5. SUSTAINABILITY STRATEGY

As a globally leading steel and technology group with about 50,000 employees and about 500 Group companies and facilities in more than 50 countries, voestalpine is conscious of its comprehensive economic, environmental, and social responsibility. Sustainability is a cornerstone of absolutely all of the company's decisions and actions. This ranges from raw materials procurement, to production, all the way to product recycling, and from employee training and continuing professional development (CPD) all the way to employee health and diversity.

voestalpine adopted a Corporate Responsibility Strategy (CRS) in 2018 in order to consciously and consistently underscore the significance of sustainability to all its decisions and actions. Its Corporate Development unit has further refined the CRS in cooperation with the divisions' strategy units as well as the relevant specialist departments. In 2021, the revised version of the CRS was adopted as the Group's Sustainability Strategy in close coordination with both the Management Board and the Supervisory Board of voestalpine AG. The United Nations' Sustainable Development Goals (SDGs) provided the basic framework for the development of the Strategy.

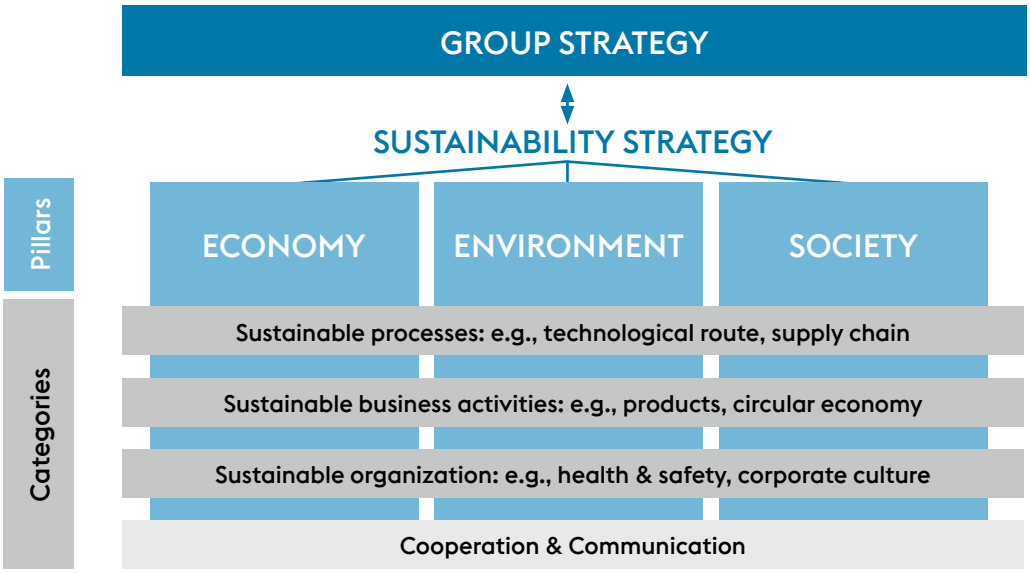
As an integrative component of the Group's corporate strategy, sustainability as a concept is operationalized individually at the level of each division, business segment, and function. This takes the topic's growing significance to both internal and external stakeholders into account. The Sustainability Strategy is conceived as a wholly integrated roadmap based on a best-in-class approach.

INCREASING FOCUS ON SUSTAINABILITY

By laying out its Sustainability Strategy, voestalpine also signaled that sustainability as an issue is becoming increasingly important to financial and capital markets alike. The ongoing development of the legal framework was considered as much as were changing market and competitive factors. Strategic principles and objectives were fleshed out at the Group level for every sphere of action.

The Strategy is designed to be comprehensive and thus encompasses three pillars: the Economy, the Environment, and Society. It is designed to be put into practice in voestalpine's processes and business activities as well as organizationally. Stakeholder management serves to ensure that the Strategy and its progress are communicated both internally and externally.

The following figure presents the Sustainability Strategy's core elements and its integration into the Group's corporate strategy.

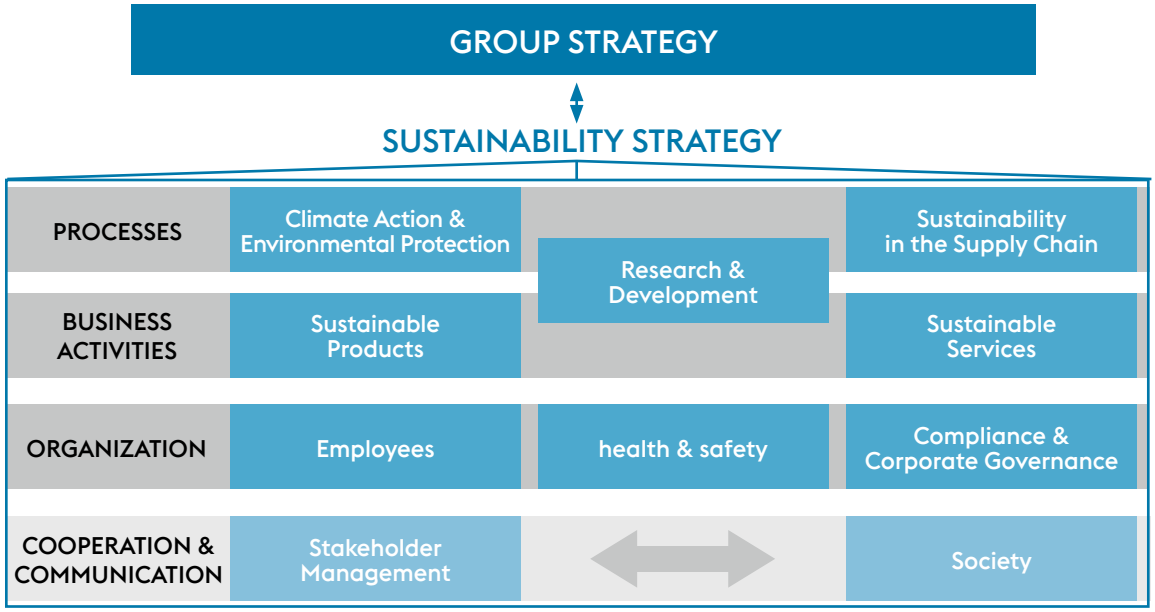


Profitability and shareholder value are key to the long-term performance of a listed entity such as voestalpine. As far as risk management, resilience, and future viability are concerned, however, the Sustainability Strategy makes clear that two other key elements—the environment and society—must also be given very high priority and managed accordingly.

As far as the processes are concerned, the focus is on the contributions that both the internal processes and the supply chain make to the achievement of the SDGs and the company's sustainability targets. Sustainable business activity focuses on developing innovative products for and with customers and on pushing the concept of the circular economy, also known as "circularity." The safety and health of our employees, their training and continuing professional development (CPD) as well as a respectful corporate culture also are material elements of sustainable organizations.

The most recent crises have increased our awareness of the fact that these areas require determined action. This also applies to the climate crisis and other environmental, social, or economic force fields. voestalpine's Sustainability Strategy prescribes which spheres of action are decisive to the company's sustainable performance.

5.1 STRATEGIC SPHERES OF ACTION



The guidelines and goals specified and described in the following were defined for the strategic spheres of action.

5.1.1 CLIMATE ACTION & ENVIRONMENTAL PROTECTION

We continue to improve our CO_2 footprint by committing to low carbon production.

We are meeting the challenge of making the economic system climate neutral in the long term, especially through comprehensive research and development of new technologies that is often carried out via cross-sector cooperation agreements and projects. We also engage in an open and constructive dialogue with stakeholders such as political decision makers and environmental organizations.

Process-related emissions cannot be entirely avoided because our production processes have certain chemical and physical properties. We operate our manufacturing facilities pursuant to the principle that the best available technologies in each case must be applied in economically viable fashion. We also develop new approaches that aim to minimize environmentally relevant effects on the air, soil, and water to the extent possible and to optimize the use of resources. Besides maintaining our leading position in environmentally friendly steelmaking, we are also tapping into the additional potentials of the circular economy.

We have defined a target corridor of between 4 MWh and 4.5 MWh per ton of product for the specific total energy consumption; the target corridor for the recycling rate is 27% to 30%.
Our plans call for all relevant production facilities to implement a standardized environmental management system (EMS) and to obtain certifications pursuant to ISO 14001 or the EU's Eco-Management and Audit Scheme (EMAS) by 2025.

We are committed to the global climate goals, and we are using greentec steel to pursue a clear path toward the decarbonization of steelmaking.

By 2050, voestalpine will be climate neutral.

By 2030, the Scope 1 CO_2 emissions for the production of crude steel in Linz and Donawitz (both Austria) will be lowered by 30% in ways contingent on production to a total of 8.5 million tons.

The High Performance Metals Division already uses a steel production process that is based on the electric arc furnace (EAF) route. By 2030, it will have lowered its CO_2 emissions (Scope 1 & Scope 2) by 50%.

By 2035, the production activities of the Metal Forming Division—the Group's center of competence for highly refined sections, tubes, and precision strip steel products as well as for ready-to-install system components made of pressed, stamped, and roll-formed parts—will be climate neutral.

5.1.2 SUSTAINABILITY IN THE SUPPLY CHAIN

We pay attention to transparency in the supply chain and work toward ensuring responsible procurement.

General Procurement

In our view, consistently putting in place sustainable supply chains makes a very important contribution to the pursuit of the Sustainability Strategy in the Group. We have started to implement our "Sustainability in the Supply Chain" roadmap. When selecting our suppliers, we ensure that they comply with both environmental and social principles. We have integrated sustainable supplier management into the company's procurement processes in order to maintain long-term partnerships.

voestalpine ensures that those of its employees who work in purchasing receive ongoing training through informational events such as the Purchasing Power Day as well as the three-stage Purchasing Power Academy, which the company itself developed. These offerings also serve to sensitize the given employees to issues of sustainability and compliance.

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

Raw Materials

Applying "closed loop" life cycle approaches together with our customers guarantees highest 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 an efficient supply chain. New suppliers are evaluated as to corporate responsibility, quality, and performance and, depending on the assessment's outcome, are included in our supplier portfolio. We used the Sustainable Supply Chain Management (SSCM) project 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 mitigating risk over the long term.

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

Fully 70% of the Group's total purchasing volume (in particular, 100% of all deliveries of critical raw materials) will be verified by 2025 as to compliance with the environmental, social, and governance (ESG) criteria of voestalpine's "Compliance and Corporate Responsibility Checklist" and evaluated based on a defined rule book.

5.1.3 RESEARCH AND DEVELOPMENT

We develop innovative solutions for our customers and ensure that sustainability plays a key role in the development of both products and processes.

We continually conduct research on innovative products and processes—and develop novel technologies—to ensure that we remain the benchmark for both resource efficiency and environmental standards.

We pursue active know-how management, both internally and externally, and consider this the key to our success in research and development. We take on the responsibility of educating and continuing to train our researchers in-house, sharing our knowledge within the Group and exploiting the synergy effects that arise from pooling our expertise.

Major R&D projects consider sustainability criteria in the innovation process as well as in connection with investment decisions. We aim to ensure that absolutely all R&D projects related to the development of products and processes make a positive contribution to sustainability.

5.1.4 SUSTAINABLE PRODUCTS AND SERVICES

We offer our customers sustainable products and services that make a positive contribution throughout their life cycle—environmentally, economically, and socially. Certified life cycle assessments (LCAs) of our products help to reduce our customers' carbon footprint.

We support holistic, comprehensive, and integrated analyses and assessments of materials (LCAs) as well as of all process and value chains within the parameters of the circular economy.

Life cycle assessments will be carried out for all key product groups by 2025, taking all phases of the value chain into account, in order to compile a catalog of their environmental impact.

5.1.5 HUMAN RESOURCES

High levels of commitment and above-average employee loyalty are key pillars of our success. We bank on a corporate culture that is defined by diversity and respect and on providing solid employee training and continuing professional development to all employee groups.

Corporate culture: We create a respectful corporate culture in which we expect and encourage trust, diversity, self-determination, and personal responsibility. voestalpine's culture, as a symbol of our Group-wide identity, is continually being refined in this sense.

Diversity: We value the individuality of all our employees and their capabilities—irrespective of gender, age, origin, religion, sexual orientation, or potential impairment—and create the conditions for both equal opportunity and work that maintains people's health and is appropriate to life's different phases.

Training and continuing professional development (CPD): Targeted measures help voestalpine employees gain qualifications and thus broaden their career opportunities. We believe, furthermore, that both training young people and encouraging lifelong learning are long-term determinants of the company's success.

Employee loyalty: To ensure long-term employee retention, we regularly evaluate the level of their commitment to the company through a worldwide employee survey. The level of commitment describes the degree of our employees' loyalty to voestalpine. To raise this value over the long term, we develop suitable measures after analyzing the survey findings and continually track both measure implementation and target achievement.

We create the general framework for equal opportunity and aim to raise the percentage of women in technical fields and/or among technical apprentices.

We help to make the fields of mathematics, informatics, natural sciences, and technology (MINT) more palatable to women; in the English-speaking world, this is known as science, technology, engineering, and mathematics (STEM).

We provide a diverse range of offerings in connection with employee training and CPD, continually increase the number of apprentices and trainees, and offer internal executive management training.

We carry out employee surveys at regular intervals. The goal is to continue strengthening employees' commitment and deepening their loyalty to the company.

5.1.6 health & safety

We promote our employees' health and continuously enhance the safety of our workplaces. Employee safety and health are key concerns at voestalpine and thus have highest priority.

We work to further reduce the frequency of accidents and to improve the health of all employees of the voestalpine Group—wherever they work, whatever their position.

We believe that Group-wide minimum safety standards are the basis of a successful corporate health & safety culture.

Zero Accidents:
Fatalities and workplace accidents must be prevented.

We continue to work on lowering the lost time injury frequency rate (LTIFR) and plan to achieve a 30% reduction of this rate by 2025 compared with 2020.

5.1.7 COMPLIANCE AND CORPORATE GOVERNANCE

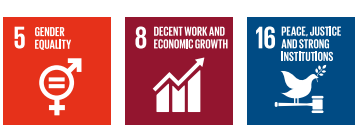
We have implemented an efficient Compliance management system that comprises the elements of "risk analysis/prevention" and "identification/reaction," and we satisfy all rules and regulations of the Austrian Code of Corporate Governance.

We commit to complying with all applicable laws in all of the countries in which voestalpine operates. We believe that Compliance is the expression of a culture rooted in ethical and moral principles.

Ethical Corporate Management: In order to ensure that managing and controlling the Group responsibly serves to create sustainable shareholder value in the long term, the Group's Management Board and Supervisory Board undertook as early as in 2003 to comply with the Austrian Code of Corporate Governance.

Human Rights: We commit to upholding human rights in accordance with both the UN Charter and the European Convention for the Protection of Human Rights and Fundamental Freedoms, and we support the UN Global Compact (UNGC).

Compliance violations must be prevented. It is our goal, therefore, to sensitize all employees accordingly and ensure that they know the Group's policies.



5.1.8 STAKEHOLDER MANAGEMENT

We are in contact with all relevant stakeholders and engage in a responsible, solution-oriented, and transparent dialogue with them. Our stakeholder management is based on established sustainability criteria and standards.

We regularly engage with a very wide range of stakeholder groups through our Management Board as well as our executive and non-executive personnel. Numerous formats such as shop talks and expert roundtables, conferences and trade shows as well as analyst and investor meetings are used to this end. In addition, voestalpine is not only represented on a wide variety of bodies serving advocacy groups, trade associations, and lobbying campaigns, it also presents the company's concerns to these bodies. We also support international and local platforms and policy initiatives that promote sustainable development.

5.1.9 SOCIETY

We take our role as a responsible company seriously and support select charitable projects.

As a global Group with about 50,000 employees, voestalpine consciously plays an active role in society at its facilities, too. The company's relationships with key local stakeholders that have evolved through the years provide insight into social, cultural, and environmental issues facing the given communities. We review concrete opportunities for action in order to strengthen the social compact and enhance the well-being of humans and nature that are affected by our activities. This results in short to medium-term projects in sports, culture, and natural conservation. Continuity, trust, and cooperation are key to our approach.

5.2 SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) were drawn up by a United Nations working group together with thousands of stakeholders and were adopted by the UN General Assembly during the United Nations Sustainable Development Summit in New York, USA, on September 25, 2015. A total of 193 UN member states committed to the 17 goals and 169 targets for global sustainable development and the related specific objectives.

The SDGs were put into effect as of January 1, 2016, and are designed to cover a period of 15 years (up to 2030). Particular emphasis was placed on the private sector's role in reaching these goals.

As part of its business activities, voestalpine actively contributes to the implementation of the following 12 SDGs:

Goal 3: Good health and well-being
Goal 4: Quality education
Goal 5: Gender equality
Goal 6: Clean water and sanitation
Goal 7: Affordable and clean energy
Goal 8: Decent work and economic growth
Goal 9: Industry, innovation, and infrastructure
Goal 11: Sustainable cities and communities
Goal 12: Responsible consumption and production
Goal 13: Climate action
Goal 16: Peace, justice and strong institutions
Goal 17: Partnerships for the goals