriented to reinforce and specialize in the supervisor's functions to reach optimal operative performance, centered in change management, to transform a manager into a team leader.

The first edition was done in Spain with a total of 20 participants and with an average final grade of 4.5 out of 5. The academy, depending on its results, will be extended to other countries.

- **Leadership of Tomorrow Program:** in November 2017, the first module of the "Gonvarri Program: Leaders of tomorrow" was held, organized by Gonvarri and the Financial Times / IE Business School Corporate Learning Alliance. The aim of the program is to improve the performance and leadership of the members of the Executive Committee so they can inspire others to achieve the transformation that Gonvarri needs to reach its vision. In this first module, which was held in the IE Business School, 49 participants attended. During this course, various tests, case-studies, coaching sessions, etc., were carried out, and a personal and individualized plan for each member was made. The second module will be conducted in 2018.
- **Gonvarri Leadership Program (GLP):** The biennial Gonvarri Leadership Program (GLP), started its second edition in 2017, with 40 experts of 11 different nationalities attending. Done internally by key experts of the company and the Business School, 4 of the planned 8 sessions were held in 2017.



## 4.4 TARGET

By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

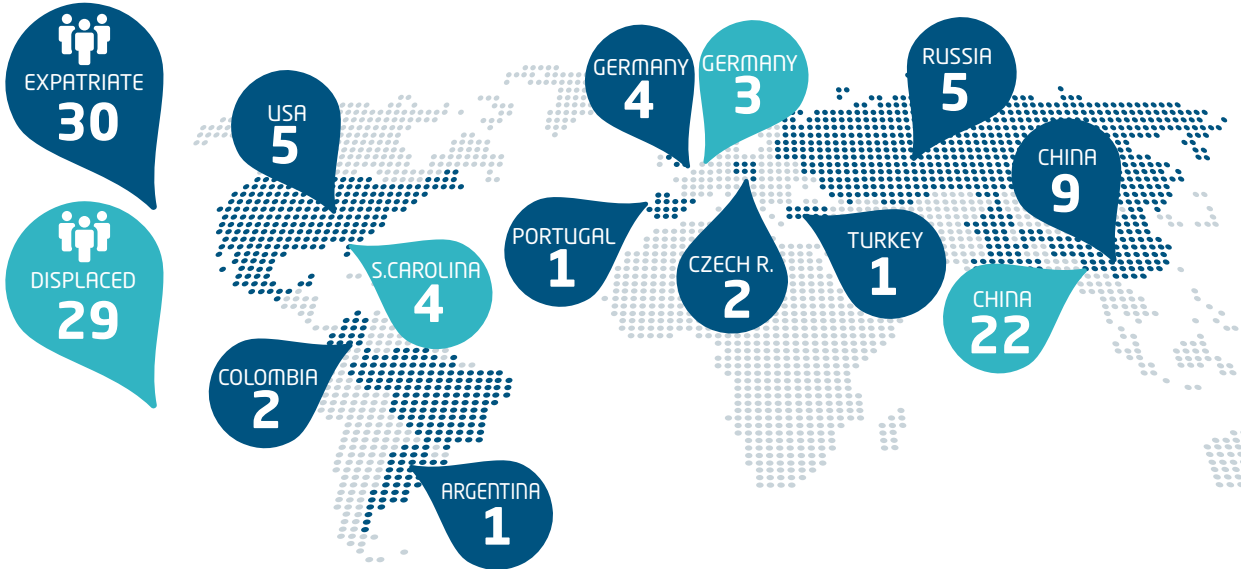
Gonvarri continues to grow and increase its presence in different countries. For this reason, to have trained and qualified young people available, to whom we offer opportunities and stable and paid work, is fundamental to advance in a sustainable way.



# Mobility

We are a company that is in constant growth, which means we have the need to fill vacancies in other countries, and we therefore frequently offer expat positions to fill these vacancies. At the same time, we also offer relocation opportunities with a determined duration for

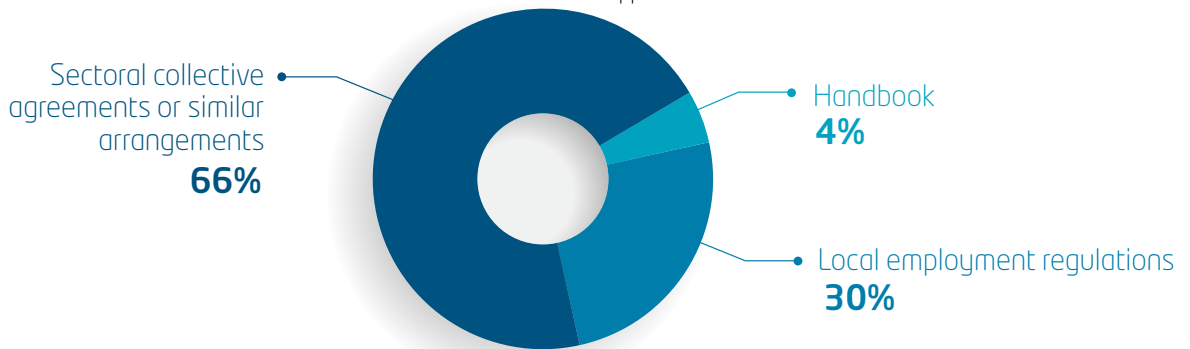
so-called "start-up teams", in charge of transferring experience and corporate culture to the company's new plants in the different countries, and responsible for training the new experts.



# Work Relations

Gonvarri support the rights to association, union representation and collective bargaining of all its employees, in accordance with the regulations in each country (102-41).

In those countries where there is no applicable agreement, either a "Handbook" where the working conditions of the employees are compiled is available, or the legal obligations and requirements of the country are applied.



No centers nor significant providers were detected in the operating facilities in which the freedom to association, and the right to reach collective agreements could be violated or threatened.



# Diversity

In Gonvarri we believe that the heterogeneity of the people and their distinct contribution give us an unquestionable competitive advantage. The perspective and way of thinking of experts from different origins help us to achieve positive change in the organization, in the working methods and to increase our innovation capacity and the capacity to respond to this demanding market.

The Diversity management is a commitment to the people the organization is made up of. "The Diversity Program" incorporates and coordinates this variable within the organization through policies, processes and dissemination and awareness actions.



In 2017, the "Women of Steel" project was started, with the objective to sensitize and raise awareness for Equality between women and men, and the necessity to break with old sexist paradigms. Next year we will summarize the goals achieved.

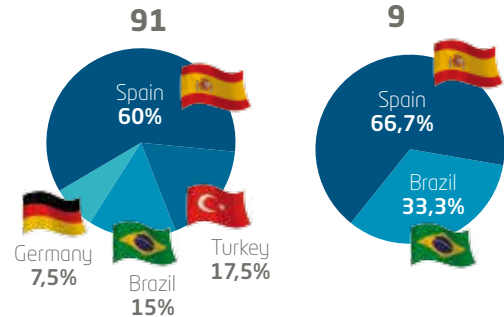
In addition it is planned to perform awareness seminars and talks on gender equality.

## Diversity in numbers

405-1

	MEN	WOMEN
<b>Gender</b>	<b>87%</b>	<b>13%</b>
<b>Employees of local origin</b>	<b>98%</b>	<b>96%</b>
	<b>100%:</b> Argentina, Brazil, Mexico, Portugal and U.K. <b>99%:</b> China, Colombia and Turkey. <b>97%:</b> Alemania and Poland. <b>96%:</b> Spain. <b>94%:</b> Czech Republic. <b>93%:</b> USA and Russia.	<b>100%:</b> Germany, Argentina, Colombia, Mexico, Poland, Portugal, U.K., Czech Republic, Russia y Turkey. <b>98%:</b> Brazil. <b>95%:</b> China. <b>92%:</b> Spain. <b>82%:</b> USA

## Employees with different capacities



# Work climate survey

Gonvarri Steel Services is interested in the opinion of its employees, their level of satisfaction and motivation. For this reason, in 2017 the corresponding biannual "Work climate" survey was conducted.

This year the participation has been higher than in 2015, reaching 64.5% against 62.58% in the previous survey. 34 centers (plants and offices) participated and the higher participation of the collective "plants" stood out, against the collective "office" which has fallen.

The survey revolved around 9 segments: commitment, culture, innovation and change management, communication, training and development, organization of work, leadership style, remuneration and health and safety.

Regarding the assessment of the results, all segments showed a more negative appraisal and perception by the employees, except in the "Commitment" segment, which had a higher appraisal than in 2015.

## Work climate survey



## "Growing Together"

For those aspects that need to improve, new improvement initiatives were integrated in the "Growing Together" project.





# Health of our team

The overall well-being of our employees is fundamental to having healthy, happy and committed teams. We are aware that the "Healthy Companies" are more competitive, people are more satisfied and, moreover, generate a positive impact helping to reduce healthcare costs.

For this reason, in most plants employees are encouraged to improve their physical condition, and also to participate in various sportive events, generally with a beneficial component, to raise funds for any social project.



MADRID

**Rock 'N' Roll Marathon and the Companies race**, in which personnel from all plants in Spain collaborated.



GONVAUTO BARCELONA

Cyclism: 2<sup>nd</sup> Edition of the **24h MADFORM BiCircuit** in Montmelo, Catalonia.



STEEL&ALLOY

**Birmingham Half Marathon and Walked the Great Wall of China**



GONVARRI VALENCIA

Valencia has an athletics squad "**Ferro Runners**" with which it has participated in: Solidary Steel Race, Gran Fons Ciutat de Sagunt, 10K Valencia, the Half Marathon and Full Marathon of Valencia, the Race for Breast Cancer, Solidary race "con otra mirada", and the Valencia companies race.

## GONVARRI TARRAGONA

Possibility to attend the sport and leisure facilities of "**Estival Park**" with the family.

## Poland Business Run



GONVARRI POLONIA



HIASA



HIASA

**Torneo de paddle and futbol** on Friday afternoons



GONVAUTO NAVARRA

**Solidary cycling race** organized by **VW**

## GONVARRI KALUGA

Subsidy of 50% of the cost of the **gym** for employees

# be healthy! Program

In the Madrid offices, the program "Be healthy!" was started in 2017. In a bid for an integral and strategic management of the wellbeing of the employees through the development of three pillars:



## Sport

Promoting physical activity and avoiding sedentary behavior through different initiatives such as:

Raising awareness for the benefits of physical activity through lecturing cards, workshops like the "Paleo training workshop" to improve the corporal posture and general physical fitness of each participant, speeches by experts focused on values and sport and theoretical-practical sessions about the benefits of Pilates to health. Additionally, employees' participation in races and sport events is encouraged.



## Nutrition

Encouraging correct eating habits through a healthy diet.

In April the "Be Healthy!" week was held, with different activities oriented to the dissemination of good eating habits. Similarly, awareness talks and healthy fruit tasting were done throughout the entire year.



## Social Welfare

Assertive communication or the promotion of positive habits have been developed to avoid psychosocial risks through auto management of emotions.

Among others, activities about psycho-emotional care and courses focused on keeping a positive outlook on life were held.





# Social Benefits and settlement

Gonvarri Steel Services is a diverse company, where social benefits are not homogeneous but adapted to the characteristics of the different plants and countries. In any case, to the workers there are no significant differences between benefits offered to part-time workers and those offered to full-time workers.

The social benefits in the different facilities and countries are outlined next (401-2):



## Germany

Provides canteen contributions and yearly vaccination against the flu. Additionally, economic "Health bonuses" are given to employees that do not get sick in a trimester, as well as "Babythings", such as vouchers for each birth, plus subsidies for private pensions and extra weekend shift vouchers.



## Spain

Provides life and disability insurance. The medical insurance, canteen contributions, nursery and transportation contributions can be issued through private coverage through the Flexible Retribution Plan (FRP), with which the tax benefits established by the Law can be accessed. Gifts are also given for different reasons, such as births, Christmas baskets and a Christmas lunch in which a raffle with various prizes is included.

Burgos has a company bus, Tarragona provides its workers with the possibility to enjoy the installation of the "Estival Park"; Barcelona encourages sports and offers a subscription to a platform that gives discounts to all employees and offers yearly fuel tickets.



## Argentina

Provides medical insurance, canteen and transportation contributions. Additionally, it gives presents for births, "Women's day", Spring day and, at the Christmas dinner, it includes a Christmas basket and the participation in raffles.



## Brazil

Provides life and disability insurance, medical insurance including dental insurance, canteen and transportation contributions.



## USA

Provides medical insurance and life insurance that includes partial or permanent disability coverage. Furthermore, in Arizona, gifts are given for different reasons such as: births, Christmas dinner in which a raffle with prizes and Christmas boxes is included, longer maternity/paternity leaves and other celebrations such as Easter and children's day, with cinema tickets and snacks for the children of the employees.



## China

Provides life insurance and canteen contributions. The plant of GVS has housing for the workers that wish so available or contributes to the accommodation and its expenses (water, electricity, etc.) for those who live outside the facilities. Additionally, it includes benefits for the relatives that visit the employees during the weekends (free transport, etc.).



## Mexico

Provides life and disability insurance, medical insurance, canteen and transportation contributions and longer maternity/paternity leaves. In Puebla, social benefits are collected in the "employee Pension Plan", in which various initiatives are incorporated, such as: food vouchers, major medical expenses insurance, saving funds, in-kind paternity/maternity assistance, scholarships, minor medical expenses insurance, accident insurance, marriage or death grants.



## Colombia

Provides a canteen in which the company finances part of the food. Additionally, the "Working Welfare Plan" has been established, in which numerous initiatives are collected based on the needs and motivations of the employees. This plan is carried out in conjunction with the Family Welfare Fund and with providers and external bodies that contribute to the development of cultural, psychological, medical and environmental spheres of our employees. Similarly, so with the participation of the Pension Funds through the activity "Day of Agreements". In this space the pension funds advise our employees about all that is related to the obligatory and voluntary pensions and closing pension gaps.



## Poland

Provides life insurance and medical insurance (for permanent employees)



### Portugal

Provides medical insurance (families included), canteen and transportation contributions. Additionally, gifts are given for different reasons, such as: births, Christmas dinner in which a raffle with prizes is included, Christmas baskets, a gift for children under 12 and a present in Easter.



### United Kingdom

Provides life and disability insurance, medical insurance (applicable to white collar) and canteen contributions. Additionally, it participates and finances in the Cycleplus/cycle2work scheme.



### Czech Republic

Provides canteen contributions and an award system for "Ideas for Improvement".



### Russia

Provides life and disability insurance, medical insurance, canteen and transportation contributions. Additionally, it finances 50% of the cost of the gym for employees.



### Turkey

Provides canteen and transportation contributions. From 2018 on, they will provide medical insurance for all its employees.

Christmas lunch at the headquarters, in Madrid.



## Pension Funds and/or retirement plans

201-3

These are only available in some countries, either because of obligations derived from local regulations or for being long-standing commitments. These types of pension funds are provided in the United Kingdom and South Carolina; similarly, retirement plans are provided in Arizona and, on a voluntary base, in the United Kingdom. Gonvauto Barcelona has a partial retirement plan included in the 2017 – 2022 Company Pact.

Either way, these are very sporadic situations and of little relevance to the company.

## Settlement

401-2 and 401-3

The maternity and paternity leaves in 2017 corresponded to 66 men and 26 women, of whom 95% of the men and 65% of the women have already been reincorporated.

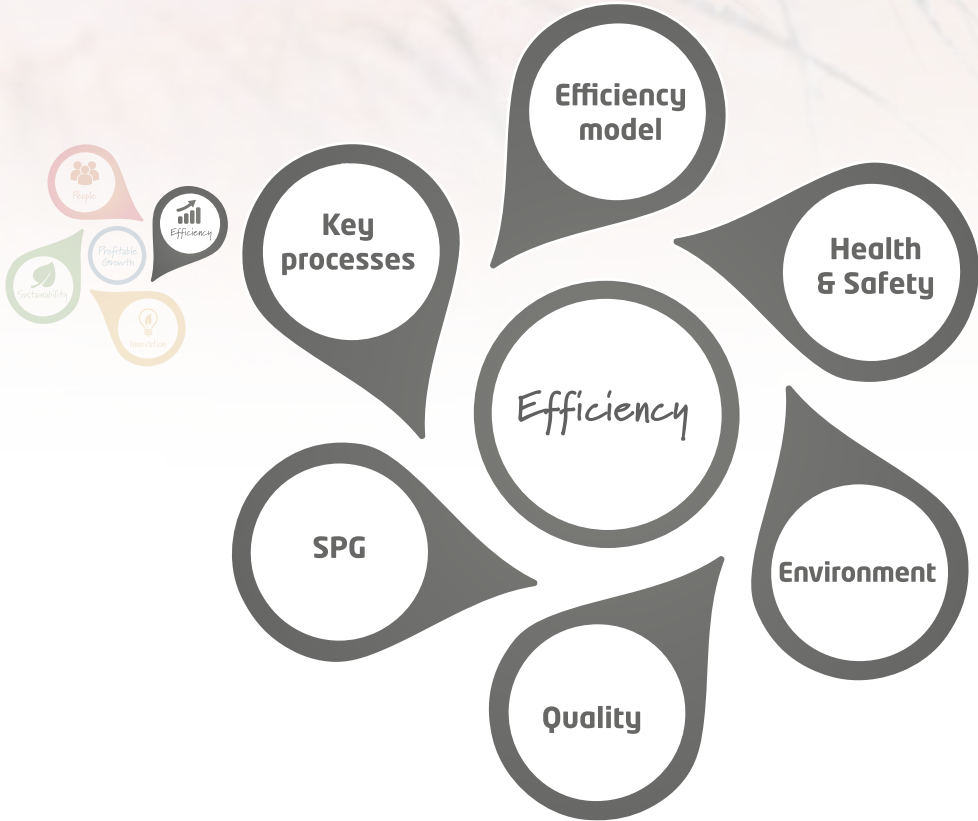
In the offices there is a flexible entry time, adjusting the exit time and lunch times accordingly. In plants, where the work is conditioned to the needs of the customers and is done in determined shifts, flexibility and the necessary adjustments are arranged individually.



# Efficiency

*Reaching our objectives  
with less effort and costs*

Efficiency may be described as the ability to achieve a desired effect with the minimum possible resources. In an increasingly complex and competitive world, we can only ensure the profitable growth of our organization by doing things better.





# New efficiency model SGI

Within the frame of the current Strategy Plan 2016-2018, Gonvarri Steel Services has committed to the re-organization of its system of continuous improvement and the core knowledge management of the company.

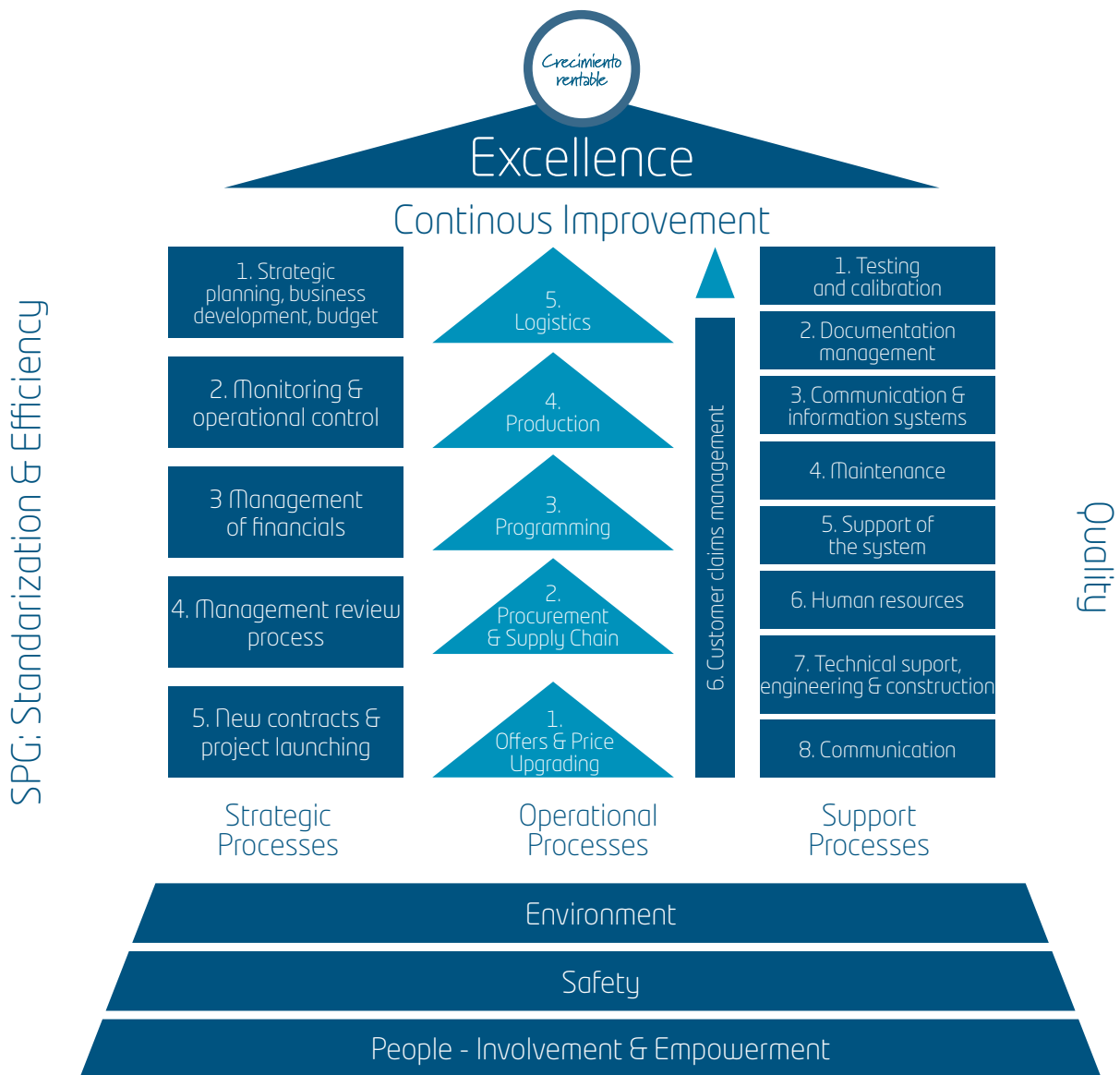
The trigger was identifying a critical risk related to the difficulty in knowledge retention or the alterations needed when transferred to other cultures or ways of working.

The Integrated Management System (SGI) was created to mitigate the risk and is the result of merging the Health and Safety, Environment, Quality, SPG (Gonva-

ri's Production System) and BTM (Business Technology Management) areas. It has two objectives:

1. To establish robust working techniques that will prevent the culture and the "know-how" becoming dispersed or lost, and to make them available to the whole of the company.
2. To ensure its continuous improvement in the future by providing our employees with a safe setting, which is both environmentally friendly and professionally enriching.

The model is described throughout the chapter.





# Key Processes BTM

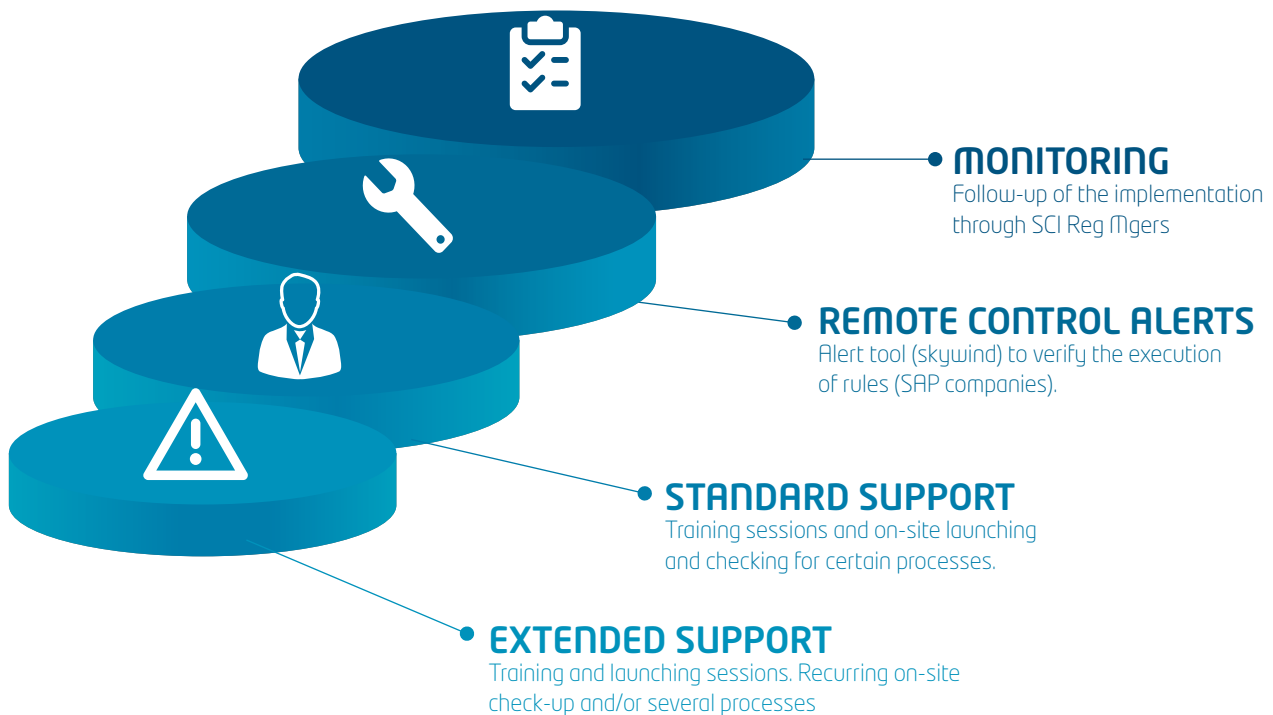
In 2017, the BTM team has built most of the 16 Key processes of our business, those in which, in addition to gathering our differentiating knowledge, compliance could result in economic, operational or reputational damage to the company. (1.02-15)

For this, 16 working groups have been created, with approximately 150 Gonvarri professionals who best understand the business, the representatives from all the countries, the companies and the roles of the organiza-

tion. BTM is also leading the alignment of IT with this new plan.

In 2017, 3 key processes have been launched (Steel-related Purchases, Quotation Management and Trade Risk) and, practically, the construction of another 5 processes has been finalized. Next year, the display and the shifting of BTM's team to all the companies will be supported in accordance with the already approved planning.

- |                                     |  |
|-------------------------------------|--|
| <b>1</b> Steel Purchasing           | <b>9</b> Map of Audits                 |
| <b>2</b> Management of offers       | <b>10</b> Integration of Brownfields   |
| <b>3</b> Scrap Management           | <b>11</b> Establishment of Greenfields |
| <b>4</b> Inventories Management     | <b>12</b> Development of People        |
| <b>5</b> Customer Satisfaction      | <b>13</b> People Management            |
| <b>6</b> Approval flows             | <b>14</b> Roles & Responsibilities     |
| <b>7</b> Cash Management            | <b>15</b> Business Risk Management     |
| <b>8</b> Commercial Risk Management | <b>16</b> Operational Notifications    |





# Health and Safety DMA

Gonvarri's Health and Safety Model is based on the integration of safety within the entire organization and in all its decision-making, as well as in all processes that are undertaken. In addition, it complies with the international rules OHSAS 18001, having almost all of our centers certified under this standard by an accredited body.

The roles and responsibilities regarding health and safety are integrated into the entire organizational structure of the company; the plant managers being the most responsible for the health and safety of employees.

In each plant, there are workers with advanced training on the matter which are appointed to manage health and safety. In accordance with the size of the plant and its needs, they either have exclusivity to develop occupational health and safety, or they share this activity with others. The work of health surveillance and control is externalized, relying on different health services in accordance with local legislation in this regard.

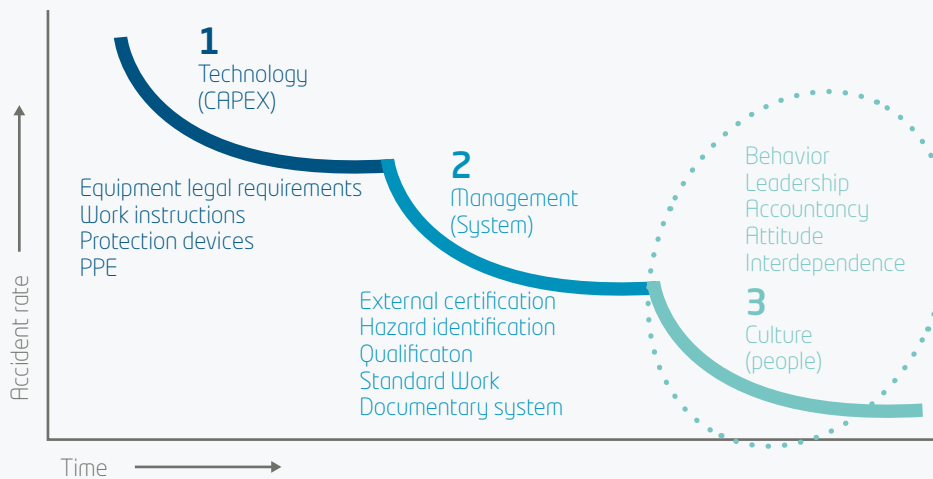
Gonvarri has opted to go further, implementing a series of corporate procedures with the purpose to have a preventive culture with a distinct identity, which is far more demanding than international standards and whereby safety is the main protagonist.

This new via of higher commitment to safety was launched in 2011 with the plan "A step forward" and in 2014 a specific Axis on Health and Safety within the global Strategy plan of GSS was opened.

Furthermore, the "Evaluation of Occupational Risks", in which the various risks to which workers are exposed are identified and quantified, is updated and revised whenever the changes in working conditions or the conclusions of the investigations of incidents and accidents require so. In 2017, 9 job positions and 117 employees exposed to these risks were identified in Gonvarri Colombia. Every year emergency drills are carried out in the plants, to be prepared for possible incidents that may occur, such as fires or spillages, aerial rescues and evacuations.

## New Health and Safety Plan "Doing Well by doing Safe"

After several years with a significant reduction in the rate of accidents, in 2017 Gonvarri has decided to accelerate employee awareness on Health and Safety.



The Safety Plan "Doing Well by doing Safe" defines new measures related to culture, but also helps to reinforce the concept: "Stop > Think > Act", conveying that a correct action is one that is done with the safety of each individual, in each activity carried out, in each decision that is adopted, or in each project or new job that is undertaken.



Doing Well by doing Safe



For its implementation and dissemination, numerous initiatives were developed, among which the following stand out:



### Safety Tips

A series of interactive videos about main risk awareness in our activities, available to all employees, both on the corporate intranet as well as in the display screens in all the factories.



CCTV or closed-circuit television focused on the use of recorded images solely for the investigation of accidents or incidents, and the training of personnel. The pilot installation has been carried out in Gonvauto Navarra.



### Advanced Training for Managers:

With the collaboration of Dupont Sustainable Solutions, on September 20th, the first specialized training on Leadership and Culture Development on safety matters was organized for all managers in Western Europe. The training will be extended to the other Gonvarri centers.



### Chasing risks

Workshops on lines and specific areas, whose objective is the participation and involvement of the employees in the identification of risks and the establishment of preventive measures. The pilot workshop, carried out in Gonvarri Tarragona, allowed to fine-tune the methodology.

### External diagnosis of preventive culture:

Mandatory for all plants, in 2017 it was carried out in all Iberia plants, except for Hiasa. As a result, a series of improvement measures were defined, customized and adapted to the needs of each center.



“One to one”: improves the commitment of floor managers and department heads, with a new focus: instead of carrying out, as up to now, regular inspections of the safety conditions in the different working areas, with a “negative” point of view, it’s objective now is to observe, redirect and educate the behavior of employees according to an always assertive, interactive and motivational approach, and not coercive.

# Health and Safety Day in Gonvarri

The 28 of April, all Gonvarri Steel Services factories celebrated the "World Occupational Health and Safety Day".

The main milestone of this celebration was the launch and joint presentation in all countries of the New Health and Safety Plan 'Doing Well by Doing Safe'.

The focus of the main activities carried out reinforces the importance of being aware of the existing risks in our activities. Among others, these stand out:

- The delivery of leaflets, placement of roll-ups and posters.
- The presentation of the first Safety Tips video.
- The instructions for downloading and viewing the App.
- Talks and activities related to the risk situations existing daily.
- The presentation of testimonies about accidents and how they have changed the way to look at safety in those affected.

¿Do you know the new **PPEs**' chart?  
For you and all your colleagues



# Main indicators

403-2

In 2017, there were a total of 95 accidents requiring leave and another 344 without leave. We have to regret the death of a worker in Germany. The following table summarizes this information:

Country	ACCIDENTS WITH LEAVE		ACCIDENTS WITH OUT LEAVE	
	m	W	m	W
Own Personnel	80	3	263	7
External Personnel	12	0	73	1
	<b>92</b>	<b>3</b>	<b>336</b>	<b>8</b>

Below are the accident rates in each of the countries where the company operates in:

Country	ACCIDENTS WITH LEAVE		External Personnel	
	m	W	m	W
Germany	61.3	43.7	0.0	0.0
Argentina	34.8	0.0	0.0	0.0
Brazil	1.6	0.0	0.0	0.0
China	24.0	0.0	0.0	0.0
Colombia	5.9	0.0	3.7	0.0
Spain	15.1	0.0	7.7	0.0
USA	0.0	0.0	8.2	0.0
Mexico	3.61	36.9	10.3	0.0
Poland	8.7	0.0	0.0	0.0
Portugal	50.7	0.0	0.0	0.0
U.K.	2.7	0.0	30.7	0.0
Czech Republic	33.0	0.0	0.0	0.0
Russia	0.0	0.0	0.0	0.0
Turkey	13.0	0.0	16.0	0.0
	<b>13.99</b>	<b>3.90</b>	<b>7.99</b>	<b>0.00</b>

Rate: No. of accidents with medical leave x 1,000,000 / No. of hours worked.

Country	ACCIDENTES SIN BAJA		Personal ajeno	
	H	m	H	m
Germany	157.2	65.5	68.2	0.0
Argentina	58.1	0.0	2,564.1	0.0
Brazil	16.5	0.0	85.6	0.0
China	28.0	0.0	0.0	0.0
Colombia	5.9	0.0	29.4	0.0
Spain	73.7	7.9	55.1	0.0
USA	69.4	0.0	167.7	0.0
Mexico	21.7	0.0	51.6	131.7
Poland	0.0	0.0	0.0	0.0
Portugal	50.7	31.8	34.1	0.0
U.K.	37.8	0.0	61.4	0.0
Czech Republic	16.5	0.0	0.0	0.0
Russia	21.6	0.0	284.6	0.0
Turkey	16.3	0.0	10.7	0.0
	<b>46.0</b>	<b>9.2</b>	<b>48.6</b>	<b>22.5</b>

Rate: No. of accidents without medical leave x 1,000,000 / No. of hours worked.

The notable increase in the activity of our plants has made it difficult to carry out safety training activities beyond those required by our standards. In addition, with respect to the previous year, the impact of the reinforcement of the commitment of our teams is still not seen.

Regarding occupational diseases (403-3), in 2017 there were 5 occupational diseases in men / own staff, so the average rate is 0.000001 (number of occupational diseases among hours worked).

## Days lost per accident

The accidents registered led to a loss of 8,117 working days, 99.8% corresponding to men, and 0.2% to women.

Below is detailed the average rate of days lost per occupational accident and employee.

DAYS LOST PER ACCIDENT	Own personnel	
	M	W
Germany	23.51	0.00
Argentina	0.23	0.00
Brazil	0.01	0.00
China	0.09	0.00
Colombia	0.23	0.00
Spain	0.72	0.00
USA	0.00	0.00
Mexico	0.25	0.66
Poland	0.05	0.00
Portugal	0.38	0.00
U.K.	0.02	0.00
Czech Republic	1.62	0.00
Russia	0.00	0.00
Turkey	0.20	0.00
	<b>1.44</b>	<b>0.02</b>

Rate: (No. of days lost due to occupational accidents x 1,000) / No. of hours worked.

## Days lost through unplanned absence

In 2016 a total of 34,738 days were lost through unplanned absence, 87.9% corresponding to men and 12.1% to women.

The average rate of days lost per employee per country is set out in the following table:

DAYS LOST PER ACCIDENT + OTHER CAUSES	Own personnel	
	M	W
Germany	24	0.0
Argentina	1.99	6.3
Brazil	5.4	2.54
China	0.6	0.1
Colombia	2.0	0.4
Spain	8.64	11.6
USA	2.5	0.0
Mexico	0.4	1.2
Poland	71.	12.2
Portugal	6.55	0.1
U.K.	0.0	0.0
Czech Republic	3.2	0.0
Russia	0.0	0.0
Turkey	0.2	0.0
	<b>5.4</b>	<b>5.2</b>

Rate: (No. of days lost due to other causes + days lost due to occupational accidents x 1,000) / No. of hours worked.

Unplanned absence includes hours lost through illness or common contingency, medical appointments, special and official leave, late arrival or early departure, official attendance at trade union meetings and strikes.

## Monitoring and evaluation of Subcontractors: CTAIMA

At Gonvarri, the measures and obligations established for our employees are also applicable to any external companies that access our work centers.

To ensure that before starting any work, the training, experience and qualifications of any worker of the external company are adequate and also to check the level of compliance with the legislation by these companies, a CTAIMA tool is available, currently applicable to Iberia.

Its objective is the coordination and documentary exchange with external companies, to guarantee compliance with the information requirements and control of: contractors, subcontractors, ETTs, transporters, etc. To allow access to the plant based on the compliance of these companies and that of their workers, with the provisions of our corporate policies and local legislation.

# Training and communication

## Training

404-1

Training and awareness is a fundamental part of our safety culture. The organization has identified the training needs that apply to each job so that each worker who performs it can complete a comprehensive training course that guarantees global knowledge of the position. This training must be updated every three years.

In 2017, 33,231 hours of health and safety training were taught, which is around 9 hours per employee. Poland stands out with an average ratio of 62 hours per employee.



For several years at GSS we have been involved in safety awareness, not only for employees, but also for their families through various activities such as guided visits, drawing competitions for the little ones, days with different activities for the family, etc.



## Communication

Gonvarri Steel Services has established various channels of communication to facilitate a two-way flow, allowing for direct participation and information on the part of all in-house and external staff as regards health and safety issues.

At each plant, Management meet up each month with the Executive Committee, to monitor the System (Programmes, Plans, etc.) and to prioritise the most significant aspects, in a swift, transparent and integrated manner.

In accordance with the characteristics and culture of each country, periodic monitoring meetings are also staged with the workers' representatives. Likewise, daily meetings of 5 minutes of the working groups are held where , the first topic always addressed being "Security".

Meanwhile, quarterly Health and Safety Committee meetings are held. The constitution and number of risk prevention officers in Spain is established in the applicable legislation (Chapter V of Occupational Risk Prevention Act 31/1995), being a joint committee which consists of equal numbers divided among social part and workers designated by the company.

In all other countries, as this is not a legal requirement, their characteristics correspond to local needs. In any event, one of the aims is to address aspects connected with health and safety and to mitigate potential risks or occupational accidents for 100% of employees (403-4).

All the plants have prevention delegates, whose composition is summarized below (403-1):

Country	Representatives
Germany	11
Argentina	11
Brazil	5
China	33
Colombia	8
Spain	45
México	21
Poland	7
Portugal	8
U.K.	10
Czech Republic	5
Russia	8
Turkey	12

In the USA due to changes in staff, the Committees have not been operational.



# Environment

The commitment of Gonvarri Steel Services to the environment starts with the certification of the Environmental Management System under the ISO 14001 standard, currently certified in 69% of our factories. Pending certification are the Gonvauto South Carolina, Gonvarri Czech, Laser Automotive Barcelona, Valencia and Brandenburg factories, as well as the new factories in China and Baja California.

In addition, within our commitment to correctly measure and minimize the impact of our activities, initiatives are being developed with two areas of action: advanced environmental risk management and a life cycle focus. The information related to energy, efficiency and climate change is within the sustainability chapter.

## Advanced management of Environmental Risk

In order to adopt a proactive and preventive position regarding environmental impacts, in 2017 Gonvarri began to deploy a new environmental reporting methodology, based on the Sygris software, with the following components:

- Incident reports: All environmental incidents are reported, parameterized by cause, origin, nature, specific location by machine and relevant area. A subsequent objective analysis of the specific recurrence of machine and/or zone facilitates the adoption of preventive solutions that eliminate or mitigate the impact.
- Air and water emissions: all analytical values are monitored, which are then compared with spills and/or equivalent emissions from other plants in the group, which allows us to observe trends and mainstream the best practices available internally.
- List of consumables with waste as risk control: the ratios generated by these consumables allow us to determine if the incidents reported were all that actually happened.
- Centralized report of the legal requirement of the waste register: this register, in addition to providing us with information on the amount of waste generated, also allows us to know the total cost of its management



## Waste management: RAD-Hiasa Project

The R+D+I project "RAD", originated with the objective of regenerating and recovering the residual water from the pickling line to reduce the waste coming from it, for its reuse within the process.

The project is being developed in collaboration with an external consultant.

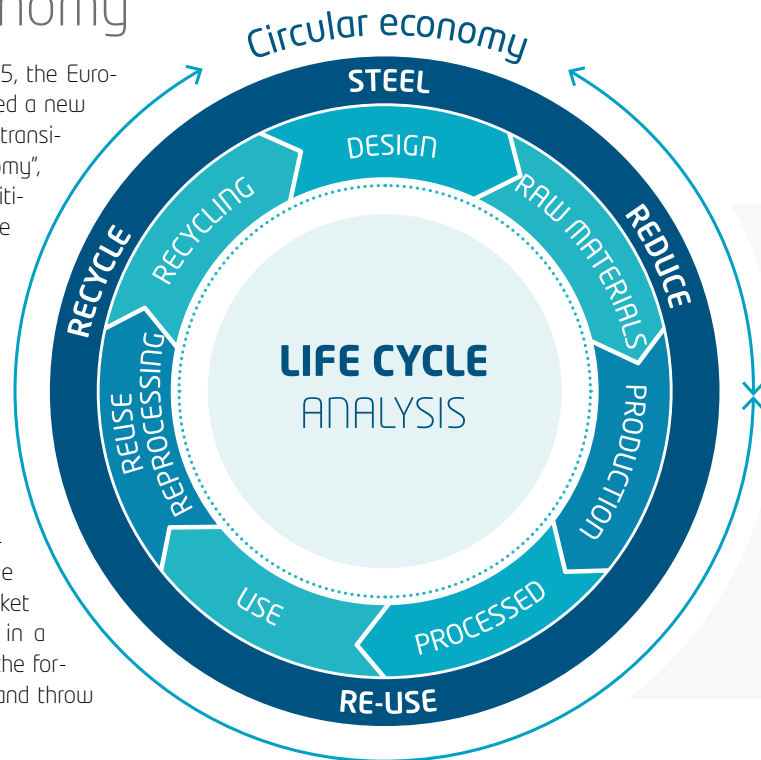
- To reduce or even eliminate the spill into the Alvares river.
- To reduce the consumption of water necessary for the pickling process and minimize the costs associated with the management of this spill, and, with it, the elimination of the spilling fee.

It began in August 2017 and will be finished in early 2018. The cost of the project is 58,600€ and the savings are estimated to be 100,000 € / year. As of next year, these results will be compared.

# Life Cycle Focus: Circular Economy

On the 2<sup>nd</sup> of December 2015, the European Commission (EC) adopted a new package to boost Europe's transition towards a "circular economy", that will boost global competitiveness, promote sustainable economic growth and create new jobs. The objective is to achieve a transition towards a more solid and circular economy, closing the circle where resources are being used more sustainably.

The proposals cover the whole life cycle, from production and consumption to waste management (reuse, recycle and recover) including the market of secondary raw materials, in a closed cycle, as opposed to the former model of "produce, use and throw away".



Among the established objectives, it is to prohibit the accumulation of recyclable waste in landfill sites. For this, it is necessary that the waste is "traceable", and that the necessary infrastructures are guaranteed to collect, classify, condition and recycle in optimum conditions.

In this framework, due to its characteristics, steel plays a fundamental role.

## Steel

Steel, thanks to its capability to recover its original properties without losing quality after melting, is the most recycled material in the world. Its recycling leads to savings of up to 85% of water, 80% of energy and 95% of coal, avoiding the emission of almost two tons of greenhouse gasses, per ton of steel. In fact, steels that are still part of the current production process were originally produced in the 19th century. (Source: UNESID).

For that reason, practically 100% of the products manufactured by Gonvarri Steel Services are fully recyclable, notably reducing the environmental impact at the end of their useful lives and contribute to closing the circle.

We are aware of the need to preserve resources; therefore, the processes have been optimized so that both machinery and cutting designs take maximum advantage of the steel sheets, being efficient in consumption, reducing the generation of waste, minimizing environmental impact whilst always maintaining high standards of product quality.

In terms of consumables, in 2017 the following initiatives were launched:

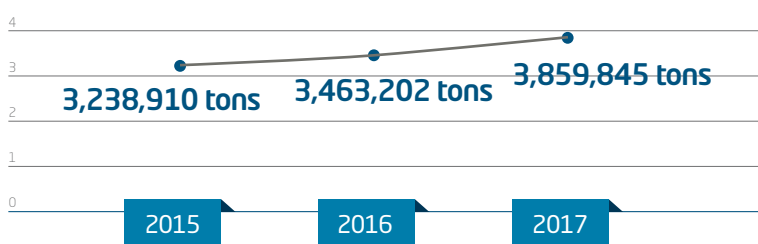
- Analysis of the waste flow: reuse, recycle and recover.
- All waste is linked to the consumables of origin with which we can work on increasing the life cycle of our consumables (for example, by reducing consumption), as well as benchmarking alternatives for reusing and recycling global wastes.
- The life cycle ratios provide a joint vision of the group's environmental performance, allowing the identification of possible global objectives, as well as investments to mainstream solutions or R+D+I projects.
- The environmental performance of production ratios provides us with ideas on how to make unit consumption more efficient.

## Our product and Circular Economy

The production processes of Gonvarri Steel Services are intensive in the use of steel (98% of the total consumption) since it is the main component of all our products, followed by aluminum and wood.

Regarding the consumption of hazardous products, this is only substantial in the facilities that perform coating and pickling processes, or improvement of the characteristics and quality of the steel (electrogalvanized, galvanized and thickness treatment). In these cases, all products are properly labeled, comply with the safety conditions for their handling and those responsible are adequately trained.

The attached chart shows the evolution of steel consumption in the last three years (301-1):



With regard to the use of recycled materials, the steel used in our processes is partially made up of recycled deal. This composition varies depending on the supplier, the estimate being that at least 20% is of recycled origin in the rolls derived from integrated steelmaking (accounting for some 80% of supplies), and is 100% in the case of rolls derived from electrical steelmaking.

If we estimate that 20% of the total weight of the rolls is of recycled origin, in 2017 we consumed a total of 771,969 tonnes of recycled steel in our products.

Through proper management of steel, we contribute to the circular economy. And consequently, in addition to being our main raw material, scrap is also our most relevant waste.

In Gonvarri we have strict control over this, both for its market value and as it is a clear indicator of the efficiency of our processes; the lower the production, the more efficient the process. In 2017 we have managed a total of 241,009 tons of scrap for recycling (306-2).

## Conflict Minerals

In 2010, following the approval of the Dodd-Frank Wall Street Reform and Consumer Protection Act, governments, companies and consumers are increasingly demanding information on the source of so-called "conflict minerals" in the manufacturing of the products they sell, and this has therefore become a significant aspect of the supply chain.

The definition of conflict minerals includes columbite-tantalite (coltan), casiterite, wolframite and gold, the use of which is restricted in those cases where the origin would foster and facilitate earnings for armed groups in the Democratic Republic of the Congo or neighbouring countries, serving to continue the perpetration of human rights atrocities.

In response to this demand, the company provides information as to the absence of such minerals from our products (rolls). It likewise calls on its main steel suppliers to certify their compliance with these requirements.

## Hydrochloric acid recovery

Our galvanizing and pickling processes require the use of significant amounts of hydrochloric acid. This acid is bought with a concentration of 32%, which is necessary to lower with water to 18%.

In 2017, a collaboration between Gonvarri Tarragona, Gonvarri Burgos and Hiasa with the company Dupont Ibérica was started, with the aim of reusing the residual hydrochloric acid generated by Dupont in its processes and being able to manage it as a by-product, to be used by Gonvarri as raw material in its processes of pickling and galvanizing.

After several meetings between both companies, an agreement was reached for its use.

In this first phase, due to its proximity to being located less than 3km from Dupont Ibérica, Hiasa will benefit the most. In the second phase, the transport to Gonvarri Burgos and Gonvarri Tarragona will be assessed, though its use is unlikely due to the distance between them. The project will start in 2018.

### BENEFITS OF THE PROJECT:

- **Economic benefit:** The current cost of acid is of 78€ per ton. The cost of recycled acid is 1€ per ton, plus the transport costs, which are estimated at 10 €/Tons.

If we consider an average consumption of 4,500 tons of acid / year, this project would mean an estimated saving of 300,000€/ year.

Furthermore, an additional saving of € 32,000 / year is estimated, including savings in water and new operating expenses, compared to the cost of the new treatment plant, estimated in around € 48,000.

- **Safety benefits:** Hydrochloric acid has a significant handling risk, especially when its concentration is high (toxicity, corrosion ...)
- **Benefits versus climate change:** Due to the proximity to the factory (3km away), compared to the 200km traveled by the current supplier, even considering the increase in the number of journeys, a larger amount of acid is required to reach a 32% concentration level.



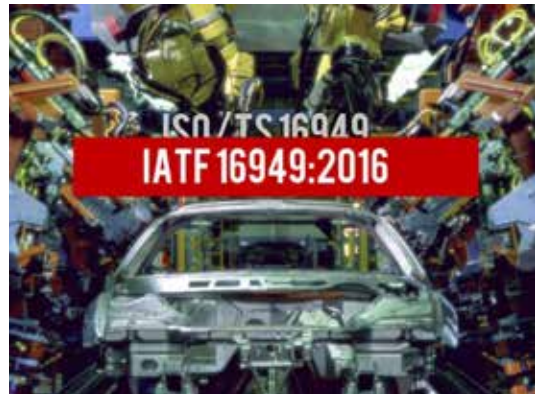
# Quality and clients

The success of Gonvarri Steel Services is based on our ability to identify and meet the needs of its our customers. The key is the certification of all our companies in the quality management systems ISO-TS 16949 (Automotive and Industry) or ISO 9001 (Metallic Structures).

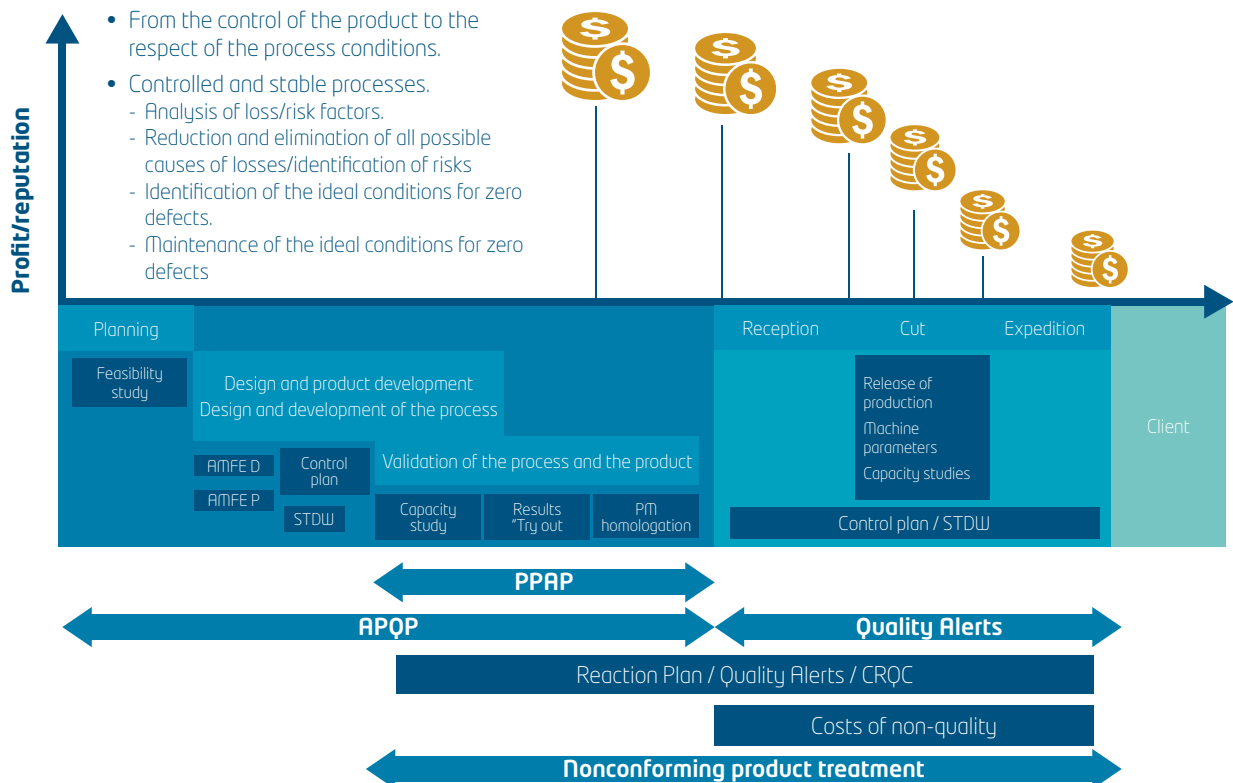
In 2017, the centers of Gonvarri have begun to be certified with the new Auto standard IATF 16949, which is much more demanding in the identification and mitigation of risks. To assist in this process, a template for self-diagnosis of the ISO/TS-IATF gap, and extensive training has been organized for the management teams of the plants that have requested it.

Regarding the labeling of products (steel and aluminum formats), our obligations are focused on being able to supply the necessary data for adequate traceability and a correct description of their characteristics (thickness, coating, etc.). In any case, due to their characteristics, our products do not present any chemical or environmental risk (417-1).

But Gonvarri goes further with its goal of improving the levels of service. To that end, in 2017 a series of initiatives aimed at creating a proactive culture of quality were launched:



- Start-up of the display TQM (Total Quality Management) in Automotive plants, promoting Advanced Planning of the Quality of the Product (APQP) in new projects, strengthening the quality control of the product and standardizing the best practices in response to incidents.
- Control Plan Project, with the creation of 5 standard plans for longitudinal, transversal, blanking, reception and issuance.
- AMFE standard project, starting from the work of a multidisciplinary group.





# Closeness with the client

Gonvarri is committed to personalization and constant improvement of the service, for which it has specialized commercial teams that are suited to the type of business and product, through which a more specific coverage is provided.



## Automotive

For Gonvarri Steel Services, the Automotive sector generates the main sales volume. Its main customers are the OEM's, stamping companies and Tier1 and Tier2 integrators.

The Corporate Area of Global Auto Sales has a highly qualified team of professionals throughout the world. It should be noted that in 2017 an important organizational change took place in this division, with the incorporation of Christoph Carnol as its General Director, the former General Manager of Central Europe, who possesses extensive experience in the Automotive sector.

Additionally, 2017 saw the successful progress of the Key Process 02, Quotation Processing, Auto. The gradual implementation of said process is planned during 2018 until completion in all plants of the Group. The standardization and definition of said Key Process is a crucial pillar for the efficiency and guarantee of sustainability within the organization.

The auto sector has clearly evolved towards vehicles with more efficient, technological equipment and a lower environmental impact, such as the electric vehicle. For this reason, we are collaborating with our customers in the development of new solutions, processes and products, focused, among others, on the use of the new materials such as high strength steel and Aluminium, which are lighter, safer and with less CO<sub>2</sub> emissions.

The current investments of Gonvarri, on a global level, point in this direction. The start of the construction of the new press processing plant dedicated to cutting Blanks for Hot Stamping in Popes Lane, UK, serves as an example.

In 2017 the processing of materials for Hot Stamping processes increased, incorporating projects, mainly in Europe and Nafta, from new OEMs and Tier1s to our portfolio.

Additionally, raising the stake in Service, Innovation and Efficiency, a new facility designated to the cutting of 2D blanks from coils has been put into operation in Gonvarri Valencia, with the advantages in flexibility that the cutting of small series of Steel and Aluminium implicate.

## Industry

We develop most of the Industry business in Spain and Portugal.

In 2018, this line of business continued to grow significantly, due in part to the initiatives developed last year, such as:

- The expansion of the action plan begun in 2016, which contributed to increasing our participation quota in the distribution sector, reaching historical sales quotas for Gonvarri Steel Services.
- Regarding SPOT sales (non-programmed) versus programmed sales, after a significant increase in 2016, it remains on the rise, which balances the overall mix of global sales.
- The sustained growth in foreign trade, with the creation of new sales offices in different geographic environments, in which we had little presence.

Among the initiatives carried out during the year, we must highlight the events for our celebration of the "50<sup>th</sup> anniversary of Gonvarri Burgos", which were attended by our main clients, who took the opportunity to visit the plant and the commemorative show room.

The different factories held various events such as "The customer's day" in Gonvarri Portugal, the visits and periodic meetings of Gonvarri Valencia with its main customers in order to see their needs and to adapt our services to those needs.

Within the forums and events of the year, we highlight the participation of Gonvarri Barcelona in the XIII Forum of storekeepers of Cataluña and Balearic Islands, being an active member of the debate table.



## METAL STRUCTURES

### Road Steel

The main customers of Road Steel are related to large construction companies, markers, conservation and public administrations. We mainly provide this service from the factories in Hiasa, Turkey and Colombia.

It highlights the innovation initiatives to minimize damage in the event of an accident, as summarized in the Innovation section.

Road Steel actively participated in the second Intertraffic fair of Mexico that brings together the main actors of road safety in Latin America, at the RoadBridge Forum in Dubai, at the Road Tech Expo, Kiev, 2017 and internationally in the Smart Transportation Alliance (STA).

Gonvarri Colombia is a member of the Business Committee of Road Safety of Colombia and as such, participated in the annual road safety tournament with very positive results as well as in several presentations with the Engineers' Association of Antioquia.

### Solar Steel

The main clients of Solar Steel are companies related to the development and construction (EPC) of solar farms. We provide this service mainly from the factories in Hiasa, Gonvarri Arizona, Gonvarri Baja California (Mexico), Gonvarri Turkey and Gonvarri Colombia.

Highlighting the development of innovative products with wireless communication technology and self-feeding supply. Furthermore, Solar Steel participated as an exhibitor in the following fairs: Intersolar Europe (Germany), MIREC Week (Mexico), Solarex (Turkey), Solar Power International Las Vegas (USA) and FISE (Colombia), in which the company was presented, in particular, the Solar Steel line. Monographic meetings were held with clients and potential clients.

In addition to those mentioned above, within the initiatives carried out by the different factories, Solar Steel participated in congresses and fairs such as: the World Future Energy Summit (Abu Dhabi), Intersolar North America (USA), CIREC Week (Chile), in RecamWeek (Panama), ExpoSolar (Colombia), the Energyyear Forum (Panama) and ANDREC week (Bogotá).

### Almaceno and Mecano

The Almaceno and Mecano business lines are located in Gonvarri Colombia, from where the Latin American and Caribbean market is served.

Almaceno is focused on the industrial and commercial sectors, companies of the logistics sector and large areas, with important storage and logistics management needs. Mecano is focused on the energy, oil, mining and industrial sectors, that means in all of the developments that require driving systems of energy and data.

Below we summarize some examples:

**Mecano** developed different initiatives such as: the updating of the commercial technical catalogue, flyers for customers, Youtube video channel. In addition, courses and workshops on theoretical and practical training for our installation personnel and we took part in the most important fair in the electricity industry in Latin American – FISE 2017.

**Almaceno**, among other activities, carried out the following: the updating of the sales catalogue, advertisements in "Zona Logística" magazine and personalized technical advice for important clients. In addition, Almaceno also participated in several fairs such as the Expologistica Fair, PROMAT Fair – Chicago and Logismaster Colombia with a presence in three cities: Medellín, Bogota and Cali.

# Customer satisfaction

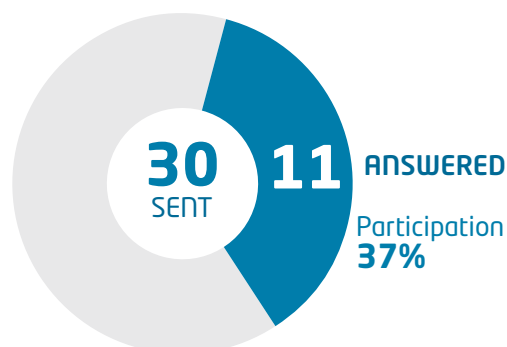
102-43 and 102-44

In Gonvarri, we believe that customer satisfaction surveys are an important tool to help assess their degree of satisfaction, identify points of improvement, increase customer loyalty and increase market share. For this reason, we periodically carry out personalized surveys, depending on the type of product and/or geographical area.

## Solar Steel

Annually, a simple survey is sent to its main national and international clients, to assess the different aspects (price, quality of the product and service, technical support, deadlines, response capacity and sales team) based on two parameters: importance and satisfaction. This year's result shows a notable improvement over the previous year.

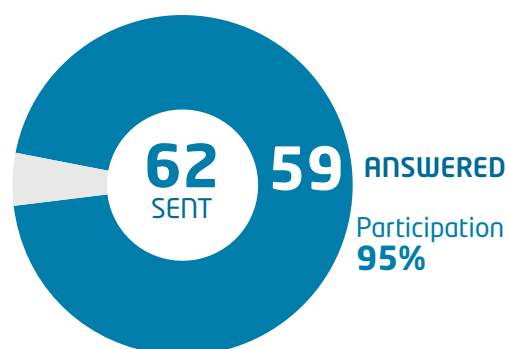
### TOTAL PARTICIPATION



## Hiasa and Gonvauto Asturias

Hiasa and Gonvauto Asturias jointly sent a questionnaire to their main clients of cutting and tube lines. In 2017, the survey was sent to 62 clients and answered by 59, which represents a 95.15% response, that represents 93% of the turnover in this fiscal year.

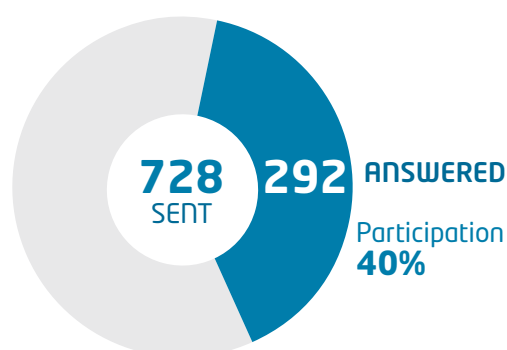
This year's result shows a slight improvement over the previous year, although in both cases it is very satisfactory. The Global Overall Satisfaction Index averages 87.39 %, fulfilling the proposed objective.



## GSS Iberia

GSS Iberia make an annual online survey for their main customers. The survey is carried out from the Gonvarri factories in Burgos, Valencia, Barcelona and Portugal. In general, the percentage of response has been lower than last year, highlighting that the customers from Portugal had the highest participation rate.

Even though the average rating is satisfactory, highlighting the quality, competitiveness, logistics, customer service, the delivery times and prices stand out as points of improvement.





# Gonvarri Production Systems

Based on the Toyota Production System (TPS), the Gonvarri Production System (SPG) is the Lean Manufacturing program of Gonvarri Steel Services.

In that sense, it is not only a set of tools or a structured method used to achieve our goals but a philosophy, a culture of continuous improvement that is based on the implication of all teams, as well as in a fluid communication among them. Within this framework, it is the operators themselves, organized in GAP (Autonomous groups), who make most of the operational decisions in a proactive and autonomous manner, but also in harmony with the rest of the organization.

Of all the SPG tools, the most important ones focus on improving the involvement by reinforcing the communication channels within the organization.

This is the case of the 6 types of Top meetings that make up, at all levels of the organization, a clear and homogenized information flow throughout Gonvarri.

Activities carried out in 2017:

**2,870** employees  
have participated in SPG actions

**261** GRPs  
(Problem Resolution  
Groups) launched

**417** GAPs  
(Autonomous Production groups)  
working under SPG standards

**22,429** man-hours  
of SPG training

**751** workshops  
(5S, STDW Standardized work, SMED,  
Value Stream Mapping, Total Productive  
Maintenance, Lean Office...)

	who?	when?	what?	
INFORMATION FLOW FROM BOTTOM TO TOP LEVELS	<b>6. Daily Meeting</b>	Site Steering Committee	Daily	Department coordination
	<b>5. Top Kaizen</b>	Supervisors and Operational Managers	Weekly	Review KPIs; targets & actions
	<b>4. Production</b>	Dpt Manager with his/her Supervisor	Daily	Review KPIs, incidents, ideas
	<b>3. Supervision</b>	Supervisor with his/her GAP leaders	Shift	Review KPIs, incidents, ideas
	<b>2. Shift Change</b>	Incoming & leaving GAP leaders	Shift	Check incidents
	<b>1. Top 5</b>	GAP (line)	Shift	Review GAP (line) KPIs Safety & Environment issues

Like any other Lean Manufacturing system, the SPG covers all Gonvarri processes, products, activities and people. Its methodology to achieve operational excellence is based on the complete elimination of all types of mourt (= inefficiency, waste): defects, overproduction, transportation, waiting time, stocks, useless movements of people, unnecessary processes and untapped creativity. The SPG consists of thirty tools (SMED, Standard Work, 5S, Value Stream Mapping, Communication Boards, GAP, Top meetings at all levels, etc.) organized into 4 modules: Staff Involvement, Efficiency of Media, Flow Efficiency and Lean Office (adaptation to the administrative environment).

The method of work is that every person at Gonvarri internalizes the most efficient way of completing their work, improving it day by day, whilst in a framework of absolute communication with their colleagues.

This implies that the trainers (a specialist technician in each plant, plus a corporate team) work directly with all of the staff: operators, administrators, technicians and managers.

Additionally, each GAP has specific communication areas, managed by the operators themselves, in which they periodically maintain and review the indicators and information that affect their performance.

In 2016, SPG has become, together with Health and Safety, Environment and Quality, one of the 4 subsystems of continuous improvement that make up the SGI (Integrated Management System).

After almost a decade of implementation, the SPG model has undergone a thorough revision 2017, in order to provide greater flexibility, bring it even closer to the business and take better advantage of synergies with the rest of the systems. SPG Evolution is the result, achieved with the contribution of dozens of specialists from all areas of the company, and is already in full process in each Gonvarri centre.

# Control Mechanisms: the SGI Integrated Audit

Convarri has defined numerous control mechanisms with the objective of identifying risks. The most relevant is the Integrated Audit of the SGI (Integrated Management System).

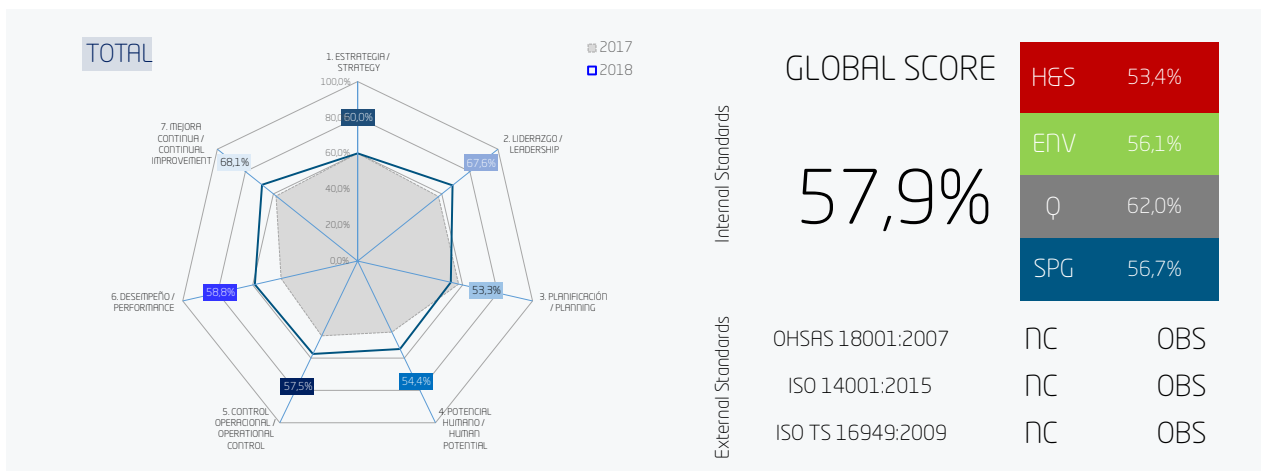
Created in 2017, the Integrated Audit of the SGI replaces all partial system audits, providing a global view of the situation of each audited center with respect to international standards (OHSAS 18001, ISO 14001, ISO-TS 16949, ISO 9001) as well as the internal standards (Health and Safety systematics, Environmental Behavior Index, TQM methodology and SPG model).

The audit as such is carried out in a single week, during which the audit team reviews 4000 items. The valuation, quantitative

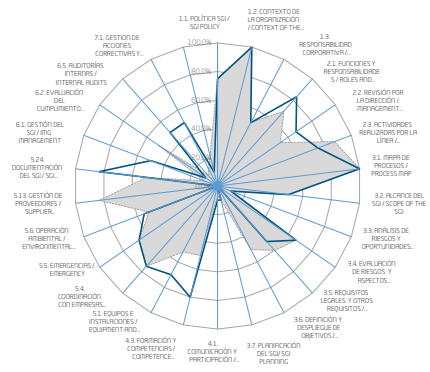
and segmented into 4 levels, from lowest to highest compliance, converts the referential into a true roadmap to achieve excellence in all areas related to Efficiency (Health and Safety, Environment, Quality and SPG).

In 2017, 26 centers were audited in accordance with this new methodology. Local SGI technicians are being certified to be part of the auditing community.

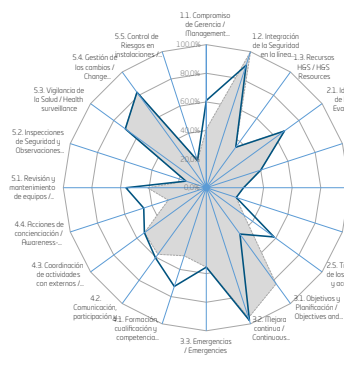
The PDCA or consequent Action Plans are incorporated into the Sygris software, which facilitates both its implementation and monitoring.



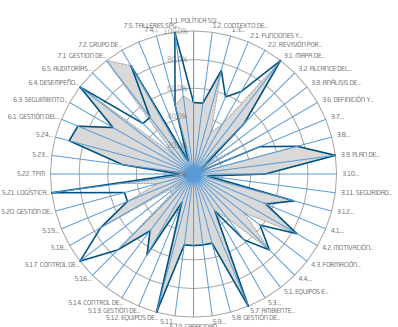
## Environment



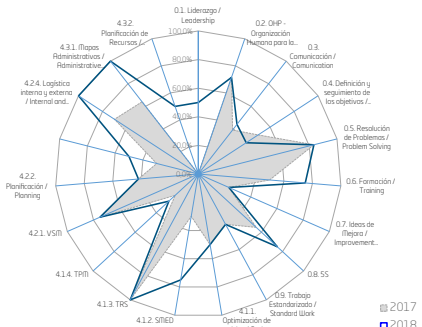
## Security and health



## Quality



## SPG





# Sustainability

*Work ethics and commitment  
to the society*

Represents responsible management model and commitment to ethics, transparency, justice as well as collaboration with our stakeholders regardless of the location where we operate.





# Social Action

102-12 and 413-1

One of the priorities of Gonvarri Steel Services is to help local development in the areas that we have a presence. For this reason, collaboration agreements with non-profit organizations have been established with whom corporate and local activities of varied nature are set in motion.



The Association for Spinal Cord Injury Studies (AESLEME) has as its goal to prevent accidents through training and social sensitization as well as to offer psychological and juridical support to those affected by traffic accidents. In 2017, dissemination about road safety was specially promoted in schools in the Madrid Community.



Gonvarri Steel Services has supported the Foundation since 2007, apart from being its Trustee. Its mission is to improve the lives of people with intellectual disabilities and to foment their social integration. This year the company has supported the Foundation with the rent of its spaces and utilities.



Since 2013, we have supported the Foundation Lo Que De Verdad Importa (What really matters) with disseminating universal, moral and ethical human values through the development of motivational conferences. This 2017, apart from the support for the conferences and spreading them among our employees, the new volume of LQDVI, which is defined by its special attention to the environment, has also been acquired and distributed among employees, customers and providers

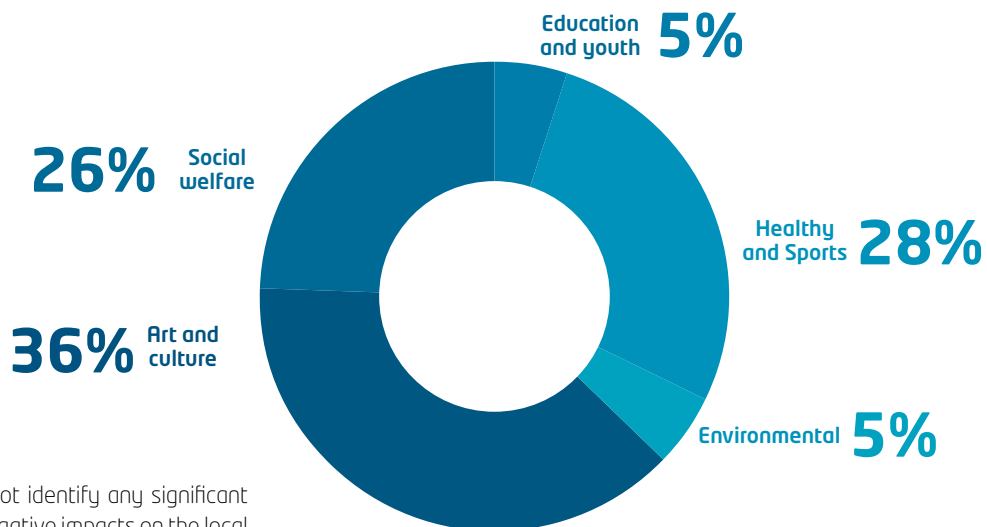


The mission of this Non-profit organization is to end the food insecurity and malnutrition in areas where humanitarian catastrophes have occurred.

Entity supported by the group which aims to help children and adolescents with cancer and their families. We have been contributing to this Foundation since 2016. In 2017, we collaborated with the promotion, dissemination and purchasing of the movie Lo Que De Verdad Importa.



We also carry out developmental programs and actions with the local communities in various countries. We would like to highlight the central offices and our plants in Spain, Brazil, the United Kingdom, Portugal, Puebla (Mexico) and Poland (54%). The main areas of action in the communities are detailed hereunder:



The Company did not identify any significant (real or potential) negative impacts on the local community as a result of our facilities (413-2).

## Health and sports

Within the initiatives related to health and sport that have a social component, we highlight the following:

**Gonvauto Barcelona** which is committed to healthy living and road safety, has participated in the second edition of the 24h MADFORM BiCircuit, at the circuit of Montmeló. 7 employees participated in this event and raised 3.000 euros for AESLEME.

**Gonvarri Barcelona** has sponsored the Barcelona Supporters Club Sant Just Trajana, in support of children, with a donation for their football equipment.

**Gonvauto Navarra** is one of the private sponsors of the football school of the Sport Education association of Valle de Egües, from which more than 350 youngsters have benefitted over the last few years.

**Gonvarri Poland** helped the fundraising for prothesis and rehabilitation equipment through the solidary race "Bussines Run Foundation", which was organized by an NGO for people with reduced mobility.

**Gonvarri Colombia** offers psychological help to families of employees to cope with any hard times that they are going through. Furthermore, it is developing an accompanying program for pre-pensioners and pensioners through a change-adaptation program and through preparation for this new situation.

**Gonvarri Valencia**, at the Worl Breast Cancer Day, Gonvarri Valencia conducted a campaign for the early detection of breast cancer for the workers of the plant, which includes free mammograms in a specialized center for all interested.

**Steel & Alloy** supported the fight against cancer, by donating the earnings of a badminton championship. Funds for the British Heart Foundation were also raised through participation in the half marathon of Birmingham and by walking the Great Wall of China in favor of the association "Make Some Noise".



## Culture

**Gonvarri Steel Services** supports the launch and promotion of the movie "Lo Que De Verdad Importa", the profits of which will go to summer camps for children with cancer, following the "Serious Fun Children's Network" model created by Paul Newman.

Employees were invited to see the movie with their family members. In **Gonvarri Burgos and HIASA**, the employees and their families were given a special pass during the weekend of its release, with 200 employees attending. More than 380 people in total were given tickets in **Madrid's central offices, Gonvarri Valencia, Gonvarri Barcelona, Gonvauto Barcelona, Gonvauto Navarra** and **Gonvauto Galicia**.

Moreover, **HIASA** has sought to help the foundation "Lo Que De Verdad Importa" the communication of universal values through economic support and with the dissemination of the association's actions among the plant's employees.

The plants of **Brazil (AMG Paraná and AMG Campinas)** help the cultural development in their environment, through a range of projects:

- **Concertos com Conversa (Concerts with chat)** aims to educate the public in classical music. For this reason, the Symphony Orchestra of Brazil visited different regions of the state of Paraná, offering free public rehearsals, talks with the musicians, etc.
- **Curtas de Animação**, create free travelling cartoon workshops, organized by the Center of Animated Film of Campinas for the students of public schools. The short films made are shown in free movie sessions accessible to all audiences.
- **Piolin Circus** is a free theatrical performance of 5 sessions for families in need, in homage to the Brazilian clown Abelardo Pinto. In addition, juggling sessions, acrobatics and comedy shows were attended by 400 people.
- **A Pequena Abelha e a Árvore Alta**, is a cultural project that offers the possibility to widen the cultural horizon of the city of Curitiba through small performances, based on the story of Jamilsa de Mello.
- **Together with Belgo Beckaert**, a 5-month cultural circuit has been developed in which free theatre plays for children and adults were organized, thanks to the help of the "Arcelor Foundation"

Finally, **HIASA** participated as a sponsor in a solidary project in its region in favor of two children from Asturias who needed help.



## Social well-being

**HIASA, Gonvarri Portugal** and **Gonvarri Tarragona** have collected solidary bottle caps to help children with health problems.

**Gonvarri Portugal** supports the "Associação Meninos de Ouro" with the collection of clothes, toys, books, educational material and office furniture.

The employees of **AMG Campinas** donated 1,300 kg of food which went to the most underprivileged communities in the society.

**Steel & Alloy** carried out different activities throughout the year, such as a raffle to raise funds for the "Compton Orphanage"

**Gonvauto Navarra**, had a stand of the foundation "Síndrome de Dravet" in its open day, to explain about the syndrome, to sell its hand-made products and also to show a video about actions for school integration. At the end of the day, the money raised with the raffle was donated in full to the foundation.

**AMG Campinas** helps the hospital "Pequeño Principe" to offer quality and humanized medical attention, not only through medical, psychosocial and educational activities but also through interdisciplinary, cultural and fun activities.

**Gonvauto Galicia**, collaborated with "Aldeas infantiles in a project where all employees with children were give a kit containing: a recyclable bag, a demountable wooden Christmas ball, paints, etc. so that each child could decorate their own bauble. With all of these, the "Gonvauto Galicia friendship tree was completed and placed in the factory. Afterwards 2,000 euros were donated to Aldeas Infantiles.

**Gonvarri Valencia** financed an excursion with the Disabled Association called "Camp de Morvedre", with a bus and a boat adapted for a trip from Albufera to Valencia. In addition, an economic contribution was made to help with the printing of calendars for subsequent sale.



## Education

**Gonvarri Colombia** supported the Institution "Pedro Estrada" in the development of a cultural, recreational and ecological week, bringing the educational community together and fostering co-existence, values and a culture of peace among the center's students.

Furthermore, via the National Learning Service (SENA) it helped the technical and technological education of youths with scarce social and economic resources through scholarships.



## Environment

**Gonvauto Puebla** donates uncontaminated wood to the African Safari Zoo, in support for the protected Parque Nacional Izta Popo in Mexico. The wood is used for the construction and reparation of the recreation area of the animals, as well as for building toys and food storage.

**AMG Campinas** has created the group Protectors of the Environment with the purpose of raising awareness and making its employees, relatives and friends participate.

# Emotional Driving



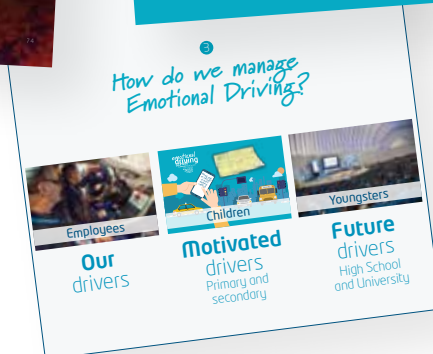
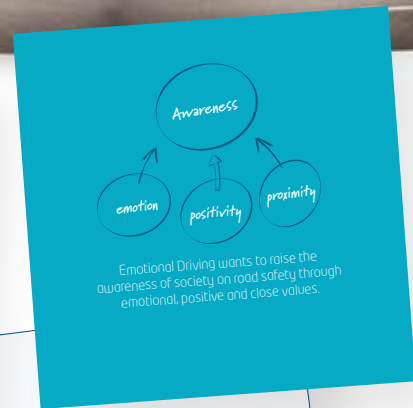
Having an impact on the reduction of traffic accidents, in volume and severity, is possible in two ways.

On one hand, we can take action on Passive Road Safety, which is to say, by acting on the improvement of road conditions, the improvement of the signaling and the placement of containment systems. We can also take action through the sensitization of drivers to avoid unsafe behaviors at the wheel. Companies can try to tackle this by sensitization of their workers and by implementing Road safety plans. Gonvarri takes action in both areas. Helping to save lives, through road safety, is part of Gonvarri's commitment to the Society; a commitment it pursues as part of its Business Model,

through its Road Safety division, developing and improving the protection and containment mechanisms on highways.

Since 2014 we have promoted a culture of "Road safety" through the program Emotional Driving, in line with our commitment to the Sustainability Development Goals, specifically with section 3.6, to contribute to the reduction of traffic accidents and fatalities.

This year a brochure was designed and distributed in which the what, why and how Emotional Driving is done was summarized. This was in addition to the actions taken which were focused on different groups of interest, such as employees, youths and children.



# Our drivers

Our personnel complete more than 5 million commutes per year. That is why they have been Emotional Driving's primary focus. From the initiatives focused on our group of employees, we would like to highlight the following:

With the slogan "We want to be your seatbelt", Emotional Driving carried out two raise awareness and sensitization campaigns coinciding with periods when there is a high number of car journeys, such as during the Easter and Summer holidays.

The Easter campaign consisted of a video that highlighted the problem area of traffic accidents and the deaths derived from "in-itinere" journeys, in other words, commutes from home to work and vice versa. One of the most important conclusions we drew from the roadshows we conducted throughout the past year, is that relatives and children are the main reason that we are motivated to drive in a better way. This is why the campaign showed special importance to the family, to transmit values and to raise awareness on road safety issues.

The summer campaign brought a message to raise awareness about the importance of responsible driving and with Augmented Reality technology. A new mobile application was presented in which the contents of the book "Reflections to understand road safety with optimism (Reflexiones para entender la seguridad vial con optimismo)" were shown with Augmented Reality and participants were given the possibility to interact with it. Additionally, several training courses in this matter were conducted so that the employees could take the maximum advantage from this technology.

We gave our employees the chance to see an illustrated exposition about tires and the proper conditions of these for safe driving. In addition we carried out various training and sensitization actions in road safety, of which we highlight the following:

- "Escuela de Conducción", with two short audiovisual pills that gather different driving advice, such as: the correct position before beginning a trajectory and the correct use of the seatbelt. These videos are complemented by questionnaires in which



employees put what they have learned about this subject to the test.

- In partnership with the Royal Automobile Club, training with the commercial team of Gonvarri Iberia on driving techniques in emergency situations or unfavorable road conditions.

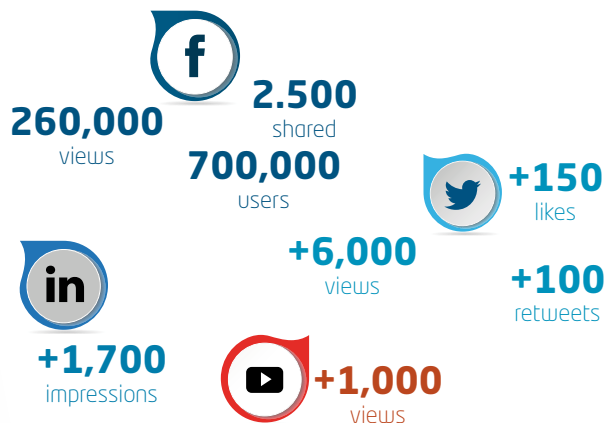
The plants have continued to emphasize the sensitization and awareness of road safety, not only towards employees, but also towards their relatives and children. This has been possible due to the open days that were held: activities related to educational talks performed by health workers and police, games for the youngest and cutting-edge technology were used to reinforce the message of Emotional Driving.

To close the year, the video "On Christmas forget about the mobile phone at the wheel" aimed to prevent the use of the mobile phone while driving and, in doing so, avoiding traffic accidents.

The video was well received and had over 200,000 views on all the social media profiles of Emotional Driving (YouTube, Twitter, Facebook and LinkedIn), being shared around 1,000 times, with around 300 likes, etc. Looking beyond numbers, the great impact and success of the video is due to the leading national and international institutions regarding road safety that shared its contents.

## Christmas campaign

# On Christmas, forget about the mobile phone at the wheel



# Motivated drivers

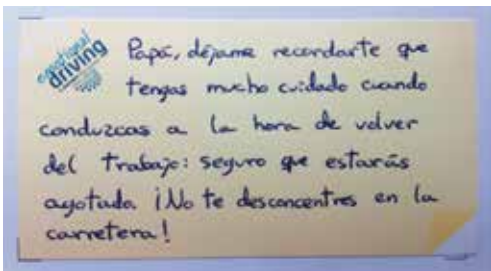
## Primary and ESO Education

Could there be a higher motivation to drive safely and responsibly than the insights of your own relatives and children?

In partnership with AESLEME, numerous schools and study centers in the Madrid Community were visited, where the children were made aware of the importance of driving safely through a presentation and case studies. The children were also invited to collaborate and transmit the lessons learned and the importance of parents not having distractions at the wheel.

This first edition of EDSchool reached over 1,000 students and saw wide participation in which the students themselves addressed their parents with motivational messages so that they adjust their risky behaviors and drive more safely and responsibly.

Given the success of this initiative, which was started in the beginning of the year, Emotional Driving renewed its collaboration with AESLEME, with an eye to the new school year after summer, to carry out the second edition of EDSchool. new schools, new children and more awareness.



Moreover, in collaboration with the City Council of Pozuelo, a road safety drawing and slogan contest was held among the municipality's schools, in which students sent a positive message to their parents about driving safely.



Finally, taking advantage of the open days that were organized on a national level in all production plants of Gonvarri, and to which their employees attended with their families and children, an initiative aimed at the youngest took place. They drew their understanding of road safety together with a message for their parents so that they drive safely and responsibly.

# Future drivers

## High school and University students

The partnership with Movistar Emotional Driving made, enabled us to have a presence in 8 national congresses of the LQDVI Foundation, where the message of responsible use of the mobile phone was transmitted to over 10,000 youths.

Youths in high schools and the first year of university in cities as Barcelona, Palma de Mallorca, Bilbao, Malaga, Seville, La Coruña, Madrid and Valencia were moved by the awareness message of Emotional Driving.

This message was conveyed by Julio Garcés, professional firefighter and presenter of Emotional Driving, who sensitized and made attendees aware, from a positive perspective, of the importance of road safety and safe and respectful driving. Julio simulates driving and speaking with the attending audience through a videoconference until the connection suddenly gets lost, implying a traffic accident. After a few seconds, Julio shows up on stage to continue his plea for driving without distractions.

As a complementary element to this sensitization message, Emotional Driving made a roll-over simulator available to the students that attended, in which they were able to experience personally an accident of this nature.

It should be noted that employees that work in the different Gonvarri production plants throughout Spain attended the congresses and saw their commitment to road safety reinforced.



# Our commitment to the SDGs

Gonvarri is a Company that compromise with the society. Also, as important agent in the automotive sector one of our priorities is minimize the negatives impacts in case of accidents.

Since 2014, through Emotional Driving program we promote a Safety road culture, along with our commitment with the Sustainable Development Goals, in concrete with the point 3.6 to contribute reducing the deaths and traffic accidents.



## GOAL 3

Ensure healthy lives and promote well-being for all at all ages.

3.6 Target: By 2020, halve the number of global deaths and injuries from road traffic accidents.



## GOAL 11

Make cities inclusive, safe, resilient and sustainable. 11.2 Target: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons.

## Presentations

In the course of 2017, Emotional Driving participated in different congresses and events related to, among others, health, security, road safety and occupational well-being. The Congress "Prevenir sobre Salud, Seguridad y Bienestar Laboral (Prevenir sobre Salud, Seguridad and Occupational wellbeing)", to which Emotional Driving was invited to present their project, guidelines, initiatives and also their future plans or commitment to the SDGs of the United Nations.

## Commitment to road safety

7 employees of Gonvauto Barcelona participated as a cycling team in the 2<sup>nd</sup> edition of the 24h MADFORM BiCircuit that took place the 22<sup>nd</sup> and 23<sup>rd</sup> of April in the circuit of Montmeló, Catalonia. The real backstory to the event is to help improve and raise awareness for road safety.

## Social Action

Annually, our sister company conducts a solidary gymkhana to raise funds and material goods to be donated to different solidary projects. As a token of their commitment to the most underprivileged, Emotional Driving and Gonvarri helped the initiative with the provision of material for the project.

## Awards and acknowledgements

In 2017 Emotional Driving has received several awards for initiatives done in 2016. Among them, the silver award in the category Corporate Communication - PR Campaign, in the International Business Awards, and the silver iNova award in the category Video of Corporate Social Responsibility, which put value on the campaign "road safety is also for children". In this campaign, the youngest of the family become the advisors of their own parents and encourage them in a very original way to drive safely.

Furthermore, Emotional Driving received a special mention in the Innovation and Health Awards of the insurance association Universal, where Emotional Driving's capacity to promote the health and well-being was acknowledged. This way, the insurance association Universal distinguished Gonvarri for its values such as the promotion of health, improving the life of people and their leading role in the development of safe and healthy working environments.



# The Code of Ethics

102-16 and 102-17



Just as the chapter of "Our business" summarizes, a thorough revision on the Code of Ethics and Conduct, the functioning of the complaint channels and the different compliance policies were completed.

The Code comprises of an express declaration of the values, principles and behavioral guidelines that must be adopted by the people of the Group in their professional role, regarding topics such as relations with customers, employees, collaborators, providers and the community, and so consolidating the existing trust between the Group and third parties.

The employees, directors, managers and collaborators of the Group are obligated to know and respect this Code, just as to explicitly accept the full content of the Code, and especially the principles and operating standards established within it.

Furthermore, the Compliance Committee and the Ethics Channels have been redefined to bring to their attention any of the undue situations, doubts, queries or shown malpractices, as well as legal or disciplinary measures. An audit plan will be made annually to verify its adequate dissemination and compliance. A new Code of Ethics and Conduct was approved by the Board of Directors in September 2017 and the so were the Action Protocols of the Ethics Channel in January 2018.

In 2017 no sensitive activities considered to have a relevant impact on the company's different operations, regarding Human Rights, forced or child labor, were identified. (408-1 and 409-1) Additionally, controls to mitigate potential risks have been put in place. Such as, among others, through the principles defined in the Code of Conduct and the for employees available Ethics Channel.

## VALUES

Honesty Humility  
Tenacity Work



# Ethics Channel

## Regulation of the Ethics Channel

Define the principles of functioning and the terms of use on which the Ethics Channel is based, just as the functions and responsibilities of each of its bodies committed to the management and processing of the queries/complaints.

The Ethics channel is open to all employees, directors, managers and collaborators of the Gonvarri Group and to other external stakeholders, such as customers, providers or society in general, with the objective to consult doubts about the applications of the Code of Ethics and Conduct, as well as to inform of possible irregularities that come with the breach thereof.

The Compliance Committee will be the managing body of the Ethics Channel that must establish Action Protocols to analyze, to investigate, to draw conclusions and to communicate the results of received complaints. The Committee will periodically report on its activity managing the Ethics Channel: the number of queries and complaints received, complaints concerning critical situations, state of complaints, etc. to the Board of Directors and its members. Similarly, any relevant issue will also be reported if necessary.

The external provider (i2ethics) is in charge of providing and maintaining an accessible channel, guaranteeing the confidentiality of the communications made, safeguarding and filing the data according to the applicable regulations, and acting as an intermediary between the user and the Compliance Committee to guarantee the confidentiality as an operating principle.

There are different possible ways to access the Ethics Channel:



By sending a **form** through the electronic platform, available at <https://gonvarristeelsservices.i2ethics.com>, which is also accessible through the webpage of the Group <http://www.gonvarristeelsservices.com>



By sending an **email** to the email address: [ethicschannel@gonvarri.com](mailto:ethicschannel@gonvarri.com)



By sending **regular post** to the postal address: Auditoría Interna y Cumplimiento C/Embajadores s/n 28053 Madrid. Spain



By **telephone** through the Call Back option available on the platform <https://gonvarristeelsservices.i2ethics.com>

Once the query/complaint has been communicated through the given platform or through one of the other available media, the user will receive an email from the external provider (i2ethics) with information to confirm the information sent to the Channel and start of their operation. Finally, the Ethics Committee that was in effect in 2017 received a complaint for "Illegitimate use of charge or inappropriate behavior" which has been closed (406-1).

# Communication and Training

After the approval of all the compliance policies and the Ethics and complaints Channel's guidelines, an ambitious communication and training plan has been devised for 2018. The training conducted in 2017 is included in the section Training (205-2).

In the first trimester of the year, the Code of Ethics will be translated into all the languages of the countries in which Gonvarri has a presence, as well as the different policies and guidelines. Additionally, didactic material and training courses, both online and on-site, will be prepared for the adequate dissemination in all the countries.

The training mainly revolves around the Code of Ethics and the complaint channels as a legal framework for all the employees. This will begin with a pilot test in the Navarra plant according to the result and with the relevant improvements, and will be extended to all plants of the Group, being mandatory for all Group employees.

Furthermore, this planned training clarifies different policies in depth, aimed at those areas and departments where these are most directly applied.







# Energy and Energy Efficiency

## Energy consumption

The production process of Gonvarri Steel Services is intensive in its energy consumption, mainly in the plants that have galvanic and zinc coating processes. For this reason, the main points in the environmental management system are the monitoring, reduction and control of the energy consumption.

### Internal energy consumption 302-1

In 2017, Gonvarri Steel Services used a total of 651,128 GJ of energy, which do not originate from renewable sources, of which 366,851GJ come from electrical consumption (scope 2) and 284,277 GJ from LPG, natural gas, propane and diesel (scope 1).

Practically all electric energy consumption in our facilities is committed to production. Only around 6% of the total amount is used in air conditioning.

The table included shows the distribution as a function of the consumption type and country.

### DISTRIBUTION ACCORDING TO THE TYPE OF ENERGY CONSUMPTION

Country	Electricity (GJ)	GLP (GJ)	Natural gas (GJ)	Propane (GJ)	Diesel (GJ)
Germany	15,212	-	5,507	-	-
Argentina	3,958	-	-	1,130	-
Brazil	24,223	3,503	23,185	-	10
China	13,208	-	11,254	-	-
Colombia	6,259	578	21,824	-	205
Spain	233,439	-	182,532	566	5,154
USA	13,088	160	83	4,343	52
Mexico	10,075	2,261	-	-	22
Poland	6,672	-	5,106	-	-
Portugal	6,585	-	-	83	268
U.K.	12,018	46	12,029	1	-
Czech Republic	7,734	-	1,580	-	-
Russia	4,811	11	-	2,744	-
Turkey	9,569	-	39	-	1
<b>Total</b>	<b>366,851</b>	<b>6,559</b>	<b>263,139</b>	<b>8,867</b>	<b>5,712</b>



## External Energy Consumption

Gonvarri Steel Services manufactures different products/formats, with different finishes, moreover, depending on the geographical situation, the usual transport type is also variable (ship, train, truck, etc.) This makes the calculation and availability of data for the scope 3 estimation complex and the calculation methodology will be implemented gradually and is expected to have all the energy information and the carbon footprint in 2022 (302-2).

## Renewable Energy

In 2010 a photovoltaic facility was put into operation in Gonvarri Navarra with an output of 1,9 GJ, and in 2011 the facilities of Gonvauto Barcelona with 2,5 GJ output and Gonvarri Barcelona with an output of 2,0 GJ. The yearly production in 2017 rose to 7,380 GJ (which was all sold to 3<sup>rd</sup> parties) and the consumption rose to 39 GJ.



## Energy Intensity

302-3

Gonvarri Steel Services considers that a good way to measure efficiency and the impact of its processes is by measuring the energy intensity. The resulting yearly ratio is calculated by dividing the energy consumption, by the weight of all products sold in each country.

For this calculation both the electricity and fuels (LPG, natural gas, propane and diesel) that correspond only to the internal energy consumption are considered. As shown below:

Country	INTENSITY (GJ/tons of product sold)
Germany	0.07
Argentina	0.10
Brazil	0.10
China	0.58
Colombia	1.53
Spain	0.24
USA	0.15
Mexico	0.04
Poland	0.07
Portugal	0.04
U.K.	0.08
Czech Republic	1.94
Russia	0.11
Turkey	0.18
<b>Average</b>	<b>0.17</b>

## Energy Efficiency

302-4

The energy efficiency for Gonvarri is focused on keeping production highly efficient through the integration of new technologies and high-performance equipment, that contribute to the continuous improvement of the operational and production processes.

For this reason, through the project ECO-ENERGY:

- We monitor our "PRO-EFFICIENCY" consumption and we have complete information in the plants where the implementation has been completed, which allows us to analyze and detect the less efficient equipment and processes.
- We define, plan and implement energy optimization and improvement projects in our plants.
- We have numerous records of the consumption and real, objective information regarding achieved savings, regarding the different implemented methods.

The scope of these projects includes measures aimed at reducing not only the electric consumption but also the consumption of natural gas, which gives an estimated distribution of savings of 60% in electricity and 40% in natural gas.

The ECO-ENERGY project is gradually being introduced to our plants. In continuation the planning for next years is shown:

### PLANNING AND IMPLEMENTATION MONITORING SYSTEM

2016	2017	2018
Gonvauto Barcelona	Gonvarri Barcelona	Gonvauto South Carolina
Gonvarri Burgos	Gonvarri Tarragona	Gonvarri Turquía
Gonvauto Galicia	Gonvauto Thüringen	Steel & Alloy Bridge Street
Gonvarri Valencia	Gonvarri Aluminium Thüringen	Steel & Alloy West Bromwich
Gonvarri Portugal	Gonvarri Polonia	Steel & Alloy Popes Lane
Hiasa	Gonvauto Puebla	SGK Kaluga
Gonvauto Asturias	Gonvarri Argentina	
	AMG Campinas	
	AMG Paraná	

In 2017, 17 replacement and improvement measures were taken, mainly in Europe and Brazil. These measures are estimated to lead to a theoretical reduction in energy consumption of 2.74 GWh/year. Likewise, in 2018 20 possible new measures have been studied, which are currently pending approval.

With the introduced ESMs we have, from the beginning of the project to the 31st of December 2017, estimated an annual saving of 7.96 GWh/year. The objective is to reach savings of 12 GWh/year by 2020.

**17 MAEs**  
improvement

**2,74**  
GWh/year  
reduction

# Climate Change

## Risks and opportunities associated with climate change

201-2

2015, 2016 and 2017 have been confirmed as the three warmest years to date. 2016 continues to keep the world record, although 2017 has been the warmest year without the El Niño phenomenon. According to an established analysis of the World Meteorological Organization (WMO), the average surface temperature in 2017 was approximately 1.1 degree Celsius higher than in the pre-industrial era.

To minimize this effect, it is necessary to embrace a broad range of technological measures and behavioral changes.

Along this line, as directed by the guidelines set by the Paris Climate Agreement (COP 21), in 2017 the representatives of the countries held the Bonn Climate Change Conference (COP 23). This year was of special importance as the global emissions of CO<sub>2</sub> continued to grow to 41.5 gigatons, the same figure as in 2015 when it reached this historical record high.

The most striking increase is in the emissions derived from fossil fuels and the industry, which make up almost 90% of the total emissions generated by human activity, and will reach 36.8 gigatons after 3 consecutive years of stagnant emissions.

Its distribution is uneven, while it is estimated that industrial emissions and emissions from fossil fuels dropped in the United States and the European Union by respectively 0.4% and 0.2%, in the case of China and India significant increases of 3.5% and 2% are foreseen. In the rest of the world, an increase of 1.9% is forecast.

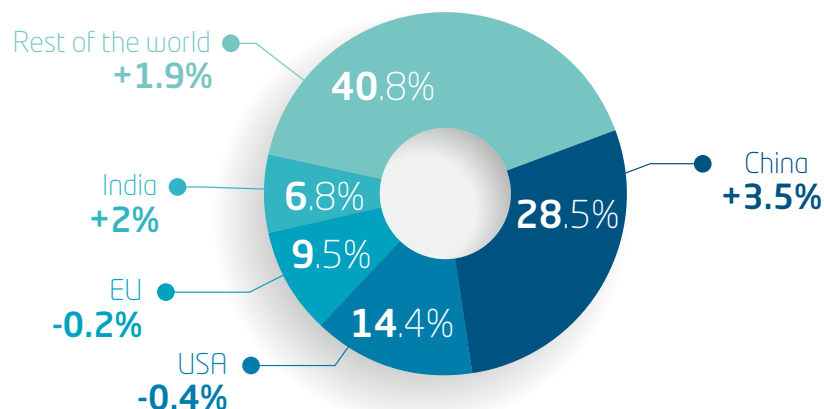
### Risks

- Between 1880 and 2012, the average global temperature increased by 0.85 degrees Celsius.
- The oceans have warmed up, the quantity of snow and ice has diminished, and sea levels have risen.
- Given the current situation, it is probable that at the end of the century the increase in global temperatures will have exceeded 1.5 degrees Celsius.
- The world CO<sub>2</sub> emissions have risen by almost 50% since 1990.
- Between 2000 and 2010 there has been a larger increase in emission than in the three previous decades.

Source: Intergovernmental Panel on Climate

### DISTRIBUTION BY GEOGRAPHIC AREA

IN % OF THE GLOBAL EMISSIONS OF CO<sub>2</sub> OF FOSSIL ENERGIES AND INDUSTRY  
% ANNUAL GROWTH



Source: Carbon Global Project.

# Greenhouse gas emissions

By measuring its carbon dioxide (CO<sub>2</sub>) emissions, Gonvarri Steel Services contributes to improving the communication of its impact and to the collection of specific data with the aim of setting possible improvement goals.

Regarding the calculation of the CO<sub>2</sub> emissions, these are reported as directed by the Green House Gas Protocol (GHG Protocol) standard, taking the emission factors provided by the International Energy Agency (2013) as a reference.

## Direct and indirect Emissions

305-1 and 305-2

The direct emissions of greenhouse gasses (scope 1) come from the combustion of fuel in the production process (natural gas, propane, and diesel) and amount to 19,710 tons of CO<sub>2</sub>. The indirect emissions (scope 2) are those generated in electric power generation plants as a result of the electric consumption in plants and offices, which amounts to 34,433 tons of CO<sub>2</sub>, and raise the total to 54,143 tons of CO<sub>2</sub>.

In the included table the distribution by country is shown.

### DISTRIBUTION BY COUNTRY

Country	LPG (tons CO <sub>2</sub> )	Natural Gas (tons CO <sub>2</sub> )	Propano (tons CO <sub>2</sub> )	Diesel (tons CO <sub>2</sub> )	Electricity (tons CO <sub>2</sub> )
Germany	-	382	-	-	2,016
Argentina	-	-	72	-	429
Brazil	226	1,610	-	1	458
China	-	782	-	-	2,803
Colombia	37	1,516	-	16	188
Spain	-	12,676	40	402	18,870
USA	10	6	274	4	1,829
Mexico	146	-	-	2	1,259
Poland	-	355	-	-	1,446
Portugal	-	-	5	21	554
U.K.	3	835	-	-	1,472
Czech Republic	-	110	-	-	1,270
Russia	1	-	175	-	584
Turkey	-	3	-	-	1,255
	<b>423</b>	<b>18,275</b>	<b>566</b>	<b>446</b>	<b>34,433</b>

Regarding indirect emissions from other sources, we consider in this scope the emissions derive from corporate travels that amount to 3,910 tons of CO<sub>2</sub>, and the emissions derived from the employee's commute reach to 12,138 tons of CO<sub>2</sub>, have been estimated through a transports survey carried out in 2014, by updating the number of employees.

Its distribution is shown next (305-3):

#### Corporate trips



Rental car  
**58**  
tons CO<sub>2</sub>/year



Travel by plane  
**3,835**  
tons CO<sub>2</sub>/year



Travel by train  
**17**  
tons CO<sub>2</sub>/year

#### Employee transportation



**12,138**  
tons CO<sub>2</sub>/year

## Emission Intensity

305-4

Gonvarri Steel Services also takes note of the emission intensity to measure the efficiency and impact of its processes.

The resulting yearly ratio is calculated by dividing the sum of its direct and indirect emission (305-1 and 305-2) by the total weight of all the products sold in each country. In the following table the obtained results are specified:

Country	EMISSIONS INTENSITY (tons CO <sub>2</sub> /tons of sold product)
Germany	0.009
Argentina	0.010
Brazil	0.005
China	0.085
Colombia	0.093
Spain	0.018
USA	0.018
Mexico	0.005
Poland	0.011
Portugal	0.003
U.K.	0.008
Czech Republic	0.287
Russia	0.011
Turkey	0.024
<b>TOTAL</b>	<b>0.014</b>

## Avoided indirect emissions

305-5

The company is very aware of the possible negative effects that can induce climate change and against this real risk, Gonvarri contributes to its mitigation through its Solar Steel division.

The main activity of this division is the manufacturing and provision of solar structures, mainly fixed structures with a single-axis tracker, that are part of photovoltaic plants which are built to generate renewable energy without greenhouse gas emissions.

In 2017, solar structures for the installation of a total of 1,729 MW were provided, distributed over 15 countries. By calculating, among others, the net sun radiation hours per project, as well as the percentage of the total cost of the project that these structures and the conversion ratio in each country, we estimate to have contributed to the avoidance of a total of 222,842 tons of CO<sub>2</sub> in 2017.

Similarly, regarding the energy savings derived from the ESMs introduced in Spain, Poland and Brazil, a total of 730.8 tons CO<sub>2</sub> were avoided, 440 tons CO<sub>2</sub> by electricity savings and 290,8 tons CO<sub>2</sub> in gas savings.

## Emissions derived from other sources

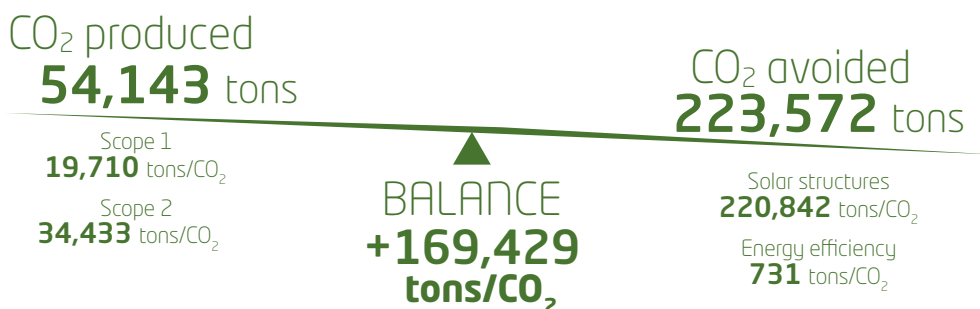
305-7

Regarding emissions derived from other sources, these are few and isolated in our business, as the majority of the plants are not submitted to regulatory controls. The plants that perform special treatments (galvanization, zinc coating, etc.), where controls are carried out by a certified body with the periodicity established in the corresponding licenses and legal requirements, are affected.

Next, we summarize the main emissions:


Country	NOx (tons)	SO2 (tons)	CO (tons)	Particles (tons)	Zn (tons)	TOC (tons)	VOC (tons)
Spain	7.36	1.22	15	1.87	0.02	6.23	2.17
Russia	0.35	0.07	2.21	0.0	0.0	0.0	0
Turkey	0.0	0.0	0.0	0.0	0.0	0	0.0
<b>TOTAL</b>	<b>7.71</b>	<b>1.29</b>	<b>17.21</b>	<b>1.87</b>	<b>0.02</b>	<b>6.23</b>	<b>2.17</b>

In Spain 0.24 tons of NH<sub>3</sub>, 0.01 tons of KOH and 1.49 tons of HCl are emitted.



# Our contribution to the fight against climate change and the SDGs

From our commitment to sustainability and climate change, we wish to contribute to the mitigation of these impacts and to the realization of the Sustainability Development Goals (SDG), through different initiatives that focus on the following objectives.



**7 AFFORDABLE AND CLEAN ENERGY**

Ensure access to affordable, reliable, sustainable and modern energy for all.



SUSTAINABLE DEVELOPMENT GOALS

## SDG 7

To guarantee the access to affordable, sustainable, safe and modern energy for all, and, in particular, to contribute to **doubling** the rate of **energy efficiency** by 2030.

At Gonvarri, we go for energy efficiency. We have a highly-qualified team and monitoring and measurement system in place, which we are progressively rolling out in our plants. In accordance with the results of the monitoring of the production and supporting services, we define and introduce Energy Saving Measures (ESMs) that contribute to the reduction of these consumptions.

We update the monitoring and ESM introduction plan yearly, which varies depending on the new purchases or acquisitions by Gonvarri and the new plants that are under construction.

Next, we forecast the energy savings and avoided CO<sub>2</sub> emissions until 2020, based on the tendency since 2016.

Year	Goal MAE's		CO <sub>2</sub> avoided (t/year)*
	Accumulated savings (GWh/year)	% Savings on GSS consumption	
2016	4	2.43	1,284
2017	7	4.26	2,247
2018	9	5.48	2,889
2019	11	6.69	3,530
2020	12	7.30	3,851

\* The coefficients used in Spain have been taken as a reference, where a large part of the improvements have been implemented.

The tons of CO<sub>2</sub> avoided by reducing energy consumption vary mainly depending on the percentage reduced in the consumption of natural gas and electricity.



# 13 CLIMATE ACTION

Take urgent action to combat climate change and its impacts.



## SDG 13

### Adopting urgent measures to combat climate change and its effects

Climate change affects all countries on every continent. It has a negative impact on the economy and on the life of the people, communities and countries. In the future, the consequences will be even worse. For this reason, goal 13 requires urgent action to combat climate change and its impacts.

The greenhouse gas emissions caused by human activity make this threat grow. In fact, emissions have never been this high.

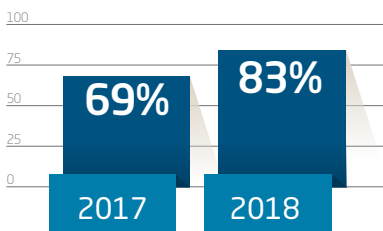
This is why Gonvarri seeks to minimize its impact on climate change, through 2 main lines.

### Environmental Management

Through the development and implementation of environmental management systems we contribute by measuring our impacts and by defining measures that contribute to their mitigation.

Currently, 24 plants, which account for 69%, have a Certified Environmental Management System. As a part of the remaining 31%, we have the 4 Laser plants (Barcelona, Valencia, Brandenburg and the Czech Republic) whose environmental impact is low due to the kind of process performed. The plant in South Carolina and the new facilities (5 plants in China and Baja California) are pending to get the corresponding certification in 2018.

Factories with Certified Environmental Management Systems\*



\*Estimated over a total of 35 factories

Moreover, as part of the system, we have indicators that measure energy consumption at our disposal, which allow us to obtain annual information about the scope 1, scope 2 and, partially, scope 3 emissions, as is outlined in the corresponding section.

### Lighter vehicles

The CO<sub>2</sub> emissions derived from transportation are estimated to be around 22% of the total. Within this percentage, one of the deepest carbon footprints comes from the transportation of goods and people with 72% of the total percentage. For this reason, highway transportation has a highlighted role.

Similarly, as regulation is becoming more and more restrictive in each country, climate change has become a key issue in our sector.

To minimize this impact, various measures have been taken, such as the changing of fuels, more aerodynamic designs, weight reductions and improving the awareness and sensitization of the drivers. However, this is still not enough.

In this context, Gonvarri considers that it has a responsibility and that it must contribute to the mitigation of this impact, especially considering that its auto division comprised 65% of its sales in 2017. For this reason, it is indisputable that the innovation objectives must focus, among others, on the reduction of weight through improving the component materials, such as high resistance steel, composite materials and aluminium.

#### Steel

The forecasts indicate that the use of AHSS steel will significantly increase, going beyond the 68 kg of steel in current vehicles to 204 kg in the vehicles of 2020. This will reduce the weight of the car body by about 25%. Source: World Auto Steel.

#### Aluminium

The use of aluminium is considerably increasing. Its main competitive advantage is its density (3 times less than that of steel) with which reductions of up to 10% of the weight of the vehicle can be achieved and a reduction in fuel consumption of between 5 - 7%. However, it is slightly more expensive than steel, it requires long thermic treatment and it is more difficult to weld.

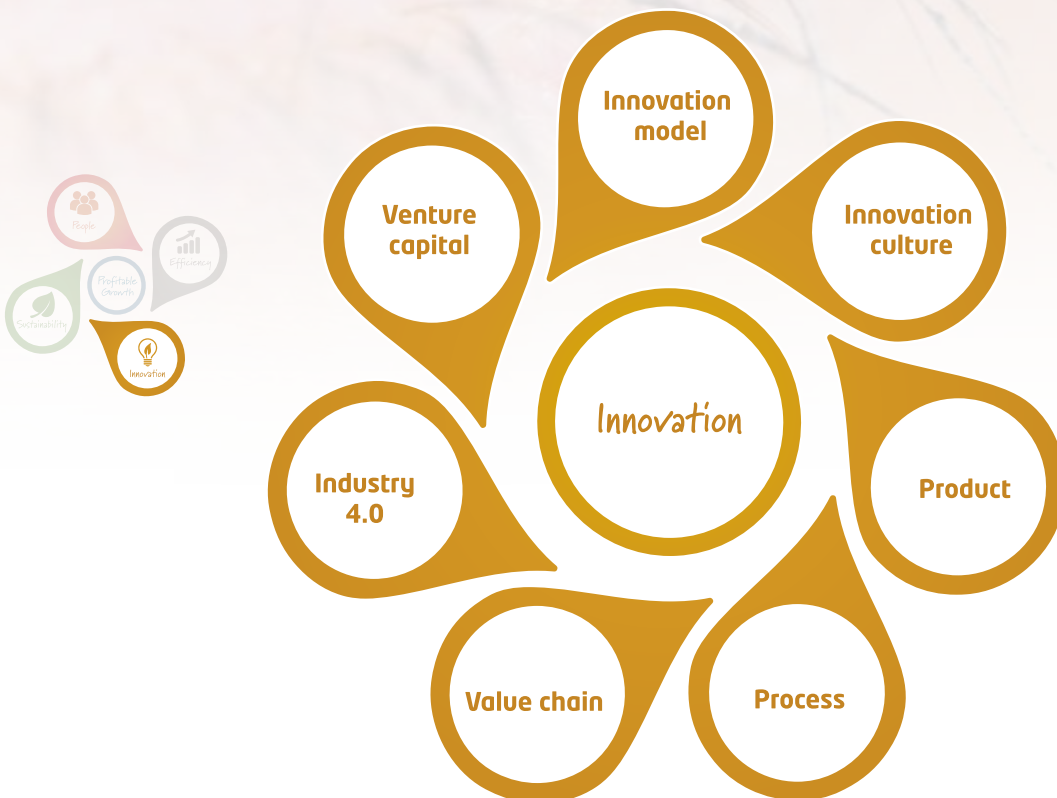
At Gonvarri we have taken the steel and aluminium received by auto in various plants into consideration. With this figure, we can estimate our contribution with respect to the use of lighter materials, and thus, with fewer emissions, to be 28.28% of the total. Our expectations based on the new technological specifications of our customers are that in the next year this percentage will gradually increase.



# Innovation

*Goal: increase our competitiveness*

Innovation allows us to develop competitive products, access new markets, and increase added value to our customers.







# 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote sustainable industrialization and foster innovation.



## SGD 9.4

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

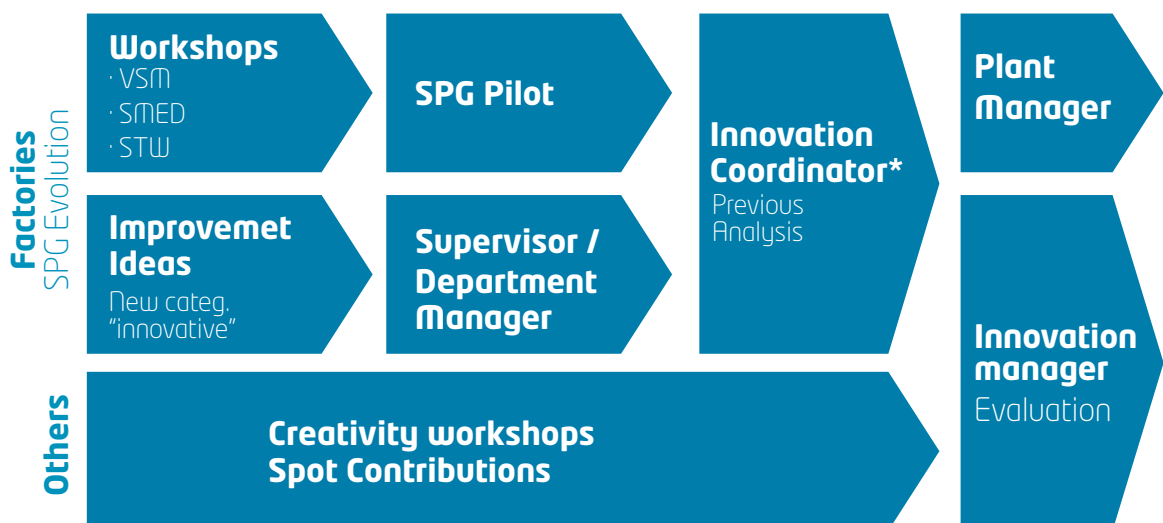


## Innovation model

At Gonvarri we understand that adaptation to the new context is a key factor. For this reason, we have created a new, more agile and flexible Innovation Model, in which various ideas and initiatives focused on the responses the market requires in the short, medium and long term, are reflected through different actions:

- Definition of the Idea of Innovation and analysis in terms of costs, complexity, immediacy, etc.
- Definition of Internal Innovation Flow.
- To capitalize on the internal talent in the company, identifying "change agents" or innovative "profiles", designated to being the "levers of change" towards a culture of innovation and a culture that is flexible to change.
- Development of workshops focused on the detection and assessment of ideas, based on three criteria (Company Impact, dedication required and technical feasibility).

### Internal innovation flow



## Innovation culture



# Product and value chain innovation, new materials

The general tendency of the OEMs is focused, on one side, on "mobility" solutions (car sharing and electric cars) which include, apart from the product, services as a means to provide the final customer with a service, rather than just a commodity by itself.

On the other side, there have been significant advances in the development of new engines (electric, natural gas or hydrogen), the incorporation of technology to improve connectivity and the use of lighter materials that maintain the same safety standards.

Along these lines, Gonvarri is working together with its customers and providers to develop new joint technological solutions through new concepts in process lines and new materials, among others.

For this purpose, we have focused our endeavor to define the Value Chain of new materials in the auto sector, specifically in the development of composite material lines (CFRP and GFRP), through diverse initiatives, which are summarized hereunder:

- Design requirements of the component (component's dimensions, mechanical properties, availability, etc.), jointly with the customer (TIER1).
- Selection of new material providers; such as providers of polymeric matrixes and fiber providers.
- Collaboration with technological centers specialized to optimize processes, such as with machinery partners, that allow us to see the possibilities for industrialization of the solutions studied at the R&D level.

## Process



# Process Innovation in the search for added value services

Oriented at the implementation of new processes as well as the improving of existing processes, to improve quality or productivity.

In this area, we highlight the following projects:

- **Laser blanking project**, which incorporates 2D laser cutting technology in a continuous production line. This allows for increasing the line's flexibility, easy installation and launch.
- **Recladding Project**, in which additive manufacturing technology is used (Laser Cladding) to study possible improvement in durability of different cutting elements.



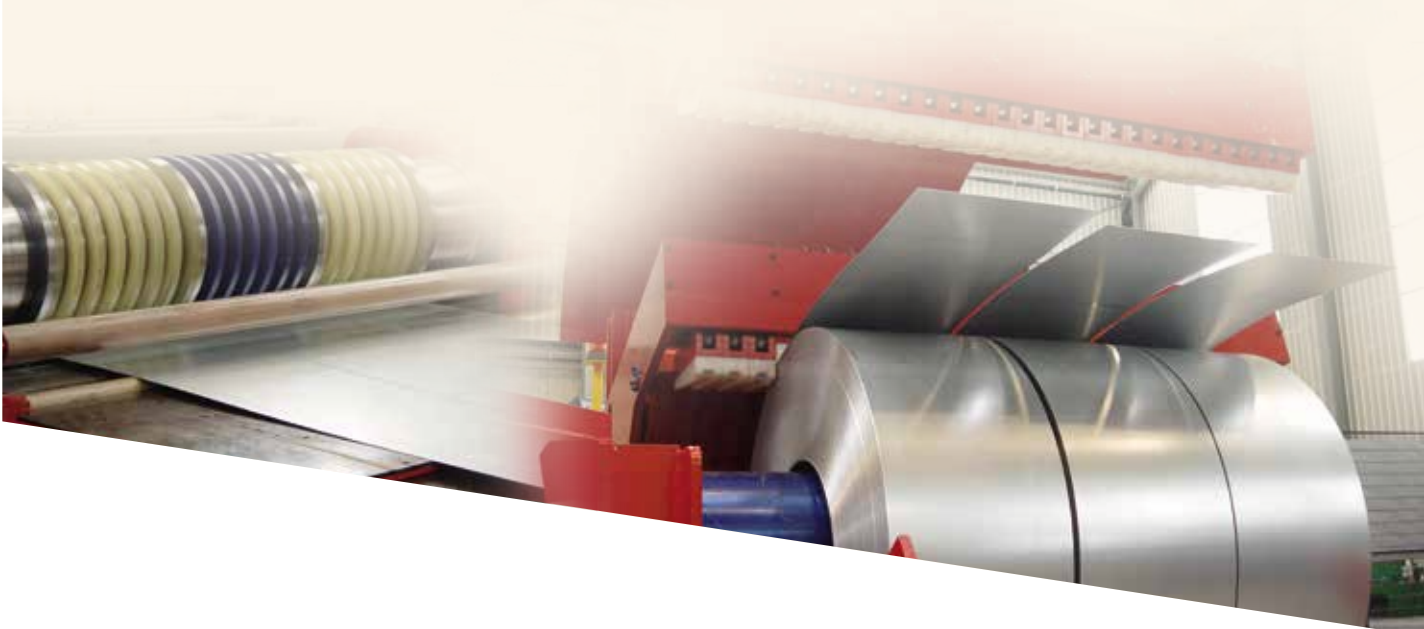
# Process Innovation: RECLADDING

The RECLADDING Project, which was started at the end of 2017 in Gonvauto Navarra, is focused on the improvement of cutting elements in the Blanking lines, longitudinal and Transversal, using Additive Manufacturing technology.

The project comes with different technological challenges, as are outlined next:

- The study and analysis of cover materials that improve the durability of the cutting blades.
- Analysis of possibilities of the new Laser Cladding technology.
- Mixed materials processing.

If the findings of the surface treatment of cutting blades study are positive, the possibility to implement the solution in the different plants of the Group may be considered.

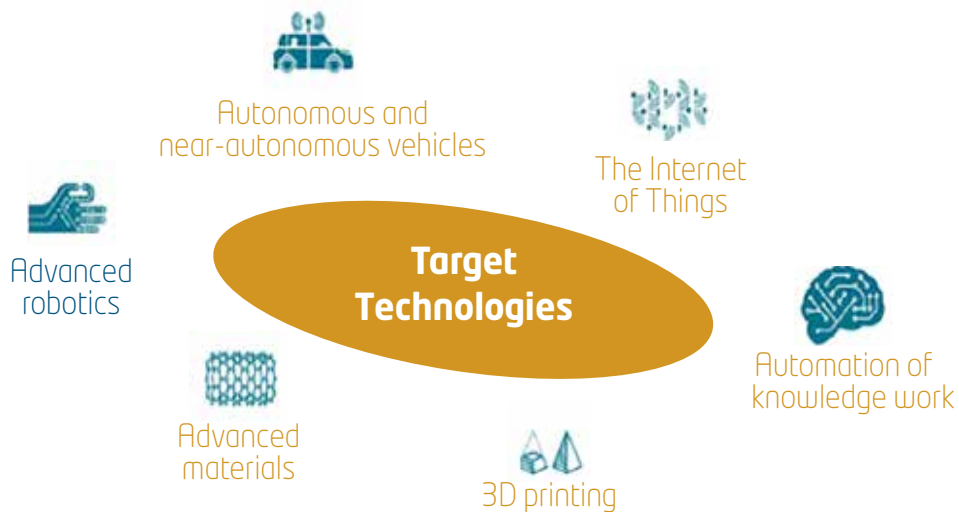


Venture capital

## Venture Capital, technology investment, as a base for new business models

Gonvarri's strategic orientation in Venture Capital is directed at sporadic investments in technology-based PYMES with high know-how in processes, products or technologies compatible with our business, and which

give us a knowledge base on developing new business models complementary to GSS, as, for example, additive manufacturing companies.



Possible technologies object of Venture Capital

Innovation culture



# The new technological drivers require the adaptation of the Corporate Culture

Gonvarri is immersed in a digitalization process to adapt to an ever-changing market, focusing its endeavors on three main areas.

- The **Communication** and Dissemination of the Strategic Plan on the different levels of the company.
- The **Training** of the workers on the new market tendencies in respect to the Digital Transformation challenge.

- The **Rollout** of Innovative Initiatives through workshops, among others

Within the internal dissemination strategy and promotion of innovation, the Communication and implementation Plan 2017-2018 includes various actions with support material such as internal magazines, diptychs 4.0, intranet groups, Innovation Committee, monographs with providers, informative videos, workshops, etc.



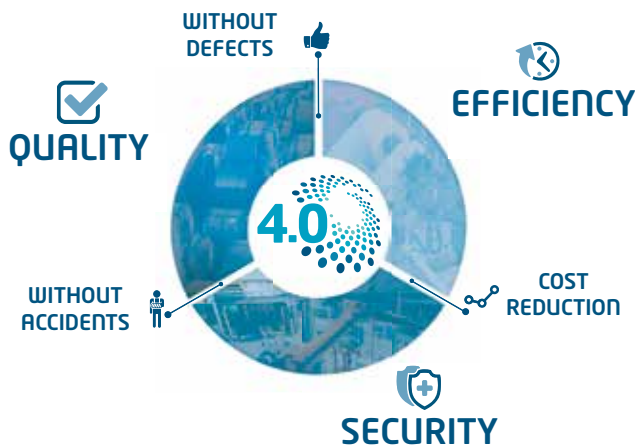


# Gonvarri 4.0

The digital transformation as a strategic element of the Company

The project Gonvarri 4.0 is a strategic element in the Company with specified drivers in **quality, efficiency and safety**.

To develop the pilot project, the **Gonvauto Galicia** plant was selected for its high level of operational efficiency. A multidisciplinary team was put together, led by the Innovation team, which counts with the collaboration of various technological providers.



In this first phase, various Use-Cases were defined with their corresponding objectives. This is a multiannual project, which means that the degree of the process in the different initiatives is variable.

Nevertheless, we have already selected various use-cases that show a source of competitive advantage, which is why they will be rolled out and implemented in the different plants in the Group. Additionally, in 2017 new initiatives were identified which will be incorporated in the new action pack.



## Gonvarri 4.0: Surface quality control system

This has as its objective to identify superficial defects in each of the manufactured components in real time through artificial vision techniques. These allow for the comparison of a superficial image of each piece with a previously incorporated database of defects in the system and, by doing so, for the online decision to reject or accept the said piece. This is a project with a high degree of uncertainty and, although we are conscious that it will not give short-term results, it is one of the R&D initiatives that might have the most impact on the operation of the plant in the future.



- 
- 1 **OUR BUSINESS**
  - 2 **DRIVE. MANAGEMENT MODEL**
  - 3 **ANNEXES**
-



**Gonvarri**  
Steel Services

## 3 ANNEXES

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- 96 Independent Review Report
- 98 GRI Content Index
- 104 Contents based on the Principles  
United of the Nations Global Compact
- 105 List of consolidated  
subsidiaries companies

Sustainability  
Report 2017



# INDEPENDENT REVIEW REPORT



• Análisis de los riesgos de sostenibilidad que se han identificado en la

• Descripción de los riesgos de sostenibilidad que se han identificado en la

## Nivel de materialidad de los riesgos de sostenibilidad

El nivel de materialidad de los riesgos de sostenibilidad se ha determinado en función de los criterios de materialidad de los riesgos de sostenibilidad, que se detallan en el Anexo 1 de este informe.

Los riesgos de sostenibilidad que se han identificado en el Anexo 1 de este informe se han clasificado en función de su nivel de materialidad, que se detallan en el Anexo 2 de este informe.

## Conclusión de la revisión

Como resultado de la revisión, se ha obtenido el siguiente nivel de confianza de los datos de sostenibilidad de 2016, en función de los criterios de materialidad de los riesgos de sostenibilidad, de acuerdo con el Anexo 1 de este informe.

## Uso y limitaciones

Este informe de revisión independiente se ha elaborado de acuerdo con los términos de referencia que se detallan en el Anexo 3 de este informe.

## Principales riesgos de sostenibilidad

Mª Luz Cordero  
30 de junio de 2017





• **Assessment of the company's environmental impact**  
The assessment was conducted by PwC, a leading global firm, and focused on the company's operations, products, and services. The assessment identified key areas of environmental impact, including greenhouse gas emissions, water usage, and waste management. The assessment also identified opportunities for the company to reduce its environmental impact and improve its sustainability performance.

**Key findings of the assessment:**

- Greenhouse gas emissions: The company's greenhouse gas emissions are primarily from its operations, including energy consumption and transportation. The assessment identified opportunities for the company to reduce its greenhouse gas emissions by improving energy efficiency and using renewable energy sources.
- Water usage: The company's water usage is primarily from its operations, including manufacturing and office use. The assessment identified opportunities for the company to reduce its water usage by implementing water-saving measures and using recycled water.
- Waste management: The company's waste management practices are primarily focused on recycling and landfill disposal. The assessment identified opportunities for the company to improve its waste management practices by increasing recycling rates and reducing landfill disposal.

**Recommendations:**

- Improve energy efficiency: The company should implement energy-saving measures, such as LED lighting and energy-efficient equipment, to reduce its energy consumption and greenhouse gas emissions.
- Use renewable energy: The company should explore options for using renewable energy sources, such as solar and wind, to reduce its reliance on fossil fuels and greenhouse gas emissions.
- Implement water-saving measures: The company should implement water-saving measures, such as low-flow toilets and faucets, to reduce its water usage.
- Reduce landfill disposal: The company should increase its recycling rates and explore options for reducing landfill disposal, such as composting and recycling programs.

# GRI CONTENT INDEX

102-55

**EXTERNAL VERIFICATION:** The contents of this index have been externally verified by the independent entity PwC. The related independent review report for verification can be found in the Annex of this document. Information omissions are included as a note in italics on appropriate indicators.

## GRI Content Index

GRI Standards	Content	Page/ Omission	Review
GRI 101: Foundation			
GRI 102: General Content			
Organizational profile	102-1 Name of the organization	10	✓
	102-2 Activities, brands, products, and services	12,16,18-19	✓
	102-3 Location of headquarters	10	✓
	102-4 Location of operations	14-15, 16-17	✓
	102-5 Ownership and legal form	10	✓
	102-6 Markets served	12	✓
	102-7 Scale of the organization	11	✓
	102-8 Information on employees and other workers	44	✓
	102-9 Supply chain	39	✓
	102-10 Significant changes to the organization and its supply chain	10, 40	✓
	102-11 Precautionary Principle or approach	38	✓
	102-12 External initiatives	71	✓
	102-13 Membership of associations	13	✓
Strategy	102-14 Statement from senior decision-maker	4 y 7	✓
	102-15 Key impacts, risks, and opportunities	37-39, 55	✓
Ethics and integrity	102-16 Values, principles, standards, and norms of behavior	79-80	✓
	102-17 Mechanisms for advice and concerns about ethics	79-80	✓

GRI Standards	Content	Page/ Omission	Review
Governance	102-18 Governance structure	20	√
	102-19 Delegating authority	20	√
	102-20 Executive-level responsibility for economic, environmental, and social topics	21	√
	102-21 Consulting stakeholders on economic, environmental, and social topics	20	√
	102-22 Composition of the highest governance body and its committees	20	√
	102-23 Chair of the highest governance body	20	√
	102-24 Nominating and selecting the highest governance body	20	√
	102-25 Conflicts of interest	20	√
	102-26 Role of highest governance body in setting purpose, values, and strategy	21	√
	102-27 Collective knowledge of highest governance body	21	√
	102-28 Evaluating the highest governance body's performance	20	√
	102-29 Identifying and managing economic, environmental, and social impacts	21	√
	102-30 Effectiveness of risk management processes	21	√
	102-31 Review of economic, environmental, and social topics	21	√
	102-32 Highest governance body's role in sustainability reporting	21	√
	102-33 Communicating critical concerns	21	√
	102-34 Nature and total number of critical concerns	21	√
	102-35 Remuneration policies	21	√
	102-36 Process for determining remuneration	21	√
	102-37 Stakeholders' involvement in remuneration	21	√
102-38 Annual total compensation ratio	NA, Confidential Information	√	
102-39 Percentage increase in annual total compensation ratio	NA, Confidential Information	√	
Stakeholder engagement	102-40 List of stakeholder groups	26	√
	102-41 Collective bargaining agreements	47	√
	102-42 Identifying and selecting stakeholders	26	√
	102-43 Approach to stakeholder engagement	26, 67	√
	102-44 Key topics and concerns raised	27, 67	√
Reporting practice	102-45 Entities included in the consolidated financial statements	105	√
	102-46 Defining report content and topic Boundaries	27	√
	102-47 List of material topics	27	√
	102-48 Restatements of information	27	√
	102-49 Changes in reporting	27, 34	√
	102-50 Reporting period	19	√
	102-51 Date of most recent report	19	√
	102-52 Reporting cycle	19	√
	102-53 Contact point for questions regarding the report	19	√
	102-54 Claims of reporting in accordance with the GRI Standards	19	√
	102-55 GRI content index	98	√
102-56 External assurance	19	√	

GRI Standards	Content	Page/ Omission	Review
Materiality topics			
<b>ECONOMIC PERFORMANCE</b>			
<b>Management Approach</b>			
GRI 103: Management Approach. It is applicable to all indicators reported in this section Economic Dimension.	103-1 Explanation of the material topic and its Boundary	27	√
	103-2 The management approach and its components	27	√
	103-3 Evaluation of the management approach	27	√
<b>Economic Performance</b>			
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	36	√
	201-2 Financial implications and other risk and opportunities due to climate change	83-84	√
	201-3 Defined benefit plan obligations and other retirement plans	52	√
	201-4 Financial assistance received from government	36	√
<b>Procurement Practices</b>			
GRI 204: Procurement Practices	204-1: Proportion of spending on local suppliers	40	√
<b>Anticorruption</b>			
GRI 205: Anti corruption	205-1: Operations assessed for risks related to corruption	37	√
	205-2: Communication and training about anti-corruption policies and procedures	46, 80	√
	205-3: Confirmed incidents of corruption and actions taken	23	√
<b>Anti-competitive Behavior</b>			
GRI 206: Anti-competitive Behavior	206-1: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	23	√

Materiality topics

## ENVIRONMENTAL PERFORMANCE

### Management Approach

GRI 103: Management Approach. It is applicable to all indicators reported in this section Environmental Dimension.	103-1 Explanation of the material topic and its Boundary	27	✓
	103-2 The management approach and its components	27	✓
	103-3 Evaluation of the management approach	27	✓

### Management Approach

GRI 301: Materials	301-01: Materials used by weight or volume	63	✓
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### Energy

GRI 302: Energy	302-1: Energy consumption within the organization	81	✓
	302-2: Energy consumption outside of the organization	82, Note A	✓
	302-3: Energy intensity	82	✓
	302-4: Reduction of energy consumption	82	✓
	302-5: Reduction in energy requirements of products and services	Note B	✓

### Emissions

GRI 305: Emissions	305-1: Direct (Scope 1) GHG emissions	84-85	✓
	305-2: Energy indirect (Scope 2) GHG emissions	84-85	✓
	305-3: Other indirect (Scope 3) GHG emissions	84	✓
	305-4: GHG emissions intensity	85	✓
	305-5: Reduction of GHG emissions	85	✓
	305-6: Emissions of ozone-depleting substances (ODS)	NA	✓
	305-7: Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	85	✓

### Effluents and Waste (not material)

GRI 306: Effluents and Waste	306-2: Waste by type and disposal method	63	✓
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### Environmental Compliance

GRI 307: Environmental Compliance	307-1: Non-compliance with environmental laws and regulations	23	✓
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NOTE A: The calculation methodology will be implemented gradually and is expected to have all the energy information and the carbon footprint in 2022.

NOTE B: Does not apply. The products follow the customers' specifications, so the company has little influence.

GRI Standards	Content	Page/ Omission	Review
Materility topics			
<b>SOCIAL PERFORMANCE</b>			
<b>Management Approach</b>			
GRI 103: Management Approach. It is applicable to all indicators reported in this section Social Dimension.	103-1 Explanation of the material topic and its Boundary	27	✓
	103-2 The management approach and its components	27	✓
	103-3 Evaluation of the management approach	27	✓
<b>Employment</b>			
GRI 401: Employment	401-1: New employee hires and employee turnover	43	✓
	401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	51 - 52	✓
	401-3: Parental leave	52	✓
<b>Occupational Health and Safety</b>			
GRI 403: Occupational Health and Safety	403-1: Workers representation in formal joint management-worker health and safety committees	60	✓
	403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	58	✓
	403-3: Workers with high incidence or high risk of diseases related to their occupation	59	✓
	403-4: Health and safety topics covered in formal agreements with trade unions	60	✓
<b>Training and Education</b>			
GRI 404: Training and Education	404-1: Average hours of training per year per employee	46, 60	✓
	404-2: Programs for upgrading employee skills and transition assistance programs	46	✓
	404-3: Percentage of employees receiving regular performance and career development reviews	45	✓
<b>Diversity and Equal Opportunity (not material)</b>			
GRI 405: Diversity and Equal Opportunity	405-1: Diversity of governance bodies and employees	42, 48	✓
<b>Non-discrimination</b>			
GRI 406: Non-discrimination	406-1: Incidents of discrimination and corrective actions taken	23, 80	✓
<b>Child Labor</b>			
GRI 408: Child Labor	408-1: Operations and suppliers at significant risk for incidents of child labor	79	✓

GRI Standards	Content	Page/ Omission	Review
Materiality topics			
<b>SOCIAL PERFORMANCE</b>			
<b>Forced or Compulsory Labor</b>			
GRI 409: Forced or Compulsory Labor	409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor	79	✓
<b>Human Rights Assessment (not material)</b>			
GRI 412: Human rights assessment	412-2: Employee training on human rights policies or procedures	46	✓
	412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	37	✓
<b>Local Communities</b>			
GRI 413: Local Communities	413-1: Operations with local community engagement, impact assessments, and development programs	71	✓
	413-2: Operations with significant actual and potential negative impacts on local communities	71	✓
<b>Public Policy</b>			
GRI 415: Public Policy	415-1: Political contributions	36	✓
<b>Customer Health and Safety</b>			
GRI 416: Customer Health and Safety	416-1: Assessment of the health and safety impacts of product and service categories	Note C	✓
	416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	23	✓
<b>Marketing and Labeling</b>			
GRI 417: Marketing and Labeling	417-1: Requirements for product and service information and labeling	64	✓
	417-2: Incidents of non-compliance concerning product and service information and labeling	23	✓
	417-3: Incidents of non-compliance concerning marketing communications	23	✓
<b>Customer Privacy</b>			
GRI 418: Customer Privacy	418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data	23	✓
<b>Socioeconomic Compliance</b>			
GRI 419: Socioeconomic Compliance	419-1: Non-compliance with laws and regulations in the social and economic area	23	✓

Note C: Does not apply due to the type of product of our company.



# THE GLOBAL COMPACT

## CONTENTS IN RELATION TO THE GLOBAL COMPACT PRINCIPLES

The following table shows the chapters of this report that provide the most relevant information regarding the 10 principles of the Global Compact, in addition to the one included on the management approaches of every GRI aspect. Each stakeholder can evaluate Gonvarri Steel Services' progress concerning these principles by the following this table:

Aspect	UN Global Compact Principles	Progress included in chapter
Human Rights	<b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights; and	<b>Drive: Sustainability</b>
	<b>Principle 2:</b> Make sure that they are not complicit in human rights abuses.	<b>Drive: Sustainability</b> <b>Drive: Efficiency</b> <b>Drive: Profitable growth</b>
	<b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<b>Drive: People</b>
Labour Rights	<b>Principle 4:</b> The elimination of all forms of forced and compulsory labour.	<b>Drive: Profitable growth</b>
	<b>Principle 5:</b> The effective abolition of child labour.	<b>Drive: Profitable growth</b>
	<b>Principle 6:</b> The elimination of discrimination in respect of employment and occupation	<b>Drive: People</b>
Enviromental	<b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges.	<b>Drive: Sustainability</b> <b>Drive: Efficiency</b>
	<b>Principle 8:</b> Undertake initiatives to promote greater environmental responsibility; and	<b>Drive: Sustainability</b> <b>Drive: Efficiency</b>
	<b>Principle 9:</b> Encourage the development and diffusion of environmentally friendly technologies.	<b>Drive: Sustainability</b> <b>Drive: Efficiency</b> <b>Drive: Innovation</b>
Anti-corruption	<b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.	<b>Our business</b> <b>Drive: Profitable growth</b>



# SCOPE CONSOLIDATION 102-45

## OF GONVARRI STEEL SERVICES AND SUBSIDIARIES

Scope of consolidation: the group was composed by the following companies at the end of 2017.

Subsidiary/ Associated company	Country	Subsidiary/ Associated company	Country
GONVAUTO THÜRINGEN, GMBH	Germany	GONVARRI MS CORPORATE, S.L.	Spain
GONVARRI AUTOMOTIVE GMBH	Germany	GONVASOLAR SL	Spain
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