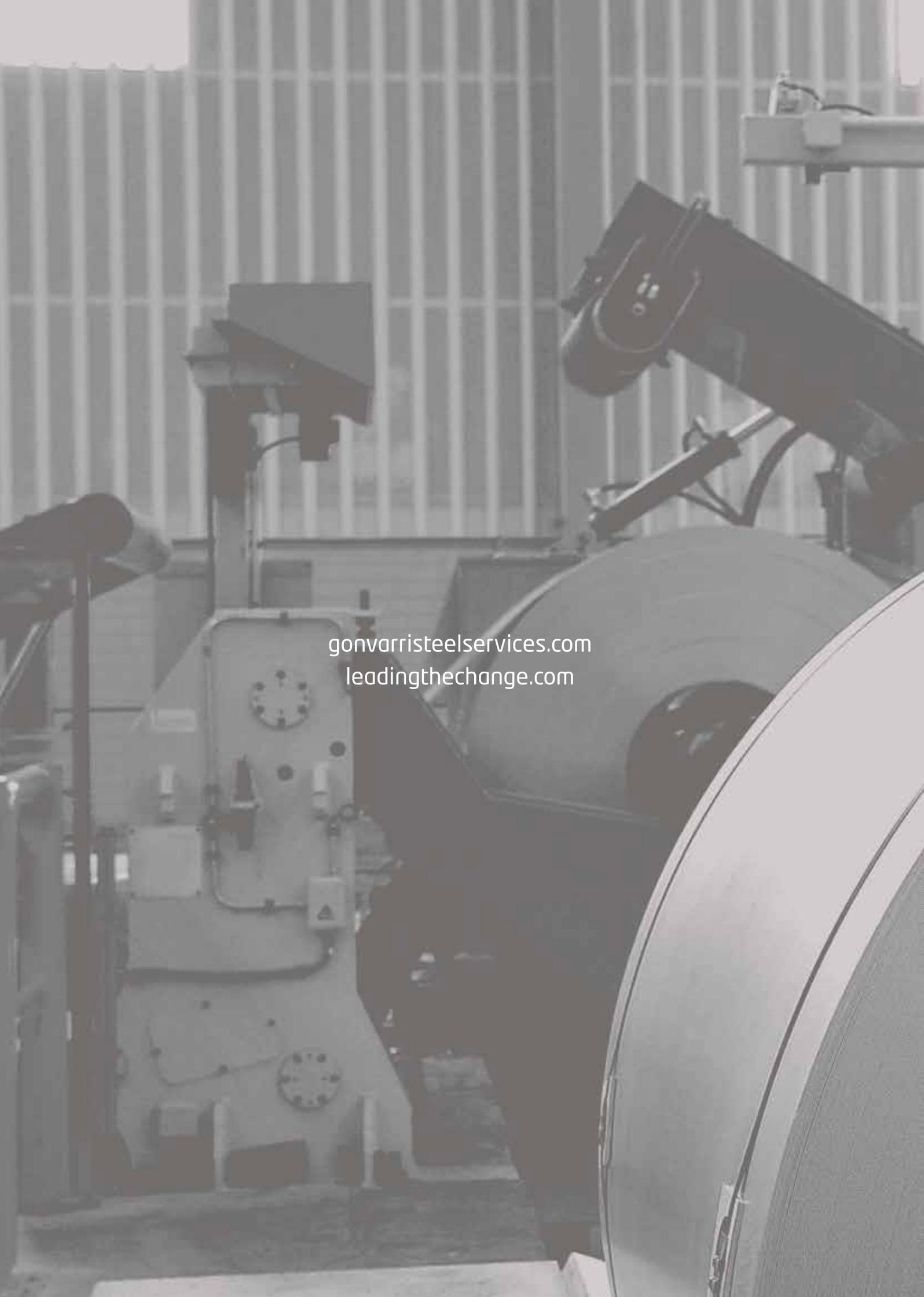




**Gonvarri**  
Steel Services

Sustainability Report  
2016



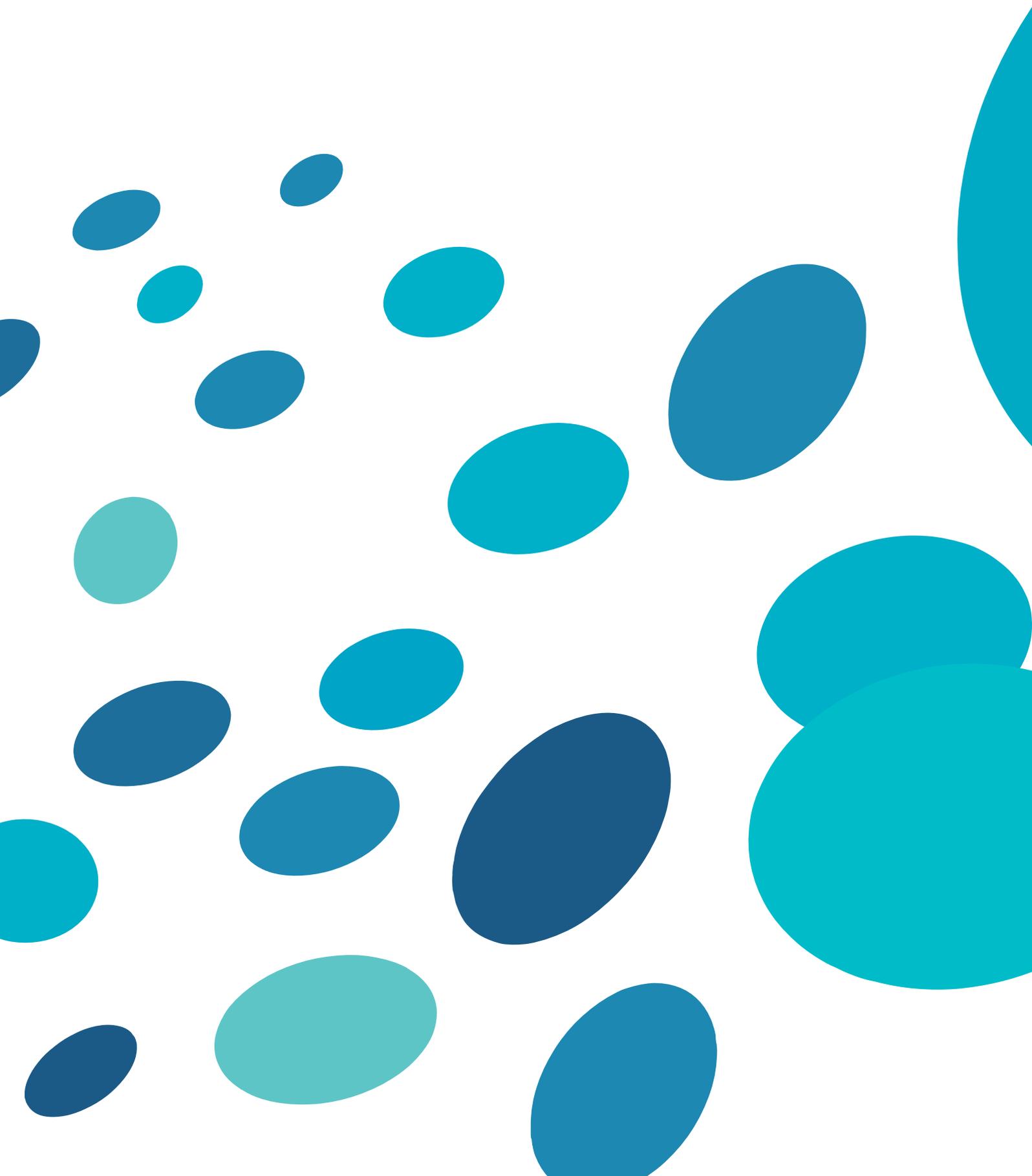
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**Gonvarri**  
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## Part I

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# Strategy and analysis

## A Word from the President

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Dear readers,

It is with pleasure that I introduce the Gonvarri Steel Services **2016 Sustainability Report**, setting out the key features of our performance model as a responsible and sustainable company, in accordance with the guidelines established by the Global Reporting Initiative (G4 version) and the principles of the **United Nations Global Compact**, regarding which we have renewed our support and adhesion.

The contents of this Report focus essentially on an analysis of the demands of stakeholders, and hence those aspects that are material for Gonvarri. Said information has been externally reviewed by an accredited, independent body.

Gonvarri Steel Services once again last year registered **sustainable growth**, as reflected in our economic results, with turnover amounting to 2,345 million euros, an EBITDA of 155 million and a net consolidated result of 94 million euros, allowing us to address new challenges.

Our aim is to be a **leading company** in the flat steel transformation business worldwide. In accordance with this objective, in 2016 we increased our presence in Central Europe and embarked on our venture in China, together with our partner Vama.

Another major milestone was the launch of the new **"Drive" Management Model**, with a route map based on four strands: Innovation, Efficiency, People and Sustainability, so as to contribute to the development of the company and the well-being of all our professionals.

**"Innovation"** is a fundamental strand of our Management Model. Our aim is to foster the creation of a culture of innovation as a lever for growth and value creation at the company. In order to meet this challenge, the "Innovation Area" was set up, defining the innovation flow that will allow us to ramp up potential innovative and business-focused ideas.

Through the **"People"** strand, we help create stable, quality employment. Our Human Resources Department develops numerous initiatives in the field of diversity, work-life balance, health and sport, etc., all covered by our **"Growing Together"** programme.

Safety and occupational risk prevention are key aspects at the Company. Particular mention should be made in this sphere of the increase in the number of training hours by **19.3%** compared with the previous year, and the promotion of various projects, including **"Safety Tips"** and **"Top 5"**, intended to improve awareness as regards safety.

Meanwhile, our values and culture are tied to value creation beyond financial returns. As a result, following the approval in 2015 of the **Sustainable Development Goals (SDGs)** and the

Climate Agreement (Paris-COP 21), we developed numerous initiatives focused essentially on the strands of “**Efficiency**” and “**Sustainability**” to help achieve these aims.

As regards the **Sustainable Development Goals (SDGs)**, our commitment focuses essentially on:

- Active contribution to reducing deaths and injuries through traffic accidents (SDG 3.6) and the provision of safer transport (SDG 11.2), from two perspectives.

Firstly, innovation, design, manufacturing and installation of products for **roadway equipment**, intended to improve the protection of highways and to minimise possible harm in the event of impact, and the development of safer vehicles using new materials.

Meanwhile, through the development of numerous initiatives connected with the “**Emotional Driving**” project, including in particular: publication of the book “Emotional Driving: reflections to understand road safety with optimism”, and the creation of a web series of four motivational chapters for safer driving: “Experience”, “Life”, “Attitude”, “Help”.

Meanwhile, our “Emotional Driving Book Challenge” extends the project internationally, spreading the word through social media and the involvement of our employees as regards the programme content. We likewise staged two new roadshows with employees at the Gonvauto Thüringen (Germany) and Gonvarri Portugal factories.

To allow all the content to be accessed, we improved the mobile app and updated the website, [www.emotionaldriving.com](http://www.emotionaldriving.com), which houses all the information regarding this programme.

- Progress towards the goal of doubling the global energy efficiency improvement rate (SDG 7.3) and the various initiatives to address climate change (SDG 13.2).

At Gonvarri we believe that our factories should play an active role in dealing with climate change, and we have therefore implemented a range of initiatives in the sphere of **Energy Efficiency**, along with innovation projects to develop lighter products that help reduce CO<sub>2</sub> emissions, as well as highly efficient solar structures, thereby indirectly avoiding such emissions, through our contribution to the generation of renewable energy.

I lastly wish to thank all the professionals who make up Gonvarri Steel Services for their commitment, optimism and hard work in achieving and surpassing our expectations day by day.



Jon Riberas  
President

## A Word from the CEO

G4-1

Dear friend,

It is once again a pleasure for me to introduce the Gonvarri Steel Services **Sustainability Report 2016**, summarising the progress made and the challenges overcome.

2016 was a key year for the Gonvama project in **China**. Gonvama has been created through a 50% stake held alongside our partner VAMA, a Chinese steelmaker which is in turn 50% owned by Hunan Valin Steele and ArcelorMittal. It is with great satisfaction that we have opened the first of four factories in Loudi, in the province of Hunan. This plant will soon be joined by those in Shenyang, Changshu and Chongqing, while the Changshu and Loudi factories may well be expanded in 2017. The aim is that they should all be operating at full capacity by 2018.

During the year, we likewise expanded **our presence** in Europe, focusing on 3D laser cutting operations at Brandenburg, with substantial growth at Gonvarri Czech and the launch at Gonvauto Thüringen of two new blanking presses. The first allows us to strengthen the production of silhouettes for hot stamping, while the second is a hybrid model offering greater versatility by adding exposed part and aluminium silhouette cutting solutions to our portfolio.

At Gonvarri Poland, meanwhile, following the investments made we expect to increase our output volume by more than 70% from 2017 onwards. We have meanwhile strengthened management at the plants in Turkey and Colombia, and implemented a substantial adjustment plan in Brazil. All of which allows us to look ahead to 2017 with tempered optimism.

Although 2013-2015 was a difficult period because of the global crisis, the low price of steel and surplus supply, in the second half of 2016 steel registered a very significant upturn as a result of the rise in the main **raw materials**, above all iron ore and coke, and a reduction of some of the overcapacity installed in China, along with anti-dumping measures imposed by the EU, Mexico and Canada on Chinese and Russian steel.

These macro factors, together with the consolidation of certain internal measures to improve our efficiency and management, and the notable recovery in Spain/Portugal and Turkey, resulted in fulfilment of the **financial forecast** set for 2016 in terms of revenue, profitability and net financial debt. This allows us to continue progressing, with a portfolio of stable investments and projects focused on value generation for our different stakeholders.



In 2016 we also defined the company's scalable and sustainable "Drive" management model. The model is structured around profitable growth with four operational strands: **Innovation, Efficiency, People and Sustainability**. In turn, each strand has various developmental initiatives defined, as described throughout the report.

At Gonvarri we are committed to **innovation**, with the aim of responding to the new challenges imposed by the market as regards reduced emissions, increased competitiveness, digitisation and the development of new sustainable mobility solutions.

Our focus on the sphere of strategic innovation targets five priorities, including the **enhancement of our products** in terms of materials and functionalities, the **optimisation and development of processes**, incorporating new digital solutions at our production centres, in accordance with the **4.0 paradigm**, while aiming to extend the product and service portfolio within our **value chain**, all supported by the development of a **culture of innovation** that permeates the whole company.

One of the most prominent Innovative Initiatives is the **Gonvarri 4.0** project, developing technological solutions that deliver **productivity, quality and safety** (key aspects for the group), and facilitate the working method of GSS professionals, for example through mobility solutions for employees.

In 2016 we saw a slight upturn in **accident figures**, making it all the more necessary to implement new measures and give renewed momentum to risk prevention at Gonvarri, both our internal personnel and subcontractors. To this end, numerous initiatives are being developed and subcontractor supervisory systems improved, so as to provide safe working environments.

To guarantee our regulatory compliance and prevent potential incidents regarding ethics and corruption, we are reviewing and reinforcing the current "**control mechanisms**" through the new Internal Audit area. Implementation is scheduled for 2017.

Meanwhile, we continue to progress in our commitment to collaborate with the **Sustainable Development Goals (SDGs)**, through the following initiatives:

- Our "Emotional Driving" project, by means of which we encourage more reliable driving and the development of safer vehicles, along with measures to improve road safety. All of which makes an active contribution to reducing deaths and injuries through traffic accidents (SDG 3.6), and the provision of safer transport (SDG 11.2).
- Our commitment to address "climate change" through a range of initiatives and Energy Efficiency plans, and the development of more lightweight products that help to reduce CO2 emissions. Both contribute to the goal of doubling the global energy efficiency improvement rate (SDG 7.3) and the various initiatives to address climate change (SDG 13.2).

Lastly, all that remains is for me to thank the entire **team** of Gonvarri Steel Services for their inestimable contribution, commitment and effort, in helping to ensure that this company continues to achieve sustainable and solid growth.

**Josu Calvo**  
CEO Gonvarri Steel Services

# Strategic plan 2016-2018

G4-1



Gonvarri Steel Services is a company founded in 1958, and leads the market in the transformation of flat steel and aluminium, with more than 50 years of experience.

We manufacture various products grouped into **three business lines**: Automotive, Industry and Metal Structures, including such lines as Road Steel, Solar Structures, Almaceno (Logistics) and Mecano.

Ever since it was founded, the company has registered considerable growth. It currently comprises 35 plants in operation and 6 under construction, spread across 16 countries.

The 2016 financial year marked the end of the 2013-2015 Strategic Plan, and the launch of the new **2016-2018 Strategic Plan**, in line with our purpose and mission.

The Strategic Plan establishes the priorities through a new management model, known as **"Drive"**, which will power Gonvarri towards fulfilment of its profitability and growth goals over the coming years.

The management model is based on people, on the efficiency of continuous process improvement, in particular efforts as regards innovation, while at all times maintaining a focus on sustainability.

The main strands of Drive are described below:

## Purpose

Doing **well** by doing **Good**  
Doing **well** by doing **GSS**

## Mission

Our Mission is to improve the Performance of our Customers providing Innovative and Sustainable Metal Solutions based on a World Wide highly Collaborative Organization.



## Main effects, risks and opportunities

G4-2

Gonvarri Steel Services continues to progress through sustainable growth in numerous countries. It is therefore subject to various risks inherent to its operations as a result of the cultural and legal obligations in those countries where it operates.



In 2016 the “**Internal Audit**” area was formally established, along with the launch of a project intended to develop the new “**Compliance Model**”, with the aim of improving mechanisms for monitoring, measurement and control of risks stop The application of this model is initially planned for Spain, while it will subsequently be rolled out across the other countries.

The development involves a diagnosis of the baseline situation for the design of the operational framework, taking into account the regulations in force in Spain, with the 2015 reform of the penal code being particularly significant, along with regulations regarding compliance, and specifically anti-bribery, in both the USA and the United Kingdom.

Completion of the model and implementation in Spain are scheduled next year. This will, among other aspects, and tail the underpinning of internal controls, the modification and adaptations of the current instruments and the development of new control and oversight mechanisms.

In this regard, work began in 2016 to draw up a general “**Risk Map**” for the whole group, focused essentially on the identification of the risks associated with our activity. In 2017, in collaboration with the areas involved, new controls were adapted for design so as properly to manage and minimise the risks identified.

The main risks identified in 2016 are summarised below:

## ► Business risks

For the **viability and development analysis** in the different countries in which we operate or plan to operate, the business model establishes the methodology to be followed so as to have access to the required information as to potential investment risks. It likewise includes an evaluation of the possible regulatory risks derived from changes in the regulations established by the various governments (environmental and tax legislation, local procurement, etc.).

The **Business Development Department**, in collaboration with the departments involved (finance, legal, technical, environmental, etc.) analyses the possible risks and contingencies, with the aim of establishing a complete overview of the situation. If the operation is viable, collaboration is requested from an external company specialising in Due Diligence, to perform a more in-depth viability analysis.

With all this information and the possible scenarios in place, the potential risks and means of mitigation are analysed. Our CEO and Chairman present this information before the **Board of Directors**, which reaches the relevant decisions in this regard.

To minimise this risk, the Group has arranged insurance **policies** with leading companies to cover the risks derived from its activities, protecting its assets, and also its sales of products and services to clients.

Any problems that might give rise to damages suffered by said clients are duly covered by Civil Liability policies, along with potential environmental damage, likewise covered by specific policies for this type of risk.

### Opportunities

Our factories have a **local economic impact**, above all those located in developing countries. They allow us to generate new business opportunities for local suppliers and services; we create jobs in the region, helping to improve the local economy; and we provide economic resources for public authorities by paying our taxes.

## ► Financial risks

Our activities are exposed to various financial risks. The risk **management programme** focuses on mitigating the uncertainty of financial markets and aims to minimise the potential adverse effects on financial returns.

Risk management is handled by the **Finance Department**, which identifies, evaluates and arranges cover for financial risks in accordance with the policies approved by the Board of Directors. The Board provides policies for global risk management, and also for specific areas.

Below we summarise the **most significant financial risks**:

### Market risks

**Defined as the exposure of results and assets** to a possible loss caused by variations in the fair value or future cash flows of financial instruments as a result of changes in market prices, interest rates or exchange rates.

**Exchange rate risk:** the company operates internationally, and so is exposed to exchange rate risk through operations in currencies other than the Euro in the various countries where it operates.

In order to mitigate this impact, the company has in place an exchange rate risk management policy, which takes the form of periodic reports detailing all flows receivable/payable in non-euro currencies over a specific period and in accordance with results. On occasion, financial hedging instruments are incorporated to allow for greater flexibility.

The different plants achieve natural hedging against this exchange rate risk, by aiming to perform both purchases and sales in a strong currency (€ or \$), while the cash management department also frequently arranges exchange rate insurance serving to minimise the impact of foreign exchange fluctuations on our financial statements.

**Exchange rate risk from cash flows and fair value:**

as the companies do not have any major remunerated assets, revenue and cash flow from operating activities are fairly independent of variations in market interest rates. This risk is derived from long-term external resources, and is mitigated through the simulation of various scenarios, taking into account re-financing, renewal of current positions, alternative financing and hedging.

The Group, in its relationship with certain **OEM clients**, maintains agreements to peg the prices of the services it provides to the Euro currency, as in the case of Argentina, Russia and the United Kingdom. The aim in such situations is to neutralise the effect of exchange rate variations that could apply to the local currencies.

Meanwhile, it maintains **interest rate hedges** to cover variations in the Euribor. These hedges are arranged at the Group level, the aim thereby being to hedge a substantial proportion of all Loan and Credit facilities arranged with financial entities and which have the Euribor as a component of the cost of finance.

Meanwhile, intra-group financing operations are typically formalised in euros from the parent company, **GCF Matrix**, with the borrowing subsidiary bearing the exchange rate risk if its local currency is not the Euro.

Individual cases, such as finance from Poland for its subsidiary in Arizona, have been formalised in dollars, and implemented by taking the bank finance in dollars as the counterpart, with natural hedging being applied.

Commercial purchase/sale operations are hedged to avoid fluctuations in the exchange rates in which orders are placed, the reference being the US dollar.

**Credit risks**

**Credit risk** is handled by groups. This arises out of cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, and above all accounts receivable.

The risk is **mitigated** by means of the consideration of internal and external ratings in accordance with the limits set by the Board, and the constant review of credit limits. Insurance is likewise arranged for collection from certain clients where the Risk Department deems this advisable.

**Liquidity risks**

The risk entails holding sufficient **cash and tradable securities**, along with the availability of **finance** and the capacity to **liquidate market positions**.

The Group's Cash Management Department has the mission of maintaining **flexibility** in terms of finance through the availability of committed credit facilities, while Senior Management monitors the companies' forecast liquidity reserves.

**Opportunities**

At Gonvarri Steel Services we view operations in different countries as representing a **competitive opportunity**, as well as proximity to our customers that allows us to "offset" those risks or incidents that could arise in certain countries, through others that enjoy greater solidity, and through profitable and sustainable growth.

## ► Operational risks

### Risks derived from activities

This section includes the possible risks derived from technological or quality failures, management problems, etc.

In order to minimise these risks, we develop numerous **improvement , monitoring, measurement and efficiency initiatives**, such as, for example: the Gonvarri Production System ('SPG'), as part of the Integrated Management System (IMS), obligations derived from

quality standards (ISO 9000) and automotive standards (ISO-TS 16949).

We also have contingency plans in place so as to be able to react to serious faults in our critical machinery, as well as extensive insurance cover, allowing us to address this type of eventuality.

Given their significance in 2016, the next two pages detail the analysis, design and implementation of the **Integrated Management System (IMS)** at Gonvarri.

### Opportunities

Through the project to improve monitoring and control mechanisms, and the generation of the "**Process Map**", an in-depth review of the company is being undertaken so as to detect potential risks and opportunities for improvement, as developed in the **IMS (Integrated Management System) project**.

Meanwhile, through our **Road Steel** operations we are hard at work researching and engineering to deliver the very best solutions in our product, and thereby contribute to minimising harm on the highway in the event of accident.



# Project: Integrated Management System 2016/2018

G4-2

## ► Risk identification

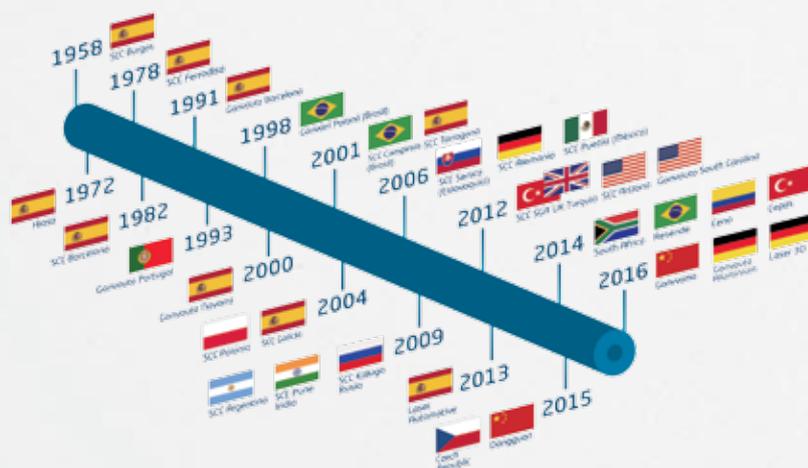
The position that Gonvarri Steel Services now enjoys is the result of a **corporate vision** that has successfully anticipated trends and adapted to different market situations, responsible and sustainable management, achieving substantial growth and presence worldwide.

Nonetheless, along the way the **risk** connected with the retention of the company's know-how and experience was identified, as well as the alterations that can occur upon transfer to other cultures and ways of working far from the firm's origins.

All those who comprise Gonvarri build up over the course of their working lives both theoretical and practical **know-how** that cannot be allowed to vanish, as it is essential for the proper progress of the company.

Through this, we manage to prevent the experience acquired from being lost in many cases as a result of inadequate organisation, registration and transfer, so as to maintain forever the standards that have made Gonvarri what it is today.

In order to minimise this risk, in line with our Strategic Plan, in 2016 the **IMS (Integrated Management System)** area was set up. It has a two-fold purpose: (1) establish robust working systems that prevent this culture and know-how from being dispersed or lost, and make it available to the company as a whole, so that it **can be passed on free of risk**, and (2) guarantee **continuous improvement in the future**.



## ► Definition of measures

The IMS (Integrated Management System) project is presented as a set of **Key Processes** that comprise our basic knowledge of the business, compliance being mandatory throughout the organisation, documented and with self-checking mechanisms by means of the relevant controls and recommendations, within the context of the continuous improvement of **4 subsystems** focused on continuous improvement, which are integrated and fully consistent: **Health and Safety, Environment, Quality and SPG (Lean Manufacturing)**.

## ► Key Processes

The 16 Key Processes were selected by the entire Senior Management team of GSS from a Process Map of the organisation, by means of a **detailed analysis of the potential risks** that could give rise to economic, operational or reputational harm to the company.

These processes are summarised below:

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

Once the **16 Key Processes** were established, in 2016 the project entered the phase of setting up the 16 specific working parties, establishment of the working methodology, gathering of information and the review of the scope of each of the Processes.

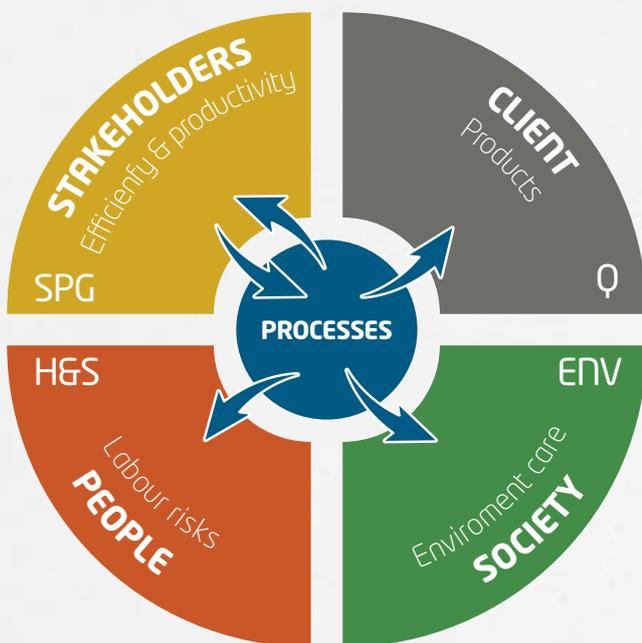
This project involved painstaking selection of some 150 professionals at Gonvarri who are most familiar with the business, representing all the countries, companies and functions of the organisation.

The project is being coordinated by a new function (**BTM, or Business Technology Management**), made up of personnel with in-depth knowledge of both the business and the Information Systems that underlie it. As the owners of the **16 Key Processes**, BTM will lead the alignment of our IT efforts with this new structure.

## ▶ Continuous improvement system

Historically, the **Health and Safety, Environment and Quality** management systems have been structured in accordance with reference standards (at present, OHSAS 18001, ISO 14001 and ISO/TS or IATF 16949). To supplement this, in 2008 the **SPG Gonvarri Production System** was deployed, with the aim of improving efficiency in all our activities and providing a set of reliable tools for continuous improvement.

The 4 systems have been comprehensively rolled out at each and every one of the Group's factories.



Over recent years, multiple convergences have been found to exist among all the management systems identified, along with the synergies which were ultimately to become the Key Processes.

As a result, in 2016 an **in-depth review** was performed of the content and methodology of all the 4 subsystems, which will allow us to design and integrate unified and global processes, based on rigour and efficiency, within a framework of safety, quality, and respect for a sustainable environment.

All individuals at Gonvarri must be fully familiar with the **key processes** of our business, and must deploy them **efficiently**, in a **safe and sustainable** environment, fulfilling the **quality** standards of our customers.

## ▶ Roll-out

In order to guarantee the proper functioning of the IMS project, the figure of **"IMS Regional Manager"** has been established, responsible for linking the local teams up with corporate IMS initiatives, providing feedback on the whole system through their proximity to the business, as well as the horizontal distribution of both resources and good practices within each of the Regions into which the company is organised.

In parallel, the profiles of both local and corporate coordinators of the four subsystems are being redefined to facilitate the exploitation of any synergies detected.

The ultimate aim is to have in place a **uniform IMS focused on Key Processes**, properly implemented all our operational sites prior to the conclusion of the current 2016-2018 Strategic Plan.



## ► Social and environmental risks

Growth forecasts indicate that over the coming decades the world's population will shoot above 10 billion, reaching 8.5 billion by 2030, and 9.7 billion by 2050, according to calculations by the **United Nations (UN)**, mainly as a result of demographic growth in developing countries, above all in Africa.

This growth means more intensive use of the available natural resources, products and services, and hence a greater **environmental impact** and increasing atmospheric **emissions**, because of the growing number of vehicles.

To minimise this impact, GSS has in place Environmental Management Systems in accordance with standard **ISO 14001** and its Environmental Performance Index ('ICA') at all its facilities, thereby helping to mitigate these risks and comply with environmental legislation. It furthermore incorporates the principle of precaution and continuous improvement to the Code of Ethics and Conduct, the Environmental Policies of the different factories, and the Sustainability Policy.

### Opportunities

Within this context, the forecasts indicate that over the coming years there will be a substantial increase in the world's stock of vehicles. We therefore incorporate improvements that contribute to more efficient production, by developing our products with a reduced impact.

At GSS we see this as a challenge and a business opportunity, through **innovation and new technologies**. One clear example may be seen in the Automotive division and the activities of Solar Steel which, among others, through the Gonvama JV are manufacturing welded silhouettes that help reduce the weight of components and allow more light weight and stronger materials to be used, thereby assisting in the production of lighter, safer and less polluting vehicles, along with lighter solar structures, that improve the profitability and efficiency of solar farms.

## ► Health and safety risks

Health and safety is a priority objective for the company. The model is based on **Integrated Prevention** in accordance with the Health and Safety Policy, which must be fulfilled on a mandatory basis and applies to all professionals at the company's facilities, as well as the achievement of the requirements and obligations established in the health and safety management system in accordance with standard **OHSAS 18001**, for which most facilities have certification or are in the process of obtaining this.

## ► Reputational, ethical and human rights risks

Derived from possible behaviour in violation of the guidelines established in policies and codes as regards human rights, ethics and anti-corruption.

In order to minimise this risk, Gonvarri Steel Services develops a range of **policies and initiatives** such as, for example, the Code of Ethics and Conduct, the Behavioural Code for the Offering of Incentives, Gifts and Invites, the Harassment Prevention Guide, the Integrated Environment, Quality and Health and Safety Policy, and the Sustainability Policy. Meanwhile, whistleblowing mechanisms are in place to resolve any conflicts that might arise in this sphere.

Information is available at: [www.gonvarristeelsservices.com/codigo-etico](http://www.gonvarristeelsservices.com/codigo-etico)

No risks were identified in 2016 connected with child labour, threats to freedom of association or forced labour (G4-HR4, G4-HR5, G4-HR6).

### Opportunities

By monitoring and measuring all aspects connected with occupational health and safety, along with initiatives proposed by employees, numerous **opportunities for improvement** have been detected, as summarised in the Social Dimension chapter, and the section on Health and Safety.

## ► Risks connected with confidentiality and privacy

### Information Security

At GSS we are convinced that information has become a **strategic asset** for businesses and for people.

As a result, we establish the mechanisms required to safeguard privacy of information and to protect client and supplier data, and also to manage and properly to process documentation in accordance with its level of relevance, and so as to underpin security, the information security procedures are periodically reviewed, and the system is continuously tested to guarantee robustness.

In 2016, the following initiatives were conducted, among others, to improve the security policies:

- **Periodic scanning** of the systems to identify external and internal vulnerabilities and to correct these in accordance with their level of criticality.
- **Diagnosis** of information security and risks, based on standard ISO 27000.

During 2017 we will develop the relevant measures to adapt to the **new Spanish Data Protection Act**, which will probably take effect in May 2018. This will entail the appointment of a data protection representative and a more horizontal supervisory level to address information protection.

To reinforce awareness and training among group employees, training initiatives and campaigns were staged. Of particular note was the **"Anti-Phishing"** campaign conducted in November 2016, with the aim of detecting the degree of vulnerability, and raising employee awareness about this type of attack. Training sessions were subsequently held to address prevention and protection techniques at corporate offices and at the plants, given the risk that this new type of criminality represents for people and assets.

### Business Process Support

Systems are a **fundamental element** in executing business processes. To this end, the IT Department centralises the Group's infrastructure and communications services, while conducting transformation projects in parallel to align systems with the company's growth and new processes, placing the focus on business support, efficiency, and profitable and sustainable growth.

These services are managed with third parties, in accordance with an impartial process to publish the specifications dossier, followed by the receipt and evaluation of bids, and finally selection in accordance with quality criteria for business support and IT systems efficiency.

In this regard, the Systems area has played a role both in the **incorporation** of new companies within the group, GSS Gonvama, GVS Dongguan-Sumitomo and GSS Czech Republic, along with the new challenges faced by the organisation in its strategy of innovation and improved productivity and efficiency:

- **Energy Efficiency improvement programme**
- Development of the strategy and launch of a plan focused on the new **"Industry 4.0"** paradigm.

### Opportunities

By means of diagnosis and the established monitoring and control mechanisms, numerous opportunities for improvement have been detected, and these are now being gradually implemented, underpinned by training and communication. All of which will allow us to adapt to the new **requirements of the Data Protection Act**.

## Most significant risks in 2016

In 2016, Gonvarri Steel Services faced different risks derived from the market situation in the countries where it operates, which have at the global level had no significant impact on the results for the financial year, thanks to diversification across different markets.

Below are summarised the most significant risks identified:

The **volatility** of the price of raw materials, directly influenced by the sudden upturn in iron ore, and to a lesser extent zinc, with an impact on the rise in steel prices, and hence the valuation of the stock available at the plants, above all in the second half of the financial year.

The **scarcity** of supply throughout the supply chain. Although there is still installed capacity for steel production, essentially in China, the anti-dumping measures imposed in

such jurisdictions as the European Union, Mexico and Argentina, along with price rises, have had a negative impact on steel supply and availability.

Increasing pressure from customers as regards price requires that **margins** be tightened at every step of the supply chain.

The situation in **Turkey**, both because of the staging of various electoral processes that have led to a suspension of public works procurement, and the conflicts in neighbouring countries and the consequent migration crisis, with millions of refugees attempting to reach Europe, Turkey being one of the main routes of access, thereby limiting its natural export markets.

Similarly, the **variability** of the currencies of some countries where we have significant operations could have a negative impact on the balance sheet.

The successive scandals in the automotive sector connected with CO<sub>2</sub> emissions and the impact on diesel vehicles.

The reform of the **steelmaking sector** in China, leading to the merger of various steel companies, along with the closure and conversion of others, could have an impact in the future, as partners of the company Hunan Valin Steel.

The **"Brexit"** referendum in the United Kingdom and its departure from the European Union (EU) suggest that, among other impacts, there will be a significant increase in export prices, and a probable sterling devaluation. Meanwhile, as the output from our plants in the UK (four in operation and one under construction) is intended almost entirely for the local market, the impact is not expected to be significant.



# Organizational profile

## Name, headquarters, brands, most significant services and products

G4-3 and G4-5

**G**onvarri Corporación Financiera, S.L. (hereinafter Gonvarri, or GSS) was founded in 1958, performing its operations in the manufacture, transformation and sale of steel products and metals connected with steelmaking.

At its **service centres**, steel and aluminium are subjected to a series of high-tech processes allowing the product to comply precisely with client needs, fulfilling at all times the most rigorous standards.

The main headquarters is located at:  
**Prolongación de Embajadores, s/n**  
**28053 Madrid - Spain**

In terms of activity and geographical position, the company is grouped into:

### LatAm

It includes facilities of MAG Resende, AMG Campinas and AMG Paraná in Brazil and Gonvarri Argentina.

### NAFTA

It includes facilities of Gonvauto in Puebla (Mexico) and South Carolina (USA).

### Central Europe

It includes the German facilities of Laser Automotive Brandenburg and Gonvauto Thüringen, Laser Automotive Thuringen and Gonvarri Aluminum and facilities of Gonvarri Poland, SG Kaluga (Russia), Gonvarri Czech (Czech Republic) and AMG Senica (Slovakia).

### Gonvarri Metal Structures

It includes facilities of Hiasa and Gonvauto Asturias (Spain), GMS Arizona (USA), Gonvarri Turkey, Gonvarri Colombia and Bilbao office (Spain).

### Gonvauto Iberia

It includes facilities of Gonvauto Navarra, Barcelona and Galicia (Spain).

### Asia

It includes the facilities of GAIL-PL Pune (India) and the China facilities of GVS Dongguan and Gonvama Loudi since 31.12.16 and the factories of Shenyang and Changshu are under construction.

### Misceláneos

It includes the offices of: Financial Corporation, Italy, Morocco and GonvaSolar

### Western Europe

It includes the Spanish facilities of Ferrodisa, Laser Automotive Barcelona and Gonvarri in Barcelona, Burgos and Tarragona and facilities of Gonvarri Portugal and Steel & Alloy UK.

## Our brands and products

G4-4

Gonvarri Corporación Financiera, S.L. operates under one single brand, “Gonvarri Steel Services”, adapted to the various plants and business lines. They all have in common the use of the same logo as the company’s corporate hallmark.



**Gonvarri**  
Steel Services

The various plants maintain this logo and include the name of the facility accompanied by the main brand “Gonvarri Steel Services”, or for those that are mainly engaged in the automotive sector, the main brand “Gonvauto”.

The company also **shares its brand** with its partners at the following plants: SG Kaluga (Russia) with Severstal, in Brazil, (AMG Parana and AMG Campinas) and Slovakia (AMG Senica) with ArcelorMittal, at MAG Resende in Brazil with Mitsui and ArcelorMittal, and in China, with our partner Vama.

Gonvarri produces various formats grouped into **three business lines**: Automotive, Industry and Metal Structures, including such lines as Road Steel, Solar Structures, Almaceno (Logistics) and Mecano. They all have their corresponding trademark brands, as set out under indicator G4-8.



# Worldwide Presence in 2016

G4-4 and G4-6

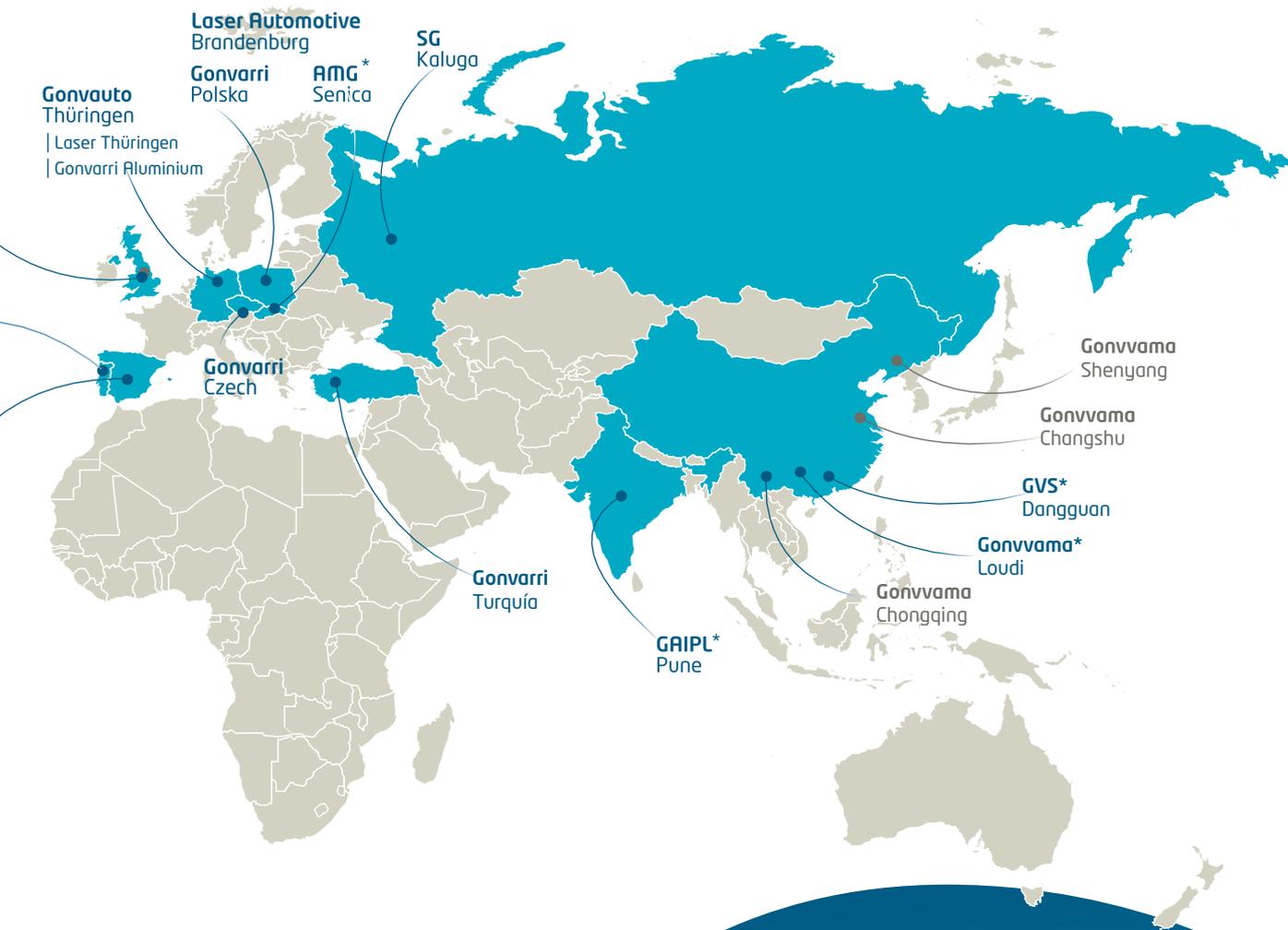


■ Facilities under operation

■ Facilities under construction (In 2016, 6 new facilities begins to be built)

Information updated on February, 2017

\*Not included in the scope of the report



Countries



Operational  
facilities



Professionals

**GSS GLOBAL PERIMETER**

PERIMETER OF THE SUSTAINABILITY REPORT

**16**

13

**35**

30

**4,200**

3,026

## Ownership structure and legal form

G4-7

The corporate structure of Gonvarri Corporación Financiera is 100% owned by **HOLDING GONVARRI, S.R.L.**

The subscribed capital stock at 31 December 2016 amounts to "two hundred and one million five hundred and thirty-eight thousand one hundred and seven euros and ninety-five eurocents" (€201,538,107.95), represented by six million seven hundred and six thousand seven hundred and fifty-nine shares of a par value of 30.05 euros each, all subscribed and paid up.

The company is not listed on the Stock Market.

## Main figures

G4-9

The main consolidated figures are summarised below:



The products and services offered by the company are summarised under indicators G4-4 and G4-6.

\* The facilities corresponding to the perimeter of the Report are considered.



# Markets

G4-8

The company is present in **16 countries**, allowing us to cover the entire global market. We likewise continue to invest in our service centres, with new production lines as demand increases.

Sections G4-4 and G4-6 provide further information on the divisions and countries where GSS has a presence.

The **main initiatives** in 2016 are summarised below:

- The new hybrid lines and 3D laser cutting lines installed in **Central Europe** (Laser Automotive Brandenburg, Gonvauto Thüringen and Gonvarri Czech) are now fully operational. This investment allows us to increase product and service quantity and quality, above all in Europe.
- A new steel press was installed in **South Carolina**, and another hot stamping press at **Gonvarri Burgos**.
- As for the new **Gonvama plants in China**, the situation is as follows:
  - Gonvama Loudi now has a manual cutter, welding and ablation laser, allowing us to improve welding conditions, and already in operation;
  - Gonvama Shenyang and Changshu have a press at each plant for hot stamping, welding equipment and an ablation laser machine. The canopy and flooring will be practically finished 1 December 2017.
- Construction of 3 new facilities is planned: **Gonvarri Baja California (Tijuana)**, **Steel&Alloy Oldbury (UK)** and **Laser Automotive Valencia (Sagunto)**.



Gonvama Changshu



Gonvama Shenyang



Gonvarri Baja California



## ► Business lines

### Automotive

It accounts for 69% of sales. We supply flat, tube and 3D laser cut steel to the main Tier 1 OEMs in the automotive sector, and major stamping producers.

Automotive activity is the most significant, and is undertaken at all GSS facilities, except in Colombia, Arizona and Turkey. Over recent years we have also been supplying aluminium from our facilities in South Carolina, Barcelona and Senica.



### Industry

We develop a range of formats and products, such as: storage tanks for fuels and chemical products, ad hoc structures, and a wide range of steel products, tailored to the demands of our industrial customers. Our main customers are connected with the electricity, oil and chemicals sectors, household appliances, etc.

Industrial operations are performed mainly in Spain/Portugal, Brazil and Colombia, and to a lesser extent in Poland and Germany.



## Metal Structures

The Metal Structures business line includes various operations and products, as summarised below:



### Road Steel

This develops practically all vehicle containment systems for highways, along with anti-noise screens and sound-absorbent cladding for tunnels, rigorously complying with all standards and with a great many patents in place, and as a result the main customers are connected with major construction companies and public authorities.

These Road Steel operations are performed mainly at Hiasa (Spain), Turkey and Colombia



### Solar Steel

It designs and develops fixed and mobile solar structures, as well as lampposts and electricity pylons.

Our main customers are companies involved in solar farm development and construction (EPC), electricity companies and public authorities, through the Solar Steel operation.

Solar Steel operations are mainly performed at Hiasa (Spain), Arizona, Turkey and Colombia.



### Others

At our facilities in Colombia we develop other products through the Mecano and Almaceno (logistics) business lines.

**Mecano:** develops cable tray, bus bar trunking and profile systems, with appropriate accessories in accordance with customer requirements, for use both in industry and households, mainly for such sectors as mining, oil and energy, although products are also available for the industrial and commercial sector.

**Almaceno (Logistics):** designs, manufactures and assembles integrated storage systems, intended for companies that as part of their processes require storage of raw materials, products being processed, and finished products, as well as companies in the logistics sector and/or major retailers. In other words, all companies that require storage at some stage of their management process.

# Employee workforce

G4-10

## Direct and indirect employment

In 2016, the workforce was made up of **3,026 professionals** (87.3% men and 12.7% women), distributed across 13 countries, the number being 3.3% higher than the previous year. A total of 608 external professionals likewise collaborated with us.

The enclosed graph indicates the distribution of direct employees by region and gender.

COUNTRY	Direct employment				External Professionals			
	2015		2016		2015		2016	
	Men	Women	Men	Women	Men	Women	Men	Women
Germany	84	18	158	27	19	0	55	0
Argentina	42	6	42	7	0	0	0	0
Brazil	184	52	200	50	3	0	5	0
Colombia	262	55	257	42	98	6	119	4
Spain	1,215	126	1,226	131	271	4	289	9
USA	103	22	90	14	6	0	3	0
México	97	11	68	10	24	3	27	8
Poland	58	15	71	20	0	0	0	0
Portugal	59	18	62	16	12	0	15	1
U.K.	171	23	162	21	23	1	16	0
Czech Republic	24	12	36	20	1	5	2	1
Russia	53	12	49	11	4	1	6	0
Turkey	195	13	222	14	33	0	48	0
<b>TOTAL</b>	<b>2,547</b>	<b>383</b>	<b>2,643</b>	<b>383</b>	<b>494</b>	<b>20</b>	<b>585</b>	<b>23</b>

Stability in employment is a priority. In the 2016 financial year, 90.7% of the workforce had a **permanent contract**, and 96.3% a **full-time contract**.

Type of employment	N° of employees			
	2015		2016	
	Men	Women	Men	Women
Full-time	2,518	343	2,565	347
Part-time	46	23	78	36
Kind of contract				
Permanent	2,330	330	2,402	343
Temporary	226	44	241	40

## Employees covered by collective agreements

G4-11

In most cases, the rights and obligations of GSS professionals are set out in collective agreements. However, matters related with inherent corporate organisation, the legislation of each country, or even local practices and customs mean that certain groups are expressly excluded from the scope of such agreements.

69% of GSS employees in Brazil, Germany, Argentina, Mexico, Portugal, UK and Spain are covered by a **collective agreement** (in some cases, senior management is excluded from these agreements). Meanwhile, some countries have other supplementary agreements setting out specific working conditions, such as for example the Union Pay Negotiation in the UK, the Company Agreement in Spain, etc.

In the USA this formula is replaced with a **"Handbook"** covering 100% of employees. This is a guide setting out

employment conditions, indicating behavioural standards in accordance with the context and local legal requirements, stating the rights and duties of employees in aspects connected with recruitment processes, working hours, absence, salaries, social benefits, leave, etc. The employees covered by the handbook in the USA represent 5% of the total GSS workforce.

For employees not covered by either of these two modes, their conditions are set out contractual terms in accordance with the internal **employment legislation** of the country in question.

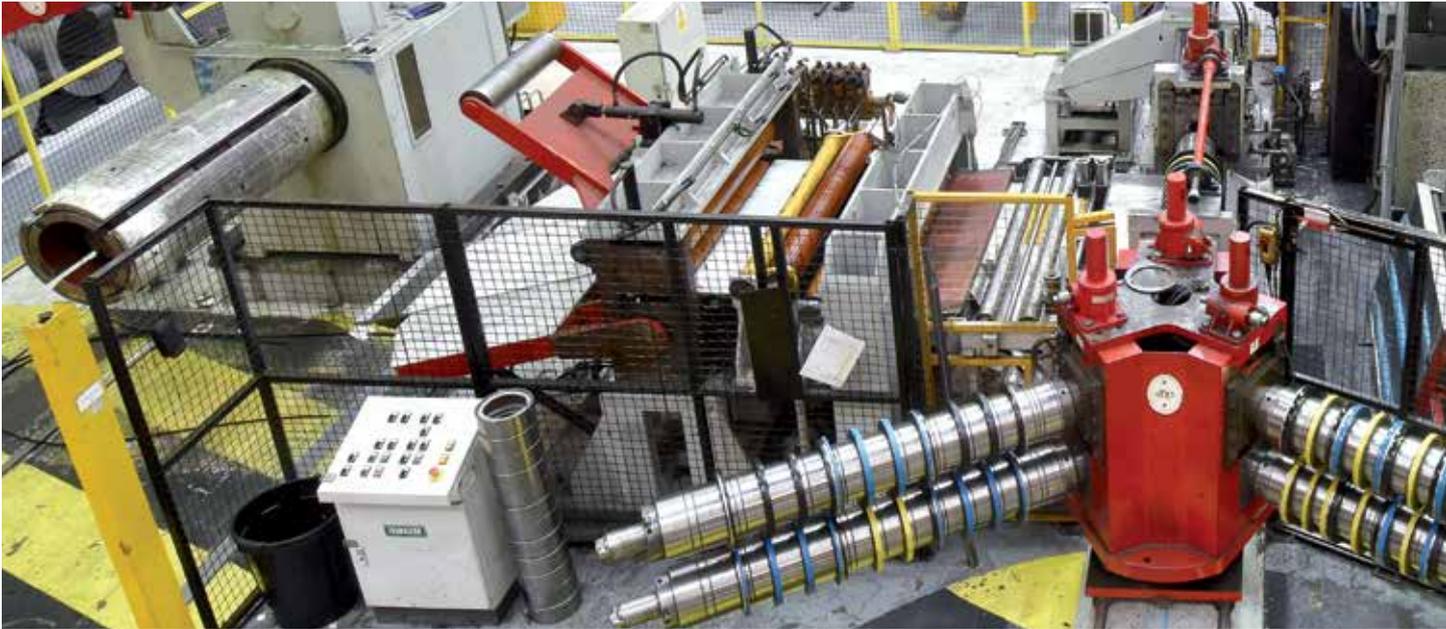
In Poland, for example, they comply with what are known as the Work Regulations and Payroll Regulations, which all employees must sign. This accounts for the remaining 26%.



# Supply chain

G4-12 and G4-EC9

At Gonvarri Steel Services, the process of purchasing, the procurement of external services, and the corresponding approval and administration of suppliers **makes a distinction** in accordance with the type and volume of the purchase:



## ▶ Steelmaking purchases

Steel is the raw material most used at the facilities, followed by aluminium, usage of which is gradually increasing.

In both cases, these purchases are centralised via the **Corporate Purchasing Department**, which coordinates with the factories in accordance with the forecast orders, customer requirements and the available stock. All steelmaking purchase suppliers are evaluated annually.

## ▶ Non-steel purchases

Covering major purchases of other commodities, materials and services needed for the various plants, requiring substantial negotiation given the volume they represent.

These purchases are mainly conducted via the **Supplier Portal**. These suppliers currently do not undergo standardised approval.

## ▶ Local purchases

Minor, non-steel purchases are performed **independently at each facility**. Although the same approval criterion is not applied, the supplier and contractor selection and evaluation process is always conducted on an impartial, rigorous and objective basis. As for the availability of environmental, social, human rights and employment criteria, they are handled differently at the various factories.

In all cases the payment terms with suppliers and subcontractors are properly defined and set out in writing on the basis of pre-established criteria that are periodically monitored and revised.

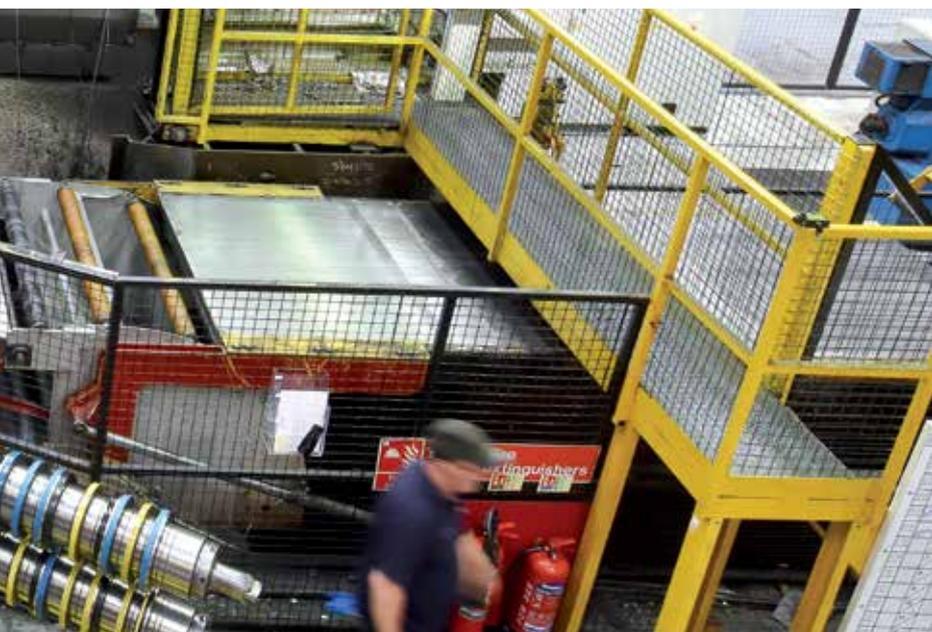
## Significant changes

G4-13

In 2016, Gonvarri Steel Services **expanded** its presence in Central Europe with the lines already in operation at Laser Automotive Thüringen, Laser Automotive Brandenburg and Gonvarri Czech, as well as the new presses in South Carolina and at Gonvarri Burgos.

In China, the Gonvama Loudi and Dongguan plants are already operational, while Gonvama Shenyang and Changshu scheduled to start up in 2017. The Gonvama Chongqing is only at the earthmoving phase.

A new plant is also under construction in Tijuana, another at Steel & Alloy in Oldbury, UK, and another at Laser Automotive in Valencia.



### ▶ Local suppliers

In 2016, the total expenditure on suppliers amounted to 2,384,934.2 thousands of euros, **70% of which corresponded to suppliers local.**

Below is set out the percentage distribution by country:

COUNTRY	Thousand euros	2016
Germany	230,478.5	85%
Argentina	15,831.0	39%
Spain	1,225,179.3	78%
USA	30,264.5	81%
Mexico	56,935.1	31%
Poland	5,545.4	5%
Portugal	64,073.7	56%
Czech Republic	6,578.2	85%
Russia	36,930.2	70%
<b>TOTAL</b>	<b>1,671,815.9</b>	<b>70%</b>

\*Information about Brazil, Turkey, Colombia and UK not included.

## Principle of precaution

G4-14

The company incorporates the **principle of precaution** through the Code of Ethics and Conduct, the Environmental Policy and the Sustainability Policy, including the commitment to protect the environment and achieve continuous improvement.

It furthermore mitigates its environmental impact by monitoring and measuring the aspects and impacts derived from its operations by means of the Environmental Management Systems and the Environmental Performance Index ('ICA').

# Collaboration with external initiatives

G4-15

Gonvarri Steel Services aims to **participate in social action initiatives and projects** aligned with its business and corporate culture, and that make an effective contribution to the well-being of Society. These include, among others, the following:



## United Nations Global Compact

In January 2014, GSS signed up to the United Nations Global Compact, fulfilling all the requirements necessary in order to renew its commitment in 2016.

The company's aim is to promote and implement the 10 universally accepted principles in the fields of human rights, labour regulations, the environment and the business strategy of companies.



## Lo Que De Verdad Importa (LQDVI) Foundation

In 2013, we signed our first ever agreement with the LQDVI Foundation, whose purpose is to promote the development and dissemination of universal human, ethical and moral values among the general public, by staging congresses intended for young people, along with other cultural initiatives.



## AESLEME (Association for the Study of Spine Injuries)

We have worked in collaboration with AESLEME since 2014. The association's purpose is the prevention of accidents and their consequences, social awareness raising as regards the problems faced by people after an accident, and improvements to their quality of life, by offering them psychological and legal support.

# Associations and organizations

G4-16

## CORPORATE LEVEL

- » 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

## GONVAUTO BARCELONA AND GONVARRI BARCELONA

- » Foment del Treball
- » Patronal multisectorial de Empresas Catalanas (CECOT)
- » Clúster de Automoció de Catalunya
- » Unió 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'usuari del Transport de Catalunya
- » FERRODISA
- » Clúster de Automoció de Valenciana- Asociación Valenciana de la Industria de Automóvil (AVIA)

- » Asociación Empresarios Camp de Morvedre (ASECAM)
- » Federación del Metal de Valencia (FEMEVAL)
- » Unió de almacenistas del hierro de España (UAHE)

## GONVAUTO GALICIA

- » Asociación de Industriales Metalúrgicos de Galicia (ASIME)
- » Clúster del Automóvil de Galicia (CEAGA)

## GONVAUTO NAVARRA

- » Asociación de Empresarios del Metal (ANEM)
- » Asociación de la Industria Navarra (AIN)



## John XXIII Foundation for mental disability

We have since 2007 been collaborating with this foundation, which was set up to improve the quality of life of adults with learning disabilities, helping to promote their social integration.

Its main actions focus on organising activities allowing them to learn to achieve self-development and form relationships where they live, the management of an adapted occupational training centre, and job searches for people with disability.



## World Central Kitchen (WCK)

We have since 2013 been supporting the activities of World Central Kitchen WCK is a charity with the mission of pursuing sustainable solutions to eliminate food insecurity and malnutrition through sustainable food and local enrichment, focusing on regions suffering humanitarian disasters.



## Spanish Alzheimer's Foundation

We began our commitment to the Foundation in 2010, with the aim of providing information and guidance for people suffering the symptoms of the condition, along with their family and loved ones, obtaining technical and health care support for those affected, promoting research into the illness and undertaking all manner of initiatives helping to develop the treatment available for degenerative brain conditions.



## Seres

We began to collaborate with the Seres Foundation in 2010. Seres is an entirely private foundation the purpose of which is to assist companies that play a more significant role in improving society. To this end, it undertakes initiatives to encourage companies to help create value and play their role as key agents in resolving social problems.

### 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/GONVAUTO ASTURIAS

- » Federación de Empresarios del Metal y Afines del Principado de Asturias (FEMETAL)

### GONVARRI TARRAGONA

- » Asociación Provincial de Empresas del Metal de Tarragona (APEMETA)

### 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 GERMANY

- » Initiative Erfurter Kreuz

### STEEL&GALLOY

- » Confederation of British Metal Forming

### GONVARRI TURKEY

- » TOD GALVADER
- » KASIAD

### GONVAUTO PUEBLA

- » CANACINTRA (Cámara Nacional de la Industria de Transformación)
- » RIPTAC (Relaciones Industriales De Puebla y Tlaxcala A.C.)

### GONVAUTO SOUTH CAROLINA

- » HR Association Chamber of Commerce

# Identified material aspects and boundaries

## Coverage

G4-17

The scope of the Report contains the information and data corresponding to the 2016 financial year (running from 1 January to 31 December). Where reference is made to information beyond this financial year, it will be clearly indicated in the corresponding section.

Compared with the previous financial year, we have not extended the scope of the report. With regard to the new factories under construction in China, qualitative information and financial information are included. The remaining information will be included next financial year.

Likewise excluded are the AMG Seneca, MAG Resende (Brazil) and GAIPL Pune facilities, as they are managed by the corresponding partners.

As for limitations on the information, this is reported for those indicators so requiring as "unavailable".

## Content, scope and principles

G4-18

The Sustainability Report and the Materiality Study have been drawn up in accordance with principles established in the Guide for the generation of sustainability reports produced by **Global Reporting Initiative**, in version G4.

For the definition of the content and scope, consideration was given to all Gonvarri Steel Services activities.

The 2016 Materiality Study allowed us to identify the most significant aspects for our stakeholders. The second part of the Report provides extended information on the material topics.

The Materiality Study, as well as the GSS "Drive" Management Model, will be annually reviewed and adjusted and considered applicable during the period 2016-2018.

The Report has been drawn up in accordance with the "Principles" to determine the content of the report established by GRI, as summarised below:

- **Participation of stakeholders:** over the course of this section, the stakeholders are identified and the company's response indicated.
- **Sustainability context:** the Report presents the performance of the organisation within the broader sustainability context.
- **Materiality:** the Report sets out and develops in Part 2 the material aspects reflecting significant economic, environmental and social effects.
- **Comprehensiveness:** the Report addresses the organisation's performance in all material aspects and their coverage.

## Reformulations and significant changes

G4-22 and G4-23

No significant changes occurred in comparison with the previous year. The minor changes are indicated in the corresponding subsections.

# Scope and coverage of material aspects

G4-19, G4-20, G4-21 and G4-27

## ► Process of execution of the materiality study



### A Identification of relevant aspects

The internal and external context of the company was analysed. For the external context, a benchmark based on companies in the sector was in place, so as to detect trends in terms of sustainability, along with the section regarding "Automobiles and components" from the document "Sustainability Topics for Sectors: What do stakeholders want to know?" (GRI, 2013) which takes into account the opinions of sectoral associations, the third sector, international agencies and authorities, major companies and analysts, along with the result of the 2015 Materiality Study. No external feedback was received on the Sustainability Report. The identification was applied to 32 topics, and following this initial analysis, the 25 most relevant ones were selected.

### B Prioritisation

These 25 topics were **weighted** on the basis of their importance and impact on sustainability, by means of an analysis that evaluated their importance through a twofold focus, including the internal and external perspective of the company. Prioritisation took into account relevant information and the main stakeholders, as summarised below:

#### Within the company:

- Analysis of the content and objectives of Gonvarri Steel Services in its Management Plan.

- Contractual commitments entered into by the company and internal management tools and policies
- Internal prioritisation of the different issues conducted by Senior Management (heads of the main departments, and CSR supervisors and managers at each plant).

#### Outside the company:

- Evaluation survey of material topics for employees (online and on paper), involving a significant percentage of the workforce.
- Most relevant topics for associations and companies in the sector, in the main regions where it operates.
- Presence of the identified issues in the press.
- Analysis of information and requirements of the main customers and suppliers as regards sustainability.

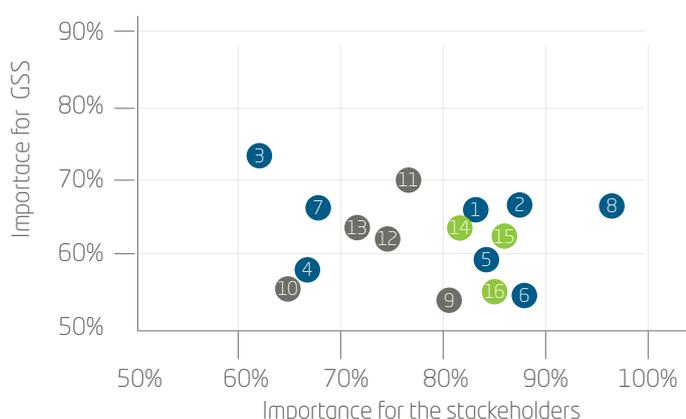
### C Validation

The topics identified were ultimately **reviewed and approved** by the CEO.

### D Review

Furthermore, following publication of the Report appropriate mechanisms will be established in order to be able to obtain feedback.

Following this process, **16 material issues** were defined, as summarised below:



#### ECONOMIC DIMENSION

- ① Ethics, integrity, anticorruption and regulatory compliance
- ② Risk management
- ③ Development and financial soundness
- ④ Responsible supply chain
- ⑤ Client management and satisfaction
- ⑥ Technology and innovation
- ⑦ Quality
- ⑧ Product: environmental impact and security

#### SOCIAL DIMENSION

- ⑨ Talent attraction and retention
- ⑩ Communication
- ⑪ Health and safety at work
- ⑫ Human rights
- ⑬ Road safety

#### ENVIRONMENTAL DIMENSION

- ⑭ Use of raw materials and dangerous products
- ⑮ Energy: consumption and efficiency
- ⑯ Climate change and CO<sub>2</sub>

The table on the next page details the material topics identified, and their impact for the stakeholders.

MATERIAL ASPECTS (G4-20, G4-21 AND G4-27)	IMPORTANCE
<b>GOVERNMENT-ETHICS</b>	
Ethics, integrity, anticorruption and regulatory compliance	Companies are currently required to comply with standards of ethics and integrity in their management. A failure to do so involves exposure to significant risks as regards competitiveness, reputation and possible penalties.
Risk management	The companies are exposed to different types of risk (financial, environmental, reputational, etc.). It is particularly significant to identify and manage these to ensure control, mitigation and appropriate response.
<b>ECONOMIC MANAGEMENT</b>	
Development and financial soundness	Maintaining a relevant position in the markets, with proven solvency, along with diversification in terms of products and locations, as well as experience and know-how, all help towards financial soundness, growth and sustainable development.
Responsible supply chain	The proper management of the supply chain, maintaining lasting and stable relationships with suppliers, promotes quality and good performance on the part of the company. Meanwhile, customers increasingly demand compliance with environmental, ethical, safety and human rights requirements throughout their supply chain, allowing the economic development of the regions where operations are performed.
Client management and satisfaction	Customer satisfaction is a key factor in corporate survival. Elements such as quality, prompt delivery, communication and the efficient handling of grievances help to develop and guarantee client satisfaction, by forging strong and lasting relationships.
<b>ENVIRONMENTAL</b>	
Use of raw materials and dangerous products	More efficient usage of resources provides both an ecological benefit, by reducing the negative impact on the environment, and at the same time an economic benefit, by reducing the costs associated with purchasing, transportation, storage and management of waste, in the increasingly significant "Circular Economy".
Energy: consumption and efficiency	At companies, energy efficiency measures are undergoing substantial development given their benefits from both the economic perspective (cost reduction), and in environmental terms (reduced emissions).
Climate change and CO <sub>2</sub>	Climate change is a fundamental aspect of the future, hence the growing need to establish strategies and objectives that will help arrest global warming in all spheres, including the business world.
<b>PEOPLE AND EMPLOYMENT</b>	
Talent attraction and retention	So as to maintain and improve their competitive position, companies need to attract new specialist talent and personnel, allowing them to innovate and improve their operability, while they furthermore need to develop measures to maintain teams and retain know-how. Talent attraction and retention are a strategic goal.
Communication	Internal and external communication is essential for the functioning of companies. The positive effects are clear: it improves competitiveness and adaptation to change, increases the motivation of employees, and their commitment and dedication to their tasks, generating an inclusive working climate.
Health and safety at work	Given their huge importance, occupational risks are a strategic aspect for companies. Addressing these challenges requires: identification and mitigation of any possible risks that could arise, awareness-raising among all personnel, and the strengthening of accident prevention and health promotion measures.
Human rights	Respect for human rights is a risk factor various countries. Companies therefore use their human resource policies and the demands they place on suppliers to play a decisive role in protecting human rights and improving working conditions.
<b>LOCAL COMMUNITY</b>	
Road safety	Traffic accidents are one of the greatest causes of mortality. Travel by employees to their places of work or during working hours therefore constitutes a potential risk that companies can help to mitigate through awareness-raising, education and road safety plans.
<b>PRODUCT</b>	
Technology and innovation	There is growing demand for new products with enhanced characteristics that will comply with new legal and market requirements. Innovation is a strategic tool in addressing this aspect.
Quality	Product quality is of critical importance, since it guarantees customer satisfaction and improves brand perception, representing a significant competitive advantage.
Product: environmental impact and security	The marketplace increasingly demands more efficient, safer and greener products. This aspect is therefore increasingly important companies.

Which stakeholders consider this matter to be the important?	RESPONSE
Management, Contractual Undertakings, Policies and Strategies Sector, Media, Employees, Clients and Suppliers.	Part 1 - General standard disclosures Part 2 - Economic Dimension
Management, Contractual Undertakings, Policies and Strategies Sector, Media, Employees, Clients and Suppliers.	Part 1 - General standard disclosures Part 2 - Economic Dimension
Management, Contractual Undertakings, Policies and Strategies Sector, Employees, Clients and Suppliers.	Part 2 - Economic Dimension
Management Sector, Media, Employees, Clients and Suppliers.	Part 1 - General standard disclosures Part 2 - Economic Dimension
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Management, Contractual Undertakings, Policies and Strategies. Sector, Employees, Clients and Suppliers	Part 2 - Economic Dimension

# Stakeholders engagement

## Collaboration between stakeholders and the company

G4-24, G4-25 and G4-26

The **identification and selection** of the company's stakeholders was performed by means of an internal reflection process at the Sustainability Department, supervised by the directorial team, identifying as stakeholders all groups and organisations that could influence or be influenced by the company to a significant degree. The process began with the first Sustainability Report in the year 2013, and is reviewed annually.

At Gonvarri, our relationship with our stakeholders takes into account two aspects: from the perspective of social responsibility, responding to their expectations and needs, and from the perspective of reputation, managing stakeholders' perceptions of the company.

As a result, for each stakeholder group identified, **specific mechanisms** are established to facilitate active dialogue, allowing us to respond more swiftly and efficiently to trends and needs, as summarised below:

### Shareholders

- » The General Managers of each area periodically report to the CEO.
- » Each quarter, the company's most significant results and aspects are included on the order of business of the Board of Directors.

### Suppliers

- » Annual supplier evaluation surveys.
- » Periodic "delivery planning and complaints management" meetings.
- » Visits to their facilities so as to plan improvement actions.

### Employees

- » Satisfaction surveys and global working climate.
- » Corporate intranet (Leading The Change) with daily news about the company and discussion forums.
- » Interdepartmental meetings with management at each operational site.
- » Works Committee and Health and Safety Committee.

### Local Communities and Authorities

- » Relationships with local authorities, sectoral associations and other organisations are typically organised by Management at each plant.
- » Meeting with third-sector organisations supported at the global level by the company.

### Clients

- » Catalogues and stands at trade fairs.
- » "B2B Platforms" of certain clients, as a tool for communication with their suppliers.
- » Annual satisfaction survey.
- » Regular visits and meetings with clients.

### Media

- » All relevant international and national news items regarding the sector and Gonvarri are compiled and analysed daily.
- » Press releases.
- » Nine social media channels and a website.

In this section we emphasise internal communication, conducted through our “Leading the Change” intranet, the working parties, blogs and visits; and within the context of external communication, the substantial increase in activity via our social media channels.

The main results are highlighted below:

- ✓ **Increase in visits to the GSS website of** around **35%**, and an increase of around **19%** in page views, compared with the previous year.

Gonvarri Steel Services website	2015	2016
Number of visits to Gonvarri Steel Services website	98,251	149,652
Number of pages visited	277,050	340,078
% of new visitors to the website	76.8	52.5
Number of web users	76,585	79,917



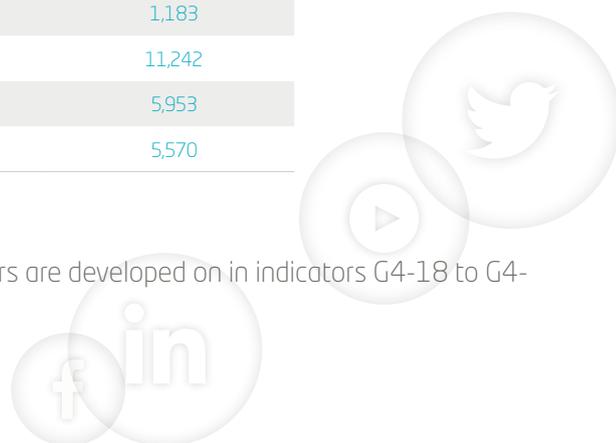
- ✓ **Increase in visits to the LtC intranet** of around **33%**, and an increase of around **8.6%** in page views, compared with the previous year.

Intranet Leading the Change	2015	2016
Number of visits to LtC intranet	1,010	1,517
Number of pages visited	681,972	746,129

- ✓ **Increase in visits and followers on social media channels** such as Twitter, with an increase in followers of around **23%**, and around **26%** on LinkedIn, compared with the previous year.

Gonvarri Steel Services' Social Media	2015	2016
Number of Twitter followers	917	1,183
Number of profiles' s visits	8,719	11,242
Number of LinkedIn followers	4,390	5,953
Number of visitors to LinkedIn	3,613	5,570

The key issues arising as a result of the participation of stakeholders are developed on in indicators G4-18 to G4-21, and in G4-27, and also in Part 2 of the Report.



# Report profile



## Period covered by the report

G4-28

Period from 1 January 2016 to 31 December 2016.

## Date of the previous report

G4-29

Sustainability Report for the 2015 financial year.

## Report presentation Cycle

G4-30

Annual.

## Contact

G4-31

For general issues regarding this report, information is available at:



[rsc@gonvarri.com](mailto:rsc@gonvarri.com)



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28045 Madrid, Spain



## GRI conformity and external verification

G4-32 and G4-33

The Sustainability Report is drawn up “in conformity” with the GRI 4 Guide, Comprehensive option. The GRI Table of Contents can be found in Annex.

Gonvarri Steel Services has for the fourth year running conducted external and independent verification through the company PwC. Meanwhile, the Report on the Individual Annual Accounts and the Consolidated Report are audited by PwC. The external verification report is included in Annex.



# Governance

## Structure of governance

G4-34

The governing bodies of the company are the General Shareholders' Meeting and Board of Directors, the highest body of governance, supervision, decision-making and control of Gonvarri. The Articles of Association of Gonvarri set out the functioning of the Board of Directors, the requirements and the deadlines established for the calling of the General Shareholders' Meeting.

They likewise establish various methods for the **organisation of administration**, vesting in the General Shareholders' Meeting the entitlement to opt for any of them, without the need for a modification to the Articles. Any resolution to modify the mode of organisation of the executive management of the company, whether or not this comprises a modification to the articles of association, will be recorded in a public deed and registered with the Companies Register.

At 31 December 2016, the Board of Directors of the Company comprised:

### President

Mr. Juan María Riberas Mera

### Vice president

Mr. Vijay Krishna Goyal

### Secretary

Mr. Francisco José Riberas Mera

### Board Members

Mr. Alain Le Grix de la Salle

Mr. Jose Manuel Arias Garcia

Mr. Jesus Calvo Moreira

Acek Desarrollo y Gestion Industrial, S.L.

Gonvauto S.A.

Agricola La Veguilla, S.A.

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 2016, 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.

## Delegation of the highest body of governance

G4-35

The Board of Directors reaches relevant decisions at its plenary sessions, and where relevant, delegates execution of the decisions. Meanwhile, the Board of Directors may agree special powers of attorney to be vested in company employees to address individual aspects of operations previously approved by the body.

## Economic, environmental and social responsibilities

G4-36

The responsibilities of the Managing Director include the approval of and commitment to comply with the Code of Ethics and Conduct, and the Sustainability Policy. The Managing Director may likewise expressly vest powers of attorney in company employees to perform one-off aspects in those operations previously approved by said body.

The members of the Governing Body **will perform** their duties with the diligence of a responsible business owner and loyal representative, and must maintain secrecy as to confidential information, even after leaving their posts.

GSS furthermore **integrates** economic, social and environmental responsibilities at the various departments, the heads of which refer any decisions to be taken to the Managing Director and, where appropriate, the Board of Directors.

## Processes for consultation between stakeholders and the senior body of governance

G4-37

The various departments organise the mechanisms for the **exchange of information** between the Board of Directors and the different stakeholders.

Emphasis should furthermore be placed on the biannual meetings at which the Managing Director (CEO) meets up with all central office employees to address their queries directly.





## Composition of the senior body of governance and its committees

G4-38

The members of the Board of Directors are **involved** in the discussion and adoption of decisions regarding economic, social and environmental matters, and are responsible for approving the Code of Ethics and the Sustainability Policy. Indicator G4-34 summarises the composition of the Board of Directors.

GSS is a **non-listed** company, the members of the Board of Directors representing all the shareholders and there are no representatives of other stakeholders.

## Executive function of the President Processes of appointment and selection to the senior body of governance

G4-39 and G4-40

The President of GSS does **not hold an executive position**. Powers for the **appointment** of Directors lie solely with the General Shareholders' Meeting, which represents the interests of all the company's shareholders (see G4-34).

Shareholder status is not required in order to be appointed as a Director, and the position may be held by both natural and legal persons. Similarly, the Articles of Association establish the conditions prohibiting the performance of said functions.

The Management Body appointed shall perform its functions for an unlimited period, notwithstanding the powers of the General Meeting of Shareholders to proceed at any time to exclude and/or dismiss individuals, pursuant to the terms of the Act and these Articles of Association.

GSS is a non-listed company, at which the members of the Board of Directors are appointed by the company shareholders, and so consideration is not given to other aspects regarding diversity, minorities, etc.



## Conflict of interest

G4-41

Shareholders may not exercise the voting rights corresponding to their stakes if they are subject to any case of **conflict of interest** as established in Article 190 of Royal Legislative Decree 1/2010, of 2 July 2010, approving the Consolidated Text of the Capital Companies Act.

On a supplementary basis, the possibility that different local cultures and customs could condition the understanding of certain subsections of the Code of Ethics and Conduct has been detected (including conflicts of interest). In order to avoid conflicts in the interpretation and application of the Code, the "Guide governing behaviour in the event of the offering of incentives, gifts or invites" has been drawn up, setting out a more detailed and practical operational framework. The distribution of these guides is performed via the corporate university, and they are available in English and Spanish.

Communication with other stakeholders is conducted directly via the various company departments.

## Functions and knowledge of the body of governance regarding sustainability

G4-42 and G4-43

We have in place, through the parent company, a global **corporate culture** that has maintained the same values and principles since the outset, while adapting to the local needs in each country, current market conditions and the demands of our stakeholders.

Furthermore, the functions of the Board of Directors include the approval of and commitment to comply with the standards of the Code of Ethics and Conduct, including the Corporate Principles governing the company, and covering economic, environmental and social aspects and the Sustainability Policy.

The members of the Board are kept permanently informed as to economic, social and environmental issues, via the various internal communication mechanisms, such as: periodic meetings with the directors of the different areas, generation and approval of the Sustainability Report, and the various actions and initiatives of the company, together with such communication mechanisms as the Leading the Change Intranet.

## Performance of the senior body of governance

G4-44

The performance of the Board of Directors is not **evaluated**, as the members are, through their stakes, the owners the company, and represent all the shareholders.

In accordance with the applicable legislation, the Board of Directors **meets** during the first quarter to draw up the annual accounts for the previous financial year. In addition to this meeting, the body meets in accordance with operational, business and project approval needs.

At the General Shareholders' Meeting, corporate resolutions are passed by a majority of the votes validly cast, provided that they represent at least a third the votes corresponding to the shares into which the capital stock is divided, with blank votes not been calculated.

There have been no changes to the members or organisational practices.

## Functions of the senior body of governance in risk management

G4-45, G4-46 and G4-47

For the **development and execution of new projects** a detailed study is conducted, to evaluate and analyse all quantitative and qualitative aspects of the project, along with the potential risks, with the various departments of the company and the Management Committee making their contributions, prior to presentation before the Board of Directors.

In the initial project definition and analysis phase, information is gathered as to potential clients, the potential turnover associated with each of them, costs and associated investments, and the inherent country aspects (regulatory, repatriation of capital, etc.). Following analysis of these aspects in depth, a decision is taken as to whether to refer the project to be Board so as to move onto the next phase, or to suspend the process.

Where necessary, the Managing Director and the various company departments **provide** the Board of Directors with periodic information. The Board of Directors has responsibility for approving the development of new plants and the measures established to mitigate any kind of risk.

The project, if it is continued, is tied to aspects prior to the implementation and financing of projects. Firstly, the issues connected with the engineering and construction project are set in motion for manufacturing set-up, along with the processing and issuance of all permits, licences and authorisations that will allow the plant to be constructed. Meanwhile, the purchasing of the productive assets and required machinery begins.

Subsequently, the company commissioned to perform the construction is selected and assigned. In parallel, the personnel required to operate the plant are selected.

Once the plant is built and the required machinery installed, the **start-up teams** are launched. These are experienced teams from other group plants who, together with the locally hired teams, are responsible for the start-up and fine-tuning of the production assets, along with the training of the local operatives during periods that normally range between 3 6 months.

All these actions and the possible risks derived from them are continuously analysed by GSS's management and teams, serving to detect risks and to implement the required corrective measures in a swift and agile manner.



## Review and approval of the Sustainability Report

G4-48

Sustainability Report organisation is coordinated by the **sustainability team**, including the Corporate Communication, Marketing and Sustainability Department. The function is transversal within the organisation, and so covers all the different companies of the Group.

The Report and the materiality analysis are produced annually by this team, in collaboration with the different areas and departments involved at the company. Once the report has been authored, it undergoes a supervision and review process on the part of the managers of the different areas and the Communication Department, before finally being approved by the CEO.

Furthermore, in order to guarantee the reliability of the information, the Report is **externally verified** by an independent body.

## Communication with the senior body of governance

G4-49

The General Meeting of Shareholders will **be called** by the Directors and, where applicable, the Liquidators of the Company. It will be called within the first six months of each financial year in order to scrutinise corporate management, approve the accounts for the previous financial year, if so decided, and rule as to the application of the result.

The directors will likewise call a General Meeting whenever deemed necessary or desirable, and in all cases when so requested by one or more shareholders representing at least five percent of the capital stock.

Those responsible for the various managerial departments maintain permanent and fluid communication with the company's Managing Director. Any major concern is passed on immediately by the managers of the various areas to the Managing Director, who will, if necessary, immediately refer it to the Board of Directors.

Meanwhile, periodic **meetings** are staged, attended by all corporate professionals. These meetings are two-way, with the CEO informing all personnel of relevant aspects connected with the management and situation of the company, and in turn receiving feedback from the professionals as to these issues and other aspects of interest.

# Nature and number of issues raised at the Board of Directors

G4-50

If management and representation of the company is entrusted to a Board of Directors, the guidelines established in this regard will be followed.

It will meet at least **four times** per year, and whenever deemed appropriate by the Chairman or Vice-Chairman. Notification of meetings will at all times be served in writing and in person on each Director, with a minimum of five days' notice being given prior to the date of the meeting.

The Board of Directors may appoint from amongst its members an Executive Committee and one or more Managing Directors, determining who will hold these posts and the tasks entrusted. Said individuals may be assign-

ed, in whole or in part, on a temporary or permanent basis, all powers that may be delegated by law.

All discussions and resolutions of the Board will be recorded in a Register of Minutes, with the minutes being signed by the Chairman and the Secretary, or, where relevant, by the Vice-Chairman and the Vice-Secretary.

With regards to the **most relevant topics** addressed, the annual accounts for the previous financial year were formulated, and monitoring performed at all meetings with regard to projects, investments, economic forecasts, sales and market situation, along with the most significant matters considered by each department.



## Remuneration of the Board of Directors

G4-51, G4-52 and G4-53

**R**emuneration of the Board of Directors will comprise a fixed allotment in cash, to be decided at the General Meeting held at any time prior to conclusion of the financial year. This will be compatible with all other professional or occupational earnings to which directors might be entitled as a result of any executive or consultative functions performed at the company, with the corresponding payment rules being established

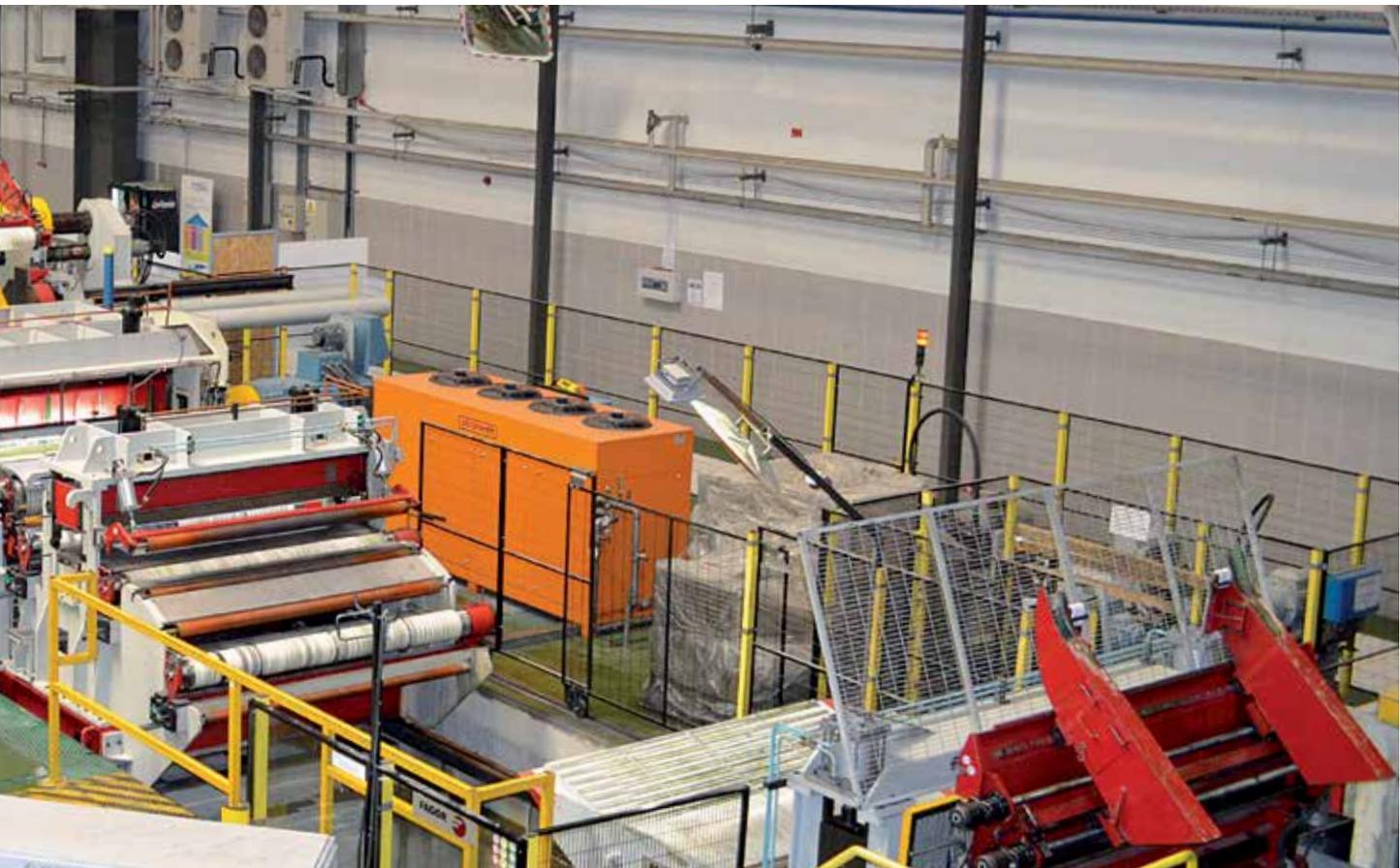
In the event that the governing body takes the form of a Board of Directors, it will determine the amount to be received by each of the members, in accordance with their dedication to the management of the company. If the governing body takes some other form, then the General Meeting will decide, in accordance with these parameters, whether the remuneration paid to each director will be the same or will vary.

For the calculation of remuneration there is no consideration of or consultation with stakeholder groups.

## Remuneration and increase in remuneration

G4-54 and G4-55

Indicators G4-54 and G4-55 are not reported on this financial year. We do not have a uniform methodology to obtain a result that would comply with the requirements of the indicator, and in some cases the information is deemed confidential.



# Ethics and integrity

## Values, principles, code of ethics and whistleblowing mechanisms

G4-56, G4-57 and G4-58

Gonvarri Steel Services strives to grow as a sound and responsible company, through sustainable action in all countries where it has a presence, while also expanding its activities in all countries where appropriate conditions are met.

Our global **corporate culture** preserves the same values of Honesty, Humility, Tenacity and Work, and the principles that have since the outset acted as the guarantor of these objectives, adapting to local needs in each country, current market conditions and the demands of stakeholders. Alongside this, sustainability has become another **key element** at the company, since sustainable development is believed to be the best way to achieve its **Mission** and the expectations of its stakeholders. The formally established Policies and guides are summarised below:

**The Sustainability Policy**, approved by the Board of Directors in early 2016, for the purpose of underpinning the main commitments in every country where we operate.

**The Code of Ethics and Conduct**, approved by the Board of Directors in January 2014, as the reference point for all decisions taken by all its members.

**Harassment Prevention Guide and Protocol**, including measures for prevention and reporting of possible situations of harassment, with the basic aspects for mandatory compliance in order to be able to act honestly and responsibly in all the countries where we operate.

**Rules of Behaviour in respect of Incentives, Gifts or Invitations**, gifts or invitations, so as to comply with all

laws, standards and regulations governing bribery and corruption in every country where we operate, such practices being deemed illegal throughout the world.

**The Ethics Committee**, as the internal consultative body responsible for promoting the company's values and conduct, along with the monitoring, communication, dissemination and oversight of the Code of Ethics, processing and support in the resolution of queries, and the response to any possible incidents or grievances that might arise, via the three available whistleblowing channels: by email, telephone or post.

During 2016, the company did not receive notification of any grievance of any third party (G4-LA16), nor any regarding discrimination or other human rights (G4-HR12).

The "Economic Dimension" chapter develops on these issues in depth.

### Values

Honesty, Humility,  
Tenacity and Work

### Principles

Clients, People, Leadership  
and Sustainability

## ► Gonvarri Steel Services Sustainability Policy

DMA

**Gonvarri Steel Services (GSS)** aims to be the leading company in the flat steel transformation markets, in a profitable and sustainable way, and at the forefront in implementing new technologies. It works to grow as a solid and responsible company, aligned with its stakeholders' objectives and expectations and in compliance with the highest quality, environmental and safety standards.

**GSS Mission** is to improve the Performance of our Customers providing Innovative and Sustainable Metal Solutions based on a World Wide highly Collaborative Organization.

**Gonvarri Steel Services** is aware that its actions have a direct impact on the environment, thus **Sustainability** is positioned as a key element, as it is reflected on its corporate culture and on the development of mechanisms able to create value for all its stakeholders.

Furthermore, it strongly supports the compliance with the ten principles of the **United Nations Global Compact**.

This **Policy** aims to establish a global framework for GSS Industries in order to reinforce the actions, initiatives and behaviors in all the countries in which it operates, as it is summarized in the following commitments:

- Contribute to the **creation of long-term** value for society, customers, suppliers, employees and communities in which it operates, as well as for any other stakeholder particularly relevant to the Company.
- Promote **Corporate Governance** best practices, prioritizing transparency, risk management and fight against corruption, through the **Ethics Code** dissemination and the management and denunciation channels hold by the Ethics Committee.
- Comply with applicable local **legislation** adopting, where needed, additional commitments and standards recognized to act with integrity in all countries.
- Protect, respect and promote the **human rights** in all its activities and anywhere in the world, as well as to establish, where circumstances warrant it, mechanisms strengthening this commitment and ensuring compliance.
- Maintain a smooth communication with **stakeholders** being able to listen and to respond to their expectations through the available channels.
- Achieve excellence through **innovation** and **continuous improvement** in its processes and products, maintaining high quality and safety standards, minimizing its **environmental impact**, reducing **greenhouse gas emissions** and improving its contribution to Society.
- Collaborate with its clients to adapt our products to their needs, always offering a quality service.
- Work closely with its **suppliers**, promoting ethics and respect for human rights in the supply chain.
- Promote the **health and safety** care of all professionals working directly or indirectly in its facilities, and contribute to the improvement of their quality of life.
- Develop measures for promotion and retention of talent, framed by favorable labor relations based on equal opportunities, remuneration based on responsibilities and **personal and professional development** support through training and employment generation.
- Take part in **social action** initiatives and projects aligned with its business and corporate culture to contribute effectively to the welfare of Society.

This Policy must be dynamic and adapted to the changing situations of the environment and the markets where GSS operates. Thus, the Sustainability Master Plan is periodically elaborated, reviewed and updated and the different improvement objectives are gathered in its different action axis.

Gonvarri Steel Services is committed to offer transparent, reliable and accurate information about its performance through its Sustainability Report, as well as any other channel deemed suitable to fulfill this commitment.



7-B

K1381

The background of the page is a grayscale photograph of an industrial facility, possibly a power plant or refinery, with various pipes, valves, and structures. A large, semi-transparent teal circle is overlaid on the left side of the image, and a smaller, solid dark blue circle is overlaid on the right side, containing the text.

## Part II

# Specific Standard Disclosures

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# Economic Dimension

MATERIAL ISSUES	CONTENT
Development and financial soundness	<p>Development and financial soundness</p> <ul style="list-style-type: none"> <li>» Current context</li> <li>» Development and growth</li> <li>» Balance sheet: 2016 results</li> </ul>
Ethics, anti-corruption, integrity and compliance Risk management	<p>Ethics, anti-corruption and risk management</p> <ul style="list-style-type: none"> <li>» Ethical code and complaint channels</li> <li>» Anti-corruption and anti-harassment mechanisms</li> <li>» Project funding</li> <li>» Risk management</li> </ul>
Technology and innovation Quality Product	<p>Products and processes: technology, quality and innovation</p> <ul style="list-style-type: none"> <li>» Our product and quality</li> <li>» Process efficiency</li> <li>» Technology and innovation</li> </ul>
Responsible supply chain	<p>Supply chain</p> <ul style="list-style-type: none"> <li>» Purchasing management</li> <li>» Relationship with suppliers and subcontractors</li> <li>» Expenditure on local suppliers</li> </ul>
Management and clients satisfaction	<p>Client</p> <ul style="list-style-type: none"> <li>» Client management</li> <li>» Initiatives and customer satisfaction</li> </ul>

## Development and financial soundness

DMA

### ► Current context

Following the economic crisis of recent years, in 2016 an upturn in activity was noted, although instability continues on the financial markets. This is the case in Europe, affected by various factors, including the Brexit result and the uncertainty of the future negotiations, the substantial increase in opinions adopting a nationalist and Eurosceptic position, and ongoing attacks by ISIS. In the USA, the change of government and new policies, in particular as regards tax trade, along with the situation in China, where growth is lower. All of which **results in a global outlook** with a degree of uncertainty.

## Development and growth

Meanwhile, there are numerous factors that have helped improve our results, including in particular: the **upturn in commodities prices** (mainly energy and metals), the establishment of new **anti-dumping policies** and the **moderate reduction** in output capacity in **China**.

Meanwhile, there was an increase in demand for steel in Europe in 2016 of around 1.9% compared with the previous year, mainly in the automotive sector. It should be emphasised that the automotive sector has registered a slight expansion worldwide, mainly because of the growth in China, and to a lesser extent Europe and North America.

The European Commission proposed measures in March to preserve jobs and sustainable growth in the steel industry, with short-term measures to combat unfair commercial practices, while in the longer term aiming to guarantee lasting competitiveness and sustainability, so as to address the causes of excessive global capacity, through technology, competitiveness, modernisation and specific policies in fields such as competition, energy, emissions rights trading and the circular economy.

In 2016, GSS continued its growth by diversifying worldwide. It currently has **35 steel transformation centres**, and has a presence in **16 countries**.

The **investments** made during the financial year reveal a total of **75,389 thousand euros**, which will help underpin our global presence, further expanding the product portfolio.

Of particular note are the investment in **Gonvvama**, where the first four factories have been opened in Loudi (Centre), while work is being completed on the plants in Shenyang (North-east) and Changshu (East) and the Chongqing (West) facility is at the earthmoving stage. All of them will be working with new AHSS and VHSS steels.

In **Central Europe**, we have expanded the Gonvauto Poland plant, with construction of the new building having been completed, along with the installation of the new tilting line; we have increased output at Gonvauto Thüringen with two new presses, providing greater versatility by adding exposed and aluminium silhouette cutting solutions to our portfolio; and we have also concentrated 3D laser cutting operations at Laser Automotive Brandenburg, while expanding our lines at Gonvarri Czech.

**Steel & Alloy** has plans to expand its operations at a new site in Oldbury (UK) and to ramp up production by means of a new hot stamp blanking press and a cutting line.

In **Spain**, the start-up of the new hot stamping press at the Gonvarri Burgos factory has been successfully completed.

Meanwhile, we have **strengthened** the management of the Gonvarri Turkey and Gonvarri Colombia plants, and implemented a strong adjustment plan at AMG Brazil.

Below we set out the distribution of **investments** at the various divisions:

Western Europe	Metal Structures	Iberia Gonvauto	Asia	Central Europe	NAFTA	GSS Corporate	LATAM
15,890	8,353	1,723	21,400	14,626	9,377	3,194	826

# Balance sheet: 2016 results

G4-EC1 and G4-EC4

Gonvarri Steel Services continues to progress towards the goal of increasing its **international presence in creating value** in the communities where it takes root. This is possible thanks to a positive balance sheet and appropriate financing.

Given the current economic cycle in the sector, after several years of tension in terms of sales and margins, steel **registered a very significant upturn** as a result of an increase in the price of the main raw materials, above all iron ore and coke, as well as the **elimination** of some **overcapacity** installed in China, and also the anti-dumping measures imposed by the EU, Mexico and Canada on Chinese and Russian steel.

At the close of the financial year our **EBITDA** stood at **155,001 thousand euros**, with a **net consolidated result of 94,367 thousand euros**, representing a net improvement of 10% compared with the previous financial year.

**Results are nonetheless uneven** across the different regions, with a particularly positive increase of 37% (€20 M) in Western Europe, 42% (€5 M) from Metal Structures, and 16% (€3 M) in LatAm, while the result in the NAFTA region declined by 75% (€-6 M).

Below are summarised the **key consolidated economic figures** of GSS:

**Economic Value Generated (EVG)** with a total of **2,375,442 thousand euros**, distributed as follows:

ECONOMIC VALUE CREATED (THOUSAND €)	2015	2016
Turnover	2,305,944	2,345,426
Financial income	6,609	4,158
Other revenue	28,294	25,858
<b>TOTAL EVG</b>	<b>2,340,847</b>	<b>2,375,442</b>

**Economic Value Distributed (VED)** with a total of **2,371,338 thousand euros**, distributed as follows:

ECONOMIC VALUE DISTRIBUTED (THOUSAND €)	2015	2016
Payment to capital providers	2,075,421	2,087,869
Taxes	33,778	75,038
Personnel Costs	25,508	48,118
Operational costs	42,419	58,237
CAPEX	94,528	101,173
Investments in the Community	716	903
<b>TOTAL EVD</b>	<b>2,272,370</b>	<b>2,371,338</b>

\*It is included the material purchase and auxiliary services.

The **Economic Value Retained (VER)** with a total of **4,104 thousand euros**

Those municipalities or regions where Gonvarri has a presence received a total of **58,329 thousand euros** by way of **business rates, charges and taxes**, helping to improve the quality of life and services of the local population. The distribution by country is summarised in the enclosed table:

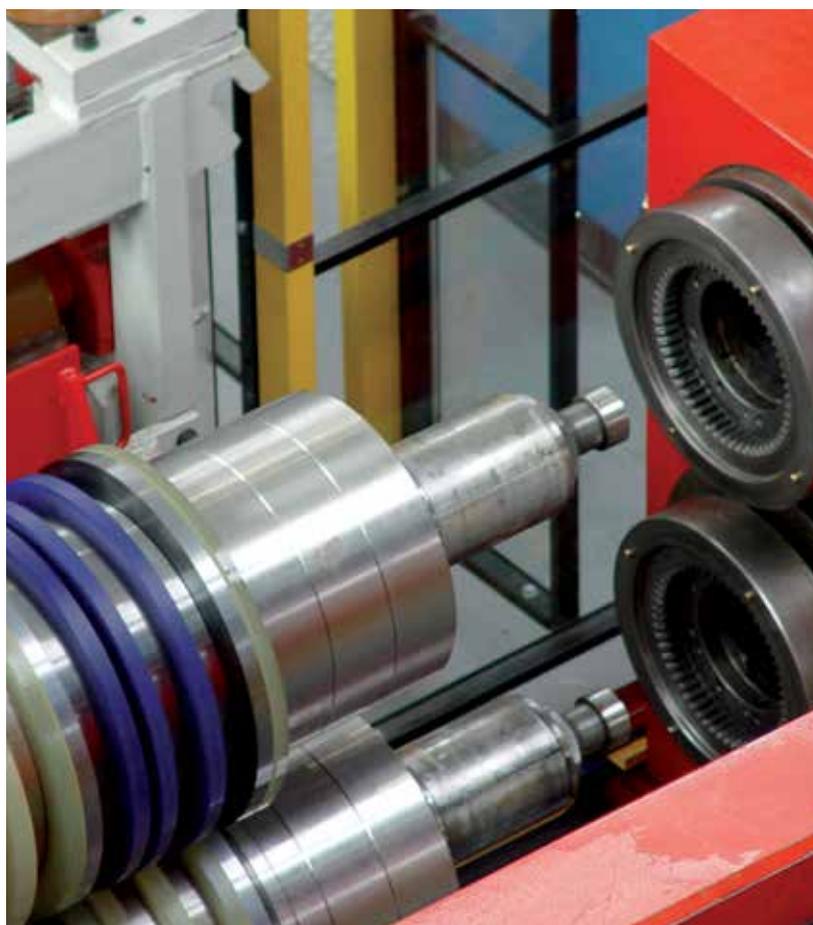
TAXES BY COUNTRY	THOUSAND OF EUROS
Germany	799
Argentina	4,143
Brazil	2,741
Colombia	1,191
Spain	34,904
USA	1,105
Mexico	1,584
Poland	3,030
Portugal	2,191
U.K.	3,403
Czech Republic	1,594
Russia	272
Turkey	1,047
Others	325
<b>TOTAL</b>	<b>58,329</b>

Meanwhile, the company received **economic grants and subsidies** equivalent to an amount of **1,919 thousand euros**, corresponding in the main to Hiasa (4.3%), Arizona (17.9%), Gonvarri Aluminium (56.3%) and Laser Brandenburg (21.5%) (G4-EC4).

As for **other accounting obligations**, the companies that make up the GSS Group are, in the main, required to draw up annual audit reports on their individual annual accounts given the total volume of their assets, their turnover and their average number of employees.

Following approval by the corresponding body, these reports are filed in due time and form at the Companies Register for each of the financial accounting years with legalisation of official records and the filing of annual accounts. In addition, the Group companies have no outstanding Social Security or taxation payments.

Lastly, as set out in the Code of Ethics and Conduct, GSS does **not provide any economic support to Governments**.



# Ethics, anti-corruption and risk management

DMA

## ► Ethical code and complaint channels

G4-S04 and G4-S05

In the current climate, the company is expected to be an ethical standard-bearer in all its decisions by all its members, and as a result in 2014 the Board of Directors approved the Gonvarri Steel Services **Code of Ethics and Conduct**. The Code was translated into all the local languages to ensure it is properly understood by employees in the different countries. It is likewise available on the website in the online English and Spanish versions.

Following the entry into force of the Code of Ethics, on 20 January 2014, the company proceeded to deliver training in this regard to 100% of the workforce. We likewise have in place a mandatory training plan for all newly recruited employees (the "Welcome Pack"), which includes, among other aspects, training as regards the Code of Ethics and the reference guides setting out anti-corruption practices.

In 2016, training in the Code of Ethics and Conduct (G4-S04) was delivered to 199 employees (191 in-person, 8 online), distributed across Brazil (30%), Colombia (12 %), Spain (4%), USA (22%), Mexico (14%), Poland (6%) and the Czech Republic (12%). Meanwhile, in the USA 11 executives received training in the Code of Ethics and Conduct, comprising a total of 64 hours of instruction.

As regards training and familiarity among the governing bodies as to policies and procedures in the sphere of ethics, anti-corruption and sustainability, they are responsible for formally approving the Code of Ethics and Conduct, which sets out anti-corruption practices, and also the Sustainability Policy and those guides affecting the organisation in this sphere. (G4-S04)

The Code of Ethics establishes the guidelines and channels for whistleblowing to be employed in the event of any conduct that could represent a violation of the legal standards or of the company's principles. The available whistleblowing channels are: by email, by telephone, or in writing, by using the whistleblower form. All matters are analysed, managed and resolved by the Ethics Committee. In 2016, the **Ethics Committee** received two grievances. (G4-S05).

## ► Project funding

G4-HR1

In 2016 the projects developed and financed at Gonvarri Steel Services did **not require any clause** or undertaking as regards human rights and anti-corruption practices.



## ► Anti-corruption and anti-harassment mechanisms

G4-S04

Issues connected with corruption, transparency, good governance and conflict of interest are of concern to all stakeholders. As a result, the fight against corruption forms a part of its principles, and is based on "**zero tolerance**" with regard to this type of malpractice.

In 2014 the "**Guide to behaviour in response to the offering of incentives, gifts or invites**" was developed with the aim of guiding company employees in the event of possible conflicts that could emerge in their professional operations.

Gonvarri believes that personal dignity and inherent and inviolable personal rights, the free development of personality, equal treatment, non-discrimination and physical and moral integrity are fundamental rights, irrespective of the country and culture within which it operates.

However, harassment and violence are an issue that could affect us. To inform staff and minimise this type of behaviour, in 2014 the "**Harassment Prevention Guide and Response Protocol**" was published.

It should lastly be emphasised that Gonvarri Steel Services is a signatory to the **UN Global Compact**, and is therefore committed to promoting and implementing the 10 universally accepted principles in the fields of human rights, employment standards, the environment and anti-corruption, and we comply with all requirements necessary in order to renew this commitment in 2016.

## Products and processes: technology, quality and innovation

### ► Risk management

G4-SO3, G4-EN34, G4-LA16,  
G4-HR12, G4-SO7, G4-PR8,  
G4-SO8 and G4-EN29

Over recent years we have registered substantial growth, giving us a presence in various countries. This means that the company is exposed to **new potential risks**, both because of their considerable scale, and the cultural, operational and legal differences between the different countries.

This revealed the need to **reinforce** the mechanisms for monitoring, control and auditing. In 2016 the **"Internal Audit"** area was formally created, along with the commencement of a project focused on developing the new **"Compliance Model"** and a **"Risk Map"**, with the aim of improving the mechanisms for monitoring, measuring and controlling risk. Completion and implementation in Spain is expected to be fully operational in 2017, in order subsequently to be rolled out to the remaining countries (G4-SO3).

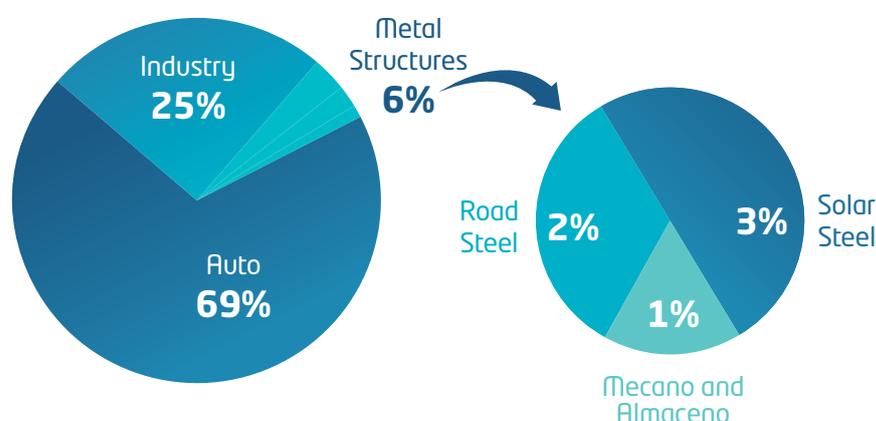
All risk information is summarised under the indicator "G4-2 Main effects, risks and opportunities".

In 2016, no significant fines or claims were received with regard to social, environmental, working practice and/or human rights aspects in excess of €100,000, nor any that given their nature would have a particular impact on the company. Likewise, no claims or penalties were received with regard to aspects connected with unfair competition practices, monopolistic practices or leakage of customer data (G4-EN29, G4-EN34, G4-LA16, G4-HR12, G4-SO7 and G4-PR8). The number of penalties, and fines as a result of breaches in 2016, were insignificant (G4-SO8).

DMA, G4-PR1, G4-PR2, G4-PR3, G4-PR4, G4-PR6, G4-PR7 and G4-PR8

### ► Our product and quality

Gonvarri Steel Services manufactures various products grouped into three business lines: Automotive, Industry and Metal Structures (see indicator G4-4). For all of them the main raw material is steel, and to a lesser extent (and solely for the automotive sector), aluminium. As regards **sales**, the Automotive division is of particular importance. The enclosed graphic indicates distribution in accordance with the turnover of each business line:



**Quality** is a key aspect in our products, and as a result all our plants have in place a specific quality management system certified in accordance with standard **ISO 9001**, while all our facilities providing an automotive service also hold certification under standard **ISO-TS 16949**.

As regards **product labelling** (steel and aluminium formats), our obligations focus on being in a position to provide the data required for proper traceability and correct definition of characteristics (thickness, coating, etc.).

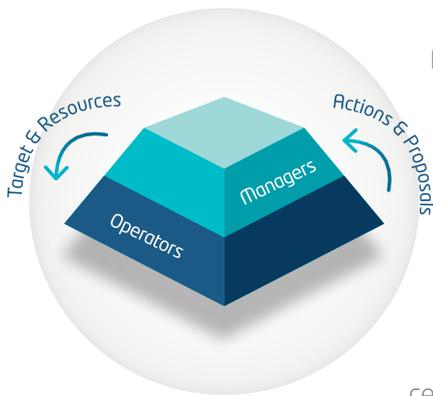
In any event, given their characteristics our products do not entail any chemical or environmental risk (G4-PR3). Likewise, no incidents were registered with regard to health and safety as a result of the impact of products and services (G4-PR2), nor any incidents derived from information and labelling (G4-PR4), nor as a result of the sale or marketing of prohibited or legally disputed products (G4-PR6), nor breaches resulting from marketing regulations (G4-PR7), nor any breaches connected with the supply and usage of products (G4-PR9).

Our parts and profiles are an intermediate part of the end product, affecting both logistics (distribution), and packaging. The packaging employed is of little relevance, since for both incoming and outgoing dispatch of the materials, steel banding is used to secure the various parts (100% recyclable), while wooden pallets are used to position them, most of which are returned, while any that suffer breakage are recycled.

## ► Process efficiency: Gonvarri Production System (SPG)

One of the fundamental tools for internal communication at Gonvarri is the Gonvarri Production System (or 'SPG').

Established in 2008 as a development of the TPS (Toyota Production System), the SPG is not simply a suite of tools or structured method to achieve our objectives, but a philosophy, a culture of continuous improvement, based on the dedication of all our teams, and **fluid communication** among them. Within this context, it is the operatives themselves, organised into GAPs (Autonomous Groups) who reach most operational decisions in a proactive and autonomous manner, while likewise maintaining harmony with the rest of the organisation.



As with any other **Lean Manufacturing** system, the SPG covers all processes, products, activities and people at Gonvarri. The methodology to achieve operational excellence is based on the integrated elimination of any type of **wastage** (= inefficiency, loss): defects, overproduction, transportation, waiting times, stock levels, unnecessary movements of people, unnecessary processes and unexploited creativity.

The SPG is made up of some 30 tools (SMED, Standard Work, 5S, Value Stream Mapping, Communication Boards, GAPs, Top to all level meetings, etc.) organised as 4 modules: **Staff Dedication**, Resource Efficiency, Flow Efficiency and Lean Office (adaptation to the administrative environment).

The working method is that each individual at Gonvarri should internalise how they do their job in the most efficient manner possible, improving day by day, within a context of absolute communication with colleagues.

This means that **trainers** (a specialist technician at each plant, plus a corporate team) work directly with all the staff: operatives, administrative workers, technicians and managers.



Activities undertaken during 2016:

- Approx. **2,800** employees took part in SPG actions
- **22,982** man-hours of SPG training
- **700** workshops conducted (5S, LO, STDW, SMED, VSM, TPM)
- **300** GRPs (Problem Resolution Groups) initiated
- **4,781** Improvement Ideas issued (68% applied)
- **368** GAPs working to SPG standards

Of all the SPG tools, the most important focus on improving dedication by reinforcing communication channels within the organisation.

In the case of the 6 types of Top meetings that comprise the system, covering every level of the organisation, there is a clear and standardised information flow throughout Gonvarri:

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

Meanwhile, each GAP has specific **communication areas** managed by the operatives themselves, that maintain and periodically review the indicators and the information affecting their performance.

In 2016, **SPG** became, alongside **Health and Safety**, Environment and Quality, one of the 4 continuous improvement subsystems that make up the **IMS (Integrated Management System)**.

It was at this point that the decision was taken, after 8 years of experience, to subject the SPG to a far-reaching review, so as to give it greater flexibility, further align it with the business, and better exploit synergies with the other systems. **SPG Evolution** is the result of this process, achieved through the contributions of dozens of specialists from every area of the company, with deployment now fully under way at each and every Gonvarri site.

The aim is to finalise deployment of the new SPG Evolution by the close of 2017.





## ▶ Technology and innovation

Alongside quality, we are **committed to innovation** as a strategic element in our competitiveness, in order to adapt to our customers' needs and expectations.

The Gonvarri Steel Services team works to improve the characteristics of products and the efficiency of processes through a range of research, development and innovation projects. As a result, our objectives in the field of strategic innovation focus both on **improvements to materials** for components, and the **optimisation and development of our processes** and technologies, incorporating new digital solutions within our product portfolio, so as to achieve progress in a highly competitive and increasingly technical environment, through enhanced products at lower prices and with a reduced environmental impact.

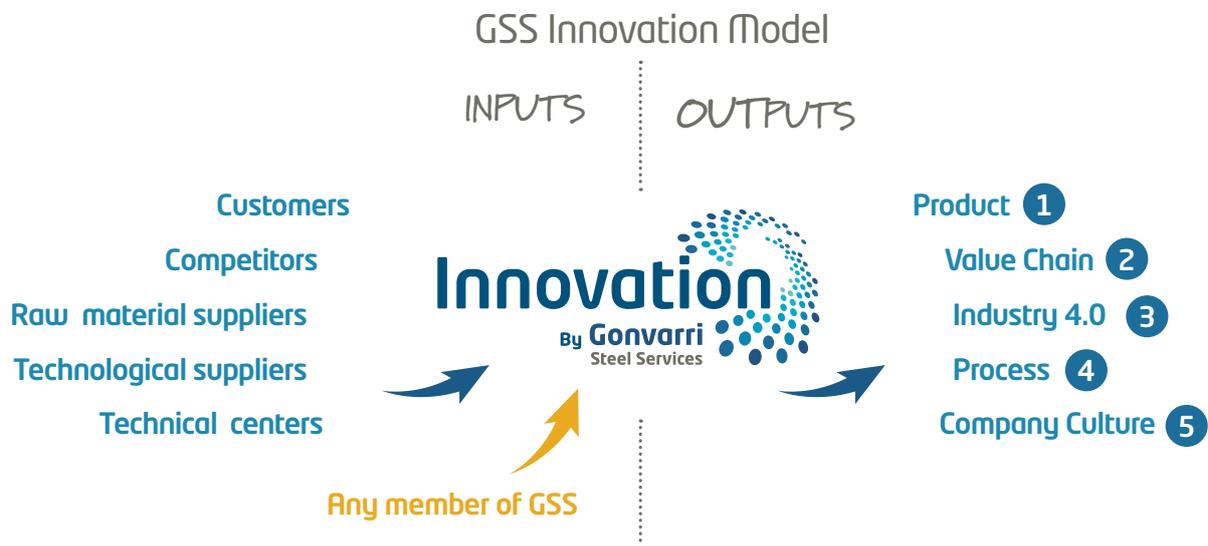
### Our innovation model

In order successfully to address these challenges, the company undertook organisational changes, creating the **Innovation Area** as part of the General Management structure for Strategy, Management Systems and Innovation, with the task of defining the innovation process that will serve to increase potentially innovative ideas and the portfolio of disruptive, business-focused initiatives.

According to this model, inputs come from different

stakeholders (customers, suppliers of raw materials and technologies, competitors, technology centres and employees), to be analysed by the corporate Innovation bodies, that ultimately decide whether or not a particular project should be developed.

These initiatives are, in accordance with their characteristics, classified in one of the five categories defined for the outputs (product, process, value chain, company culture, and Industry 4.0).



Below we summarise the most significant actions in 2016:

## 1 Product Innovation

At the Automotive division, products are mainly intended for the vehicle chassis and bodywork. This accounts for 65% of the total vehicle weight.

We are therefore involved in a number of R&D projects connected with **new materials** with the twofold objective of developing automated processes to reduce the manufacturing costs, and to position the company within the supply chain for these materials.

One clear example would be the **"ECOVOSS"** and **"3R-COMPO"** projects, as the processes most commonly used in compound materials production, such as RTM (Resin Transfer Moulding) and thermoforming.

At the Metal Structures division, we develop other projects that range from the optimisation of the single-axis **"SOLAR TRACKER 2.0"** (Solar Steel) to the development of impact attenuators equipped with sensors and cameras to detect the vehicle involved in the accident, its speed of impact, and to send an automatic alert to the health services, **"ABECATIM"** (Road Steel).

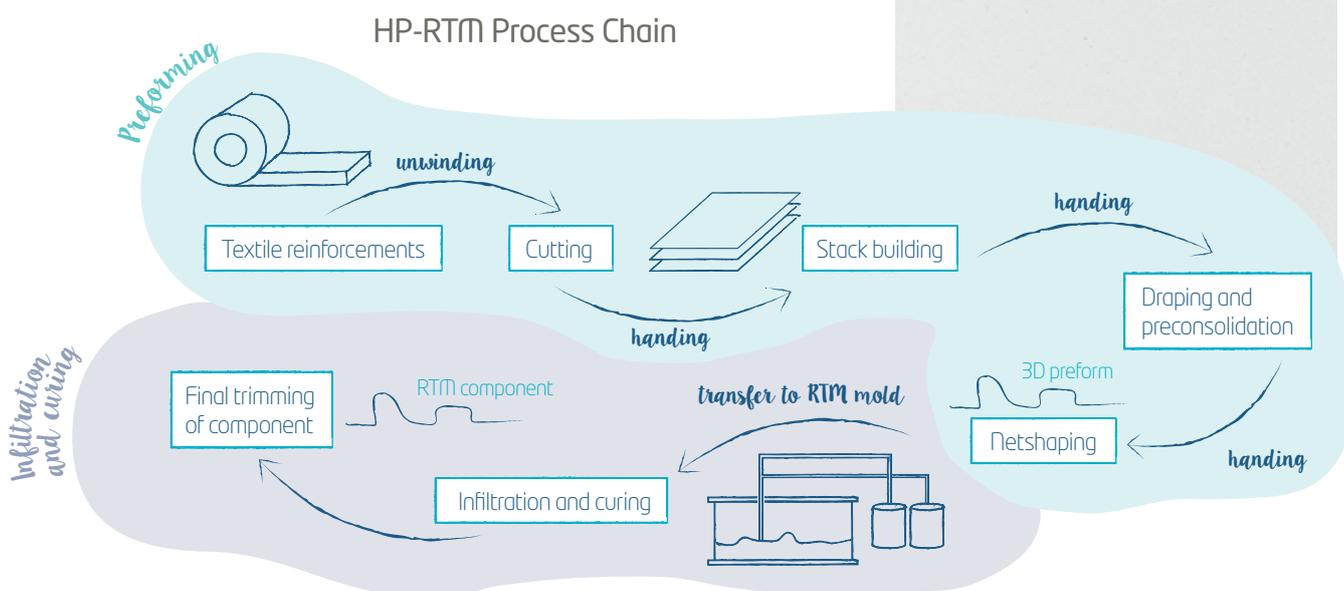
### ECOVOSS - Ferrodisa

This project focuses on the development of new "Multi-material Eco-structure" solutions, to build safer and more sustainable vehicles, using a composite demonstrator for a part of the vehicle chassis.

### 3R-COMPO - Gonvauto Galicia

The project focuses on offering new compound materials for the automotive and aeronautical industry, combining the properties of ceramics, plastics and metals, while furthermore offering the possibility of pre-processing, recycling and/or repair.

These composites can be selected in order to achieve unusual combinations of rigidity, strength, weight, high-temperature performance, corrosion resistance, hardness or conductivity.



## 2 Value Chain

Our vision, and the new organisational structure of the Strategy Department, help to underpin the current positioning of GSS, extending the value chain through new businesses, services, and technological start-ups.

The projects undertaken are focused on the study of **new processes** for steel to supplement those currently in our portfolio, potential **new uses of steel tubes** and an analysis of **new applications** of aluminium, focused mainly on the automotive sector, while remaining open to new contexts.



### 3 Industry 4.0

“**Industry 4.0**” refers to the fourth industrial revolution. It is characterised by technological disruption, the digitisation of all physical assets, and their integration within digital ecosystems.

This will not only have an impact on cost reduction, but will also increase revenue by digitising processes, products and services, and developing new digital service offerings.

The launch of the “**Gonvarri 4.0**” project is expected to lay the strategic foundations for the digital era.

In 2016 we were hard at work aligning prior technological trends with GSS business objectives, to achieve excellence, to improve productivity, increase efficiency and enhance the safety conditions of our workers.

#### Gonvarri 4.0

As part of the **Gonvarri 4.0** project, a pilot scheme is being developed at **Gonvauto Galicia**. Among the different usage cases, one initiative being developed is to promote the use of digital devices integrated within working clothes and accessories (wearables).

One of the proofs of concept that has been implemented comprises the use of smartglasses for remote expert support. This support will allow for online and remote consultancy between one operational site and another for the execution of certain operations in the fine-tuning of key machinery elements.

The plans for this development are to deliver tutorials in these operations using augmented reality, which can then be incorporated in the digitised documentation, providing technicians with remote support when they require expert assistance.

### 4 Processes

Focused on the optimisation of processes through the improvement of our techniques, efficiency, competitiveness and the incorporation of new disruptive technologies, allowing us to grow by providing new services.

The efficiency project began in 2016 **focused on improving the durability of tools**, since the processing of new high-elastic-limit steels (UHSS) involves considerable tool wear, essentially in the longitudinal and silhouette cutting lines. Projects have also been developed with a focus on improving the galvanisation process line, improvements in the 3D laser cutting lines, and the induction welding line.

**Replacement processes** have also been developed for the current methods, using new cutting technologies at a number of group plants (3D laser cutting), along with surface treatment processes, adapting them in accordance with new market demands.

### 5 Company Culture

The growing trend towards digitisation within the context of **Industry 4.0** raises a number of important challenges in identifying the needs for staff to adapt the way they work.

As a result, the **Innovation Communication Plan** and the roll-out of Governance, will allow us to identify innovative talent within the group, along with the development of multidisciplinary initiatives at every level of GSS.

Among others, explanatory initiatives and a range of workshops are being developed in various spheres to identify innovative ideas.

#### Cortenace

The **Cortenace** (Tension Straps for Longitudinal Steel Cutting) project developed at the Burgos plant has since the outset focused on improving the competitiveness of our longitudinal cutting lines.

It involved optimising and increasing the duration of the tension straps, by developing materials with a higher mechanical strength. This entailed collaboration with a strap manufacturer, and a technology centre.

We produced a prototype simulating the movement of the tension device for mechanical fatigue tests with the new straps, before subsequently trialling this on the Longitudinal Line itself.

Fatigue tests are currently being conducted with new versions of the straps, to determine which offers the best durability conditions. Lastly, a cost reduction study will be conducted, with the results being transferred to the group's various lines.

## Supply chain

DMA, G4-EN32, G4-EN33, G4-LA14, G4-LA15, G4-HR10, G4-HR11, G4-SO9, G4-SO10 and G4-EC9

### ► Purchasing management

At Gonvarri Steel Services the process of Purchasing, hiring outside services, the corresponding approval and management of suppliers is performed on a centralised basis for large volumes, through the **Steelmaking Purchasing** and **Non-Steelmaking Purchasing** Departments.

The remaining **minor** purchases and procurement processes are conducted in accordance with non-uniform criteria in terms of **local level** requirements at each facility.

#### Steelmaking purchases

Focused on steel and aluminium purchasing, and centralised at the **Corporate Steelmaking Purchasing Department**, where large volumes are negotiated in coordination with the needs of the different divisions, depending on the forecast orders, client requirements and the available stock.

**Profitability, quality, service, supply capacity and reliability** have the utmost priority for us. We place our trust in our suppliers, and expect loyal collaboration from them over the long term, with performance and consideration in balanced proportion.

With regard to purchases for the **Auto** division, they are pre-defined in the contract by the client, which approves them internally in accordance with its requirements.

In these cases the objective, in accordance with standard **ISO TS 16949**, is vigilance and monitoring, evaluation of performance and closure of any incidents and deviations that might arise.

For all other purchases, **100%** of suppliers are required to provide information regarding the availability of **ISO 14001, ISO 9001 and OHSAS 18001 certification**.

Although aspects connected with **human rights** are not expressly included (G4-EN2, G4-LA14 and G4-HR10), we reserve the right not to maintain a commercial relationship with companies where there are significant and demonstrable infringements of the policy. Specifically, our list of suppliers will not include any companies proven to engage in child labour practices; slavery, forced, or prison or indentured labour; or where the supplier's workers are subjected to employment conditions that would endanger their lives, or if they suffer cruel or inhumane treatment.

#### Non-steel purchases

Focused on purchases of **other auxiliary raw materials** (oils, lubricants, etc.), other materials (packaging, spare parts, etc.) and **services** (cleaning, transportation, travel, etc.) requiring a structured negotiation process and the application of specific methodology in accordance with the volume they represent.

Such negotiations are, in the main, conducted by the **Supplier Portal**, with the aim of guaranteeing complete transparency and traceability in the process. All suppliers register on the portal, which includes basic information.

As a part of the negotiation process, one obligation established is to read and accept a series of policies and procedures, which include the Code of Ethics and Conduct, so as to convey our values and principles to our suppliers, including our respect for **Human Rights**.

Work is also currently progressing on a new definition of the methods and systems for non-steel supplier approval. This process is expected to be completed and implemented during 2017.



## Local purchases

Minor purchases of **non-steel materials** are performed independently at each facility, typically from local suppliers.

For local purchases, there is no one single approval criterion applied, although the supplier selection and evaluation process is always performed on the basis of impartiality, rigour and objectivity.

As regards the availability of environmental, social and human rights and employment **criteria** (G4-EN32, G4-LA14 and G4-HR10), these are evaluated **separately** at the different plants, as summarised below.

- These criteria are employed to evaluate 100% of new suppliers of the Ferrodisa, Gonvauto Galicia, and Gonvarri Barcelona plants, and also apply at Gonvarri Argentina.
- On a partial basis, including health and safety and/or environment criteria, the suppliers of the Gonvarri plants in Germany, Gonvarri Kaluga, Gonvarri Colombia and Cepas are also included. Gonvauto Puebla does not include social impact in the evaluation.
- Suppliers were not evaluated in accordance with social impact criteria in 2016. (G4-S09).
- Gonvarri has not evaluated impact on the environment (G4-EN33), on employment practices (G4-LA15), nor human rights (G4-HR11), nor significant, real or potential negative social impacts (G4-S010) within the supply chain.

## Subcontractor management

However, subcontractors follow a standard procedure prior to any activities being undertaken on our premises. The new “**CTAIMA**” platform is used for coordination and document exchange with external companies, so as to comply with the corresponding information and supervision requirements. Prior to the commencement of any job, the established requirements must be fulfilled. These requirements include the Code of Ethics and Conduct, setting out the aspects regarding ethics and human rights, that all subcontractors must undertake to fulfil.

CTAIMA is currently implemented at facilities in **Spain and Portugal**, and will gradually be extended to other plants.

For both suppliers and subcontractors, the **payment terms** with supplier entities are properly defined and set out in writing on the basis of pre-established criteria that are periodically inspected and reviewed.

## ► Relationship with suppliers and subcontractors

At Gonvarri Steel Services we believe that contact and proximity with our suppliers are essential in order to offer an appropriate service. We therefore take part at joint discussion days and meetings, allowing us to **understand** the different perspectives, and **improve our relationship**.

**Ferrodisa** attended the “**Supplier Day**” organised by its customer BSH Europe. The event is held every two years, and gathered together the key suppliers that work with the company.

The day featured different presentations and talks addressing a range of topics, challenges and issues that companies in the sector face in their daily operations.

It proved a huge networking success, allowing experiences to be shared with the management team of BSH Europe.

## ► Expenditure on local suppliers

G4-EC9

In 2016, the total expenditure on suppliers amounted to **2,384,934 thousand euros**, **70%** of which corresponded to local suppliers. Below is set out the percentage distribution by country:

COUNTRY	LOCAL SUPPLIERS EXPENSES	LOCAL (%)
Germany	230,478.5	85%
Argentina	15,831.0	39%
USA	30,264.5	81%
Spain	1,225,179.3	78%
Mexico	56,935.1	31%
Poland	5,545.4	5%
Portugal	64,073.7	56%
Czech Republic	6,578.2	85%
Russia	36,930.2	70%
<b>TOTAL GENERAL</b>	<b>1,671,815.9</b>	<b>70%</b>

Information about Brazil, Turkey, Colombia and UK not included.

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.

**Gonvarri Tarragona** in accordance with its ZERO ACCIDENT target, staged its first Occupational Risk Prevention training day for suppliers and technical staff, with the collaboration and involvement of the CTAIMA platform.

The event brought together a total of 50 attendees from a range of different areas (boiler and refrigeration installers, carriers, etc.) with the aim of raising awareness among suppliers and their employees as to the importance of prevention and safe working, not only for their own workers but also the group of external employees, which is where the highest rate of accidents occurred last year.

# Clients

DMA

## ► Client management

The company is of the opinion that its success depends to a great extent on its ability to place the client at the **heart of its business**, establishing a culture centred on a commitment to the client, and focused on creating value-added.

The current scenario is characterised by **substantial competition**, with new information technologies providing clients with greater knowledge of potential suppliers, and hence competition.

Within this context, Gonvarri Steel Services understands that its approach to its clients must **be personal**, anticipating their needs, with a real-time **response capacity**, detecting new opportunities and collaborating in the de-

velopment of **joint solutions** to foster lasting, long-term relationships.

Meanwhile, the **quality** of our products and services is fundamental, and all our factories therefore have in place a quality management system certified in accordance with standard **ISO 9001**, while those providing automotive services are also certified under standard **ISO-TS 16949**.

Our customer profile is directly linked to the business lines (Automotive, Metal Structures and Industry). In order to customise and improve this service, specialist **commercial teams** are in place, specific to each type of business and product, so as to offer more tailored coverage.

## INTEGRATED POLICY OF MANAGEMENT

Gonvarri Steel Services based on our values HONESTY, HUMILITY, PERSEVERANCE AND WORK considers that its PRIORITY is to work with: HEALTH AND SAFETY, QUALITY AND RESPECT FOR THE ENVIRONMENT AROUND US, all of which from a socially responsible business approach. Gonvarri Steel Services is committed to:

- comply with laws, regulations, corporate requirements and the requirements considered above these, in the areas of customer safety and health, energy and environment,
- to involve employees and partners in the knowledge and content of this Policy, encouraging their commitment and involvement,
- ensure awareness and skills of its employees through continuous training,
- achieve overall customer satisfaction, providing the resources that are needed to carry it out,
- seek process efficiency above and beyond effectiveness,
- promote the prevention of injury and deterioration of employee health and that of other parties who access the installations,
- promote pollution prevention and improvement of environmental and energy performance, supporting the use of energy efficient products and services from the design stage,
- deploy this Policy commitment integrating preventive management in the work of supervisory staff and workers during the execution of the activities they carried out or supervise, as well as in all decisions taken,
- evaluate and continuously monitor its processes and activities, both internally and externally, as well as the risks they entail,
- allocate resources and responsibilities to comply with the objectives of the organization. with the firm intention to advance in

**THE CONTINUOUS IMPROVEMENT OF ALL ITS FIELDS  
pursuing SUSTAINABLE DEVELOPMENT**

## ► Initiatives and relationships with customers

The various actions undertaken with customers include, among others, periodic meetings and visits staged by each business line, along with participation at trade fairs and events connected with our products, as summarised below:

### Automotive

This is the part of the business with the **highest turnover**, where the main customers are traditional automotive OEMs and the leading steel stamping producers. We are currently negotiating with OEMs for electric cars, such as for example Tesla (USA) and Next-EV (China).

In our business, **customer proximity** is fundamental. We work together on the development of joint solutions, focused above all on the use of new materials (aluminium and high-strength steel), that are lighter, generate lower CO<sub>2</sub> emissions, and are safer.

Within this context, particular mention should be made of the increase in the use of aluminium on vehicles, mainly in the mid-market and top-end segments. Likewise, high-strength steels have succeeded in considerably reducing their weight while maintaining the performance and safety specifications for which they stand out.

Over recent years we have seen major launches at the leading lamination firms in France and Germany, demonstrating the upward trend in aluminium. Meanwhile, we have negotiated substantial contracts to supply leading OEMs in Italy and Turkey from Spain (Gonvauto Barcelona). We are likewise negotiating new contracts with OEMs in France, to be supplied from our factories in Germany.

In order to adapt to these new requirements, we have since 2014 made **major investments** in more versatile facilities and processes, so as to fulfil our customers' demands. One clear example would be the new Gonvauto Thüringen hybrid line, which successfully began operations in 2016.

Regarding steel, during the year we made substantial investments at Gonvarri Poland, as well as the new 3D laser cutting lines at Brandenburg and Gonvarri Czech, and installed three new hot stamping presses, at Gonvarri Burgos, Gonvauto Thüringen and Gonvauto South Carolina, the last of which will begin operations in 2017.

These new facilities, together with those in China, will allow us to continue growing in the European and American markets, as well as new markets such as Asia.

### SGK Kaluga visit the Volkswagen factory

The production supervisors at Severstal Gonvarri Kaluga (SGK) visited the Volkswagen factory in Kaluga. The purpose of the visit was to learn about the company's production processes, and how our steel products take shape as cars once they are assembled.



This offered a good opportunity to cement the relationship with our customer, and for SGK employees to see first-hand how the formats they produce are directly applied to vehicles, as well as their value-added in the automotive sector.

## Industry

Most of our **industrial business** is performed in Spain and Portugal, and to a lesser extent in Germany.

In 2016, the Industry line registered considerable growth, thanks in part to the development of such various initiatives as:

- The development of a major action plan, that helped increase our market share in the distribution sector.
- The increase of spot (rather than programmed) sales, balancing the global sales mix.
- A notable increase in overseas trade, around 26% higher than the economic forecast.

The **initiatives** undertaken include in particular the training day in Burgos with our main customer, addressing "Steel Products", to analyse and present the various processes and the main quality tests that are applied. The event was attended by 20 professionals from the sector, while 18 staff members from Burgos then travelled to their premises to stage a similar day.

Mention should also be made of the periodic meetings and visits conducted by Ferrodisa, in particular in Morocco and at La Cartuja, where they met major clients to look at their needs and new developments, so as to be able to offer an appropriate service in line with their requirements.

## Metal Structures

The **Metal Structures** line groups together a range of products and formats for different types of customer, as summarised below:

### Road Steel

The main Road Steel customers are connected with leading construction, signage and maintenance companies, and public authorities. We perform this service mainly from our Hiasa, Turkey and Colombia plants.



There are notable initiatives in the sphere of innovation to minimise damage in the event of accident, as summarised in the Innovation section. Meanwhile, Road Steel was present at the Intertraffic trade fair in Amsterdam, Netherlands, where as well as showcasing its road safety solutions, it presented the book "Emotional Driving: Reflections to understand road safety with optimism", marking the culmination of the project which had already been presented at the various GSS factories in Spain.

Adopting a similar approach, Gonvarri Colombia undertook numerous initiatives to strengthen its relationship with customers and potential customers. Of particular note was its involvement at a number of workshops and conventions, such as: the International Road Federation, Expovial 2016, the First Road Safety Symposium, CISEV (the 5th Latin American Road Safety Convention) and Intertraffic Mexico 2016.

### Solar Steel

Solar Steel's main customers are companies connected with the development and construction of solar farms (EPC). We mainly provide this service from the factories at Hiasa, Gonvarri Arizona, Gonvarri Turkey and Gonvarri Colombia.

It likewise took part as an exhibitor at the following trade fairs: Intersolar Europe (Germany), MIREC Week (Mexico), CIREC Week (Chile), Solarex (Turkey), where it proceeded to present the company, in particular the Solar Steel line, while also holding specific themed meetings with customers and potential customers.

In addition to the above, the initiatives undertaken by the various plants included participation at such conventions and trade fairs as: World Future Energy Summit (Abu Dhabi), Intersolar North America (USA), Solar Power International Las Vegas (USA), Mirec Week (Mexico), at RecamWeek, Clean Energy Central America & Caribbean and the Energyyear Forum (Panama), and at the ANDREC week (Bogotá).



## Almaceno and Mecano

The Almaceno and Mecano lines are **centralised at Gonvarri Colombia**, and are managed jointly, although their needs might be different.

Almaceno's customers are of the industrial type, companies in the logistics sector and major retailers, with substantial storage needs. Meanwhile, Mecano clients are linked to the mining, oil and energy sectors, and require energy and data ducting systems.

In any event, the customer strategy is divided into 4 different focuses, grouped into:

- Documentation: technical articles, updating of technical data sheets, etc.
- Communication: online marketing, websites, emailing, etc.
- Technical support material for sales.
- Specific client events.

A number of examples are summarised below:



**Mecano**, presented, among other aspects, its new catalogue, staged training talks for international distributors and skills development for customers in various countries (Bolivia, Peru, Chile, etc.), practical workshops, involvement at the 2016 Expo Eléctrica trade fair, and collaboration at seminars. Internally, meanwhile, incentive bonuses were handed out to distributors for achieving objectives.



**Almaceno**, among other aspects, redesigned and updated its catalogues, made publications in the Zona Logística magazine and online, took part at Logismaster (Ecuador) and at Espacio Innovación, with presentations and advertising material.



## ▶ Customer satisfaction

G4-PR5

At Gonvarri, we believe that **customer satisfaction surveys** are an important tool assisting us in identifying points for improvement, and in building loyalty and market share.

Meanwhile, we have a diverse product offering, and factories are in some cases focused on a particular service line (such as: Gonvauto focuses on Automotive products), or they might produce the different lines (e.g.: Hiasa develops profiles, formats and parts for Automotive, Solar Steel and Road Steel). As a result, Customer Satisfaction Surveys are not always uniform. A number of examples are summarised below.



- **Hiasa and Gonvauto Asturias** jointly sent out 73 questionnaires to their main cutting line and tube customers.  
The response rate was 82.20%. The result of this year revealed a slight improvement compared with the previous financial year, although it was in both cases highly satisfactory. For 2017, the aim is to maintain an Overall Customer Satisfaction Index above 85%.  
Meanwhile, Hiasa conducted a specific survey among its Road Safety customers. 19 customers were selected (8 construction firms, 5 maintenance companies, and 6 signage companies). The response rate was 100%, and the average satisfaction level 80.68%.
- **Gonvarri Burgos** conducted a survey of 323 customers, based on those with the highest consumption levels, as well as potential customers. The response rate was 51% of those surveyed, with a satisfactory result.
- **Gonvarri Portugal** performed a survey of its 32 main customers, achieving a response rate of 81%. The end results were likewise satisfactory.
- **Gonvarri Barcelona** surveyed its 137 main customers, achieving a response rate of 57.6%. The result was likewise satisfactory, with improvements being noted in comparison with the previous year in terms of turnaround times.
- **Ferrodisa** conducted a survey among the 160 clients accounting for 90% of consumption, with a response rate of 47%. The result gave the company a positive ranking compared with the competition.

## Partnership agreement with SEAT or dual professional training

Steel Services and SEAT signed a **Partnership Agreement** to offer youngsters beginning their professional career at Gonvarri the chance to receive training free of charge at the SEAT Apprentice School.

The course lasts 3 years, and involves 60 new students, 30 from the Machining module and 30 from the Electromechanical Maintenance module, selected from more than 800 candidates. The students also sign a paid training and apprenticeship employment contract



## Gonvarri Barcelona meets with the steel distribution centre

Gonvarri Barcelona was visited by a number of customers from the steel distribution sector (warehouse operators), associated with the Catalonia and Balearic Islands Metal Warehouse Union (UMFCB).

The visit formed a part of the efforts undertaken over recent years by Gonvarri Barcelona to raise its profile as an **“essential and needed partner”** for this type of customer, during the forums and conventions that the UMFCB has been systematically staging each year.

# Social Dimension

## People

### Management focus

DMA

Gonvarri Steel Services is made up of a team of professionals with shared culture and **values** in common, and who together with their ideas and hard work help to promote the company's **sustainable growth**.

Within this context, **human resource management** plays a fundamental role in managing change and driving forward processes of transformation. Its **responsibilities** include hiring, development, skills and training, salary management, social benefits, performance assessment as well as staff motivation, to improve their well-being and effectiveness.

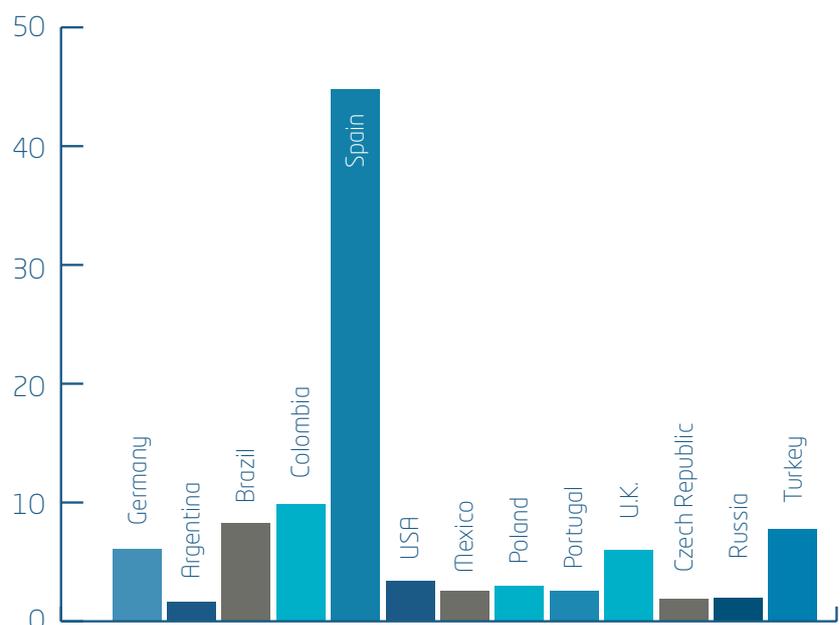
Human resource management focuses on people in order thereby to guarantee **quality employment**, offering a stable working environment with opportunities for promotion on the international stage. With the aim of fulfilling these objectives, the new "Drive" Management Model was approved in 2016, based on four cornerstones, one of which is "People", covering initiatives and projects focused on our professionals, set out over the course of the chapter.

MATERIAL ISSUES	CONTENT
Talent attraction and retention. Training.	<ul style="list-style-type: none"> <li>» Management focus</li> <li>» Talent attraction and retention</li> </ul>
Human Rights	<ul style="list-style-type: none"> <li>» Employment conditions and human rights</li> </ul>
Communication	<ul style="list-style-type: none"> <li>» Communication and dialogue with employees</li> </ul>

### ► Our team

G4-LA12

In 2016, the Gonvarri Steel Services team was made up of a **professional staff of 3,026**, most of them in Spain, where the company has its headquarters. The enclosed figure shows their distribution by country:



The **workforce** is, meanwhile, mainly made up of men (87.3%), the majority being aged between 30 and 50 (62%). The enclosed table indicates the distribution of the workforce by age and gender:

COUNTRY	Men			Women		
	≤30 Years old	>30 ≤50 Years old	> 50 Years old	≤30 Years old	>30 ≤50 Years old	> 50 Years old
Germany	27	117	14	5	19	3
Argentina	18	23	1	3	4	0
Brazil	70	117	13	21	26	3
Colombia	23	157	77	9	28	5
Spain	37	813	376	12	106	13
USA	15	59	16	3	9	2
Mexico	27	38	3	3	7	0
Poland	50	21	0	3	17	0
Portugal	8	43	11	0	13	3
U.K.	16	86	60	1	9	11
Czech Republic	16	16	4	8	12	0
Russia	5	44	0	4	7	0
Turkey	100	105	17	11	3	0
<b>TOTAL</b>	<b>412</b>	<b>1,639</b>	<b>592</b>	<b>83</b>	<b>260</b>	<b>40</b>

The enclosed table shows the distribution of the workforce by gender and professional category:

COUNTRY	HOMBRES			MUJERES		
	Managers	Middle Managers	Plant & Office personnel	Managers	Middle Managers	Plant & Office personnel
Germany	3	23	132	0	2	25
Argentina	1	14	27	0	7	0
Brazil	3	41	156	0	4	46
Colombia	8	25	224	1	8	33
Spain	37	202	987	1	27	103
USA	3	17	70	1	5	8
Mexico	1	13	54	0	3	7
Poland	1	7	63	0	3	17
Portugal	1	16	45	1	5	10
U.K.	5	7	150	0	0	21
Czech Republic	0	8	28	0	2	18
Russia	4	4	41	0	1	10
Turkey	2	11	209	0	1	13
<b>TOTAL</b>	<b>69</b>	<b>388</b>	<b>2,186</b>	<b>4</b>	<b>68</b>	<b>311</b>
Porcentaje	2.3%	12.9%	72.2%	0.1%	2.2%	10.3%

We have a balanced workforce in terms of experience and dynamism. Most employees (62.7%) are aged between 30 and 50 years, while the remainders are divided between employees under 30, which represent 16.4% and the remaining 20.9%, are aged over 50.

As for executive staff, 67% are aged over 50, and the remaining 33% are between 30 and 50 years old. Meanwhile, 67% are of local nationality, and all are men (G4-EC6).

### Traveller's Backpack

To improve the safety of all employees when travelling, and with the aim of improving support and information provided when they travel, this year saw a renewal of the "Traveller's Backpack" application, above all the mobile app.

The app provides relevant information about the different countries that staff travel to, such as: paperwork and documentation required, information about risks and actions in the event of emergency, safety measures required at GSS plants, medical and health tips, information about customs, and points of interest in the country.

The main **new features** added to the app are:

- **New aesthetic and design** to improve access to information and offer an excellent user experience.
- **Off-line function:** to consult vital information without the need for an Internet connection.
- **Immediate response:** the revamped technology delivers powerful performance.

# Talent attraction and retention

DMA



Gonvarri Steel Services is aware that the development and future of the company depends to a great extent on the commitment and hard work of its team. This means that having trained, qualified and motivated professionals in place, in a pleasant working environment, is a key aspect in order to grow as a competitive, sound and sustainable company. As a result, **attraction and retention** strategies are fundamental in order to increase commitment and minimise staff churn. The main initiatives are summarised below:

## ► Hiring and internal promotion

### Internal promotion

At Gonvarri we are aware that **internal promotion** is a fundamental measure in order to achieve employee satisfaction, through career development and recognition of their talent, since the company's most important asset is its human team.

When a specific position needs to be filled, then, the vacancy is published internally via a **Job Posting** on the intranet noticeboard. Job offers are made public only if, after a certain period, which varies depending on the level of urgency, they cannot be filled internally.

In those posts that given their specific requirements cannot be filled internally, the process of external recruitment begins. 23 Job Posting processes were initiated in 2016, with just 2 being filled internally, and the remaining 21 externally.

We are a constantly growing company, which entails the need to fill vacancies in other countries and other plants, and overseas postings are therefore frequently offered to fill these positions.

Meanwhile, opportunities for fixed-duration deployments are offered internally, on the so-called "**Start-up Teams**". The function of these positions is to transfer corporate culture and experience to new company facilities in different countries. The teams are deployed to the facilities for a set period, for commissioning and the training of future workers.

Meanwhile, to underpin professional development opportunities, GSS promotes dynamism and mobility among its employees. As a result, where the market strategy so requires, they are offered the voluntary challenge of taking on greater responsibility or developing new projects in other countries and regions, serving to foster the development of their professional careers.

This mobility allows us to strengthen team bonding, guarantee a high level of quality in our installations, and extend our corporate culture and know-how to other countries and to local staff.

### Hiring

From the outset, the selection process aims to bring in the professionals best suited to the job requirements. This involves electronic tools, such as employment exchanges, specific gatherings such as job fairs and, on occasion, specialist consultants are engaged directly.

## ► Performance assessment

G4-LA11

In order to ensure that professionals are kept abreast of their performance and what is expected of their work, we are progressively implementing a **target-based evaluation system**.

At the start of each financial year, improvement objectives are set, being defined in accordance with each job and the corresponding skills, including general group aspects and those inherent to each area/department. The system performs a periodic qualitative and quantitative evaluation, rating the degree of efficacy with which the objectives have been fulfilled, along with overall performance in the activities and responsibilities assigned to each post. In accordance with the results, goals and improvement measurements are established, impacting on quality of work and employee satisfaction.

During 2016, there were 463 performance assessments conducted of directors, middle managers and technical staff at all the plants, corresponding to 86 women and 377 men.

Meanwhile, some plants evaluate 100% of the workforce, including plant personnel, with a methodology suited to their activities, measuring parameters such as on-the-job multitasking.



## ► Training

DMA, G4-HR2, G4-HR7, G4-LA9 and G4-LA10

Our priority is to have **mechanisms** in place to understand and train all our staff, aligned with the different levels of profiles at the company.

During 2016, **136,035 hours of training** were delivered (82.6% for men, and 17.4% for women), representing an increase of 55% compared with the previous year, and an average of 44.9 hours of training per employee.

The following table details the distribution by country, gender and category:

COUNTRY	MENs			WOMENS		
	Managers	Middle Managers	Plant & Office personnel	Managers	Middle Managers	Plant & Office personnel
Germany	5	0	1,872	0	32	6,402
Argentina	32	1,069	3,835	0	307	0
Brazil	138	1,767	6,824	0	189	1,993
Colombia	534	1,483	13,382	263	716	1,670
Spain	1,484	12,772	29,844	483	1,400	2,552
USA	10,252	100	100	0	10	10
Mexico	55	719	6,486	0	166	553
Poland	40	1,760	3,832	0	1,048	2,950
Portugal	0	230	1,060	11	100	116
U.K.	319	1,015	10,437	0	0	2,459
Czech Republic	0	47	238	0	12	132
Russia	40	50	51	0	32	0
Turkey	45	460	NA	NA	52	NA
<b>TOTAL</b>	<b>12,944</b>	<b>21,472</b>	<b>77,961</b>	<b>757</b>	<b>4,064</b>	<b>18,837</b>

To analyse the quality and usefulness of the training received, the employees in attendance are given opinion questionnaires to complete, to evaluate whether the training fulfils expectations. The general conclusion would be that the **Training Plan** corresponding to 2016 was satisfactory delivered.

As regards Human Rights, in 2016 a total of 75 hours were delivered (67 in person and 8 online), distributed mainly across the USA (29.3%), Colombia (18.8%), Brazil (2.7%), Czech Republic (16%), Spain (10.6%) and Mexico (18.6%), and Poland (4%). Meanwhile, 11 executives received training in the USA about the Code of Ethics

and Conduct, with a cumulative total of 67 hours of training (G4-HR2).

As regards training focused on administering **the end of the teams' professional careers**, this is included only in the training plans of Convauto Galicia, Convarri Colombia and Steel&Alloy (G4-LA10). Meanwhile, since staff safety is dependent on the subcontracted safety companies, no information in this regard is available. (G4-HR7)

Among the **training programmes** delivered in 2016, we would emphasise the following:

## Training for start-up teams and supervisors

The success of the “**Start-up Teams**” is based on the experience of people, allowing them to pass on their knowledge and know-how to local teams at new plants, which means that they can in turn acquire complete autonomy, making the plant fully operational as soon as possible. In 2016, this programme involved 27 employees. Training was focused mainly on SPG, H&S, Quality, Production, Maintenance and Environment. The average final score was 4.7 out of 5.

The training of “**Supervisors**” likewise plays a fundamental role in this field, with the aim of achieving operational excellence at work. Their training objectives, in addition to the above, are based on the development of communication skills, knowledge and abilities, to obtain feedback from employees and a 360° relationship impact. This year 17 supervisors were trained at the facilities in Barcelona, Galicia, Hiasa, Ferrodisa, Tarragona, Portugal, Argentina and Brazil.

## Leadership Programme

One of the key projects is the Gonvarri Leadership Program (GLP), focused on the development of talent, and personal and professional growth and leadership at Gonvarri. GLP is an internal training programme, produced by key professionals at the company together with the corporate Human Resources Department and the Corporate Institute, involving 41 people from 9 different countries. It began in late 2014, with a duration of 2 years.

In 2016, **3 new sessions** were staged, as summarised below:

- The fifth session was held in Madrid, and covered “Coworker Development”.
- The sixth session was held in Barcelona, and focused on the Steel Process, the Strategic Plan, Product and Process Innovation, and the Integrated Management System.
- The seventh session was held on the premises of the IE Enterprise Institute in Madrid. This time, the main topic addressed Communication, Presentation Skills, Positive Leadership and Decision-making.

Of the 41 participants in this first edition, 12 have already been internally promoted.



Meanwhile, the HR directors at all the plants **meet up annually** in Madrid to pool their initiatives, concerns and results, and thereby as a group detect opportunities for improvement that will contribute to the well-being of our professionals.

In accordance with all the above, our goals for 2017 focus on the following:

- » **Promote online training** to cover all employees, to be more efficient and offer a swift response to their needs.
- » Develop the role of the “**Internal Expert Trainer**” to pass on internal know-how.
- » The development of corporate **skills**.

## Job stability

G4-10

For us, promoting **stable employment** is a way of demonstrating trust in our team, in long-term relationships, and their experience.

During 2016, 90.7% of the workforce had a permanent contract, while the remaining 9.3% were on temporary contracts. Meanwhile, 96.3% of the workforce is employed full-time, and the remaining 3.7%, part-time.

The gender and country distribution is set out below:

COUNTRY	CONTRACT				EMPLOYMENT			
	Permanent		Temporary		Full-time		Part-time	
	Men	Women	Men	Women	Men	Women	Men	Women
Germany	98	18	60	9	156	21	2	6
Argentina	42	6	0	1	42	6	0	1
Brazil	194	50	6	0	156	41	44	9
Colombia	246	38	11	4	257	42	0	0
Spain	1,175	122	51	9	1,196	121	30	10
USA	87	14	3	0	89	14	1	0
Mexico	68	10	0	0	68	10	0	0
Poland	31	8	40	12	71	20	0	0
Portugal	48	16	14	0	62	16	0	0
U.K.	119	21	43	0	161	11	1	10
Czech Republic	23	16	13	4	36	20	0	0
Russia	49	10	0	1	49	11	0	0
Turkey	222	14	0	0	222	14	0	0
<b>TOTAL</b>	<b>2,402</b>	<b>343</b>	<b>241</b>	<b>40</b>	<b>2,565</b>	<b>347</b>	<b>78</b>	<b>36</b>

## ► Churn and mobility

G4-LA1

The **average churn** rate at Gonvarri (calculated as the number of departures out of the total workforce) is 15%. The highest churn rate occurred in the USA (as a result of the workforce reduction in Arizona), while Argentina stands out for its low rate.

Over the course of 2016, **548 new professionals** joined the company: 469 men and 79 women. Meanwhile, **445 people left** the company: 370 men and 75 women. The table shows their distribution by gender, category and country:

COUNTRY	Hires		Turnover	
	Men	Women	Men	Women
Germany	75	11	11	2
Argentina	2	1	2	0
Brazil	51	9	36	11
Colombia	30	9	35	22
Spain	133	11	102	6
USA	35	0	56	4
Mexico	1	1	4	2
Poland	13	12	10	6
Portugal	7	0	4	2
U.K.	24	2	16	2
Czech Republic	34	16	22	8
Russia	2	1	5	3
Turkey	62	6	67	7
<b>TOTAL</b>	<b>469</b>	<b>79</b>	<b>370</b>	<b>75</b>

Furthermore, mobility opportunities among our employees allow us to strengthen team bonds and to convey corporate culture and know-how.

In 2016, there were **12 staff transfers** between different countries, all of them involving men. Of these transfers: 5 are postings (3 in Spain, 1 in the UK 1 in the USA), while 7 are expatriate deployments (6 in Spain and 1 in Russia).

## ► Remuneration

DMA and G4-EC5

Gonvarri is aware that **remuneration** is an important factor for our professionals. This is why our minimum salary is in most cases higher than the figure established in local legislation, or in some cases equal to this rate.

The ratio of annual starting salary at the company against the minimum salary at Gonvarri in the country in question is shown below:

COUNTRY	Men's Ratio	Women's Ratio	Global Ratio
Germany	1.19	1.19	1.19
Argentina	1.37	1.37	1.37
Brazil	1.13	1.13	1.13
Colombia	2.89	2.89	2.89
Spain	1.09	1.09	1.09
Mexico	5.18	4.14	4.66
Poland	1.00	1.00	1.00
Portugal	1.16	1.16	1.16
U.K.	1.00	1.00	1.00
Czech Republic	2.06	2.06	2.06
Turkey	1.00	1.00	1.00

Data from Russia is not available, and the US data are available but it cannot be reported since the minimum ratio is legally established per hour.

# Employment conditions and human rights

DMA

## ▶ Working climate

Gonvarri Steel Services takes an interest in its employees' opinions, their level of satisfaction and motivation, on the basis that a satisfied employee is more efficient and achieves better results.

The "Working Climate" survey is conducted biannually for this reason. The most recent survey was in 2015, the scope covering 23 sites in 12 countries, with an average participation rate of 68%. The next survey will be conducted in 2017.

In order to improve on those aspects that achieve the lowest scores in the survey, the "Growing Together" project was devised, covering a range of improvement initiatives, as set out in further detail in the following subsections.

## ▶ Diversity

At Gonvarri we believe that the diversity of our people and their distinctive contributions give us an unquestionable **competitive advantage**.

The perspective and way of thinking of professionals from differing origins help us achieve positive changes at the organisation in our working methods, and increases our capacity for innovation and response to such a demanding market as we see today.

The workforce in 2016 was made up of **87.3% men and 12.7% women**.

97.5% of employees are of **local origin**, corresponding to 97.8% men and 99.5% women. The enclosed table shows their distribution:

	Men (%)	Women (%)
G4-EC6		
Managers	81	75
Middle Managers	95	99
Plant & Office personnel	99	100

As regards **differently able** professionals, the company has a total of 36 men and 3 women. The distribution by country is as follows (G4-LA12):

- **Women:** Spain (66.6%) and Brazil (33.3%).
- **Men:** Spain (69.4%), Brazil (16.7%), and the rest of Germany (8.3%), Colombia and the Czech Republic (2.8% respectively).

**Diversity Management** represents a commitment to the people who make up the organisation. The "Diversity Programme" incorporates and articulates this variable at the organisation through policies, processes and actions for dissemination

and awareness-raising, with the following aim:

- Attract, retain and develop people with differing **profiles**, contributing innovation, new options and perspectives, creative solutions and an understanding of the cultural and economic diversities of marketplaces.
- Assist in the process of **generational handover**, avoid obsolescence and maintain a competitive lead position.
- Generate an **internal climate** attuned with the diversity of the organisation's external context.
- Increase **dynamism** and interaction among people of different cultures, origins and skills.
- **Create a culture** that helps match corporate preferences and values to the priorities and needs of employees.
- Offer **programme packages** that contribute to the satisfaction and work-life balance of all employees, allowing them fully to develop their professional, family and personal lives.

At Gonvarri Steel Services, no significant risks of discrimination, child Labour and/or forced Labour or breaches of human rights have been noted at any in-house operational site or at suppliers, nor have any grievances been raised via the Ethics Committee in this regard (G4-HR3, G4-HR5 and G4-HR6). Meanwhile, no plants were examined or evaluated for human rights 2016 (G4-HR9).

## ▶ Work-life balance

G4-LA3

**Maternity and paternity** leave in 2016 corresponds to 63 men, of whom 97% have resumed their positions, and 20 women, of whom 100% have likewise resumed work. All of them remain at the company. Meanwhile, 82% of men and 77% of women who took maternity/paternity leave in 2015 remain at the company.

As indicated last year, our office has in place **flexible** arrival times, with departure and mealtimes adjusted accordance. At the factories, where work is highly dependent on customer requirements, and specific shifts are in operation, flexibility and the necessary adjustments are applied individually.



## ▶ Social benefits

G4-LA2 and G4-EC3

Gonvarri Steel Services is a diverse company where social benefits are not uniform, but are adapted to the characteristics of the different plants and countries. There are in any event no significant differences for workers between the benefits offered to part-time employees as opposed to those offered to full-time employees.

The social benefits at the different facilities and countries are summarised below:

### Life and disability insurance

With coverage greater than the legal minimum, benefiting 100% of employees at the facilities in Spain (except Laser Automotive Barcelona), Brazil, Russia, Poland, Mexico, Germany and the United Kingdom. In the USA, this applies to employees on a permanent contract and who have been the company for more than 6 weeks. Meanwhile, Germany, Poland and Russia do not include disability or invalidity within the cover.

### Medical insurance

There is a medical service for employees of the factories in Germany, Brazil, the USA, Poland, the United Kingdom, Turkey, and at some plants in Spain. As regards the availability of medical insurance, this is not uniform.

There are policies in place with cover for practically 100% of employees in Brazil, South Carolina, Russia, Portugal and Mexico. Availability of medical insurance is a legal obligation for all employees in Germany.

In Spain, a private policy can be voluntarily arranged by means of the flexible remuneration plan, offering the legally established tax benefits.

Partial cover applies to employees in the United Kingdom (only white-collar staff: executives and middle managers), in Argentina (not including management) and in Arizona (employees on a permanent contract who have been at the company for more than 6 weeks).

In Poland, the "Medicover" scheme operates, a loyalty package for employees who have been at the company for more than a year. In Portugal, this insurance also covers the families of employees who do not belong to senior management, and in Burgos there is a specific medical examination for executives.

### Meal benefits

Canteen services are available in Argentina, Germany, Brazil, Turkey, Mexico, Colombia, the Czech Republic, the United Kingdom, Russia and Portugal. In Spain, restaurant vouchers can be arranged voluntarily under the flexible remuneration plan.

## Transport assistance

In this case there are two modes: company bus, available in Burgos, and a transport grant, offered in Argentina, Brazil, Burgos, Turkey, Mexico, Russia and Portugal. In Madrid, flexible remuneration covers transport season tickets. The sales team also frequently use company vehicles.

## Maternity/paternity

Mexico, Tarragona, Arizona, Hiasa and Gonvauto Asturias offer maternity/paternity leave longer than the legally established period.

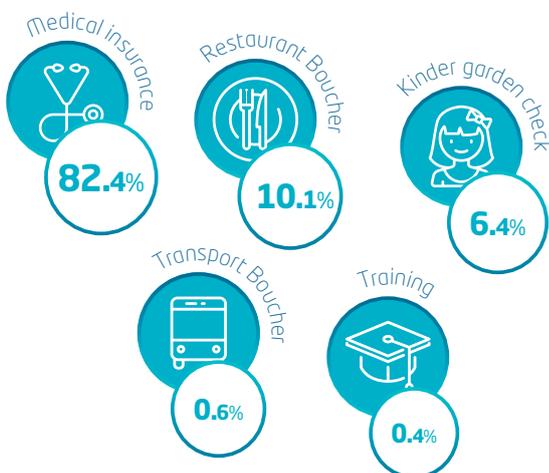
## Pension funds and/or retirement plans

These are not included in the general Gonvarri policy. They are available in some countries, either through obligations derived from local legislation or because they represent historic commitments. These pension funds are available in the United Kingdom and South Carolina, and there are retirement plans in Arizona, and on a voluntary basis in the UK. In any event, these are very much one-off situations that are of little significance for the company whole. (G4-EC3).

## Other

### Tax benefits

In Spain, the PRF Flexible Remuneration Plan offers employees the chance to include various products within their remuneration package (childcare vouchers, restaurant vouchers, transport vouchers and IT equipment purchases), offering taxation and employment benefits, which can be adjusted by each individual in accordance with their personal needs. In 2016, the PRF scheme covered the following applications:



## Health and sport

Gonvarri Tarragona offers its workers the chance to make use of the Estival Park facilities: gym, swimming pool and spa. At Gonvarri Kaluga 50% of the cost of gym membership is funded, while in the United Kingdom the Cycleplus/cycle2work scheme is covered and funded, allowing employees to hire a bicycle and safety equipment, representing a considerable saving.

## Gifts and celebrations

At the factories in Arizona, Spain, Argentina and Portugal, gifts/presents are handed out for such reasons as: birth of children, Christmas meal, including a draw for prizes, and Christmas hampers. In Portugal, meanwhile, gifts are also provided to children aged under 12, along with an Easter present.

In Arizona, other festivities are celebrated, such as Easter, Children's Day, with cinema tickets and snacks for employees' children. In Argentina, women are given a gift on "Women's Day", a rose on "Spring Day", in addition to subsidies for external courses.

The Czech Republic has in place a system of rewards for employees' "Improvement Ideas", while Gonvarri Barcelona offers a subscription to a show ticket platform, providing discounts for all employees wishing to buy theatre tickets, and petrol vouchers are also offered once a year.

In Mexico, social benefits are covered by the "Employee Social Provision Plan", which includes benefits related with such aspects as: food vouchers; major medical expenditure insurance; savings funds; maternity/paternity benefits in kind; bursaries; minor medical expenditure insurance; personal accident insurance; life insurance; marriage and death grants.

Colombia has the "Employment Welfare Plan", which includes numerous initiatives based on employee needs and motivations, implemented jointly with the Family Compensation Scheme. The plan stages activities focused on psychological and family well-being, health and training.

In Germany there is the so-called health bonus, paid to employees who suffer no sickness each quarter, and the childbirth bonus for each baby born.

## Communication and dialogue with employees

DMA

### Next steps ...

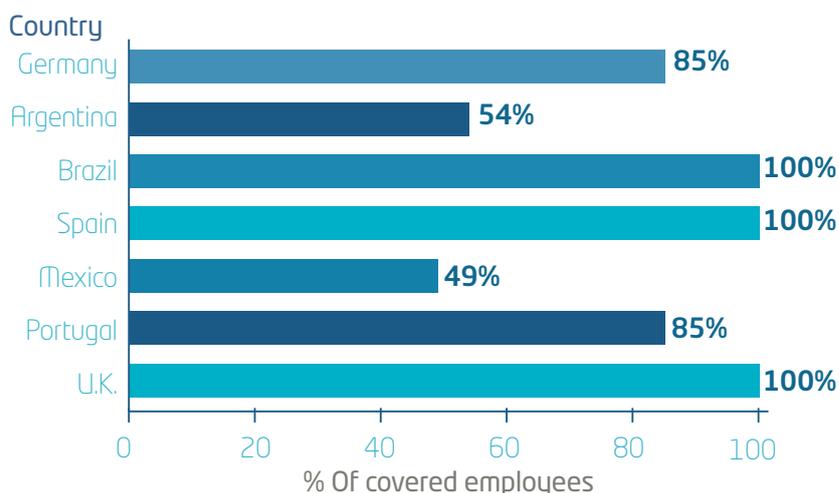
Over the coming years we will continue to register progress with the “**Growing Together**” project and the various improvement initiatives, including in particular:

- Presentation of the **Equality Plan** for the Madrid office.
- Launch over the intranet of the “**Employee Benefits Club**”, providing a series of offers based on employee needs and requirements linked to savings, free time and volunteering, sports events and a full range of services of interest.
- **Self-learning culture**, combining values, practical experience in organisational processes for proactive professionals, who not only apply their own knowledge and skills in their daily work, but also encourage others to take part and train up.
- Implementation of a learning methodology segmented into small blocks of content/modules: “**Micro-learning**”.
- “**Gonvarri Executive Committee**” training programme for members of the executive committee, corporate directors and plant managers, to excel in their current role.

### ► Representation and dialogue with employees G4-11 and G4-HR4

In order to provide an appropriate structure for labour relations, the company has in place collective agreements or equivalent specific arrangements governing aspects connected with Human Resource management. They set out the rights and obligations of professional staff in accordance with local requirements and laws.

- 69% of all employees are covered by “sectoral collective agreements or similar arrangements” in accordance with local practice, customs and legislation. The table below indicates the local percentage of employees covered by this type of agreement:



- In the USA and the Czech, this formula is replaced with a **Handbook** covering 100% of employees, corresponding to 5% of the total workforce. The Handbook is a guide setting out employment conditions, indicating behavioural standards in accordance with the context and local legal requirements, stating the rights and duties of employees in aspects connected with recruitment processes, working hours, absence, salaries, social benefits, leave, etc.
- Local employment **regulations** apply in all other countries, and correspond to the remaining 26%.

Meanwhile, some factories have obligations and references in place, such as the Internal Agreement and Company Compact in Spain, Union Pay Negotiation in the UK.

No significant suppliers or centres have been identified where freedom of association and the right to benefit from collective agreements could be infringed or threatened, at the facilities in operation. (G4-HR4).

# Communication

G4-LA4

## Internal

The internal Gonvarri Steel Services communication model corresponds to the needs of a multinational team used to periodic deployment. Among others, we would emphasise:

### Leading the Change

The corporate intranet "Leading the Change" helps to promote dialogue between management and all employees through a social network with applications to share/acquire information and knowledge, along with the development of teamwork and pride in belonging.

During the 2016 financial year, the Internet had 1,517 visitors, and 746,129 page views.

At the end of the year, the Leading the Change app was **updated** and renewed for iPhone, iPad and Android systems, to be launched in January 2017. This new update includes a full technological renewal and improved performance offer faster browsing, and interface redesign with a more visual and intuitive appearance, allowing for the inclusion of more information and both public and private capabilities.

### Meetings with the CEO

Another internal communication initiative takes the form of meetings between the CEO and all employees, so as to **respond** to their concerns and **communicate** key aspects of the company's strategy.

## Gonvarri Production System (SPG)

**SPG** has been gradually implemented at the plants, as it helps to achieve objectives, increase competitiveness and the continuous improvement of processes.

SPG aims to **eliminate operational inefficiencies** (defects, over-production, unproductive movements, unnecessary processes, etc.) through a series of technical improvements leading to excellence.

Headed by a group of SPG Coordinators, all employees are invited to participate and to **contribute ideas** which will help optimise processes, facilitate work and increase performance. These ideas are evaluated, and the most significant also receive rewards.

Below are summarised the main results for 2016:

— Approx. **2,800 employees** took part in **SPG actions**.

— **22,194** man-hours of **SPG training**.

— **700 workshops conducted** (5S, LO, STDW, SMED, VSM, TPM, CTP...).

— **364 GRP** (Problem Resolution Groups) initiated.

— **4,529 Improvement Ideas**

## Operational changes

Although there is no formal procedure in place establishing **minimum prior notice** period for announcing operational changes to all employees, in the event of any modification or major development, the CEO proceeds to inform employees by email. (G4-LA4)



## External

Relevant issues are published via the website and media (press, radio, etc.).

The Gonvarri Steel Services **website** also features issues connected with sustainability, such as the Report, the Code of Ethics and Conduct, general information about corporate culture. In 2016, the website was visited 149,652 times, with 340,078 page use and a total of 79,917 users, including 52.5% new visitors.

In late 2015 the “**Emotional Driving**” website was designed, to support the project and include all the initiatives (web series, book, etc.). The website was fully operational by 2016, and was visited by a total of 6,229 users, with 23,065 page views.

The company also has in place various **social media channels** (Twitter, LinkedIn, YouTube, etc.), intended to establish more agile and fluid dialogue with its stakeholders.

**149,652**  
Number of visits to **Gonvarri Steel Services** website

**1,517**  
Number of visits to **LtC intranet**

**1,183**  
Number of **Twitter** followers

**5,953**  
Number of **LinkedIn** followers



# Social Dimension

## Health and Safety

### Management focus

DMA

The Gonvarri Steel Services model is based on integrated prevention in accordance with the **Health and Safety Policy and the Code of Ethics and Conduct**, compliance with both of which is mandatory, and which apply to all company professionals.

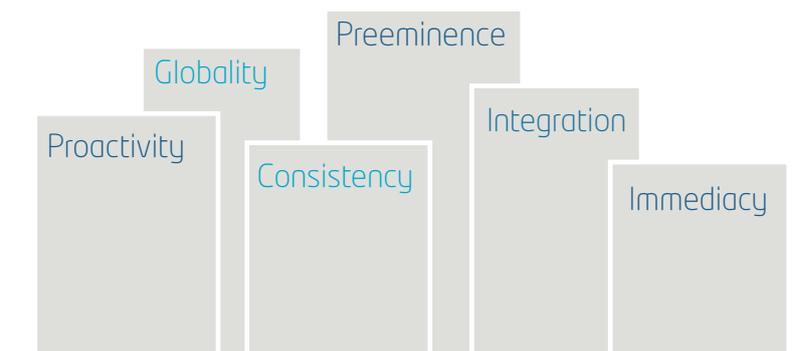
Health and safety management is organised in accordance with guidelines established in the **corporate policies and systems**, which in turn comply with standard **OH-SAS 18001**. The Management Systems of the plants are derived from the transposition of these systems and their transfer to the Manuals, Procedures and Instructions that are mandatory for compliance by all employees. They govern all the management tools, including: management and continuous improvement programmes, worker qualifications, handling of accidents and incidents, and the execution of periodic inspections.

MATERIAL ISSUES	CONTENT
Health&Safety at work	<ul style="list-style-type: none"> <li>» Management focus</li> <li>» Health and safety organisation</li> <li>» Training and awareness-raising</li> <li>» Communication</li> <li>» Occupational health: healthy lifestyles</li> <li>» Tracking indicators</li> <li>» Conclusions and aspects for improvement</li> </ul>

**80%** of facilities in operation are certified under this standard by an accredited body. Certification is pending at the Laser Automotive Barcelona and Hiasa and Gonvauto Asturias plants, and the recently opened Laser Automotive Brandenburg and Gonvarri Czech.

Gonvarri performs precise and regular monitoring of the health and safety conditions of its operations, so as to be able to improve its management through the swift detection of possible incidents. A number of programmes have been developed to this end, as summarised below:

The **“One Step Forward”** programme was founded in 2011, with the aim of underpinning the culture of awareness and integrated prevention, going beyond compliance with legal requirements to provide safe working environments, by coordinating safety in accordance with the following principles:



Meanwhile, in order to supplement these initiatives, the “10 Golden Rules” were defined, as the basic and mandatory milestones, established under the principle that “unsafe behaviour cannot be permitted in any way”, where it could have consequences for an employee’s own safety or that of their colleagues, requiring that the instructions set out by the company be scrupulously complied with.

In 2017, Gonvarri launched the “Doing Well by Doing Safe” safety plan, with the mission of putting in place a risk prevention culture with its own identity, with Safety taking centre stage. Our culture will need to focus on the concept of “Shared Safety”, by means of which we ensure that employees themselves convey this value to their colleagues. A series of measures will be deployed to this end, promoting the integration of safety at every level of the organisation.



In the field of awareness-raising, particular mention should be made of the initiative at **Steel & Alloy UK**, which organised a successful event in the field of Health and Safety, involving all its employees through games, social materials and a team test, to gauge their prior knowledge of the “10 Golden Rules”.

## Doing well by doing Good

“Doing Well by Doing Safe” aims to convey that Gonvarri can only act well if it does so by taking into account Safety, and that the only way to operate is by bearing in mind prevention of the risks that we face both in the activities performed by workers, and in every decision that is taken, every project or new job planned, supervised or undertaken.

### Control mechanisms

To evaluate compliance with all the obligations and guidelines established as regards Health and Safety, “Internal Audits” are conducted, to verify compliance with international and corporate standards on the part of all the Group’s plants.

Reports were issued for all the plants as a result of the audits. These reports set out Non-Conformities, and numerous Observations and Opportunities for Improvement, specified for each Management System, with a view to continuous improvement. At those plants that do not yet have certification under standard OH-SAS 18001, diagnosis or system pre-audit reports were produced. Meanwhile, at many plants reports were issued on working conditions and possible improvements to the facilities.

This year saw the start of a cross-inspection process known as the “Safety Safari”, in response to the opinions by Health and Safety Supervisors at the plants

themselves as to the most objective and comprehensive possible detection of possible accident and incident points. The aim is to take advantage of their knowledge and experience regarding good practice and unsafe acts, and to pass this knowledge on to other facilities, enriching and enhancing management in both cases.

The first inspection was performed between the Ferrrodisa (Valencia) and Gonvarri Tarragona plants. Both inspection days prove highly productive, and a real success in detecting points for improvement.

Periodically (whenever necessary), there is an update to the “Occupational Risk Assessment”, which identifies and quantifies the various risks to which workers are exposed. In 2016, 11 jobs and 131 workers exposed to such risks were identified at Gonvarri Colombia. None of the risks identified caused any professional illness. (G4-LA7).

# Health and safety organisation

DMA

Our **organisational culture** does not accept risks as an inevitable circumstance of our work, and demands exemplary performance from each and every member. This culture must focus on fostering positive habits and behaviours, consultation and participation by all colleagues for continuous improvement, **ZERO tolerance** of imprudence, recklessness or any type of breach in general.

As a result, **our management model involves all** those with responsibility in the line of command, with planned management bearing ultimate responsibility for monitoring the health and safety plans and programmes.

**Responsibilities and functions** as regards health and safety are integrated within the organisational structure, while decision-making always takes into account protection of the health and safety of workers.

Each plant has workers **designated** to administer health and safety, with higher-level training in this regard.

Depending on the size and requirements of the plant, they are either exclusively responsible for occupational health and tasks, or otherwise share such duties with others in the field of Human Resources, Quality and/or Environment. Meanwhile, the task of monitoring and overseeing the health of workers in terms of their exposure to risks at their respective workstations is outsourced in most cases, drawing on various medical services in accordance with the provisions of the local legislation in this regard.

To ensure appropriate awareness, the **“Shared Safety”** concept is established from senior management downwards, demanding not only self-protection and compliance with internal regulations, but also care for the surrounding environment and the safety of colleagues.

Furthermore, all facilities have defined **emergency/adaptation plans** in accordance with their activity, their size and their context.

Emergency drills are staged every year to ensure that we are prepared for any possible incidents that could occur, such as fires or spillages, rescues at height and evacuations.



## CPR training

This year, Gonvauto Navarra delivered a new edition of the course in the use of the defibrillator as part of the "Lifeguard" Project.

We believe it is very important that any employee witnessing an emergency situation should know how to act and play their part in the chain of survival, since the first link is almost never a member of medical staff.

The course includes both theoretical and practical training, with employees using a defibrillator in simulations on adult, child and baby models.



## Prevention and flexibility

Gonvarri Steel Services is a company that is constantly growing and improving. The Health and Safety area is therefore actively involved in the definition of safety requirements at the new production lines, and also new factories, incorporating safety requirements from the initial conceptual phase, in accordance with corporate Technical Specifications, and adopting a principle of integrated and positive safety.





Ven con tu familia  
a la Jornada de  
**Puertas abiertas**  
para que conozca el gran trabajo que realizamos

Sábado 17 de septiembre



## Hiasa

staged its first “Open Day” in September, attended by around 300 people.

Guests and relatives had the chance to visit the plant on board a tourist train, with groups of 45 being taken on a tour of the facilities, to explain the details of the industrial operations.

The youngest visitors were also treated to a number of fun activities (storytelling, painting, etc.) and made drawings about safety at Hiasa under the title “The place where mummy and daddy work safely”.

## Gonvarri Burgos

launched the campaign “Your Posture Matters”, with the aim of helping to avoid muscular and skeletal disorders through Ergonomic Risk Prevention, and specifically practical ergonomics.

The campaign is headed by professional physiotherapists and is adapted to all the different jobs (workshop and office), with specific stretching exercises for the different activities.

## ► New monitoring matrix

**Standard OHSAS 18001**, along with our own corporate requirements, demands identification of the training needs applicable to each post at the plant, indicating whether they are mandatory or recommended for the job in question, and establishing the training required in the case of a change of job, as well as the training obligations established yearly for each individual worker.

This training is essential, among others, to minimise the risks identified in the **Risk Assessments** for the different jobs, by means of the specific applicable actions. They must furthermore be linked to Safety Instructions.

In order to improve training and skills development, to standardise common processes (forklift drivers, maintenance, etc.) and to improve the monitoring and measurement training activities, a new **"Training baggage needs identification and monitoring matrix"** has been defined.

The matrix can automatically detect the traceability of a situation on the part of each employee, using a colour scale (green, amber and red) indicating the level of compliance, and the deadlines established for conclusion of the process.

This in turn allows us to fulfil the corporate requirement to recycle the information every three years, making it essential to have appropriate oversight and monitoring in place for each worker.



In order to underpin awareness-raising in the field of safety, in 2016 as part of the **"Safety Tips"** project, 9 interactive videos were designed, providing a straightforward and dynamic presentation of appropriate behavioural standards with regard to the most common risks detected at our plants, adopting in all cases the behavioural guideline of **"STOP-THINK-ACT"**.

Distribution of the videos is scheduled for 2017.

Using the **"Safety Tips"** project, a set of 9 information videos will gradually be launched each month, adopting the approach of an interactive game, allowing workers to take part and really feel themselves at the heart of this initiative. Workers will therefore have full access to the videos from their mobiles, using the LTC app.

**Safety tips**

By **Gonvarri Steel Services**  
2016 / 2018

# Communication

G4-LA5

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.

This climate of risk prevention is continuously conveyed from **top to bottom**, and is led, promoted and fostered by senior management at each company, distributed and trickled down by Managers, and deployed and monitored at each plant by the Supervisors.

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. For example: in Spain, they are staged each quarter with the Health and Safety Committee, which is a joint body comprising equal numbers of workers and corporate appointees.

One important aspect of communication is **worker information and participation** in the sphere of safety. Among the initiatives performed, we would highlight the following:

- Before each shift begins, a daily meeting is held between the working teams on each line and the so-called "**leader**". The aim is to discuss relevant issues for 5 minutes, the first topic always addressed being "**Safety**". These meetings have a dual focus, covering both information (safety messages, results of inspections, incidents occurring, etc.), and also participation and consultation (any possible on-the-job problems, etc.).
- The Gonvarri Production System allows the employees to contribute what are known as "**Ideas for Improvement**". Some of these ideas are connected with improvements in the field of safety. They are all analysed, and those that will help to minimise risk are implemented.

This information, along with the ideas for improvement and the safety initiatives, are compiled and analysed by the Health and Safety Supervisor, with the results of each plant available for **consultation** by all workers.

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). 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. (G4-LA8).

The risk prevention officers at our plants in each country are summarised below (G4-LA5):

COUNTRY	REPRESENTATIVES
Germany	11
Argentina	11
Brazil	5
Colombia	8
Spain	45
Mexico	12
Poland	7
Portugal	8
U.K.	10
Czech Republic	8
Russia	8
Turkey	12

In the USA due to changes in staff, the Committees have not been operational in 2016.

In addition to direct communication, there are other **communication channels** to promote consultation and participation by workers, such as the hazard identification processes, the factory health and safety information panels, and weekly emails reflecting on any accidents/incidents occurring (both at each site itself and the other Group plants), along with risk prevention measures and training days.

On the intranet, the **"Gonvarri Health and Safety"** group document manager collates and standardises policies, initiatives, systems, indicators, technical installations specifications, incidents occurring and all other documentation of relevance with regard to Occupational Health and Safety across Gonvarri Steel Services as a whole, over the corporate level and at the plants.



## At AMG Brasil,

on International **"Working Accident Victim Remembrance"** Day, awareness-raising actions were staged to address the problems faced by workers in the sphere of health and safety on the job, likewise including training for travel to and from work, so as to increase occupational safety risk prevention.

Likewise in Brazil, **"SIPATMA"** (Internal Accident Prevention and Environment Week) was held in November, featuring a range of activities connected with health and safety and the environment, under the slogan **Together for Safety: "Take care of yourself, your family, your team and your colleagues"**. A number of activities were staged during the week, such as:

- **Games:** Q&A session connected with the environment, manual and learning games regarding personal injuries, caricatures, talent contest, etc.
- **Information stands:** presentation of objects made with recyclable materials, information connected with cigarette addiction, alcohol and AIDS, etc.
- **Others:** presentations of health and safety results, emergency drill, massages for employees, photocall podium, food activity day, etc.

## Gonvauto Puebla

to mark "World Safety Day", a range of activities were organised, along with talks and workshops to increase sensitivity and awareness among employees, and to continue developing a risk prevention culture.

The plant was visited by "Portavoz" (an association made up of disabled people), who used different activities to show the difficulties faced as a result of disability caused by occupational accidents. The DACI card procedure was also explained, its aim being to detect unsafe acts and conditions within each of our processes.

## Gonvarri Argentina

staged its "Occupational Health and Safety Day", involving all the staff in the following issues: functions and responsibilities, first aid and CPR for beginners, emergency and evacuation plan, unsafe acts and conditions, use of personal protective equipment, manual load lifting and ergonomics, and prevention of illness, courtesy of the plant's medical service.

A fire extinguishing drill was also staged, using hoses and hand-held extinguishers in order effectively to put out the blaze.

## Monitoring and measurement of subcontractors

For GSS, the measures and obligations established for our employees likewise apply to subcontractors.

In order to ensure that before any job begins, the training, experience and qualifications of all subcontractors are appropriate, a tool is in place: **CTAIMA**.

Its aim is coordination and document exchange with external companies, so as to guarantee compliance with the corresponding information and supervision of requirements: contractors, subcontractors, temporary employment agencies, carriers, etc., in order to allow them to access the plant on the basis of compliance by said companies and their workers with the terms established in our corporate policies and in local legislation.

**CTAIMA** has already been implemented at the facilities in Spain/Portugal, and will gradually be rolled out at other plants.

## Occupational health: healthy lifestyles

At Gonvarri Steel Services, we believe that our way of life and lifestyle are also a part of the workplace. If we don't smoke, eat better, play sport, prevent sedentary work-related habits and maintain appropriate posture during our work, then we will have an impact on our health and well-being.

We are aware that "Healthy Companies" are more competitive, people feel more satisfied, and they also generate a positive impact, which, among other aspects, helps to reduce health costs.

As a result, the **Human Resources Department** continues to promote sports pursuits, with the aim of achieving healthier lifestyles and encouraging sporting values. These initiatives furthermore help to underpin teamwork, by creating stronger bonds both at work and outside. A number of these campaigns are summarised below:



**Gonvauto Navarra** funded the purchase of the new kit for the cycling team, comprising 11 workers from different departments.

Three members of the team took part in the "3rd Volkswagen Navarre Charity Bike Ride", which is staged in order to donate the money raised to ADANO (the "Association of Children with Cancer of Navarre"), and the Navarre University Clinic "Children Against Cancer Programme". Meanwhile, in order to supplement these activities, a healthy diet workshop was staged, in accordance with the new nutritional pyramid developed by the World Health Organisation.

**SGK Kaluga** staged a day on the theme of sport and teamwork, at the Nekrasovo recreation centre in Russia.

The participants took part in a range of adventure sports activities, such as quads, carts, paintball, etc., and at the end of the event, prizes were awarded to the first-placed teams.

**SGK Kaluga** also has in place a sports project covering a one-year duration. It began with 12 employees taking part in a volleyball tournament, and will continue with other competitions involving clay pigeon shooting, chess, football, table tennis, darts and swimming.





At **Hiosa**, some twenty workers play on a rotating team roster, and compete every Friday in football matches at the Avilés ground. This initiative is open to all those wishing to take part.

**Gonvarri Poland** has a football team, made up of a number of workers from the pan. The team took part in a championship against firms in the industrial and steel sector, finishing fifth in the table, with the best goal difference.

**Gonvauto Navarra** contributes to the sponsorship of the Egüés Eguesibar Valley Football Academy, managed by ASDEFOR.

The Academy's main aim is to encourage personal as much as physical development through sport, and to combine recreational and competitive aspects.

At **Gonvauto Puebla** (Mexico), the football team won the "Juan Carlos Cacho" league. At the end of a demanding 30-week season, the team proved to be the most consistent and reliable in the championship.



Once again, **Madrid** was the venue for the "8<sup>th</sup> Gonvarri Padel Tournament", in which 8 pairings from the different corporate offices competed in the final stage of the tournament, in three categories: Gold, Silver and Bronze.

**Gonvarri Burgos** staged its "2<sup>nd</sup> Charity Padel Tournament", involving a total of 32 workers from the plant along with a number of volunteers, and managed to raise 1,000 euros to be donated to the "Esparta Association", dedicated to supporting child cancer treatment, organising leisure activities for children in hospital, and funding research teams.

In **Madrid**, the GSS Running Team, made 62 employees from three countries, took part for the seventh year running in the Madrid Company Race. This year, the runners were given a new shirt representing GSS.

Likewise in **Madrid**, 18 GSS employees took part in the Women's Race, with the aim of contributing to the fight against cancer, and promoting sport as a lifestyle. The women at GSS Madrid also received a wristband bearing the insignia: Gonvarri Steel Services "Women of Steel".

Numerous employees likewise took place at the "EDP Rock 'n' Roll Madrid & 2016" in three categories: 10 km, 21 km and 42 km, all accompanied by 22 rock groups dotted along the route.

**Gonvauto Navarra** took part in the Company Challenge race, over a 6 km course around the fortified walls of the Citadel of Pamplona. The employees took part both in the male individual category and in the mixed trios.

**Ferrodisa** takes part in and supports various races with social purposes, such as: 2<sup>nd</sup> AMUHCANMA Race (Association of Women and Men Affected by Cancer); 4<sup>th</sup> Con Otra Mirada Charity Race (Espiga Group Association and AECC Sagunto); the 4<sup>th</sup> City of Sagunto Mountain Race, and the City of Sagunto Xiqui Pujada Climb.

**Ferrodisa** and **Gonvauto Galicia** also support their employees by purchasing sports equipment and sponsoring football and skating clubs at which a number of the employees' children take part, through properly justified grants.

In this regard, other campaigns are staged to incentivise positive habits, for example at **Gonvauto Galicia**, where baskets of fruit are placed in communal areas every month, allowing 65 people to benefit from this initiative, encouraging a healthy diet.

**Gonvauto Galicia** also, with the assistance of the Spanish Anti-Cancer Association, stages campaigns using email and traditional communication channels, including tips on how to care for health and well-being.

# Tracking indicators

G4-LA6

At GSS we perform **comprehensive monitoring** of accident-related indicators, both internally and at subcontractors. Particular importance is likewise given to the monitoring of "incidents" at the plants, serving to establish risk prevention measures, and thereby to continue improving safety and the working environment of our professionals. Monitoring and measurement of all this information is conducted using the corporate **Minerva** tool, which has access to all information.

In 2016 there were a total of 82 accidents with absence and 319 accidents without absence. Compared with 2015, accidents not leading to absence, involving internal and external staff, in addition to accidents leading to the absence of external staff, registered a significant reduction, although there was an increase in accidents leading to absence among internal staff. The distribution is set out below:

	ACCIDENTS WITH LEAVE		ACCIDENTS WITH OUT LEAVE	
	MEN	WOMEN	MEN	WOMEN
Own Personnel	62	2	269	5
External Personnel	18	0	45	0
<b>TOTAL</b>	<b>80</b>	<b>2</b>	<b>314</b>	<b>5</b>

With regard to the notification of minor, serious and very serious accidents and deaths occurring at the facilities, external reporting is performed in accordance with the established reporting channels and the obligations and deadlines defined by the competent authority.



## Está viendo al responsable de su SEGURIDAD



It should be pointed out that **no fatal accidents occurred** at our facilities in 2016. In 2016, one professional illness was registered in Argentina, although this was ultimately rejected by the insurer, and the average rate is therefore 0.00.

Below are detailed the **accident rates** suffered in each of the countries where the company has a presence:

COUNTRY	ACCIDENTS WITH LEAVE				ACCIDENTS WITH OUT LEAVE			
	Own Personnel		External Personnel		Own Personnel		External Personnel	
	Men	Women	Men	Women	Men	Women	Men	Women
Germany	26.8	0.0	0.0	0.0	75.0	59.3	106.1	0.0
Argentina	97.3	0.0	0.0	0.0	36.5	0.0	0.0	0.0
Brazil	2.5	0.0	0.0	0.0	47.5	0.0	0.0	0.0
Colombia	2.7	0.0	17.7	0.0	9.4	0.0	17.7	0.0
Spain	13.7	0.0	3.5	0.0	87.4	4.7	43.7	0.0
USA	0.0	37.6	0.0	0.0	28.9	37.6	0.0	0.0
Mexico	0.0	0.0	12.0	0.0	12.4	0.0	0.0	0.0
Poland	9.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Portugal	27.6	0.0	0.0	0.0	36.8	0.0	107.6	0.0
U.K.	18.8	0.0	0.0	0.0	89.2	42.6	0.0	0.0
Czech Republic	33.3	26.6	0.0	0.0	33.3	0.0	0.0	0.0
Russia	0.0	0.0	97.5	0.0	64.9	0.0	0.0	0.0
Turkey	12.4	0.0	55.8	0.0	5.3	0.0	0.0	0.0
<b>TOTAL</b>	<b>12.37</b>	<b>2.68</b>	<b>13.15</b>	<b>0.00</b>	<b>53.66</b>	<b>6.69</b>	<b>32.88</b>	<b>0.00</b>

Frequency rate: No. of accidents with medical leave in 2016 x 1,000,000 / No. of hours worked

Frequency rate: No. of accidents without medical leave in 2016 x 1,000,000 / No. of hours worked



## ▶ Days lost per accident

The accidents registered led to a loss of **1678.5 working days**, 99.3% corresponding to men, and 0.7% to women.

Below is detailed the average rate of days lost per occupational accident and employee in 2016.

COUNTRY	OWN PERSONNEL	
	Men	Women
Germany	0.43	0.00
Argentina	0.46	0.00
Brazil	0.02	0.00
Colombia	0.13	0.00
Spain	0.61	0.00
USA	0.00	0.04
Mexico	0.00	0.00
Poland	0.16	0.00
Portugal	0.25	0.00
U.K.	0.22	0.00
Czech Republic	0.25	0.29
Russia	0.10	0.00
Turkey	0.08	0.00
<b>TOTAL</b>	<b>0.34</b>	<b>0.02</b>

Rate: (No. of days lost due to occupational accidents x 1,000) / No. of hours worked in 2016.

## ▶ Days lost through unplanned absence

In 2016 a total of **19,699.6 days** were lost through unplanned absence, 91% corresponding to men and 9% to women.

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

COUNTRY	OWN PERSONNEL	
	Men	Women
Germany	428.3	0.00
Argentina	3,757.2	8,523.6
Brazil	2,302.2	1,928.0
Colombia	1,491.2	453.0
Spain	5,733.8	2,594.7
USA	912.7	37.6
Mexico	656.9	0.0
Poland	6,758.0	9,800.0
Portugal	6,336.9	4,187.2
U.K.	5,140.1	3,944.2
Czech Republic	8,718.9	8,937.1
Russia	97.3	0.00
Turkey	78.0	0.00
<b>TOTAL</b>	<b>3,241.1</b>	<b>2,347.4</b>

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.



## Conclusions and aspects for improvement

Each quarter, the Corporate Health and Safety Director conducts the **situation analysis** so as to detect those aspects for improvement that would contribute to the prevention of on-the-job accidents/incidents.

Below we summarise the main conclusions for the year 2016:

**Accident rates:** during the year there was a slight upturn in both the Frequency and the Severity Index, with the duration of absences being greater than in the previous year.

This change in trend forces us to develop and implement new risk prevention plans and measures, so as to improve the working environment.

**Training:** as regards hours of training, they were increased compared with the previous year by around 7%, although distribution is uneven across the various plants.

As a result, in 2017 greater efforts will be dedicated to continuous training in job performance (risks, updated safety instructions, etc.) along with the reinforcement of accident prevention measures.

As for the **commitment** by senior management, integration and policy compliance, although the result is good, a slight unevenness across the different plants may also be seen. For example:

The monthly senior management **meetings** to monitor the Management System did not in some cases achieve the required frequency. In order to improve on this aspect, the meetings will need to be documented in the new formats established for this purpose.

The level of incident detection in the execution of periodic inspections by supervisors, managers and departmental heads, could likewise be improved at some facilities. Emphasis will therefore need to be placed on the need to give **notice** of all events and the execution of these processes.

In some cases, the **resolution** period for improvement actions needs to be swifter, as this is vital so as to prevent incidents/accidents.

This requires greater encouragement of use and consultation of the **TOP5** as information and refresher tools, and not simply to serve notice of accidents.

# Social Dimension

## Society

MATERIAL ISSUES	CONTENT
Road safety	» Management focus

## Management focus

DMA, G4-LA1, G4-10 and G4-EC1

Gonvarri Steel Services contributes to the creation of value in the local economy through various focuses that aim to strengthen and consolidate the business fabric in the region, such as:

- » **Employment** created and maintained, with a figure of 548 for new hirings and a total workforce of 3,026 employees, 97.5% of whom are of **local nationality**, while 90.7% have a **permanent contract**. Further information is given in this regard in the People section.
- » **Economic value distributed (EVD)**, with a total of 2,371,338 thousand euros. This section includes purchases from **local suppliers**, which accounted for 70% of all purchases, representing a budget of 1,671,815.9 thousand euros, and the payment of **taxes and contributions**, accounting for a total of 58,329 thousand euros. Further information is given in this regard under the Economic dimension.

Meanwhile, Gonvarri Steel Services uses **value creation** within society as an obligation to the contexts within which it operates, and aims through its products and services to respond to the social challenges faced globally.

So as to achieve this objective, it seeks to align social collaboration with business activity, and with the **Sustainable Development Goals (SDGs)**, directly engaging with the communities where it operates, among other aspects through:

1. The development of **new products** that contribute to reduced emissions and the mitigation of climate change.
2. The commitment to **road safety** has two facets: the innovative products developed in the field of road safety by the Road Steel division, and the awareness raised by the Emotional Driving project.
3. **Social action** and collaboration with various associations.
4. Membership of local **industrial associations**.
5. The relationship with **public authorities**.

Below are summarised a number of the most relevant initiatives undertaken in 2016:

## 1. New products

### Highway containment systems

The **Road Steel** division is dedicated to the production of **highway equipment**, located at the Hiasa, Gonvarri Turkey and Gonvarri Colombia plants. The division researches, designs, develops, manufactures, installs and markets carriageway equipment products, intended to improve the protection of highways and minimise possible harm in the event of an impact.

The products developed include in particular an extensive range of **vehicle containment systems**, including: metal safety barriers, metal bridge parapets, wood and steel aesthetic barriers, impact attenuators, barrier terminals and motorcyclist protection systems.

They are all characterised by their high level of safety, validated by and consistent with the regulations in force, thanks to the efficacy of their performance, their permanent innovation and their painstaking quality and durability.

### More lightweight products

Transportation is a major emitter of greenhouse gases, accounting for some 25% of total CO<sub>2</sub> emissions in the European Union and the USA. (Source: IDEFA).

**Vehicle weight** is a decisive factor in this regard, since the less the vehicle weighs, the less fuel it consumes, resulting in a reduction in associated emissions.

Gonvarri Steel Services therefore works constantly with the automotive sector, adapting processes and developing more lightweight products through the growing usage of aluminium and third-generation steels, all of which are recyclable, thereby furthermore contributing to the "**Circular Economy**". The chapter on the Environmental dimension provides further information in this regard.

## Road safety policy

Gonvarri Steel Services (GSS) is aware of the importance of developing a **Road Safety Management System** based on standard **ISO 39001**, helping to improve the working environment of its employees and other stakeholders, with a threefold focus:

- **Road Safety** as a part of our commitment to society (helping save lives).
- **Road Safety** with a focus on prevention, as shown by our concern for workers and their families, through our Emotional Driving project.
- **Road Safety** as a part of the business model, through technological promotion and innovation in the use of new materials to develop more lightweight, safer and less polluting vehicles, and to improve protection and road safety mechanisms on our highways.

Gonvarri Steel Services therefore establishes the following principles that make up its **Road Safety Policy**:

- Define, implement and communicate the Road Safety Management System, based on continuous improvement through annual objectives and goals, to be specified in the "Road Safety Action Plan".
- Deploy the mechanisms required to minimise the probability of occurrence of accidents that could affect the physical, mental and social integrity of staff, subcontractors, the community and/or environment, in all their journeys, taking into account the risks associated with their activities.
- Understand, update and disseminate the applicable legislation, with a firm commitment to comply with the requirements established in the field of road safety.
- Promote sustainable mobility, through appropriate vehicle usage, encouragement of collective public transportation and transport with little or no impact.
- Foster communication and participation by employees and other stakeholders to achieve safer driving, through the Emotional Driving project.
- Ensure that all staff and subcontractors have access to detailed safety instructions for their travel, both in the usage and maintenance of their own or third-party vehicles, and access to safe, signposted parking areas and access routes at all operational sites.
- Collaborate with other national and international bodies so as to encourage the exchange of know-how, training and good practices.
- Allocate the resources required in order to fulfil this policy and the management system.

Madrid, december 1, 2016.

**Josu Calvo**  
CEO Gonvarri Steel Services



## 2.) Road Safety

### Commitment to road safety

According to the study conducted in 2015, it is estimated that our employees make more the 5 million journeys a year, most by car. 78% use their car for at least two journeys per day, to go to and from work, while of the remaining percentage, most of them use public transport.

Gonvarri Steel Services, aware of the importance of these matters for employees and colleagues as a group, approved and presented its **“Road Safety Policy”**, applicable to all sites in Spain, along with the Manual in development of the **SGSV Road Safety Management System**, in accordance with standard ISO 39001:2012, which will be gradually implemented.

The SGSV system will include monitoring of KPIs to measure incidents and accidents, training and awareness-raising, along with other initiatives to achieve a dynamic approach and help reduce traffic accidents. Meanwhile, within the context of the **Emotional Driving Project**, numerous activities were undertaken, as summarised below:

## Emotional Driving

Gonvarri Steel Services set up the **Emotional Driving** project in 2014, with the aim of fostering a road safety culture. As an agent involved in the automotive sector, one of its responsibilities is to work to minimise negative impacts in the event of accident.

To this end, it has for two years now dedicated efforts to the programme, designed to motivate safer driving, through positive, approachable and emotive messages. The first stakeholder group addressed was the company workforce (the key ambassadors for the project), and it has subsequently been extended to other groups, such as customers, suppliers, institutions, etc.

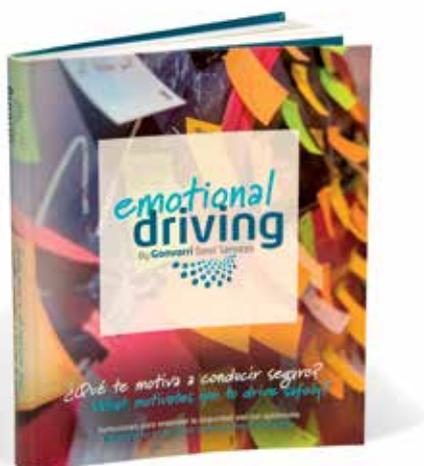
In order to reach out to all these groups, Gonvarri Steel Services signed a partnership agreement with **AESLEME (the Association for Spine Injury Studies)**, which was given the task of underpinning the emotional aspect of the project, through personal accounts by its members, which are both realistic and positive, along with the **Mapfre Foundation**, which uses its road safety experience to strengthen our commitment, with partnerships covering various initiatives.

Since the project was founded, a number of actions have been undertaken, combining experiential elements (days with driving simulators), learning courses (road safety courses), and the use of different formats and communication channels (newsletter, intranet, working parties, audiovisual materials, etc.). The **"Emotional Driving Challenge"** was also set up, as a collaborative venture among different users, inviting them to act as ambassadors for the project, spreading its positive messages connected with safe driving.

As mentioned in the 2015 report, over the course of 2016 the objectives set for the project were fulfilled and surpassed, allowing Emotional Driving to take on an **international dimension**.



Below are listed the main initiatives staged during the year:



### Emotional Driving Book

The first major milestone of the year was publication of the book “**Emotional Driving: Reflections to understand road safety with optimism**”, comprising experiences and reflections by experts in road safety. The book was published in Spanish and English, although it has now been translated into other languages, such as Portuguese, Russian and German. Thanks to the widespread distribution of the book, in June it was presented at the Madrid Book Fair, where a talk was also given on “Innovation to Avoid Accidents”, presented by Josu Calvo, CEO of Gonvarri Steel Services, Mar Cogollos, Director of AESLEME, and other authors of the book.

To coincide with the publication of the Emotional Driving Book, there was an update to the website [www.emotionaldriving.com](http://www.emotionaldriving.com), which houses all the information concerning the Emotional Driving programme, with content shared via social media.

### Webserie

Meanwhile, in order to give the project greater momentum and a more complete and realistic experience, a **web series** was set up, created using content from the book.

The web series comprises four chapters, “**Experience**”, “**Life**”, “**Attitude**”, “**Help**”, starring four of the book’s authors. They all tell their own stories of overcoming challenges after suffering a traffic accident, from a positive perspective.



Fotograma del capítulo “Ayuda” de la webserie de Emotional Driving.



### Mobile application

The release of the Emotional Driving **Mobile App** was an important step towards reaching and facilitating information to a greater amount of stakeholders.

This App is available both for **iOS and Android** operating systems. Both in the website and the mobile App users can find content such as the book, the project introducing video and links to the different social networks that the program has presence on: **Facebook, Twitter, LinkedIn and YouTube**.

## Emotional Driving Book Challenge

As a result of all the above, in order to extend the project internationally the **Emotional Driving Challenge** was set up, to distribute the range of content already included within the programme via social media.

This involved setting up a platform where the Emotional Driving content to be distributed was posted, allowing the employees at the different granite plants around the world then to publish and share it with their contacts.

To perform these activities, content was uploaded to Facebook, Twitter and LinkedIn. By the end of the competition, **86,348** actions had been achieved in social media.

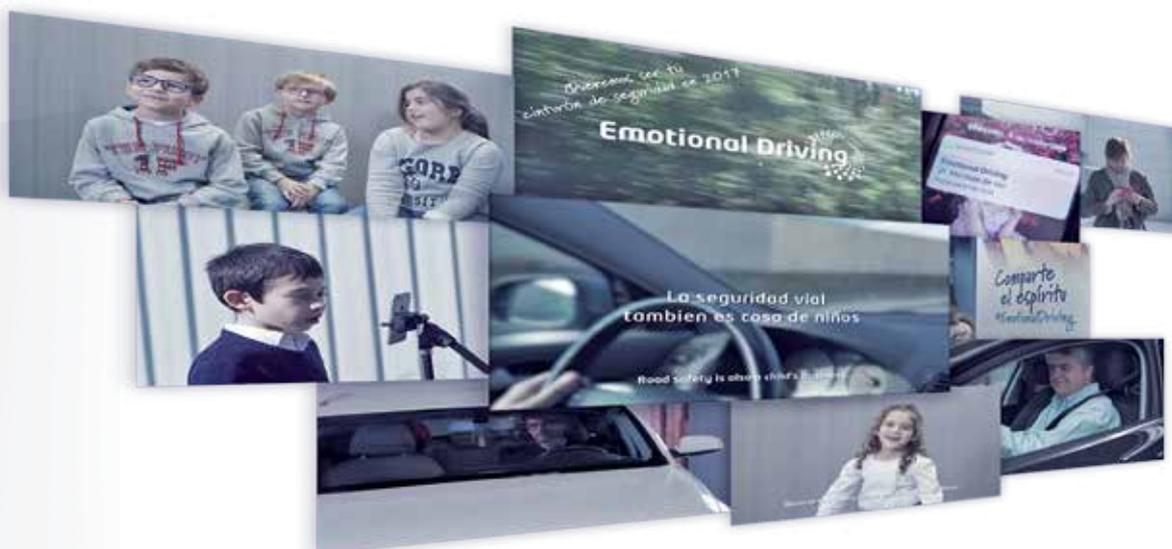


## Internationalisation

Continuing with the internationalisation of the programme, in June and October 2016 Emotional Driving crossed national borders to implement its philosophy at the **Gonvauto Thüringen (Germany)** and **Gonvarri Portugal** plants. Among the ratings given to the two days, 96% of attendees mentioned that Emotional Driving really helps to encourage road safety, 98% registered between moderate and very high overall satisfaction with the initiative, while 77% stated that they had discussed the event with their family and/or friends. Meanwhile, it was extrapolated from the assessments that 56% of attendees were more cautious after the event than before.

## Volunteering

Combining all the actions that were being staged within the Emotional Driving programme, Gonvarri Steel Services undertook a volunteering initiative with the **John XXIII Roncalli Foundation**, accompanying disabled children as they enjoyed a road safety day at the **Mapfre Foundation's mobile park**. Another contribution was made on 20 November, by paying tribute to traffic accident victims, while an online road safety awareness video was produced on the theme of Emotional Driving, inviting users to leave a message about **What motivates you to drive safely?**



### Video: road safety is for kids too

To draw the year to a close, and as a taster for what is to come in 2017, Emotional Driving launched its Christmas campaign based on "Road safety is for kids too". A video was recorded to this end involving the children of employees, in which the kids became their own parents' advisers, encouraging them to drive safely. This was distributed as summarised below:



**80,000**  
Visualizations  
**231,933**  
People reached



**26,000**  
Tweets impressions  
**473,913**  
People reached



**351**  
Impressions

## 3.) Social Action

The different Gonvarri Steel Services factories staged numerous activities in 2016 involving **social action**, both internally and with the communities where the company operates. These initiatives are connected with caring for health, awareness-raising as to healthy lifestyles, encouragement of sport among both employees and their relatives, care for biodiversity, internal and external training, as well as both monetary and in-kind donations.

The distribution of the various initiatives is summarised in the enclosed graphic:



These activities are detailed below:

## Corporate initiatives

### Road Safety

Gonvarri Steel Services Madrid arranged a partnership with the **John XXIII Roncalli Foundation**, a road safety awareness day for 21 students with mental disabilities. The students were accompanied on a trip to the **Mapfre Foundation** Children's Traffic Park, where they had the chance to learn about and enjoy the different roles that people can play on a public road.

Various road safety initiatives were likewise undertaken with the **AES-LEME Foundation**. These actions are covered in depth in the Emotional Driving section.

### Education

Gonvarri organised a volunteering day with the **John XXIII Roncalli Foundation**, at which employees gave classes about how to access the labour market, how to approach job interviews, and how to use social media to look for work. These classes were given by employees from the human resources and IT systems area, for 80 students of the foundation.

Meanwhile, during the summer season employees' children were given the chance to attend a city camp to encourage integration with the foundation's students. The activi-

ties on offer at the camp included tending to an allotment, taking part in treasure hunts, as well as hand-crafts workshops.

Gonvarri Steel Services likewise supported the **LQDVI (What Really Matters)** Foundation through a range of congresses covering ethical, humane and cultural values delivered in a number of Spanish cities, and intended for pre-university students.

Meanwhile, in partnership with the foundation an online course was launched in late 2016 addressing the values of "**Effort and Enterprise**", delivered by Foundation speakers including Toni Nadal and Jorge Font, who use their experiences as an example of how these values can serve to face up to different challenges.

Lastly, the company purchased the **books** published by the **LQDVI** foundation to mark its 10th anniversary, and intended for young readers. The books are based on famous speakers with considerable experience in promoting values, with the aim of conveying these ideas to the youngest members of society in a fun way.

## Local initiatives

### Health, sport and well-being

Gonvarri Steel Services believes that healthy lifestyles are essential for its employees' health. In many cases the initiatives have a twofold objective, since they are also an important lever to raise funds for some social purpose. A number of examples are summarised below:

**Ferrodisa** took place in the 2nd AMUHCANMA Race (organised by the Association of Women and Men Affected by Cancer); 4th Con Otra Mirada Charity Race (Espiga Group Association and AECC Sagunto); the 4th

City of Sagunto Mountain Race, and the City of Sagunto Xiqui Pujada Climb.

**Steel & Alloy**, meanwhile, supported sporting initiatives, purchasing trophies to help combat cancer through the Cancer Support Centre, and to fight cystic fibrosis, through the Cystic Fibrosis Foundation.

**Gonvarri Burgos** held its 2nd Charity Padel Tournament which managed to raise 1,000 euros, donated to the Esparta Association, which focuses, among other initiatives, on supporting treatment for childhood cancer.



AMG Campinas took part in a programme to sponsor taekwondo classes for 90 underprivileged children, on the express condition that they attend school.

AMG Paraná supported a project to assist with health treatments for children and teenagers at the Pequeño Príncipe Hospital, to purchase the materials needed for their treatments.



Gonvauto Iberia took part as a sponsor of the fourth edition of the "Desconecta por el Autismo" fun run organised by the Istea Association (Social Integration of Autism Spectrum Disorder) in Castelldefels.



The plant likewise supported another initiative on behalf of older people, allowing them to enjoy outstanding care, rehabilitation and well-being, along with access to high-cost health services, such as cancer treatments.

The aim is the social development of both children and adults, as well as all other staff, whether or not they belong to the Association, and who wanted to do their bit.

In Madrid, 18 female employees took part in the "Women's Race", to combat cancer and promote sport as a lifestyle.

At Gonvarri Colombia we would highlight the following initiatives:

- Psychologist available to assist employees and their relatives wishing to receive psychological advice, for the well-being, health and integrated development of workers and their loved ones.
- Annual activities involving spouses and children. The aim is to cement manual and motor skills among children, while teaching their mothers a trade, so that they can make a contribution to household income. In total, 26 attendees benefited.



Motivation and support workshops are also offered for plant staff who have retired or taken early retirement. In total, 20 attendees benefited.



## Donations

The Gonvarri Steel Services factories undertake a range of activities and initiatives of different kinds. This allows the company to ensure that its aid reaches out to more projects, and so more people.

## Food

**Gonvarri South Carolina** collected tinned food for families in the region unable to fulfil their basic needs, through the "Food Pantry, Mt. Edna Baptist". All the employees took part in the initiative, and managed to help out 60 people.

**Ferrodisa**, meanwhile, donated the equivalent of 400 kg of food to help families who have seen their income reduced in the town of Sagunto. Thanks to this initiative, some 550 families are estimated to have benefited.

**Gonvauto Galicia** donated 720 kilograms of non-perishable foodstuffs to the food bank campaign intended for single parents subject to special protection.

**Steel & Alloy** was also present in the staging of a lunch promoted by the Charity Air Ambulance association, involving members of staff during their free time.

**Gonvarri Colombia** supported the staging of a Family Day at a nearby educational institution, donating food to benefit 400 people.

**HIASA** works together with the Asturias Food Bank Foundation to collect non-perishable foodstuffs to be donated to a number of different causes, such as charitable, social and care centres.

**AMG Campinas** staged an internal campaign among its employees to collect food which was then donated to foundations in the Sumaré region who help people with drug addiction.

## Other (furniture, roads, toys, bottle caps, etc.)

The **Hiasa**, **Ferrodisa**, **Gonvarri Barcelona**, **Gonvarri Tarragona** and **Gonvarri Portugal** factories have lent their support to the project to collect bottle caps to help children with serious health problems.

**Gonvarri Portugal** and **Gonvarri Colombia** made donations to the associations "Mininios de Ouro" and FEDECOBAN (Grassroots Foundation of the Black Communities of Antioquia), respectively, giving unused office furniture to assist in the integrated and intellectual development of children and youngsters.

**Gonvauto Galicia** donated a total 2,710 kilos of clothing and toys to assist single-parent families and those receiving special protection.

**Gonvarri Barcelona** collected and donated clothing and toys for children.

The employees of **Gonvarri South Carolina**, took part in the Salvation Army Angel Tree Program, purchasing toys for underprivileged children at Thanksgiving and Christmas.



## Economic Donations

**Gonvarri Argentina** conducted an internal charity campaign to raise funds for the son of an employee diagnosed with West's syndrome. The employees decided to help the family out by setting up a collection box in communal areas to raise money.

**Steel & Alloy** staged an internal raffle of all the gifts received at Christmas, with the money raised through the staff's ticket purchases being donated to the Action Heart charity, as well as Macmillan Cancer Support.

**Ferrodisa** also made a donation to the Valencia Charity Association, which is responsible for providing shelter for homeless people, running two free nursery schools, a social kitchen and other projects.

## Environment

In addition to the measures taken daily during production processes, the factories stage a range of initiatives, including in particular:

Over the course of 2016 **Gonvauto Galicia and Gonvauto Puebla** undertook projects to protect the environment and fight climate change. Gonvauto Galicia launched its "Car Sharing" initiative, with the aim of incentivising the practice among employees, thereby minimising CO2 emissions caused by transportation. Special parking spaces have been set up for users of the scheme.

**Gonvauto Puebla** is working to preserve the Izta Popo National Park, Mexico's longest-standing protected area, by means of economic support to help with conservation.

Timber and uncontaminated wastage has also been donated for the restoration and establishment of storage areas and recreational spaces for the animals at the Africam Safari zoo.

## Culture

The Gonvarri Steel Services factories engage in social initiatives with the communities where they are present. These activities are based on local needs and requirements, including such examples as:

**AMG Campinas** has a partnership with Belgo Beckaert to develop a project in the region addressing cultural promotion among children and adults. This involved free theatre shows staged in the months of October and November. The initiative is calculated to have benefited 1,523 people.

**AMG Paraná** sponsored the "A Concert for Life" cultural project, with the aim of popularising classical music, and providing access to arts and culture. The scheme involved 18 concerts to liven up the atmosphere at the Pequeno Príncipe Hospital. 15 groups from Paraná took part, sharing their music with children, teenagers, families and employees at the hospital.

**Gonvarri Turkey** staged a skittles tournament as part of the Team Sensibility project, with the groups being organised by workers at the different departments.



As for development initiatives and programs involving the local community, various projects are undertaken, to a greater or lesser degree, at 15 of our factories and at head office (46%) (G4-S01).

Gonvarri Steel Services did not identify any significant, real or potential **negative impacts** on the local community as a result of our facilities (G4-S02), nor did it receive or file any grievances about social impacts during the year (G4-S011).

## 4.) Membership of associations

Involvement in associations and bodies is important, as it allows the company to keep abreast of **trends**, take part in consultations, studies and working groups in the sector, and help establish a reference framework. Industrial organisations and other associations are detailed under indicator G4-16.

## 5.) Local collaboration with public authorities (G4-S06)

Gonvarri Steel Services **collaborates with public bodies** on a disinterested basis, establishing relationships with regional and local authorities with complete transparency, following the guidelines established by the Code of Ethics, taking part in forums and events organised by them. A number of examples are summarised below:



**Gonvarri Burgos** collaborated with the Provincial Health and Safety Commission of the regional working party of the Government of Castile-Leon within the context of a project to analyse occupational accidents occurring in Burgos.

It likewise took part at the Foro-Burgos forum, through various addresses and roundtables regarding "Transformation of Quality and Business Management", the "Current and Future Digital Revolution at Companies", and the exhibition "A Journey in Time through the Industry of Burgos", taking visitors along the timeline of the region's steel industry in various contexts.

**Gonvauto Galicia** collaborated with the Regional Government of Galicia and the Local Council of Marín on the "Lanzadera" employment booster programme, through a range of activities, including presentation of the plant, featuring a guided tour, and CVs received at a Networking event. All the above was organised together with members of the Lanzadera, in collaboration with other companies and public institutions.

It likewise collaborated and participated with the Local Council of Pontevedra in a presentation and information day addressing mobility initiatives.

In **Madrid**, Gonvarri Steel Services was chosen by the JRC (Joint Research Centre) of the European Commission to take part in the generation of a reference document regarding "Best Environmental Management Practice for the Manufacture of Metal Products Sector" (BEMP). This information is expanded on in the Environmental Dimension chapter.

**Gonvarri Barcelona** took part at the 12<sup>th</sup> Forum of the Union of Warehouse Operators of Catalonia and the Balearic Islands, addressing "The Value of Distribution", through the presentation "Sales Policy in the Domestic Market", a conference that ended with a discussion involving attendees and representatives from other companies.

Meanwhile, the Metal Structures division is involved in a range of forums and seminars, such as:

**Solar Steel** took part at the Intersolar Middle East trade fair held in Dubai, with the aim of developing its business in the region, where it already has a significant presence in major photovoltaic projects.

It was likewise present at the **Mirec Week Congress in Mexico**, staged within the context of the new Energy Transition Act, handling nearly a thousand attendees at its own stand, providing extensive information about innovative solar energy solutions, and presenting the launch of the new single-axis solar tracker, along with a revision of the existing multi-axis tracker.

**Road Steel** took part at the **Intertraffic Mexico** trade fair, presenting its proposals and solutions in the sphere of road safety infrastructure, manufacturers, importers and local agents in the field of mobility.

It was also present at the **"5th Ibero-American Road Safety Congress"** staged in Santiago, Chile, on the topic of "The Safety of Vulnerable Users". The conference "Certified Barriers and Parapets. Motorcyclist Protection Systems" analysed the current state of these materials and infrastructure elements, presenting solutions and innovative systems to guarantee greater safety for motorcyclists.

The congress, in accordance with our commitment to the fulfilment of the SDGs, formed a part of the initiative entitled **"Decade of Action for Road Safety 2011-2020"**, the aim of which is to

reduce the number of accident victims by 50%, by 2020.

GSS does not make any financial or in-kind contributions to political parties (G4-S06).



## Prizes and awards

Below we summarise the awards and accolades obtained by Gonvarri Steel Services over the course of 2016.



**2016 EMEA SABRE Awards (Gold)**

Industry sectors - automotive  
May 2016



**International Business Awards (Bronze)**

The best Internal Communication campaign  
August 2016



**Premios Prevencionar (Premio a la Seguridad Vial)**

Road Safety Award  
October 2016

2015|16 WINNER



**Mercury**

Honors in Corporate Campaigns: Corporate Social Responsibility Practices.  
February 2016



**Awards for digital talent**

November 2016

### ▶ Awards received for the "Emotional Driving project"

The Emotional Driving project received the gold **SABRE** award in the automotive category. This award acknowledges the awareness-raising internal communication efforts made by Gonvarri Steel Services through its employees.

The Emotional Driving project received an honourable mention in the **Mercury Excellence Awards** in the category of Corporate Campaigns: CSR Practices. The **Prevencionar** awards, focused on improving risk prevention culture and social awareness, gave their Road Safety Award to the Emotional Driving project. The Emotional Driving web series received the Bronze **International Business Award**, known as a Stevie, in the Branded Content category.

The Emotional Driving project received the 50 Best Digital Ideas Award in the Digital Talent category handed out by **Expansión Economía Digital**, acknowledging the efforts made by companies in the digital sphere, emphasising originality, market vision and the contribution of value to society through their initiatives.



### ▶ Awards received at the various GSS plants

Below we summarise a number of the local accolades received/awarded at the different Gonvarri Steel Services plants during 2016:

**Gonvarri Burgos** received the **OGECÓN 2016** award granted by OGECÓN (Knowledge Management Observatory), in recognition of the proper implementation of corporate policy and knowledge management at the Burgos factory.

**Gonvarri Burgos** likewise received the First Prize at the 1<sup>st</sup> National Edition of the **Innovation and Health Awards presented by Mutua Universal** in the best innovative health promotion practice category (single category).

# Environmental Dimension

MATERIAL ISSUES	CONTENT
Use of raw materials and hazardous products	Environmental performance Raw materials and hazardous products <ul style="list-style-type: none"> <li>» Main consumption inputs</li> <li>» Conflict Minerals</li> <li>» Steel and the Circular Economy</li> </ul>
Energy; consumption and efficiency	Environmental performance Energy and energy efficiency <ul style="list-style-type: none"> <li>» Energy consumption</li> <li>» Energy Efficiency</li> </ul>
Climate change and CO <sub>2</sub> emissions	Environmental performance Emissions and climate change <ul style="list-style-type: none"> <li>» Risks and opportunities associated with climate change</li> <li>» Greenhouse gas emissions</li> </ul>

» **Environmental Management Systems** under standard ISO 14001, which help to monitor, control and analyse information and data connected with the environment. Meanwhile, continuous improvement mechanisms and measurement of the fulfilment of the applicable legal requirements are also established.

In 2016, 86% of plants had in place a certified environmental management system, with this measure remaining pending at the South Carolina, Czech Republic, Laser Automotive Barcelona and Laser Automotive Brandenburg plants.

» **'ICA' Environmental Performance Index**, which goes beyond compliance with the legislation in force, establishing a common control framework through the monitoring and management of environmental performance indicators and an objective rating of between 1 and 100 points.

## Environmental performance

G4-DMA

The commitment by Gonvarri Steel Services to the environment is expressed in its **Environmental Policy**, and involves efficient and responsible operations, so as to supply more competitive and profitable products, with a lower impact and greener credentials. This therefore forms a part of the Sustainability and Efficiency strands.

Environmental management, and measurement and minimisation of impacts, are performed essentially through two focuses:

The result of this **ICA** rating is integrated within company management and operational priorities. The results of the ICA since 2013 are summarised below:

FACILITIES	2013	2014	2015	2016
Gonvarri Barcelona	71	75	77	81
Gonvato Galicia	74	80	88	94
Gonvauto Navarra	80	83	83	88
Gonvarri Barcelona	65	66	66	73
Gonvarri Burgos	77	82	82	89
Gonvarri Tarragona	77	78	78	84
Hiasa	58	58	58	70
Ferrodisa	68	68	68	76
Gonvarri Portugal	86	90	90	94
Gonvarri Thüringen	50	59	68	71
Gonvarri Poland	63	72	90	81
AMG Campinas	65	67	67	78
AMG Paraná	73	73	73	80
Gonvarri Argentina	74	75	75	69
Gonvarri Puebla	78	80	84	83
SG Kaluga	53	55	55	68
Steel & Alloy	NA	NA	40	57
Gonvarri Arizona	NA	NA	NA	52
Gonvarri Turkey	NA	NA	NA	39
Gonvarri Colombia	NA	NA	NA	79

In 2016 we added the plants in Arizona, Colombia and Turkey. The overall result indicates an improvement of 5.5 points compared with the previous year, thereby fulfilling the target that had been set. The plants achieving the highest scores were: Gonvarri Portugal and Gonvarri Galicia.

Meanwhile, **training and environmental awareness raising** is a fundamental practice in order to promote responsible behaviour. During 2016, such training focused on good practices and aspects such as energy efficiency, waste management and the environmental management indicators.



In 2016, with the aim of reducing mains water consumption and making use of rainwater, **AMG Paraná** installed two rainwater catchment systems for internal use, which will begin operation in 2017, following definition of the most appropriate uses in accordance with the characteristics and filling capacity.

These systems serve to monitor the environmental impacts resulting from company activity, defining **environmental performance** indicators connected with consumption of natural resources and raw materials, as well as the generation of waste, discharges and emissions, allowing us to identify opportunities for improvement.

Our activity does not require any intensive consumption of water in our processes, although as this is an essential and increasingly scarce natural resource, controls and improvements are established so as to achieve sustainable water use.

## Partnerships

Gonvarri Steel Services was chosen by the JRC (Joint Research Centre) of the European Commission to take part in the generation of a reference document regarding **“Best Environmental Management Practice for the Manufacture of Metal Products Sector” (BEMP)**. This reference document for the sector will provide the basis for the development of the future EMAS (Eco-Management and Audit Scheme) Directive.

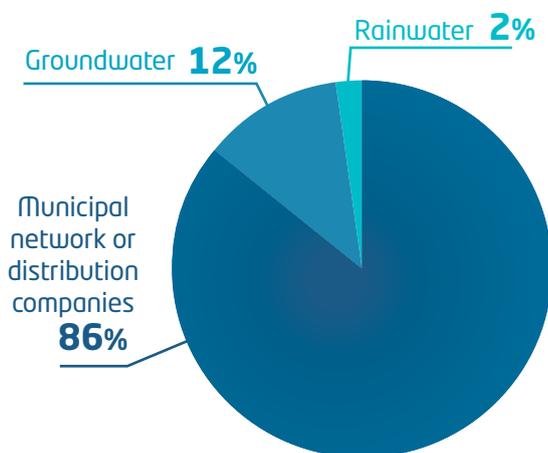
The JRC established a Technical Working Party with experts from the centre, who will develop a good practice document with regard to the shaping, addition, welding and finishing of metal products. The document will focus in particular on aspects connected with environmental management during the phases of product design and engineering, so as to minimise environmental impacts in the value chain.

The project began in late September, and is currently at the stage of document compilation and identification of the most appropriate monitoring indicators.

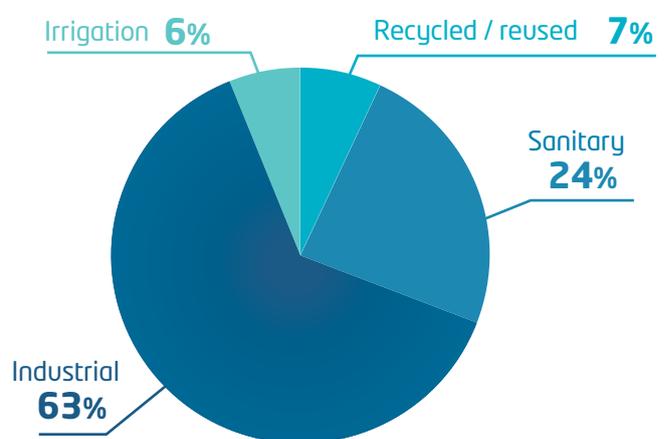
KPI'S	2015	2016
Steel consumption (tons)	3,238,910	3,463,202
Aluminium consumption (tons)	11,222	28,504
Electrical energy consumption (MWh)	86,412	90,464
Consumption of other energy sources (MWh)	72,547	73,931
Water consumption (m <sup>3</sup> )	229,890	244,848
No hazardous waste: scrap (tons)	169,864	259,590
Hazardous waste (tons)	20,002	23,225
(G4-EN31) Environmental expenditure (€)	553,475	185,000

\*No source of water was significantly affected by the company's water collection.

### Water sources



### Uses of water



## Raw materials and hazardous products

DMA, G4-EN1 and G4-EN2

### ► Main consumption inputs

The production processes of Gonvarri Steel Services make intensive use of steel (98% of all consumption), since this is the main component of all its products, followed by aluminium and timber.

With regard to the consumption of hazardous products, this is of note only at those facilities performing coating and stripping processes, or enhancements to the characteristics and quality of the steel (electro-zinc plating, galvanisation and thickness treatment). In such cases, all the products are properly labelled, comply with safety standards in terms of handling, and the supervisors are duly trained, as indicated in the Health and Safety section.

Below are summarised the **main consumption inputs** over the last two years:

CONSUMPTION WEIGHT (*)	2015	2016
Steel consumption (tons)	3,238,910	3,463,202
Aluminium consumption (tons)	11,222	28,504
Wood consumption (tons)	18,403	12,580
Hydrochloric acid consumption (tons)	12,941	7,748
Zinc and zinc oxide consumption (tons)	7,142	5,658
Oil consumption (tons)	705	278
Others consumption (tons)	101	281

\*Obtained from non-renewable sources

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 (G4-EN2).

If we estimate that **20% of the total weight** of the rolls is of recycled origin, in 2016 we consumed a total of 692,640 tonnes of recycled steel in our products.

### ► 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.

# Steel and the Circular Economy

On 2 December 2015, the European Commission (EC) adopted a new package to promote Europe's transition to a "circular economy", to promote global competitiveness, foster sustainable economic growth and generate new jobs. The aim is to achieve a transition towards a more solidly based circular economy, closing the circle so as to make more sustainable use of resources.

The proposals cover the whole life-cycle, from production and consumption to waste management (reuse, recycling and recovery), with the market including secondary raw materials in a closed cycle, rather than the former "produce, use and discard" model.

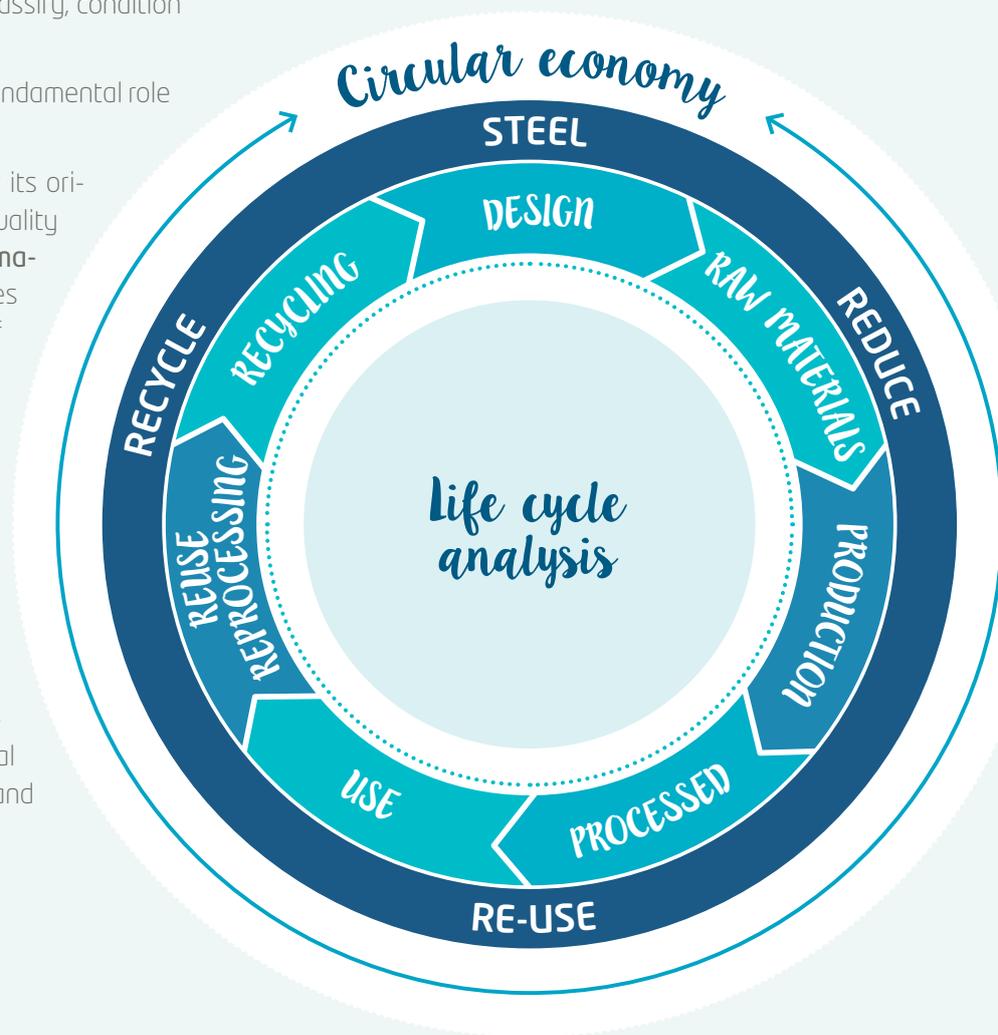
Among the objectives that have been set, the build-up of recycled materials at landfill sites is forbidden. This means that waste must be "traceable", guaranteeing the infrastructure required to collect, classify, condition and recycle under optimal conditions.

Given its characteristics, steel plays a fundamental role in this framework.

Steel, thanks to its capacity to recover its original properties without any loss of quality after smelting, is the **most recycled material in the world**. Recycling generates savings of up to 85% of water, 80% of energy and 95% of carbon, avoiding the omission of almost 2 tonnes of greenhouse gases per tonne of steel. In fact, there are steels that remain within today's production process that were originally produced in the 19th century. (Source: UNESID).

As a result, practically 100% of the products manufactured at Gonvarri Steel Services are fully recyclable, significantly reducing their environmental impact at the end of their useful life, and helping to close the circle.

Aware of the need to **preserve this resource**, it has optimised processes to ensure that both the machinery and cutting designs make the best possible use of the steel sheeting, achieve efficient consumption, reducing waste generation and minimising environmental impact, while maintaining high product quality standards at all times.





## STEEL RECYCLING

Extraction of  
raw materials



### Steel production

Gonvarri has commercial agreements in place with steel suppliers who provide the raw material in all the countries where it operates. The composition of the steel contains a variable percentage of recycled steel, depending on the type.



### Manufacture

Gonvarri enjoys a leading position in all the main steel markets through its 35 production centres and its product portfolio (automotive, solar structures, roadside barriers, etc.).



### Usage

Steel has outstanding properties: high performance, strength, durability, versatility... allowing us to develop very high quality products, following and fulfilling the specifications of our customers.



### Recycling

Steel can be infinitely recycled while maintaining its properties. In the automotive sector, for example (69% of our sales), the estimation is a recycling percentage of 85%.



# Energy and energy efficiency

DMA

The consequences of climate change affect all countries, and have a negative impact on the national economy, on people's lives, on communities and countries. In the future, the consequences are expected to be even worse.

As a result, through our commitment to sustainability and to fighting climate change, Gonvarri Steel Services aims to help mitigate these impacts and to achieve the **Sustainable Development Goals (SDGs)**, through the various initiatives focused on the following SDGs:



**Goal 7:** Guarantee access to affordable, safe, sustainable and modern energy for all, and in particular work by 2030 towards a doubling of the global energy efficiency improvement rate.



**Goal 13:** Adopt urgent measures to fight climate change and its effects, in particular by incorporating climate change-related measures in national policies, strategies and plans.

## ► Energy consumption

G4-EN3 and G4-EN4

The production process at Gonvarri Steel Services is intensive in terms of energy consumption, in particular those factories that perform galvanisation and zinc treatment processes. As a result, one of the main aspects within the environmental management system is the monitoring, reduction and control of energy consumption.

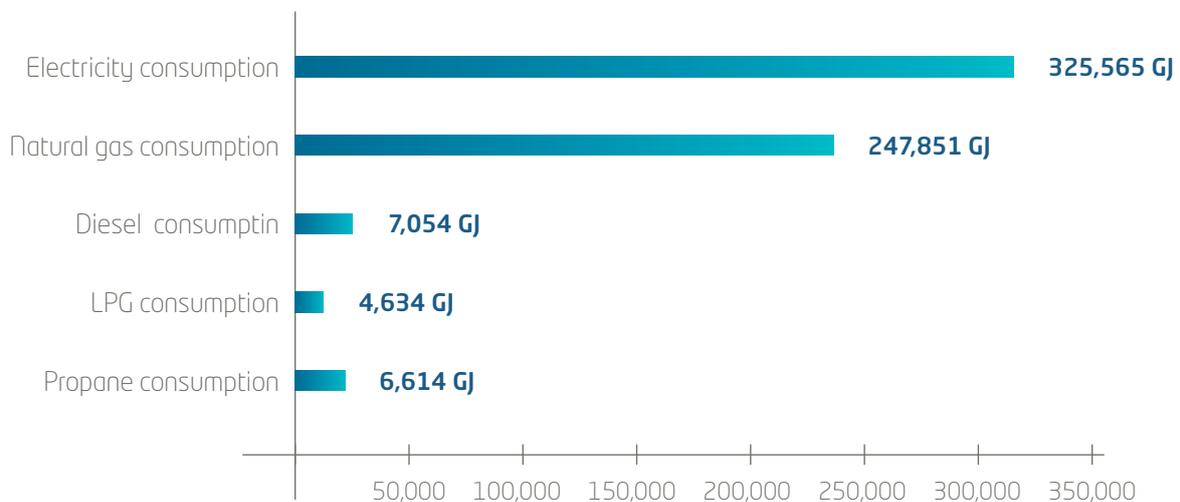
### Internal energy consumption

G4-EN3

In 2016, Gonvarri Steel Services consumed a total of 591,718 GJ of energy from non-renewable sources.

Practically all electrical energy consumed at the facilities is used for production. Only some 6% of the total is used for climate control.

The enclosed graphic shows distribution in accordance with energy consumption type:



Below we summarise the consumption of the different countries in 2016:

COUNTRY	ELECTRICITY (GJ)	GLP (GJ)	NATURAL GAS (GJ)	PROPANE (GJ)	DIESEL (GJ)
Germany	17,223	-	6,951	-	549
Argentina	3,491	1,060	-	-	-
Brazil	22,071	1,078	19,617	-	3
Colombia	7,000	556	24,030	-	223
Spain	220,952	-	173,287	1,239	5,041
USA	3,543	-	90	2,500	482
Mexico	7,025	1,930	-	-	-
Poland	6,597	-	6,156	-	-
Portugal	6,252	-	-	84	244
U.K.	12,389	-	16,794	531	-
Czech Republic	6,620	-	897	-	-
Russia	5,742	10	-	2,260	-
Turkey	6,660	-	29	-	512
<b>TOTAL</b>	<b>325,565</b>	<b>4,634</b>	<b>247,851</b>	<b>6,614</b>	<b>7,054</b>

Calculation of the conversion factors employed such acknowledged sources as DEFRA (Department for Environment Food and Rural Affairs) and IDAE (Instituto para la Diversificación y Ahorro de la Energía). The sum totals may not coincide with the breakdowns because of the rounding of data.

## External energy consumption

### G4-EN4

Gonvarri Steel Services has three divisions in place (Automotive, Industry and Metal Structures) where different products/formats are manufactured, with different finishes. Likewise, depending on their geographical location, the typical means of transport also varies (ship, train, truck, etc.). This makes the calculation and availability of data for the estimation of scope 3 a complex task.

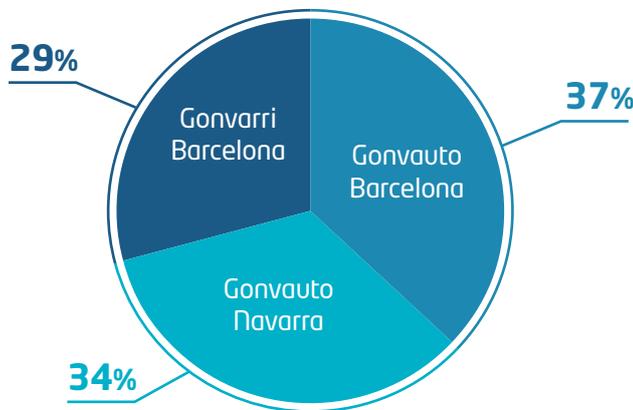
As summarised in the 2015 Report, a pilot carbon footprint calculation trial was conducted at Gonvauto Navarra, with the aim of gradually implementing this methodology at the various factories. The estimation is that this process will begin at the Gonvauto factories over the period 2016-2018, before subsequently being extended to the other factories, to provide a full carbon footprint for the company by 2020.

## Renewable Energy

The company is aware that climate change is one of the main environmental problems facing the planet, and a relevant aspect for its stakeholders. In order to contribute to the reduction of this impact, it promotes the use of renewable energies, in particular photovoltaic.

In 2010 a photovoltaic installation was put in place at **Gonvauto Navarra**, with an installed power rating of 1.9 GJ, while two further installations were added in 2011, one at **Gonvauto Barcelona**, with a power rating of 2.5 GJ, and another at **Gonvarri Barcelona**, rated at 2.0 GJ. The installations were put in place on the roofs of the plants themselves with the collaboration of Gestamp Solar. In all cases the energy is sold to third parties, as local legislation does not allow self-consumption. Meanwhile, Gonvarri Thüringen has installed photovoltaic panels that are owned and administered by third parties, with no production and consumption data available.

In 2016, solar energy production at the facilities in Barcelona and Navarre amounted to: 7,689 GJ (2,136 MWh) and a consumption of 44.2 GJ (12.3 MWh). The distribution of energy production is set out below:



## Energy intensity

G4-EN5

Gonvarri Steel Services believes that the measurement of its **energy intensity** is a good way of measuring the efficiency and impact of its processes.

The resulting annual ratio is calculated by dividing the energy consumption (G4-EN3) by the total weight of the products sold in each country.

The calculation takes into consideration both electricity and fuel (LPG, natural gas, propane and diesel), corresponding solely to internal energy consumption.

The following table summarises the results:

	Germany	Argentina	Brazil	Colombia	Spain	USA	Mexico	Poland	Portugal	U.K.	Czech Republic	Russia	Turkey	TOTAL
ENERGY INTENSITY (GJ/ tons of product sold)	0.08	0.10	0.09	1.62	0.21	0.05	0.04	0.09	0.04	0.09	1.40	0.10	0.17	0.16

## ► Energy Efficiency

G4-EN6

Energy efficiency plays a key role in the **GSS Sustainability Policy** and in the company's "Drive" system, as a part of the Sustainability strand, focused on maintaining highly efficient production through the integration of new technologies and equipment offering high performance and helping at all times to enhance production and operational processes.

As a result, as described in last year's Sustainability Report, we continue to progress with the **ECO-ENERGY Project**, both in the monitoring and control of energy consumption, and the pursuit and implementation of energy optimisation and enhancement projects, essentially covering initiatives regarding: pickling, galvanisation, profile production, compressors, lighting, climate control, transformers, etc.

The efforts made over the last two years have succeeded in establishing numerous records regarding consumption at our factories. Following analysis and verification, we now have access to real and objective information about the savings achieved through the various measures implemented. Overall, more than 20 projects have been implemented, delivering energy savings of more than 4.6 GWh/year.

The scope of these projects includes measures intended not only to reduce electricity consumption, but also consumption of natural gas, obtaining an estimated distribution of the savings achieved of 60% in electricity and 40% natural gas.

### Planning

As regards the implementation of the PRO-EFFICIENCY energy monitoring system, we have full information at 10 plants, with plans to extend the scope to 7 new plants in 2017, as summarised below:

MONITORING PLANS	
2016	2017
Gonvauto Barcelona	Gonvarri Aluminium Thüringen
Gonvarri Barcelona	Gonvauto Polska
Gonvarri Tarragona	Gonvauto Thüringen
Gonvarri Burgos	Gonvauto Puebla
Gonvarri Portugal	Gonvauto South Carolina
Hiasa	Gonvarri Argentina
Ferrodisa	SGK Kaluga
Gonvauto Galicia	
AMG Campinas	
AMG Paraná	



## Projects developed in 2016

The projects undertaken in 2016 included replacement of the lighting with LED technology, automation to switch equipment off during downtime, optimisation of the compressed air generation systems, optimisation of pumping and ventilation systems, etc. Below we summarise the outcome of the main projects:

PLANT	PROJECT	ESTIMATED SAVING (%)	ENERGY REDUCTION KWh/year
Ferrodisa	Optimisation of compressed air generation in the southern area through the installation of a 55 kW variable speed drive compressor.	42	113,500
Ferrodisa	Optimisation of compressed air generation in the northern area through the installation of a 45 kW variable speed drive compressor.	60	150,000
Gonvarri Galicia	Compressors switched off during downtime.	15	33,000
Gonvauto Barcelona	Replacement of workshop lighting with LED technology.	35	172,000
Gonvarri Barcelona	Replacement of the current metal halide lighting with LED technology, and centralised remote management system in various workshops (5, 6 and 7).	48	170,000
Gonvarri Turkey	Replacement of lighting with LED technology in the older workshops (4 workshops).	32	65,000
GMS Arizona	Replacement of metal halide lighting with LED technology both in the workshops and outdoors.	64	168,000

## Projects being studied 2017

Following the monitoring process conducted in 2016, we have several months of readings for electricity and natural gas consumption data in the different process lines, as well as auxiliary equipment such as compressors, boilers and water treatment plants, along with information as to consumption through lighting, offices and climate control.

All the above has served to identify **numerous initiatives and projects** to reduce consumption, and these are currently being analysed in order potentially to implement them in 2017.

## Energy audits

Following the transposition of Directive 2012/27/EU, the European Parliament and of the Council, Royal Decree 56/2016 was introduced in Spain on 12 February 2016, requiring all large companies with more than 250 workers or a turnover of more than 50 million euros, to conduct an energy audit every 4 years of at least 85% of their total consumption at their facilities in Spain

Gonvarri Steel Services **satisfactorily audited 100% of its industrial facilities** in Spain, generating a detai-

led analysis of the distribution of electrical and natural gas consumption by plant, industrial process, and for each main production line and equipment.

A useful breakdown of specific consumption by production line was likewise reported, along with a list of the estimated cost and energy savings, paybacks and CO<sub>2</sub> emissions reductions for a great many energy efficiency improvements at each of the factories audited.



The projects to be analysed include in particular the following:

- » Energy optimisation of the Hydraulic Sets of the various process minds.
- » Heat recovery from refrigeration compressors.
- » Reduced consumption in the vacuum suction systems.
- » Optimisation of compressed air generation.
- » Heat recovery projects in thermal processes (furnaces, dryers, boilers, etc.).
- » Replacement of mechanical burners with high-performance digital burners for the steam boilers.

# Emissions and climate change

DMA. G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN20, G4-EN21, G4-EC2 and G4-EN27

Climate change is of increasing significance, and is one of the **main challenges** we face, the great environmental hill to be climbed by humanity in the 21<sup>st</sup> century. Hence the growing need to establish strategies and objectives that will help arrest global warming.



Following the staging in Paris of the **21<sup>st</sup> United Nations Climate Change Summit (COP 21)**, a global commitment was established to

“keep the temperature rise below 2 degrees compared with pre-industrial levels, and pursue efforts to limit the increase to 1.5 degrees”. So as to achieve this goal, global CO<sub>2</sub> emissions will need to be reduced by 2020 or 2025 at the latest, and halved by 2050.

This is now particularly significant, since in 2016 terrestrial atmospheric carbon dioxide levels were consistently already in excess of the symbolic level of 400 ppm of CO<sub>2</sub>. Although this limit had already been surpassed in some specific places around the globe for a period of a few months, it had never been maintained on average and worldwide for a whole year.

At Gonvarri, we believe that the main options in addressing climate change through our sector focus on the use of modern and efficient **technology**, on the **design** of products that generate less pollution throughout their useful life, on the development and implementation of **energy efficiency** measures, and **training** and awareness-raising for staff.

## ► Risks and opportunities associated with climate change

G4-EC2

One of the most significant carbon footprints comes from the **transportation** of goods and people. Road transportation plays a particularly prominent role here. Likewise, increasingly restrictive regulations in the different countries make climate change a key issue for our sector.

In 2014, transportation was responsible for 26% of emissions in the United States (Source: EPA), while in Europe it likewise causes around a quarter of CO<sub>2</sub> emissions, of which some 73% result from road use (Source: Climate Action. EU).

In order to reduce levels, **various measures** have been adopted such as the use of less polluting fossil fuels, improvements in the design of vehicles to make them more aerodynamic, reduce their weight, and improve the awareness and sensitivity of drivers, but they are still not sufficient.

Within this context, the company believes that it has a responsibility, and must contribute to mitigating this impact, in particular given that its auto division accounted for 69% of its sales in 2016.

## Vehicle weight reduction

G4-EN27

At present, the automotive sector is undergoing a conceptual shift at every level, prompted by the mandatory requirement to reduce CO<sub>2</sub> emissions.

In order to achieve these objectives, OEMs are pursuing different **strategies**, one of which is the use of more **lightweight materials** for vehicles. There are currently various solutions in the marketplace, with different materials costs.

- In accordance with the added cost per lightweight kilogram, they may be ordered as follows: ultra high-strength steel (UHSS), glass-fibre reinforced plastics (GFRP), aluminium, magnesium and compound materials based on carbon fibre.
- In accordance with the intended vehicle category and segment. OEMs will need to accept a cost increase of, for example, \$3/kg for the small and medium-sized vehicle segment, from \$5 to \$14/kg in the medium/high-end segment, and from \$8 to \$20/kg for top-of-the-range or luxury cars (Source: McKinsey).

On the basis of market trends, and taking the automotive sector as the reference point, it is undeniable that innovation targets need to focus, among other aspects, on **weight reduction** through the enhancement of materials and components, such as high-strength steel, compound materials and aluminium.

Forecasts indicate that the use of **AHSS steels** will increase significantly, from the 68 kg of steel that today's vehicles contain, to 204 kg in the vehicles of 2020. This will reduce the weight of the bodywork by around 25%. Source: World Auto Steel.

This firstly allows for the expansion of type 22MnB5 tempered steel cutting lines, which given its characteristics requires this type of cutting technology, and also the Tailored Blank system to develop the various components (for example: doors), as a result of the adjoining of various formats with different thicknesses and forms, bonded by laser welding. All of which serves not only to reduce the weight of the car, but also to improve safety, by increasing the structural strength of the whole unit.

## Aluminium

The use of **aluminium** is registering a considerable increase. Its main competitive advantage is its **density** (3 times lower than the steel), making it possible to achieve average reductions of up to 10% of the weight of the vehicle, and between 5% and 7% in fuel consumption, although it does make the vehicle somewhat more expensive, as it costs 3 times as much as steel, requires longer heat treatments and is more difficult to weld.

In order to progress with these new materials, substantial **investments are also needed**. In 2016, new hybrid and 3D laser cutting lines installed in Central Europe (Laser Automotive Brandenburg and Gonvarri Czech) were already fully operational, along with the new presses in Burgos and South Carolina. The new facilities in China should also be taken into account in terms of such investments.

## Steel

**Steel** is applied mainly to formats intended for side and cross reinforcement bars. In this regard, there is an increasing use of type 22MnB5 tempered steel for A and B pillars, where weights have been reduced by half, without any impact on the safety and longevity of vehicles.

## Solartracker 2.0.

One of the most representative innovation products concluded in 2016 financial year was **Solartracker 2.0**, an enhanced product innovation developed by Hiasa for the design of an optimised single axis solar tracker.

Following development and prototyping, this new product is now at the marketing stage.



## Development of solar energy

An increase in social and governmental interest in **increasing the percentage of renewable energies** in the energy mix offers a great opportunity for this development.

The Solar Steel division undertakes innovation projects to design and produce lighter, more efficient and more modern solar structures, that help improve the performance of solar farms, indirectly helping to mitigate climate change.

## ► Greenhouse gas emissions

By measuring its carbon dioxide (CO<sub>2</sub>) emissions, Gonvarri Steel Services helps to improve the **communication of its impacts** and the gathering of specific data, with a view to establishing possible improvement targets.

As regards the **calculation of CO<sub>2</sub> emissions**, they are reported in accordance with the Green House Gas (GHG) Protocol, taking as the reference point the emissions factors provided by the International Energy Agency (2013).

### Direct emissions

**Direct emissions: Scope 1 (G4-EN15) and Indirect emissions: Scope 2 (G4-EN16)**

Direct emissions of greenhouse gases (Scope 1) result from the burning of fuel in the production process (natural gas, propane and diesel).

Information on coolant gas recharging is not included within the scope, as it is not available. In any event, given the characteristics of our facilities, such gases do not play a part in most processes. They are present on occasion in the offices. (G4-EN20).

In 2016, **18,488 tonnes of CO<sub>2</sub> were produced.**

**Indirect emissions** (Scope 2) correspond to those generated at electricity generation plants as a consequence of consumption at plants and offices, corresponding in 2016 to **27,362 tonnes of CO<sub>2</sub>.**

COUNTRY	SCOPE 1 (FUELS)	SCOPE 2 (ENERGY)
Germany	526	1,789
Argentina	68	363
Brazil	1432	447
Colombia	1,722	297
Spain	12,511	16,878
USA	203	506
Mexico	125	886
Poland	428	1,442
Portugal	25	544
U.K.	1,200	1,549
Czech Republic	62	1,083
Russia	144	697
Turkey	42	881
<b>TOTAL</b>	<b>18,488</b>	<b>27,362</b>

Fuel: Emission Factors from Cross-Sector Tools (GHG Protocol latest version available April 2014).

The emissions factors employed for electricity consumption are the mean emissions factors for the national electricity mix of each country for the period 2009-11, according to the IEA (International Energy Agency).

## Other indirect emissions

Scope 3 (G4-EN17 and G4-EN30)

This scope includes emissions from **corporate travel** by plane (2,240.6 tonnes of CO<sub>2</sub>), train (14.7 tonnes of CO<sub>2</sub>) and hire car (138.9 tonnes of CO<sub>2</sub>), along with **travel by employees** to their place of work (9,774.3 tonnes of CO<sub>2</sub>), amounting to a total of 12,168.7 tonnes of CO<sub>2</sub>, as summarised below:



**Corporate trips:**  
2,394.2 CO<sub>2</sub> tons.

**Employee transportation:**  
9,774.3 CO<sub>2</sub> tons.



So as to minimise this impact, a number of initiatives have been developed, such as, for example, the car park at Gonvauto Galicia, where parking spaces have been set aside for exclusive use by vehicles pooled by several workers, so as to minimise environmental impacts from transport, while Steel & Alloy continues with its Cycleplus/cycle2work project, to encourage the use of bike travel by employees.

Emissions resulting from employee travel were estimated by means of the transport survey conducted in 2014, updating the number of employees.

## Intensity of emissions

G4-EN18

Gonvarri Steel Services also takes into account the **intensity of emissions** to measure the efficiency and impact of its processes.

The resulting annual ratio is calculated by dividing energy consumption for the sum of direct and indirect emissions (G4-EN15 and G4-EN16), by the total weight of the products sold in each country. The table below sets out the results obtained:

COUNTRY	EMISSIONS INTENSITY CO <sub>2</sub> tons / tons of sold product
Germany	0.007
Argentina	0.009
Brazil	0.004
Colombia	0.0103
Spain	0.016
USA	0.005
Mexico	0.005
Poland	0.013
Portugal	0.004
U.K.	0.009
Czech Republic	0.213
Russia	0.011
Turkey	0.021
<b>TOTAL</b>	<b>0.012</b>

**Emissions derived from other sources are not included (G4-EN21)** as this is not a material aspect. Meanwhile, such emissions are occasional and limited in our operations, since most of the factories are not subject to regulatory controls, affecting only those that perform special treatments (galvanisation, etc.), where the controls are performed by an accredited body, with the frequency established the corresponding permits or other legal requirements.

## SGK Kaluga

In the month of April SGK Kaluga (Russia) undertook an initiative to help **reduce** environmental impacts and to fight **climate change**. This took the specific form of 30 employees planting 20 trees and 10 flowering plants.

The activity contributes to awareness-raising and environmental responsibility measures, while also cementing teamwork.



## Indirect emissions avoided

G4-EN19

The company is very much aware of the possible negative aspects that climate change could cause, and in order to address this real risk, Gonvarri helps to mitigate the impact through its Solar Steel division.

The main activity of the division is the manufacture and supply of solar structures, mainly fixed structures and single-axis trackers, which are used in photovoltaic generation facilities to **generate renewable energy** emitting no greenhouse gases into the atmosphere.

In 2016, solar structures were supplied for the installation of a total of **1,111 MW** across 9 countries. If one estimates, among other aspects, the net hours of solar radiation per project, along with the percentage that the cost of these structures represents out of the project total, and the conversion factor applicable to each country, we estimate that we helped avoid a total of **108,352.4 tonnes of CO<sub>2</sub>** during 2016.







**Part III**  
**Annexes**

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Contents based on the Principles United of the Nations Global Compact .....	147
List of consolidated subsidiaries companies .....	148

# Independent Review Report



**Free translation from the original in Spanish. In the event of a discrepancy, the Spanish language version prevails.**

## **INDEPENDENT LIMITED ASSURANCE REPORT ON THE CORPORATE SOCIAL RESPONSIBILITY INDICATORS**

To the Management of Gonvarri Corporación Financiera S.L.:

We have carried out our work to provide limited assurance on the Corporate Social Responsibility indicators contained in appendix "GRI G4 Content Index" of the 2016 Sustainability Report (hereinafter "CSR Indicators") of Gonvarri Corporación Financiera S.L and its corporate group (hereinafter "Gonvarri Steel Services") for the year ended 31 December 2016, prepared in accordance with the general basic and specific content proposed in the Guidelines for the Preparation of the Sustainability Report of the Global Reporting Initiative (GRI) version G4 ( hereinafter GRI G4 Guidelines).

### **Responsibility of the Management**

Management of Gonvarri Steel Services is responsible for the preparation, content and presentation of the Sustainability Report in accordance with the Comprehensive option of the GRI G4 Guidelines. Management's responsibility includes establishing, implementing and maintaining the internal control required to ensure that the CSR indicators are free from any material misstatement due to fraud or error.

Management of Gonvarri Steel Services is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the CSR indicators, is obtained.

### **Our responsibility**

Our responsibility is to issue a limited assurance report based on the procedures that we have carried out and the evidence obtained. Our limited assurance engagement was done in accordance with the International Standard on Assurance Engagements 3000 (Reviewed) "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

The scope of a limited assurance engagement is substantially less extensive than the scope of a reasonable assurance engagement and thus, less security is provided.

The procedures that we have carried out are based on our professional judgment and have included consultations, observation of processes, document inspection, analytical procedures and random sampling tests. The general procedures employed are described below:

- Meetings with Gonvarri Steel Services' personnel from various departments who have been involved in the preparation of the Sustainability Report.
- Analysis of the procedures used for obtaining and validating the data presented in the CSR indicators.

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Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290



- Analysis of the Gonvarri Steel Services' CSR indicators adaptation to the requirements established by the GRI G4 Guidelines for the preparation of reports.
- Verification, through random sampling tests revisions and analytical and substantive tests on the quantitative and qualitative information used to determine Gonvarri Steel Services' CSR indicators. We have also verified whether they have been appropriately compiled from the data provided by Gonvarri Steel Services' sources of information.

#### **Our Independence and Quality Control**

We have fulfilled our work in accordance with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which are based on basic principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and thus employs an exhaustive quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards, statutory laws and applicable regulations.

#### **Limited assurance conclusion**

As a result of the procedures carried out and the evidence obtained, no matters have come to our attention which may lead us to believe that Gonvarri Steel Services' CSR indicators, for the financial year ending 31<sup>st</sup> December 2016, contain significant errors or have not been prepared, in all of their significant matters, in accordance with the G4 GRI Guidelines.

#### **Use and Distribution**

Our report is only issued to the Management of Gonvarri Steel Services, in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than Gonvarri Steel Services' Management.

PricewaterhouseCoopers Auditores S.L.

A handwritten signature in blue ink, appearing to read 'Luz Castilla', is written over a horizontal line.

M<sup>a</sup> Luz Castilla  
30 June 2017

# GRI G4 Content Index

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. The indicators G4-54, G4-55, G4-EN4, G4-EN20 y G4-EN7 are not available or are not applicable, so they haven't been verified neither.

## ► Part I. General Standard Disclosures

### Description

#### 1. Strategy and analysis

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G4-1	8-12	
G4-2	13-21	

#### 2. Organizational profile

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#### 3. Material aspects and boundaries

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G4-17	36	
G4-18	36	
G4-19	37-39	
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#### 4. Stakeholders engagement

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G4-24	40-41	
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G4-26	40-41	
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## 5. Report profile

	Page	Omissions
G4-28	42	
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## 6. Governance

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G4-49	49	
G4-50	50	Complete information not currently available.
G4-51	51	
G4-52	51	
G4-53	51	
G4-54	51	Not available. Confidential information.
G4-55	51	Not available. Confidential information.

## 7. Ethics and integrity

	Page	Omissions
G4-56	52-53	
G4-57	52-53	
G4-58	52-53	

# Part II. Specific Standard Disclosures

## Economic Dimension

### 1 Development and financial soundness

Basic specific contents	Information about management approach and indicators	Page	Omissions
Economic Performance	DMA	56-59	
	G4-EC1	58-59,104	
	G4-EC2	132	
	G4-EC3	83-84	Note A
	G4-EC4	58-59	

## 2. Ethics, anticorruption & good governance

Basic specific contents	Information about management approach and indicators	Page	Omissions
Anti-corruption	DMA	60	
	G4-S03	61	Note B
	G4-S04	60	
	G4-S05	60	
Grievance mechanisms in environmental, human rights and labour practices materials	DMA	60	
	G4-EN34	61	
	G4-LA16	52, 61	
Anti-competitive Behavior	G4-HR12	52, 61	
	DMA	60	
Compliance	G4-S07	61	
	DMA	60	
	G4-HR1	60	
	G4-S08	61	
	G4-PR9	61	

## 3. Products and processes: technology, quality and innovation

Basic specific contents	Information about management approach and indicators	Page	Omissions
Customer Health and Safety	DMA	61	
	G4-PR1	61	
	G4-PR2	61	
	G4-PR6	61	
	G4-PR7	61	
	G4-PR8	61	
	G4-EN27	133	
	G4-EN29	61	
Product and Service Labeling	DMA	61	
	G4-PR3	61	
	G4-PR4	61	
	G4-EN28	-	Note C

## 4. Supply Chain

Basic specific contents	Information about management approach and indicators	Page	Omissions
Procurement Practices	DMA	67	
	G4-EC9	32-33, 67-69	
Supplier Environmental Assessment	DMA	67	
	G4-EN32	67-68	
	G4-EN33	67-68	
Supplier Assessment for Labor Practices	DMA	67	
	G4-LA14	67-68	
	G4-LA15	67-68	
Supplier Human Rights Assessment	DMA	67	
	G4-HR10	67-68	
	G4-HR11	68	
	G4-S09	68	Note D
	G4-S010	68	

## 5. Customers

Basic specific contents	Information about management approach and indicators	Page	Omissions
Product and Service Labeling	DMA	70-76	
	G4-PR5	74	

## Social Dimension

### 1. Talent attraction and retention

Basic specific contents	Information about management approach and indicators		Page	Omissions
Employment	DMA		76	
	G4-LA1		81, 104	
	G4-LA2		83-84	
	G4-LA3		83	
Diversity and Equal Opportunity	DMA		82	
	G4-LA12		76-77, 82	
Training and Education	DMA		79	
	G4-LA9		79-80	
	G4-LA10		79-80	
	G4-LA11		78	

### 2. Labor conditions and human rights

Basic specific contents	Information about management approach and indicators		Page	Omissions
Non-discrimination	DMA		82	
	G4-HR3		82	
Child labor	DMA		82	
	G4-HR5		19, 82	
Forced or Compulsory labor	DMA		82	
	G4-HR6		19, 82	
Security Practices	DMA		79	
	G4-HR7		79	Note E
Assessment	DMA		82	
	G4-HR9		82	
HR Training	DMA		79	
	G4-HR2		79	

### 3. Representation and dialogue with employees

Basic specific contents	Information about management approach and indicators		Page	Omissions
Freedom of Association and Collective Bargaining	DMA		85	
	G4-HR4		19, 82	
	G4-LA4		86	

### 4. Occupational Health and Safety

Basic specific contents	Information about management approach and indicators		Page	Omissions
Occupational Health & Safety	DMA		88	
	G4-LA5		95	
	G4-LA6		100-102	
	G4-LA7		89	
	G4-LA8		95	

### 5. Social & Economic Impact on Local Communities

Basic specific contents	Information about management approach and indicators		Page	Omissions
Local Communities	DMA		104	
	G4-S01		116	
	G4-S02		116	
Road Safety	DMA		114-121	
Market Presence	DMA		81	
	G4-EC5		81	
	G4-EC6		77, 82	
Grievance Mechanisms for Impacts on Society	DMA		104	
	G4-S011		116	
	G4-S06		116, 118	

## Environmental Dimension

### 1. Raw materials consumption

Basic specific contents	Information about management approach and indicators	Page	Omissions
Materials	DMA	120, 123	
	G4-EN1	123	
	G4-EN2	123	

### 2. Energy and energy efficiency

Basic specific contents	Information about management approach and indicators	Page	Omissions
Energy	DMA	120, 126	
	G4-EN3	126-127	
	G4-EN4	127	The calculation methodology will be implemented gradually and is expected to have all the energy information and the carbon footprint in 2020.
	G4-EN5	128	
	G4-EN6	129	
	G4-EN7	-	Note F

### 3. Climate Change and CO<sub>2</sub> emissions

Basic specific contents	Information about management approach and indicators	Page	Omissions
Emissions	DMA	120, 132	
	G4-EN15	134-135	
	G4-EN16	134-135	
	G4-EN17	135	
	G4-EN18	136	
	G4-EN19	137	
	G4-EN20	134	Note G
	G4-EN21	136	Note H
	G4-EN30	135	

### 4. Environmental Expenditures and Investments

Basic specific contents	Information about management approach and indicators	Page	Omissions
General	G4-EN31	122	

## Direct responses (explanatory notes)

Note A: There is no information related to the percentage of employees participating in pension funds / retirement plans (G4-EC3).

Note B: The Compliance Model and a Risk Map are in development. In Spain is expected to be fully operational in 2017 in order subsequently to be rolled out to the remaining countries (G4-SO3).

Note C: Information on packaging is not considered relevant in our operations (G4-EN28).

Note D: Suppliers were not evaluated in accordance with social impact criteria (G4-SO9).

Note E: Security staff are not provided with internal training as regards human rights (G4-HR7).

Note F: Does not apply. The products follow the customers' specifications, so the company has little influence (G4-EN7).

Note G: No information is available as to ozone-depleting substances missions (G4-EN20).

Note H: Information connected with this indicator is not reported, as it is not deemed a material aspect for the organisation (G4-EN21).



## 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	Part I. General Standard Disclosures
	<b>Principle 2:</b> make sure that they are not complicit in human rights abuses.	Part I. Raw materials consumption
Labour Rights	<b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	Part I. Labour Conditiond and human rights
	<b>Principle 4:</b> the elimination of all forms of forced and compulsory labour;	Part I. Labour Conditiond and human rights
	<b>Principle 5:</b> the effective abolition of child labour;	Part I. Labour Conditiond and human rights
	<b>Principle 6:</b> the elimination of discrimination in respect of employment and occupation.	Part I. Labour Conditiond and human rights
Environment	<b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges;	Part I. General Standard Disclosures
	<b>Principle 8:</b> undertake initiatives to promote greater environmental responsibility; and	Part II. Environmental Dimension
	<b>Principle 9:</b> encourage the development and diffusion of environmentally friendly technologies	Part II. Environmental Dimension
Anti-corruption	<b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery.	Part II. Risk management

## Scope consolidation of Gonvarri Steel Services and subsidiaries

Scope of consolidation: the group was composed by the following companies at the end of 2016.

Subsidiary/ Associated company	Country	Subsidiary/ Associated company	Country
Arcelor Mittal Gonvarri SSC Slovakia	Slovakia	Gonvasolar, S.L.	Spain
ArcelorMittal Gonvarri Brasil, Pdtos. Siderúrg. S.A..	Brazil	Gonvauto Asturias	Spain
Bikostar International, S.A.	Uruguay	Gonvauto Craiova, S.R.L.	Romania
Çepas Galvaniz, Sanayi Anomin Sirketi	Turkey	Gonvauto Navarra, S.A.	Spain
Gestamp Automotive India Private Ltd	India	Gonvauto Puebla, S.A. de C.V.	Mexico
Gestamp Solar Steel South Africa, Ltd.	Spain	Gonvauto Pune India Private Limited Co.	India
Gestamp Solar Steel US, Inc	USA	Gonvauto South Carolina	USA
GMS France	France	Gonvauto Thüringen, GMBH	Germany
Gonvarri Aluminium, GMBH.	Germany	Gonvauto, S.A.	Spain
Gonvarri Argentina S.A.	Argentina	Hiasa Montajes Guatemala, S.A.	Guatemala
Gonvarri Automotive GMBH	Germany	Hiasa Montajes Honduras, S.A.	Honduras
Gonvarri Chile Estructuras Metálicas, Ltda.	Chile	Hierros Villaverde, S.A.	Spain
Gonvarri Corporación Financiera, S.L.	Spain	Hierros y Aplaciones, S.A.	Spain
Gonvarri Czech, S.R.O.	Czech Republic	Ind. Ferrodistribuidora, S.A.	Spain
Gonvarri Galicia, S.A.	Spain	Láser Automotive Barcelona, S.L.	Spain
Gonvarri I.Centro de Servicios, S.L.	Spain	Lasser Automotive Branderburgo, GMBH.	Germany
Gonvarri Industrial Maroc, S.A.	Morocco	Lasser Automotive Thüringen, GMBH.	Germany
Gonvarri Italia, S.p.A.	Italy	MAG Aliança Automóveis do Brasil SSC S.A.	Brazil
Gonvarri MS Colombia, S.A.S, S.L.	Colombia	Mexicana de Servicios vLaborales del Acero, S.A de CV	Mexico
Gonvarri MS Corporate, S.L.	Spain	Severstal Gonvarri Holding, S.L.	Spain
Gonvarri Polska, SP, ZO O.	Poland	Severstal Gonvarri Kaluga Ilc	Russia
Gonvarri Portfolio Brasil, S.L	Spain	Steel & Alloy Holding LTD.	U.K.
Gonvarri Portfolio Internacional, S.L.	Spain	Steel & Alloy Procesing	U.K.
Gonvarri Ptos. Siderúrgicos,S.A.	Portugal	Steel & Alloy Turkey	Turkey
Gonvarri Steel Services US, INC	USA	Transacciones Siderúrgicas, S.A.	Spain
Gonvarri Tarragona, S.L.	Spain	UTE Hiasa-Energés	Spain
Gonvarri Vizcaya, S.A.	Spain	UTE Hiasa-Obratel	Spain

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