

# Sustainability Update 2020



**ELG HANIEL**  
GROUP



# FACTS AND FIGURES 2020

ESTABLISHED

**1962**

HEAD OFFICE

**Duisburg, Germany**

TOTAL TONNAGE

**1,121 million metric tons**

TURNOVER

**EUR 1.33 billion**

LOCATIONS

**51 operations**

**20 countries**

**5 continents**

# SUSTAINABILITY UPDATE 2020

ELG has published a Corporate Social Responsibility (“CSR”) report since 2014 consistently applying the GRI standard. In the last full report, we provided you with detailed information and developments in 2019 within the ELG Group and our progress regarding Corporate Social Responsibility (CSR). This update report covers ELG’s developments in 2020.

2020 was an exceptional year due to the global COVID 19 pandemic. As a consequence of the measures implemented at the end of Q1 to contain the infection rates, business slumped drastically. The stainless steel (StSt) and aerospace business almost came to a standstill and supply chains in our sector emptied. In Q4 we saw a recovery in StSt tonnage sold but only to the volumes of 2019 – an exceptionally poor year for StSt. The aerospace industry demand for superalloys stabilised at a level below 50% of pre-COVID demand.

To protect our business and our people we decided to integrate a Corona Response Team („CRT“). The CRT has its ear to the ground on Corona issues around the world and can decide, initiate and implement protective measures at short notice within the group. On the following pages, we will go into more detail about these measures.

In 2020, ELG’s management also changed exceptionally. Our Chief Operating Officer (“COO”), Karsten Mueller left ELG for new opportunities, and handed over the responsibility for CR to Detlef Drafz, Chief Executive Officer (“CEO”). Our Chief Financial Officer (“CFO”), Dr. Silke Landwehrmann, also left and in June 2020 Mathias Rist joined the Board of Management as CFO. In November 2020, Detlef Drafz, our CEO for more than 8 years resigned from office and was succeeded by Dr. Donald Weir in January 2021.

As part of a strategic realignment, our Shareholder Franz Haniel & Cie. GmbH (“Haniel”) launched a project together with the management of ELG Haniel GmbH (“ELG”) to analyse strategic options for ELG. It is in line with Haniel’s practises to review and evaluate its own corporate portfolio and to adapt it to current market conditions. Following the analysis, a process to divest ELG was started.

Throughout this exceptional year of global pandemic, exchange of the complete Management Board and preparation of the company for sale, the focus on CSR was maintained and is now led by Donald Weir.

Please find an Update on our CR activities in 2020 and an outlook for 2021.

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## Operational Focus

### ELG's Carbon Footprint

Reducing greenhouse gas emissions and thus reducing the environmental impact is becoming an imperative: many countries and corporations have learned over the last years to quantify their emissions and are now committing themselves to become carbon neutral by the middle of the century or earlier. In the production of steel, lowering its overall environmental footprint is directly linked to the use of recycled materials and scrap – instead of virgin raw materials with their attendant mining and transportation emissions. ELG is proud to be a key contributor to the protection of our global resources through its inherent business model of trading and processing secondary raw materials for the stainless steel industry and for superalloys. The materials we supply, with the exception of carbon fibre, are immortal: if correctly recovered and sorted they can provide new material with the same properties as the scrap originally had. In addition, we strive to enhance this effect by modernising and upgrading to environmentally friendly equipment at our sites and thus control our direct emissions.

#### Progress

In 2020, ELG realized CO<sub>2</sub> savings of 4.12 million metric tons (Mill mt) by shipping approximately 1.07<sup>1)</sup> Mill mt of recycled materials in the form of stainless-steel scrap, titanium-, nickel- and cobalt- based superalloys as well as recovered carbon fibre.

To visualise this, we looked at the equivalent of trees. Trees absorb an average of 12.5 kg of CO<sub>2</sub> per year. So, to save one tonne of CO<sub>2</sub>, 80 additional trees would need to be planted. If we compare this to our tonnage, we would have to plant **329 million trees** to get our saved CO<sub>2</sub> values in comparison from virgin material to scrap.

Another analogy is wind turbines: the amount of electricity generated by a modern wind turbine saves about 10,000 tonnes of CO<sub>2</sub> per year when compared to gas or coal fired generation. Converted to our saved CO<sub>2</sub> values, this results in the equivalent of **412 wind turbines**.

1) Reflecting 95% of 2020 ELG group shipments of 1.12 Mill mt; calculation based on savings realized by recycling grade 304 and 316 stainless scrap, inconel 718 scrap, Ti6Al4V scrap and carbon fibre, other qualities were not taken into account in the calculation

To reduce our CO<sub>2</sub> footprint further we installed solar panels at our French and Australian yards to save one-third of the used energy and our French locations switched to an electricity supplier with 100% green energy. In Taiwan we installed dust collector systems to reduce air pollution.

A study conducted by German research institution Fraunhofer-Institut für Mikrostruktur von Werkstoffen und Systemen (“Fraunhofer – Institute for Microstructure of Materials and Systems”) in 2019 has estimated the societal benefit of using scrap in steelmaking. This so-called “scrap bonus”<sup>2)</sup> describes and converts avoided future environmental damage to monetary units. Through using scrap, this bonus can range between 158 and 502 € per tonne, depending on different scenarios. At present these environmental benefits are still not adequately reflected in the scrap and recycling market segments, for example, in the form of carbon credits or surcharges on raw materials.

## Radioactivity Alarms

Despite the positive environmental contribution, trading and processing of secondary raw materials also poses a challenge: radioactively contaminated material can enter the recycling cycle, for example, through medical or technical equipment that has not been disposed of properly. According to the corresponding „ELG Radiation Guideline“, employees at scrap yards are to be regularly trained on the subject so that only products whose radiation exposure is below the natural ambient radiation are delivered.

2) Link to the study: [https://www.bdsv.org/fileadmin/user\\_upload/Study\\_Scrap\\_Bonus.pdf](https://www.bdsv.org/fileadmin/user_upload/Study_Scrap_Bonus.pdf)

In terms of radioactivity alarms, 16 external alarms were recorded in 2020. This unfortunately is another increase over the 11 external alarms registered in 2019 and contrary to the downward trend of earlier years.

Each notification was checked and in this process, we discovered that we had an increased number of alarms with material of Russian origin at a particular customer. As a result, we optimized our equipment and processes in our warehouses, which enabled us to deliver material without complaint in the second half of 2020 to this customer.



Roman Busch, Yard Manager (Eisenlegierungen HgmbH – Duisburg, Germany)



## Employee Focus

### Health and Safety Measures at ELG to Protect our Employees

Health and safety is one of our key sustainability topics. It is also a pre-requisite for us to work. We believe that seeking to secure that each employee goes home safely at the end of each day is part of our duty as a responsible employer.

#### Progress

Health and Safety is one of the main priorities of our Chief Executive Officer and we have Health & Safety responsables for each of our locations.

We hold meetings of our Health & Safety responsables each month to review statistics, learn from individual incidents and identify the next steps to take in improving our safety performance. In addition, all Lost Time Injuries (“LTI”) are now reported to each Health and Safety responsible and the Board of Directors of ELG Haniel within 24 hours. If necessary, ad hoc meetings are held to analyse the accident and initiate countermeasures immediately before waiting for a root cause analysis.

Although we intensified our measures, a fatal accident occurred in April 2020. A fire occurred at our entity ELG Utica Alloys, Monroe, USA which tragically led to a fatal accident. We immediately stopped all work at this site and initiated extensive investigations. Among other things, we hired a forensic expert to begin an investigation with the Occupational Safety and Health Administration (“OSHA”) and a specialist to inspect the equipment. We offered psychological support for the colleagues at site. All processing of the specific material that caused the accident was suspended in order to protect our employees and to verify if there was an underlying hazard. The investigations have since been completed and after careful assessment, we were able to re-start operations.

At a Lost Time Injury Frequency Rate (“LTIFR”) of 15.6 we were close to the 2020 group-wide target of 15.00. Compared to 2019 LTIFR was almost 4% lower (2019: 16.25). For 2021, we have set ourselves a more ambitious target: Halve the previous year’s figure and take this as the new target (2021 target: 7.8).

2020 was marked by the „SARS-CoV-2“ (Covid/Corona) pandemic that prevailed worldwide. As early as February 2020, when the rapid increase in the number of cases outside China became apparent, we established a group task force (Corona Response Team; „CRT“) to decide on measures to protect our employees from potential infection. These measures included:

- Rolling out a group-wide pandemic plan
- Information page on the intranet
- Weekly group-wide Corona status reports, including the number of suspected and confirmed cases within the group, as well as closures of sites
- Download area on the intranet for posters with extensive information on the virus



Through this proactive set-up of a CRT and measures, we have been able to keep the infection numbers within the ELG group on an overall very low level. Nevertheless, we unfortunately had to record the death of one employee related to Corona.


We further took forward looking actions and enabled staff to work from home through providing them with necessary equipment for mobile working, setting up the IT infrastructure and regulations for tele-working. We took comprehensive protective precautions for our site workers: disinfectants at central positions, equipping them with mouth and nose masks, setting up plexiglas screens as protection wherever necessary. We have also distributed posters with Q&As to give our workers advice on how to protect themselves from infection.

As a group, ELG and its group companies participated in the so-called Haniel Corona Fund. Set up by our Shareholder Haniel, this fund is to provide financial security for colleagues in financial distress and allowed for applying for support in an unbureaucratic manner.

Despite Corona, other initiatives concerning health and safety have been carried out. In the UK, the Sheffield operation has been successfully certified to ISO 45001: 2018 – Health and Safety Management System.

For our social responsibility, ELG in Taiwan donated to the elementary school for their school projects and its employees also voluntarily donate to charities periodically. ELG in France, handed out donations related to the Covid-19 crisis of in total € 15,000 to recipients chosen by the colleagues (e.g. local firefighters, or hospitals in France and Italy).

To improve ourselves, we launched an employee survey in 2020 for the direct feedback obtained, we have derived certain measures to become an even more attractive employer. 2021 will see a continuation of the survey to make sure the measures are working appropriately.



## Compliance Focus

### Awareness Enhancement

Compliance is an essential part of ELG´s Code of Conduct (“The Six Principles of ELG”) and therefore a top priority of our management and stakeholders. Consequently, ELG and its management are committed to compliant, fair and ethical behaviour at all times.

In our last full Sustainability Report 2019, we have described our Compliance Initiatives in some detail.

ELG Group’s central compliance tool and fundament for all compliance efforts remains our ELG Compliance Management System („ECMS“). This state-of-the-art compliance system is fully implemented and continuously assessed and improved. We use the ECMS to train our employees on compliance-related matters in order to raise their awareness for this key topic.

### Progress

Based on our Risk Mapping we have continued to conduct several Tone-From-The-Top, Face-to-Face and virtual trainings, compliance workshops and awareness-sharpening measures regarding our “key compliance risks”, our “6 Principles of ELG” as well as our “Rules of Procedures” throughout the year.

In addition, and for the first time, we conducted a Compliance Culture Audit at ELG where we have interviewed 70+ key employees from various Group entities to measure compliance awareness within the ELG Group. The outcome showed a consistently high sensitivity for compliant and ethical behaviour among the interviewees.

Furthermore, we have updated our Compliance Risk Matrix for all ELG legal entities. In order to avoid an „ivory tower compliance“ and instead provide a holistic approach that takes into account all relevant information and perspectives, we have taken a combined top-down and bottom-up approach, which included relevant stakeholders (local management), to identify and implement Compliance-related measures.

The e-learning campaign has been continued as well. After conducting the modules “Prevention of Corruption”, “Anti-Discrimination”, “Antitrust Law” and “Data Protection” in the previous years, we will roll out new e-learning modules covering even more compliance-related topics in 2021 (i.e. “Anti-Money Laundering”, “Fraud Awareness”, “Whistleblowing”).

To support the various trainings on antitrust, we additionally launched a worldwide antitrust flyer campaign to raise and increase the awareness on antitrust-related risks. Those “Competition Do’s and Don’ts Flyers” have been sent to all ELG locations worldwide and shall give guidance to our employees in their day-to-day business.



To further support our employees and to give them the opportunity for inquiries in cases of uncertainty the email address “[compliance@elg.de](mailto:compliance@elg.de)” was introduced by ELG’s Legal Department.

We continued the „Shared Matters@ELG Campaign“ (a project to inform our directors & employees about acute topics of relevance for the entire ELG Group) and our Fraud Prevention Campaign (“[fraud@elg.de](mailto:fraud@elg.de)”) to prevent ELG from fraudulent attacks.

ELG's Compliance Committee (ELG Board, Group Compliance Officer and Group Internal Audit Officer) discussed the compliance efforts 2020 and determined the compliance priorities for 2021.

One major compliance effort in 2020 was the successful implementation of three compliance policies:

- **Anti-Corruption Policy:** In order to make our contribution to an ethical business environment, we are committing to fair business practices without compromise and strongly support the global efforts to fight corruption and bribery in all its various forms. To emphasize the importance of this matter and to provide our employees with detailed guidance on our expectations on compliant behaviour, we have implemented a new Anti-Corruption Policy in 2020.
- **Anti-Money Laundering Policy:** In addition, a new Anti-Money Laundering Policy and improved KYS procedures have been implemented to effectively combat all types of money laundering and to set the guard rails for ELG's requirements for compliance in this regard.
- **Whistleblower Policy:** Following the successful rollout and implementation of these policies, the new Whistleblower Policy was introduced end of 2020. With this policy we are protecting and encouraging all employees who are willing to speak up freely and without the fear of repercussions should they come across unethical, illegal or any other behaviour that is contrary to ELG's values.

The group intranet was used to increase the reach of compliance initiatives. All compliance-relevant initiatives and information are published on the group legal & compliance page in the group intranet.

In summary, compliance is an essential part of ELG's DNA and ELG Management promotes and constantly demands a highly developed compliance culture within the whole ELG group, a canon of values characterized by compliance and its internalization by local managers and employees around the globe.

In order to remain one of the pioneers market leading companies in the stainless steel recycling industry, ELG Haniel Group not only adapts to constantly changing external circumstances, but also continues to develop internally. The next step is to strengthen the company from within by adapting the internal structure by means of even closer cooperation.

In 2020, a structure was implemented in which, three strong divisions under the ELG Group formed the core businesses:

**ELG Stainless AMER APAC**, whose operating area are America and Asia-Pacific  
**ELG Stainless EMEA**, under which Europe, the Middle East and Africa are combined  
**ELG Utica Alloys**, which undertakes the superalloy business worldwide.

In 2020, ELG adjusted the structure to empower the divisions, working together even closer as one ELG and to be closer to the customers and started a transformation-project to achieve this aim.

In this context, we created a Transformation Office that works closely with our Board. We identified a number of change initiatives that would enhance our competitiveness and reduce the impact of the market downturn due to Corona. Small working groups, led by the Chief Transformation Officer („CTO“) and co-ordinated by the Project Management Office („PMO“), are working on these initiatives to strengthen our core performance and make us even more competitive.

Due to Corona and the resulting lockdown of some countries to protect them from wider infection, the market slumped in some areas. The aerospace segment was particularly hard hit as international travel fell substantially. As a result, the sold quantities have dropped compared to the previous year (1.3 mt).

## OUTLOOK 2021

In 2021, we will further work on our initiatives to drive our transformation program forward and strengthen our core. Corona will also continue to be with us and many initiatives are aimed at stabilising our business in the face of the resulting market downturn.

Our transformation covers all of our major processes: we are looking in detail at our supply chains, our internal processes and our customer focus. We have started with global initiatives in 2020 and will be taking a closer look at programs specific to the respective regions in 2021. Digitalisation is also picking up pace and there will be a project on this as well.

As mentioned in the HSE section, this remains one of our top priorities. In 2021, we will welcome our new HSE head on board, who will drive new processes to secure higher level of HSE performance. In the future, we want to start even before an LTI occurs. Not only to reach our 2021 target, but also to protect our employees even more, we will incentivise ‘near miss reporting’ and launch management (gemba) walks.

In the compliance area, we have also rolled out a number of initiatives to enhance awareness. Among other measures, we will launch a global anti-money laundering campaign, roll out new e-learning and conduct face-to-face trainings. We will also include compliance-related questions in our next eNPS-survey to measure compliance awareness and to check if our compliance Trainings and e-Learnings were successful. An eNPS survey, with the topic „What has improved compared to the last survey“ aims to strengthen ELG to continue to be an attractive employer.

We are striving to renew or integrate our certifications (e.g. at ELG Utica Alloys: ISO 45001-H&S and ISO 14001-Environment; ELG France: ISO 45001-H&S) and are preparing accordingly for the audits.

As sustainability and environmental protection are becoming more and more important, we have decided to work with Ecovadis to conduct an ESG rating. We are optimistic that we will be able to present the results of this study in our CR report for 2021.

As mentioned in the foreword, our shareholder Haniel has launched a project that will also examine possible sales scenarios. According to the project plan, this project should be completed in May 2021.



## ACKNOWLEDGEMENTS

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