

7. TRANSPARENCY IN THE SUPPLY CHAIN

voestalpine practices active supply chain management. This involves systematically collecting data on and evaluating the social and environmental effects and risks of suppliers' activities as well as considering them in the development of supplier relationships. Both general and raw materials procurement are integrated into the Corporate Responsibility Strategy.

General Procurement

When selecting its suppliers, voestalpine ensures that they comply with environmental and social principles. Sustainable supplier management has been integrated into its procurement processes to maintain long-term partnerships.

voestalpine ensures that those of its employees who work in purchasing receive ongoing training through information events such as the Purchasing Power Day as well as the three-stage Purchasing Power Academy, which the company itself developed.

The procurement process is continuously optimized in order to ensure compliance. The Code of Conduct forms the basis of business actions and decisions in this respect.



Raw Materials Procurement

Applying a life cycle approach (“closed loop”) together with our customers guarantees the highest levels of efficiency in the process of recycling our raw and reusable materials.

We face the challenge of permanently optimizing our supply chains jointly with our suppliers. Regular visits to the sources of raw materials and pre-materials, especially mines and deposits, are a fixed element of this process. Together, we develop methods for designing a supply chain that is efficient and meets the

corporate responsibility guidelines (CR Guidelines). New suppliers are assessed in terms of CR, quality, and performance and, depending on the outcome of the evaluation, are included in the portfolio of suppliers. The Sustainable Supply Chain Management (SSCM) project serves to screen our raw material supply chains from the bottom up, examining key factors pertaining to corporate responsibility. voestalpine ensures that absolutely all of its raw materials are subjected to this process, thus minimizing risk over the long term.

We require all suppliers from whom we source materials and that are subject to the Dodd-Frank Act to act in accordance with the latter's provisions. CMRT reports ensure that all materials procured on behalf of the Group are "conflict free."

competitive supply of both raw materials and energy. A high degree of integration into upstream and downstream processes, scenario planning, and adaptive supply concepts serve to minimize potential risks.

The primary responsibility of raw materials procurement management is to secure the long-term,

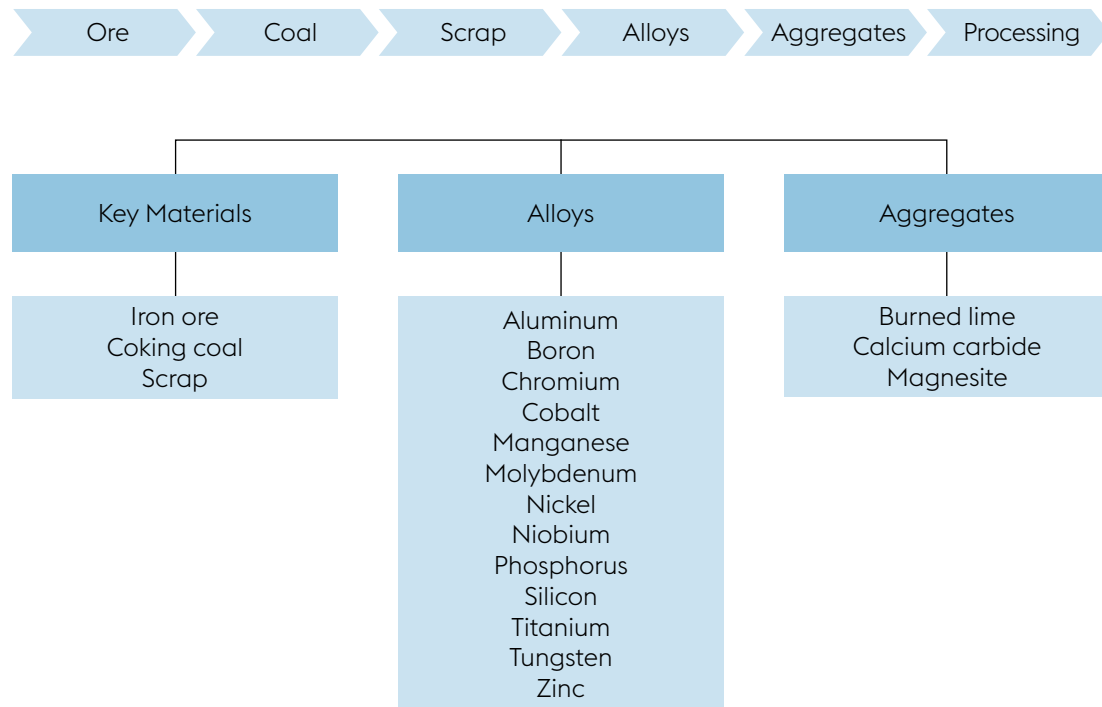


7.1 STRUCTURE OF THE SUPPLY CHAIN

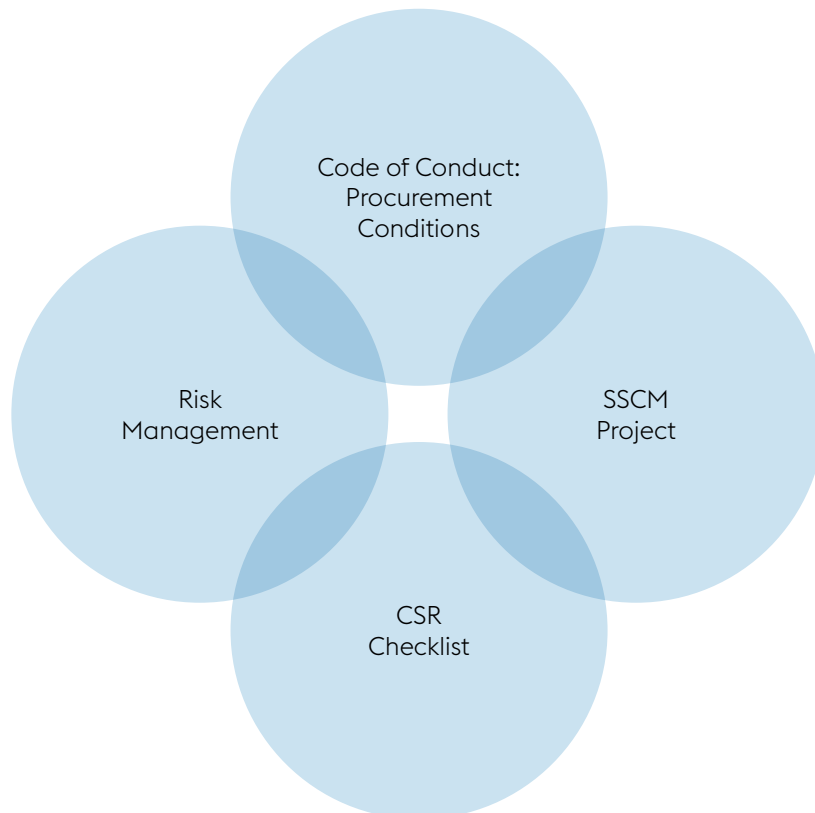
voestalpine works with a large number of suppliers that deliver the most diverse range of materials or products. Supplies are purchased either by the companies themselves or in centralized fashion for several facilities jointly, the latter particularly in connection with raw materials for the production of steel.

The conventional steel supply chain that provides the basis for many of the Group's value chains is depicted schematically below.

SUPPLY CHAIN EXAMPLE: STEEL PRODUCTION



7.2 SUPPLY CHAIN MANAGEMENT AT voestalpine



In order to firmly establish voestalpine's expectations and standards in a given supply chain, the company's Code of Conduct is an integral part of the purchasing terms and conditions that are binding on all suppliers. voestalpine's risk management continually examines and evaluates a variety of risk categories based on pre-defined checklists, updating them as necessary. The Sustainable Supply Chain Management

(SSCM) project, which was already described in the two preceding Corporate Responsibility Reports, will reach yet another level in the business year 2019/20. In addition to the raw materials for the steel supply chain, henceforth the alloy elements purchased by the High Performance Metals Division will be subjected to a detailed analysis too.

This analysis comprises the following alloy elements:

- Boron
- Chromium
- Manganese
- Molybdenum
- Nickel
- Niobium
- Phosphorus
- Tungsten
- Vanadium
- Zinc

These countries of origin will be examined as part of the expanded project:

- Albania
- Canada
- Chile
- China
- Czech Republic
- Finland
- Great Britain
- Kazakhstan
- Mexico
- Norway
- Russia
- Sweden
- Switzerland
- South Africa
- South Korea
- Ukraine
- USA
- Vietnam

In keeping with the existent SSCM activities, the review shall be conducted based on the following criteria:

Environmental Topics	Social Topics Human Rights	Labor Standards	Governance Topics
Waste & recycling	No discrimination	Working times	Compliance (incl. anti-corruption work)
Wastewater & water contamination	No child labor	Occupational health and safety	
Biodiversity	No forced labor	Fair compensation	
Soil emissions	Collective bargaining agreements Freedom of association		
Airborne emissions	Health and protection of the local population		
Use of energy			
Water consumption			

The intensive research will be rounded out by discussions among experts. As is already the case with respect to the steel supply chain, the findings will be entered into a matrix containing various hot spots. These hot spots show the extent to which potential effects are deemed egregious, the extent of the probability of negative effects occurring as well as the extent to which the examined sources are valid.

The hot spots will be discussed in workshops and necessary steps will be taken, subject also to the inclusion of the respective suppliers.

The next CR Report will describe the findings.

Corporate Social Responsibility (CSR) Checklist

One of the measures derived from the first completed phase of the SSCM project for the steel supply chain concerns the preparation of a checklist of topics related to corporate responsibility that serves as a binding guideline to be used during regular on-site visits at suppliers' facilities.

Aside from general information on the given entity, the checklist comprises topics such as compliance, working conditions (including

workplace safety) as well as environmental issues in regards to which the suppliers must provide information and, if available, submit certificates and guidelines.

The results are then fed into a database that is regularly updated and thus always provides a current overview of the CSR performance of voestalpine's raw materials suppliers.

7.3 SUPPLY CHAIN MANAGEMENT IN ASSOCIATIONS AND INITIATIVES

Industry initiatives and trade associations are also increasingly focusing on transparent, responsible supply chains. In particular, worldsteel (the World Steel Association) and ResponsibleSteel (an advocacy organization) are intensively dealing with this topic. voestalpine is party to the ongoing development of transparency

requirements in global supply chains, either because it belongs to these organizations' working groups or because it collaborates in the design of new standards. Hence the company can contribute the experience it has gained through the SSCM project to these activities in the form of current and in-depth inputs.

7.4 LOCAL SUPPLIERS

voestalpine places great value on regional procurement. Wherever possible and meaningful, Group companies make their purchases from suppliers in the vicinity of their facilities. For example, more than 95% of the suppliers used by

Brazil-based voestalpine entities are domiciled in the country. Such a high percentage of local procurement is not achievable in resource-poor countries. The following graph shows the respective percentages of regional suppliers.

LOCAL SUPPLIERS

