# FORGING NEW FRONTIERS



# **Duferco**

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# **Duferco**



# Annual Report

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# Annual Report

# LETTER TO STAKEHOLDERS

## THE GROUP

Duferco at a glance

Leading the change

# THE DUFERCO ORGANIZATION

Governance Tools

# **BUSINESS RESULTS**

Financial results

Economic added value distribution

#### **Annual Report**

# Dear Stakeholders,

Over the last two years, our primary concern has been to try to protect our greatest asset, i.e. human capital: over 700 people in our offices have been able to work safely and effectively from home for rather extended periods of time, thanks to our previous investment in IT architecture, while those that had to come to work instead, were part of a constant and meticulous plan made by rigorous distances, protecting devices, strict procedures.

With respect to economic results, Duferco achieved a good performance, in spite of the headwinds created by the Virus: 19% increase in net profit during such complicated times is certainly satisfactory. The diversification of our business portfolio, now articulated in four main groups: steel, energy, shipping, innovation, has helped us to raid the negative cycle. Like every year, we have inserted in this presentation our outlook for 2021, during which we are experiencing a drastic change of the cycle with a quite positive effect on our steel and shipping divisions.

The results of the first semester of 2021 furthermore take into account the paper gain due to the purchase back of the 50% shares of Duferdofin-Nucor, previously owned by Nucor. Nucor in fact, decided to discontinue their attempts to operate in Europe, to focus all their resources in strengthening their leadership in the North American continent.

We have enjoyed the daily business interrelations with Nucor over these twelve years and, although we understand their motivations to leave, we are sad that they had to take such decision.

A project that was discussed at length with Nucor and reached a decision point, was the investment in a new heavy beams rolling mill in San Zeno. We have decided to do it alone, and placed the relative orders. It is financially an important step, but we believe it is a game changer for the company since, based only on cost savings, it implies a payback roughly in five years. This will put Duferdofin on a solid situation even during negative cycles, making Duferdofin one of the lowest cost producer in Europe. From an environmental point of view, the project represents a global excellence thanks to the supply of energy generated 100% from renewable source with innovative burners able to receive a blend of hydrogen and natural gas in the reheating furnace.

In the energy division, we continue to implement our strategy to expand our participation in the full spectrum of the industry by making selected investments in renewable energy sources, expanding our energy distribution and related services in Italy, strengthening our global energy trading in Europe, North America and Brazil.

We are confident in our strategy in the shipping business, composed of assets playing to take advantage of the cycles of the industry, combined with a strong focus on professional management of operations that help significantly to maintain positive cash flows even during the inevitable negative cycles.

Finally, realizing the critical changes that are about to come in the business world, we are in the look out for any opportunity to actively participate to these changes with selected initiatives that promise to give rewarding results.

The strategical steps described above are quite a depart from our original concentration in the steel industry only, but it is one we are comfortable with and very confident to be able to master.





# The Group

# Duferco at a glance: business results, strategy and sustainability

In the FY20 Duferco achieved a good performance: the Group's net profit was 112 million USD, an increase of almost 19% compared to the profit of the FY19 (94 million USD).

On the other hand, Group's revenue totaled 11.7 billion USD, decreasing by -21% with respect to the level of the FY19 (14.9 billion USD). This decrease was mainly attributable to lower energy prices which affected the Group's energy trading and distribution business, as well as to lower volumes and steel prices related to steel production and distribution business.

The positive consolidated results, in a year that has put under pressure all the world's economies, confirm the importance of having built a diversified portfolio of activities, with a moderate risk profile. The financial strength proved in recent years has allowed Duferco to continue its path towards a gradual transformation into an increasingly multidimensional group, fully articulated in four business units: steel, energy, shipping and innovation.

Like every year, it has been e inserted a "sneak-peak" of 2021 first semester results, available in the Financial Results Chapter.

First Semester of 2021 has been closed with a net profit of more than 271 million USD, which includes the extraordinary bargain purchase gain deriving from the consolidation of the Duferco Travi e Profilati S.p.a. and its subsidiaries. Excluding this one-off item, the net result increased by 20% compared to the first semester of FY20. After a very difficult year of low commodities prices and general slowdown of traded volumes, 2021 has started with a strong upturn both in terms of volumes traded and in terms of commodity prices. This effect is mainly due to the fast recovery of the Chinese and US economies, but also to a general optimism for the massive government plans implemented to react to the Covid crisis, including in Europe. Duferco was able to achieve a good result mainly thanks to its energy trading activities in 2020, and it's still enjoying in 2021 very positive results from its industrial operations, mainly because of the increase in commodities prices and government's stimulus on infrastructural plans.

For what concerns new investments aimed at ensuring a bright future for Duferco activities, during the fiscal year the authorization process for the construction of the new beam rolling mill in San Zeno (Italy) has been accomplished. The industrial plant will be now fully integrated, increasing the competitiveness thanks to the adoption of the best available technologies and marking a significant improvement under the aspect of digitalization and energy efficiency. From an environmental point of view, the project represents a global excellence thanks to the supply of energy generated 100% from renewable sources and innovative burners able to receive a blend of hydrogen and natural gas in the reheating furnaces.

Innovation and sustainability are the key drivers that will guide the future of global businesses and with respect to which Duferco must be ready, enhancing the abilities of employees and the ideas of the new generations. This year, the sustainability commitment added two important components. For the first time the Group decided to engage with a panel of external stakeholders, belonging to different categories, to get their feedback about any sustainability issues they consider a priority for Duferco. This first step towards a stable and lasting engagement with all the stakeholders, has allowed a better understanding of their needs and expectations.

Furthermore, in the coming months, the first three-year sustainability plan (2021-2023) will be set up, defining areas of improvement on the ESG aspects (Environmental, Social, Governance), and establishing qualitative and quantitative targets and related initiatives to achieve them.

Despite this challenging historical moment, the ambition remains a stable growth of Duferco activities, promoting the value creation enhancement for the Group and for all the stakeholders.

Maintain balanced assets, steady focus on business profit and shared value creation, through cyclical and other non-cyclical operations across the four divisions, fostering energy transition within and outside the Group and pursuing progressive decarbonization of operations.

The Group's mission is to maintain balanced assets, leveraging both on cyclical operations and on non-cyclical ones, thus pursuing steady increases in profit and shared value. Moreover, the mission is divided in individual strategic objectives in consideration of the respective business sectors, i.e. the Group's four operating clusters, united by a common effort to pursue the energy transition and decarbonization of productive processes.

# MISSION

# VISION

Become a conglomerate Group with four divisions: Energy, Steel, Shipping, and Innovation, where residual risks are increasingly managed from a strategic standpoint and where opportunities are seized thanks to the Group's natural adaptiveness and focus on human capital.

In the never-lasting transformation of Duferco business sectors and divisions, **high-qualified competencies and strong culture** are the fundamental elements that have allowed the Group to build the solid roots of its development, continuously conceiving innovations, controlling risks and catching opportunities. Duferco medium to long-term vision (5-10 years) pursues the objective of becoming a **conglomerate Group** with an ever-greater synergy between the four macro-business areas currently managed by the Group, namely Energy, Steel, Shipping, and Innovation. At the same time, such synergy is oriented towards a gradual reduction of operational, compliance, financial and strategic risks, and - consequently - any related and resulting impacts.



## **Global locations**

The Duferco Group operates globally with more than 100 operative offices and industrial sites across the world.









#### SUSTAINABILITY AT DUFERCO

Duferco is deeply aware of the importance of working in a **responsible and sustainable way**, respecting the environment, empowering employees, collaborating with local communities, and increasing the distributed added value generated by its activities. The excellent relationship with all stakeholders, both external and internal, is a fundamental element of Duferco's way of doing business.

With the aim of communicating its commitments and spread the culture of sustainability either inside and outside the organization, starting from 2018, Duferco has embarked on a progressively detailed reporting process, giving more and more prominence to its environmental, social and governance (ESG) performances. This second consolidated Sustainability Report drawn up in accordance with the "GRI (Global Reporting Initiative) Sustainability Reporting Standards", the most recent and widely used non-financial reporting standards, aims at conveying and build awareness among Duferco's stakeholders of the sustainable and responsible business journey the Group has embarked on.

Referring to **Environment**, Duferco is committed to monitoring and reducing impacts of its operations, with the ambition to play an active role in contrasting climate change, empowering those activities that can promote the energy transition. Strong emphasis is given to Social aspects, with reference to Duferco people, who are the heart of the whole Group's activities, and to local communities in all the several locations where it operates. Finally, Duferco pursues the attempt to describe and disseminate its **Governance** tools, that are the guidelines for daily operations across different Business Units, and the complex structure of the Group.

Such activities and initiatives are not only the day-to-day vision but are now being translated into a **long-term view**, where all the efforts are merged towards a common goal for the entire Group. In this regard, the definition of a **sustainability plan**, will identify the pillars consistently with the daily business activities and future targets, for a sustainable business.

Further details will be extended in chapter 2, Sustainability and stakeholder engagement.

## Leading the change

The Duferco Group was originally born in 1979 as a company operating in the **steel trading sector**. Over the years, after achieving significant results as a leading global steel trader, the Group during the 1990s decided to acquire steel production assets in several countries. Having consolidated and verticalized its presence in the steel market, Duferco diversified its business, expanding in three other sectors: **energy**, **shipping** and **innovation**. Despite the remarkable expansion both in areas and in operations, its ownership is still under the passionate guide of its Founder, Bruno Bolfo, and his family.

Over 40 years of history, following trends and business opportunities, transforming and adapting to market developments and innovation challenges, are the deep soul of Duferco Group and the key factor for its success. The results achieved are based on the strong commitment and involvement of Duferco people, their professional excellence to raise standards and quality of everyday work through continuous improvement and learning.

#### **ENERGY DIVISION**

Started with the aim of meeting global energy hedging needs of the Group, today the Energy division has grown into making Duferco a leading player in trading, wholesale, retail and renewable production. Its goal is indeed to build a diversified portfolio of retail operations, accompanied by investments in renewable energy, electricity, gas financial and physical trading, and biomass physical trading. The Energy division can be seen as made up of two main business areas: Energy Production & Retail and Energy Trading. Today, the Group's direction in this sector is maintaining the high profitability of its business with increasingly sophisticated trading platforms and investing in energy transition and decarbonisation processes. These latter activities are increasingly a representation of the cornerstone of the Energy division's vision, pursuing core activities such as renewable energy trading, retailing and broadening the field of operations to new projects such as electrical mobility, energy communities and efficiency projects.

For what concerns energy trading, the Group has a strong presence through **DXT**, which was born in 2005 and known initially on the market as DufEnergy. Today, after years of rapid and steady growth, with a successful rebranding process pursued in 2018, the operations expanded under **DXT International**, the parent company of several subsidiaries spread all around the world, and a recognized leader in the energy commodity trading sector.

DXT focuses particularly in renewable and conventional power, natural gas, and LNG, enabling the shift towards



a virtuous mechanism upon clean energy and energy efficiency.

DXT relies on a strong network of relationships with top energy trading houses, utilities and major industrial corporations and counts on the experience brought by a team of trading professionals combined with the Group's financial strength.

Its operations are carried out through two main sub-divisions, **Power and Gas**, with licenses to operate in the main energy markets and in most European countries also as energy shippers and gas storage operator. The purchase of short and medium-term rights on cross-border pipelines, high voltage interconnection lines, gas storage capacities and LNG slots, has granted exceptional opportunities for the company to optimize its gas and power flows across the continent over time. Nowadays, DXT's gas and power operations span over 20 European markets pursuing the goal of further expansion.

In Power sub-division, DXT has developed an important off-take portfolio of renewable and conventional energy. A highly qualified team of analysts and meteorologists supports the company in offering competitive Power Purchase Agreements (PPAs) and minimizing imbalance risks for its energy producing customers.



Referring to Gas sub-division, DXT further developed its LNG trading activities, operating more than 40 LNG Master Sales and Purchase Agreements (MSPAs) and delivering LNG cargoes on a worldwide level, leveraging from the full integration of LNG activities in DXT trading platform.

In recent years, the Gas division has successfully developed operations in Central Eastern European (CEE) markets, and in Ukraine, where it became one of the main independent importer of natural gas.

A change towards diversification of operations dates back in 2015 when DXT International expanded geographically in the US with **DXT Commodities North America**, and in Brazil's growing power market, where **Matrix** became the first independent trading company by volume negotiated.

The Stamford, Connecticut based business unit focuses on identifying opportunities in the ever-changing world of North American energy sector. We incorporate disciplined risk-management techniques and seek innovative approaches that generate value in physical gas and power markets.

In 2020 DXT Commodities North America LLC entered the US wholesale physical gas space with a focus on storage and transport asset acquisition, customer service, and fundamental analysis. DXT provides the physical natural gas needs of power generators, utilities, producers and retailers.

In 2019 DXT received Market Based Rate authority and ever

since it entered into over 1 TWh of wholesale load serving. DXT seeks to grow its customer base in North America by providing excellence in service, risk-mitigation strategies, process and customer-driven solutions.

Brazil presents interesting opportunities as its power

Brazil presents interesting opportunities as its power and gas markets move rapidly towards liberalization and expansion. DXT's presence as Matrix's parent company amplifies its financial capabilities providing the organization with an advantage over its competitors for long-term contracts. Matrix stands today as Brazil's largest independent electricity sales platform by volume negotiated and as the largest independent off taker of renewable greenfield projects. Growing into a digital company, Matrix employs proprietary technology as a way to service customized energy products directly to end consumers while diversifying its suppliers and providing for a wide variety of industries. In 2016, DXT set up an iron ore trading desk acquiring a majority stake in **Grafton Commodity Trading**, a UK based company which started to trade iron ore actively on the Far East financial exchanges supported

In addition, within the Group, energy trading activities activities are carried out also by **Duferco Energia**, whose main activities concern portfolio management, trading and market analysis. The company operates in the wholesale power and gas markets and on the stock exchanges of the main European markets, such as IPEX, EPEX and EEX.

by a team located in its office in Shanghai, China.





Operations in Duferco Energia and its subsidiaries are expanded to **energy production** and **retail sector**. The company was born in 2010 focusing on renewable energy and stands today as a one of the leading players in the Italian energy market. Duferco Energia provides a wide range of solutions to different types of clients: industrial plants, apartment blocks, various business activities and single families. In 2020, Duferco Energia served 139,434 points of delivery (POD) and 73,817 gas Redelivery Point (PDR)<sup>1</sup>, providing 5,424 GWh of energy, and almost 363,5 million of smc of gas.

As for production, in 2020 Duferco Energia input around 30 GWh of renewable energy into the grid. Operations are managed through several subsidiaries which generate energy from renewable sources, such as solar, hydroelectric, and biomass.

In an increasingly evolved market, where operations cannot be limited to the supply of power and gas alone, Duferco Energia pursues the intention to perform as an innovative energy service provider, and an all-round operator in the energy supply chain. Its business model is aimed at creating long-term value in all the segments where the company is committed through the achievement of profitability and growth objectives. In this frame, the company's commercial offer also focuses on several services aimed at the improvement of its clients' **energy efficiency** level and at saving their energy supply related costs. In this area, Duferco Energia carries out re-lamping projects for industrial plants, power consumption monitoring and recovering heat for condominium buildings, also seizing opportunities set by the Ecobonus and Sismabonus incentives framework that Duferco Energia strives to bring to an industrial level.

A further stream of activities related to the development of **energy communities** in Italy. An Energy community involves citizens' participation in the energy system, making them energy *prosumers*, a blend of consumer and producer. Thanks to its wide network among public and private administrations, business and industrial partners, Duferco Energia aims at playing an important role in the emerging context of Energy communities, embedding into corporate core business the push for a cultural change, empowering people in becoming active participators towards the final energy transition goal.

Activities developed with large customers also include the purchase and sale of green certificates, white certificates and ETS allowances, the electronic management of imports (Interconnector) and the assignments of natural gas capacity.

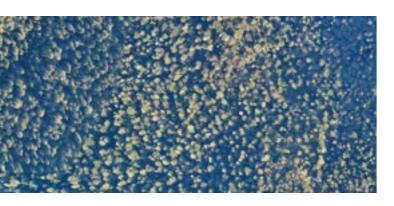
On top of that, in recent years the company has directed its commitment to sustainable growth through sustainable **mobility** projects and stands today among the top Italian private providers of charging services for electric cars. The company set up a network made of 12,000 CPO (Charging Points Operators) for electric cars, of which an increasing number directly managed by the Group (236). Moreover, integrated solutions for electric mobility for individuals, and businesses are provided with different customized rate plans to satisfy the needs of all users, aiming at providing tools and infrastructures for a greener and less impactful mobility. In addition, Duferco Energia will receive the EU financial assistance under the Connecting Europe Facility - Transport program, that will allow and fund the development of smart e-charging services in Italy. The Group also decided to strengthen its activities in support of the development of electric mobility by entering the **car sharing business**. In this regard, the Group foresees to provide the town of Genoa with the first 100% electric and free-floating car fleet for sharing in Italy. These moves concretely represent the will of the Group to strengthen its role as a key player in the energy transition of the country.

<sup>&</sup>lt;sup>1</sup> As of 30 September 2020



In the above framework of energy transition the Group also started activities in the biomass sector. Biomass activities are carried out by two companies of the Group: **Duferco Biomasse**, a subsidiary of Duferco Energia, and **Energy Biomass Sourcing (EBS)**. Both companies operate in lumber logistics, processing and supply in Europe, supplying thermal power plants.

**Duferco Biomasse** originates from the consolidated experience of different actors operating in forest and wood management and the desire of Duferco Energia to increase its presence in the renewable energy market as a crucial enabler of the current energy transition. Biomass production process is largely based on circularity and both Duferco companies involved, are PEFC certified, in relation to their operations. The production cycle foresees that land is rented from landowner for a period of 10 to 15 years, even if in some cases the company may also directly owns the land. Wood is transformed in chips directly in the forest, and then moved to the thermoelectric plants. Once the cutting process has been completed, operations shift to restoration and treatment of soil. These activities are carried out to restore vegetation before returning the land to its owner. The biomass produced is completely traceable, in order to allow customer full visibility on the entire productive process followed, from the origin and method of wood cutting, to the latest steps of logistics. In 2020 the most significant intervention in relation to biomass activities was the one conducted by **Duferco Biomasse** in the Italian area of Vaia, which was hit by a storm in October 2018, destroying a large woodland area. The company stepped forward and was awarded one of the largest lots made available by the maxi tender published by the Municipalities. The collection of about 360 thousand cubic meters of wood represents the largest forestry site in Italy and the largest for the company so far. From the operations of these two companies, a total amount of around 561,000 MWh was produced in 2020, confirming a constant growth in the business volumes of this stream of activities in recent years, that additionally contributes to the safeguarding and protection of the forest heritage, strengthening prevention of fires and to the limitation of the proliferation of harmful species of bacteria in woodlands.



#### STEEL DIVISION

**Steel production and distribution** are the inheritance of the former core business of the Group, and today Duferco stands as a distinguished and long experienced player in the European market.

The Group counts on the operations of 11 companies in Italy, France, and Denmark and on 9 main production plants, with a capacity of around 1,000,000 tons of steel produced per year, in different forms, mainly beams and long products, merchant bars, and flat products for coating. Aware of the importance of the steel industry and of business downstream, Duferco makes constant efforts to constantly preserve and innovate its production plants and infrastructures fostering growth in downstream business.

The major company in the Steel division is **Duferco Travi** e Profilati (DTP), formerly Duferdofin-Nucor. At the end of 2020, after 12 years of productive and fruitful partnership, the joint venture between Duferco and Nucor reached a friendly agreement and approached to an end. The partnership and the synergies created deeply influenced the industrial activities of the steel division and of DTP, now 100% Duferco owned. The company represents today an outstanding benchmark for production of beams, special quality steel, special profiles and other long products sold in Italy, Europe and North Africa and these products are expected to benefit from a significant increase in infrastructure investments in the coming years. The DTP products are sold in 60 countries around the world fulfilling the expectations of around 800 customers. Duferco Morel in France and Acofer in Italy ensure a close contact with the market of beam end users. Duferco Danish steel and Ferriere Bellicini plants provide Duferco with small and medium sizes of merchant bar products. Duferco Danish Steel continued its path of verticalization and increased the production of cold drawn bars (flat, round and square) and rock bolt anchors for tunneling.

Duferco also has operations in the sector of **flat products** through Acciai Rivestiti Valdarno (ARV), which operates in a niche market as a service provider of flat steel products used for coating in industry and civil constructions.

Despite it represents the historical heart of Group's operations, the Steel division is strongly projected into the future, as witnessed by the remarkable investments made in recent years: around 31,8 million euros in 2020, of which over 4% in Research and Innovation. In this regard, the Group is investing over 180 million euros in the **new rolling mill in San Zeno**, fully powered by green energy provided by a long-term power purchase agreement. Featuring the most cutting-edge tecnhologies, this strategic project will enable the plant to increase its productive capacity by around 1.5 million tons and create at least 150 new jobs.



#### **DUFERCO STEEL IN THE NEW SAN GIORGIO BRIDGE**

Another step towards the future envisioned by the Group is represented by the collaboration Duferco Travi e Profilati established with the best Italian talents in the construction of the new bridge Genoa San Giorgio.

The bridge, that was born from the creative mind of Renzo Piano, and realized by Fincantieri Infrastructure and Webuild, represents the success of what many have called the "Genoa Model," meaning a new paradigm for the construction industry that bases its effectiveness on collaboration, transparency, teamwork, and safety. This approach made it possible to accomplish the construction in only 15 months, giving back to the city of Genoa the strategic infrastructure for its mobility network with a transit of 43,200 vehicles per day on average.

The new bridge is long more than a kilometer, with 18 elliptical sections of reinforced piers that support the steel deck, made of 19 spans. As a tribute to the victims of the 2018 tragedy, 43 lamps will shed their sail-shaped lights along the deck. The features of the main deck are record-breaking: 80,000 cubic meters of excavations, 9,000 tons of steel reinforcement, 67,000 cubic meters of concrete used and 17,000 tons of steel metalwork. As one of the suppliers involved in the project, Duferco Travi e Profilati provided around 540 tons between steel angles and steel beams. The well-established collaboration between Duferco Travi e Profilati and Fincantieri Infrastructure makes the Group very proud, being part of a new era for the city.







#### THE FIRST GREEN ROLLING MILL

FY20 have also been the year that marked the start of the works in San Zeno for new rolling mill. Despite the suspension of activities due to the pandemic, the authorization process has been accomplished by the end of the fiscal year, and the construction site for the greenest steel plant in Europe can finally open.

The over 180-million-euro investment stands as one of the most important industrial project in the Italian steel industry, and will eventually endow the Group with a completely verticalized productive plant maximizing the level of service to each customer and the overall efficiency of the process.

The new rolling mill will allow Duferco Travi e Profilati to increase the yearly capacity to approximately 1.5 million tons of long products, and to integrate the production, which is now split in three different plants, with a significant gain in logistics and in the management of any non-compliances. The existing rolling mills of Pallanzeno (Verbania) and Giammoro (Messina) will deepen their specialization: the former will focus mainly on special profiles and the latter will foster its business in the Mediterranean market.

More significantly, the rolling mill will set the plant at the cutting edge of sustainability, technology and innovation.

Thanks to the ten-years purchase power agreement (PPA) closed with a wind energy producer, the Group will feature the first rolling mill fully powered by renewable energy, thus making a remarkable step toward decarbonization and energy transition. Moreover, the reheating furnace will be equipped with hydro-methane fuel injected burners, in addition to methane. Under this aspect, the group is evaluating, within the long-term framework of the research on energy transition, the possibility of introducing the use of hydrogen as burning fuel. As for pollutant emissions, the Group is working closely with the project partner on the best technology to apply to the burner. Exploiting the results obtained in the research on combustion control, a reduction of more than two thirds in nitrogen oxides (NOx) emissions is estimated compared to a 10-year old plant. In the challenge of these ambitious goals, Duferco chose two partners of absolute and proven profile: SMS Group for the realization of the plant and Forni Industriali Bendotti for the reheating furnace.

Besides the environmental impacts, the project will mark a significant improvement in digitalization. In order to meet the increasing complex demand for both steel and rolling mill products, the site will be equipped with an advanced scheduling program that elaborate the best scheduling, based on the data collected by thousands of sensors installed directly on the machines. These sensors, already installed in the steel plant, allow for a continuous monitoring of the machineries, both in terms of operation and process. For the best management of the vast amount of data that will be produced, Duferco Travi e Profilati is partnering with both internal and external partners.

Together with the IT department of the Università Cattolica and the University of Brescia, the Group is cooperating in developing the mathematical models to be applied for maximization of utility of the data. At the same time, the most suitable algorithms leverage the strong knowledge in analysis and forecasting models developed within the Group. Duferco Dev provided the data factory currently in use which will support Duferco Travi e Profilati in selecting the most appropriate application software in order to exploit those models.



The new beam rolling mill in San Zeno Naviglio will greatly increase our competitiveness. This will be the strong base for a long-term strategy that will combine environmental, social and economic sustainability through technological innovation, maximizing the market opportunities.

Augusto Gozzi, CEO









#### **SHIPPING DIVISION**

With Nova Marine Group, Duferco entered the shipping division partnering with the Romeo family. **Nova Marine** acts as "sea trucker" all around the world through the use of more than 100 vessels between fully owned, time chartered and commercially managed.

Nova Marine Carrier works upstream and downstream of the production chain, providing companies with their raw materials, mainly from steel, agri-food and cement sector, and then bringing back the finished products.

The Company's activities include Operations, Accounting & Finance and Commercial Management. The company was born as a JV in 1994 as SiderMarine, and rapidly grew through strategic alliances which allowed to reach a global presence. Its mission is to provide customers with fast, flexible and reliable shipping solutions, delivering-class service to leading international charterers, cooperating closely with every actor in the shipping chain.

Through its many subsidiaries, Nova Marine Group serves nearly 250 different clients in 108 countries all around the world. In 2020 its vessels transported more than **21,000,000** tons of commodities, despite the difficulties due to the

global outbreak of pandemic, thanks to a well-established corporate multi-commodity approach aimed at diversifying its business area instead of focusing in few sectors. During the reporting year for instance, the remarkable drop in exchanges in the steel sector was compensated by the increase in the wheat and plasterboard sectors.

Duferco driving force in the Shipping sector is maintaining the leadership acquired over the years and moving towards new ones such as handysize in the Mediterranean and Atlantic area and being the only global shipping company capable of providing commercial and technical services simultaneously.

The company has its headquarters based in Lugano, Switzerland, and has offices in Bogotá, Dubai, Geneva, Istanbul, London, Madrid, Miami, Monte-Carlo, Rotterdam, Sofia, Singapore and Toronto.

More recently, Nova Marine joined **Sea Cargo Charter**, the global framework for assessing and disclosing the climate alignment of chartering activities, together with the major player of the sector and consistently with the United Nations International Maritime Organization (IMO)'s ambition to reduce GHG emissions from the shipping sector by 50% by 2050.

#### THE NOVA MARINE OWNED FLEET

1

under 60.000 DWT

1/

under 40.000 DWT

32

under 15.000 DWT

15

18

under 7.000 DWT

Cement careers

33 OWNED FLEET





#### **INNOVATION DIVISION**

Alongside the solid presence in the Energy, Steel and Shipping sectors, the Group developed the **Innovation division**, with the aim of proving itself capable of being at the edge of new frontiers.

Innovation within Duferco Group is primarily enforced and guided by a dedicated **corporate innovation team**, which was established in recent years in order to provide, among other things, a digital infrastructure that enables digitalization within companies, moving from the advantaged position of being both at the research frontier and the business frontier. Lately, the global context places the Group in the midst of a true industrial revolution which makes technology frontiers such as data science, IoT and artificial intelligence, accessible. The team's efforts are precisely aimed at putting these frontiers at the service of the Group's infrastructures, exploiting their enormous potential.

The Innovation division includes different companies, operating in a number of diversified activities within the Energy, Real Estate, Environment and Logistics sectors, pursuing the mission to empower synergies within the Group, providing support to the other business divisions in addressing emerging challenges. Innovation is also achieved by developing new businesses by offering original solutions to problems such as the rehabilitation of brownfield areas. In 2020, the companies of this division invested over 1,000,000 euros, 74% of which in R&D activities, showing the Group's ambition to seek new initiatives and opportunities across technologies and business area.

The first company established in this division is **Duferco Engineering**. It provides engineering, procurement, construction, commissioning, project management and O&M services to the Duferco Group as well as for third parties.

With a team of high qualified profiles, Duferco Engineering acts as the Group's company appointed for developing complex studies that give rise to innovation projects able to promote the energy transition from fossil fuel to green sources.

The software company **Mainsim** was born in 2008 following a startup acquisition. Based in Genoa it joined Duferco Group in 2014 and developed the computerized maintenance management system, "What maintenance can be" for daily maintenance activities.

The software's functionalities are highly diversified (asset management, work order management, time based and condition-based maintenance). Mainsim started immediately to collaborate with some of the Group companies while maintaining its customer portfolio. This led the company to join forces with numerous companies from different sectors, from shipping to hospitality, from facility management to oil and gas.

Established in 2017, **Duferco Dev** is one of youngest companies of the Group. Based in Genoa (Italy), it had the original mission of being an international player in consulting, both on marketing (strategic, performance and digital marketing) and technology innovation. Starting from October 2020, Duferco Dev digital marketing team has joined Duferco Energia, according to the strategic plan of the utility company.



Today, Duferco Dev's specialists work to support companies in their path to digitization: strategic digital plan, application architecture roadmaps, enterprise application development, websites, mobile apps, software and complex customizations. Duferco Dev, the core of Group's Innovation Hub, is enabling digital transformation within and outside the Group with its research on Machine Learning and Artificial Intelligence together with the provision of applications to enable companies to perform at their best. This role turned to be fundamental in fostering and accelerating digitalization process the Group had to follow in order to ensure business continuity during Covid-19.

Duferco Dev is working in synergy with Group's data scientist team, access, explore and exploit at best Group data richness.



**Duferco Wallonie**<sup>1</sup>, the Belgian company of the group, in partnership with Société wallonne de gestion et de participations (SoGePa), focuses mainly on four domains (**brownfield**, **environment**, **energy** and **logistics**) with the common aim of developing new businesses by offering solutions to classical concerns on the environment pollution produced by industries.

by offering solutions to classical concerns on the environment pollution produced by industries.

Duferco started its activities in Belgium in 1997 by restarting an integrated steel making plant from bankruptcy, then accompanied the business reorientation towards niche markets of rolled products, which became NLMK Clabecq and NLMK La Louvière, still active today, albeit since 2011 they are no longer particular to the products.

To this day, Duferco Wallonie supports its customers at all stages of the land rehabilitation process, from design to post-management, through the execution and coordination of work with a global vision and on the basis of a clearly established strategy.

In the logistics sector, Duferco Wallonie offers intermodal handling and storage services but also transportation on water channels, railways or roads. During FY20, Duferco Wallonie enlarged its scope of activities, obtaining permits for the realization of three solar parks.

Throughout the entire set of activities carried out in its four business units, the Group aims at overcoming environmental and social challenges of today's world. To take on these responsibilities, the Group counts on an **industrial approach** deriving from the experience acquired in 40 years of presence in the global markets. Furthermore, digitalization and innovation act as a further strategic lever for business development. Such approach has been proven successful during the Covid-19 pandemic, where a holistic digitalization strategy was essential to increase companies' resilience.

<sup>1</sup> For additional details refer to the section "Note on methodology" of the present document.



# The Duferco organization

# **Duferco Participations Holding, Luxembourg**

**CHAIRMAN** Bruno Bolfo **BOARD OF DIRECTORS** Bruno Beernaerts Georges Deitz Paolo Foti Vittoria Gozzi Augusto Mario Gozzi Julien Guillaume Benedict J. Sciortino

**GROUP CEO** 

Paolo Foti

**GROUP CFO** Nicola Drakulic

## **Corporate responsibilities**

#### **LUXEMBOURG**

**DIRECTOR** Bruno Beernaerts

CORPORATE & ACCOUNTING MANAGER Julien Guillaume **LUGANO** Switzerland

**HEAD OF DIVERSIFIED ACTIVITIES** 

HEAD OF TAX, CORPORATE Alessandra Simeta

**GENERAL COUNSEL** Federico Piccaluga

CORPORATE FINANCE

**GROUP CONSOLIDATION** AND FINANCIAL **REPORTING** Maria Montagna

**BRESCIA** Italy

**PRESIDENT** 

Maurizio Bergonzi

AND LEGAL MATTERS

**HEAD OF ENERGY** 

Stefano Bacigalupo

**CORPORATE MATTERS** & LEGAL AFFAIRS

Antonio Gozzi

CEO Domenico Campanella

Franco Monteferrario

OPERATIONS, ITALY Massimo Croci

**HEAD OF INSTITUTIONAL** RELATIONS Agostino Conte

**HUMAN RESOURCES** Alessandro Roggerini

Elena Ragnoli

**BANKING** 

Stefano Vezzini

TECNHICAL DIRECTION Giovanni Dugoni

**SPECIAL PROJECTS** Sandro Balliano

REAL ESTATE

Margherita Gozzi

**CHARLEROI** Belgium

CEO

Olivier Waleffe

## **Business division responsibilities**

#### **ENERGY DIVISION**

#### **DXT**

CEO Benedict J. Sciortino

Maurizio Cencioni

**HEAD OF EUROPEAN** POWER DIVISION Nicola Stricchiola

**HEAD OF EUROPEAN GAS AND LNG DIVISION** Rocco Zotta

**HEAD OF NORTH AMERICAN** 

**OPERATIONS** Piersandro Lombardi

**HEAD OF HUMAN** 

RESOURCES Milvia Pedrazzoli

**HEAD OF LEGAL** & REGULATORY COMPLIANCE Carlotta Zerega

**HEAD OF CREDIT** & TRADING SURVEILLANCE Valerio Caronni

**HEAD OF ADMINISTRATION** Paolo Piserchia

**HEAD OF CONTROLLING** 

& RISK MANAGEMENT Paolo Casati

**HEAD OF CORPORATE** SYSTEMS DEVELOPMENT Marco Placidi

**HEAD OF IRON ORE** TRADING DIVISION (Grafton)

Thomas Baldwin

**HEAD OF BRAZILIAN** POWER TRADING OPERATIONS (Matrix)

Rubens Misorelli

CFO (Matrix) Federico Marsano **DUFERCO ENERGIA** 

CEO Marco Castagna

ADMINISTRATION, FINANCE AND CONTROL

Simone Rabaioli COMMUNICATION & MARKETING Matteo Parodi

SALES Luca Masini

**ENERGY MANAGEMENT AND TRADING** Agostino Calcagno

**TRADING** Lorenzo Pittaluga

**CORPORATE GOVERNANCE** 

& COMPLIANCE - DPO Davide Modula

SUSTAINABLE **MOBILITY** 

Sergio Torre **OPERATIONS** 

Massimiliano Cocurullo

**SALES MANAGERS** Luca Raso

Antonio Zullo Francesco Lepre

Luca Seravalli

**DUFERCO BIOMASSE** 

PRESIDENT AND CEO Domenico Campanella

CF0 Marco Tirasso

**COMMERCIAL DIRECTOR** Daniele Braida

SALES MANAGER Luca Corello

**ENERGY BIOMASS SOURCING (EBS)** 

**PRESIDENT** Alain Arnaud

CEO Christine Hanon



## **Annual Report**

#### STEEL DIVISION

#### **HEAD OF INDUSTRIAL & DISTRIBUTION DIVISION** Domenico Campanella

#### **DUFERCO TRAVI E PROFILATI**

CEO

Augusto Mario Gozzi

**CHAIRMAN OF THE BOARD** OF DIRECTS

Franco Monteferrario

CFO

Paolo Avanzi

**COMMERCIAL DIRECTOR** MECHANICAL DIVISION & TRACKSHOES PROFILES

Daniela Bucciolini

**PURCHASING & COMMERCIAL** DIRECTOR

Simone Campanella

**COMMERCIAL DIRECTOR BEAMS & SMQ** 

Giuseppe Zolezzi

**FINANCE** 

Stefano Vezzini

Massimo Rolandi

PRODUCTION PLANNING

Sergio Bassano

**QUALITY SYSTEM** 

Stefano Ghiggeri

CORPORATE MATTERS

& LEGAL AFFAIRS Elena Ragnoli

**INFORMATION SYSTEMS** AND PALLANZENO PLANT DIRECTOR

Massimo Lama

**SAN ZENO NAVIGLIO** SITE COORDINATOR

Giordano Streghi **SAN ZENO NAVIGLIO** 

PLANT DIRECTOR Rosario Tornello

**SAN ZENO NAVIGLIO RESPONSIBLE SITE ROLLING** 

MILL Gabriele Comandini

GIAMMORO PLANT DIRECTOR

Giuliano Bo

SAN GIOVANNI VALDARNO PLANT DIRECTOR Sandro Cella

#### TPP - TRAVIE **PROFILATI DI PALLANZENO**

CEO

Augusto Mario Gozzi

CHAIRMAN OF THE BOARD OF DIRECTORS

Franco Monteferrario

CFO

Paolo Avanzi

**COMMERCIAL DIRECTOR -MECHANICAL DIVISION &** TRACKSHOES PROFILES

Daniela Bucciolini

**PURCHASING &** COMMERCIAL DIRECTOR

Simone Campanella

SALES DIRECTOR - BEAMS & SBQ

Giuseppe Zolezzi **PURCHASES** 

Giordano Simeoni **HUMAN RESOURCES** 

Massimo Rolandi FINANCE

Stefano Vezzini

PRODUCTION PLANNING Sergio Bassano

**QUALITY SYSTEM** 

Stefano Ghiggeri

**ENVIRONMENT & SAFETY** Giuseppe Guerrini

CORPORATE MATTERS AND LEGAL AFFAIRS Elena Ragnoli

INFORMATION SYSTEMS Massimo Lama

SUPERVISOR AND SITE COORDINATOR **SAN ZENO NAVIGLIO** 

Giordano Streghi PLANT DIRECTOR **SAN ZENO NAVIGLIO** 

Rosario Tornello

#### CEO Augusto Mario Gozzi

**SIDERURGICI** 

**CHAIRMAN OF THE BOARD** 

ACOFER PRODOTTI

OF DIRECTORS Franco Monteferrario

SALES

Tania Romanelli **OPERATIONS** 

Claudio Serra

**DUFERCO DANISH** 

**STEEL** 

CEO

Bram Hansen

FINANCIAL DIRECTOR Tina Holstener Schmidt

**GENERAL SUPERVISOR** Mauro Bucciolini

**ACCIAI RIVESTITI** 

CEO

CCO

Franco Vanni

**VALDARNO** 

Francesco Vanni

#### **FERRIERE BELLICINI**

CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO Kikka Bellicini

#### **DUFERCO MOREL**

**CHAIRMAN & CEO** Stéphan Caute

CFO

Christian Personat

**ACCOUNTING TREASURY** 

Hervé M'Baye

Christine Rochard

Richard Lannoy

CONTROLLING Rija Rakotoarimanana

**OUALITY** 

Alexandre Mac Donald

#### **DUFERCO FRANCE**

PRESIDENT

Stéphan Caute

**GENERAL MANAGER** Philippe Jégou

**DUFERCO THIONVILLE** 

PRESIDENT Stéphan Caute

**GENERAL MANAGER** Thierry Semard

**MOREL DISTRIBUTION PROFILS** 

PRESIDENT Stéphan Caute

**GENERAL MANAGER** 

Thierry Mathieu

**DUFERCO MOREL QUINCAILLERIE** 

PRESIDENT Stéphan Caute

GENERAL MANAGER Thierry Mathieu

#### SHIPPING DIVISION

**NOVA MARINE HOLDING** Luxembourg

**CHAIRMAN** 

Giovanni Romeo

**NOVA MARINE CARRIERS** Switzerland

CEO Vincenzo Romeo

Salvatore Pugliese

COO

CFO Marc Saulnier

COMMERCIAL DIRECTOR ATLANTIC

Francesco Durazzo

COMMERCIAL

Giuseppe Massa HR DIRECTOR

DIRECTOR PACIFIC

Giovanni Mazzella **CHIEF RISK MANAGER** Bas Van Steijnen

**GENERAL COUNSEL** Gabriella Reccia

#### **NOVA SHIP TECH**

**TECHNICAL DIRECTOR** 

Francesco Costagliola

#### INNOVATION DIVISION

#### **DUFERCO WALLONIE**

CEO

Oliver Waleffe

CFO

Renato Brugnetti

**DUFERCO ENGINEERING** 

PRESIDENT AND CEO Ezio Palmisani

COMMERCIAL AND LICENCING Emilio Castelli

SPECIAL PROJECTS Antonio Muzzini

**HYDRO POWER PLANTS** 

**BIOGAS PLANTS** Paolo Peri

Andrea Costa

Enzo Squillace

POWER PLANTS

Francesco Marsano **INDUSTRIAL PLANTS** 

Gianluca Palmisani **PROCUREMENT** 

Marco Spanu PHOTOVOLTAIC PLANTS

**GENERAL SERVICES** Marco Nassi

#### **DUFERCO DEV**

CEO

Alessandra Belotti

**MAINSIM** 

CEO

Giovanni Ferrando



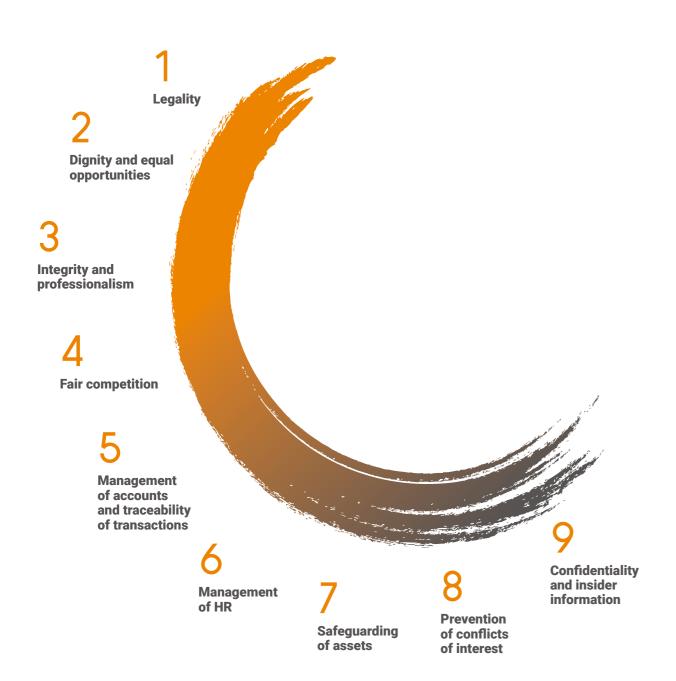


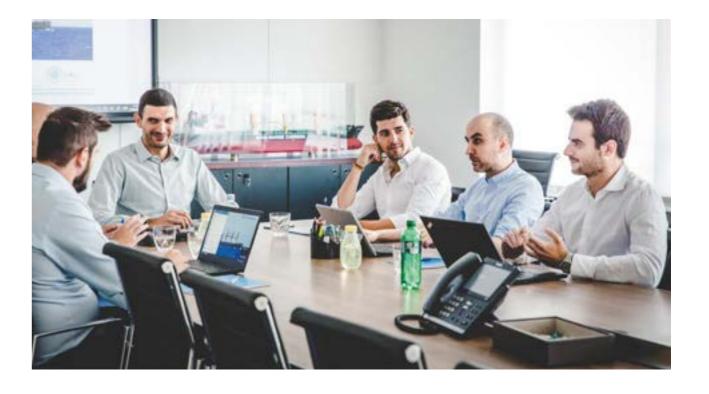
### **Governance Tools**

Duferco Group approved and disseminated governance tools consisting of a corporate Code of Ethics, from which the anti-corruption guidelines and the Policy of Business Conduct derive, and several certified management systems.

The Group's **Code of Ethics** contains guidelines and directives that must be integrated and embedded in the several Codes of Ethics edited from the operating companies.

#### THE 9 PRINCIPLES INSPIRING THE CODE OF ETHICS





The various Codes of Ethics and organizational models have been approved by the respective Boards of Directors and disseminated among internal stakeholders, while suppliers are requested to view and accept them.

One of the key factors for the Group reputation is its ability to conduct business with loyalty, fairness, honesty, integrity and transparency, and in compliance with national and international laws, standards and guidelines.

Based on the Code of Ethics, a **Policy of Business Conduct** is published in order to set out guidelines and procedures leading all Duferco's managers and employees across all the companies in the execution of their professional activities, as integral part of their contracts.

As for the fight against corruption, one of the Group's main cornerstones, the **Anti-corruption guidelines** aim at disseminating the basic rules and fundamental principles in combating all types of corruption, jointly with all the people who work for or on behalf of the Group, in accordance with applicable anti-corruption legislations. The Guidelines approved by Duferco are implemented by the subsidiaries under a resolution of their respective Boards of Directors (or corresponding body and department if the subsidiary does not have such a body).

Specific attention is also paid to the **prevention of conflicts of interest**, given the relevance of the topic especially in energy trading activities. The Group's Code of Ethics states that all Companies' employees and collaborators must avoid situations in which conflicts of interest may arise, meant as any situation in which the recipient may obtain undue personal advantage for himself or for others from information obtained as a result of the office held. Therefore, in every Company it is forbidden to take personal advantage of business opportunities of which they may have become aware when performing their duties. Any situation of potential conflict of interest in the conduct of the Group companies' business must be investigated prior to entering into contractual relationships and monitored by a third-party representative throughout the duration of the contractual relationship.

# IMPLEMENTED CERTIFIED MANAGEMENT SYSTEMS

The management of Duferco operations is ensured by certified management systems implemented within the operating companies. The certifications regard quality and process management (ISO 9001, EPD - Environmental Product Declaration, FSC - Forest Stewardship Council), and the management of environment, health and safety (e.g. ISO 14001, OHSAS 18001/ISO 45001).

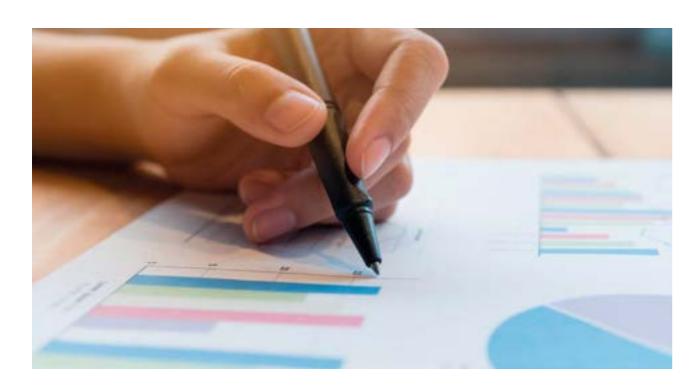


COMPANY	ISO 9001	ISO 14001	ISO 45001
Acofer	•		-
ARV	•	-	•
DTP: San Zeno Headquarter	•	-	-
DTP: Giammoro plant	•	-	-
DTP: San Giovanni Valdarno plant	•	•	-
TPP: Pallanzeno plant	•	•	•
TPP: San Zeno plant	•	•	•
Duferco Danish Steel	•	-	-
Duferco Energia	•	-	-
Duferco Biomasse	•	•	•
Duferco Thionville	•	-	-
Ferriere Bellicini	•	•	-
Nova Marine Carriers	-	•	-

In addition, according to peculiarities of their activities and operations, the companies have also specific management systems and certifications, for example Nova Marine's **ISM** Safety Management certificate, the international standard for the safe management and operation of ships and for pollution prevention which is considered as equivalent to ISO 9001 certification. Another example is Duferco Biomasse, that features three product certifications: **PEFC** and **FSC** 

certifications on the management of forestland, and SBP certification, for sustainable wood biomass, which covers the whole supply chain from forest to consumer.

Another example is Duferco Wallonie SQAS system (Safety & Quality Assessment for Sustainability) which evaluates the performance of its Logistics Service to Chemical companies. This assessment system covers quality, safety, security, environment and CSR (Corporate Social Responsibility).



# **Business results**

## **Financial results**

The Group's net profit was 112 million USD, an increase of almost 19% compared to the profit of the FY19 (94 million USD). On the other hand, Group's revenue totaled 11.7 billion USD, decreasing by -21% with respect to the level of the FY19 (14.9 billion USD). This decrease was mainly attributable to lower energy prices which affected Group's energy trading and distribution business as well as to lower volumes and steel prices related to steel production and distribution business.

The Group's consolidated balance sheet continues to remain very strong. In particular:

- Consolidated net working capital is more than 444 million USD with a current ratio of 1.28.
- Following the strong decrease in market volumes and prices, the Group's net financial indebtedness is significantly lower with respect to the previous year (299 million USD versus 485 million USD) while liquidity remains healthy with a level of cash reserves of more than 315 million USD.
- The total equity of the Group is around 869 million USD, almost 2.9 times the net financial indebtedness.
- As of September 30, 2020, the Group had almost 2.1 billion USD (1.9 billion USD as of September 30, 2019) in committed credit facilities and uncommitted working capital facilities, while the average utilization of the Group's credit facilities was approximately 53% (63% as of September 30, 2019).

The **Energy** operations reported a net profit after taxes of approximately 125 million USD (90 million USD during the FY19 - +39% year on year) with a remarkable performance in the trading operations that reached the strongest financial result in their history. Within trading operations, the Group maintained its leading position in most of the European markets and increased its market share in Eastern Europe and in Spain. But above all, the high volatility offered unprecedent opportunities in particular for the LNG and gas storage business. Grafton UK had an excellent performance and continued their expansion with the start of warehousing services for aluminum. Matrix Energy Trading in Brazil ("Matrix") experienced the renegotiation of certain contracts, due to lower consumption, but notwithstanding this also reported an excellent result.

Finally, North American operations, thanks to the changes made to the organizational structure in the previous financial year, improved significantly their performance and the Group is confident that it will continue its expansion in the coming years.

The Italian energy distribution and production operations experienced on the other hand the difficult situation of the country both in human and economic terms, with a decrease in the average market prices of both power and gas during most part of the year compared to the 2019 financial year. Revenues were substantially stable totaling an amount of 1.5 billion euros like in the FY19. Despite the above, the Italian energy distribution and production business managed to maintain a good profitability throughout the FY20, with a net profit after taxes of around 2.5 million USD (5.7 million USD during the FY19, which however included some non-recurring income for a total amount of 4.9 million USD).

As of September 30, 2020, there were about 139,434 active points of delivery ("POD") in the electricity market (113,039 as of September 30, 2019) and about 73,817 POD (73,545 as of September 30, 2019) in the natural gas market.

During the FY20, the Italian energy distribution and production business has also started exploring some new partnerships and investments in the Balkan area, with a particular focus on the renewable energy production business

As for **shipping**, Duferco 50% share of the net profit of the joint venture group (Nova Marine Holding) contributed for an amount of approximately 3.4 million USD to the consolidated result of the Group (2.7 million USD for the FY19). This clearly demonstrates the sustainability of the Nova's business model and confirms the capability of the company to achieve a positive result while keeping



the same pace of growth both in terms of market share and asset base across all areas even in such a challenging environment. 2020 proved to be a very challenging year during which the outspread of the Covid-19 pandemic had a massive impact on demand pushing it to historical lows. Freight levels plummeted below operating costs and consequently asset values got significantly impacted especially for the medium and larger size ships which showed a tangible depreciation. During the course of Q1 and most part of Q2, which was the most dramatic period due to the quick spread of the virus with many countries going into total lockdown, Nova has focused all its efforts to try and control the operating costs while taking all the possible actions to prevent its employees, both ashore and onboard, getting infected. Nova Marine Carriers further developed the grain desk which traded more than 1 million tons of grain cargoes, keeping all the way a positive profitability. As a result of the increased volumes in grain and the support received by all Nova Marine's historical clients the company managed to keep the drop in the annually transported volume down to a 10% year-on year.

With reference to the three joint ventures with Algoma Central Corporation, Canada ("Algoma") it's worth noting:

- Within NASH (the J/V with Algoma for the small ships), the new building program in China at the Xinle Ningbo shipyard is proceeding according to plan and after the first unit, the Sider Buffalo, (delivered during the first days of January 2020) Nova managed to take delivery of the Sider Ibiza the second unit out of the first series of six ships on order. During 2021 the delivery of two more units is expected.
- The cement carrier division NACC (the J/V with Algoma for the pneumatic ships) even during lock down periods managed to keep the fleet fully employed servicing the urgent needs of clients and confirming the world leading position that NACC, both in terms of service and fleet size, has managed to achieve in the cement carrier business.
- Finally, Nova Ship Tech, the in-house technical management company, has implemented a strong cost savings program by means of a stringent policy on ancillary costs, e.g. spare parts, logistics and similar items as well as planned maintenance.



The investment in developing a tailor-made software was pursued and has led to the launch of the first module (i.e. the procurement module), the aim being, once completed, to organically manage the four main departments (i.e. procurement, crewing, safety & certificate and maintenance).

Regarding **Steel division**, while the 2020 global economy was in a difficult situation, the EU was in a strong manufacturing recession. Steel production was already at reduced levels following the weak Q4 2019 and the closure of automotive and manufacturing businesses caused demand to decline further in March-May 2020. Although steel output was cut, it was not reduced as aggressively as in North America and consequently, prices took longer to recover. Moreover, the Covid-19 pandemic triggered an unprecedent decline in the European economy activity that has never been experienced before. Between March and May 2020, while the French distribution business (Duferco Morel) as well as Duferco Danish Steel in Denmark have continued their operations albeit at very low levels at the peak of the crisis, the Group was forced to temporarily stop all industrial activities in Italy in accordance with the local lockdown rules.

Starting from mid-April 2020, when the alert level was reduced, the Italian plants were successfully restarted, and they are presently running at normal capacity levels.

Group's European based steel production and distribution activities contributed a loss of 23.5 million USD to the 2020 consolidated result of the Group (FY19: loss of 12.2 of million USD).

More in particular:

- Duferdofin-Nucor contributed a loss of 12,1 million USD to the consolidated result of the Group (2019: profit of 0.8 million USD).
- The Morel Group, which is mainly active in the French steel distribution market, experienced a very difficult situation.
   On a yearly basis, Morel contributed a loss of 4.4 million USD to the consolidated result of the Group (FY19: loss of 3.4 million USD).
- Finally, Duferco Danish Steel, contributed a loss of 5.1 million USD to the consolidated result of the Group (FY19: loss of 4.3 million USD), while the other Italian based production activities reported a loss of 1.9 million USD (FY19: loss of 5.3 million USD).

Duferco is continuously focused on implementation of measures to reduce the operating costs and to increase the efficiency of steel production and distribution operations. At the same time, after the sale of the 50% ownership in Caleotto S.p.a. to the other joint venture partner occurred on January 17, 2020, the Group is continuing to explore selected disposal opportunities for some non-core assets.

**DITH** had also a very challenging year in many respects. Besides the situation of the European market described above, in North American the shutdown of the automotive



industry in March-May 2020 triggered rapid cuts in the steel output with mill utilization rates dropping to 50%. Prices hit lows in the third week of April 2020, and while there was a modest recovery, it was not until August 2020 that prices accelerated again.

North America distribution activity was still facing trade restrictions, forcing DITH to partially re-orient the business to source and distribute steel locally.

Finally, Latin America distribution business was hit by a severe Covid-19 pandemic situation and local lockdowns were implemented in various countries. The period March-June 2020 was the most affected and the principal impact was on Q3 results where sales dropped some 41% on the year and earnings before tax contracted by 75%. DITH financial performance was clearly affected by this challenging external environment but, despite that, DITH managed to remain profitable for the entire FY20.

Net profit (including minorities) was 15.6 million USD versus 25.9 million USD in the FY19. This represents a 40% year-on-year decline. Duferco 21.5% (2019: 26.91%) share of the net profit of DITH contributed for an amount of approximately 2.7 million USD to the consolidated result of the Group (2019: 6.0 million USD).

FY20 was extraordinary for the Duferco Group in many ways. Besides the Covid-19 pandemic, another major event marked an historic change for the future of the Group. After 12 years, the Italian JV between Nucor and Duferco came to an end. The financial closing occurred on December 18, 2020. These have been 12 remarkable years of productive collaboration with the first US steel producer, years in which the company has grown from a technical and financial point of view thanks to the contribution of the American partner. Loyalty, transparency, pragmatism, focus on results, respect for people, team spirit, and very strong corporate culture are what the American friends from Nucor have taught over the years, and the Group believes this lesson will stick in Duferco for the future.

Unfortunately, the Covid-19 pandemic and the consequent cut in Nucor's overall investment budget didn't match with Groups willingness to proceed with the already approved project for the construction of a new beam rolling mill at the site of San Zeno. This caused one of those situations of strategic divergencies that sometimes happen, even among the most collaborative partners.

As reported last year, the main strategic considerations and goals of this project remained unchanged for us and can be summarized as follows:

- Duferco is today the only Italian beams producer with a share on the Italian market of 44%. The Italian beam market is the second largest market in Europe after Germany.
- Duferco is, instead, the only European beams producer not integrated with a steel shop. The new rolling mill, fully integrated with the steel shop, will improve production efficiency, optimize energy costs and significantly reduce logistic and transportation expenses.
- The new rolling mill will be in the middle of the European area with the highest beams' consumption. Customer service will improve with a wider range of products and reduction of the rolling campaign cycle for profile.
- Structural risk reductions are envisaged, such as: deterring the entrance of new potential competitors in Italy, cash needs reduction and mitigation of inventory market value fluctuations with lower quantities in stock, and lower exposure to transport rates and international prices of the imported steel.

Despite some delays mainly connected to the Covid-19 pandemic and the related lockdown period in Italy, the project is already in the implementation phase: the different authorization procedures have been finalized, the selection of the main equipment suppliers and the arranging of the financing package with the banks have been completed. The construction activity is expected to start during the second part of 2021, while the rolling mill is expected to be placed in operation mid-2023.



# CONSOLIDATED INCOME STATEMENT

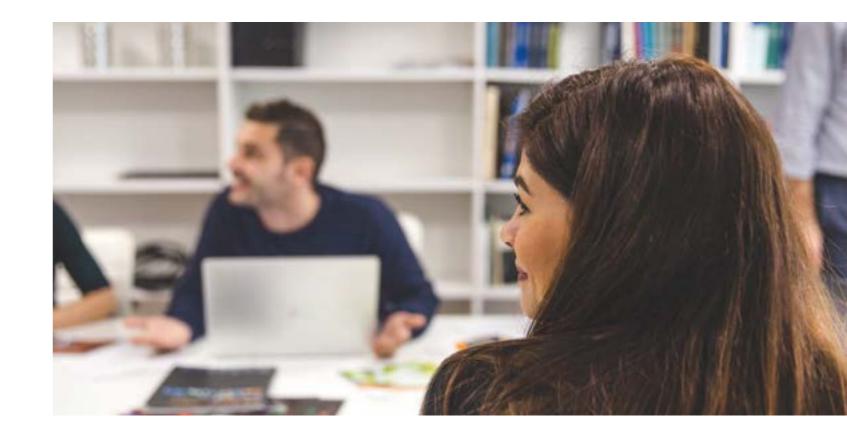
(In '000 USD)

	<b>2018</b> 12 months	<b>2019</b> 12 months	<b>2020</b> 12 months	March 31, 2021 6 months
Energy Trading Revenues	8,485,479	13,297,396	10,568,126	10,697,696
Other revenues	1,949,071	1,606,933	1,187,136	963,414
Total revenues	10,434,550	14,904,329	11,755,262	11,661,110
Depreciation, amortization and impairment losses	-20,105	-19,701	-18,640	-16,558
Share of results of associates and joint ventures	30,213	7,243	-9,487	32,173
Profit from operations	78,660	137,346	160,061	300,396
Finance expenses, net	-10,966	-8,985	-11,042	-7,361
Profit before tax	67,694	128,361	149,019	293,035
Income tax expense	-6,504	-34,091	-36,983	-21,570
Profit for the period	61,190	94,270	112,036	271,465

#### **CONSOLIDATED BALANCE SHEET**

(In '000 USD)

	<b>2018</b> 12 months	<b>2019</b> 12 months	<b>2020</b> 12 months	March 31, 2021 6 months
Current assets	1,636,808	1,900,140	2,028,318	2,565,407
Non-current assets	861,623	836,716	839,913	1,111,748
Total assets	2,498,431	2,736,856	2,868,231	3,677,155
Current liabilities	1,303,110	1,568,356	1,583,898	1,822,294
Non-current liabilities	284,665	263,081	415,739	699,932
Total equity	910,656	905,419	868,594	1,154,929
Total liabilities and Equity	2,498,431	2,736,856	2,868,231	3,677,155



#### **KEY FINANCIAL INDICATORS**

(In '000 USD)

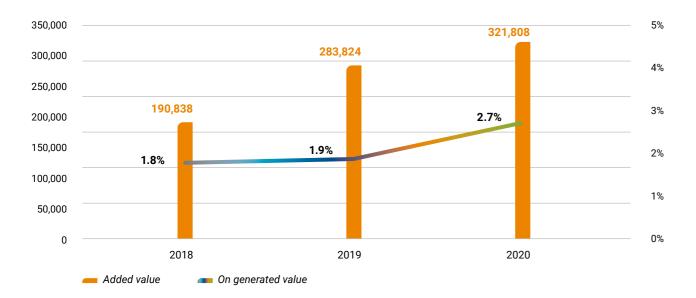
	<b>2018</b> 12 months	<b>2019</b> 12 months	<b>2020</b> 12 months	March 31, 2021 6 months
Current assets	1,636,808	1,900,140	2,028,318	2,565,407
Current liabilities	1,303,110	1,568,356	1,583,898	1,822,294
Net working capital	333,698	331,784	444,420	743,113
Current ratio	1.26	1.21	1.28	1.41
Financial indebtedness	686,485	760,070	614,610	868,420
Cash and cash equivalents	188,629	274,616	315,470	379,563
Net financial indebtedness	497,856	485,454	299,140	488,857
Total equity	910,656	905,419	868,594	1,154,929
Debt to equity ratio	0.547	0.536	0.344	0.423



#### **Economic added value distribution**

Despite the high uncertainty that characterized the economic backdrop during much of the fiscal year, the Group managed to obtain a **significant increase in added value**, which shifted to over 321,8 million USD in FY20 (+13% comparing with FY19), as a consequence of a slight decrease in the incidence of operating costs on the overall generated value. Operating costs, which amounted to over 11.4 billion USD in 2020, contain all the operations carried out by DXT and Duferco Energia energy trading divisions as well as raw material purchases and **value distributed to the suppliers**.

#### **GROUP ADDED VALUE (in '000 USD)**



As a further sign of recognition towards its people, and of the will to tackle together the uncertainties of the historical period, most of Group's added value was distributed to **workforce**. This includes social and security costs and severance pay provision (over 35%, equaling to almost 114 million USD). Secondly (31%) value was directed to Group's assets, and used to strengthen capital reserves as retained profits, provisions, and deferred taxes.

19% of value added went to **shareholders** and 8% to capital **lenders**. A further 7% was directed to local **governments** and public administrations, in form of current income taxes and other taxes non-related to income. Finally, the community benefitted from a total of over 647,000 USD in the form of direct charity donations and sponsorships (+50% on 2019).

#### **ADDED VALUE DISTRIBUTION (FY20)**





#### THE GROUP'S INVESTMENTS

Innovation in products, services and in processes is a fundamental element to **differentiate from competitors** and to adequately meet customer needs, by providing them with new solutions and cutting-edge services. Innovation is embedded in Duferco's culture, as it is made of people capable of correctly understanding emerging and future trends of the various businesses, continuously conceiving innovations while controlling daily activities and managing market risks

Investing in innovation is thus a trustable way to maintain the competitive edge the Group has reached in all the sectors it operates in. Over the last three years, Group's companies invested over **152 million** with an increasing share allocated to Research and Innovation initiatives.

With specific regard to FY20, the total Group investments amounted over 36 M $\in$ , of which nearly 2 M were dedicated to research and innovation. Most of the investments concern the **Steel division**, as an effect of the important project in the San Zeno plant, as well as of many other renewal projects ongoing in the Group's plants.



# Duferco Sustainability Report

# SUSTAINABILITY AND STAKEHOLDER ENGAGEMENT

Sustainability at Duferco All around Duferco

#### DUFERCO PEOPLE

A world within a company
The digitalization of operations
Empowering our people
A safe workplace
Management of the covid pandemic

### THE GREEN CHALLENGE

The Duferco Power Reinforcing material circularity Managing our footprint

### THE DUFERCO COMMUNITY

Along our value chain A shared growth

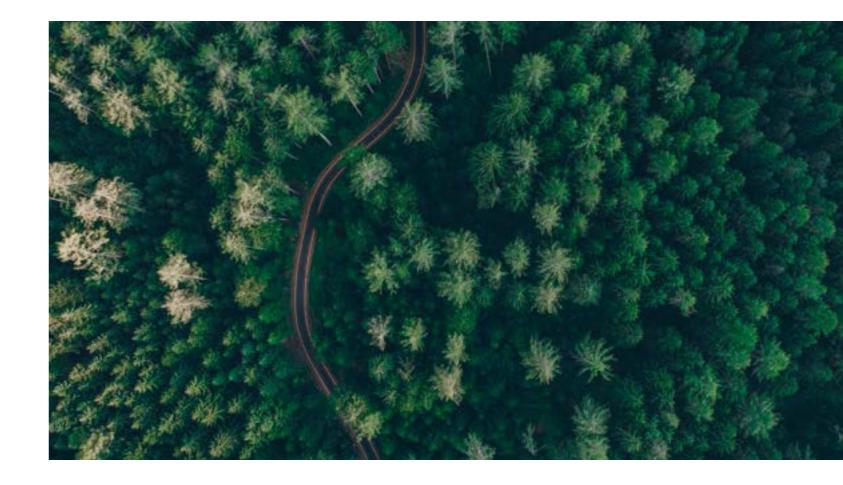


# Sustainability and stakeholder engagement

## **Sustainability at Duferco**

The Group in recent years has undertaken a path aimed at **responsibility and transparency** under the environmental, social and governance aspects.

This process started with the insertion of a section dedicated to sustainability into the FY18 Annual Report. In order to align with best practices in sustainability reporting, the Group decided to adopt the GRI Sustainability Reporting Standards, the most widely used non-financial reporting standards, for its FY19 Report. While reporting activities developed and progressively extended, the Group also began structuring a sustainability **long term view** in order to define the main commitment areas and to address companies' effort toward a unique goal. The aim is not to limit the communication of sustainability performance to the picture that emerges from the Report, but also to frame it into a general perspective that reflects the Group's outlook to the main challenges foreseen for the next years. This additional work stream moves toward the definition of a **sustainability plan**, which will identify the sustainability pillars consistently with the daily business activities and future targets, across all companies and business units, for a sustainable business. Works started at the beginning of FY21 and will proceed in the years to come.



In order to identify its priorities in terms of sustainability issues and the most relevant

topics to be included in the present Sustainability Disclosure, Duferco carried out a

analysis as a necessary starting point to bring reporting in line with stakeholders'

materiality analysis, based on the GRI Sustainability Standards that recommend this

# **All around Duferco**

PHASE 3

**IDENTIFICATION OF DUFERCO'S** SUSTAINABILITY PURPOSE AND PILLARS

Basing on material topics, Duferco will identify its sustainability pillars, as well as the Purpose, containing values and guidelines in relation to each pillar.

PHASE 1

IMPLEMENTATION AND MONITORING OF THE PLAN

and projects will constantly be monitored, and their impact evaluated along the remaining years

**DEFINITION OF THE** SUSTAINABILITY PLAN

The subsequent step will be to decline the Purpose in a set of specific initiatives and projects that will be carried out by all Group's companies consistently. A set of related indicators will be defined too. The implementation of initiatives

The materiality assessment process was based on the identification of a list of issues that can be potentially considered relevant for reflecting the economic, environmental and social impacts of the Group's operations, or which can substantially influence the stakeholders' assessments and decisions. The relevance of this topics has been first assessed through an internal questionnaire addressed to the companies' management. This year, for the first time, Duferco decided to improve its materiality analysis directly involving relevant

expectations.

stakeholders through an online survey in order to have a clear external perspective. Respondents were asked to identify, among the list of Group's material topic, the top 5 most relevant topic within their relationship with Duferco. The main contributions were provided by customers and suppliers (36% together) and the financial community (29%), while the remaining 35% represents business partners, public authorities and universities. For additional details refer to the section "Note on methodology" of the present document.

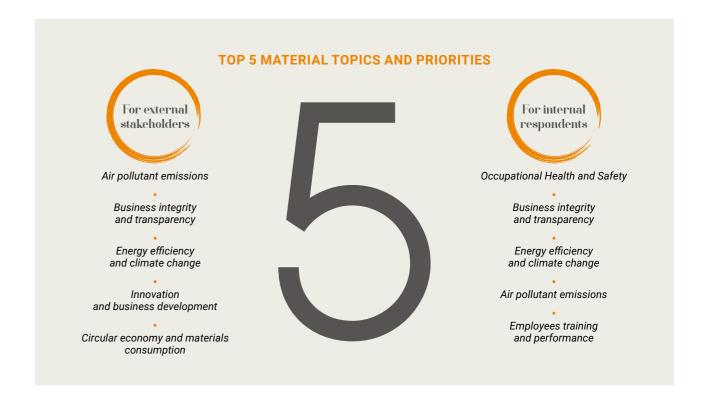


MATERIAL TOPIC	DESCRIPTION
AIR POLLUTANT EMISSIONS	Limiting air pollutants emissions by adopting the best available technologies and working in compliance with the environmental regulation.
BRAND IDENTITY	Improving and communicating Duferco's values within the Group.  Fostering the identity of the Duferco brand as a group built up of different entities collaborating to achieve unique goal and sharing the vision of its founder.
BUSINESS INTEGRITY AND TRANSPARENCY	Ensuring integrity and ethical conduct, by avoiding anti-competitive behaviors, preventing corruption, fraud and money laundering.
CIRCULAR ECONOMY & MATERIAL CONSUMPTION	Lengthening materials lifecycle by increasing the use of recycled materials during production processes, thus diminishing the use of virgin material where possible, minimizing residues and waste in the productions processes as well as reducing the percentage of waste sent to landfill.
CUSTOMER PRIVACY	Protecting customers' sensitive information and personal data by preventing cyber-attacks, breaches, data losses and un-authorized diffusion of information.
DIVERSITY & EQUAL OPPORTUNITIES	Guaranteeing equal opportunities, combating all forms of discrimination (e.g. gender, religion, political opinion, nationality) and fostering diversity as a value for the Group.
EMPLOYEES TRAINING AND PERFORMANCE	Fostering and strengthening all employees' skills, guaranteeing high quality trainings, performance empowerment and career development.
ENERGY EFFICIENCY AND CLIMATE CHANGE	Limiting energy consumptions, fostering energy-efficient solutions and spreading energy saving culture inside and outside the Group, with the aim of decreasing the overall impact on climate change.
HUMAN RIGHTS	Ensuring respect for human rights towards employees and along the supply chain by performing audit and sharing the Duferco Group Code of Ethics principles.
INNOVATION AND BUSINESS DEVELOPMENT	Research and development of new technological solutions aimed at improving products and production processes.
LOCAL COMMUNITY	Supporting local communities through sponsorships to local initiatives, projects or donations.
OCCUPATIONAL HEALTH & SAFETY	Ensuring a safe and healthy workplace, promoting structured safety management procedures and programs and spreading the knowledge of a safety culture.
SUSTAINABLE SUPPLY CHAIN	Promoting sustainable management of the supply chain, by considering environmental and social criteria while selecting suppliers (including the choice of local partners), by monitoring and evaluating their performances and by managing potential environmental and social risks along the supply chain.
TALENT ATTRACTION AND RETENTION	Attracting the best talents and engaging the new generations.
WASTE MANAGEMENT	Promoting efficient waste management and disposal of used materials maximizing recycling and reusing.
WATER RESOURCE MANAGEMENT	Optimizing consumption and management of water resources, by reducing water spills or losses during the production processes and incentivizing the reuse of water.
WELFARE AND EMPLOYEE WELL-BEING	Establishing a welcoming, stimulating and positive working environment, guaranteeing a safe work-life balance and providing welfare and benefits programs to all employees.

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The survey stressed the high degree of stakeholders' willingness and readiness in the management of ESG issues within their respective organizations. As many as 50% of respondents belong to an organization where

sustainability is managed by a dedicated manager, regularly publishes a sustainability report, and has developed a strategic sustainability plan. In addition, a further 12% are in the process of developing their plan in recent months.



The revised analysis confirmed the prominent relevance of environmental accountability (especially in relation to energy consumption, the fight against climate change and air pollutant emissions), business integrity and occupational health and safety. The direct engagement of external stakeholders allowed to underscore the relevance of circularity and materials consumption, among the most picked as material topic. Circularity relies at the core of the Steel division, but recently started characterizing even further business units, as in the case of Shipping that recorded a growing number of transportations of alternative energy sources such as biomass and waste.

In its daily activities Duferco interacts with several clusters of stakeholders, establishing strong and long-lasting relationships with them, a fundamental premise for the Group's ability to implement its strategy. For this reason, stakeholder engagement is one of the key pillars of Group's operations.

The Group believes that the promotion of common principles and dialogue is fundamental for the creation of a long-term value strategy. This approach proved to be a real strength for the Group which was able to count

on consolidated and solid relationships that allowed the companies to maintain its stability, even during the toughest moments of the Covid-19 pandemic.

In order to better define the most suitable way for engagement, stakeholders' categories have been mapped by each company in order to assess the level of influence that the category has on the Group and the level of dependency of the category itself from the Group.







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Duferco's stakeholders have been categorized into clusters, and each of them is addressed through different engagement methods. Because of the pandemic outbreak in March 2020, opportunities for meeting and involving them decreased significantly. For this reason, in the reporting year, some traditional engagement channels were suspended, while others were moved to online mode, in support of the Group's constant effort to keep the strong bond established with each stakeholder category.

Duferco stakeholders are first and foremost **people** who work within its companies, regularly involved in educational or training sessions and several extra work activities. In this regard, during the reporting period, the Duferco Day, held in Brescia in October 2019, gathered for the first time all Duferco people to celebrate the Group's 40<sup>th</sup> birthday. This appointment was renewed in December 2020, through an online meeting, proving the willingness of Duferco to consolidate its image as a unique Group moving through different business activities and towards common goals. As far as customers are concerned, they are reached not only through **customer** satisfaction surveys or questionnaires, but also through trade fairs and events, unfortunately affected by the pandemic during the reporting year.

The Group's companies also hold structured meetings with accredited **suppliers**, during which their insights and contributions are considered and a joint path of growth and examination of the needs of both counterparties begins.

Another strategic thread of community engagement relates to **younger generations**, both at universities and in schools, through career days and extra-curricular internships, together with open days, guided tours of the plants and work-related learning collaborations (*alternanza scuola-lavoro*). Concerning **local communities** the Group believes in creating strong relationships with the territory it operates in, in the conviction that sharing and addressing neighbors' concerns is the basis of a jointly growth and of the whole community sustainable development.

For what concerns **public authorities**, given that the Group's companies operate in more than 20 countries it encounters public bodies of different natures. Besides the variety of legislations and standards to be subject to, the Group considers essential to be totally transparent and compliant to applicable regulations. In addition, Duferco seeks to establish valuable collaborations with local authorities for enhancing research and innovation, such as the strategic partnership which are enabling the spread of electric mobility.

As for **business partners**, associations have always been a distinctive element for the Group's growth.

Duferco deems as fundamental to establish strong and valuable joint-ventures and collaborations with strategic and high-skilled partners across all business

units, to maintain a high-level of globalization and enlarging perspectives, markets and knowledge.

Further stakeholder categories, identified by Duferco, relate to Group's internal organization and to key corporate bodies: Boards of Directors and Shareholders.

#### MAIN STAKEHOLDERS

#### **ENGAGEMENT**

BOARDS OF DIRECTORS	Meetings
BUSINESS PARTNERS	<ul><li>Meetings and exhibitions</li><li>Collaborations</li><li>Conventions</li></ul>
CUSTOMERS	<ul> <li>Customer service</li> <li>Exhibitions and events</li> <li>Meetings</li> <li>Questionnaires</li> <li>Satisfaction surveys</li> <li>Website, social media and brochures</li> </ul>
EMPLOYEES	<ul> <li>Benefits</li> <li>Code of Ethics</li> <li>Conventions and meetings</li> <li>Conventions</li> <li>Intranet and direct communication</li> <li>Policies</li> <li>Trade unions</li> <li>Training</li> <li>Employee survey</li> <li>Newsletter and press review</li> </ul>
LOCAL COMMUNITY	<ul><li>Activities in the territories</li><li>Guided tours in the plants</li><li>Sponsorships</li></ul>
NEXT GENERATIONS	<ul><li>Career days</li><li>Extra-curricular internships</li><li>Open day</li></ul>
PUBLIC AND GOVERNMENTAL AUTHORITIES	<ul><li>Follow-up on request</li><li>Collaborations and projects</li><li>Meetings</li></ul>
SHAREHOLDERS	<ul> <li>Annual Shareholders Meeting</li> <li>Company website</li> <li>Corporate Report</li> <li>Consolidated Financial Statement</li> </ul>
SUPPLIERS	<ul><li>Audits</li><li>Code of Ethics</li><li>Collaborations and projects</li><li>Company website</li></ul>



# Duferco people

# A world within a company

At Duferco, people are considered the guardians of knowledge for the achievement of the significant results the Group obtained in over forty years of history. Duferco people are the **key factor** for a long-term growth.

As fundamental asset of the entire organization, during the difficult months of the pandemic crisis that broke out during FY20, the Group has paid great attention to shielding its workforce. Across its companies, Duferco manages people through various socially responsible actions, aiming at establishing a safe and stimulating working environment which fosters human resources valorization and transparency in all relationships.

As of 30<sup>th</sup> September 2020, Duferco<sup>2</sup> employed 2,430 people, which are mostly employed in **the Steel and Shipping sectors**, over 43% and 30% respectively, due to the labor-intensive nature of the activities. On the other hand, Energy and Innovation sectors have been experiencing a remarkable growth, in parallel with the increase in business volumes and commercial development, playing a progressively significant role in the overall increase of the Group. In such divisions the workforce has increased by 40 additional individuals.

#### **EMPLOYEES BY BUSINESS UNIT**



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Despite the uncertainties that the sector and the whole economy had to face, the Energy division confirmed its role as a driver of Duferco people raise over last three years, recording 58 new hires during FY20 for the expanding streams of activities the companies are undertaking. It is worth noticing that this rise is partly due to the acquisition of the French company Transexfo by EBS in late 2019. On the other hand, the Steel sector, where most of Duferco

people is employed, has been among the hardest hit by the crisis, that worsened the industry negative trends that have been characterizing the global steel market even before the pandemic. Similarly, the shipping sector has also suffered from the contraction in global trade volumes. In these business units the suspension of recruitment led to a reduction in the workforce of 2% and 8% respectively.

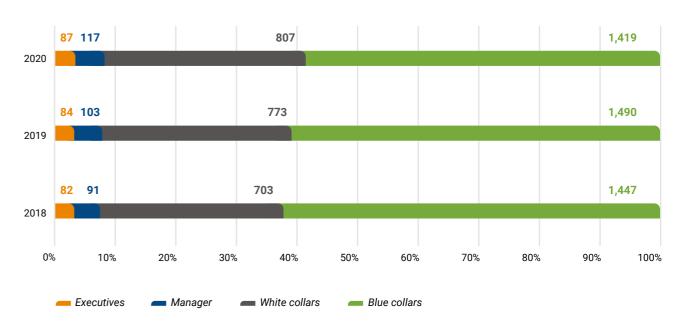
#### **EMPLOYEES BY BUSINESS UNIT**

2018	2019	2020
1,068	1,064	1,039
734	781	725
385	467	525
90	101	105
46	37	36
2,323	2,450	2,430
	1,068 734 385 90 46	1,068 1,064 734 781 385 467 90 101 46 37

The higher presence of employees from Steel and Shipping divisions is reflected in the personnel distribution across employment categories. Indeed, the main group is represented by **blue collars**, which gathers both workers from steel plants and shipboard personnel. The second category is **white collars** and it mainly collects office

workers and clerks from the Energy sectors, including traders. In 2020 blue collars covered the 58% of the Group's population, in slight decrease in percentage from the previous years, while white collars covered 33% of the overall population itself, showing a small increase compared to 2019, mainly due to the growth of the Energy sector employees.

#### **EMPLOYEES BY CATEGORY**



According to National legislation, the relationship with employees may include a collective bargaining agreement, as it is the case in the 88% of the overall workforce. This result largely relies on the companies' organizational culture, which vary across sectors and countries.

For example, all the Italian companies, gathered under Duferco Italia Holding, register the 100% of coverage, as well as the French subsidiaries of Duferco Morel, and the Belgian Duferco Wallonie.

<sup>&</sup>lt;sup>2</sup> In this chapter, data reported do not consider DITH, which is excluded from the reporting boundary.

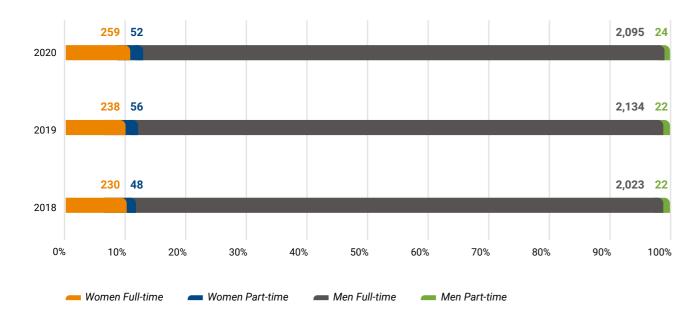


Group's companies provide to employees and their representatives at least 3 weeks' notice period prior to the implementation of any significant operational change, in accordance with the local legislation on force and collective agreements. In particular, the period of notice goes from 1 week, as in the case of Denmark, up to a maximum of 4, for the Italian companies. As for Belgium legislation, the period varies from 1 to 24 weeks according to the level of seniority and date of contract.

Diversity and global outlook are intrinsic features for a Group composed by over 2,400 employees spread all over the world. The Group strongly believes in equal opportunities and diversity protection, as an essential aspect to keep the multinational stand it reached.

As for gender, there is a prevalence of male employees due to the preponderance of Steel and Shipping divisions (73% combined), where the presence of female staff is traditionally a minority and mainly concentrated in activities not directly related to production. As activities diversify, and further business lines expand, so does the female presence within the Group, that amounted to 311 in 2020 (13% of the total workforce), confirming the growth trend of previous years. Numbers aside, the Group is constantly committed to making the working environment welcoming also for female staff, prohibiting all types of gender discrimination which shall never be a criterion for defining the contractual conditions nor the role within the Group. This commitment is defined in Duferco Code of Ethics and embedded in every company's codes and practices.

#### **EMPLOYEES BY EMPLOYMENT TYPE AND GENDER**

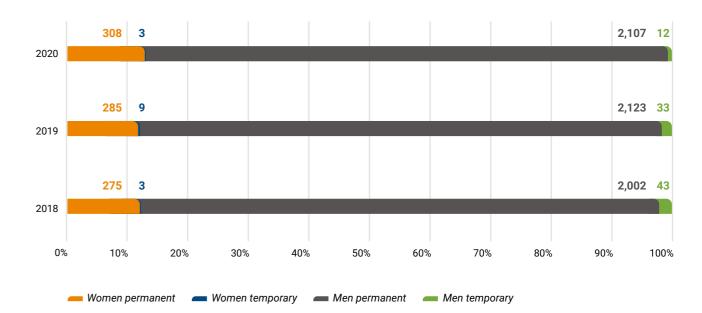


In relation with the contract type, the vast majority of Duferco people is employed full-time (96.9%); part-time contracts are equally distributed across sectors, excluding Shipping, where this kind of contract cannot be introduced to crew members. Most part-time contracts (68%) are applied to women, covering around 17% of the overall number of Duferco women.





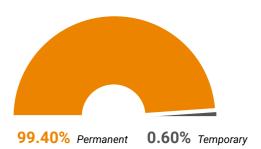
#### **EMPLOYEES BY CONTRACT TYPE AND GENDER**



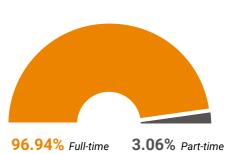
Duferco's engagement towards its workforce in creating **stable employment and long-lasting relations** with all its employees is reflected in the over 99% of permanent contracts. Beside contributing to the creation of a solid group able to excel in various fields this feature is a guarantee of stability to all employees even in times of crisis such as those that have affected most of the year.

Indeed, only 0,6% of Duferco people has a temporary contract, with the most relevant contribution related to the Energy sector, mainly due to the presence of resources employed for customer care and call center activities.

#### **EMPLOYEES BY CONTRACT TYPE**



#### **EMPLOYEES BY EMPLOYMENT TYPE**





The Group experiences diversity even in the **age range**, although there is a high prevalence of employees ranging between 30 and 50 years old within its workforce. Focusing on Energy, Innovation and Steel divisions, as well as on holding companies, 61% of employees were between 30 and 50 years, 25% were over 50, and 14% were under 30

in 2020. This latter percentage of "youngest employees" class raises to 24% and 19% for the Energy and Innovation division respectively, which is in line with the recent growth that these business units are experiencing and with the innovation component of their sectors.

Regarding the **Governance bodies**, all companies within the reporting boundary have a Board of Directors, currently mainly composed of men aging more than 50 years old.

On the 30th of September 2020, out of 97 Board members, 89 were men, while 8 were women, and between them the distribution between age range is much flatter.

#### **EMPLOYEES BY AGE**



61%

25% Over 50 **14%** Under 30

#### **EMPLOYEES BY AGE AND EMPLOYMENT CATEGORY<sup>3</sup>**

		201	8		2019			2020				
	Е	М	WC	ВС	Е	М	WC	BC	Е	М	WC	ВС
Less than 30 years old	1	0	148	80	2	0	149	76	1	1	163	69
Between 30 and 50	44	54	391	492	40	61	458	483	39	65	486	446
More than 50 years old	31	26	101	221	36	30	105	229	39	37	119	240
Total	76	80	640	793	78	91	712	788	79	103	768	755

#### **BOARDS OF DIRECTORS BY AGE AND GENDER**

	2018		2019	2019		2020		
	Women	Men	Women	Men	Women	Men		
Less than 30 years old	2	5	2	5	0	8		
Between 30 and 50	1	28	2	24	6	19		
More than 50 years old	2	59	2	64	2	62		
Total	5	92	6	93	8	89		

Moreover, some companies also have further governance bodies, such as the **Board of Statutory Auditors**, in charge of supervising the Directors' activities and their compliance with the law, and the **Supervisory Board**, which has the task of supervising the compliance of operations with the adopted Organization and management model. Those bodies are foreseen in many of the Italian companies in accordance with local legislation, namely: Acciai Rivestiti Valdarno, Duferco Biomasse, Duferco Energia, Duferco Engineering, Duferco Travi e Profilati and Travi e Profilati di Pallanzeno.

As stated in the **Code of Ethics**, the Group ensures substantial equality in the management of human resources, without differences based on race, sex, health or age, favoring and enhancing the elements of cultural diversity. Any kind of harassment, mobbing or hostile behavior is firmly rejected and condemned.

This general statement has many different implementations, which may vary across companies and business units, and often implies a **whistleblowing** reporting channel established with anonymity of the reporting party.

In Nova Marine, because of the great heterogeneous composition of its staff, very strict policies and procedures have been adopted in accordance with the Maritime Labour Convention, in order to report any potential discrimination, harassment and bullying. Nova has formalized procedures describing in detail how to handle cases of seafarers' complaints, ensuring the verification of the facts and the safety of the people involved. The identification of the people against whom the complaint is being lodged and the nature of the complaint is confidential. In case the complaint cannot be solved on board, the matter will be referred ashore directly to the shipowner, in up to twenty-two days.









<sup>&</sup>lt;sup>3</sup> Data in the table refer to Energy, Innovation and Steel divisions, and to holding companies.



Complaints submitted by seafarers and decision taken about them shall be attached to the ship's Crew List and recorded in a specific register.

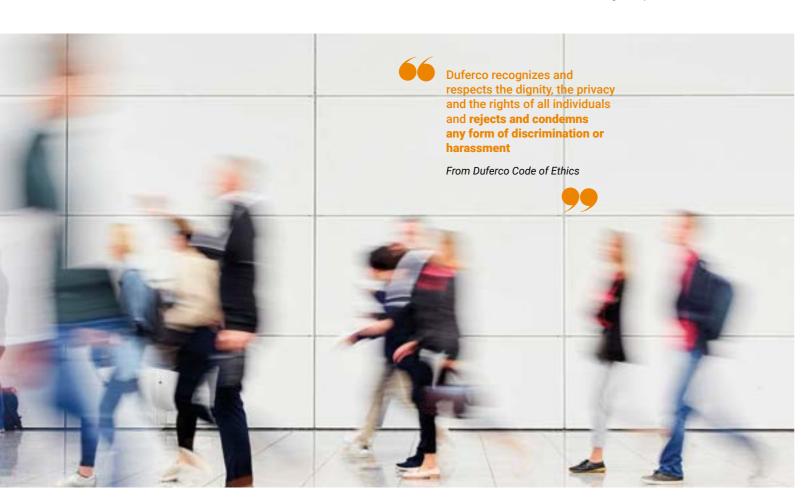
Another structured procedure in case of discrimination has been adopted by **Duferco Energia** and **Duferco Travi e Profilati** where the matter is handled by the **Supervisory Board** (*Organismo di Vigilanza*). This board is in charge for the prevention of any crime which can involve the administrative liability of the company. Any worker of the company, or its subsidiaries, who considers himself to be harassed or discriminated, is urged to report it to the supervisory board, through whistleblowing channels, which grant his anonymity.

These policies, together with the punctual compliance with Code of Ethics principles, helped reaching the result of no confirmed incidents of discrimination in Group's companies in the last 3 years.

Ensuring equality also means guaranteeing to all employees suitable **parental and child sick leave policies**, according and above national law requirements, as it is for example in **DXT**, where the parental paid leave amounts to 16 weeks, 2 weeks more than law requirements. On the top of that, in order to ensure new mothers' professional continuity, DXT allows them to additional periods of absence for maternity

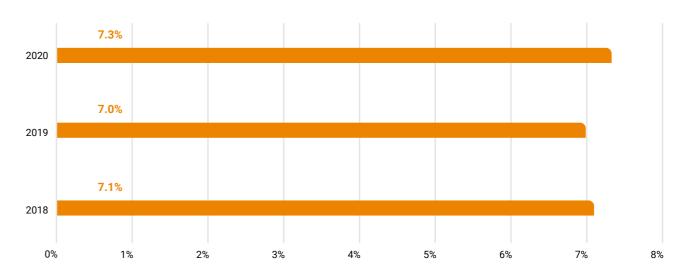
support, such as part-time contracts. Another noteworthy initiative is the MAAM – Maternity As A Master – program, which was joined by **Duferco Energia** in 2019. It is dedicated to all employees who have children under the age of 3 or who are about to become parents. The aim of this program is to turn employees' maternity into continuous trainings for the benefit of both the worker and the company, trying to enhance the educational potential of parenthood. MAAM method allows to turn the abilities the new mother discovered while staying at home into relationship skills applicable in the working environment, using this time of radical change as an opportunity for personal growth.

The Group strongly values its people management, and believes on the worth of creating a strong, transparent and long-lasting relationship with its employees. The great attention paid by the Group to its people is reflected also in low turnover rates<sup>4</sup>: in 2020 there were 159 new hires (-18% comparing to FY19 due the pandemic) and 124 terminations, corresponding to 7.3% net turnover rate. These data do not take into consideration the Shipping Division, because of the specific characteristics of its business that necessarily requires a high number of seasonal workers. For this reason, the following data refer to Energy, Steel and Innovation divisions and to the holding companies.



<sup>&</sup>lt;sup>4</sup> Turnover rate: ratio between the number of contract terminations and the total number of employees in the same period

#### **GROUP'S OVERALL TURNOVER RATES**



#### **NEW HIRES AND TURNOVER RATES BY AGE AND GENDER IN 2020**

	Women				Men			
	New Hires <sup>5</sup>		Turnover		New Hires		Turnover	
	Number	Rate	Number	Rate	Number	Rate	Number	Rate
Less than 30 years old	19	42%	5	11%	49	26%	19	10%
Between 30 and 50	22	11%	14	7%	48	6%	54	7%
More than 50 years old	1	2%	5	10%	20	5%	27	7%
Overall	42	14%	24	8%	117	8%	100	7%

The new hire rate was higher in the youngest population both between men and women. At the same time, turnover rates feature a similar pace between women and men, with a slight majority between the youngest part of population: the 10% of men (11% for women) lived its work experience in Duferco as a gateway to the labor market.



<sup>5</sup> New hires rate: ratio between the number of new hires and the total number of employees for each category and age group in the same period.

#### Duferco Sustainability Report

## The digitalization of operations

Duferco Group relies on the daily activities carried out by its over 2400 people workforce, acting with the highest standard of competence and expertise. Digitalization is the strategic lever the Group exploits in order to foster its employees' capabilities.

The growing and progressive implementation of cuttingedge technologies in all sectors allows for the constant digital transformation of operations, which leads to an increasing efficiency of the activities as well as an overall spread of the knowledge and culture of digitalization across the whole Group. Cost reduction and operational efficiency are led by data driven initiatives aimed at supporting the decision making process. Confirming its intrinsic innovative vocation, the Group recently set up a corporate innovation team, with the twofold aim of helping companies progress in the process of digitalization and facilitating the progressive decarbonization of their activities, particularly in the industrial and shipping sectors. While guiding this transition of Group existing activities, this team also explores investment opportunities in innovative start-ups and partnerships and contributes to the strategic analysis aimed to guide future investment decisions of the shareholders. Currently the degree of digitalization within the Group is very varied, and reaches its apex with the massive digital infrastructure present in DXT, a true digital native company, with in-house information systems that enable it to timely react to opportunities thanks to its ability to capture and analyse market data. A greater scope for action remains in industrial operations: for instance, in the Steel division, during FY20 a remarkable effort was spent towards production optimization through the identification of field signals from the production lines of the San Zeno plant.

Aware of living in an authentic industrial revolution, the Group has decided to equip itself with a centralised control room capable of being at the frontier of knowledge in the technological and scientific scenario related to the Group's core businesses, and able to intercept the challenges and main current innovations. In this respect, the team acts as a bridge between the business and the research and knowledge frontier to guide and steer the Group's strategic innovation choices, with a vision not only of what

technology makes possible today, but also of what will be available in the future. The pivotal function of the team is precisely to communicate between two areas that are often too far apart. Combining the language of applied research and academia with the language of business puts the Group ahead of today opportunities and challenges.

A relevant example is provided by the role played by data analysis and AI in the new rolling mill in San Zeno, where analyses of the plant's energy consumption profiles, as well as analyses of the highly variable trends in the commodities market (electricity and gas in particular), play a key role in the forthcoming energy transition and efficiency projects.

Regarding the implementation of data driven approaches to optimize processes and activities, a primary role is played by Duferco Dev, that is committed in increasingly standardize data collection processes, and create a single interrelated data system. The Company provides tailor made solutions alongside the whole data value chain, from its origin, collection, integration, processing and reporting to its analysis and usage, allowing the process users to incorporate powerful data into their decision-making process and to take informed actions that can provide a relevant value and impact. Another relevant stream of activities is related to **power management**: in this regard, Duferco Dev is supporting Duferco Energia in the field of electricity supply management for e-mobility. Together with partners from the University of Genoa (department of computer science), an innovative system is being developed to deliver energy according to criteria processed by an algorithm with Python technology. On the basis of on the analysis of available data, the Company enables the optimization of the electricity supply and the minimization of recharge times, thanks to a real-time feedback correcting and optimizing the system. A further intervention area is related to **routing**: thanks to the electric vehicle historical data (cold data) and the system data collected in real time (hot data), travel times and recharging stops and durations are optimized.



#### **DUFERCO DEV FOR E-MOBILITY**

Born to be digital and based on cutting-edge technologies, the e-mobility business leverages on Duferco Dev services to enhance and continuously improve its application suite. The e-mobility suite is composed by several modules and components: a central hub to manage all transactions and interactions between customers and mobility devices; D-Move App and web portal to interact with customers; standard and custom protocols for roaming interactions (both B2B and international platforms); power management module; integration with payment platforms; integration with company ERP and applications; interactions with Duferco Energia IoT platform (authorization and hardware activation) and with Duferco Energia e-commerce. Currently, many resources are dedicated to R&D activities in order to identify, test and apply new and innovative tools and technologies to empower the e-mobility suite.

A further area of research is maintenance, which is strategic for the Group that bases a large part of its solidity on the value of its own assets. In particular, Mainsim is working both on corrective and predictive maintenance, with the aim of reducing intervention times and preventing maintenance operations. In this regard, during the last year the company developed the integrability of its systems with those from both industrial and technological partners engaged in common projects in order to share maintenance scenarios.

In this context, the company is currently utilizing the BIM (Building Information Modeling), a methodology allowing the creation of 3D common working spaces in which all those involved in the design can contribute and build a repository of the data needed. Such technology allows not only the integration of the geometries and dimensional aspects of designed infrastructures but also includes some metadata as attributes of the objects created, such maintenance or technical characteristics.

#### THE DUFERCO PLATFORM FOR LEGAL SERVICES

In line with the cross-sectoral digitalization of Duferco activities, the legal departments of Duferco Group have adopted a digital platform for the management of the legal services, in accordance with the best international market practices.

In addition to the set-up of a roll of external lawyers of Duferco Group, the platform allows the management of beauty contest procedures for the outsourcing of legal services in an efficient, traceable, and transparent way.

Optimization of Group legal expenses represent another great advantage of the platform.

The platform represents a further step towards digitalization of processes and cooperation among the legal departments, with the aim of increasing synergies between all the companies belonging to the Duferco Group.







## **Empowering our people**

Duferco people are essential to the successful delivery of the Group strategy. The centrality of the entire workforce is reflected by the day-to-day activities aimed at continuous development.

In this regard, Duferco ensures systematic training programs for educational development for its staff at all levels. Corporate professional education and development programs for employees are provided throughout their professional experience in the Group, with the overall aim of continuous improvement and functional specialization, both through in-presence or e-learning classes and training on the job.

Unfortunately, the outbreak of the global Covid-19 pandemic forced companies to cancel, postpone or re-schedule inperson meetings, severely affecting the planned training

programs and other activities. For this reason, the last year showed a 35% decrease in the total training hours deployed to employees, thus registering around 13,500 hours compared to the over 18,200 provided in FY19. Despite the difficult year, companies managed to adapt part of the learning programs planned in a virtual manner, thanks to the flexibility shown by the digital infrastructures adopted.

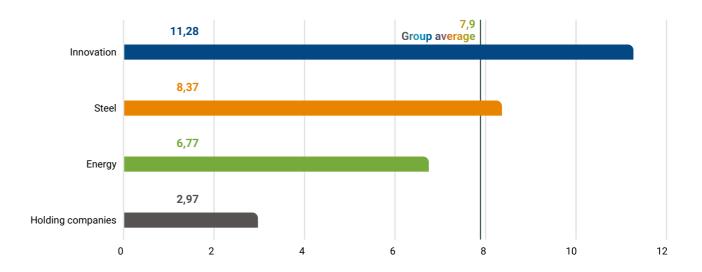
The vast majority of hours was provided to white and blue collars, both on absolute (6,423 and 6,221 hours respectively) and average terms (8.4 and 8.2).

Manager instead received 559.5 hours (5.4 each on average) and executive 334.5, equal to 4.2 each.6

The limitation of in-person meetings, mostly affected blue and white collars which represent the main usual recipients of the training courses, being most of the overall workforce population (together they weight almost 90% over the Group total population). In addition, it should be noted that the trends of training hours over the years strongly relies on the periodicity of mandatory courses for each category. During 2020 the Group has embarked on a process aimed at fostering and boosting its managers' skills and proficiencies. This coaching program for managers started with an initial assessment to evaluate both managerial and

transversal skills of each person in order to better design customized and adequate training and growth plans, carried out during the year along with individual coaching activities. The objective was to improve each individual's competencies, especially in terms of soft skills, providing managers with the right tools for better handling of business processes and resources. This project has involved around ten managers from DTP and Duferco Energia, and will continue with others in the forthcoming months. Despite the difficulties, the Group pursues improving occupational safety and working conditions through continuous investments in training, education and technology, especially in the Steel sector where there is an overall higher exposition to health and safety risks.

#### **AVERAGE HOURS OF TRAINING BY BUSINESS UNIT**



Comparing Group's business unit, it is worth pointing out that in FY20 the Innovation division registered for the first time the highest number of average training hours per capita, strengthening its role of research and development promoter for the benefit of the whole Group.<sup>7</sup>

Specific attention is paid to corruption and market abuse risks. Concerning the former, an **anti-corruption policy** has been set out by the companies of the Group and related differentiated training have been developed based on employees' positions and the risks to which they are exposed. As far as the latter, the Group regularly carries

out a risk assessment, provides specific training to certain traders and performs audits to avoid any type of violation. In this regard, DXT requests to all relevant employees to undergo specific trainings as the one concerning market manipulation held every year, which gives insights on situations that may arise during daily operations, indications on how to handle them and potential sanctions. More specifically, the Italian companies compliant to the Italian Legislative Decree 231/01 on the administrative liability of entities, provide to their employees training courses on anti-corruption and on new regulations concerning the 231 compliant management systems.

<sup>&</sup>lt;sup>6</sup> The amount for blue collars was 9,163 (2018) and 9,250 (2019); 8,633 (2018) and 7,982 (2019) for white collars; 1,130 (2018) and 744 (2019) for managers and 295 (2018) and 299.5 (2019) for executives.

<sup>&</sup>lt;sup>7</sup> As for gender, average hours of training provided to women amounted to 10.3 in 2018, 10.8 in 2019 and 4.7 in 2020. With regard to men, the average amount was 12.5 in 2018, 11 in 2019 and 8.7 in 2020.





#### THE DUFERCO ENERGIA MOBILITY PLAN

As a leading player in the sustainable mobility, Duferco Energia strives to stand at forefront not only within its business activities, but even in its own corporate practices.

The company presented to the municipality of Genoa a plan aimed at optimizing employees commuting by introducing new benefits and solutions. The program is backed up by an in-depth analysis of the current companies' infrastructures and offices and their accessibility in terms of connection with public transportation. Within this first stage, all the employees have been engaged through a questionnaire aimed at

assessing their habits in terms of home-office commuting and their satisfaction regarding "smart working" approach deriving from the Covid-19 pandemic. The subsequent step was an assessment of the CO2 emissions that could be avoided by the use of greener means of transportations.

This preliminary stage led to the identification of multiple feasible solutions on which the Company will develop the mobility plan. One solution involves the possibility for employees of buying electric bicycles or scooters at a preferential price and make installments payments interest-free. These solutions would entail the opportunity to re-charge the vehicles in specific bike boxes and re-charging points that will be installed in proximity of the offices. Moreover, following the feedback received through the questionnaire, the company decided to give the chance to its employees to work from home a couple of days per week, thus enhancing productivity and reducing emissions related to transportation.

Many companies within the Group carry out employees' performance evaluation systems. These can be formalized in structured processes or rather organized in specific moments during which employees and their supervisors can share feedbacks, performance expectations and evaluations on the main issues related to work, and, in some cases, discuss potential bonuses.

During FY20, 1,123 Group's employees received **regular performance and career development review**, which is the 46% of the Duferco population, showing a constant increase compared to the previous years. This average data largely relies on the characteristics of the internal policies: in Nova

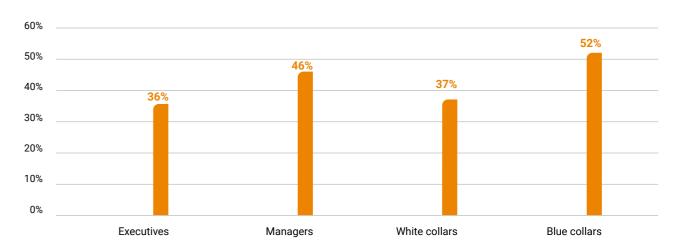
Marine, for instance, all employees receives performance review, while in the Innovation division this policy is not yet formalized at this stage.

In the Energy sector the percentage is equal to 40%, with a relevant difference between DXT companies, where nearly the whole population receives career development reviews, and the other companies of the division, which do not carry out such evaluation at this stage. Finally, in the Steel division the average in 2020 overall amounted to 17% thanks to the policies followed in Duferco Morel companies, where the entire workforce currently undergoes performance evaluation.



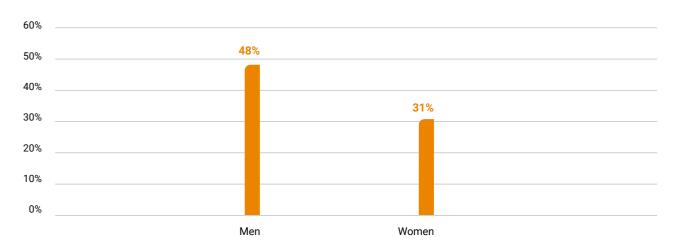
EMPLOYEES WHO RECEIVE REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEW (FY20)

# EMPLOYEES WHO RECEIVE REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEW BY CATEGORY (FY20)



The shipping sector weights for a large extent to the total number of employees evaluated since all the crew members undergo performance evaluations. This explains the high percentage represented by blue collars. For this reason, considering the prevalence of men within Shipping crew members, the global percentage related to women who receive regular performance and career review is minor compared to men at Duferco Group.

# EMPLOYEES WHO RECEIVE REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEW BY GENDER (FY20)



The Group also focuses on the promotion of the employee's well-being. Duferco believes that personal wellness is reflected in health and work-productivity. In this regard, the Group adopted several policies for promoting a flexible and open working environment.

Duferco Energia, for instance, adopted a structured paid parental leave policy that quarantees the rights for all

parents to benefit from the reduction of working hours per day. This enables workers to better balance their work and family lives, thus enhancing satisfaction at work. Another example is provided by Nova Marine which tried to overcome the inconveniences created by the impossibility to move during the pandemic period, by gifting its employees of days-off in order to give them the chance to reunite with the families for a longer period of time.



# A safe workplace

Safety and wellbeing of its employees are considered priority issues by the Group, which year after year seeks to disseminate a deep health and safety corporate culture and defines strategies and actions aimed at improving the conditions of workers and their awareness of safety issues. This is done through the implementation of specific procedures, the provision of training courses and the application of internal regulations, compliance which is often assessed and verified through internal audits.

During FY20, it is worth mentioning that Duferco Travi e Profilati's plant in San Giovanni Valdarno enhanced its health and safety management system by upgrading to ISO 45001:2018 on April 2020, aligning it to the Pallanzeno and San Zeno plants.

In 2020 the employees' worked hours in Group's plants and offices amount to 3,023,363, a reduction of approximately 4% compared to 2019 due to the suspension of activities in productive lines of Duferco Travi e Profilati sites imposed by the outbreak of the Covid pandemic.

The number of recordable work-related injuries was 38 (compared to 36 in 2019) of which 3 commuting accidents,

not registered at Group plants and offices. The majority of injuries consisted in bruises and cuts occurred during the use of specific machinery and equipment in the field. Whenever an accident occurs, corrective actions identified on the basis of a careful analysis of the incident are implemented with the aim of reducing the future risk of similar incidents. These data refer only to the companies where operations are more exposed to risks in the workplace: for this reason, the contribution of DXT and its subsidiaries together with Duferco Participation Holding and Duferco Italia Holding are neglected in computing these indicators.

#### WORK RELATED INJURIES AND WORK-RELATED ILL HEALTH

	2018	2019	2020
Employee worked hours	3,046,021	3,160,744	3,023,363
Number of recordable work-related injuries <sup>8</sup>	33	36	38
Rate of recordable work-related injuries <sup>9</sup>	10.83	11.39	12.57
Number of high-consequence work-related injuries <sup>10</sup>	0	0	0
Rate of high-consequence work-related injuries <sup>11</sup>	0.00	0.00	0.00
Number of fatalities as a result of work-related injuries	0	1	0
Rate of fatalities as a result of work-related injuries <sup>12</sup>	0.00	0.32	0
Number of recordable work-related ill health <sup>13</sup>	12	15	34



Despite the greater attention paid by the Group to Health and Safety, the number of work-related injuries increased compared to 2019 (+5,5%). However, it is worth mentioning that compared to the bienium 2018-2019, the increasing trend slowed down (it was +9%), and that the number of high-consequence work-related injuries is steadily equal to 0, confirming the overall effectiveness of health and safety policy, measures and initiatives that Duferco has been enforcing over the last years.

Once again, despite ongoing efforts made at Group level to ensure a healthy and safe working environment for all employees, in the year analyzed 34 work-related ill health diseases were recorded, doubling the amount of 2019. This increase is partly due to the acquisition of a new company by EBS. Countermeasures aimed at avoiding work-related health diseases are taken in all plants: for instance, Danish Steel begun performing a risk analysis and a workplace safety evaluation in order to strengthen security measures. The majority of diseases concerns musculoskeletal diseases, mainly due to incorrect movements and excessive weight lifting and stumble, fall down accidents, incorrect lifting.

The centrality of health and safety issues within the Duferco Group is continuously demonstrated and it is proved by everyday actions. To provide some examples, the occupational doctor is a constant presence and continuous support within the plants who carries out periodic medical examinations to check the state of health of workers and express the judgment of suitability for a specific task. Moreover, he takes part in the drafting of the DVR (Risk Assessment Document) and makes inspections of workplaces in order to verify the conditions and collaborate precisely to the assessment of risks. In addition, in some cases, occupational doctor is present at least one day (in some cases two) every week at the company infirmary at the disposal of the workers, with further availability for the remaining days.

The Duferco Group's constant support for its employees and constant interest in maintaining their safety and well-being is also demonstrated through various initiatives that

facilitate access to non-occupational healthcare services to its employees. It is worth mentioning the access to the supplementary healthcare fund for the metalworking industry which is granted to all employees by the Duferco Travi e Profilati Group, and which offers supplementary health services to the National Health Service. In addition, in the San Giovanni Valdarno plant, the attention of the company towards its employees is directed not only to the working environment, but also to their private life, focusing on issues such as alcohol addiction and smoking. Moreover, a canteen manager has been recognized by the colleagues inside the plant, with the aim of planning a balanced and healthy menu. At Danish Steel all workers have direct access to psychological assistance through the health insurance paid by the company. In case of frequent sickness, the HR manager invites the employee to a 'sickness conversation', discussing how to reduce his/ her sickness leave, and, if necessary, offering an individual health program. Finally, several companies offer health promotion packages that workers can freely join, private health insurances to all workers to get easier and free access to some treatments or conventions to provide all employees with a free platform to access in order to get discounts on specialist medical examinations. At Duferco Energia, moreover, a specific insurance was activated in March 2020 in the event of infection by Covid 19. Corrective actions regarding HS are also identified based on reports from workers, which are carried out in different ways depending on the Company analyzed, from the anonymous report box, to the participation of workers in weekly Safety briefings. In addition to reports, internal audits and external audits are carried out by both safety management system certification bodies and specialist consultants. In some cases, HS processes are monitored with tangible data on the trend of accident events (accidents, missed accidents, dangerous situations and/or direct shootings). At the same time, targeted interventions on machines and plants are identified, improving their performance and interaction with the operator.

<sup>&</sup>lt;sup>8</sup> Work related injury: negative impacts on health arising from exposure to hazards at work.

<sup>&</sup>lt;sup>9</sup> Rate of recordable work-related injuries: ratio between total number of recordable work-related injuries and the total number of hours worked in the same period, multiplied by 1,000,000.

<sup>&</sup>lt;sup>10</sup> High-consequence work related injury: work-related injury that results in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.

<sup>&</sup>lt;sup>11</sup> Rate of high-consequence work-related injuries: ratio between total number of high-consequence work-related injuries and the total number of hours worked in the same period, multiplied by 1,000,000.

<sup>&</sup>lt;sup>12</sup> Rate fatalities as a result work-related injuries: ratio between total number of fatalities as a result of work-related injuries and the total number of hours worked in the same period, multiplied by 1,000,000.

<sup>&</sup>lt;sup>13</sup> **Number of recordable work-related ill health:** negative impacts on health arising from exposure to hazards at work. Ill health indicates damage to health and includes diseases, illnesses, and disorders.





## **Management of the Covid pandemic**

With the outbreak of the pandemic between February and March 2020, the Group reacted rapidly taking all the necessary measures both at Group and at company level in order to secure first and foremost its people and families.

From the very beginning of the emergency, the purpose and efforts of the Group management were directed towards get the companies back on track and protect all employees by guaranteeing them both health and safety. This commitment was reflected in the Group's ability to consolidate its workforce, and in the recourse to social shock absorbers that was limited to cases in which the suspension of activities could entail risks to economic stability.

As further evidence of the Group's robust response, it is also worth highlighting the economic effort made to make its people and workplaces safe. During the year, over 925,000 € were spent by the Group on the purchase of PPEs, as well as on daily sanitation services, on interventions to ensure safety conditions and in the establishment of an efficient remote working model for employees.

As an immediate response, all companies adopted specific countermeasures in compliance with local regulations and their periodical revisions and updates, with the strong commitment to scrupulously adhere to directives as the most effective way to beat the epidemic. Within this frame, the productive sites of Duferco Travi e Profilati suspended their activities for approximately one month and reopened with strict safety protocol shared with the competent authorities stating the rules, protections, and distances to be observed, as well as a general review of the organisational structures to be followed in order to allow a return to work in conditions of absolute protection and peace of mind. In order to increase the efficiency of these measures, the internal communication evolved to new media such as Telegram, used among the employees as a channel for communicating the evolving security procedures.

Other sites as Danish Steel and Morel could keep the activities on, but with a highest level of caution and prudence in observing the safety protocols. In the offices companies faced a remarkable challenge, as they shifted within a few days the work mode of the whole office population to remote mode, which required an important effort in order to guarantee safety to people and at the same time business continuity and solidity. Under this aspect, for instance DXT was able to pursue its business growth taking advantage of the highly digitalized nature of its operations, which required to replicate the workstation in employees' homes. The reopening of the offices, in May, were subjected to a specific protection plan designed in compliance to Cantonal and Federal directives. On the top of that the Company made a significant investment by enlarging its offices with a further floor, endowing the workspace with larger areas and the possibility to ensure the security distance to those who decided to gradually come back to office. Within the DXT Group, Matrix was able to use its strong connection with Europe to anticipate the measures to be taken to prevent contagion well in advance of local Brazilian legislation without having any impact on operations. Another example is Duferco Energia, that switched to smart working the entire corporate population in 3 days, even though the directives allowed offices to be kept open as they fell under cases defined as 'essential services'. Within a few days, the VPN was set up for all employees, a Telegram channel was activated for immediate communications and the internet

bandwidth was increased. In the case of Duferco Biomasse, where employees have both office and operational duties, the protocol had to provide specific recommendations to each employee's category: office staff, forestry personnel, staff working in the port area, and carriers.

A further relevant aspect the Group had to face during the pandemic is the assistance to the Nova Marine crew members employed in the ships, who were unable to disembark. This situation was dealt through the continuous effort pursued by the top management, to establish constant contact with staff on all ships, resorting to tools such as email and video calls, and social initiatives launched with the aim to keep the mood up despite the circumstances. Work shifts were reviewed in order to allow additional hours of rest during the day for the entire crew and, when circumstances required it, the rotation of crews was organized.

In addition, Duferco lived this dramatic period with the consciousness of being part of a hurt community that can only overcome its toughest moment by acting responsibly and in unity. With this perspective Duferco Travi e Profilati employees and management together devolved a total amount of 200,000 euros to projects and public works in support of the communities of San Zeno Naviglio and Poncarale, the territories in which the steel plant is located, and which have been hit hard by the pandemic. In the same challenging period Duferco Energia employees launched a fundraising camping with the aim of supporting the purchase of shopping vouchers for needy families in Genoa, collecting over 100.000 euros.

Over 925,000€

During the year, over 925,000 euros were spent by the Group on the purchase of PPEs, as well as on daily sanitation services and on interventions to ensure safety conditions in offices and production lines.





# The green challenge

Responsibility and accountability are the key principles of Group's behavior in managing the environmental effects of its businesses. Environment is the aspect where Duferco has the main impacts, but at the same time where it has the most potential to make a difference for the entire reference sectors in terms of best practices and flagship initiatives.

Responsible behavior is primarily translated into the adoption of clear procedures and defined policies, in the implementation of environmental management systems, in the adherence to environmental standards above and beyond legal obligations, and in the continuous monitoring of environmental impacts with the aim of measuring, controlling and reducing them.

The main Group's environmental impacts are related to the activities of the Steel and the Shipping divisions, primarily consisting of energy consumption and greenhouse gas emissions, air pollutant emissions, and waste production. As far as environmental certifications are concerned, Nova Marine and Duferco Biomasse are UNI EN ISO 14001:2015 certified, as well as many of the Group's industrial plants: Pallanzeno, San Zeno, San Giovanni Valdarno, and Ferriere

Bellicini. Moreover, concerning Duferco Travi e Profilati, in 2020 Pallanzeno and Giammoro plants confirmed their Environmental Product Declarations (EPD) for steel beams and corners beams made from recycled scrap. The EPD makes the products compliant with the Ministerial Minimum Environmental Criteria (so-called CAM) within the framework of Green Public Procurement (GPP) and it allows the company to identify and assess the environmental impacts generated by the life cycle of their products and objectively communicate the performance of the solutions offered in a transparent way. Finally, as a result of the constant commitment to full compliance with the principles of environmental sustainability, San Zeno Naviglio plant passed the verification steps required by the EMAS certification process, obtaining the Environmental Declaration.

#### **EMAS CERTIFICATION**

The **Eco-Management and Audit Scheme** (EMAS) indicates the compliance of a company or a site with the provisions of European Regulation 1221/2009 in terms of management of the organizations' environmental impacts. It is a voluntary tool created by the European Community to which organisations can adhere by submitting an **Environmental declaration** in order to provide public information on their environmental management and performances. The aim is to encourage organization's rational management of environmental aspects, based not only on compliance with limits imposed by laws, but also on the continuous improvement of environmental performance, the active participation of employees and transparency with Institutions.

In March 2021 Duferco Travi e Profilati obtained the EMAS registration certificate for the San Zeno Naviglio plant. The registration was issued on the TPP **environmental declaration** by the EMAS Italian Committee (ISPRA) after receiving the opinions from the technical bodies of Arpa Lombardia and the certifier RINA. The verification process is designed to assess the conformity of the environmental management system in place with the UE regulations, by collecting the significant data relating to production processes and activities and the commitment to their continuous improvement.

The registration marks an important achievement, reached thanks to the transversal collaboration of multiple teams and company divisions, as well as a valuable starting point for further objectives.



In the Steel division, environmental effects are mainly related to **energy consumption**, used to power furnaces and rolling mills, and to the related **greenhouse gases**. Regarding greenhouse gases and air pollutants, chimney emissions strictly comply with legal emission limits and are systematically monitored in real time by the external competent authorities. In this regard, it is worth underscoring that the use of electric furnaces (EAF) instead of blast furnaces for the steel production processes, places Group's plants in an advantageous position compared with the majority of European steel plants in the process towards the decarbonization of industrial production.

Indeed, the production of one ton of steel with an electric furnace generates up to 10 times less CO<sub>2</sub> emissions than blast furnace production. Production from EAF thus represents the solid base for a long-term strategy, combining environmental and social sustainability with economic sustainability. Duferco long-term goal is to achieve a **carbon neutral steel production**, and the Purchase power agreements (PPAs) applied to several Italian plants will play a crucial role in this transition.

Significant impacts derive also from the Shipping division, mainly regarding energy consumptions and greenhouse gases and air pollutant emissions. In this unit, all the environmental aspects are managed in compliance with International Maritime Organization (IMO) resolutions and regulated internally by Shipboard Operating Manual. In compliance with the IMO legislative recent changes, as from January 2020, Nova Marine provided all fleet vessels with very low Sulphur fuel oil (VLSFO) as compliant fuel for the new Sulphur cap 0.5%.

As for Energy division, the main issues are related to electricity consumption and fuels for corporate car fleet. Nonetheless Energy division's core business relies on

promoting the shift towards clean and efficient among the Group's companies and externally. DXT and Duferco Energia's trading activities contribute to the spreading and strengthening of renewable energy, while mobility division promotes and sustains the transition towards more sustainable mobility solutions. This allows the company to widen the recharging network for all EV users as main undertakings. In addition, Duferco Energia carries out insulation and requalification interventions at a growing pace resulting from the benefits given by incentives of the Italian legislation (*Ecobonus, Sismabonus and Decree-Law "Decreto Rilancio"*14).

In relation to operations in **biomass production**, the main risk for the environment refers to the potential loss of biodiversity in forestland. For this reason, operations are subjected to regular audits verifying compliance to UNI EN ISO:14001 standard, and companies have obtained further specific products certifications. Specifically, Programme for Endorsement for Forest Certification (PEFC) and Forest Stewardship Council (FSC) certifications guarantee compliance of forestland management and the chain of custody with challenging environmental, social and economic requirements. Additionally, Sustainable Biomass Program (SBP) is a certification system specifically designed for wood biomass, used in large-scale energy production, that provides assurance that the biomass itself has been sourced from legal and sustainable sources, in relation to maintaining and increasing woodlands, safeguarding biodiversity and preserving forests of high conservation value. On the top of that, the Group guarantees traceability of the biomass along the entire value chain, starting from the origin and method of wood cutting, to ensure the users and customers total transparency and visibility of the path followed by lumber.

<sup>&</sup>lt;sup>14</sup> Decree-Law No. 34, 19 May 2020



#### The Duferco Power

An efficient and responsible management of energy resources and the continuous monitoring of the related costs and emissions is fundamental for Duferco.

By leveraging the knowledge and constantly updated technologies in place within the Group, Duferco endeavors to pursue the goal of identifying possible efficiencies of processes, whilst reducing GHG emissions, by fostering also the use of renewable sources. Far from being just a matter of cost and operational savings, energy efficiency is indeed embedded in many of Group's businesses where Duferco is not only an enabler but rather a player of the energy transition process.

Renewable energy promotion, the realization of energy requalification interventions for buildings and plants, as well as support to e-mobility, are the heart of Group's energy business strategies.

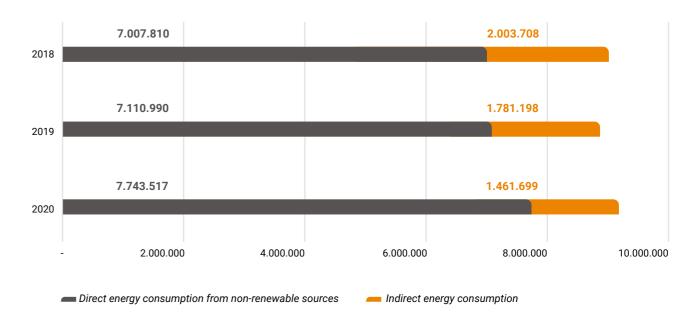
Overall, energy consumption accounts for 9,205,217 GJ in 2020. Group energy consumptions mainly derive from **direct consumption of non-renewables sources**, representing the 84% of the total in 2020.

This portion, which marked an increase comparing to the previous year, primary consists of the diesel and fuel **used to power fleet's vessels** (over 66% of the total energy consumption of the Group). During 2020 Shipping division's energy sources shifted from Intermediate Fuel Oil (IFO, the most widely used source in 2019) to very low Sulphur fuel oil (VLSFO), and at a slower pace to diesel and gasoline, in compliance with the new International Maritime Organization regulations. The increase in vessels traffic, especially on American and northern Europe routes have generated an overall increase in energy consumption related to shipping activities.

On the contrary, natural gas and electricity used in the industrial production processes and, in a small share, for offices lighting and heating marked an overall reduction, largely due to the suspension of the activities in the Steel division, imposed as part of the measures to fight against the pandemic.

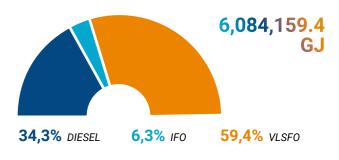
From a Group perspective, the Shipping Division's growth in fuel consumption, offsets the reduction in electricity and natural gas consumption occurred in the industrial processes in the second half the year. As a result, the Group experienced an overall increase of energy consumption in FY20 by approximately 2.5% compared to FY19.

#### **DUFERCO GROUP OVERALL USE OF ENERGY BY SOURCE (GJ)**



While Shipping energy consumptions are mainly related to vessels fuels, and in particular to VLSFO and diesel consumption, to which the company switched to comply with the strict International Maritime Organization regulations, steel production and distribution operations mainly use natural gas for the melting process (45% of total Steel division consumptions) and electricity (47% over the Steel division consumptions). Both sources decreased in 2020, by 15% and 18% respectively, as well as the overall energy consumption of the Steel division, partially due to last year's production decrease<sup>15</sup> (-17% compared to 2019). The specific consumption, however, remained in line with previous year, amounting to about 4.14 GJ/ton (4.12 GJ/ton in 2019). The magnitude of the decrease in consumption in the Steel Division that occurred in 2020, however, is not likely to cancel out the increase in consumption in the Shipping Division; for this reason, the number relating to the change in the Group's energy consumption is characterized by a "plus" sign.

#### SHIPPING ENERGY CONSUMPTION BY SOURCE (GJ)



#### **DUFERCO GROUP OVERALL USE OF ENERGY BY SOURCE (GJ)**

	2018	2019	2020
Direct energy consumption from non-renewable sources	7,007,810	7,110,990	7,743,517
Diesel	1,167,710	1,334,369	2,118,380
Gasoline	91	277	782
Burning oil	317	486	743
Natural Gas	1,742,693	1,649,504	1,404,260
Coal	344,395	245,592	221,989
Intermediate Fuel Oil	3,752,606	3,880,762	386,048
Very Low Sulphur Fuel Oil	0	0	3,611,315
Indirect energy consumption	2,003,708	1,781,198	1,461,699
Purchased electricity consumption	2,003,672	1,781,162	1,461,627
Purchased heating consumption	36	36	72
Total energy consumption	9,011,518	8,892,188	9,205,217
Total energy consumption	9,011,518	8,892,188	9,205

<sup>&</sup>lt;sup>15</sup> It considers the amount in tons of steel produced in 2020 (747,913 tons) compared to 2019 (894,709 tons).





#### THE RENOVATION OF NOVA MARINE FLEET TO REDUCE ENERGY CONSUMPTION

Despite the year being marked by the heavy pandemic and economic crisis, the investment plan started in FY19 to renew the fleet has continued steadily. With the same spirit as the sailors, who in adverse weather conditions can find solutions that during a calm navigation would not arise, the large Xinle Ningbo shipyard in China is equipping Nova Marine with a fleet that is increasingly fuel efficient and with a lower environmental impact. The plan provides for the gradual replacement of small ships (7,000-8,000 dwt) with models characterized by high performance thanks to the most innovative technologies that allow greater energy efficiency. On the one hand, today's technology has developed engines with electronic injection, which are much less polluting than the traditional two- or four-stroke engines of twenty years ago.

In addition, much of the energy savings is due to the ships' distinctive bow, designed specifically for Nova Marine by a team of engineers for new ships in the pipeline. Taking advantage of the latest studies in hydrodynamics, the bows of the new Nova Marine ships are designed to avoid the effect of water friction generated by traditional bows that, by slowing down the ship, require more energy. By cutting through the water vertically instead, the new bows allow the ship to take advantage of forward thrust, avoiding water friction and generating overall lower fuel consumption. During sea trials, these models proved to consume up to 5 tons less fuel on the same route and at the same engine power and speed, than equivalent vessels built 10 years earlier.

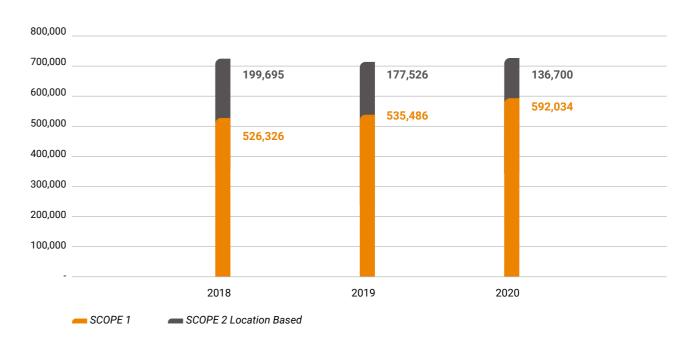
The renewal plan is not limited to small vessels: during 2020, four new 39,000 dwt vessels used to transport gypsum, steel and grain joined the fleet. Among them, the Sider Supreme, built in late 2018, can generate 40% fuel savings compared to a ship of the same tonnage 10 years earlier.

Given the energy consumption recorded, and in accordance with the main international standards for the reporting of greenhouse gas emissions, GHG emissions are reported split by:

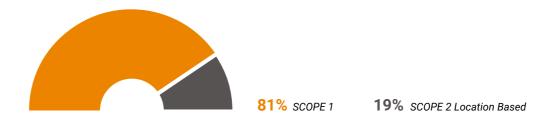
- direct emissions (Scope 1) greenhouse gas emissions from sources that are owned or controlled by an organization, for example, the use of fuels for heating and for vessels routes and refrigerant gases. This category also accounts for GHG emissions related to the steel industrial process, which are measured within the framework of EU-ETS declarations.
- indirect emissions (Scope 2), GHG emissions that result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by an organization.

Despite the overall downwards trend in energy consumption, Group GHG emissions (Scope 1 and 2) registered an increase by 2% from the 713,012 tons of  $CO_{2eq}$  in 2019, to 728,734 tons of  $CO_{2eq}$  in 2020. This rise is due to the more pronounced increase in Scope 1 emissions (accounting now for 81% of total GHG emissions) related to direct ship fuels than the decrease in Scope 2 emissions (19%) due to lower electricity consumption in industrial plants.

#### DUFERCO GROUP GHG EMISSIONS (tCO<sub>2eq</sub>)



#### **DISTRIBUTION OF DUFERCO GROUP'S GHG EMISSIONS IN 2020 (%)**



Considering the Market Based approach, which calculation is based on emissions associated with the residual mix<sup>16</sup> (national energy mix net of certified renewable energy), Duferco Group's Scope 2 emissions are equal to 188,633 tCO<sub>2eq</sub> in 2020 (271,254 tCO<sub>2eq</sub> in 2018 and 241,155 tCO<sub>2eq</sub> in 2019), thus showing higher values compared to the Location Based approach, that considers the blended CO<sub>2</sub> emission factor of the national grid where the electricity is purchased. In any case, both Location Based and Market Based method does not take into account the renewable energy produced and auto-consumed, that of course does not have any impact in terms of climate-changing emissions in the atmosphere.

Between direct emissions, most of the impact derives from the Shipping division (roughly 78%) and Steel division (with a share of almost 22%), because of fuels used for vessel's fleets and in the steel production process<sup>17</sup>. On the other hand, Scope 2 indirect emissions mainly refer to Steel activities, covering over the 99% of the total amount, due to relevant electricity consumptions related to electric arc furnace, steel rolling and finishing operations. Overall, Steel division contributes to total Duferco Group GHG emissions by 37% in 2020.

It is worth mentioning that Steel plants are part of the Emission Trading System (EU-ETS), the largest greenhouse

<sup>&</sup>lt;sup>16</sup> GHG Protocol Scope 2 Guidance.

<sup>&</sup>lt;sup>16</sup> Within the Steel Division, San Zeno, Pallanzeno and Giammoro plants Scope 1 emissions have been obtained as the sum of the emissions declared under EU-ETS scheme and the emissions deriving from leakages of refrigerants gas.



gas (GHG) emissions trading scheme in the world used by the European Union to manage GHG emissions from industrial plants through the monetary trading of emissions allowances. Considering San Zeno Naviglio plant, the Group's major industrial productive location, continuous investments in machineries are undertaken and in the progressive shift towards more efficient fuels in combustion processes, such as natural gas, as well as in developing solutions to replace anthracite with cast iron or other less environmental impacting solutions.

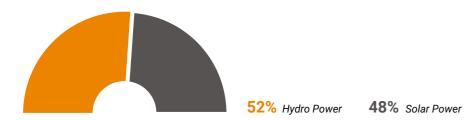
Fostering energy transition and spreading energy saving culture within and outside the Group are top priorities of

Duferco companies' energy management. This strategic engagement follows different directives according to business units and sectors.

Duferco Energia's commitment regarding the environment is carried out in its very core business, by constantly monitoring opportunities in the sector of energy production from **renewable sources**.

In 2020 its generation plants, located in different Italian regions, input around 28.848 GWh of renewable energy into the grid: around 14.887 GWh are generated from four **hydroelectric** production sites, while around 13.960 GWh from nine **photovoltaic** plants.

#### **DUFERCO ENERGIA ENERGY PRODUCTION BY SOURCE IN 2020 (%)**



#### **SOLAR ENERGY FOR GIAMMORO PLANT**

Starting from 2020, the DTP plant in Giammoro is able to consume the energy produced by the photovoltaic plant therein located, which is among the largest in Europe to be located in an industrial complex. The "ACFG Autoconsumo Giammoro" project carried out by Duferco Engineering, allows the plant to consume the solar power plant that produces on average 5,000 MWh/year. This amount is estimated to cover around the 25% of the annual consumption of the plant, allowing for a saving of over 3,000 tons of CO<sub>2eq</sub>.

The project consisted in the realization of a User Efficiency System where the photovoltaic plant (production unit) and the steel plant (consume unit) are interconnected.

The whole connection modification process has been particularly complex, being the first in Italy to modify the voltage level of the POD of the photovoltaic plant.



Considering the Duferco Energia entire portfolio, including customer consumptions, and the electricity supplied to them via the PODs managed by the company, more than 955 MWh of energy from renewable sources was injected, mainly from biomass (58%) and solar (35%).

The commitment to energy transition does not exclusively concern the Energy sector: indeed, several companies from Steel division, which is intrinsically energy intensive, underwent remarkable efforts in order to improve their energetic performance. For instance, during the past years, multiple re-lamping projects were realized, which lead to significant savings, by installing new LED technology lamps within plants.

Outside Steel division, an important re-lamping project was made in the whole office building of Duferco Energia, leading to around 6% of energy consumption savings.

In addition, an increasingly share of Duferco Energia activities rely on energy efficiency improvement projects, that the Company offers to the market through the specific corporate branch created in 2015 to entering the ESCO (Energy Service Company) market. This division developed various solutions to improve its clients' energy efficiency level through projects that include renovating the lighting systems, monitoring power consumption and recovering heat through exterior insulation systems, particularly in the industrial and condominium segments. For many of these interventions, Duferco Energia proposes EPC **contracts** (Energy Performance Contract) to its clients. These contracts state that Duferco Energia undertakes with its own financial means to carry out the energy efficiency intervention, keeping the ownership of the assets for a defined duration, while the client pays back with a part of the energy savings generated by the intervention.

#### THE DUFERCO ENERGIA EXTERIOR INSULATION SYSTEMS

Energy efficiency relies at the core of Duferco Energia business model, with the development of multiples projects related to requalification and efficiency for condominiums, companies, associations and private residences. Among the corporate branches that recorded the greatest increase in business volumes, is the one linked to installation of **insulation systems**.

Under this aspect, Duferco Energia has been one of the first companies in Italy to promote projects for the realization of condominium thermal coats, taking advantage of all the opportunities of Ecobonus and Sismabonus<sup>18</sup>.

The benefit is both economic, as customers obtain up to 50% savings in energy consumption, and lower costs in the energy bill, and environmental, as these interventions enable a more sustainable use of energy, and an upgrade up to three EU energy label. The company's business model foresees that the Duferco Energia offers itself as a contractor using qualified local companies for the execution of the works. A significant aspect that contributed at speeding up the supply chain and increasing the number of interventions is the fact that the company anticipates the costs of the works instead of the customers, besides being in charge of all the bureaucratic aspects aimed at accessing fiscal credit.

Over the last few years, the Group has acquired a remarkable market share: out of the around 250 interventions carried out during 2019, over 55 were developed by Duferco Energia, and over 70 in 2020. These numbers define Group's leading role in the process of requalification of the Italian real estate heritage.

In particular, this stream of activities further increased during FY20, thanks to the new release of the Italian Decree-Law "Decreto Rilancio" in 2020, which upgraded renovation incentives to a tax deduction of 110% of the expenses incurred for energy efficiency and seismic risk reduction projects. Duferco Energia seized such opportunity, strengthening its leading position in a market of great potential, as in Italy there are more than 12 million condominiums, of which it is estimated that over 6 million need to be upgraded.

Ongoing projects:

40

Ready to start projects:

50

Projects under evaluation:

250

 $<sup>^{\</sup>rm 18}$  forms of tax relief provided for by Italian legislation as from 2017.

A further significant stream of activities refers to **sustainable mobility**, to which the Group recently addressed growing efforts in order to consolidate its leading position within the Italian market.



#### SUSTAINABLE MOBILITY

Electric mobility stands out as one of the most expanding businesses of Duferco Energia. Within a few years of operations, the company has become one of the main national players within this sector as, representing a major mobility service provider. Starting from 2014, the Group joined an European network made up of over 12,000 CPO (Charging Points Operator) allowing the customers of Duferco Energia to have access to the network. The company's charging solutions are catered to individuals, companies and accommodations facilities, providing services designed for the specific needs of each individual customer. In addition to customized and integrated solutions for different kind of businesses, in 2020 the Group launched an e-commerce dedicated to the sale of a wide range of products for users of electric vehicles. Group's engagement is bound to grow further in coming years, as Duferco Energia recently decided to enter the car sharing market by providing the town of Genoa with the first 100% electric and free-floating car fleet for sharing in Italy.

During FY2020 the new industrial plan for e-mobility has been approved, proving the Duferco's commitment toward the transformation of the transport sector in Italy. This ambitious plan aims at consolidating the Duferco Energia position as a primary player in an increasingly competitive market.



70

# **Reinforcing material circularity**

Steel is a 100% **permanent and durable material** than can be melted over and over without ever losing any of its original intrinsic properties, which make it irreplaceable in several applications. Steel components, thanks to the ease of separation and disassembly, are particularly suitable for reuse and remanufacturing and its characteristics of resistance and durability allow for a very long-life cycle.

For this reason, the Group's steel plants are a perfect example of **circular economy**, as the main raw material used in the process are metal scraps, which are recovered from different sectors, and then recycled in plants' production steel cycle.

This aspect is of primary importance, as it enables the transition from the traditional model of development (based on the transformation, usage and then disposal of material) to a circular model based on reduction of raw material usage, the reuse of the same material and recycling. Indeed, this makes circular economy, although placed in the chapter dedicated to environmental performance, a crosscutting topic that is directly linked with several relevant opportunities, strengths and positive impacts on both economic and social dimensions.

On top of that, steel is a fundamental material for several sectors of strategic importance for sustainable development and green economy pillars, such as renewable energy, electric motors, rail transport, energy efficiency interventions, and water management.

In San Zeno Naviglio, the plant covers the lifecycle of the product the lifecycle of the product, starting from scraps that are melted through an electric-arc furnace, and then processed in order to obtain products and semi-products. This process generates a by-product called *blackstone*, that consists of melted residues and it is utilized in construction

such as bituminous and cement conglomerates. The other plants have only the rolling mills, then they buy billets as semi-finished products.

The exceptional decrease of production volumes, due to COVID-19, lowered the total amount of material used in steel plants of over 12% (equal to 1,484,862 tons, excluding other materials such as oxygen). Among this, 96% of the material consumed within the division is made by renewable materials, totaling 1,435,308 tons, which is more than one and a half times the Golden Gate Bridge, one of the most famous steel monuments in the world. Within this category, billets and scraps together represent the 97% of the total renewable materials used. Lastly, activities such as packaging requires the use of other materials, for example wood or pallets, steel wires and cardboard, to deliver the final product.



1,435,308 tons

which is more than one and a half times the Golden Gate Bridge





#### MATERIALS CONSUMPTION IN THE STEEL DIVISION

	2018	2019	2020
Renewable materials (ton)	1,868,837	1,632,396	1,435,308
Scraps (ton)	888,722	728,636	668,358
Billets (ton)	901,405	836,943	722,609
Laminates (ton)	48,036	42,170	33,500
Cast iron (ton)	30,674	24,648	10,840
Non-renewable materials (ton)	69,349	54,952	49,554
Lime (ton)	44,945	35,547	32,225
Iron alloys (ton)	16,060	12,659	10,760
Refractory materials (ton)	6,054	4,931	4,753
Electrodes (ton)	1,663	1,301	1,149
Cover powders (ton)	303	227	409
Lubricants (ton)	298	258	239
Additives (ton)	26	29	19
Other non-renewable materials (m³)			
Oxygen (m³)	22,341,619	26,108,816	24,945,352
Inert gases (m³)	740,864	1,029,976	601,921

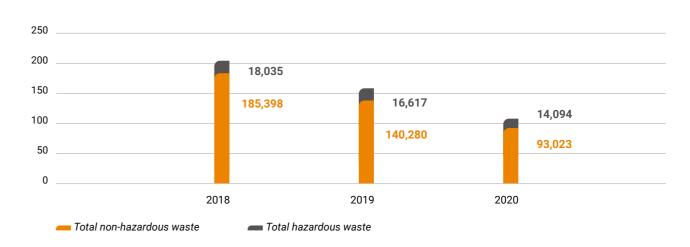


Most of the waste produced during steel production process are slags deriving from melting activity. Two types of slag are produced, distinguished by their different chemical composition: the slag from the electric-arc furnace, generically defined "black slag", and the one resulting from the refining phase of the steel, which takes place in the ladle, which is called "white slag". The first type, "black slag" is partially recovered and transformed in the by-product known as black stone. Just like materials used, during 2020 the total waste produced by the Steel business unit showed a remarkable drop, recording a 47% decrease compared to 2019. The waste reduction over the period mainly derives from the use of black stone as a by-product. In this regard, the Group continuously invests in developing solutions for the recovery of black and white slag. For instance, Duferco Engineering is testing a technique to exploit black slag for energy production, thus reinforcing circularity within the steel plants. At the same time, DTP is examinating potential alternative reuse of white slag waste into the steel production process.

#### **WASTE PRODUCTION IN THE STEEL DIVISION (TONS)**

	2018	2019	2020
Total hazardous waste	18,035	16,617	14,094
of which sent to reuse/recycling for recovery	14,688	13,728	11,826
of which sent to incineration	15	18	21
of which sent to landfill	3,326	2,852	2,231
other disposal method	6	19	15
Total non-hazardous waste	185,398	140,280	92,023
of which sent to reuse/recycling for recovery	54,879	53,360	37,316
of which sent to incineration	13	13	14
of which sent to landfill	130,492	86,894	55,686
other disposal method	16	13	7
Total	203,433	156,897	107,117

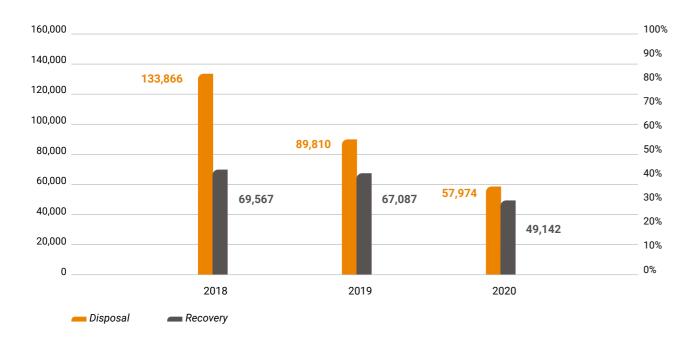
#### STEEL DIVISION WASTE BY CATEGORY (TONS)



Circular economy model allows steel plants to recover and reuse materials generated in all production processes, otherwise destined to the landfills, as well as to limiting new raw materials extraction. Indeed, around 46% of hazardous and non-hazardous waste produced in Group's plants is recycled, amounting to 49,142 tons.



#### **STEEL WASTE BY DESTINATION (TONS)**



Circularity does not exclusively refer to steel production. Indeed, **biomass production** process is largely based on circularity. Duferco Biomasse and EBS, both PEFC certified, operate in lumber production, harvesting, processing and marketing for supplies to thermal power plants that produce energy from biomass. The production cycle foresees that land is rented from landowner for a period of 10 to 15 years, even if in some cases the companies may also directly own the land. Wood is transformed in chips directly in the forest, and then moved to the thermoelectric plants. Once the cutting plan has been completed, operations shift to restoration and treatment of soil. These activities are carried out to restore previous vegetation before returning the land to its owner. During 2020, Duferco Biomasse and

EBS increased the amount of tons of wood processed, thus resulting in over 560,924 MWh of energy produced, with an important increase with respect the previous years, largely due to additional work resulting from the tender won by Duferco Biomasse for the treatment of storm-damaged forest in Vaia.

Finally, it is worth mentioning the growing portion of biomass and waste which are transported by Nova Marine's vessels, as increasingly requested sourced for energy production, especially throughout Europe. Beside witnessing the raising global attention paid to circularity, this aspect effectively illustrates how this topic is managed and implemented structurally in each division.





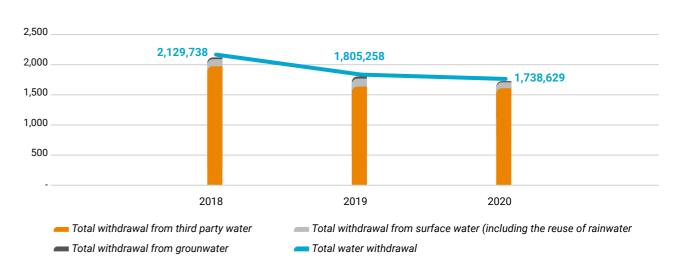
# **Managing our footprint**

The Group has been constantly committed in monitoring and managing its environmental footprint. Specific emphasis is placed on preventing environmental degradation and the loss of biodiversity that may results from its activities.

Among Group's businesses, the Steel division plays an important role when concerning environmental impacts and their monitoring and mitigation. In this regard, a key issue is water consumption and its proper management. Even though no plant is in a protected area and water is not withdrawn from significantly water stress zones, many efforts are directed to decrease the use of water resources by the optimization of processes, through the efficient operation of cooling circuits, and enhancing the water recycling. Plants withdraw groundwater by means of wells

and rainwater through specific drains. The water main use is related to cooling and washing from impurities processing and finished products that came out of the furnaces. Water is then purified through a treatment system which removes oils and other polluting materials, finally discharged into the sewer system, and inlets purified water back in the circle. In 2020, total amount of water withdrawn by industrial plants equals over 1,738 million cubic meters, the majority withdrawn from groundwater (94%): the other sources were rainwater (5%) and public aqueduct (1%).

#### WATER WITHDRAWAL IN STEEL DIVISION (,000 CUBIC METER)

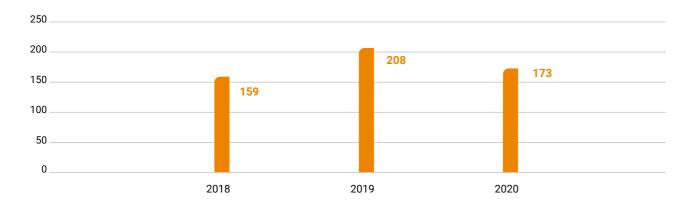




Another significant impact exerted by operations in the Steel division is related to air pollutant emissions generated by the combustion process of heating furnaces. Groups' plants are committed to carefully manage them through defined processes, procedures and continuous monitoring, in line with European and National stringent legislations. Companies, indeed, need to operate in compliance with specific permits and authorizations and are required to

report on pollutant emissions on a regular basis, following a plant-specific monitoring and control plan. The main air pollutant emissions released by steel production process are related to nitrogen oxides (NOx), representing the largest share (173.5 ton/year), in addition to sulfur oxides (SOx), particulate matter (PM), and Volatile organic compounds (VOC). FY20 showed a remarkable decrease in the release of NOx, driven by the contraction of production.

#### NOX EMISSIONS IN STEEL DIVISION (TON/YEAR)



# **Protecting the ecosystems**

At the Group level, sustainability of ecosystems has always been promoted to prevent environmental degradation and the loss of biodiversity.

Duferco Biomasse and EBS are committed in protecting forest ecosystems. Both companies are specialized in wood biomass production and trading mainly for thermoelectrical plants. The companies basically acquire the upper part of the soil on which the forest grows through fixed-term contracts and, by following some defined rules, the trees featuring biological characteristic are maintained to enhance the future renewal of the forest, such as the ability to accumulate carbon, or the penetration of heat, light and rainfall. Once operations are over, the settlement of vegetation and the overall biodiversity is therefore fostered, also by means of the release of dead wood, representing a stable source of nutrients in the soil for both plants and insects. A further relevant aspect is related to the risk mitigation action carried out by these activities. Operations in the forests also allow to implement prevention, for example through the creation of fire safety corridors that allow to control the risks of blazes in the woodlands.

In addition to UNI EN ISO 14001 standards certification, companies have specific products certifications, such as PEFC and FSC certifications on the management of forestland, and SBP certification, for sustainable wood.

On top of that, EBS engaged its staff in replanting trees projects for CO<sub>2</sub> absorbing and compensation, that led to save around



In the Shipping sector, the main threat to biodiversity is related to possible interactions of non-endemic species deriving from ballast water, which is loaded and discharged in different areas of the globe. **Ballast water** plays a fundamental role, as it is used to stabilize vessels and maintain safe operating conditions throughout navigation. However, its transportation is recognized as one of the greatest threats to biodiversity because of the numerous maritime species (such as bacteria, microbes and eggs) it may contain. To prevent the potential risk to carry maritime species into foreign ecological systems, Nova Marine invested over 6 million to introduce an innovative and energy saving filtration process to all vessels, although not being a mandatory requirement to date. When ballasting process begins, incoming ballast water undergoes a complex

treatment process, which firstly apply a filter, removing and throwing back into the water organisms and particles.

Finally, in the Innovation division, some of the core business activities of Wallonie have a positive impact on biodiversity: Deep Green for instance, a Duferco Wallonie branch, supports landowners in soil cleaning and land rehabilitating activities, through the treatment of soil contamination at depth, mainly for decommissioned industrial sites thus restoring the original characteristics. Reconversion projects like the ones in Clabecq and Saint-Ghislain have programmed biodiversity regenerationt measures at the site scale, such as eradication of invasive vegetal species, replanting of native species, creating natural reserves in the public spaces like flower meadows, wet areas and vegetable growing areas.



#### THE WOODLAND AREA IN NAVE

From the point of view of the interrelation with biodiversity, the woodland owned by the Group in the municipality of Nave (Brescia) will be of increasing importance. This is a vast area of over 150 hectares, in the historical heart of the industrial area of Brescia, which was acquired in 2017, populated by different species of animals, such as deers and mouflons. Today the forest of Nave is undergoing an experimental project that has as its ultimate goal its valorization within and outside the Group. The first step in this direction is to obtain FSC certification in 2021, which requires analyses on the technical characteristics of the area and aspects linked to the ecosystem and hydrology of the forest, such as, for example, the health of the plants, the fauna, and the fire lines. Once FSC certification will be obtained, the Group will start the process aimed at identifying and quantifying the ecosystem services offered by the asset, with particular attention the capacity of the forest to absorb CO2. In addition, the forest acts as a test field for Duferco Biomasse, which can use this naturalistic asset to train new employees and test new cutting machineries and techniques, as well as different ways of managing the forest, with the intent of increasing the efficiency and productivity of the daily operations.

#### THE VAIA FOREST RECOVERY

On October 2018, the Vaia storm hit the North-Eastern regions of Italy with peak winds exceeding 200 km/h, making it comparable to a massive hurricane and a subsequent relevant rainfall. The storm destroyed fourteen million trees in the Alpine valleys of Lombardy, Trentino, Veneto, and Friuli. Vaia detains the unfortunate reputation of being the largest single windstorm event recorded in Italy. The storm hit some of the most beautiful and richest forests in Italy located in the Dolomites Mountains, where a big part of traditional history is sheltered. Due to the outcome of the event, it became clear that a "multi-actor collaboration" was needed in order to deal with this tremendous aftermath. In this scenario, Duferco Biomasse stepped forward and was awarded one of the largest lots made available by the maxi tender published by the Municipalities: the collection of about 360 thousand cubic meters of wood in an area between the municipalities of Enego, in the province of Vicenza, and Grigno, Trentino, thus creating the largest forestry site in Italy and the largest for the company so far. This activity has led the company to diversify its business, starting a timber trade with some Asian countries and making a significant contribution to the management of the forests in the area hardly hit by the storm.

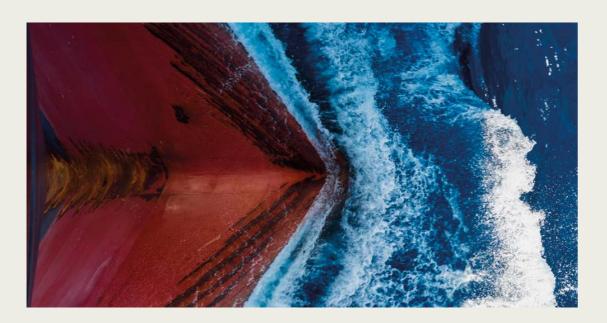
Duferco intervention also has a significant impact from a biodiversity perspective. The rapid removal of the wood in fact, avoids the proliferation of bacteria and phyto-pathologies that would risk compromising the rest of the vegetation and the forest area.



#### THE "BIIM" BOAT

The progressively strict environmental legislation that rules port and marine areas, as well as the extension of marine protected zones, make it increasingly necessary to develop technologies for sustainable marine propulsion or with low environmental impact. Duferco Engineering focused its attention on the research and development of new technologies and materials, in order to provide an adequate response to these external pressures. The "Battello Ibrido Innovativo modulare" (BIIM), through its innovative features that make the proposed technical solution commercially available, represents the perfect example. The project, with a cost of 2 million euros and a duration of 18 months, consists of the design and realization of an integrated full-scale prototype of a boat made of environmentally sustainable materials, such as wood, fibers and natural resins, with battery and fuel cell electric propulsion and innovative hybrid transmission. The project aims at proving hydrogen as an alternative fuel for on-board energy generation. Indeed, this will be achieved by designing and developing a compact and certified fuel cell system (FSC) at low-temperature PEM fuel cells coupled to a solid hydrogen storage system in solid form made of metal hydrides (MH). This new boat will guarantee important positive benefits for the environment as pollutant emissions, both liquid and gaseous will be strongly reduced.

The project represents an example of collaboration with the aim of constituting an association formed by several partners. Cantieri Navali del Tigullio will realize the hull in eco-compatible composite material with natural fibers and resins, using only recyclable materials, Blue Energy Revolution, will develop a system exploiting hydrogen technology; Vulkan Italia, will develop a drive system capable of making existing boats with small/medium size propulsion hybrid. Furthermore, the design studio Names will provide its know-how in architectural and naval engineering projects. In addition, the collaboration will include the mechanical engineering department of the University of Genoa and Imars, an historic shipping company, involved in the task of testing the boat from the point of view of the end customer. Finally, the project has been selected by FILSE (Regione Liguria technical and financial entity) obtaining a grant by 1 million euro financed by The European Regional Development Fund (ERDF), which is the main financial instruments of the EU's cohesion policy. The project was ranked 12th out of 96 projects in the Environmental R&D end innovation sector.



# The Duferco community

# Along our value chain

In an increasingly challenging business environment, it is fundamental to establish strong and valuable collaborations with strategic and high-skilled partners to expand business prospects and guarantee enlarging networks, know-how and expertise.

That is why for more than 40 years the Duferco Group has been committed to consolidating and strengthening bonds with its main external stakeholders, including customers, suppliers, business partners, local communities and universities. Their engagement, aimed at sharing common principles, promoting constructive exchanges and jointly participating in common opportunities, underpins the Group's long-term value creation strategy.

In particular, the Group launched a stakeholder mapping and an engaging process as a further step towards a broader involvement of all stakeholders, covering also sustainability issues. The direct involvement of stakeholders consisted of an online survey that gathered feedbacks from over 40 respondants", 18% of which were suppliers and customers, assessing their perspective on material issues previously identified by the Group.

Also in 2020 numerous counterparties joined the wide network that the Duferco Group is weaving with third-parties and that it is continuously growing; if in FY18 and FY19 the total number of the Group's counterparties was around 5,600 and 6,600 respectively, in FY20 the number of third-party relationships reached the amount of around 7,100.





# Working together

One of the fundamental pillars of Duferco, which has accompanied the Group throughout its history and its growth process, is the **solid relationship with its suppliers**. The latter are considered by the Duferco Group as one of the keys to its competitive success. The maintenance and consolidation of commercial relationships established in the past, as well as the identification of new suppliers who share its values, always remain a **high priority** of the Group's commercial policy. The suppliers identified, beyond their technical and commercial value, must also share and act inspired by the principles that have been adopted by the Group over the years, such as legality, integrity, fairness, and, last but not least, sustainability.

Group's **Code of Ethics dedicates a specific section** to the relationship with third parties, which states that the process of selection of new suppliers shall be **transparent and documented**, while existing relationships are subject to "**constant and careful monitoring** by Duferco" and the dialogue between parties is always kept "open".

Like all successful partnerships, **sharing the same objectives** and **having a common vision** not only of the ultimate goal to be achieved, but also of the path to be taken and the methods to be adopted, are essential

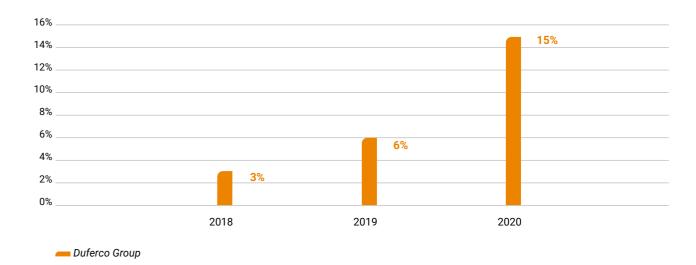
and irreplaceable elements in the Group's business relationships. Both on-site technical and practical audits and document audits are conducted by the Group in order to thoroughly assess the new suppliers to be relied upon, performing a diversified supplier selection approach depending on the type of business and activities of the supplier. Just to mention one of the approaches used by the Group Companies, Duferco Energia is accustomed to assessing each new supplier through a strict and thorough verification and accreditation process in which it seeks to obtain a 360° view of the company in question, probing from simple general data to the certifications in force, including the economic and financial situation.

The Group's constant and growing attention to ESG aspects is reflected also in the screening procedures for new suppliers. Of the new suppliers counted in the Steel, Innovation and Energy business units in relation to retail and distribution activities, 19% was screened using social criteria, marking an increase compared to the previous year (14%). A particularly noteworthy case can be seen at business unit level: the Energy division recorded a remarkable increase in the share in question compared to the previous year, rising from 24% up to 41%.

In FY20, over the same perimeter of companies, also the percentage of new suppliers **screened using environmental criteria** increased with respect to previous years, rising from 6% in FY19 to 15% in FY20. Once again, the Energy division

stands out, where the share of new suppliers screened with environmental criteria has risen from 10% in FY19 to 33% in FY20.

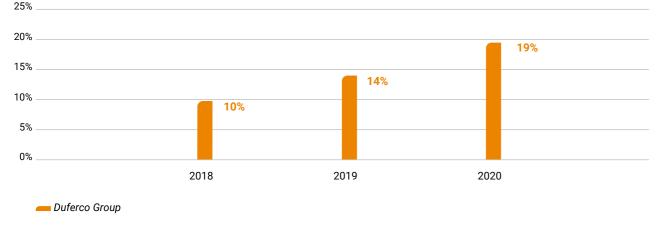
#### **NEW SUPPLIERS SCREENED WITH ENVIRONMENTAL CRITERIA<sup>19</sup>**



As a confirmation of this persistent monitoring of the commercial relations undertaken, the Duferco Group periodically carries out audits on suppliers. **Due to the spread of the COVID-19 virus**, the number of audits carried out by the Steel division, historically the most active on this front since many daily activities are run by external contractors, fell significantly to 4 due to the impossibility of moving freely within the national and international territory and therefore of visiting suppliers. On the contrary, Duferco Energia carried out 26 audits in 2020, most of which related to the field of safety at construction sites, in order to verify Health and Safety related aspects.

The presence and membership to the major **sectorial trade associations** at national level is constant and transversal within the Group. To list some examples, within the Steel Division Duferco Travi e Profilati is member of Federacciai, the Italian representative entity of all iron and steel companies, and Duferco Morel is part of Fédération Française de la distribution des métaux (FFDM). In the Energy Division, Duferco Energia is member of Confcommercio Imprese and Confindustria, and adheres to EFET (European Federation of Energy Trader) and AIGET (Italian Association of Energy Wholesalers and Traders), the latter two shared with DXT.

**NEW SUPPLIERS SCREENED WITH SOCIAL CRITERIA<sup>19</sup>** 





<sup>&</sup>lt;sup>19</sup> The graphs refer to the suppliers in the Steel and Innovation Divisions and in the Energy Division in relation to retail and distribution activities (Duferco Energia, Duferco Biomasse and EBS)

# **Towards common goals**

Talking about relevant stakeholders, one of the most valuable partnerships the Group committed to strengthen and enhance through the years is the one with its customers. Due to its global presence, Duferco interacts daily with a wide set of clients around the world. Towards all of them, the Group strives to provide the most tailored and customized offer through its companies.

Bilateral dialogue paths and regular feedbacks are a cornerstone that has allowed the Group to drive efficiently its diversified businesses. To meet the needs of such a diverse customer base, the Group's companies have developed a wide range of diversified and innovative solutions, making customization a distinctive element of its business. For example, Duferco Energia made a clear distinction of its client portfolio in 5 main groups according to their energy consumptions, and it provides each group different customer care practices in order to better satisfy their expectations.

As well as suppliers, customers constitute a real business card for a company. For this reason, the Group pays just as much attention to the selection of former as it does for the latter. As stated in the Group's Policy of Business Conduct, Duferco's mission is to serve its customers well and preserve its reputation as a trustworthy and reliable business partner and supplier. With the view that no business relationship is more important than the respect of the Group's ethical principles, Duferco works with customers

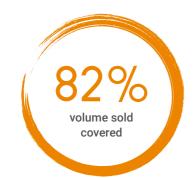
who share its same priorities in terms of transparency and integrity in conducting business.

A virtuous example of this approach is DXT: with its "Know your Customer" questionnaire, the Company is committed to know its potential and existing business partners also from a **Business ethics** point of view. In addition to the questionnaire, DXT regularly monitors its customers' compliance according to its Code of Conduct. Any violation of the Code is a sufficient motivation to take severe measures with potential stop of the business relationship, thankfully a situation that has never occurred to date.

Group companies monitor regularly customer satisfaction through different modules and surveys, whose principal goals are to better understand customers' needs and expectations, determine if these expectations are met and to what extent, develop products and services in line with them and examine trends over time to determine future strategies. Despite the Covid-19 pandemic, Duferco Travi e Profilati conducted its customer satisfaction survey also in FY20, reaching almost 40% of its active clients covering more than 80% of volume sold. The survey is structured into 4 sections: Products quality, Business relationship quality, Logistics and Technical Support; customers are asked to express their satisfaction level on a scale from 1 (very low) to 5 (very high) for each of these categories. The overall satisfaction level was of 4.2/5.

#### DTP CUSTOMER SATISFACTION SURVEY







In addition to customer satisfaction survey, Duferco Travi e Profilati has developed the "Promise" KPI, which is monitored monthly with the objective of measuring customer satisfaction in the transport sector, which has always been considered one of the most critical ones. The evolution underway, also at IT level, provides for the attribution of the cause for each 'missed promise' in a few clusters so to suggest the areas in which to direct efforts to improve the index. This new feature turned to be highly appreciated by customers.

Another demonstration of customer satisfaction and the deep relationship created by the Group is given by the facts that, during the difficult period of the Covid-19 pandemic, only one of the over 250 Nova Marine customers cancelled the order due to force majeure and two customers voluntarily paid a penalty for the delay generated over the March-May 2020 period.

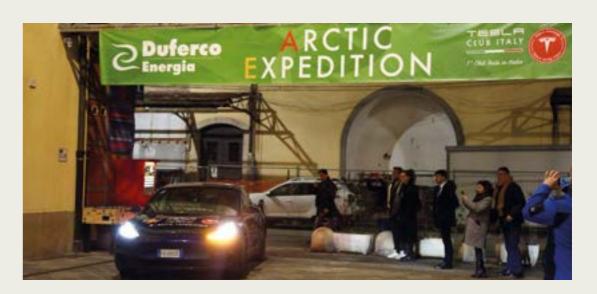


#### **DUFERCO ENERGIA #SPEGNITU? CAMPAIGN**

Duferco Energia is committed to establishing a relationship of trust with its customers, which is intended to be more similar to a partnership than the usual supplier-customer relationship. #SpegniTu? is a positioning campaign with which Duferco Energia describes its mission, based on two key points: attention to the needs of its customers and a constant commitment to be a leading player in an efficient, inclusive and sustainable energy market. Duferco Energia invites the consumer to turn off the light to enjoy them fully, sending a totally unconventional message as an energy provider. The campaign resorts to moments where energy would be superfluous, to make customers aware of potential gains in daily responsible use of energy. #SpegniTu? campaign is an invitation to a responsible use of energy, a new step towards a model of development that is increasingly sustainable and environmentally friendly.

#### THE ARCTIC EXPEDITION

The Duferco Group has been one of the main sponsors of the Arctic Expedition, an initiative in which Silvia Bevilacqua and Andrea Baccega reached the North Cape by driving a Tesla. The aim of the journey, which crossed 9 countries for a total of around 9,000 km, was to demonstrate that even a fully electric car can tackle very demanding journeys, overcoming still prevailing prejudices about electric mobility. Leaving from Genoa on 20 January 2020, the pair crossed Italy, Switzerland, Germany, Denmark, Sweden, Finland, Norway (and back) and reached Genoa, where a celebration of arrival was organised at Duferco Energia Spa. The Arctic Expedition's ambition was to provide information on electric mobility passing on knowledge and real experiences to invite the public to reflect and approach electric mobility correctly. In addition, there was also the desire to talk about global warming and climate change, issues that are more urgent and topical than ever. For this reason, the GHG emissions emitted during the production processes of the energy used during the trip have been offset by planting new trees.







# A shared growth

Just as a tree grows pointing to the sky but keeping its roots firmly on the ground, so does the Duferco Group work: **developing its indissoluble bonds and the relationships** formed over time with the local communities where it operates.

Continuous involvement of customers, local communities, public authorities and a **step-by-step participatory process** is necessary and inevitable in the case of day-to-day operations, new projects and future development plans, allowing long-term competitive advantage. In addition to generating **shared value** in a lasting and autonomous way for all relevant stakeholders, it is possible to monitor continuously the various common activities and

thus timely manage potential issues.

The lasting relationships that the Duferco Group has created with the territory in which it is established do not persist only where the subsidiaries have been settled for years, as in the case of steel division production plants, but also where operations began more recently, as in the case of Genoa and the Ligurian territory, base of Duferco Energia.

Initiatives of this kind show how Duferco seeks to **produce** and guarantee beneficial effects and impacts that go well beyond mere economic results and gains. In this regard, in addition to initiatives aimed at enhancing the competitiveness and the general well-being of the local districts, it is strongly committed to a series of grants and donations in support of local, national and international associations every year.

During the most difficult moments of the Covid-19 pandemic in April 2020, a **fundraising campaign** was launched among Duferco Energia employees with the aim of supporting the purchase of shopping vouchers for the families of Genoa most in need.









in the purchase of foodstuff

Initiatives and actions benefitting the inhabitants of the territories where the Duferco Group is strongly rooted are recurrent: a fundraising of this kind was started in October 2020, when the DTP employees gave up part of their remuneration to set up a **solidarity fund** to be used for interventions in support of one of the territories most affected by the effects of the epidemic. The sum collected from the efforts of the employees was then doubled by the management, bringing it to a total value of 200,000 Euro; the amount collected was then allocated to the **Municipality of San Zeno and to the** Fondazione Sorelle Girelli nursery school in Poncarale, territories where the Brescia plant is located and which have been hit hard by the pandemic. The Group's presence and support for its communities

lingered even in the phases following the most critical moments of the pandemic. Following the first wave, the Italian civil protection had to manage the risk of gatherings in tourist areas in order to protect the local communities. A further key element contributing to the development of any community is **culture**. Based on this conviction, also in 2020 DXT renewed its commitment in supporting and sponsoring LAC, *Lugano Arte e Cultura*, the new cultural center dedicated to visual and performing arts and music. Inside its striking architectural structure, overlooking the lake, LAC provides wide and modern space for a rich program of exhibitions, musical events and theatre and dance performances, along with a variety of cultural initiatives for young people and families.



#### **DUFERCO FOR SPORTS**

The support provided by the Group to the world of sport is intrinsic to Duferco's business. During FY20 more than 35 sponsorships were granted to national and local sports entities. In particular, Duferco Energia has increased energy requalification interventions in favour of Amateur Sports Associations, as in the case of the Vigor sports field, managed by the Viareggio Misericordia Association. The intervention consisted in the renovation of the changing rooms, operations of efficiency with the shell and windows, energy upgrading with solar, thermal and photovoltaic systems and anti-seismic. This is one of the first building interventions in Italy carried out with the transfer of 110% tax credit in favour of Amateur Sports Associations.





#### **VIRTUS ENTELLA FOOTBALL CLUB**

Duferco Energia is the main sponsor of **Virtus Entella**, a team from the town of Chiavari that achieved the second highest Italian professional league, the Serie B, in the last few years. Virtus Entella is now a model club with more than 350 athletes and it has managed to create an atmosphere of enthusiasm in the recent years, achieving great results and **goals both on and off the field**, forming men before athletes. The indissoluble bond that the club led by President Gozzi, has created with the Municipality of Chiavari has brought numerous benefits to the local realities, producing **value in the socio-educational field, as well as in the economic one, and strengthening the relationship between the club and those involved**. According to an analysis conducted between 2017 and 2018, every euro invested in Virtus Entella has generated the equivalent of 3 euros in favour of the local community, the city of Chiavari, the players and their families, coaches, retailers and other external stakeholders.

In parallel, Virtus Entella's greatest victory, however, can be seen in the creation in 2016 of the **Entella nel Cuore** foundation, an association with the aims of solidarity, education and support for the territory.

In the difficult year of the pandemic, the non-profit association linked to the Chiavari club took to the field in support of the territory, managing to raise over 100,000 euros in twelve months with the contribution of sponsors, fans, associations and citizens in favour of the Proximity Fund of the Chiavari diocesan Caritas. The closeness to the community is also testified by the strong link that Virtus Entella and the association Entella nel cuore have created with the Associazione Gaslini Onlus and by the closeness and support shown in particular towards the Neurosurgery ward of the Giannina Gaslini Paediatric Hospital in Genoa. Thanks to Entella's donations to Gaslini Onlus it has been possible to support the scientific research of the department and its technological improvement.

The Group recognises the importance of creating value also beyond its boundaries, carrying out different activities in places where it has no direct economic interests.

In this context, through its subsidiary Duferco Energia, the Group has supported several solidarity and charity projects focused on the development of health infrastructure and educational institutes in **Africa**. In 2020, Duferco renewed the support it has been providing for years to the Mangwana Association and to the association Stella Onlus.

Together with these associations, the Group is contributing to humanitarian projects in Dakar, Senegal, and Togo, aimed at improving the situation of social, health and educational

The Duferco Group also seeks to contribute to the training of young people, since the close collaboration with academies is considered to be strategic. The collaboration with companies during students' educational path allows them to better finalize their studies according to the needs of the productive world, prepares them for the future challenges they will have to face and facilitates their entrance in the working world.

degradation and reducing the levels of social exclusion.

This is done in different ways and at different times, through internships or joint projects, but all with the precise aim of

developing close cooperation with academies and to orient it towards innovation and growth of Group's competitive capacity. In this context, universities are privileged partners for companies, providing strategic guidance, consultancy services and staff training. It is worth citing Matrix well established partnership with a tech university in Sao Paulo, which provides internship programs for students, allowing them to deep dive into Group's tech projects alongside skilled professionals, gaining powerful abilities and training.

In addition to Career Days and extra-curricular internships for both high school students and university students attending classes mainly related to steel processing, some of the Group's companies offer open days that include guided tours of their plants and the so-called *alternanza scuola-lavoro*, a government-funded work-related learning experience as part of the study programme, which is mandatory for high-school students in Italy.

The aim of the *alternanza scuola-lavoro*, as well as of all the other initiatives in this direction, is to encourage and speed up the entrance into the job market of the youngest members of the population by alternating theoretical lectures with practical activities in the field.





# **SHARING KNOWLEDGE**

#### **MANAGEMENT 4 STEEL**

The Duferco Group is responsible, together with other major players of the Steel sector in Italy, such as Aso Group, Feralpi Group and Pittini Group, for the Management 4 Steel project, the high-level training course to train young talents on some key technical skills for the steel sector and on soft skills of a more transversal nature. The project was born from the need to train increasingly competent figures who can bring about healthy change and innovation within companies. From business scenarios analysis to process planning, from communication techniques to problem solving methods, Management 4 Steel looks to the future, focusing on collaboration and transversal knowledge as strong competitive levers. The 12 participants ended their training on 29 September 2020. Their final qualifying test consisted in the presentation of a Project Work that implements a transformation in a 4.0 perspective within a company, defining all the phases, from the proposal to the economic analysis, to the communication and the engagement of colleagues.

The aim of the organizers of this advanced training course has been achieved: provide transversal knowledge, while encouraging the creation of a network in the steel industry supporting the cultural growth of the young people who will bring their know-how to the individual partner companies. Due to the measures introduced to contain the Covid-19 pandemic, the project announced in July 2019 was carried out by alternating presence and online, with remote sessions that made it possible to address also the last planned lessons about leadership and Industry 4.0. Following the successful conclusion of the first edition, the partners are now looking forward to repeat the initiative in 2021.





@ Asonext

Thanks to the commitment and professionalism of the organizers, teachers and 'students', the first edition of Management 4 Steel was a success, despite the difficulties added by the lockdown. The spirit of collaboration expressed by the shareholders and managers of the groups involved was the fundamental glue for success. The final event with the National Aerobatic Team of the Air Force, an exemplary model of professionalism, competence and team spirit, was the best seal we could wish for.

Domenico Campanella - CEO of Duferco Italia Holding

Duferco



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#### **SMART TWIN LMF 4.0**

Duferco Travi e Profilati continues to pursue the research plan together with the Università Cattolica and the Università degli Studi di Brescia born in 2019 as part of the Smart Twin LMF 4.0 investment project, partially funded by MISE (the Italian Ministry of Economic Development). Combining economic competitiveness and environmental sustainability through the development and application of new technologies is the aim of this project underway at the San Zeno steelworks. The project, concerning a new station and a ladle furnace for refining liquid steel, is characterized by two technologically relevant aspects. The first one concerns the creation of an innovative layout allowing the new plant to be linked to the pre-existing melting furnace with a significant reduction in downtime and temperature and energy losses, and which from the first analyses carried out seems to guarantee excellent results. The second one concerns digital integration, from the development of the 4.0 sensors to the creation of a "Digital Platform" through which all information from the various machines is collected, processed and made available. These research contracts cover consultancy work by universities in activities involving advanced steel production systems with adaptive and intelligent capabilities. The desired goal is to optimize the efficiency of the production system, thereby increasing the quality of the steel produced (clean steel practice) and simultaneously reducing energy consumption and costs, with a consequent increase in competitiveness.









# Note on methodology

The present Sustainability Disclosure is referred to Duferco Participations Holding SA and its subsidiaries and it covers the 2020 fiscal year (1st October 2019 – 30th September 2020). Duferco Walonie S.A. is included in the reporting scope of the Report. DITH SA is excluded from the reporting boundary. In the present document this period is also named as 2020. Figures and information are reported compared with the 2018 and 2019 fiscal years. The present Sustainability Disclosure, published annually, has been prepared in accordance with the GRI Standards: Core option.

# Principle for defining the content and quality of the reporting

This Sustainability Disclosure has been prepared according to the principles for defining the contents of the report defined by the GRI:

#### · Stakeholders inclusiveness:

this document shows the stakeholders of the Group and the ways in which their interests were considered in defining the contents of the report.

#### Sustainability context:

the performances of Duferco Group presented in this Sustainability Disclosures are included in the broader context sustainability.

- Materiality: the issues reported were identified based on their relevance to the Group's business and to its stakeholders.
- Completeness: the material issues discussed in the report are covered in their entirety and represent the most relevant environmental, social and economic aspects for the Group's activities, thus allowing a complete assessment of Duferco performance in the reporting year.

Moreover, to ensure the quality of the information reported, the principles for defining report quality have been followed as suggested by the GRI.

- Accuracy: the level of detail of the contents reported in the document is adequate for understanding and assessing the Group sustainability performance in the reporting period.
- Balance: the contents of this document report in a balanced way Duferco Group performance in the reporting period.
- Clarity: the choice of a clear language and the use of infographic contributions to represent the performance of the Group make this document available and easy to understand for stakeholders.
- Comparability: the indicators are reported for the 2018-2020 three years period and are presented with comments relating to their performance to allow comparison and comparability of the Group's performance over time.
- Reliability: the data presented in the document were collected, processed, and validated by the managers of each department with the support of a consulting company.
- Timeliness: Sustainability Disclosure takes into consideration events occurring after 30 September 2020 that may be significant for the assessment of the Group sustainability performance by stakeholders.



# **Material topics**

The contents of this document reflect the results of the materiality analysis, as required by GRI Standards and described in the Chapter Sustainability and value creation.

This list of topics has been identified on the basis of a benchmarking analysis, a media analysis, sector and sustainability trends. The relevance has been detected both externally and within the Group. The output is a list of the so-called **material topics**, meaning that they have been considered highly relevant from the internal or the external point of view.

First, external relevance has been elaborated through analysis and sector studies. More in detail, external relevance results from two main inputs. The first input is a macro-trend analysis, that takes into account the frequency by which topics are reported by several sources, such as publications from policy makers, influencers (i.e. GRI or World Economic Forum), stock exchanges, and rating agencies. The second input is an external pressures analysis, which includes a benchmark analysis with the main peers and comparable companies of Duferco at national and international level and a sector analysis, aimed at collecting the most relevant aspects in the sector of reference and disclosed by peers and comparable analyzed.

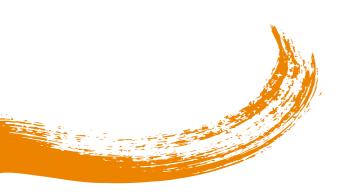
Subsequently, in order to detect the Group's point of view,

internal relevance has been developed on the basis of a survey submitted to companies' focal points. Data were then gathered by business unit, and the final relevance/ score of each topic has been determined as the overall average of all divisions, including the four business units and the holding companies (DPH and DIH).

The combined consideration of the internal and external relevance led to the identification of priority and most significant areas for the Group. As a further stakeholder engagement initiative, the resulting list of 17 material topics was ranked from the highest to the lowest significant according to external stakeholders' perspective. The data have been obtained thanks to an online survey submitted to representatives of all Group's relevant stakeholder categories.

Material topics identified, representing all the main organization's significant economic, environmental, and social impacts and the influence on the stakeholders' decisions are covered within the report chapters as described below.

For each material issue, Duferco Group has mapped the links between the GRI topic-specific Standard and has identified the reporting boundaries., i.e. the impacts generated both within and outside the Group.





DUFERCO GROUP	GRI MATERIAL	SCOPE OF TH	LIMITATIONS	
MATERIAL TOPIC	TOPIC	INTERNAL	EXTERNAL	OF THE SCOPE
BRAND IDENTITY	-	Duferco Group	-	
DIVERSITY & EQUAL	GRI 405 Diversity and Equal Opportunity	Dufarea Craun		
DPPORTUNITIES	GRI 406 Non-Discrimination	Duferco Group	-	
EMPLOYEES TRAINING AND PERFORMANCE	GRI 404 Training and Education	Duferco Group	-	
OCCUPATIONAL HEALTH & SAFETY	GRI 403 Occupational Health & Safety	Duferco Group	-	
FALENT ATTRACTION AND RETENTION	GRI 401 Employment	Duferco Group	-	
WELFARE AND EMPLOYEE WELL-BEING	GRI 401 Employment	Duferco Group	-	
AIR POLLUTANT EMISSIONS	GRI 305 Emissions	Duferco Group	-	
CIRCULAR ECONOMY & MATERIAL CONSUMPTION	GRI 301 Materials	Duferco Group	-	
ENERGY EFFICIENCY	GRI 302 Energy	D. f O		Energy consumption of offices and related
AND CLIMATE CHANGE	GRI 305 Emissions	Duferco Group	-	emissions
WATER RESOURCE MANAGEMENT	GRI 303 Water and Effluents	Duferco Group	-	
WASTE MANAGEMENT	GRI 306 Effluents and Waste	Duferco Group	-	
BUSINESS INTEGRITY AND TRANSPARENCY	GRI 206 Anti-competitive Behavior	Duferco Group	-	
CUSTOMER PRIVACY	GRI 418 Customer Privacy	Duferco Group	-	
HUMAN RIGHTS	GRI 412 Human Rights	Duferco Group	Suppliers	
NNOVATION AND BUSINESS DEVELOPMENT	-	Duferco Group	-	
LOCAL COMMUNITY	GRI 413 Local communities	Duferco Group	-	
	GRI 308 Supplier Environmental Assessment			
SUSTAINABLE SUPPLY CHAIN	GRI 414 Supplier Social Assessment	Duferco Group	Suppliers	

# **Reporting scope**

The reporting scope of the GRI General Disclosure and qualitative information disclosed in the Report includes Duferco Participation Holding S.A. (DPH), Duferco Italia

Holding Spa (DIH) and the list of companies belonging to Duferco's divisions, as listed below:

#### **ENERGY DIVISION:**

- Duferco Energia and its subsidiaries: Energia & Territorio, ELCA, Duferco Solar Giammoro, Duferco Solar Puglia, Duferco Solar Trieste, Duferco Solar, Immobiliare Le Clarisse, and Duferco Biomasse;
- Energy Biomass Sourcing (EBS) and its subsidiary Transexfo SA;
- DXT International and its subsidiaries: Grafton
  Commodity Trading Limited, and its Chinese subsidiary
  Grafton Trading, DXT Commodities North America,
  DXT Commodities, and its two European and Ukraine
  subsidiaries, and Matrix Energy Partecipacoes, the
  Brazilian company.

#### STEEL DIVISION:

- Duferco Travi e Profilati and its subsdiaries Travi e Profilati Pallanzeno, Acofer;
- Ferriere Bellicini;
- Acciai Rivestiti Valdarno (ARV);
- Duferco Danish Steel;
- Duferco Morel, and its subsidiaries: Duferco Morel Quincaillerie, Morel Distribution Profil, Duferco Thionville, Duferco France.

#### SHIPPING DIVISION:

 Nova Marine Holding and its joint ventures: Nova Marine Holding, Nova Algoma, Nova Log, Nova Marine Carriers Middle East, Nova Marine Carriers, Nova Marine Carriers UK, Nova Marine NL, Nova Ship Tech and Nova Singapore.

#### INNOVATION DIVISION:

- · Duferco Dev
- Mainsim;
- Duferco Engineering;
- · Duferco Wallonie.

Data on economic performance and the economic value generated and distributed are based on the Duferco Participations Holding SA Consolidated Financial Statement as of 30th September 2020.

Exceptions to the reporting scope concern GRI quantitative indicators as disclosed in the following table or otherwise indicated in the text.





# LIMITATIONS TO THE REPORTING SCOPE OF GRI QUANTITATIVE INDICATORS DISCLOSED IN THE REPORT 2020

	HOLDIN	HOLDING		ENERGY			SHIPPING	
	DPH	DIH	EBS	Duferco Energia	Duferco Biomasse	DXT International	Nova Marine Holding	
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	•	•	•	•	•	•	•	
301-1 Materials used by weight or volume	0	0	0	0	0	0	0	
302-1 Energy consumption within the organization	0	0	•	•	•	0	•	
303-3 Water withdrawal	0	0	0	0	0	0	0	
305-1 Direct (scope 1) GHG emissions	0	0	•	•	•	0	•	
305-2 Energy indirect (scope 2) GHG emissions	0	0	•	•	•	0	•	
305-7 NOx, SOx and other significant air emissions	0	0	0	0	0	0	0	
306-2 Waste by type and disposal method	0	0	0	0	0	0	0	
308-1 New suppliers that were screened using environmental criteria	0	0	•	•	•	0	0	
401-1 New employee hires and employee turnover	•	•	•	•	•	•	0	
402-1 Minimum notice periods regarding operational changes	•	•	•	•	•	•	•	
403-9 Work-related injuries	0	•	•	•	•	0	•	
403-10 Work-related ill health	0	•	•	•	•	0	•	
404-1 Average hours of training per year per employee	•	•	•	•	•	•	0	
404-3 % of employees receiving regular performance and career development reviews	•	•	•	•	•	•	•	
405-1 Diversity of governance bodies and employees	•	•	•	•	•	•	•	
406-1 Incidents of discrimination and corrective actions taken	•	•	•	•	•	•	•	
414-1 New suppliers that were screened using social criteria	0	0	•	•	•	0	0	

INNOVATION	I			STEEL				
Duferco Engineering	Duferco Dev	Duferco Wallonie	Mainsim	ARV	Duferco Danish Steel	Duferco Morel	Duferco Tarvi	Ferriere Bellicini
•	•	•	•	•	•	•	•	•
0	0	0	0	•	•	•	•	•
0	0	•	0	•	•	•	•	•
0	0	0	0	•	•	•	•	•
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# Reporting process and methodology

The process of gathering data and information and preparing the report was coordinated and managed by the General Counsel of the top holding Duferco Participations Holding SA, in cooperation with the other corporate functions and operating companies. Data presented in the report has been collected through internal interviews and with the support of specific sustainability package reporting package composed of different sections and spreadsheets, including the selected GRI indicators to represent material aspects in line with GRI Sustainability Standards.

The economic and financial data were taken directly from the Consolidated Financial Statement as of 30th September 2020. Operating and governance's quali-quantitative information and those concerning the environment, employees and the other aspects addressed in the document were gathered from the process owners through interviews and data collection process.

The present report was subject to the approval by the Board of Directors.

The main calculation methodology and assumptions used to determine performance indicators and figures have been reported below, in addition to those that already are indicated in the specific related sections.

Duferco Group's employees related figures are represented as headcount as of 30<sup>th</sup> September of the reporting periods and not as full-time equivalent (FTE) data.

For environmental data, whenever not available, the Group adopted a conservative approach in the assumptions made, resulting in the adoption of the worst environmental performance of Duferco Group and its related companies. In particular, greenhouse gas emissions calculations have been carried out based on principles included in the GHG Protocol Corporate Accounting and Reporting Standard and determined as following:

#### **DIRECT (SCOPE 1) GHG EMISSIONS**

SOURCE	ACTIVITY DATA	EMISSION FACTOR	GWP
Diesel, Gasoline, Burning oil, Natural gas, Coal, Intermediate Fuel Oil (IFO), Very Low Sulphur Fuel Oil (VLSFO)	Fuel consumption	DEFRA (Department of Environment, Food & Rural Affairs), Conversion factors - Full set, 2020, 2019 and 2018	Only CO <sub>2</sub> emissions were considered
Diesel, Natural gas, Coal under EU-ETS scheme	Fuel consumption	In line with emission factors used as in the EU-ETS declaration	In line with emission factors used as in the EU-ETS declaration
Leakages from air-conditioning systems of refrigerant gases	Leakage	_	Global Warming Potentials (GWPs) are taken from DEFRA, Conversion factors database (2020, 2019, 2018).

#### **INDIRECT ENERGY (SCOPE 2) GHG EMISSIONS**

SOURCE	ACTIVITY DATA	EMISSION FACTOR	GWP
Electricity purchased from national grid – location-based method	Electricity consumption	Terna, Confronti Internazionali, 2017 and 2018 (Total gross production)	Only CO <sub>2</sub> emissions were considered
Electricity purchased from national grid – market-based method	Electricity consumption	For European countries: AIB - European Residual Mixes, 2018 and 2019	Only CO <sub>2</sub> emissions were considered

 $\label{lem:comments} \mbox{For further information and comments to the report, please contact:}$ 

Duferco Participations Holding SA - sustainability@duferco.com

# GRI content index

GRI STANDARD DISCLOSURE INDICATOR DESCRIPTION REPORT REFERENCE OMISSIO

#### **General Disclosures**

	ORGANIZATIO	NAL PROFILE		
RI 102: eneral	102-1	Name of the organization	Note on methodology	
isclosures	102-2	Activities, brands, products, and services	Introduction: The Group	
	102-3	Location of headquarters	Introduction: The Group; The Duferco organization	
	102-4	Location of operations	Introduction: The Group; The Duferco organization	
	102-5	Ownership and legal form	Introduction: The Group; The Duferco organization; Note on methodology	
	102-6	Markets served	Introduction: The Group	
	102-7	Scale of the organization	Introduction: Business Results; Duferco People: The world within a company	
	102-8	Information on employees and other workers	Duferco People: The world within a company	The total number of employees by employment contract by region was not reported.
	102-9	Supply chain	The Duferco Community: Along our value chain	
	102-10	Significant changes to the organization and its supply chain	Introduction: The Group	
	102-11	Precautionary Principle or approach	Note on methodology	
	102-12	External initiatives	The Duferco Community: A shared growth	
	102-13	Membership of associations	The Duferco Community: Along our value chain	I
	STRATEGY			
	102-14	Statement from senior	Introduction: Message	

decision-maker

from the chairman



ETHICS AND IN	TEGRITY	
102-16	Values, principles, standards, and norms of behaviour	Introduction: The Group; The Duferco Organization
GOVERNANCE		
102-18	Governance structure	Introduction: The Group; The Duferco Organization. Duferco People: A world within a company.
STAKEHOLDER E	NGAGEMENT	
102-40	List of stakeholder groups	Sustainability and value creation: All around Duferco
102-41	Collective bargaining agreements	Duferco People: A world within a company.
102-42	Identifying and selecting stakeholders	Sustainability and value creation: All around Duferco
102-43	Approach to stakeholder engagement	Sustainability and value creation: All around Duferco
102-44	Key topics and concerns raise	Sustainability d and value creation: All around Duferco
REPORTING PRA	CTICE	
102-45	Entities included in the consolidated financial statements	Note on methodology
102-46	Defining report content and topic Boundaries	Note on methodology
102-47	List of material topics	Sustainability and value creation: All around Duferco; Note on methodology
102-48	Restatements of information	No restatements of information were performed
102-49	Changes in reporting	Note on methodology
102-50	Reporting period	Note on methodology
102-51	Date of most recent report	June 2020 (Report 2019)
102-52	Reporting cycle	Note on methodology
102-53	Contact point for questions regarding the report	Note on methodology
102-54	Claims of reporting in accordance with the GRI Standards	Note on methodology
102-55	GRI content index	GRI content index
102-56	External assurance	This report is not subject to external assurance.

### Material topics: GRI 200 economic indicators

	ANTI-COMPI	ETITIVE BEHAVIOR		
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability and value creation: All around Duferco; Note on Methodology	
2016	103-2	Management approach and its components	Introduction: The Duferco organization	
	103-3	Evaluation of the management approach	Introduction: The Duferco organization	
GRI 206: Anti-competition Behaviour 2016	206-1	Legal actions for anti- competitive behavior, anti- trust, and monopoly practices	In reference to 2020, no legal actions occurred, neither closed, nor pending, for anti-competitive behavior, anti-trust, and monopoly practices.	

## Material topics: GRI 300 environmental indicators

	MATERIALS		
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability and value creation: All around Duferco; Note on Methodology
2016	103-2	Management approach and its components	The Green challenge: Reinforcing material circularity
	103-3	Evaluation of the management approach	The Green challenge: Reinforcing material circularity
GRI 301: Materials 2016	301-1	Materials used by weight or volume	The Green challenge: Reinforcing material circularity
	ENERGY		
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability and value creation: All around Duferco; Note on Methodology
2016	103-2	Management approach and its components	The Green challenge: The Duferco Power
	103-3	Evaluation of the management approach	The Green challenge: The Duferco Power
GRI 302: Energy 2016	302-1	Energy consumption within the organization	The Green challenge: The Duferco Power



	WATER AND EFFI	LUENTS	
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability and value creation: All around Duferco; Note on Methodology
2016	103-2	Management approach and its components	The Green challenge: Managing our footprint
	103-3	Evaluation of the management approach	The Green challenge: Managing our footprint
GRI 303: Water and Effluents	303-1	Interactions with water as a shared resource	The Green challenge: Managing our footprint
2018	303-2	Management of water discharge-related impacts	The Green challenge: Managing our footprint
	303-3	Water withdrawal	The Green challenge: Managing our footprint
	EMISSIONS		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Sustainability and value creation: All around Duferco; Note on Methodology
	103-2	Management approach and its components	The Green challenge: The Duferco Power
	103-3	Evaluation of the management approach	The Green challenge: The Duferco Power
GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	The Green challenge: The Duferco Power
2016	305-2	Energy indirect (Scope 2) GHG emissions	The Green challenge: The Duferco Power
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	The Green challenge: Managing our footprint
	EFFLUENTS AND	WASTE	
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability and value creation: All around Duferco; Note on Methodology
2016	103-2	Management approach and its components	The Green challenge: Reinforcing material circularity
	103-3	Evaluation of the management approach	The Green challenge: Reinforcing material circularity
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	The Green challenge: Reinforcing material circularity

	SUPPLIER ENVIRONMENTAL ASSESSMENT		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Sustainability and value creation: All around Duferco; Note on Methodology
	103-2	Management approach and its components	The Duferco Community: Along our value chain
	103-3	Evaluation of the management approach	The Duferco Community: Along our value chain
GRI 308: Suppliers Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	The Duferco Community: Along our value chain

## Material topics: GRI 400 social indicators

	EMPLOYMEN	Т			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Sustainability and value creation: All around Duferco; Note on Methodology		
	103-2	Management approach and its components	Duferco People: A world within a company		
	103-3	Evaluation of the management approach	Duferco People: A world within a company		
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Duferco People: A world within a company		
	OCCUPATION	OCCUPATIONAL HEALTH & SAFETY			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Sustainability and value creation: All around Duferco; Note on Methodology		
	103-2	Management approach and its components	Duferco People: Care and development of our People		
	103-3	Evaluation of the management approach	Duferco People: Care and development of our People		
GRI 403: Occupational Health & Safety 2018	403-1	Occupational health and safety management system	Introduction: The Duferco organization; Duferco People: Care and development of our People		
	403-2	Hazard identification, risk assessment, and incident investigation	Duferco People: Care and development of our People		
	403-3	Occupational health services	Duferco People: Care and development of our People		



	403-4	Worker participation, consultation, and communication on occupational health and safety	Duferco People: Care and development of our People		
	403-5	Worker training on occupational health and safety	Duferco People: Care and development of our People		
	403-6	Promotion of worker health	Duferco People: Care and development of our People		
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Duferco People: Care and development of our People		
	403-9	Work-related injuries	Duferco People: Care and development of our People		
	403-10	Work-related ill health	Duferco People: Care and development of our People		
	TRAINING AND EDI	JCATION			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability and value creation: All around Duferco; Note on Methodology		
2016	103-2	Management approach and its components	Duferco People: Care and development of our People		
	103-3	Evaluation of the management approach	Duferco People: Care and development of our People		
GRI 404: Training and	404-1	Average hours of training per year per employee	Duferco People: Care and development of our People		
Education 2016	404-3	Percentage of employees receiving regular performance and career development reviews	Duferco People: Care and development of our People		
	DIVERSITY AND EQUAL OPPORTUNITIES				
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Sustainability and value creation: All around Duferco; Note on Methodology		
	103-2	Management approach and its components	Duferco People: A world within a company		
	103-3	Evaluation of the management approach	Duferco People: A world within a company		
GRI 405: Diversity and Equal Opportunities 2016	405-1	Diversity of governance bodies and employees	Duferco People: A world within a company		

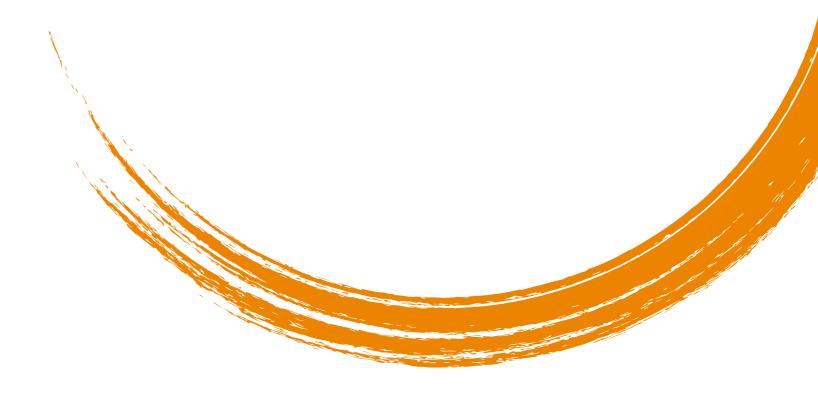
	NON-DISCRIMINATION			
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Sustainability and value creation: All around Duferco; Note on Methodology	
	103-2	Management approach and its components	Duferco People: A world within a company	
	103-3	Evaluation of the management approach	Duferco People: A world within a company	
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Duferco People: A world within a company	
	HUMAN RIGHTS			
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability disclosure: Sustainability and value creation; Note on Methodology	
2016	103-2	Management approach and its components	Duferco Group is committed to ensure the respect of human rights within its internal and external relationships through the adoption and sharing of the Code of Ethics	
	103-3	Evaluation of the management approach	Duferco Group is committed to ensure the respect of human rights within its internal and external relationships through the adoption and sharing of the Code of Ethics	
GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments	Operations that have been subject to human rights reviews or impact assessments The Group's Code of Ethics sets out all rights, duties, and responsibilities of Duferco towards stakeholders, and recommends, promotes or prohibits certain behaviors, in addition to complying with any provisions of applicable law. In particular, Duferco recognizes and respects the dignity, the privacy and the rights of all individuals and rejects and condemns any form of discrimination or harassment, in all the operations carried out internally and with counterparts.	



	LOCAL COMM	IUNITIES		
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Sustainability and value creation: All around Duferco; Note on Methodology	
	103-2	Management approach and its components	The Duferco community: A shared growth	
	103-3	Evaluation of the management approach	The Duferco community: A shared growth	
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	The Duferco community: A shared growth	
	SUPPLIER SO	CIAL ASSESSMENT		
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability and value creation: All around Duferco; Note on Methodology	
2016	103-2	Management approach and its components	The Duferco Community: Along our value chain	
	103-3	Evaluation of the management approach	The Duferco Community: Along our value chain	
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	The Duferco Community: Along our value chain	
	CUSTOMER P	RIVACY		
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability and value creation: All around Duferco; Note on Methodology	
2016	103-2	Management approach and its components	In accordance with its Code of Ethics, Duferco adopts measures to ensure the standard of safety required by laws and to prohibit any undue and illicit processing of personal data, in compliance with applicable data privacy laws and regulations.	
	103-3	Evaluation of the management approach	In accordance with its Code of Ethics, Duferco adopts measures to ensure the standard of safety required by laws and to prohibit any undue and illicit processing of personal data, in compliance with applicable data privacy laws and regulations.	
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No complaints concerning breaches of customer privacy were registered in 2020 within the organization.	

### Other material topics

	BRAND IDENTITY		
GRI 103: Management Approach	103-1	Explanation of the material topic and its boundary	Sustainability and value creation: All around Duferco; Note on Methodology
2016	103-2	Management approach and its components	Introduction: The Group
	103-3	Evaluation of the management approach	Introduction: The Group
	INNOVATION AND	BUSINESS DEVELOPMENT	
GRI 103: Management Approach 2016	103-1	Explanation of the material topic and its boundary	Sustainability and value creation: All around Duferco; Note on Methodology
	103-2	Management approach and its components	Introduction: The Group; Business results; Duferco People: A world within a company
	103-3	Evaluation of the management approach	Introduction: The Group; Business results; Duferco People: A world within a company



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