Download the Sustainability Report on APP Gonvarri

www.gonvarri.com
Dear readers,

I am pleased to present the Sustainability Report of Gonvarri Industries for 2018, in which we gather the most relevant information and events that have taken place during this financial year. Our goal is to combine the economic results with the sustainable value we have generated in the long term.

This Report has been prepared under the Global Reporting Initiative Standard (GRI) guidelines and “Drive”, our Management System. We have also renewed our commitment to the UN Global Compact.

Our business had a positive balance in 2018, with a turnover of 3,575 million euros, an EBITDA of 209.5 million euros. This further strengthens our leadership in the sector.

We are a company with more than 60 years of history with 44 operational plants and various offices and distribution centres spread across 24 countries, where we employ a workforce of more than 5,000 professionals. In terms of our activity, we are immersed in the development of new products and new raw materials such as aluminium, as they become more high profile.

Investments exceeded 250 million euros, which allowed us to diversify and increase our global presence, noteworthy being the acquisition of Gonvarri Material Handling (Constructor Group) in northern Europe, and Flinsa (Flejes Industriales S.A.) in Spain. In addition, we have completed significant expansions, primarily with new hot stamping processes at SGA Popes Lane (UK), Gonvauto South Carolina (USA) and Flavarra (Spain), and laser cutting processes in Thüringen (Germany) as well as in Barcelona, Valencia and Zaragoza (Spain), expanding our aluminium solutions.

In order to adapt to the current market reality, we have redesigned our brand, now known as “Gonvarri Industries”. This new name still represents the core of the company, its strength and commitment of its employees, in line with our aim of becoming industry leaders, providing metal solutions, beyond steel, in order to achieve a safer and more sustainable future. A solid and reliable brand which will be fully operational in 2019.

It is worth noting UK’s Steel&Alloy’s 50th anniversary. The company started up in 1968 and was later acquired by Gonvarri in 2012. This commemorative event also provided the opportunity to officially inaugurate the new SGA Popes Lane plant.
Beyond our financial and corporate results, we commit to helping and supporting the Sustainable Development Goals (SDG), including them in our “Drive” Management System. Our firm commitment to society is emphasised through objective 3.6 “By 2020, halve the number of global deaths and injuries from road traffic accidents”, actively working on road safety via the various initiatives of the Emotional Driving project.

This financial year we have reinforced our commitment with education and early awareness, through informative talks and workshops in various schools and in collaboration with different motivational conferences of the “What Really Matters” Foundation, with an area aimed at promoting road safety amongst young people.

I would like to highlight the perception research study on “Young drivers, distractions and the use of mobiles” carried out in collaboration with Movistar, which includes the opinion of more than 1,000 Spaniards between the ages of 18 and 30-years-old.

The main conclusions show that 8 out of 10 young Spaniards admit to being distracted at the wheel, 67% of them using their mobile phone while driving which, not by chance, is the leading cause of road deaths among young people.

The results of the study confirm that positive emotions, such as driving people and reflecting on their families, help young Spaniards to drive more safely and responsibly. The success of the study encourages us to delve deeper into its findings and to hold a second edition in 2019, extending the sample to the entire Spanish population, allowing us to further analyse the differences with young people.

At Gonvarri, we believe that attracting and retaining talent is fundamental to our growth. For this reason, we have developed numerous training initiatives such as “Gonvarri Young Talent”, devoted to helping young people find their first job, which includes CTE programmes Dual and Jóvenes Ingenieros (Young engineers). Likewise, we have increased the training hours per employee by more than 30%.

We adhere to a proactive role in the battle against climate change, developing Energy Efficient projects focused on reducing energy consumption in our plants. This year we have implemented 15 new MAES in order to save an estimated 3.12 GWh. In addition, by using our highly efficient solar photovoltaic mounting structures, we estimate that we will indirectly avoid more than 300,000 tonnes of CO2 to the atmosphere.

We are living in a truly transformational time, where new technologies, digitalization, connected devices, among others, present us with an essential challenge for the future. Innovation plays a key role in this evolution, both in the communication and integration of the new innovation model, as well as in the participation of our teams and in the development of more efficient and sustainable products that contribute to differentiate us and improve our environment.

In line with the above and with the aim of advancing in the digital transformation of the workplace, we are implementing the “Digital Workplace” project. This means a cultural change for the improvement of our digital skills, the definition of new technologies to improve work and digital agility. Lastly, I would like to congratulate our team of professionals, whose experience, knowledge and enthusiasm help us grow and lead the market.
Dear readers,

I am pleased to present our Sustainability Report for one more year, where I invite you to discover the key economic, social and environmental initiatives we use to provide an answer to current and future sustainability challenges.

Strategic Plan 2016-2018

I would like to begin by thanking and congratulating all of the professionals who make up Gonvarri Industries. Without their collaboration and enthusiasm, we would not have been able to complete the 2016 – 2018 Strategic Plan successfully. This Plan, together with a more stable global environment, has allowed us to conclude the 2018 financial year with an EBITDA in keeping with forecasts, of 209.5 million euros after investments (CAPEX) that exceeded 250 million euros in 2018.

In 2016, we established the new “Drive” Management Model, which was gradually implemented throughout the 2016/18 period, with the objective of taking advantage of synergies and setting common standards. The model is aimed at profitable and sustainable growth based on four axes: people, efficiency, sustainability and innovation, which include the different action guidelines in each case.

This growth requires the integration of new businesses into our culture and way of working. This is where the Efficiency axis is of particular importance. In order to standardise and facilitate this integration, 15 key processes were identified in which more than 150 professionals with a high level of business knowledge are working, representing all countries, companies and functions of the organisation. This will allow us to homogenise our processes and have more efficient results.

We have a team of more than 5,000 professionals located in 24 countries, to whose development we want to contribute. Through the People axis, we identify numerous initiatives aimed at improving their skills and development. We train our future managers by means of the “Gonvarri Leadership Program” which included professionals of 11 different nationalities, we improve the skills of our technicians with programs such as the “School of Supervisors” and we promote the knowledge of our workers in the plant, through the “Start-up teams”, who are in charge of transferring our work culture within the new facilities.

From the Sustainability axis, we work to integrate the Sustainable Development Goals (SDG) into our own Management Model “Drive”. In particular, Goal 3.6 stands out, which contributes to reducing deaths and injuries due to road traffic accidents, through the diffusion of the Emotional Driving project among different groups.

Our Innovation model is built around collaboration with customers, suppliers and technology partners, for the development of projects related to the product, processes and the evolution of the business model. We consider innovation to be a strategic tool at the service of business challenges with a participative approach, promoting the innovation culture throughout our organization. The “Gonvarri 4.0” project represents our commitment to digital transformation. Led from the Innovation area and materialised in transversal projects, this project aims to make significant improvements in Efficiency, Quality and Safety.

Strategic Plan 2019-2021

We face the future with enthusiasm and responsibility, for which we have established the new Strategic Plan 2019-2021 in line with the achievements made, the experience acquired and our long-term expectations, aimed at consolidating Gonvarri Industries as a world-class industrial group within our different areas of activity.
This new plan also reflects the progress and consolidation of the Drive Management Model. At the end of the first period, several enhancements have been made to the model, including the full integration of the Compliance and Internal Audit axis, which we have been working on since 2017.

Its main lines of action include outlining controls and policies which aim to minimise risks, reinforcing existing controls and auditing their compliance in the different countries. In addition, online and on-site training on the Code of Ethics and the new compliance policies are fundamental pillars for their fulfilment and dissemination.

An outstanding development has been the change of our brand name to "Gonvarri Industries”. With this change, we adapt to the current market reality, which is more diverse and global, in line with our Mission, focused on activities of design and manufacture of innovative metal solutions. By doing this, we will boost the performance for our customers with a multinational and highly collaborative team.

Innovation continues to be a key factor in this timeframe. We must respond to our customers’ demands through digitalization, efficiency in our processes and the improvement of our product lines, using a variety of approaches:

• In Auto, we reinforce our commitment to the use of high-quality materials such as aluminium and high-strength steels.

• In Energy, we developed the new solar tracker axis, "TracKSmart+", that increases the reliability and performance of photovoltaic parks.

• In Road Safety, the launch of a test track that will allow the development of new and improved products, as well as the promotion of new solutions for impact absorbers.

• In Storage Solutions (GfMH), we expect significant growth in products with higher added value such as mobile shelving, self-supporting buildings and pallet solutions for automated warehouses, among others.

To improve the global management of the company, we have an important challenge: the “One SAP” project. The objective of this project is to incorporate the latest technology in management systems and to define a new systems environment that favours innovation by incorporating new possibilities for access and analysis of information in real time, in a collaborative environment with our customers and suppliers.

In this new phase we cannot overlook our professionals and how important their growth and well-being are to us. For this reason, we have designed various initiatives, such as the “Gonvarri Academy” project, which will allow us to define training programmes personalised by profiles. In order to approach the future with greater certainty, individual “successions plans” will be established for those candidates identified to occupy key and/or high potential positions within the company. All of this contributes to the retention of talent, as well as reinforcing pride of belonging to initiatives such as Diversity, Be Healthy! And Women of Steel.

Before concluding this letter, I would like to talk about another key aspect: Health & Safety. After many years of strong improvements regarding the rate of accidents, we have recently been through a small decline. For this reason, we will work actively to improve communication and the integration of all H&S standards, involving all employees via various initiatives aiming to reach “zero accidents”.

Finally, I would like to invite you to learn about the key milestones in our performance included in the 2018 finance report, hoping they will be of your liking.
General disclosures

Our company 10
Drive and the Sustainable Development Goals 20
Materiality Analysis 27
Governance 30

Drive. Management Model 32
Annexes 104
Gonvarri Corporación Financiera, S.L. (henceforth Gonvarri Industries or Gonvarri) was founded in 1958, conducting business in manufacturing, processing and trading in steel products and metals related to the iron and steel industry. The corporate structure of the Gonvarri Corporacion Financiera is 100% owned by HOLDING GONVARRI S.R.L.

The headquarters are located in: Prolongación de Embajadores, s/n. 28053 Madrid - Spain

From the beginning, Gonvarri Industries has experienced sustainable growth, diversifying itself to a global level, and it has a presence in 24 countries with 44 operating plants, 22 distribution centers and offices and 1 plant under construction.

In 2018, the companies Flinsa, Suparts engineering and Gonvarri Material Handling (Constructor, Dexion, Kasten and PSS) were fully integrated into the business. In addition, the Steel&Alloy Popes Lane and the Laser Automotive Zaragoza plants started production and the construction of the Nitra plant in Slovakia began.

Furthermore, at the closing of the year we acquired a new GMH Canrena plant in Sweden and the majority of Addimen’s shares in Spain.
Purpose
Doing well by doing Good
Doing well by doing Gonvarri

Vision
Gonvarri: Metal Solutions for a safer and sustainable future

Mission
To improve the Performance of our customers providing Innovative and Sustainable Metal Solutions based on a World Wide highly Collaborative Organization
### Milestones

**Evolution since its beginning**

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Gonvarri Industries is committed to contributing to economic, social and environmental progress in the countries we have a presence in.

Economic Contribution

Through our business activity we generate many benefits for the society around us. We stimulate local development by promoting employment in the area, the growth of new suppliers and businesses, as well as the improvement of infrastructures through the payment of local duties and taxes, among others.

Social Contribution

Our activity requires the hiring of numerous local workers to whom we offer a stable employment, which increases the economy of the area and the purchasing power of families. In addition, we carry out numerous social action activities to improve the environment.

Environmental Contribution

Our activity is directly related to the reduction of vehicle emissions, through lighter and safer structures. Furthermore, our plants are managed to minimize our environmental impact, in particular through the measures implemented in terms of energy efficiency.
Worldwide Presence

- **24 Countries**
- **44 Operational facilities**
- **22 Distribution centers and offices**
- **5,195 Own Professionals**

**GLOBAL**

- **PERIMETER OF THE SUSTAINABILITY REPORT**

**Steel & Alloy**
- Popes Lane
- Newton Aycliffe
- Bridge Street
- Union Street

**Steel & Alloy**
- Darlastone
- Connock
- GMH UK DC

**GMH**
- Holland DC
- Belgium DC*

**Gonvarri**
- Burgos
- Barcelona
- Tarragona
- Valencia
- Barcelona
- Galicia
- Navarra

**AMG**
- Campinas
- Resende*
- Paraná
- Rio Grande*

**Suports**
- Mexico

**Headquarters**
- Barcelona
- Tarragona
- Valencia

**GMS**
- Bilbao Off.

**Laser Automotive**
- Campinas
- Resende*
- Paraná
- Zaragoza*

**Steel & Alloy**
- Puebla

**Flinsa**
- Asturias

**Addimen**
- Flinsa

**Gonvarri**
- Arizona
- Baja California
- South Carolina
- Colombia
- Argentina

**Gonvarri Industries Sustainability Report 2018**
Operational facilities
Distribution centers and offices

*Not included in the scope of the report.
** Under construction.
Main milestones in 2018
102-2 AND 102-6

The company has a presence in 24 countries, which allows us to cover the entire global market. We continue to invest in service facilities, with new production lines subject to the increase in demand and internal initiatives of the company, which allows us to strengthen our position in the global market. The main activity in 2018 will be outlined hereunder:

January
- Acquisition of Suports Desarrollo y Soluciones
- Completion of the Phase III expansion of Gonvarri Czech

February
- New web page for Gonvarri Turkey
- Annual GMH Convention

March
- Adjustment to the General Data Protection Regulation of the European Union
- Start-up of the new Blanking and Slitting lines in Steel&Alloy

April
- Gonvarri acquires a majority of Addimen shares
- Gonvarri acquires Flinsa
- Start-up of the new “Tilting” line in Gonvauto Puebla
- New Code of Ethics

May
- Inauguration of the Gonvama plant in Shenyang
- New App Gonvarri 4.0 Drive

APP Gonvarri 4.0
Drive
Gonvarri
equal & better
July
• Gonvarri is recognized as a Prescribing Partner by the Spanish Network of the United Nations Global Compact
• Installation of a new cutting line in Gonvarri Tarragona

August
• Phase 2: New service centre. Blanking line in Gonvama Loudi.

September
• Road Steel develops two projects financed by FEDER
• Gonvama Loudi completes its first blanking press

October
• Road Steel successfully completes Project ABECATIM

November
• Gonvauco Navarra acquires a new press blanking line
• Start of the Gonvarri Nitra construction

December
• Gonvarri acquires Canrena (Sweden)
• Completion of the hybrid steel and aluminium blanking line in Gonvarri South Carolina

Steel & Alloy UK celebrates its 50th anniversary and opens new plant in Popes Lane

The company began operations in 1968, and was acquired by Gonvarri in 2012. The commemorative ceremony also served to officially inaugurate the new S&A Popes Lane factory.

Over 160 guests attended the celebration, among whom were various personalities such as the UK Investment Minister, the Deputy Mayor of Sandwell City Council, the CEO of the Organisation for Investment in Automotive and family members of the company’s founder.

The President of Gonvarri, Jon Riberas and the director of Steel & Alloy, Mark Cooper also attended, together with other directors.

The guests enjoyed a tour in which they learned about the history of Steel & Alloy first hand, as well as a Videomapping experience to get to know the British plant from a technological point of view.
Gonvarri is a company with more than 60 years of history that currently has 44 operating plants, 22 offices and distribution centers, with presence in 24 countries. This growth is linked to the development of metal components for the automotive, road safety, solar structures, storage solutions and industry sectors. Although steel continues to be our main raw material, aluminium is becoming more and more relevant. Gonvarri Industries was born as a result of this evolution. A new brand that reflects what we want to be, a worldwide leader. A brand that makes us better known, highly valued and more competitive, being a faithful reflection of the reality in which we live. We anticipate the future, maintaining the essence of our roots, with a set of universal values, “Honesty, Humility, Tenacity and Work”, which represent the greatness of the company, its strength and the commitment of its workers, preserving our Mission, providing metal solutions for a safer and more sustainable future, adapted to our customers’ needs. 

With the acquisition of Constructor Group, the new brand “Gonvarri Material Handling” has been created. This division commercializes its products in different markets with its own commercial brands:

**Local brands**
These are the brands of the factories where proximity, geographical environment and local connection prevail above all.

**Brands projects**
Brands of relevant projects developed within the company, linked to “Gonvarri Industries”.

Main brands and products

Other corporate brands

102-2
Business brands
We are strengthening the diversification of the company’s business by maintaining the unity of the “Gonvarri Industries” brand, consolidating our global leadership. Under this scheme, our products are commercialized with its respective business brands.

Automotive
Leaders in the supply of flat steel, steel tubing and 3d laser cutting to the main automotive Tier 1s and OEMs as well as to important stamping companies.

Industry
Supplying flat steel for profiles and tube for different sectors (domestic appliances, construction, cable tray, metallic furniture,...), of high quality and according to the needs of our customers.

Road Safety
Development of practically all containment systems for highways, just as anti-noise screens and sound-absorbing coating of tunnels, trough innovative and patented products, strictly meeting all regulations about quality and safety.

Energy
Designing and supplying innovative fixed and mobile solar structures, with wireless communication technology which are self-powered, as well as streetlights and electricity pylons.

Material Handling
Ones of leading suppliers for the engineering and manufacturing of storage and handling systems for all industrial environments offering an integral service.

Mecano
Develops cable tray, bus bar trunking and profile systems, with appropriate accessories in accordance with customer requirements, for sectors as mining, oil and energy.
Drive and the Sustainable Development Goals

Management Model “Drive”

Drive is the Management Model that pushes Gonvarri Industries to reach its objectives for profitability and growth. The current model for the 2016-2018 period is based on people, on the efficiency of the continuous improvement of its processes, on the particular effort in innovation, and always with a focus on sustainability.

Among the new communication and consultation developments this year, we highlight the following:

- The new Gonvarri 4.0 Drive App, available for both Android and iOS, with numerous features and advantages.
- The new corporate Intranet 4.0, structured on the 4 axes of the Drive Management Model, with a new, more visual, corporate and intuitive design and with a more dynamic navigation structure.

Integration of the Sustainable Development Goals into Drive

After the approval of the United Nations Sustainable Development Goals (SDG) on September 25, 2015, which focus on eradicating poverty, protecting the planet and ensuring prosperity for all, a new agenda for progress 2030 was born, in which companies play an essential role.

At Gonvarri we consider contribution to these goals key, through responsible management that is consistent with our values, in order to face these new global challenges and, through these, achieve sustainable long-term growth.

For this reason, since 2013 we have adhered to the United Nations Global Compact and have been committed to complying with the 10 Universal Principles. Furthermore, with the Global Compact being the formal body responsible for monitoring and reporting on the SDG, this helps us to improve our contribution.

The SDG entail a wide range of issues relevant to Gonvarri. This allows us to integrate our commitments to the SDG through our “Drive Management Model” and contribute to their achievement. The most significant commitments are summarized below.
More than 1,300,000 people a year are killed in traffic accidents around the world. 20% of these are considered work-related accidents. At Gonvarri Industries we believe this affects us in two ways:

• On one hand, we are a leading company in the world’s auxiliary automotive sector and in the manufacturing of vehicle containment systems for highways which contribute to minimizing the impact of traffic accidents.
• On the other hand, our staff make more than 5 million trips per year, most of them by car.

This means that as agents involved in the road sector, we feel responsible for reinforcing safety and well-being, both within the company and in society, especially with the victims of traffic accidents.

For this reason, the “Emotional Driving” Program was launched in 2014, with the purpose of making drivers themselves the protagonists and main force in the road safety messages, by appealing to their beliefs, values and emotions for safe driving.

At Gonvarri we feel this program is directly aligned with SDG 3.6: “Halve the number of deaths and injuries caused by traffic accidents in the world by 2020.”

In addition, through our activity, we also generate positive impacts on the following SDGs:

- **SDG 9.1.** Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all.
- **SDG 11.2.** By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety.
- **SDG 17.17.** Encourage and promote effective public, public-private, and civil society partnerships, building on the experience and resourcing strategies of partnerships.
How do we contribute to achieving these objectives?

The program is constantly evolving, reaching new interest groups each year through different initiatives and collaborations, which allow us to improve our contribution. This information is further explained in the Sustainability chapter.

Monitoring KPIs

The indicators are grouped into four main lines: Awareness and training, stakeholders, innovation and development and economic return.

**Awareness and training**

This is estimated through our participation in workshops, congresses, publications, campaigns, etc., where we make an impact and spread our message to a diverse and large audience.

**KPI** Increase the volume of road safety awareness in the population by 2% each year.

**SDG RELATED**

- Children and young people
- Employees
- Society

**RESULT** In 2018, we have impacted more than 15 thousand young people of school age in the area of Road Safety through congresses and talks.

**Innovation and development**

Measure the impact that we have on road safety, through the development of new products and patents (road safety barriers, safer cars, etc.), which help to minimize the impact in the event of an accident.

**KPI** Collaborate and develop new alliances for projects related to road safety and new stakeholders.

**SDG RELATED**

- Drivers
- Society

**RESULT** Road Steel Engineering team designs innovative products in the road barriers such as the ABECATIM Project, crush cushions.

**Alliances**

They strengthen our messages through campaigns and collaborations with Foundations, Public Organisms and NGOs, with whom we join experiences, and expand the sphere and diversity of stakeholders.

**KPI** Collaborate and develop new alliances for projects related to road safety and new stakeholders.

**RESULT** We have implemented the first road safety programme with the Real Madrid Foundation for people with disabilities.

**Economic return**

In order for the Emotional Driving program to be sustainable and to remain over time, it is necessary to have information available on the investment made and to estimate the "intangible" benefits of the process, in order to obtain a satisfactory economic return.

**KPI** Increase the impact and reach a satisfactory annual economic return with the Emotional Driving project.

**RESULT** During 2018 great actions have been made to disseminate road safety to society, so the return on investment is 89% more than the investment made.
Energy Efficiency and the SDG

The mitigation of climate change is a key challenge of the XXI century. Its achievement is partly contingent on an effective energy transition, where energy efficiency and the growth of renewable energies in the energy mix play a fundamental role. Furthermore, the decarbonisation of the planet is still very much on the world agenda, with emissions remaining stable for the third consecutive year. This stagnation is not enough to meet the targets set in and after the Paris Agreement.

Within this context, energy efficiency plays a crucial role for its significant contribution to the reduction of emissions, in addition to the savings made associated with their responsible use. Gonvarri has an intensive energy consumption in its plants, primarily at plants with coating processes, such as galvanization and electrogalvanizing. Therefore, being able to optimize and improve products and processes through energy efficiency, is a very relevant matter to the company.

At Gonvarri we consider this program to be directly aligned with SDG 7.3. “By 2030, double the global rate of improvement in energy efficiency.”

In addition, through our activity, we also generate positive impacts on the following SDG:

SDG 12.2. By 2030, achieve the sustainable management and efficient use of natural resources.

SDG 13.2. Advances in the different initiatives combating climate change.

How do we contribute to achieving these objectives?

Energy is a key aspect in our business. The measures aimed at reducing these consumptions are extremely beneficial, in addition to reducing costs and improving production processes, these allow us to reduce CO₂ emissions and, by doing so, contribute to the fight against climate change.

To this effect, the Pro-Efficiency Project was initiated in 2015, through which we monitor consumption and obtain real segregated data. This allows us to detect points of improvement in the less efficient processes and to implement Energy Saving Measures (ESM) that revert and optimize this situation. This project is gradually being implemented in all of our plants.

Monitoring KPIs

**Measurement**

KPI: Increase the implementation of Pro-Efficiency with 3 new plants/year.

SDG RELATED

- Environment and climate change
- Managers

RESULT: Pro-Efficiency was implemented in Gonvarri Argentina, Gonvarri Russia and Gonvauto South Carolina.

**Energy savings**

KPI: Reach energy savings of 12 GWh/year by 2020.

RESULT: In 2018, 15 measures were implemented, through which energy savings increased by 3.12 GWh/year. The total energy savings amount to 10.86 GWh/year.

**SDG RELATED STAKEHOLDERS**

- Environment and climate change
- Managers
Road safety is a fundamental aspect for society in general. In Spain alone, the number of fatalities in traffic accidents increased by 15% this summer (Source: DGT). Those particularly vulnerable in this area are users of two-wheeled vehicles (bicycles, scooters and motorcycles, etc.), where accidents increased by 12% between 2016 and 2017.

Safer vehicles and road safety barriers/guardrails play an important role as these are some of the main measures directed at reducing accident rates and their impacts. Through our activity, the manufacturing of steel and aluminium structures for vehicles, and through the design and production of highway guardrails, we contribute to reducing the number of victims or the severity after an accident.

At Gonvarri we consider many of our design and innovation initiatives to be directly aligned with SDG 9.4. “By 2030, modernize infrastructure and retrofit industries to make them sustainable, using resources more efficiently and promoting the adoption of clean and environmentally sound technologies and industrial processes, and getting all countries to take action in accordance with their respective capabilities”.

In addition, through our activity, we also generate positive impacts on the following SDG:

- SDG 8.2. Achieve higher levels of productivity of economies through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors.
- SDG 12.2. By 2030, achieve sustainable management and efficient use of natural resources.
- SDG 17.17. Encourage and promote effective public, public-private, and civil society partnerships, building on the experience and resourcing strategies of partnerships.

How do we contribute to achieving these objectives?

Innovation is a priority pillar for our 2019-2021 Strategic Plan, focussed on maintaining profitable and sustainable growth. For this reason, we have defined a new model for innovation, which is oriented to respond to our customers’ short-, medium- and long-term requirements and needs.

We adapt to the new challenges the market poses concerning the reduction of emissions, increasing competitiveness, digitalization, the development of new sustainable mobility solutions and improving road protection.

Monitoring KPIs

**Product and processes innovation**

Aimed at increasing the number of projects focused on improving our products (new materials, improved designs, etc.) and processes (efficiency, etc.).

**KPI** Develop new innovation initiatives.

**SDG RELATED**

- 9 Industry, innovation and infrastructure
- 12 Sustainable cities and communities
- 17 Peace, justice and strong institutions

**STAKEHOLDERS**

- Society
- Employees
- Environment

**RESULT** Among other, we highlight the initiative of TracSmart T, SLM technology tooling, trolley alert security or digitalized warehouse management.

**Innovative Ideas**

Aimed at increasing the participation of our professionals in workshops and workgroups that generate new ideas to contribute to improving our processes and products.

**KPI** Increase the participation of innovative ideas for improvement year by year.

**SDG RELATED**

- 8 Decent work and economic growth
- 9 Industry, innovation and infrastructure
- 17 Peace, justice and strong institutions

**STAKEHOLDERS**

- Employees
- Environment

**RESULT** In 2018, 5081 improvement of ideas were registered, as part as those that were the basis of innovative initiatives.
According to the ILO, it is estimated that more than 600 million new jobs will have been created by 2030, in line with the growth of the world’s working-age population. This represents about 40 million jobs per year. Therefore, we need to improve the conditions of the 780 million men and women who work but not do not earn beyond the 2 dollars a day poverty line. Moreover, more than 60% of the world’s employed population is in “informal employment”. This vulnerable type of employment remains widespread and inequalities and social discontent persist.

This calls for a global shift towards formal, diverse, secure and stable employment, respecting human and labour rights, improving education, reducing wage gaps and inequalities, and paving the way for a more just and egalitarian society. Within this context, as a multinational company with a presence in 24 countries and with over 4500 direct employees, we contribute to the improvement of this environment through stable, lasting, quality employment, which serves to create local wealth in the communities we operate in.

Gonvarri believe that our recruitment and team building initiatives are directly aligned with SDG 4.4. “By 2030, we will significantly increase the number of young people and adults who have the necessary skills, particularly technical and professional, to access employment, decent work and entrepreneurship”.

In addition, through our activity, we also generate positive impacts on the following SDG:

SDG 8.5. 
By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

SDG 10.3. 
Ensure equal opportunity and reduce inequalities of outcome, including through eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and actions in this regard.

How do we contribute to achieving these objectives?

At Gonvarri Industries we foster local employment and provide the training and supervision mechanisms to allow our employees to work in a safe and diverse environment.

Monitoring KPIs

**Local employment**

*AIMED AT CREATING LOCAL WEALTH IN THE COUNTRIES WE OPERATE IN, THROUGH STABLE LOCAL HIRING, PAYING LIVING WAGES, WITH LEGAL WORKING HOURS AND SHIFTS.*

**KPI** Maintain the average ratio of local employment >80%.

**STAKEHOLDERS** 
- Employees
- Society

**RESULT** In 2018, local employment reached 96%.

**Training hours**

*THE TRAINING AND QUALIFICATION OF OUR EMPLOYEES CONTRIBUTES TO THEIR PROFESSIONAL DEVELOPMENT AND PROMOTION, AND THEREFORE IMPROVES THEIR FUTURE OPTIONS.*

**KPI** Increase training hours.

**STAKEHOLDERS** 
- Employees
- Society

**RESULT** In 2018, we provided over 200,000 training hours, around 30% more than in 2017.
At Gonvarri Industries we believe that taking care and improving the relationship we have with our stakeholders is a key focus to improve our performance. In this area, we consider every organization that could exert a substantial influence, and that is, or might be, affected by our activity.

Since 2013 we have updated our stakeholders in order to improve coverage and communication, to have better insights into their expectations and to orientate the contents of the Report towards their main requirements in the economic, social and environmental areas. We have different specific communication channels for each of the identified stakeholders, as is summarized next:

### Stakeholders: Identification and communication

#### Gonvarri Industries Sustainability Report 2018

- **Employees**
  - Global satisfaction climate survey
  - Intranet Leading The Change
  - Interdepartmental meetings with management
  - Work council and Health and Safety Committee

- **Suppliers**
  - Supplier evaluation surveys
  - Regular visits and meetings
  - Supplier’s portal
  - Claims management

- **NGO’s**
  - Catalogues and stands at trade fairs
  - “B2B Platforms” as a communication tool
  - Annual satisfaction survey
  - Regular visits and meetings
  - Claims management

- **Customers**
  - Claims management

- **Local Communities and Authorities**
  - Relationships with local authorities, sectoral associations and other organisations are typically organised by management at each plant.
  - Events and days of “open doors”
  - Institutional meetings

- **Shareholders / Senior body**
  - Periodically reports between the General Managers and the CEO
  - Each quarter, the most significant results are included on the order of the Board of Directors day

- **Media**
  - Daily analysis of relevant news
  - Press releases
  - Social media channels and a website

- **Competence**
  - Forums and associations
  - Specific collaborations
We have a growing presence on social networks, which allows us to increase our communication channels to a wider audience.

In 2018, social networking activity was very focused on diffusing campaigns related to driving safety, with contents that allow us to measure the positive impact of the messages. This is reinforced through our Emotional Driving webpage.

**Materiality study**

In recent years we have reinforced the materiality analysis, with the purpose of detecting and revising the factors relevant to sustainability.

For the “Identification of material factors” we consider, on one hand, the matters that affect our environment (current trends, issues treated by our competitors and analysts), and on the other, the policies and programs developed by Gonvarri, as well as our appearances in the communication media.

This allowed us to group the information into 19 factors. Below, we weigh these 19 factors to identify those most relevant to our stakeholders and to the company, from an internal and an external perspective.

To this end, we have carried out an extensive consultation with our main stakeholders, covering management, employees, suppliers and customers. The survey is conducted using a data and information analysis technology tool which assesses the importance and perception of the identified issues. This perspective is crucial to ensure that the materiality analysis reflects the company’s situation in a global, comprehensive and coherent manner and that the relevant factors are identified, not only at a corporate level, but for each country in which we are present so that these factors can be linked to our corporate strategy.

### External and internal coverage

<table>
<thead>
<tr>
<th>External</th>
<th>Internal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benchmark sectorial</td>
<td>Strategy</td>
</tr>
<tr>
<td>Press analysis</td>
<td>Management opinion</td>
</tr>
<tr>
<td>Analysts’ reports</td>
<td>Contractual obligations</td>
</tr>
<tr>
<td>Employees’ opinion</td>
<td>Key aspects</td>
</tr>
<tr>
<td>Customers opinion</td>
<td>Supplier’s opinion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2018</th>
<th>Twitter</th>
<th>YouTube</th>
<th>LinkedIn</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Followers</td>
<td>1,897</td>
<td>186</td>
<td>9,629</td>
<td>11,712</td>
</tr>
<tr>
<td>Total number of contents posted in 2018</td>
<td>237</td>
<td>21</td>
<td>67</td>
<td>325</td>
</tr>
<tr>
<td>Visits to our profiles</td>
<td>8,434</td>
<td>1,342</td>
<td>306,869</td>
<td>316,645</td>
</tr>
</tbody>
</table>
The average participation of each stakeholder is summarized next:

<table>
<thead>
<tr>
<th>Surveyed</th>
<th>Managers</th>
<th>Employees</th>
<th>Customers</th>
<th>Suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Surveys sent</strong></td>
<td>1,936</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Participation</strong></td>
<td>95%</td>
<td>61%</td>
<td>41%</td>
<td>55%</td>
</tr>
</tbody>
</table>

There have been no relevant changes with respect to last year. The minor changes are indicated in their corresponding sections (102-49). There has been no restatement of information regarding the previous financial year (102-48).

After this analysis, its weighing and revision, a global total of 9 material factors were defined. The table summarizes the material factors and the chapters in which they are elaborated upon.

<table>
<thead>
<tr>
<th>Gonvarri Industries Global Material Subjects</th>
<th>Reference material</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Sustainable financial profitability</td>
<td>Drive: profitable growth</td>
</tr>
<tr>
<td>2 Risk control</td>
<td>Drive: profitable growth</td>
</tr>
<tr>
<td>3 Data protection</td>
<td>Drive: profitable growth</td>
</tr>
<tr>
<td>4 Compliance</td>
<td>Drive: Internal Auditing &amp; Compliance</td>
</tr>
<tr>
<td>5 Customer relations</td>
<td>Drive: efficiency</td>
</tr>
<tr>
<td>6 Innovation</td>
<td>Drive: innovation</td>
</tr>
<tr>
<td>7 Health and safety</td>
<td>Drive: efficiency</td>
</tr>
<tr>
<td>8 Management of environmental impacts</td>
<td>Drive: efficiency</td>
</tr>
<tr>
<td>9 Promotion of the Circular Economy</td>
<td>Drive: efficiency</td>
</tr>
</tbody>
</table>

The significant factors for internal and external stakeholders are summarized below:

**Topic: Internal Stakeholder**

<table>
<thead>
<tr>
<th>Reference material</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drive: people</td>
</tr>
</tbody>
</table>

**Topic: External Stakeholder**

<table>
<thead>
<tr>
<th>Reference material</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drive: profitable growth</td>
</tr>
<tr>
<td>Drive: sustainability</td>
</tr>
</tbody>
</table>

Regarding these factors, additional information will be reported in the corresponding chapters. It should be noted that, given the small annual variation in material matters, from this year onwards the study will be reported on a biennial basis, the next materiality study being in 2020.
Governance

Governance Structure

The governing bodies of the society are the General Shareholders’ Meeting and the Board of Directors, which is the highest governing, supervision, decision and control body of Gonvarri. In the Statutes of Gonvarri, the functioning of the Board of Directors and the requirements and deadlines for convening the General Shareholders’ Meeting are reflected.

As of December 31st 2018, the Board of Directors is formed by:

Mr. Juan María Riberas Mera
President

Mr. Vijay Krishna Goyal
Vice president

Mr. Alain Le Grix de la Salle
Board Member

Mr. Jesús Calvo Moreira
Board Member

Mr. Francisco José Riberas Mera
Secretary

Mr. José Manuel Arias García
Board Member

Acek Desarrollo y Gestión Industrial, S.L.
Board Member

Gonvauto, S.A.
Board Member

Agrícola La Veguilla, S.A.
Board Member

The company ACEK DESARROLLO Y GESTIÓN INDUSTRIAL, S.L., represented by Mr. Juan María Riberas Mera held the position of Managing Director at December 31st 2018, vested with each and every one of the powers attributed to the Board itself, except those that according to the Law or the Articles of Association may not be delegated.

Gonvarri is an unquoted company, whose members of the Board of Directors represent all shareholders, and therefore there is no legal imperative to have representatives from other stakeholders, nor to take other factors related to diversity, minorities, etc. into consideration. (102-22 and 102-24). The President of Gonvarri hold an executive position (102-23).

The performance of the Board of Directors is not reviewed, as the members are the owners of the company through their shares and represent all partners. This year there have not been any changes to the members or the organizational practices (102-28).

The Board of Directors makes relevant decisions in plenary session and delegates, when applicable, the execution of these. Additionally, special powers of attorney can be agreed by the Board of Direction in favor of employees of the company to carry out specific elements in those operations previously approved by this body (102-19).

The powers for the designation of the Board Directors correspond exclusively to the General Shareholders’ Meeting, which constitutes the interest of all the company partners (102-24). For either a natural or legal person to be appointed as administrator, being a partner, it is not required. Likewise, the conditions that prohibit such function are established in the Statutes.

The partner will not be able to exercise his voting right associated with their participations when in one of the conflict of interest cases established in article 190 of the Royal Legislative Decree 1/2010, of the July 2, in which the Consolidated Text of the Corporate Law was approved (102-25).

Regarding the information and consultation mechanisms (102-21), these are done through the different administrations that act as a conduit between the Board of Directors and the different stakeholders. Furthermore, the General Manager holds biannual meetings with all the corporate staff. In these meetings, the relevant elements related to the management and the company’s situation are outlined and the feedback from the staff on these matters and other matters of interest is received, with all the corporate staff in Madrid available for direct consultation.

The responsibilities, functions, communication and knowledge of the highest governing body in relation to sustainability

Through our parent group, we count with a global corporate culture that retains the very same values and principles from our origin, but which are tailored to the local needs of each country, to the current market conditions and to the stakeholders’ demands. The Board of Directors is responsible for the approval and commitment to complying with the Code of Ethics, the Sustainability Policy, as well as the compliance policies. Moreover, company employees can be expressly empowered to carry out specific elements of operations previously approved by this body (102-20 y 102-26).
Specifically, the following corporative policies were approved in 2018: Policy for risk control and management, Policy on trade sanctions, Policy for information exchange with the competition, Policy for tax risk management, Ethics Channel Rules and Policy for conflict of interest management.

The heads of the different administrations keep a permanent and fluent communication with the General Manager of the company. Any important worry is immediately conveyed by the heads of the different areas to the General Manager, who, if necessary, will convey this to the Board of Directors. (102-33)

The company participates and integrates it’s economic, social and environmental responsibilities into the different managed areas, whose highest managers bring any decisions to be taken to the General Manager and, where appropriate, to the Board of Directors. Additionally, they are permanently informed of economic, social and environmental matters, through different internal communication mechanisms, such as: periodical meetings with the directors of the different areas, the biannual meetings of the General Manager with the staff, the development and approval of the Sustainability Report and different communication mechanisms like the intranet “Leading the Change” (102-27).

In regard with the Sustainability Report, this is coordinated through the Corporate Management of Communication, Marketing and Sustainability. A materiality study is performed annually in which key points for its stakeholders are gathered and implemented throughout the Report. Its function is transversal within the organization, as it covers the different societies within the Group (102-32).

The Report follows a supervision and revision process, to finally be approved by the General Manager. Additionally, to ensure the trustworthiness of the information, it is externally verified by an independent body.

Risk Management Functions of the highest governing body

For the development and execution of new projects, a thorough study is performed in which all the quantitative and qualitative aspects of the project are analyzed and weighted, just as the investment, financing and potentials risks for the different administrations of the company and the Management Committee, prior to its presentation and subsequent approval to the Board of Directors.

All these activities and the possible risks derived from these are continuously analyzed by the management and the Gonvarri teams, which allows for risk detection and the implementation of the necessary correcting measures in a fast and agile way. In the Risk Management section, the risk management and identification methodology is described (102-29, 102-30 and 102-31).

Nature and amount of aspects raised in the Board of Directors

102-34

The General Shareholders’ Meeting will be invoked by the administrators and, when applicable, by the liquidators of the Society, within the first 6 months of each year, to ratify the corporate management, to approve, when applicable, the financial statements of the previous year and to determine on the use of the result.

The administrators will invoke the General Shareholders’ Meeting this way when they deem it necessary or convenient and, in any event, when one or various partners that represent at least 5 percent of the share capital request so. When the Management and representation of the Society are entrusted to a Board of Directors the established guidelines for that purpose will be followed.

It will gather at least 4 times a year, and additionally when its President or Vice-President deem it appropriate. The announcement will always be made in writing, directed to each Counselor, minimally five days in advance of the meeting.

The Board of Directors can designate an Executive Commission or one or more Managing Directors among themselves, determining the people who must perform said roles and their course of action, it may delegate, totally or partially, temporarily or permanently, all the powers which are subject to delegation pursuant to Law.

All debates and agreements of the Board shall be recorded in the Minutes Book, which shall be signed by the President and the Secretary or by the Vice-President and the Vice secretary when applicable.

In regard with the most relevant topics which were dealt with, the annual accounts of the previous year were designed and in all meetings the projects, investments, budgets, sales and market situation were followed up on, just as the on the issues most relevant to each administration.

Remuneration of the Board of Directors

The remuneration of the Administrative Body consists of a fixed pecuniary amount that will be set in a General Shareholders’ Meeting prior to the end of the year. This will be compatible with other professional or payments that, when applicable, correspond to the administrator for any executive or advisory function they perform in the Society and will determine standards for their corresponding payment.

In the case that the Administrative Body takes the form of the Board of Directors, it will determine the amount each of its members has to receive, in function of their dedication to the direction of the Society. If the Administrative Body takes another form, it will correspond to the General Shareholders’ Meeting to decide it, in function to said parameters, the remuneration of each administrator will be the same or will vary. (102-35).

To calculate the remuneration stakeholders shall not be considered nor consulted (102-36 and 102-37).
General disclosures

Drive. Management Model

Profitable Growth 34
People 46
Efficiency 60
Sustainability 76
Innovation 96
Compliance Model 102

Annexes 104
Profitable Growth
Current Context

In the last 20 years, we have witnessed a remarkable growth of the Chinese economy, with per capita consumption expectations at the level of the most developed countries. This triggered significant investments aimed at increasing steel manufacturing capacity beyond actual consumption, leading to mismatches between supply and demand, resulting in a long-lasting cycle of low steel prices.

In mid-2016, this cycle was interrupted as a result of two parallel actions: the measures to cut production capacity by the Chinese authorities; and the set of protectionist measures implemented by a large part of the perimeters of consumers and importers, such as the United States, Mexico and the European Union.

In 2018, the provisions of Section 232 imposed by the United States were added to the aforementioned measures and, as a consequence, the general reaction to them. As a result, the market showed mixed behavior with regard to steel prices, with some adjustments with respect to the sharp rise seen in 2017, cushioned by an increase in the level of protectionist measures.

The year was also marked by an increase in global trade tensions, associated with a very high level of uncertainty. As a result, raw material prices (iron ore, coke and scrap) were remarkably stable.

This led to a significant recovery in the accounts of the steel industry in general and, particularly, of the European steel companies, which allowed expectations to be set with a greater investment in R&D and the consequent progress in the development of new steels that contribute to overcoming future challenges, mainly related to the automobile industry.

Automotive Sector

Global automobile manufacturing has recovered from the crisis in 2009, and global production is estimated to reach 104 million vehicles by 2021 against the 57.5 million of 2009.

Future cars will be electric, driverless, shared, connected and they will be updated each year. This will reduce emissions and noise as they will be electric, will take up less space, be more accessible as users won’t need a driving licence and its purchase won’t be required, but it will be pay per use.

On average, 75% of each vehicle will come from the component industry. Over recent years, we have adapted to the new generation of materials such as aluminium and high-strength steel, that allow for the production of lighter and safer vehicles, and so meet the increasingly strict regulation.

Currently, around 3,000 different models are being produced in over 700 factories. In 2017, total electric cars sales totalled 1.1 million.

However, with the search for new materials, decreasing battery prices and the increase in their autonomy, it is expected that electric cars will reach 30 million in sales by 2030 and that 55% of all vehicles sales will come from electric cars in 2040, of which China will take almost 50%.

The electrification of the vehicle is the main milestone that will make the difference in the coming years, bringing together the main investments in the sector, which will be marketed together with combustion vehicles.

In addition, the automotive sector has made a firm commitment to the digital revolution “Industry 4.0” and the half of the world’s companies are investing heavily in the renovation of their industrial plants.
Our growth

Since the beginning, Gonvarri has experienced huge growth and diversified to a global level. Gonvarri is now present in 24 countries with a total of 44 functioning plants, 22 distribution centres and/or offices and 1 plant under construction.

Our production capacity, both in finished products as with new products, has increased in 2018, through investments in different plants of the Group.

Expansions in 2018

- **Gonvarri Czech**: finished its expansion (Phase II) and added 10 new machines, now totalling 20 machines. Production started in January.
- **Gonvauto Puebla**: finished the expansion (Puebla II) with a new “Tilting” machine, that started production in April.
- **Gonvvama Loudi**: finished Phase II with a new blanking line, that started its production in the third semester of the year.
- **Gonvauto South Carolina**: expanded its surface area and installed a new steel and aluminium hybrid blanking line, which started production in December.

Expansions planned for 2019

- **Gonvarri Czech**: will start a new expansion (Phase IV), it will transfer 3D cutting laser machines and purchase 4 new machines. Their start-up is planned in January.
- **Gonvauto Navarra**: will acquire a new hot-stamping blanking line. Its start-up is planned for February.
- **Gonvarri Poland**: will expand its warehouse for the finished products in the first trimester of the year.
- **Gonvarri Valencia**: will acquire a new hot-stamping blanking line. Its start-up is planned for March.
- **Gonvvama Changshu**: will increase its production capacity with a new hybrid blanking line (steel and aluminium). Its start-up is planned for the first trimester.
- **Gonvarri Tarragona**: will acquire a new high-thickness cut-to-length line, with a capacity of up to 25 mm. Its start-up is planned for September.
- **AMG Senica**: will expand its warehouses for the finished product and raw materials, and will also add a new hot-stamping blanking line. Their start-up is planned by the end of the year.

In addition to all these expansions and improvements, we continue to consolidate our position in different countries through diversification of our products in new markets and through new plants and acquisitions. In this area we can highlight the following new installations (102-49):

\[ \text{It should be noted that the acquisition of the Constructor Group, which began in 2017, was finalized in early 2018. The group operates under the brand “Gonvarri Material Handling”, and is one of the main European providers for the engineering and manufacturing of storage solutions. Furthermore, the new automotive plant “Steel&Alloy Popes Lane” was inaugurated this year, the additive factory “Addimen” was acquired in Bilbao and a new factory in Canrena (Sweden), which will be incorporated in Gonvarri Material Handling. Finally, we are building a new plant in Nitra for the Central Europe division.} \]

Next, we will briefly describe these new installations:

**Gonvauto Nitra (Slovakia)**

The Gonvauto Nitra plant that is being built is a joint investment of ArcelorMittal and Gonvarri. Its start of operation is planned for the end of 2019. It is located in the region of Lušianka (Nitra) and has a total surface of approximately 11,000 m². It will be equipped with a hybrid blanking line to process aluminium and steel and service customers such as Jaguar and Land Rover. It will employ close to 30 staff.

**Laser Automotive Zaragoza**

The Company started its activity in August 2018 for 3D cutting in cold stamping and hot stamping of automotive components. It currently covers a productive surface area of 5,000 m², with 3 identical laser units, which gives us a productive capacity of 16,875 h/year and thus allows us to satisfy our customers’ demand in terms of quality and on time.

CAPEX’s budget for 2019 is to expand this capacity to 39,375 h/year, with the acquisition of 4 more units.
Steel & Alloy Popes Lane (UK)
The new Steel & Alloy plant Popes Lane started operating at the beginning of 2018. It has a built area of 9,575 m² and it is possible to expand up to 24,650 m² with a plot area of 47,000 m². It has 4 buildings, namely: a coil warehouse; a hot-stamping blanking press that can produce up to 45,000 t/year; a slitting line with a handling line for strapping and stacking the cut strips; with a production of 110,000 t/year. and a warehouse for the finished product.

Addimen (Spain)
The company was founded in 2014. The 67% of its shares were acquired by Gonvarri Industries. Addimen focusses on the design and production of steel pieces through additive manufacturing. The production process uses steel powders as its base material (AISI-316L Stainless steel, 1.2709 Martensitic steel, AISI1011Mg Aluminium and Titanium) which are atomized by gas and which makes it possible produce geometrically complex pieces, both for prototypes as for the production of short series. This technology allows us to have a fast production process, free design, reduce raw material and energy consumptions, have an agile development and delivery process, personalize pieces without increases in cost and to reduce our physical inventories as pieces are produced made-to-order.

GMH Canrena (Sweden)
Gonvarri acquired Canrena Sistemas AB in 2018. This Swedish company produces components and accessory elements for storage solutions, and will be incorporated to the Gonvarri Material Handling division. Canrena currently has two production plants in Sweden (Karlikoga and Fellingsbro) and a staff of 33 employees. It provides a broad range of high-quality products as for instance Extraction Units, Mezzanines and Cantilevers, among other storage accessories.
Gonvarri had a complicated financial year in 2018 due mainly to uncertainty in the automotive market during the second half of the year, caused by regulatory changes, the fall of steel prices in the last months of the year and the political instability in many of the regions we have a presence in.

Despite the instability of the market, Gonvarri has met its budget for 2018, with an EBITDA of 209.5 million euros. Western Europe Division exceeded the established budget, being the division with the highest contribution to the results, with Spain in first place. On the other hand, there have been some countries in the metal structures business in which the operating result forecasts have not been met, including the United States, Mexico and Colombia, which are below budget due to political instability and the drop in public investment in this sector, which led to the loss of several projects.

The automotive world, which continues to be the main customer of many plants and the global reference of the Group, has remained at a level similar to that in 2017, with a slight decline. In spite of optimistic forecasts for global car production in the first semester of 2018, the second semester of the year saw a fall, which primarily affected Europe. The policies against diesel engines have had a significant impact, given that the replacement of this technology is not immediate.

Within this context, Gonvarri strengthened and consolidated its relationships with the large car manufacturers and was able to increase the tons sold by 6.26% compared to the previous year. In addition, we continue to increase our activity through more complex materials with a bigger margin, such as aluminium. Similarly, we started the construction of a new plant in Nitra (Slovakia), a Joint Venture with the Arcelor Group. Additionally, we expanded and/or are expanding our plants in the USA and Czech Rep., among others.

In terms of inorganic growth, the acquisitions made in 2018 should be highlighted, as summarized next:

**Gonvarri Material Handling (Constructor)**

As part of our diversification strategy, in January 2018 we acquired the Constructor Group, which constitutes the new division of Gonvarri Material Handling focused on the design and production of solutions for industrial storage.

This year we have progressed with its integration into the Group with satisfactory results and finished the year in line with the business growth expectations and focusing our efforts on operational excellence. Finally, we have achieved an important consolidation of this division, recovering trust in key countries such as Germany, the Group’s main EU market and production centre, and the United Kingdom, with an adverse macroeconomic environment.

**Flejes Industriales, S.A. (Flinsa)**

In accordance to the 2016-2018 Strategic Plan and with the objective of diversification, the acquisition of this Spanish company Flejes Industriales S.A. (FLINSA) was completed in 2018. This company produces high precision carbon and stainless steel tubes, with a production plant in Ibi (Alicante, Spain).

Flinsa primarily exports to the automotive market in Europe, North Africa and the United States. With this acquisition, its complements the Steel tube manufacturing that Gonvauto Asturias develops.

**Addimen**

In March 2018 we acquired a majority shareholding in Addimen, a metal additive manufacturing company.

Addimen is located in Bizkaia and develops engineering redesign and manufacturing activities using DMLS technology (Direct Metal Laser Sintering), and serves different sectors such as energy, automotive and tools. This investment shows the importance of innovation and incorporating new technologies into the value chain, contributing to maintain our current leading position in metal processing.

At the close of the year we reached an EBITDA of 209,534 thousand euros, and a consolidated year result of 105,488 thousand euros, which means the EBITDA and yearly results of 2017 were maintained, in spite of the slowdown experienced by the auto market in the second half of the year.

Despite the unequal distribution of the results over the different regions; the following stand out positively: NAFTA, LATAM and Western and Central Europe with increases of 67% (3M€), 42% (5M€) and 1% (1M€) respectively.

The main consolidated economic figures of the Group are summarized in the attached table:

<table>
<thead>
<tr>
<th>Economic Value Created</th>
<th>thousand €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>3,575,180</td>
</tr>
<tr>
<td>Financial Income</td>
<td>3,335</td>
</tr>
<tr>
<td>Other income</td>
<td>38,851</td>
</tr>
<tr>
<td><strong>Total EVC</strong></td>
<td>3,617,366</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Economic Value Distributed</th>
<th>thousand €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Costs</td>
<td>3,216,691</td>
</tr>
<tr>
<td>CAPEX</td>
<td>251,198</td>
</tr>
<tr>
<td>Payments to capital providers</td>
<td>47,086</td>
</tr>
<tr>
<td>Taxes</td>
<td>69,366</td>
</tr>
<tr>
<td>Personnel</td>
<td>156,634</td>
</tr>
<tr>
<td>Investments in the Community</td>
<td>1,763</td>
</tr>
<tr>
<td><strong>Total EVD</strong></td>
<td>3,742,738</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Economic Value Retained</th>
<th>thousand €</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total EVR</strong></td>
<td>-125,372</td>
</tr>
</tbody>
</table>
The municipalities or regions in which Gonvarri has a presence received a total of 69,366 thousand euros in tariffs, fees and taxes, which have contributed to the improvement of the standard of living and the services for the inhabitants of the area. Its distribution by country is outlined in the attached table.

Investments

A net profit of 98,113 thousand euros was presented in 2018 and a CAPEX of 251,198 thousand euros. In this regard, the investment in Nitra, Gonvarri Material Handling and Flinsa with a total of 158,000 thousand euros.

Additionally, the company received financial aid and subsidies equivalent to 165,081 euros to finance R&D projects (201-4). Regarding the other accounting obligations, the companies that make up the Gonvarri Group are, for the majority, obliged to prepare annual audit reports on their individual annual accounts due to the total volume of their assets, the turnover and the average number of employees.

After approval by the corresponding body, these reports are presented in due time and form to the commercial register for each of their accounting periods, the legalization of their official Books and the deposits of the annual Accounts. Furthermore, the Group companies are up to date with their payments to the Social Security Treasury and their tax obligations.

In 2018, the project developed and financed in Gonvarri, have not included any clauses or commitments regarding human rights and anti-corruption practices (412-3).

Finally, as stated in the Code of Ethics and Conduct, it does not provide financial aid to Governments (415-1).

Main effects, risks and opportunities

102-15

Gonvarri is subject to various risks inherent to its activity derived from cultural and legal obligations in the countries where it operates.

To manage these risks, the Internal Audit area was formally created in 2016 and the new "Compliance Model" was developed to improve tracking, measuring and risk control mechanisms.

Its design began in 2017 after finalizing a situation diagnosis. The risks associated with our activity were identified and assessed, and the mitigation controls and the mechanisms for continuous improvement and supervision were defined. These controls are various in nature and they are included in the Groups internal regulation.

The "Corporate policy for risk control and management" stands out in this area and aims to establish the basic principles, the framework for internal controls and for the management of all the kinds of risks that Gonvarri Group faces.

This risk management system provides reasonable assurance that all meaningful risks: strategic, operational, financial, and of compliance; are prevented, identified, evaluated, and are subject to continuous supervision.

The main risks are summarized next:
Strategic and environmental risks

**RISKS**
- Derived from possible changes in the strategic lines or the country’s situation (political change, regulations, currency depreciation, trade restrictions, etc.).

**MITIGATION**
- Country risk analysis. Application of the “Methodology for the development and viability analysis” and external Due Diligences.
- Insurance policies with companies of the first order.
- Global presence

**OPPORTUNITIES**
- Important local economic impact through the generation of new business opportunities (local providers and services), new employment opportunities, economic resources for public administrations (taxes), etc.

Environmental risks and Climate change

**RISKS**
- Climate change is one of the major challenges we face and is the big environmental challenge that humanity will have to address in the 21st century. Therefore, the necessity grows to establish strategies and objectives that contribute to curb global warming.

**MITIGATION**
- Environmental Management Systems ISO 14001 and the Environmental Performance Index (EPI).
- Prudence principle and continuous improvement through the Code of Ethics and Conduct, the Integrated Policy and the Sustainability Policy (102-11).
- Adjustment to the new regulatory requirements regarding emissions and collaborations with customers.
- Energy efficiency and innovation
- Sustainable Development Goals and Circular Economy

**OPPORTUNITIES**
- By establishing control and improvement mechanisms, we contribute to the mitigation of Climate Change, the Circular Economy and the Sustainable Development Goals. We adapt to the new environmental requirements, with safer and lighter automobile products, modern and innovative solar structures, etc.

Financial risks

**RISKS**
- **Market Risks**: derived from exchange rates and interest rates.
- **Credit Risks**: Derived from cash and cash equivalents, from derivative financial instruments and deposits and receivables.
- **Liquidity risk**: derived from sustaining sufficient cash and marketable securities, availability of financing and capacity to settle market positions.

**MITIGATION**
- Simulation of scenarios considering refinancing, roll-overs, alternative financing and hedging.
- Use of hedging in purchase-sale transactions to avoid exchange rate fluctuations taking the Dollar as a reference.
- Liquidity Policy and credit limits, periodically revised by the Board of Directors.
- Flexibility in financing and tracking of the liquidity reserves.
- Insurance to ensure collection for clients considered to have a risk of default.

**OPPORTUNITIES**
- The prevention mechanisms for financial risks serve us to control growth and investments better by diversifying to other countries and by offsetting those risks or potential incidences, so that our growth is profitable and sustainable.

Health and Safety risks

**RISKS**
- Derived from incorrect behaviour or errors in the protection and safety mechanisms, which may lead to workplace accidents and even death.

**MITIGATION**
- Integrated Policy, its requirements and obligations are set in the OHSAS 18001 management system.
- Communication, training and awareness-raising.
- Plans and programs aimed at improving security.
- High level of involvement of management and employees. Tracking and control measures.
- Technological investment and innovation.

**OPPORTUNITIES**
- Improving health and safety at work increases productivity and pride of belonging, and it also reduces personal, economic and reputational risks.

Corporate Governance, ethical, corruption, fraud, and compliance risks

**RISKS**
- These derive from behaviour that goes against the guidelines established in the human rights, ethics and anti-corruption policies, which gives rise to important economic and reputational risks.

**MITIGATION**
- Revision of the risk and control map. Audit processes.
- Having official Policies and Codes in place to regulate these risks.
- Specific training on each of the key aspects.
- Consultation channels and complaint mechanisms.

**OPPORTUNITIES**
- Through analysis and diagnosis, audit conclusions, revision and continuous improvement mechanisms and investigations into complaints, numerous improvement activities are detected which serve to strengthen the Groups ethic principles, to minimize our risks and improve our reputation.

Operational and infrastructure risks

**RISKS**
- Risks derived from technological or quality defects, management problems, etc. that develop into problems in product quality, delivery times, etc.

**MITIGATION**
- Project and initiatives to improve, track, measure and increase efficiency (SPG, ISO 9000, ISO/TS-1694, TQM, and others), contingency plans, etc.
- Continuous training.
- Innovation projects to adapt to the market needs. Gonvarri 4.0
- Broad-ranging insurance policies

**OPPORTUNITIES**
- Through efficiency and improvement in products and processes, we can reduce consumptions, production time, waste, etc. and, this way we can improve our costs and profitability. Furthermore, innovation allows us to grow, adjust to the customer requirements and improve our sales.
In 2018, Gonvarri faced different risks which derived from the situation of the market in the countries it operates in, which have not had a significant global impact on the yearly results due to its diversification over different markets.

Most relevant identified risks:

- The volatility of raw materials and consequently of the valuation of the stock available at the plants.
- Pressure from customers on our prices forces us to narrow the margins in every step of the distribution chain.
- The volatility of some currencies in countries where we have a specific gravity (Turkish lira, Argentinean peso, yuan).
- Risks which derive from the US protectionist policies, mainly related to the enforcement of steel and aluminium tariffs.
- The reform of the steel sector in China with the fusion of various steel companies, just as the closing and restructuring of others, could affect us in the future, being partners of the Hunan Valin Steel company.
- The “Brexit” referendum in the United Kingdom and its exit from the European Union (EU) forecast, among other effects, periods of unease in the post-Brexit negotiations with the potential implementation of tariffs to certain industries.
- The significant increase of nationalistic and Eurosceptic opinions.
- Cyberthreats and online fraud, which, despite new social engineering techniques, do not stop evolving and cost millions in losses in companies around the world.
- The successive scandals related to CO2 emissions in the automotive sector and its impact on diesel vehicles.
- The increasingly restrictive vehicle emission and fossil fuel policies.
- Risks that derive from the continuous regulatory changes that require changes in the Group’s processes.
- Internal risk to achieve the operational excellence in some countries.

RISKS
Cyberthreats keep growing, online fraud is constantly evolving and is responsible for millions in losses in companies around the world. The rapid proliferation of smart devices and connectivity, combined with the lack of global security standards, increase the vulnerability of devices. Kidnapping of business computing equipment by hackers and attempts at fraud through impersonation (phishing) are also on the rise. To mitigate these risks, it is necessary to revise and strengthen our systems with security policies, to make these less vulnerable and adapt them to changes in the regulation for the protection of personal data.

MITIGATION
- Information security and information risk diagnostic (ISO 27001).
- Periodic system scans.
- Adjusting to latest personal data protection regulation.
- Training and raising awareness for prevention and protection techniques.
- Information risk map and impact analysis. Mitigating controls.
- Security policies and classification of information and personal data. Management.
- New control tools.

OPPORTUNITIES
Through the diagnostic and the established control and tracking mechanisms, many opportunities for improvement have been detected, which are gradually being implemented and are reinforced through training and communication, thus mitigating the economic, personal and reputational risks.

RISKS
The forecasts indicate that the world population will exceed 10 billion (UN) over the coming decades, primarily in developing countries. At the same time, our society is becoming increasingly aware of abusive and illegal behaviour, going against human rights, primarily in the most vulnerable countries.

Our society is currently immersed in a period in which women and diversity play a more important role, and in which inequalities, wage gaps, etc. are an increasingly significant risk in companies.

MITIGATION
- Handbooks for harassment protection.
- Complaint Channels.
- Sustainable Development Goals and the Global Compact.
- Training and raising awareness.
- Diversity and equality plans and programs.

OPPORTUNITIES
Our global presence gives us the opportunity to work with different cultures and therefore enrich our knowledge and increase our capacity to adopt to different countries. This way we can improve our decision-making and values, like tolerance, from different perspectives and so foment local development.
Supply Chain

At Gonvarri, the process for purchasing and hiring external services, and their corresponding homologation and management of suppliers are carried out in a differentiated manner which depends on the buying rate and volume.

Steel purchases

In line with its commitment to responsible business management and to contribute to sustainable development, the purchase role and the relationship with the supply chain is also set up as an area in which the values, principles and behavioural guidelines for the development of our professional activity must be implemented.

Therefore, addressing the current trends and demands in an increasingly global business, not only price, quality and delivery time related aspects are considered, but also the conduct with regard to ethics, compliance, sustainability, human rights, environment and health and safety.

For these reasons, the corporate purchase department commits to:

• Manifest the commitment of the Gonvarri Group regarding the management of the purchase process throughout the organization.
• Create space for dialogue with the different suppliers to transmit the company’s commitments to sustainability, as well as the collaboration of its supply chain.
• Promote compliance to basic standards or criteria among suppliers with regard to human and labour rights, occupational health and safety, respect for the environment and ethical behaviour.

The “purchase process” is one of the 16 key processes defined by the company that has been revised and adjusted to the new compliance approach.

The selection processes for suppliers are conducted based on impartiality and objectivity. All Group employees must apply the required quality, cost and opportunity criteria to these processes, and always with the Group’s interest in mind. When business relations are established with other companies or professionals, one of the selection criteria will be that they have similar principles of conduct and management to those of the Gonvarri Group.

Non-steel purchases

Focused on the purchases of other auxiliary raw materials (oil, lubricants, chemicals, etc.), other materials (packaging, spare parts, etc.) and services (cleaning, transport, trips, etc.) that require a structured negotiation process and the application of a specified methodology due to the volume they represent.

These negotiations are mainly carried out via the “Suppliers Portal” to guarantee total transparency and traceability. All suppliers are registered on the portal, in which basic information is included.

As part of the negotiation process, the obligation to read and accept a series of policies and procedures is made, among which the Code of Ethics and Conduct is included, to transfer our values, principles and our commitment to respecting Human Rights to our suppliers.

Similarly, suppliers that provide products and/or services on a regular or potential basis to the Gonvarri plants, and that, due to the nature or criticality of the product/service, may have influence on the quality of the final product Gonvarri supplies to its customers, will be subject to a homologation process and a posterior re-evaluation. For that matter, it is an indispensable requirement for the supplier to have the ISO - 9001 certification.

Local purchases

In this section the minor, non-centralized purchases made in plants are included.

These are normally carried out through local suppliers and the homologation criteria are not homogeneous to the different plants, with the environmental and health and safety criteria being more frequently applied than social or human rights criteria.

In comparison with last year, no relevant changes have been made to the distribution chain, except those that derive from the new operating installations which mainly affect the availability of new suppliers (102 - 10).

Expenditure in local suppliers

In 2018, the total expenditure in suppliers rose to 2,600,930 thousand euros, from which 71% corresponds to local suppliers. Its percental distribution by country is shown next:

<table>
<thead>
<tr>
<th>Country</th>
<th>Total supplier’s expenses</th>
<th>%Local</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>282,916</td>
<td>85%</td>
</tr>
<tr>
<td>Argentina</td>
<td>22,991</td>
<td>31%</td>
</tr>
<tr>
<td>Spain</td>
<td>61,566</td>
<td>72%</td>
</tr>
<tr>
<td>USA</td>
<td>1,934,423</td>
<td>82%</td>
</tr>
<tr>
<td>Mexico</td>
<td>95,311</td>
<td>26%</td>
</tr>
<tr>
<td>Poland</td>
<td>4,941</td>
<td>3%</td>
</tr>
<tr>
<td>Portugal</td>
<td>78,795</td>
<td>50%</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>24,388</td>
<td>90%</td>
</tr>
<tr>
<td>Russia</td>
<td>65,774</td>
<td>80%</td>
</tr>
<tr>
<td>China</td>
<td>29,824</td>
<td>98%</td>
</tr>
<tr>
<td><strong>Total General</strong></td>
<td><strong>2,600,930</strong></td>
<td><strong>71%</strong></td>
</tr>
</tbody>
</table>

*To calculate the percentage expenditure on local suppliers, consideration is given to all those suppliers that have their corporate headquarters or commercial office in the country in question.
Information Security

Cyberthreats continue to grow in ingenuity and frequency, online fraud keeps evolving due to new social engineering techniques and these are responsible for millions in losses in companies around the world.

The fast proliferation of smart devices and the connectivity given through the internet of things (IoT), paired with the lack of global security standards makes that many of these devices have significant vulnerabilities which leaves personal and business information exposed.

Proof of this trend is the increase in the hijacking of business computing equipment by hackers, in order to “mine” cryptocurrencies, by using modern malware designed to go after business networks, which can cause these to collapse or even damage the hardware.

Attempts at fraud through impersonation (phishing) are also increasing, which makes it even more important to adjust information security policies and devices to protect both the assets and people’s security.

Therefore, at Gonvarri we are convinced that information has become a strategic asset for businesses and people.

We will establish the necessary mechanisms to safeguard the privacy of information and the protection of customer and supplier data, and to manage and treat documentation in accordance to its level of relevance. In order to strengthen security, information security procedures are periodically revised, and the security systems are continuously tested to ensure their rigorousness.

In the year 2018, the following steps, among others, have been taken to improve security policies:

- Periodic system scan to detect external and internal vulnerabilities and their correction according to the level of criticality.
- Diagnosis of the information security and its risks based on the ISO 27000 standard.

Throughout 2017, we took the necessary measures to adapt to new European regulation for data protection (GDPR), which came into force in May 2018. This requires a more transversal supervision level on the protection of personal data.

To reinforce awareness and training of the group’s employees’, campaigns and training sessions were held. New measures within the “Anti-Phishing” campaign stand out, which were aimed at identifying the risk level and at raising employee awareness on this type of attacks.

Afterwards, training sessions were held to learn about prevention and protection techniques, both in corporate offices as in the plans, to mitigate the risk to people and assets that this new type of crime brings (workshops concerning connecting to public WIFI networks and the protection of personal data).

Furthermore, new versions of anti-ransomware software were installed and are analysed through pilot tests, as well as new tools for cataloguing and protection of corporate information (IRM – Information Rights Management) and for the protection of smartphones and tablets (MDM – Mobile Device Management).

Support to business processes

Systems are a critical element for business processes.

With this objective, the IT department keeps the ERP SAP and the Group’s infrastructure and communication services centralized. At the same time, the department carries out transformation projects to align the systems with the growth of the company and to the new processes, focusing on business support, efficiency and profitable and sustainable growth.

In some cases, the collaboration of third parties may be necessary for which an impartial process is followed, consisting of the publication of the needs, reception and appraisal of offers and the final selection based on criteria related to business support quality and IT systems efficiency.

Therefore, the Systems area has been present both in the incorporation of new companies (Gonvarri Material Handling, Flinsa), and in the new challenges that the organization faces in its strategy for innovation and improvements of productivity and efficiency. The area is actively involved in the innovation initiatives and, in particular, in the new “Industry 4.0” paradigm.

Similarly, and in line with the need to comply with the regulation, the implementation of the new immediate supply of information system (SII) was completed, which sends the information required by the Spanish tax authorities automatically on a daily basis, including the provincial agencies of the Basque Country and Navarre.
We started the "Digital workplace" project in 2018 in order to take a step forward in the digital transformation of the workstation, which is not just a technological transformation, but another piece of an ambitious project for a cultural change throughout the company in these 3 areas:

- **Digital Competences**: increase our digital competences, knowledge and skills to adapt ourselves to a constantly changing market and environment.
- **Digital Workplace**: define how new technologies may improve our way of working in all aspects.
- **Digital Experience**: boost our digital agility in all work aspects.

The result is a collaborative work environment; where the employee takes part in the business processes, in the communication and in the contents (improving the location of useful contents and knowledge), to finally bring together the management of documents, projects, processes, etc. in one single place, allowing them to access this at any moment and in any place and with the assistance of artificial intelligence for some activities.

This development will have a significant impact; it will increase productivity (improving mobility at work), employee satisfaction, talent attraction and retention, information security and our capacity for innovation.

To this effect, we have defined a roadmap that allows us to achieve the planned results in 2019, and which will be summarized in the next Report.
Associations and organizations

Corporate level

- Fundación SERES
- Fundación Consejo Spain - China

Europe

- European Steel Association (EUROFER)

Spain

- Confederación Española de Organizaciones Empresariales del Metal (CONFEMETAL)
- Unión de Empresas Siderúrgicas (UNIESID)
- Asociación Española de Contabilidad y Administración de Empresas (AMCHAMSPAIN)
- Asociación Innovación en Prevención
- Asociación Española para la Calidad (AEC)
- Instituto Empresa Familiar

Gonvarri and Gonvauto Barcelona

- Patronal multisectorial de Empresas Catalanas (CECOT)
- Clúster de Automoción de Catalunya
- Unión Patronal Metalúrgica
- Unió de Magatzemistes de Ferros de Catalunya i Balears
- Asociación de Empresarios de Castellbisbal
- Unió Empresarial Metallúrgica Consell d’Usuaris del Transport de Catalunya
- Asociación industrial per a la produccio neta i Delta del Llobregat

Gonvarri Valencia

- Asociación Valenciana de la Industria de Automóvil (AVIA)
- Asociación Empresarios Camp de Marvedé (FISECAMI)
- Federación del Metal de Valencia (FEMEVAL)
- Unión de almacenistas del hierro de Spain (UAHE)

Gonvarri Galicia

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

Gonvarri Navarra

- Asociación de Empresarios del Metal (ANEMI)

Gonvarri Burgos

- Federación Empresarial del Metal (FENEBUR)
- Federación de asociaciones empresariales de Burgos (FAE)

Hiasa and Gonvauto Asturias

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

Gonvarri Tarragona

- Asociación Provincial de Empresas del Metal de Tarragona (APMETA)

Flinsa

- Federación de Empresarios del Metal de la provincia de Alicante (FEMIPRA)
- FIJU Instituto Tecnológico
- Asociación de Empresarios de Ibi y Comarca (IBIARE)

Gonvarri Germany

- Initiative Erfurter Kreuz

Gonvarri Portugal

- Asociación Nacional das Empresas Metalúrgicas e Eletromecânicas (ANEIME)

Steel&Alloy

- Confederation of British Metal Forming

GTMH Romania

- Romanian Logistics Association (ARILOR)
- European Materials Handling Federation (FEMI)

GTMH Russia

- St.Petersburg International Business Association (SPIBA)

Gonvarri Turkey

- Turkish Road Safety Barrier Producers Assoc
- International Solar Energy Society (ISES)
- Turkish Assembly
- Galvanizers Association

Gonvauto South Carolina

- HR Association Chamber of Commerce.

Gonvarri Colombia

- Asociación Nacional de Industriales de Colombia (ANID)
- Ser Colombia
- Corporación Colombiana Internacional (CCI)

Gonvauto Puebla

- Conacintra (Cámara Nacional de la Industria de Transformación)
- Riptac (Relaciones Industriales de Puebla y Tlaxcala R.C.)

Gonvarri Argentina

- Asociación de Recursos Humanos de Argentina (ADRHRA)
The focus on People is precisely what places Gonvarri in the hearts of its professionals and at the same time drives the feeling of pride for its work, team and company.
In 2018, the Gonvarri team is made up of 5,195 internal and 907 external employees distributed over 24 countries.

The report includes a total of 4,868 internal employees over 21 countries, which is 95% of the total number of employees (Resende (Brazil) and Pune (India) are not included in the scope of this report, and neither are the distribution centres with less than 15 employees (Poland, Czech Rep., Belgium, Slovakia and Hungary) (485-1).

From the reported data we can see an increase of 28% in staff included in the scope of this Report, which is primarily due to the incorporation of Gonvarri Material Handling (GMH), Flinsa and Suports.

Its distribution, including external and internal personnel is shown in the following graph:

The following were not included in the scope of the report: 59 internal employees in Resende (Brazil) and 313 employees (246 internal and 67 external) in Pune (India), nor the employees of GMH Poland, Czech Rep., Belgium, Slovakia and Hungary, which total 24 internal employees.
Own personnel

The enclosed table indicates the distribution of the workforce by age, professional category and gender, composed of 4,868 employees:

<table>
<thead>
<tr>
<th>Country</th>
<th>≤30 years</th>
<th>&gt;30 ≤50 years</th>
<th>&gt;50 years</th>
<th>≤30 years</th>
<th>&gt;30 ≤50 years</th>
<th>&gt;50 years</th>
<th>≤30 years</th>
<th>&gt;30 ≤50 years</th>
<th>&gt;50 years</th>
</tr>
</thead>
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Concerning the governing members, 33% are over 50 years old, and the remaining 67% are between 30 and 50 years old. Similarly, 78% of the governing members have the local nationality and all are men (405-1).

External Personnel

In 2018, a total of 840 external employees were subcontracted (787 men and 53 women). In the attached chart their distribution by country is shown:
Talent attraction and retention

At Gonvarri, we are aware that people are our main asset, as we have excellent professionals in all business areas and countries. Having a strategy that allows us to rely on trained, qualified and motivated experts in a pleasant work environment is a key aspect to grow as a competitive, solid and sustainable company, as the development and future of the company depends largely on the work of its team. Therefore, attracting and retaining talent is a key factor for the Human Resources Management in all of the different phases.

### Hiring

We look for employees that fit the requirements for each position, avoiding any type of discrimination in relation to race, gender, age, nationality, religion, political ideas, sexual orientation, marital status, disability, social origin or any other condition of the person.

In 2018, 1,166 new employees were hired (958 men and 208 women) and 1,014 employees left the company (876 men and 138 women).

A key indicator is the "average turnover rate" (considering the total employees leaving against the total workforce). The turnover rate in 2018 was 21% in 2018 (21% men and 19% women).

### Training and skills development

Training mechanisms adopted to the personnel. Continuous development plans.

### Performance review

Objective assessment of their development and promotion.

### Job stability

Job security to show trust in the team and in long-term relations.

### Internal Promotion

Career development and talent recognition. Mobility opportunities between countries.

---

### Table: Hiring and Leaves

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Gonvarri Industries Sustainability Report 2018 49
Our priority is to have training mechanisms and plans in place in order to get to know and train all personnel, adapted to the different levels and profiles of the company:

A total of 227,193 training hours were given in 2018, 32% more than the previous year, which are 47 hours on average per employee.

**Plant Supervisors School**

Aimed at strengthening and professionalizing the role of the supervisor to achieve operational excellence, this program focuses on change management, to transform a supervisor into a team leader.

Two editions of the Supervisor School were held in 2018.

- From June 4 to 7 in Barcelona, 18 participants attended the program where they gained in-depth knowledge regarding Leadership, Quality, Environment, SPG, Health and Safety, Logistics and Maintenance.
- From September 10 to 14, a UK edition was held with the participation of the factory employees of Steel & Alloy.

**Leaders of Tomorrow Program**

The second module of the Gonvarri Program: “Leaders of tomorrow” was held in June, organized by Gonvarri and the Financial Times / IE Business School Corporate Learning Alliance. The program aimed to improve the performance and leadership of the Executive Committee, as well as to provide the tools and techniques to encourage the development of colleagues and collaborators, to deal with conflict and to give feedback.

A total of 49 employees attended and satisfaction in this part of the program scored 4.31 points out of 5.

**Gonvarri Leadership Program (GLP)**

The biannual Gonvarri Leadership Program (GLP) concluded its second edition in November, with the attendance of 40 professionals of 11 different nationalities. Conducted internally by key company professionals and by the IE Business School. 4 sessions were held in 2018 (two in Madrid, one in Barcelona and one in Lisbon).

The participants presented their final projects to the Evaluation Committees that were set up for this purpose.

With regard to compliance, a total of 2,513 training hours were provided in 2018, all of them online (205-2 and 412-2). This is due to the implementation of a new Code of Ethics, which involved the creation of a new training course that covered all Gonvarri employees.

Within the employee training programs conducted this year we would like to highlight the following (404-2):

**GOAL 4.4**

By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

Gonvarri continues to grow and increase its presence in different countries. For this reason, having trained and qualified young people available, to whom we offer opportunities and stable and paid work, is fundamental for sustainable growth.
Job stability

Job stability is a way to show trust in the team and in long-term relations.

At Gonvarri we have a performance evaluation system by objectives which is centralized at corporate level on the “ETWeb” platform. The system provides our employees with information regarding their annual objectives, and they can monitor their progress and know their degree of compliance, through the performance and competence evaluations. Data on the directors and intermediate management of GNMH Group and Senica is also included (404-3).

The case of Gonvama China should be noted, where there are no permanent contracts until two temporary periods have been completed in the same company, and, as the plants began operating in 2017, it has a very low percentage of permanent contracts.

Performance review

At Gonvarri we have a performance evaluation system by objectives which is centralized at corporate level on the “ETWeb” platform. The system provides our employees with information regarding their annual objectives, and they can monitor their progress and know their degree of compliance, through the performance and competence evaluations. Data on the directors and intermediate management of GNMH Group and Senica is also included (404-3).

At the same time, some plants have their own evaluation systems implemented that include the plant personnel, and which generally covers 100% of the staff, with a methodology that is adjusted to their business activity and which measures criteria such as polyvalence at the workstation.
The “Internal Promotion” process enables our employees to acquire new responsibilities and challenges to improve their performance and motivation.

At Gonvarri, we contribute to our employees’ development and growth through job offers, internal promotion and mobility. Whenever a vacancy is not covered by any of these mechanisms, external hiring processes are initiated, for which we make use of media such as LinkedIn, InfoJobs or external headhunting agencies, depending on the position in question.

We periodically publish job offers through the “Job Posting” tab on the corporate intranet or via other media such as the announcement boards, which allow us to cover specific internal positions. Interested candidates go through an interview process with Human Resources and with the area requiring the position, so that the most ideal candidate can be selected.

At Gonvarri, we are in constant growth which makes it necessary to cover vacancies outside of Spain and transfer certain employees as “expatriates”, for which we have efficient “Mobility” mechanisms in place.

Opportunities are also offered to other employees for 1-4-month displacements, as is the case with the “Start-Up Teams”, who are responsible for transferring experience, knowledge and the corporate culture to the new centres in the different countries and training the new employees.

- **Expatriates**: 27
- **Displaced**: 18
- **USA**: 5
- **Argentina**: 1
- **Colombia**: 1
- **Germany**: 3
- **Czech Rep.**: 1
- **Poland**: 1
- **Turkey**: 1
- **Russia**: 3
- **China**: 6
- **Mexico**: 11

**Internal Promotion**

**Direct promotion**

**Expatriates**

**Displaced**

**Mobility**

At Gonvarri, we are in constant growth which makes it necessary to cover vacancies outside of Spain and transfer certain employees as “expatriates”, for which we have efficient “Mobility” mechanisms in place.

Opportunities are also offered to other employees for 1-4-month displacements, as is the case with the “Start-Up Teams”, who are responsible for transferring experience, knowledge and the corporate culture to the new centres in the different countries and training the new employees.
Work environment

In order to retain our employees, knowing their opinion, their level of satisfaction and motivation is essential, for this reason we conduct a “Work Environment” survey biannually. The last survey was carried out in 2017. Following the analysis of the results we have established different actions focused on improving the perception of those matters with lower value, as an opportunity to improve, thought ambitious training programs to attract and retain talent, as well as facilitating the management of change among our employees.

Work climate survey

- **Scope**: 34 centers
- **Countries**: 15
- **Participation rate**: 64.5%

**Top rated topics**:
- Health and Safety
- Commitment

**Worst rated subjects**:
- Retribution
- Training and development
- Innovation and change management

“Growing Together”

For those aspects that need to improve, new improvement initiatives were integrated in the “Growing Together” project.

As a result of the survey, various points for improvement were identified, developed and implemented within the “Growing Together” program. This project aims to improve the commitment and well-being of our professionals.

As part of the initiatives developed in 2018, noteworthy are the measures to improve the work-life balance which were implemented in different centres, such as improved flexibility when choosing vacation days, intensive summer schedules, etc. At the plants, where work is very conditioned by the customer’s needs, and where the work is done in determined shifts, flexibility and the necessary adjustments are arranged individually.

Employability for the youthful: Gonvarri Young Talent Program

At the Madrid offices, we held the “Day without school” event in June, to which 56 children of our employees attended, aged from 3 to 12 years old. They enjoyed a fun day full of activities and entertainment.

We also developed numerous initiatives in the “Healthy Life” project, which is summarized in its corresponding section.

To improve employability for young people we have implemented many initiatives for their development, all within the “Gonvarri Young Talent” program.

**Dual FP Program**

The project is conducted through a new modality of Vocational Training (FP) in which the educational centre and company are jointly responsible for the training of the apprentice.

The training is done alternating between the educational centre and the company, so that the apprentice can put what they have learned into practice at work.

Through this program, Gonvarri gets involved in the training of its future employees and they will be more committed to the company. The goal is to hire these young people after completing the program and make them part of our teams.

**Young engineers’ program**

The goal of this program is to attract high-potential young people, who will be assigned a certain region of the Group in which they will rotate through the different companies.

The aim of the project is to improve their training and development so that these people can hold positions of responsibility in the future.
Diversity

Diversity management is a commitment to the people who make up the organization. At Gonvarri we believe that the heterogeneity of the people and their distinctive contribution give us an unquestionable competitive advantage. The perspective and way of thinking that professionals from different origins have helps us to achieve positive change in the organization, in the working methods and to increase our innovation capacity and our capacity to respond to this demanding market.

Diverse talent improves business results, corporate reputation, job stability and relationships with investors and customers.

In relation to gender diversity, in 2017, the “Women of Steel” project was launched, with the objective to sensitize and raise awareness about equality between women and men, and the need to break with old sexist paradigms.

Within this context, in 2018, sensitization workshops about gender equality were held in the Madrid offices and the plants in the Iberian Peninsula.

Moreover, in commemoration of “International Women’s day” on the 8th of March, different activities took place in our centres and all women in the group were given a gift.

Diversity in figures

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<th>% Gender</th>
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<th>% Employees of local origin</th>
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| Employees with different capacities | 54 | 5   |
That's why we launched "Proyecto Diversity", in order to fo-
ment diverse talent and inclusive leadership in the organization. 
The Program incorporates and coordinates this variable within 
the organization through policies, processes and dissemination 
and awareness measures.

With regard to people with different abilities, in addition to 
the people employed at the different plants, we have hired one 
person in the Madrid offices in collaboration with the Juan XXIII 
Foundation, and we have also conducted sensitization work-
hops on this subject.

On the 3rd of December, the "International Day of Persons with 
Disabilities", we collaborated with the Picco Foundation in a 
communication campaign called "Welcome to the Future" in or-
der to raise awareness and mainstream the integration of this 
collective to regular companies, by generating social dialogue 
and protagonism.

Gender distribution per country

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<td>19</td>
</tr>
<tr>
<td>UK</td>
<td>205</td>
<td>47</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>53</td>
<td>33</td>
</tr>
<tr>
<td>Romania</td>
<td>334</td>
<td>75</td>
</tr>
<tr>
<td>Russia</td>
<td>131</td>
<td>31</td>
</tr>
<tr>
<td>Sweden</td>
<td>66</td>
<td>15</td>
</tr>
<tr>
<td>Turkey</td>
<td>196</td>
<td>15</td>
</tr>
</tbody>
</table>

Work relationships: Freedom of association

Gonvarri supports the rights to associa-
tion, union representation and collective 
bargaining of all its employees, always 
with regard for the legal and cultural cha-
racetistics in each country it operates in. 
In all cases, the right to freedom of asso-
ciation and union representation is res-
pected and the labour requirements and 
obligations in each country are always 
met (102-41).

Through collective bargaining agreements 
or similar agreements, work conditions 
are regulated (salaries, working hours, 
vacations, etc.) and so is the relationship 
between the company and the unions. In 
some countries, in which the collective 
bargaining agreements are not applicable, 
working conditions are compiled in so-ca-
led "Handbooks".

No centres or significant providers were 
detected in the operating facilities in 
which the freedom to association, and the 
right to reach collective agreements could 
be violated or threatened.

<table>
<thead>
<tr>
<th>Sectoral collective agreements or similar arrangements</th>
<th>74%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handbook</td>
<td>3%</td>
</tr>
<tr>
<td>Local employment regulations</td>
<td>23%</td>
</tr>
</tbody>
</table>
Health and lifestyle habits

The overall well-being of our employees is fundamental to having healthy, happy, committed and more competitive teams. At Gonvarri, we incorporate the business line “Healthy Company” in the “People” axis of Drive, in order to contribute to living a happy, healthy and full life. This is part of our shared values and culture and we want to offer a broad range of programs and opportunities. Among these the following should be noted:

Nutrition

We conduct awareness and prevention campaigns in favour of healthy eating habits for the general well-being and prevention of illnesses. Moreover, we strengthen our medical services, through personalized consultations for nutrition, health and fitness programs. Among other initiatives we would like to highlight the following:

**Gonvauto Galicia**, developed the Campaign “Habits for a Healthy Life: Eat Well, Live Better” which encourages employees to have good eating habits and do physical exercise, while providing the tools and techniques to do so.

**HIRSA** held the Be Healthy! week which promotes healthy living habits among employees. The medical check-ups, conferences, pilates workshops, postural re-education, health eating habits, etc. stand out, in addition to the “First aid and CPR Course”.

Emotional well-being

Emotional well-being is an essential part of health and quality of life, and it allows employees to develop all their potential, face stressful situations and be more productive.

Next, we will summarize the courses and workshops we are working on:

**Stress reduction** to help our employees deal with pressure or low spirits and teach them to relax more easily.

**Anxiety control** and identifying negative and counterproductive thought patterns, as well as providing mechanisms to prevent these, to help them to think in a more balanced way.

**Assertivity** in order to become more efficient communicators and have more balanced relations with others.

**Mindfulness** to practice being in a mental state where we are fully aware of our here and now. The objective is, through meditation techniques, to reach the ideal attention level that each person needs to deal with different everyday situations.

Sports and healthy spaces

We evaluate aspects such as ergonomics, light, noise, temperature, humidity and air quality as well as all aspects regarding the health and safety of our employees in all of our plants.

People with very high well-being are satisfied and committed to their lives and work.

Within this context, physical exercise contributes to good health. The workplace, where we spend most of the day, presents an excellent opportunity to encourage this activity.

Among the initiatives carried out by Gonvarri we highlight the following:

**Gonvarri Burgos** participated in the third edition of the Solidary Padel Tournament.

**Gonvarri Barcelona** and the **Madrid offices** participated in the Oxfam Intermón Trailwalker of their region Oxfam Intermón Trailwalker.

**Madrid** sponsored the Solidary Golf Tournament Africa Directo.
Gonvarri Colombia held the Health Week, with sensitization actions on health and safety at work, drug prevention, road safety, and laboral medical check-ups performed by nutrition or dermatology specialists, among other activities.

Gonvarri Puebla did a weight loss contest through the Healthy life campaign that lasted 3 months. For this reason, a comprehensive plan was implemented which included healthy food, nutritional advice and medical follow-ups to reach the objective.

Gonvauto Barcelona cycling teams biked in favour of Road Safety.

SGK Kaluga participated in the Health and Sport Day, in which the employees took part in different sport competitions (mini football, tug of war, volleyball, races, etc.)

Gonvarri Tarragona provides daily fruit in the company canteens for all employees, so that they acquire more healthy eating habits.

GMH Germany provides fruit and mineral water for the employees twice a week.

In this area, we also develop initiatives to contribute to preventing and reducing absenteeism, such as:

Training and sensitization aimed at sensitizing the workforce on one hand, and, on the other, provide managers with the tools to manage and prevent absenteeism in their teams.

Commitment through actions focused on improving the engagement of the employees to the company, among others, through effective and equitable formulas to award and incentivize productivity.

Work quality with actions aimed at generating a favourable climate in labour relations, allowing the implementation of flexibility measures in order to achieve a responsible work-life balance. These actions include, among others:

- Avoiding mental absenteeism and, whenever this is possible, work by objectives.
- Encouraging permanent contracts, thus improving stability and commitment.
- Assessing the performance of each employee.


Steel&Alloy sponsored a Solidary Badminton Tournament against cancer and contributed to the sponsor of Boldmere Water Polo. Similarly, the S&A employees wore their football team’s jersey and participated in different solidary sport events.

Gonvauto Barcelona cycling teams biked in favour of Road Safety.

SGK Kaluga participated in the Health and Sport Day, in which the employees took part in different sport competitions (mini football, tug of war, volleyball, races, etc.)

Gonvarri Tarragona has full passes to the sport centre Estival Park.

In GMH Germany, a group of employees meets once a week to play Badminton or to go running in the forest.

Gonvarri Colombia held a Football Tournament with the factory employees to promote healthy lifestyle habits and social integration through sports.

Gonvauto Galicia held the Campaign Habits for a Healthy Life; postural hygiene, which focused on the back.
Social Benefits

Gonvarri is a diverse company, where social benefits are not homogeneous but adapted to the characteristics of the different plants and countries. In any case, there are no significant differences between benefits offered to part-time workers and those offered to full-time workers. The social benefits in the different facilities and countries are outlined next (401-2).

Germany

The Gonvarri and GMTH plants provide canteen contributions and yearly vaccination against the flu. Additionally, GMTH has life insurance for directors and intermediate management, and Gonvarri Thuringen gives “Health bonuses” to employees that do not get sick in a trimester, as well as vouchers for “Babythings” for each birth, plus subsidies for private pensions and extra weekend shift vouchers.

Argentina

provides medical insurance and canteen contributions. Additionally, it gives presents for births, “Women’s day”, Spring day and, at the Christmas dinner, it includes a Christmas basket and the participation in raffles.

Brazil

provides life and disability insurance, medical insurance including dental insurance, canteen and transportation contributions.

China

provides life insurance and canteen contributions. The plant of GVS has housing for the workers who so wish or contributes to housing and expenses (water, electricity, etc.) for those residing outside the facilities. Moreover, benefits are included for relatives that visit employees during the weekend (free transport, etc.) and one-off contributions when they get married, births, bereavement, gifts at certain dates, annual bonuses, etc.

Colombia

provides a canteen in which the company finances part of the food and transportation contribution. Furthermore, it has an established “Work Welfare Plan” which includes different initiatives based on the needs and motivations of the employees. Also, with the participation of the Pension Funds through the activity “Day of Agreements”. In this space, the pension funds advise our employees on all matters related to the obligatory and voluntary pensions and closing pension gaps.

Gifts are also given for different reasons, such as births, Christmas baskets and a Christmas lunch in which a raffle with various prizes is included.

Burgos has a company bus. Tarragona provides its workers with the possibility to enjoy the installation of the “Estival Park”. Barcelona encourages sports and offers a subscription to a platform that gives discounts to all employees and offers yearly fuel tickets. Hiasa and Gonvauto Asturias have increased the maternity leave included in their Collective bargaining agreement.

Denmark

provides health and life insurance.

Spain

provides life and disability insurance. The medical insurance, canteen contributions, nursery and transportation contributions can be issued through private coverage through the Flexible Retribution Plan (FRP), with which the tax benefits established by the Law can be accessed.

USA

provides medical insurance for fulltime staff and life insurance that includes partial or permanent disability coverage. Employees in the production area have a lunch time bonus.

Slovakia

provides disability and invalidity insurance, medical insurance and canteen contributions. In addition to free coffee and tea, a Christmas party and massages.

Finland

provides medical insurance, life insurance and canteen contributions.
Pension Funds and/or retirement plans (201-3)

These are only available in some countries, or because of local legal requirements or because of past commitments.

In particular, pension funds are provided in the United Kingdom, Baja California, Germany, Norway, Sweden, the Netherlands, Denmark, Slovakia and South Carolina. Retirement plans are available in Arizona and, on a voluntary basis, in the United Kingdom. Gonvauto Barcelona has a partial retirement plan included in the 2017 – 2022 Company Pact.

Either way, these are very specific situations of little relevance to the company as a whole.

Settlement (401-3)

The maternity and paternity leaves in 2018 corresponded to 98 men and 40 women, of whom 95% of the men and 90% of the women have already been reincorporated.
Efficiency may be described as the ability to achieve a desired effect with the minimum possible resources. In an increasingly complex and competitive world, we can only ensure the profitable growth of our organization by doing things better.
Within the framework of the current Strategic Plan 2016-2018, Gonvarri Industries opts for reorganizing its continuous improvement systems and its Core knowledge management. The trigger has been the identification of a critical risk related to the difficult retention of knowledge, or its alteration when it is transferred to other cultures and ways of working.

The Integrated Management System (SGI) was created to mitigate this risk. It was created from a fusion of the Health and Safety, Environment, Quality, SPG (Gonvarri Production System, Lean Manufacturing) and BTM (Business Technology Management) areas, and it has two objectives:

1. Establish sound work systematics to avoid the loss or dispersion of this culture and know-how and make it available to the company as a whole.
2. Guarantee future continuous improvement, by providing our employees with a framework that is safe, respecting the environment and professionally enriching.

The model is described throughout this chapter.
Control mechanisms: Integrated SGI Audit

Ganviri has defined many control mechanisms in order to identify risks. The principal one is the Integrated SGI (Integrated Management System) Audit.

Created in 2017, the Integrated SGI Audit replaces all partial system audits, providing a comprehensive vision of the situation of each audited centre compared to international standards (OHSAS 18001, ISO 14001, IRTF 16949, ISO 9001) as well as against internal standards (Health and Safety systematics, Environmental Behaviour Index, TQMI methodology and the SPG model).

The audit as such takes place in a single week, during which the audit team revises 4,000 items. The quantitative assessment, segmented from lower to higher compliance into 4 levels for each of the 364 questions, turns the reference into a real roadmap to achieve Excellence in all areas related to Efficiency (Health and Safety, Environment, Quality and SPG).

During 2018, 27 centres were audited based on this novel methodology. Local and regional SGI technicians are being certified to become part of the auditing community, the purpose of this regionalization process is to facilitate the mainstreaming of good practices.
The Health and Safety model at Gonvarri Industries is based on the principle of integrating Safety throughout the organization, by dividing the responsibilities among all participants in the organizational structure, in all the decisions that are made, and in all the new processes and projects that are taken on.

We also comply with the international standard OHSAS 18001, with a large part of our factories (67%) certified under this standard by an authorized certification agency (except for Gonvarri Czech, the Laser plants, Gonvarri Baja California, SFA Popes Lane, Flinsa, Gonvauto South Carolina and the Chinese plants). The plants are currently transitioning to the new ISO 45001 standard.

Gonvarri did not just settle for complying to these international Standards and the different local legislations that apply to each plant, but we have opted to go further, by implementing a range of global systems and policies that aim to create our very own preventive culture, which is much more demanding than the mentioned standards, with Safety as its main focus.

In 2007, when the Health and Safety policy was announced by the President of the company, the first policies and tracking indicators for its minimum compliance were defined. This commitment was reinforced in 2011 when the CEO launched the “One Step ahead” plan, and in 2014 with the inclusion of a specific axis for Health and Safety in the global Strategic Plan of Gonvarri Industries.

Responsibilities and tasks
These are integrated throughout the whole organizational structure, with the plant Management being the highest level responsible for compliance with standards, working conditions and the state of the workstations, compliance with the regulation and, generally speaking, the protection of Health and Safety referring the people present at the plants.

At each plant there are workers designated to manage Health and Safety, with regulated training in this area. Based on the size and needs of the plant, these employees either work exclusively in occupational Health and Safety management or they share this activity with others.

On-site control of risks in operations and workplaces relies on supervisors and department managers as the direct superiors of the employees and people at the plant.

The monitoring and controlling of the health of workers is outsourced, relying on medical services as required by local legislation.

BTM Key processes

<table>
<thead>
<tr>
<th></th>
<th>Steel Purchasing</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Management of offers</td>
</tr>
<tr>
<td>3</td>
<td>Scrap Management</td>
</tr>
<tr>
<td>4</td>
<td>Inventories Management</td>
</tr>
<tr>
<td>5</td>
<td>Customer Satisfaction</td>
</tr>
<tr>
<td>6</td>
<td>Approval Flows</td>
</tr>
<tr>
<td>7</td>
<td>Cash Management</td>
</tr>
<tr>
<td>8</td>
<td>Commercial Risk Management</td>
</tr>
<tr>
<td>9</td>
<td>Map of Audits</td>
</tr>
<tr>
<td>10</td>
<td>Integration of Brownfields</td>
</tr>
<tr>
<td>11</td>
<td>Establishment of Greenfields</td>
</tr>
<tr>
<td>12</td>
<td>Development of People</td>
</tr>
<tr>
<td>13</td>
<td>People Management</td>
</tr>
<tr>
<td>14</td>
<td>Roles &amp; Responsibilities</td>
</tr>
<tr>
<td>15</td>
<td>Business Risk Management</td>
</tr>
<tr>
<td>16</td>
<td>Operational Notifications</td>
</tr>
</tbody>
</table>

Our differential knowledge is concentrated in these Processes, and non-compliance could result in economic, operational or reputational damage to the company (102-15). We may already consider them to be part of the Gonvarri Industries Culture.

For their elaboration, 16 working groups have been created with the participation of the approximately 150 Gonvarri professionals who best know the business, representatives from all countries, companies and functions of the organization. Furthermore, BTM also leads the IT alignment with this new scheme.

The 2019 objective is to finish deploying the remaining Key Processes, improve those processes that have been outdated due to the development of the business and extend the application scope to newly incorporated companies (Gonvarri Material Handling, Flinsa, etc.). A key part of this process is the BTM in situ support with the deployment, in accordance with a previously approved planning.
Several initiatives were developed for its implementation and dissemination, among which the following stand out:

**New management systematics** aimed at aspects such as, for example, the supervised monitoring of the practical part of the training process for new employees (who have greater accident risk due to their low experience, despite the theoretical training given to them), the periodic safety performance evaluation for each employee by their superior, the treatment and internal cascade dissemination of the weekly “Incident Notifications” published by the corporate area, etc.

“**Safety Tips**”: publishing a series of interactive awareness videos about the main risks present in our activity, which are accessible to all workers, on the corporate intranet, on the screens in all plants and even on their own mobile devices.

“**Chasing risks**”: creates workshops in specific lines and areas, with the purpose of involving the workers in the risk identification and the definition of preventive measures. The pilot workshop, which was done in Gonvarri Tarragona, enabled us to fine tune the methodology, which has been applied in another 4 service centres.

**CCTV** solely aimed at the using of recorded images to investigate incidents and accidents, and to train staff. The pilot installation was carried out in Gonaauto Navarra.

“**One to one**”: to improve the commitment of Plant Managers and department managers, with a new approach.

Instead of conducting periodic Safety inspections for the different work areas from a “negative” perspective, as has been done up to now, the current function is to observe, redirect and educate employee behaviour based on an approach that is always assertive, interactive and motivational, instead of coercive, transmitting the concern of the management of each company regarding this work aspect and also discussing their concerns with regard to safety in the tasks performed and their opinion on the existing Management System.

**External diagnosis of the preventive culture**: mandatory for all plants. It was carried out in the Iberian plants (except Hiasa) and resulted in the definition of a series of improvement measures, personalized and adjusted to the needs of each centre.

**Increase in the participation** of department managers in safety inspections, investigation of accidents, monthly safety meetings and in the definition of risk evaluations and safety instructions.

**Inclusion of Safety projects within Industry 4.0 initiatives**, in particular the design of a prototype forklift with sensors and a screen for detecting the proximity of people and objects in order to prevent collisions.

**Schools of Supervisors**, training them on the importance of their position in order to achieve the “0 injuries” goal, explain the tasks and responsibilities that are required by the company with regard to protecting the safety of our own staff and of the external people present at the plant.

**New Health and Safety Plan “Doing Well by Doing Safe”**

After several years that saw a significant reduction in accident rates and improvements of the workspaces, in which the risk level has been reduced substantially, Gonvarri decided in 2017 to speed up the sensitization regarding Health and Safety for all its employees, raising awareness of the binding nature of the measures transmitted in the training actions. The Safety Plan “**Doing Well by Doing Safe**” defines the new measures that concern our Safety culture, but it also contributes to strengthen the concept of “**STOP > THINK > ACT**”, which expresses that a correct step is a step that is done with the Safety of each individual in mind, in every activity that is carried out, in every decision that is adopted and in every new project or work that is undertaken.
Evaluation of occupational risks

The “Evaluation of Occupational Risks”, which identifies and measures the different risks our workers are exposed to, is updated and revised whenever changes in working conditions or the conclusions of the investigations of incidents and accidents require so.

In 2018, 22 jobs were identified among Gonvarri Colombia, Brazil and China. None of the identified risks have caused any occupational disease (403-3).

Additionally, emergency drills are held annually at the plants to prepare for possible incidents that may arise, such as, fires, spills, rescue operations for staff stuck at heights, first aid, use of defibrillators, and efficient evacuations of work centres.

Main indicators

In 2018, there were a total of 118 accidents resulting in sick leave and 463 accidents that did not result in a sick leave. The high number of accidents in Gonvarri Burgos, Gonvarri Barcelona, Gonvauto Thüringen and Gonvarri Turkey should be noted, all of which were of minor severity.

<table>
<thead>
<tr>
<th>Country</th>
<th>ACCIDENTS WITH LEAVE</th>
<th>ACCIDENTS WITHOUT LEAVE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>m</td>
<td>w</td>
</tr>
<tr>
<td>Own Personnel</td>
<td>81</td>
<td>3</td>
</tr>
<tr>
<td>External Personnel</td>
<td>33</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>114</td>
<td>4</td>
</tr>
</tbody>
</table>

The increasing presence of subcontractors and staff from Temporary Employment Agencies (without the same safety awareness and culture as our own employees) has led some of the plants to worsen their levels of accidents, with a greater degree of incidence of this accident among external companies, accounting for 80% of the accidents.

The fact that the plants have been able to identify, report and analyse over 1,000 incidents without personal harm should be noted as a positive point, as this data has been very useful for future learning and the continuous improvement. The severity of accidents (quantified as the total relative working days lost due to work accidents) has been significantly reduced over the last year.
With regard to occupational disease (403-3), two occupational diseases were registered in our own staff in 2018, one in Spain and another in Portugal, which amounts to an average rate of 0.000000023 (occupational diseases divided by the hours worked).

The accident rates for each of the countries the company is present in are detailed below:

### Rate of accidents with leave

<table>
<thead>
<tr>
<th>Country</th>
<th>Own Personnel</th>
<th>External Personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>28.6</td>
<td>9.7</td>
</tr>
<tr>
<td>Argentina</td>
<td>33.4</td>
<td>0.0</td>
</tr>
<tr>
<td>Colombia</td>
<td>3.4</td>
<td>0.0</td>
</tr>
<tr>
<td>Spain</td>
<td>13.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Finland</td>
<td>17.9</td>
<td>0.0</td>
</tr>
<tr>
<td>Mexico</td>
<td>2.9</td>
<td>0.0</td>
</tr>
<tr>
<td>Norway</td>
<td>38.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Poland</td>
<td>32.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Portugal</td>
<td>42.6</td>
<td>0.0</td>
</tr>
<tr>
<td>UK</td>
<td>2.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>0.0</td>
<td>61.8</td>
</tr>
<tr>
<td>Romania</td>
<td>1.9</td>
<td>0.0</td>
</tr>
<tr>
<td>Sweden</td>
<td>10.4</td>
<td>0.0</td>
</tr>
<tr>
<td>Turkey</td>
<td>17.2</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>10.5</strong></td>
<td><strong>19.9</strong></td>
</tr>
</tbody>
</table>

Rate: No. of accidents with medical leave x 1,000,000 / No. of hours worked.
Accidents with leave are 0 in Brazil, China, Denmark, USA, Slovakia, Netherlands and Russia.

### Rate of accidents without leave

<table>
<thead>
<tr>
<th>Country</th>
<th>Own Personnel</th>
<th>External Personnel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>106.8</td>
<td>87.1</td>
</tr>
<tr>
<td>Argentina</td>
<td>11.1</td>
<td>76.9</td>
</tr>
<tr>
<td>Brazil</td>
<td>30.0</td>
<td>0.0</td>
</tr>
<tr>
<td>China</td>
<td>1.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Colombia</td>
<td>13.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Spain</td>
<td>76.9</td>
<td>8.0</td>
</tr>
<tr>
<td>USA</td>
<td>45.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Slovakia</td>
<td>26.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Finland</td>
<td>0.0</td>
<td>41.7</td>
</tr>
<tr>
<td>Mexico</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Poland</td>
<td>8.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Portugal</td>
<td>93.7</td>
<td>0.0</td>
</tr>
<tr>
<td>UK</td>
<td>32.0</td>
<td>27.6</td>
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<tr>
<td>Czech Rep.</td>
<td>39.3</td>
<td>92.6</td>
</tr>
<tr>
<td>Russia</td>
<td>5.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Turkey</td>
<td>17.2</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42.8</strong></td>
<td><strong>14.2</strong></td>
</tr>
</tbody>
</table>

Rate: No. of accidents without medical leave x 1,000,000 / No. of hours worked.
Accidents without leave are 0 in Brazil, China, Denmark, USA, Slovakia, Netherlands and Russia.

### Days lost due to accidents

The registered accidents have led to a loss of 1,660 working days per accident, of which 99% correspond to men and 1% to women.

### Days lost due to unplanned absenteeism

In 2018, a total of 56,886 days were lost due to unplanned absenteeism, of which 84% correspond to men and 16% to women.

### Rate of days lost per accident

<table>
<thead>
<tr>
<th>Country</th>
<th>Own Personnel M</th>
<th>Own Personnel W</th>
<th>External Personnel M</th>
<th>External Personnel W</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>0.25</td>
<td>0.06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argentina</td>
<td>0.40</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colombia</td>
<td>0.14</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>0.37</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>0.05</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>0.07</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>2.75</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>1.18</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>0.65</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>0.00</td>
<td>0.46</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Romania</td>
<td>0.11</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>0.02</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td>0.14</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>0.21</strong></td>
<td><strong>0.02</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Rate: No. of days lost due to occupational accidents x 1,000 / No. of hours worked.
In the rest of the countries the rate is “0” (Brazil, China, Denmark, USA, Slovakia, Holland, Russia and UK).

### Rate of days lost due to other causes

<table>
<thead>
<tr>
<th>Country</th>
<th>Own Personnel M</th>
<th>Own Personnel W</th>
<th>External Personnel M</th>
<th>External Personnel W</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>6.00</td>
<td>7.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Argentina</td>
<td>0.80</td>
<td>2.70</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>12.00</td>
<td>11.90</td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>3.70</td>
<td>23.40</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colombia</td>
<td>3.00</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Denmark</td>
<td>2.90</td>
<td>1.90</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>11.40</td>
<td>14.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>4.40</td>
<td>0.70</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>1.30</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norway</td>
<td>26.80</td>
<td>1.60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>6.70</td>
<td>5.80</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>14.00</td>
<td>7.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>0.00</td>
<td>0.90</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Romania</td>
<td>7.60</td>
<td>5.90</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sweden</td>
<td>2.60</td>
<td>2.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turkey</td>
<td>0.20</td>
<td>0.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6.40</strong></td>
<td><strong>7.70</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Rate: No. of days lost due to other causes / No. of hours worked x 1,000.
Different communication channels have been created in Gonvarri Industries to facilitate a bidirectional flow which allows for direct information and participation of all the internal and external staff with regard to Health and Safety.

The Management of each plant meets monthly with the Management Committee to monitor the System (objectives, Programs, Plans, investments, indicators, etc.) and prioritize the most important issues in a swift, transparent and integrated manner. Likewise, daily 5-minute meetings of the working groups are held, where the first topic to be dealt with is always Safety.

On the other hand, participation channels are created for workers that bring their knowledge of the tasks to plan and implement improvements in safety and ergonomics to the workplaces and facilities, such as Ideas for Safety Improvements, Chasing Risks, etc.

Based on the characteristics and culture of each country, periodic monitoring meetings are held with the workers’ representatives. The Health and Safety Committee meetings are held quarterly at the Spanish plants. The constitution and the number of Prevention Delegates in Spain is constituted in accordance with the applicable legislation (Chapter V of Law 31/1995 of PRL), being a joint committee and composed equally by the social part and by persons designated by the company.

In the rest of the countries, as this is not a legal requirement everywhere, its characteristics meet local requirements, although, in all cases, their objective is to treat health and safety issues and to mitigate potential risks or work-related accidents for any person present at the work centres, including 100% of the workers (403-4).

All plants have prevention delegates, with the following composition (403-1):

In the distribution centres in Finland, the Netherlands and Norway no employee representatives are present.
### Environment

Gonvarri’s commitment to the environment starts with the certification of the Environmental Management System under the ISO 14001 standard, which 79% of our plants currently hold. Gonvauto South Carolina, Laser Automotive Barcelona, Valencia and Brandenburg, GVS Dongguan, GHN Russia, S&A Papes Lane and Baja California are awaiting certification. Furthermore, as part of our commitment to correctly measure and minimize the impact of our activities, initiatives are being developed with two lines of action: advanced environmental risk management and life cycle approach. With regard to information related to energy, efficiency and climate change, this is developed in the chapter on sustainability.

### Advanced Environmental Risk Management

In order adopt a proactive and preventive position against environmental impacts, Gonvarri began to deploy a new environmental reporting methodology in 2017, based on the Sygris software, which has the following components:

- **Incident Reports**: environmental incidents parameterized by origin, nature, specific location by machine and relevant area have begun to be reported. A subsequent objective analysis or the specific recurrence in the machine or region allows us to adopt preventive measures to mitigate or eliminate its impact.

- **Water and air emissions**: all values of the analytics are monitored and compared to equivalent discharges and/or emissions in other plants of the group, which serves to identify trends and mainstream the best practices internally available.

- **Relationship between consumables and waste as a risk control**: the ratios generated by these consumables serve to determine if the reported incidents were the only ones that occurred.

- **Centralized report of the legal requirement for the waste register**: this register does not only provide us with information on the quantity of waste generated but allows us to know the total cost of its management.

### Environment Performance Indicators

Gonvarri monitors environmental impacts that derive from our activity through different indicators that measure our environmental performance, which lets us quantify our evolution and identify opportunities for improvement.

#### Water and discharges

Except for some specific processes, our business activity does not require water for its operation, which is why we have low consumptions. However, as water is an essential and increasingly scarce natural resource, it is monitored for its sustainable use.

Total consumption in 2018 was 313,710 m³. 85% of the consumed water originated from the water network and 15% from groundwater sources. The consumption was primarily industrial (73%), followed by sanitary use (23%) and the watering of green areas (4%).

It should be noted that no source of water was significantly affected by the water collection activities of the company (306-5).

With regard to discharges, it is estimated that total discharges amounted to 278,051 m³, of which 80% were discharged in the sewage network, 16% in water courses (river, sea, etc.) and 4% in septic tanks (306-1).

Furthermore, in 2018 there were a total of 31 non-significant spills, all of which were adequately managed and which caused no damage to the environment (306-3).

#### Waste (306-2)

Waste produced in our facilities is adequately segregated, monitored, identified, stored and managed through certified agents. The larger part of the produced waste is non-hazardous (98%), of which 97% comes from steel scrap.

Regarding hazardous waste, this represents the remaining 2% and, except for the oil, most of it comes from the plants with galvanizing, pickling and painting processes, where residues of reagents and baths make up 94% of the total.

Concerning the elimination of non-hazardous waste, practically 100% is managed through certified recycling agents (except for organic waste, which accounts for 0.1%).

<table>
<thead>
<tr>
<th>Non-hazardous waste</th>
<th>Tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel scrap</td>
<td>580,094</td>
</tr>
<tr>
<td>Other metals (aluminium, copper, etc.)</td>
<td>11,854</td>
</tr>
<tr>
<td>Paper and cardboard</td>
<td>1,092</td>
</tr>
<tr>
<td>Plastic</td>
<td>908</td>
</tr>
<tr>
<td>Other waste</td>
<td>3,923</td>
</tr>
</tbody>
</table>

Concerning the elimination of hazardous waste, 100% is managed through certified agents for its treatment and/or its landfill.

<table>
<thead>
<tr>
<th>Hazardous waste</th>
<th>Tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remains of reactives and baths</td>
<td>11,878</td>
</tr>
<tr>
<td>Sludge</td>
<td>620</td>
</tr>
<tr>
<td>Other hazardous waste</td>
<td>155</td>
</tr>
</tbody>
</table>

In addition, a total of 44,945 m³ of oil were produced. With regard to the elimination of hazardous waste, 100% is managed through certified agents for its treatment and/or its landfill.
Part 1: The role of our products in the circular economy

Steel is a key material in our company and is the main component for all processes, making up 98% of all consumptions. At Gonvarri we believe in the decisive contribution of steel to global socio-economic growth and the development of more sustainable production models, such as the “Circular Economy”, a concept that is destined to gain importance in the coming years. This is confirmed by the latest signals sent from international institutions, in particular from the European Union.

The transition towards a Circular Economy comes in response to risks derived from different global trends that have appeared, such as the exponential growth of the middle class, the volatility of raw material prices, the increase in environmental regulatory pressure or the concerning increase in the volumes of waste. The economic system needs to move from the current linear model, in which products are made from raw materials and are disposed of after use, to circular models in which products can be repaired, reused, returned and recycled.

The steel industry has been working in this direction for some time and we believe at Gonvarri that steel is becoming a material with a high circularity potential, showing great advantages over other materials:

- Reducing the weight and quantity of the material used
  The new high resistance Steel allowed to reduce weight between 25% and 40% in the last three decades, corresponding with energy and emissions savings.

- The steel may be reutilized or reconverted in different ways
  The reutilization ratios have a great potential for growth due to the eco-design, recycling and the increase in efficiency. The wind parks can be restored, thus maintaining their original value. 1 ton of recycled steel gives rise to an average saving of: 1,400 kg iron mineral / 740 kg of carbon / 120 kg of limestone

- Steel is the most recycled material in the world
  It does not lose properties during the process. The high value of scrap, its magnetic properties and its cost-effective recovery facilitate recycling.

- A large part of steel products can be remanufactured for reuse thanks to the enormous durability of this material
  Our products can be recycled, thus maintaining their original value.

Part 2: A transition based on 5 transversal elements

In addition to developing and spreading a circular vision throughout the organization, 5 concrete elements were identified which underpin Gonvarri’s intent to make a progressive transition towards a circular economy.

- Systemic thinking and design
  Design processes need to be based on circular concepts, integrating the whole lifecycle of the materials and products in order to extend their useful life and to facilitate their future reuse.

- Prioritizing the use of renewable energies and resources
  Encourage the efficient use of renewable and non-toxic materials and energies.

- Exploit the full potential of the generated waste and extend useful life
  Maximize the useful life of resources and try to take advantage of waste as a source to generate secondary products.

- Rely on digital technology
  Incorporate new technologies that allow the measurement, monitoring and optimization of the use of resources and connectivity between the different parts of the organization and the different actors in the value chain.

- Collaborate
  Identify possible synergies and collaborations with other companies or institutions that allow us to find solutions to foster economic growth while also reducing environmental impacts.
Part 3: Circularity in Gonvarri Industries

At Gonvarri we want to use the Circular Economy as a tool to guide us towards the continuous improvement of our production processes and greater environmental responsibility, rather than having this concept as our final goal. The proposals entail the whole lifecycle, from production and consumption to the waste management, which includes the secondary raw material market.

1 Integrated scrap management (306-2)

Gonvarri has an integrated system in all the plants of the group for the centralized collection and recovery of steel discarded in the production process. The amount of discarded steel varies greatly depending on the type of plant and the manufactured product. Due to an efficient centralized system, 100% of the scrap discarded in the production process is collected and valorised, and subsequently introduced to the value chain, so fomenting steel production from recycled materials which gives rise to substantial savings in raw materials and emissions. In 2018, a total of 580,094 tons of scrap were processed.

2 Purchases of recycled steel (301-1)

The steel industry has been going through significant changes in recent years. The expected scarcity of raw materials and the growing availability of scrap, together with other economic reasons, are encouraging greater use of electric furnaces to manufacture steel from old steel. A large part of the steel used in Gonvarri’s processes comes from recycled steel.

By extrapolating the data analysed at two of our main plants in Spain, we estimate that approximately 20% of the steel used in the group comes from electric steelmaking and the remainder from conventional steelmaking. On the other hand, when considering the origin of the steel, it is estimated that 100% of the steel made in electric steelmaking comes from scrap against 20% in conventional steelmaking.

All in all, we estimate that 36% of the steel used in the group has recycled origins which, in addition to our efficient scrap management, favours the development of a more circular steel value chain.

3 Reuse of secondary external products

After several months of analysis, collaboration began between Gonvarri Tarragona, Gonvarri Burgos and Hiasa with the company Dupont Ibérica, to reuse the residual hydrochloric acid that Dupont generates in its processes. The objective is to manage this as a by-product, to be used by Gonvarri as a raw material in its pickling and galvanizing processes.

In 2018, after complex compatibility testing, this collaboration was set in motion, and it has brought substantial reductions in costs and environmental impacts for both companies.

Recovery of hydrochloric acid

Our pickling and galvanizing processes require significant quantities of chemicals, primarily hydrochloric acid. This acid is purchased in a concentration of 32%, which needs to be diluted with water to 18% for the processes.

Dupont generates residual hydrochloric acid in its processes. The objective is to manage this as a by-product, to be used by Gonvarri as a raw material in its pickling and galvanizing processes.

In July 2018 the supply of hydrochloric acid to our plants began. At the closing of the fiscal year the total amounted to 3,377 tons, which were distributed between: Hiasa with 64%, Burgos with 23% and Tarragona the remaining 13%.

The project brings many benefits to both companies. The most relevant are outlined below:

• Economic benefit: The current cost of the acid is estimated at an average of 105€ per ton. The cost of recycled acid is 1€ per ton, plus transportation costs, which are around 7 euros per ton. Calculated with an average consumption of acid of 4,500 tons/year, this project is estimated to give rise to savings of 400,000 €/year.

On the other hand, it is estimated to bring additional savings of 32,000 €/year, which include the savings on water and the new operational expenses, compared to the cost of the new treatment facility, which amount to around 48,000€. Moreover, there are the savings in the management costs of this residue for Dupont Ibérica.

• Benefits in the fight against climate change: Primarily the case for Hiasa due to its proximity to the installations of Dupont (around 3 km.), against the distance to the previous supplier which mainly distributed from Basque Country or Barcelona. There is a benefit even when considering the increase in the number of movements, as more acid is needed to reach the concentration of 32%.

![Total product](5,121,408 Tons)
Total recycled product 1,843,707 Tons (36%)

Steel from electric siderurgy 1,024,282 Tons

Steel from conventional siderurgy 4,097,126 Tons

NO Recycled Steel 3,277,701 Tons

Recycled Steel 819,425 Tons
Quality and customers

Gonvarri’s success is based on our capacity to identify and meet our customers’ needs.

The keystone is the certification of all our companies in the quality management systems IATF 16949 (Auto and Industry) or ISO 9001 (Metallic Structures).

During 2018, the certification was completed for the Gonvarri centres (except for Metal Structures and Gonvarri Material Handling) under the new standard Flato IATF 16949, which is much more demanding in the identification and mitigation of risks.

With regard to the labelling of products (steel and aluminium blanks), our obligations are centered on being able to provide the necessary data to ensure adequate traceability and a correct definition of its characteristics (thickness, coating, etc.). In any case, our products do not feature any chemical or environmental risk (417-1).

But Gonvarri goes further in order to improve the level of its service. To this end, during 2018 a series of initiatives have been launched to create a proactive culture of quality:

• Start of the deployment of TQM (Total Quality Management) in Auto plants, promoting Advanced Product Quality Planning (APQP) for new projects, strengthening process quality control and standardizing the best practices to respond to incidents.

• Project Control Plan, through the creation of 5 standard plans for slitting, cut-to-length, blanking, reception and shipping.

• Project standard FMEAs, starting from the tasks of a multidisciplinary group.

Proximity to the customer

Gonvarri is committed to personalization and constant improvement of our service, for which it has sales teams that are specialized and adjusted to the type of business and product, through which more specific coverage is provided.

Throughout 2018, we worked with our main customer on the definition of a Quality Protocol which serves as framework of reference for the relationship between Gonvarri Centres and the centres of our main customer. When approved, in the beginning of 2019, it will bring stability and transparency.

Auto

For Gonvarri, the Automotive sector generates the main turnover. Its main customers are the OEM’s, stamping companies and Tier 1 and Tier 2 integrators.

The Corporate Area of Global Auto Sales has a highly qualified team of professionals all over the world.

The deployment of the Key Process "Management of Offers" in 2018 means standardization of this process at Group level, a crucial pillar to guarantee efficiency and sustainability within the organization.

The auto sector has clearly evolved towards vehicles with more efficient, technological equipment and a lower environmental impact, such as the electric vehicle. For this reason, we are collaborating with our customers in the development of new solutions, processes and products, focused, among others, on the use of the new materials such as high strength steel and Aluminium, which are lighter, safer and which have less CO₂ emissions.

In 2018 the processing of materials for Hot Stamping processes increased, incorporating projects, mainly in Europe and NAFTA, from new OEMs and Tier 1 to our portfolio.

Additionally, raising the stake in Service, Innovation and Efficiency, a new facility designated to the cutting of 2D blanks from coils has been put into operation in Gonvarri Valencia, with the advantages in flexibility that the cutting of small series of Steel and Aluminium implicate.
Industry

Most of the Industry business activity is done in Spain, Portugal, Brazil and Poland. This year we have enhanced our presence in exports from both countries.

This business line has continued its significantly growing trend, partly due to the continuation of initiatives which were started in recent years, such as:

• Expansion of the action plan initiated in 2016, which contributed to increasing our market share in the distribution sector and reaching historic sales quotas for Gonvarri.

• With regard to the SPOT (non-programmed) sales against programmed sales, after a significant increase in 2016 they have kept up during 2018, which balances the global sales mix.

• The continued growth of foreign trade, through the creation of new sales delegations in different geographic areas in which we had little presence.

And also due to new initiatives such as:

• Plan to promote the marketing and sale of each company’s own products.

• Development of work teams with our main customers to investigate product and logistic improvements.

Among the initiatives set in motion over the past year, we should highlight our continuing active presence in the forums that the customer associations of the distribution sector organize in France and Spain.

We have maintained a calendar of visits, in all companies on the Iberian Peninsula, for the teams of our main customers that visited our plants and vice versa, our teams that visited the facilities of our customers.

Road Safety

At Road Steel we develop, design, manufacture and install all kinds of vehicle containment systems, which allows us to offer our customers an integral tailor-made service.

Our engineering team develops the most novel containment systems, which are always state-of-the-art. Our main achievements in 2018 include the following:

• Development of a range of impact dimmers that can be installed directly on asphalt, without the need for a foundation slab.

• Development of a very high containment system (H4b) to be implemented both on bridges and road sides.

• Development of a safe streetlight against impacts.

We also carry out projects for the implementation of vehicle containment systems, this year in particular:

• Containment systems for the access to Al-Bayth Stadium (one of the stadiums that will host the World Cup in Qatar).

• Design and construction of the Lusail Plaza infrastructure, with which we hope to introduce for the first time our parapets in Qatar.

• Project for the implementation of vehicle containment systems in the concession of the Pacifico 2 motorway connection in Colombia.
Energy
Companies related to the development and construction (EPC) of solar farms are the main customers for the Solar Steel division. We primarily provide this service from the Hiasa, Gonvarri Baja California (Mexico), Gonvarri Turkey and Gonvarri Colombia plants. The development of innovative products that are self-powered and equipped with wireless communication technology stands out. Similarly, Solar Steel participated as an exhibitor in the fairs of: Intersolar Europe (Germany), Genera Madrid (Spain), Solarex (Turkey), Intersolar North America (USA), ExpoSolar (Colombia), Solar Power International Anaheim (USA), Norte Renovables (Spain) and the FISE fair (Colombia). In these fairs the company was presented, particularly the Solar Steel line, in addition to monographic meetings with customers and potential customers.

In addition to the aforementioned, within the initiatives carried out by the different plants, we participated in congresses and fairs like: World Future Energy Summit (Abu Dhabi), MIREC Week (Mexico), CIREC Week (Chile), in the RecamWeek (Panama), Power Nigeria (Nigeria) and the Foro Energyear (Panama).

Specially relevant has been the incorporation of Suports to Gonvarri, under the area of influence of Solar Steel, this is an engineering company for the design and development of solar structures, especially in aluminium, for roofs, parking shelters and fixed structures; this complements the solution portfolio offered to customers by the binomial Solar Steel-Suports by Gonvarri.

Material Handling
Through Gonvarri Colombia we have the business line Almaceno, which cover the Latin American and Caribbean market.
It is oriented towards the industrial, commercial, logistics and large surfaces sectors, with companies that have important storage and logistics management needs. Our management model is based on the development of innovative products and on giving specialized technical support to the customer, primarily in Latin America.

In 2018, our participation in the LOGISMASTERS 2018 fair stood out, which took place in Cali, Pereira and Medellin in Colombia and in Quito in Ecuador.

Gonvarri Material Handling is one of Europe’s leading suppliers for engineering and manufacturing of storage and handling systems for all industrial environments. Our main products are: pallet racks, picking racks and vertical storage machines.

Our professionals combine a high level of knowledge, guidance and practical assistance. Our solid sales and marketing networks allow us to reach our customers through multiple channels in the 16 countries we operate in.

GMH brings together all phases of the process including: planning, supply and installation of shelves, racking systems, cabinets and other storage solutions. All of this through a notable service capacity, which allows us to attend around 30,000 customers annually, where 80% of them are recurrent.

Our solutions cover a wide range of customers; from small local companies to large international corporations, covering multiple sectors: automotive workshops and pneumatic storage, food and drink companies, cold stores, products for electronic construction and trade, among others. In 2018 we have participated in the LogiMAT fair in Scuttgart, which attracted over 60,000 industry professionals from around the world.
Customer satisfaction (102-43 AND 102-44)

At Gonvarri we consider customer surveys to be an important support tool to assess their level of satisfaction, identify points for improvement, build loyalty and increase our market share. For this reason, we periodically conduct personalized surveys, based on the type of product and/or geographic area.

Solar Steel

Solar Steel sends a simple survey to its main national and international customers each year to assess different factors (price, product and service quality, technical support, terms, responsiveness and sales team) based on two parameters: importance and satisfaction.

This year’s results show a slight improvement compared to the year before, with an average score of 3.5 out of 5.

Hiasa and Gonvauto Asturias

Hiasa and Gonvauto Asturias jointly sent a questionnaire to the main customers of the cutting line (flat product) and tube line. The survey was sent to 73 customers which represent 94% of the invoicing of this year, 100% of these customers submitted the survey. This year’s result shows a slight improvement over the previous year, although the results were very satisfactory for both years.

The average Global Satisfaction Index was 87.52% (87.43% for the flat product and 87.59% for the tube with an average of 4.40 (on a scale of 1 to 5), meeting the proposed target.

Almaceno

A customer satisfaction survey was done in 2018, which was mainly based on three aspects: service, sales staff and product, which had an average consolidated result (IMIS) of 86.9%. The obtained results were as follows:

- **Service**: average satisfaction index of 83.4%. The highest rated aspects were the easy access to technical information (85.4%) and support and solution of complaints and reclamations (84.1%).

- **Sales staff**: average satisfaction index of 88.1%. The highest rated aspects were respect and pleasant treatment (93.7%) and notable knowledge on the product offered (92.7%).

- **Product**: average satisfaction index of 88.6%. The highest rated aspects were quality (94.5%), complete delivery of orders (93.6%).

Gonvarri Iberia

Gonvarri Iberia carries out an annual online survey for its main customers. The survey is made from the Gonvarri plants in Burgos, Valencia, Barcelona and Portugal. This year, after an important communication plan towards our customers, in which they were informed on the importance of their opinion for Gonvarri Iberia, we have reached a significantly higher response than the year before, with the customers of Burgos and Portugal having the highest participation rates.

Even though there is a satisfactory average valuation, in which quality, competitiveness, logistics and sales support stand out, delivery terms and prices continue to be points for improvement.

<table>
<thead>
<tr>
<th>Location</th>
<th>Sent</th>
<th>Answered</th>
<th>Participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barcelona</td>
<td>133</td>
<td>78</td>
<td>44.8%</td>
</tr>
<tr>
<td>Portugal</td>
<td>73</td>
<td>42</td>
<td>57.5%</td>
</tr>
<tr>
<td>Valencia</td>
<td>170</td>
<td>75</td>
<td>44.1%</td>
</tr>
<tr>
<td>Burgos</td>
<td>124</td>
<td>86</td>
<td>69.3%</td>
</tr>
<tr>
<td>IBERIA TOTAL</td>
<td>500</td>
<td>281</td>
<td>56.2%</td>
</tr>
</tbody>
</table>
SPG
Gonvarri Production Systems

Based on the Toyota Production System (TPS), the Gonvarri Production System (SPG) is the Lean Manufacturing program of Gonvarri.

In this sense, it is not only a range of tools or a structured method to reach our objective, but it is a philosophy, a culture of continuous improvement that is based on the implication of all the teams, as well as on the fluid communication between them. Within this framework, it is the very same operators, organized in GAP (Autonomous Production Groups), that take most of the operational decisions in a proactive and autonomous way, but in harmony with the rest of the organization.

Like any other Lean Manufacturing system, SPG entails all the processes, products, activities and people of Gonvarri. Its methodology for achieving operational excellence is founded on the integral elimination of all kinds of muda (=inefficiency, waste): defects, overproduction, transport, waiting time, stocks, useless movements of people, unnecessary processes and wasted creativity.

SPG comprises of around thirty tools (SMED, Standard Work, 5S, Value Stream Mapping, Communication Boards, GAP, Top meetings at all levels, etc.), which are organized in 4 modules: Staff implication, Means Efficiency, Flow Efficiency and Lean Office (adaptation of the administrative area).

The working method is that each Gonvarri’s interiorize the most efficient way to carry out their work, improving day by day, within a framework of full communication with their co-workers.

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

Activities carried out in 2018:
- Around 3,100 employees participated in SPG measures.
- 467 GAPs (Autonomous Production Groups) working under SPG standards.
- 26,412 hours/person in SPG training.
- 1,064 workshops were done (5S, standardized work STDW, SMED, Value Stream Mapping, Total Productive Maintenance, Lean Office...).
- 292 GRPs (Problem Solving Groups) were started.
- 4,039 improvement ideas issued.

Of all SPG tools the most important are focussed on improving involvement, by strengthening the communication channels within the organization.

Furthermore, each GAP has specific communication areas, which are managed by the same operators, in which the indicators and information that affect their performance and kept and revised.

In 2016, SPG became, together with Health and Safety, Environment and Quality, one of the 4 subsystems for continuous improvement that make up SCI (Integrated Management System). After having been implemented for almost a decade, SPG Evolution was deployed in 2018, which is the result of a deep revision done the year before in order to give it with more flexibility, bring it closer to the business and take better advantage of the synergies that exist with the rest of the systems. In order to define it, countless specialists from all the areas of the company contributed.
Sustainability
Work ethics and commitment to the society

Represents responsible management model and commitment to ethics, transparency, justice as well as collaboration with our stakeholders regardless of the location where we operate.
One of Gonvarri’s priorities is to help local development in the areas that we have a presence. For this reason, collaboration agreements with non-profit organizations have been established with whom corporate and local activities of varied nature are set in motion.

Corporate collaboration

We began collaborating in 2013 and aim both to prevent traffic accidents through training and social sensitization and also to offer psychological and juridical support to the victims of road accidents.

In 2018, we have expressly supported the diffusion of road safety issues at schools in the Madrid Community, in addition to our collaboration at sport events.

We have supported the Foundation since 2007, apart from being its Trustee. Its mission is to improve the lives of people with intellectual disabilities and to foment their social integration.

This year the company has supported the Foundation with the rent of its spaces and utilities and collaborating closely in the week of volunteering.

We have supported the Foundation since 2013, to contribute to the dissemination and compliance of the 10 Principles and Objectives of Sustainable Development.

In 2018 we participated in various conferences to improve our contribution to these objectives.

We have supported the Foundation since 2013. Its mission is to end food insecurity and malnutrition in areas of humanitarian catastrophes.

In 2018, we made a special contribution that helped provide 10,000 basic meals in places where there have been natural disasters, such as those from Guatemala’s volcano.

Our collaboration began in 2018, with the purpose of educating people with disabilities about road safety.

This year we have set the project “road education: a great value” in motion in the foundation’s adapted football and basketball sport schools.

We have supported the Foundation since 2016, to contribute to the joint construction of a stronger society and with competitive companies lasting over time.

In 2018 we collaborated as Trustee of the foundation and participated in projects aimed at improving communication and measurement of actions in the area of sustainability.
Local contribution

We create measures and programs to develop the local community in different countries and with different approaches. Their contribution is summarized in the attached graph.

No operations with significant (real and potential) negative impacts on local communities have been detected (413-1 and 413-2).

Health and Sports

Within the initiatives related to health and sport that have a social component, we highlight the following:

**Gonvauto Navarra**, collaborated as a private sponsor with the football school “Asociación Deporte Formativo del Valle de Egues”, which has benefitted over 350 youngsters over recent years. In addition, it makes an annual donation to the “Dravet Syndrome” foundation, which researches this disease.

**Gonvarri Puebla**, donated food and hygiene and cleaning products to the Association “Una Nueva Esperanza A.B.P.” which helps children and low-income youths with cancer. In addition, it donated sportswear to “la Casa del Adolescente” of the State of Puebla, which houses vulnerable children from 13 to 17 years old who need prioritized attention.

**Steel & Alloy**, actively collaborated in the fight against cancer through various campaigns, such as by donating the badminton championship prize money to the “Cancer Support Centre” and by donating various prizes to the “Breast Cancer Action Group” raffle. Funds were also raised for “MacMillan Cancer Support” and contributions were made during the “Brave the Shave” campaign to this same centre.

**Gonvauto Galicia** participated in the “Caminando Juntos” campaign of Aldeas Infantiles with the triple objective of promoting sports within families, fostering healthy living habits and being in solidarity with children.

**Gonvauto Barcelona** participated with its Emotional Driving cycling team in the 24-hour Madform BiCircuit for the “Caminando Juntos” campaign with three main objectives: to promote sports within families, foster healthy living habits and in solidarity with children from disadvantaged family backgrounds.

It also donated 15€ for each lap of the circuit to AESLEME.

**AMG Senica**, gave gifts for children to the association “Plamienok”, which focuses on medical aid and care, nursing, psycho-social and spiritual care for very sick and incurable children, allowing them to live at home.

**GMH Romania**, sponsored the “Summer Ski Jumping Grand Prix-Men’s Cup Rasnov” and collaborated in organizing two legs of the Ski Jumping Ladies World Cup in order to promote the sport to youths.

It also participated in the awarding ceremony of the Olympic Sport Club “Cetate Rasnov” 2018, helping to strengthen the self-esteem of the children, praising their sporting efforts and supporting the Romanian team “Kendo” in the World Championships, so that they can travel and compete in this sport.

Additionally, they made one-off donations to the organizations “Vreau sa zbor” and “Asociatia Sfantului Nectarie”.

**Gonvarri Barcelona**, supports children by collaborating in the purchasing of football equipment for players from low-income backgrounds at the “Club Pena Barcelona Sant Just Trajana”.

**Gonvarri Valencia**, participated in different sport events such as the “Carrera Solidaria con otro Mirada” organized by the “Asociación Grupo Espiga”, and the projects: Solidarity Toys and School Support. 25% of the money raised is for the Asociación Española Contra el Cáncer de
them to alleviate the physical problems they suffer from, treatments they would otherwise not be able to obtain.

**Gonvarri Burgos**, held the third edition of the Solidary Paddle Tournament to help a boy from Burgos with the after-effects of herpetic meningitis in various events, such as the RECC night race “Liberanas Domine Robe-Tordajos”, the sponsor-ship of the Christmas basketball solidarity match for the collection of toys and school material, the corporate equipment of the MTB 2018 team and the advertising of the Tizona 18/19 Basketball Club, as well as the purchase of season tickets with the Burgos Handball Club.

**Madrid**, sponsored the 12th hole of the Solidary Golf Tournament organized by the NGO Africa Directo, to improve the living conditions of the most underprivile-ged in the South Sudanese refugee camp “Bidi Bidi”.

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**Environment**

**Gonvauto Puebla**, annually donates uncontaminated wood to the Africam Safari Zoo (36.070 kg), in support for the protected “Parque Nacional Iza Popo” in Mexico. The wood is used for the construction and repairation of the recreation area of the animals, as well as for building toys and food storage.

**AMG Campinas** has created the voluntary group “Protectors of the Environment” with the purpose of raising awareness and making its employees, relatives and friends participate.

**HIASA and Tarragona**, collected bottle lids for a solidarity project, aimed at providing underprivileged children with unregulated medical treatment in the health system and/or materials that will enable

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**AMG Campinas** has created the voluntary group “Protectors of the Environment” with the purpose of raising awareness and making its employees, relatives and friends participate.

**Flinsa**, collaborates with the Cotes Baixes high school in the educational Project “ECO-DIMONI”, by providing materials (tubes, straps with different properties, resistors, etc.) to develop and design ecological low-consumption vehicle prototypes, that already have received recognition.

**GVS Dongguan**, set a small reforestation project in motion in the plant surroundings to improve its environment and to contribute to the absorption of CO₂ emissions. The workers are responsible for its main-tenance.

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**Culture**

**HIASA** supports the “What Really Matters” foundation to communicate universal values through financial contributions and by diffusing the actions it carries out among its employees.

**AMG Campinas** supports cultural de-velopment in its region through different projects:

- “Curta de Animação”, developed touring free animation workshops created by the Centro de Cine de Animação de Campinas for public school students from the inland cities of Sao Paulo. The short films made are shown in free mo- vie sessions accessible to all audiences.
- “Proyecto Allegro”, aims to develop potential talents and skills via music education. It offers guitar, violin, cello, flute, choir and musicality workshops, and, by doing so, contributes to the social inclusion of the participants and their families.

**AMG Paraná**, through the “Laços” pro-ject, makes artistic and playful exhibitions about hospitalized children, together with a composition created by the plastic artist André Mendes. The project is displayed on the facade of the Hospital Pequeno Príncipe, in Curitiba.

**GMMH Russia**, collaborates altruistica- lly with the installation of shelving and storage systems, including labour, in the “Kirovsk Palace of Culture”. This palace is responsible for the cultural development of the entire Kirovsky district, employing more than 1,000 talented people.

The project is complex, both in terms of the availability of suitable spaces for stor-age systems and due to the necessary adaptation to the different types of mu-sical instruments that require their own space. The project will be completed in early 2019.

**GMMH Romania**, made one-off donations to the “Branch Association of The Libra Foundation”.

**Gonvarri Barcelona**, donated to the “Ge-gants de Castellbisbal”, to contribute to maintaining this tradition.
**Social Well-Being**

**Hisao and Gonvarri Valencia** organised a food collection among the plant staff in favour of the Food Bank Foundation of Asturias and Sagunto respectively.

**Steel & Alloy** celebrated its 50th anniversary and organized different activities to raise funds. These will be donated to different charities in 2019.

**GVS Dongguan**, 47% of the staff donated blood to the Dongguan Redcross Centre and made a financial donation to the Dongguan Social Welfare Centre to improve the situation and quality of life of the centre’s users.

**Gonvarri Portugal** organized the collection of solidary bottle lids, as well as clothes, toys, books, teaching materials and office furniture in collaboration with the associations “Associacao Meninos de Ouro” and “Centro de Apoio ao Sem Abrigo” to defend the rights of children and help provide a home to this vulnerable group.

**GMH Germany** sold its unused IT equipment privately to its employees. The money that was obtained was donated to a family that has a disabled child, accompanied by a birthday present.

In addition, internally GMH Germany develops the “Corporate social inclusion management” (BEM) program, which ensures that people suffering from long illnesses can easily return to work, preventing the recurrence of the illness.

**AMG Campinas** participated in different projects aimed at improving the well-being in its environment, such as:

- During the celebration of SIPATMA, employees donated food that went to various communities and to underprivileged groups.
- It held the “Winter Clothes Campaign Social Action” for the collection and donation of winter clothes for charities.
- It participated in the Christmas social action “Papai Noel dos Correiros”, one of the most important social actions in Brazil for over 25 years. Its aim is to adopt a letter sent to Santa by underprivileged children and respond to their requests for gifts, spreading values like solidarity.

**Flinsa**, collaborated through financial aid in the realization of the procession of the Mayan Kings of the locality of Ibi, which gives gifts to less fortunate families.

**Gonvauto Galicia**, all employees collaborated with Caritas Marín by providing clothes, toys and food for the Christmas period.

**AMG Senica**, organized a Christmas party for its employees, which included a raffle with attractive prizes from its suppliers and business partners, in which employees participated by buying tickets. The money raised was used for solidarity purposes related to the needs of an employee.

**GMH Romania**, collaborated with the Kids’ Club (Social Educational Club) in various social programs, helping low-income and vulnerable families, through psychological and material support to both parents and children, to prevent them dropping out of school.

The company became involved with Rasnov school in promoting Easter festivities in local schools, mainly in traditional egg painting, as well as in the Christmas Tree Festival, Romania’s largest charity event, which opens the school doors to children from vulnerable socio-economic backgrounds, through three support programs. Furthermore, it donated to the Association “Asociatia de servicii Social Scut”, which helps young people without families to integrate in the society.
Economic development

Hiasa, participated in the team race (100 km.) in collaboration with Intermon Oxfam, to raise money with the aim of developing infrastructure to facilitate access to closer water wells in African countries.

AMG Campinas, participated, with a group of volunteers, in the reconditioning of the “Regina Amelia” Sports Court where the FICG CPTI operates, with the aim of providing education and social assistance to ensure the rights of children, adolescents and disadvantaged family groups in northern Campinas.

Gonvarri Burgos, contributed through a donation to the project DIHBU 4.0 ITCL, HUB technological for the transition of companies to the new industrial revolution.

Gonvarri Burgos, with the Brotherhood of Blood Donors of Burgos, organized a donation to the blood bank of Castile and Leon in which the staff participated. Moreover, Gonvarri Burgos collaborated in a clothes collection for Caritas and also participated in the BNI Effectiveness charity dinner to help people with disabilities.

Education

Gonvarri Colombia, supports the promotion of free technical and technological education for young people with limited economic and social resources via scholarships through the National Learning Service (SENA).

Gonvarri Burgos, held the “Francisco Riberas Scholarship” program, in order to support the studies of the children of employees with special needs and the children of deceased workers.

Gonvauto Galicia created the “Excellent Scholarships” program for the 2018-2019 academic year, with the objective of rewarding the efforts of the youngest and helping them to fulfill their dreams. These scholarships are intended for the children of workers who attend 6th Primary, ESO, Bachillerato or Vocational Training and pass the entire Academic Year in June, obtaining an average grade in their academic record equal to or greater than 8.

Flinsa, made a donation to the winner of the “Best project of the UPV Materials Master” (Alcoy) award, to help encourage students in novel and innovative projects.

Gonvarri Valencia, made a donation for the printing of a calendar illustrated with photos of falleras of Sagunto and children with disabilities. The calendar will be sold to fund the “Asociación de Discapacitadas Camp de Morvedre - DISCAMP”.

Gonvarri Colombia, organized a family event with the objective of getting to know the local community, bringing them closer and strengthening ties, which it actively participates in.

In addition, Gonvarri Colombia holds a “Synergy and teamwork” workshop, aimed at the group of retirees and early retirees of the company so that they can share experiences on retirement and provide strategies on how to spend their free time.

Gonvarri Burgos, organized a donation to the blood bank of Castile and Leon in which the staff participated. Moreover, Gonvarri Burgos collaborated in a clothes collection for Caritas and also participated in the BNI Effectiveness charity dinner to help people with disabilities.
The Emotional Driving program was created in 2014 with the objective of raising awareness on the importance of road safety, both inside the company and in society as a whole. The differentiating factor of this program lies in the transmission of positive and motivational stimuli and messages to encourage responsible and respectful habits on the road. The project contributes to the Sustainable Development Goals, primarily to Goal 3.6: “by 2020, halve the number of global deaths and injuries from road traffic accidents”, while it also has a positive impact on goals 11.2, “by 2030, provide access to safe, affordable, accessible and sustainable transport systems for all and improve road safety” and 17, “partnerships to reach the goals.”
Emotional Driving Program and stakeholders

Since its inception, the Emotional Driving program’s main action has been holding roadshows at the different plants of the group, both at nationally and internationally, to educate our employees and their family members about road safety.

In 2018, the most recent roadshow was held in the Botanical Garden Orquideorama in Medellin, Colombia. The event attracted around 500 guests, mainly employees of Gonvarri Colombia, but also different Colombian personalities such as the Secretary of Mobility and the Secretary of Youth of Medellin, in addition to customers and suppliers.

Medellin has high road accident rates due to its overloaded traffic system and the lack of road safety education. The Emotional Driving presentation raised awareness on road safety and on the traffic accident rates that take hundreds of Colombian lives. They shared moving testimonies on behalf of the victims of traffic accidents and there were conferences from different associations that showed worrying statistics on the traffic accident rates in the Colombian region, as well as their commitment to minimizing these figures.

All those who attended had the opportunity to go through the “Road Safety Park” which had various stands: Introduction to the activity, Road Safety for Motorcyclists, “Put the key to the car”, Rollover-, light vehicle- and intoxication- simulators, Road Steel station.

Finally, there was a Panel in which the attendees recorded their thoughts on what motivates them to drive safely, by writing them on Post-it notes.

In addition, the employees that work in the different Spanish production plants were invited to the congresses of What Really Matters, which strengthened their commitment to road safety.

The ED School project, together with RESLEME, launched in 2016 at the beginning of the school year. This project aims to educate the youngest about the importance of driving safely and responsibly through presentations.

We visited 130 schools and study centres in the Madrid Community, reaching over 8,000 students with our message. Similarly, participation in the ED School challenge was high, in which the students wrote handwritten messages on Post-It notes to their parents to ask them to drive more responsibly and safely.

The winning message this year was: “Mum, Dad, I know it is not only up to us, but let’s collaborate, as it is better to lose one minute of our lives than our lives in one minute”.

The second edition of this project finished in 2018, and in September, taking advantage of the start of the new school year, we will recommence our commitment to this collective through the third edition of ED School.

Together with the Council of Pozuelo and the Local Police department, Gonvarri and Emotional Driving participated in the “Children’s Road Safety Contest” and in the subsequent award ceremony. Its goal was to promote safe traffic attitudes, habits and values for Pre School and Highschool students.

Student from 15 public, concerted and private schools from the municipality of Pozuelo de Alarcon participated in the contest, and more than 3,200 entries were presented in the different categories of Drawing, Slogans and Road Safety and Mobility Models, all with the common topic “Your emotional signs to improve road safety”.

Emotional Driving, in alliance with Movistar, participated in 8 national congresses of the URMI Foundation, in which more than 10,000 young people were educated about responsibility on the road and, particularly, about the danger of using a mobile phone while driving. These congresses were held in Madrid, Oviedo, Valencia, Malaga, La Coruña, Bilbao, Sevilla and Palma de Mallorca.

The message of the campaign was transmitted by a young actor who, through a monologue with touches of humour, got the attention of the public and reinforced the message concerning the risk of using a phone at the wheel “The best message, like the best driver, is the one that reaches its destination”.

Complementary to this, Emotional Driving provided the youths with a rollover simulator and invited them to reflect by writing a message to their relatives and loved ones encouraging them to drive safely and responsibly.
Emotional Driving began a new project aimed at children with disabilities, with the collaboration of the Real Madrid Foundation. The project’s aim is to introduce values apart from practicing sports, which will be elaborated on throughout the season in adapted and inclusive schools. The comprehensive training of beneficiaries through sport is one of the main objectives of the Foundation, which, with the collaboration of Emotional Driving, takes another step forward in road safety education adapted to people with different abilities, improving their autonomy and social integration.

The students took part in inclusive soccer and adapted basketball sessions, where they had the opportunity to learn about different signs, how to cross the road properly or were able to help people in need. More than 300 beneficiaries with disabilities will participate in this activity, where they can also interact with the pets Valorcito or Valorgol, who are examples for transmitting values, making students aware of the importance of road safety.

Valencia: Automotive Cluster

The project “Emotional Driving” was presented at the Automotive Cluster of the Comunitat Valencia (FIVI). Gonvarri’s commitment to the safety and wellbeing of its employees and society as a whole stood out, with special emphasis on its contribution to minimising accidents and injuries resulting from traffic accidents.

II Mobility and Road Safety Week

Emotional Driving was present at the “II Mobility and Road Safety Week” organized by the Sese Group, and gave an exhibition on the project and its evolution, placing special emphasis on the application of cutting-edge technologies, such as Augmented Reality.

From day 0 to 100 in Road Safety

Emotional Driving participated in the conference on “From day 0 to 100 in Road Safety, Technology & Awareness vs. Accidents,” organized by Muprespa in Madrid. In it, the ED program was explained, providing its differential value with respect to other road safety programs, detailing the different target audiences, going over its journey and mentioning its future plans.

European Mobility Week 2018

Emotional Driving participated in the European Mobility Week 2018 promoted by the Spanish Ministry for Ecological Transition, under the slogan “Combine and Move.” The campaign aims to raise awareness among policy-makers and citizens for the negative consequences of irrational car use in the city, both for public health and the environment, as well as the benefits of using more sustainable means of transport such as public transport, cycling and walking.

PRAISE publishes a case study on ED

The European Transport Safety Council (ETSC), through its project PRAISE (Preventing Road Accidents and Injuries for the Safety of Employees), published a case study on “Emotional Driving” giving international coverage to our project. Under the title “Managing Road Risks at Work,” PRAISE addresses the importance of raising awareness and sensitizing drivers on their “in-itinere” trips, with the aim of “promoting good practices of companies that care about the safety of their employees.”

Sharing Alliances. SERES Foundation

The SERES Foundation celebrated the VI edition of the annual social innovation event “Sharing alliances” with the aim of promoting social progress through joint business initiatives and Corporate Social Responsibility programs. The event presented the success story of Emotional Driving, focusing on road safety and its contribution to Sustainable Development Goals (SDGs), as well as the different initiatives under development.
Awards and acknowledgements

Emotional Driving received different awards throughout 2018, among which the following stand out:

Emotional Driving received the Honour Award from the Municipal Police of Pozuelo de Alarcón Town Council for its road safety awareness program, thus recognising its ability to promote health and wellbeing for young people and society as a whole.

Antonio Amengual, director of Road Steel, received the Road Honour Medal awarded by the Spanish Road Association (AEC) in recognition of his career and active participation in different initiatives in the road safety sector, and the good work of the Road Steel division.

ED School won the prize of the II Road Safety Messages Contest.

Emotional Driving is underpinned by state-of-the-art technologies to reach society effectively and directly with their message via different channels.

Among these, augmented reality and video mapping stand out. In addition, ED is active on social networks such as Twitter, LinkedIn, YouTube and Facebook.

The main campaigns held in 2018 are detailed next:

• At Easter, the campaign “The best message, as the best driver, is the one that reaches its destination” was presented, starring employees of the Sales department in Iberia, reinforcing awareness for not using the mobile behind the wheel.

• During the summer season, Emotional Driving, together with Movistar, presented the study “Emotional Driving: young people at the wheel, distractions and mobile phone use”. The study gathers the opinions of more than 1,000 young Spaniards between the ages of 18 and 30. A dozen journalists attended the presentation which received great coverage in the media.

• On the third Sunday of November, the “World Day of Remembrance for Road Traffic Victims” was held. Emotional Driving wanted to show its commitment and pay tribute to this group via a campaign in which management and employees of Gonvarri call for action, so that we take responsibility together and make others aware of the importance of road safety and the reduction of traffic accident rates.

• At the end of the year, a new release of the “At Christmas forget about the mobile behind the wheel” campaign was presented, aimed at preventing the use of the mobile phone while driving and, in doing so, avoiding traffic accidents. It was very well received in all Emotional Driving profiles on Social Networks (YouTube, Twitter, Facebook and LinkedIn).
EMOTIONAL DRIVING STUDY
Young people behind the wheel, distractions and mobile phone use

In May 2018, Gonvarri, in collaboration with Movistar, conducted a perception study on “Young people behind the wheel, distraction and mobile phone use”, which gathers the opinions of more than 1,000 young Spaniards aged between 18 and 30. The complete study can be found on www.emotionaldriving.com/ED-jovenes-volante.pdf

OBJECTIVE

Determine the mobile use behind the wheel and the level of awareness for road safety among young people.

DATA

Autonomous communities
Socio-demographic profile

CONCLUSIONS: DISTRACTIONS AT THE WHEEL AND MOBILE PHONE USE

Travel 120 m.* using the mobile without looking at the road, is not considered dangerous

Respondents estimate that when you consult WhatsApp behind the wheel you are not looking at the road or distracted for around 11 seconds on average.

They believe that it is possible to pay attention to the phone without losing focus on the road and without being in danger. 4.28 seconds.

*speed 100 km/h

Extremely dangerous actions

Actions using the phone behind the wheel that they deem risky or dangerous:

(0 = not dangerous
10 = extremely dangerous)

Using social networks: 8.64/10
Reading news: 8.63/10
Writing messages: 8.62/10
Taking photos: 8.59/10
Making videos: 8.49/10
Uploading photos to social networks or looking for information: 8.25/10

80% have been distracted while driving

More than 8 in 10 young Spaniards (81.62%) admit having had distractions behind the wheel as drivers or passengers that have endangered them.

Distractions when driving

More than 3 in 4 young Spanish people (77.22%) say they tend to be distracted while driving:

Generally: 4.80%
Occasionally: 16.58%
Rarely: 55.84%

2 out of 3 warn about danger

Almost 2 in 3 young people surveyed (63.44%) state they have asked a driver to stop using their phone at least once.
On the other hand, a high percentage of Spanish youths admit that while driving, they have:

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<tr>
<th>Activity</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Sung songs</td>
<td>83.78%</td>
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<tr>
<td>Listened to loud music</td>
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<tr>
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**CONCLUSIONS: MOTIVATION FOR ROAD SAFETY**

**People, accidents and family**

The responsibility of driving with passengers (74.43%), fear of having an accident (72.63%) and thoughts about the family (64.04%) are the main motivators for Spanish youths to drive safely and responsibly.

**Thinking about someone special makes us reflect on our actions**

Of the young drivers, 7 out of 10 (70.64%) state that they have once taken their foot off the gas when they thought about a certain person (parents, children, nephews, nieces, friends…) and thought “the most important thing is to reach the destination”.

**CONCLUSIONS: ROAD SAFETY INFORMATION AND TRAINING**

**Lack of Road Safety training**

Noteworthy is that 73.03% of young Spaniards claim to never have received any information nor training concerning road safety after obtaining their license.

**Most effective Campaigns**

Over 80% of young Spaniards believe that public campaigns would be more effective and would reach a larger audience if they were more real and dealt with real cases.

**Video Campaign Emotional Driving**

After showing them the video, 28.67% of respondents assure they have seen the video before. 7 in 10 respondents (71.33%) affirm that they liked the video.
Of special importance in 2018 is the modification and revision of the Code of Ethics and Conduct of the group. The Code comprises of an express declaration of the values, principles and behavioural guidelines that must be adopted by the people of the Group in their professional role, regarding topics such as relations with customers, employees, collaborators, providers and the community, and so consolidating the existing trust between the Group and third parties. It is mandatory for employees, collaborators, directors and the managers of the Group know the full content of the Code and especially the principles and behavioural guidelines in it. It is also mandatory to have training inherent to this material and to pass an exam concerning the principles and directives the Code contains. Furthermore, the Compliance Committee and the Ethics Channels have been redefined to bring any of the undue situations, doubts, queries or shown malpractices, as well as legal or disciplinary measures to their attention. An audit plan will be made annually to verify its adequate dissemination and compliance.

Ethics Channel

The Ethics Channel is made available to all employees, directors, managers and collaborators in the Gonvarri Group and also to other external stakeholders, such as customers, providers or the society in general. This with the same objective of consulting doubts about the application of the Code of Ethics and Conduct, just as notifying the possible misconducts that correspond to the breach thereof.

Rules of procedure of the Ethics Channel: These define the operating principles and the terms of use on which the Ethics Channel is based, and the functions and responsibilities of each of the bodies involved in the management and processing of queries/complaints.

The Compliance Committee is the managing body of this channel that establishes the action protocols to analyse, investigate, conclude and communicate the outcomes of the complaints received. It will periodically report on activity managing the Ethics Channel: the number of queries and complaints received, complaints concerning critical situations, status of complaints, etc. to the Board of Directors and its members. Similarly, any relevant issue will also be reported if necessary.

The external provider is in charge of providing and maintaining an accessible channel, guaranteeing the confidentiality of the communications made and their management, safeguarding and filing the data according to the applicable regulations, and acting as an intermediary between the user and the Compliance Committee to guarantee confidentiality as an operating principle.

There are different possible ways to access the Ethics Channel:
• By sending a form through the electronic platform, available at https://gonvarristeelservices.i2ethics.com, which is also accessible via the Group webpage http://www.gonvarristeelservices.com
• By sending an email to: ethicschannel@gonvarri.com
• By sending regular mail to the postal address: Auditoría Interna y Cumplimiento C/ Embajadores s/n 28053 Madrid
• By telephone through the Call Back option available on the platform https://gonvarristeelservices.i2ethics.com

Once the query/complaint has been communicated through the given platform or through one of the other available media, the user will receive an email from the external provider (i2Ethics) with information to confirm the information sent to the Channel and start of their operation.

In 2018, the Compliance Committee received two complaints regarding workplace harassment, as well as several consultations. One of the complaints, upon completion of the investigation, was filed with the conclusion that it was unfounded.

The second complaint was resolved by issuing a warning to the accused after the investigation (406-1).

A new Code of Ethics and Conduct was approved by the Board of Directors in September 2017 and so were the Action Protocols of the Ethics Channel in January 2018.

Awareness and training (205-2)

In 2018, training began on the Code of Ethics and the Ethical Channel as the main parts of the Compliance Model. This training and the dissemination of the rest of the internal regulations will be completed in their entirety by 2019.

For the dissemination of the Code and the Ethical Channel, an online course was developed, accessible from the intranet and the mobile application, in which videos, texts and results tests were incorporated to facilitate comprehension, with an estimated duration of between one and two hours. In addition, a major training effort was made throughout the year to disseminate the principles of the Code, which will continue in successive years.

Around 200 hours total were invested in its elaboration, 3,020 employees were enrolled, of which 2,304 have completed the course. This amounts to 2,513 training hours. The employees of the GMH, Brazil, RING Senica, Laser Automotive and China are not included.

The training of the remaining enrolled employees is expected to be completed in 2019, including those that have not yet started the process and the employees belonging to the new companies that joined Gonvarri in 2018 (GMH, Flinsa, Suports, etc.).
Energy

Energy Consumption

The production process of Gonvarri has an intensive energy consumption, mainly in the plants that have galvanic and electro-galvanizing coating processes. For this reason, the main points in the environmental management system are the monitoring, reduction and control of the energy consumption.

Internal energy consumption

In 2018, Gonvarri used a total of 775,368 GJ of energy, not originating from renewable sources, of which 452,328 GJ come from electrical consumption (scope 2) and 323,040 GJ from LPG, natural gas, propane and diesel (scope 1).

Practically all electric energy consumption is committed to production. Only around 6% of the total amount is used in air conditioning. The table included shows the distribution as a function of the consumption type and country:

Distribution according to the type of energy consumption

<table>
<thead>
<tr>
<th>Country</th>
<th>Electricity (GJ)</th>
<th>GLP (GJ)</th>
<th>Natural Gas (GJ)</th>
<th>Propane (GJ)</th>
<th>Diesel (GJ)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>14,473</td>
<td>0</td>
<td>5,940</td>
<td>0</td>
<td>1,177</td>
</tr>
<tr>
<td>Argentina</td>
<td>5,766</td>
<td>0</td>
<td>1,703</td>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Brazil</td>
<td>31,171</td>
<td>3,871</td>
<td>25,320</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>China</td>
<td>28,315</td>
<td>0</td>
<td>2,226</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Colombia</td>
<td>7,350</td>
<td>691</td>
<td>19,281</td>
<td>0</td>
<td>112</td>
</tr>
<tr>
<td>Denmark</td>
<td>272</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Spain</td>
<td>254,468</td>
<td>56</td>
<td>180,023</td>
<td>1,059</td>
<td>4,997</td>
</tr>
<tr>
<td>USA</td>
<td>12,604</td>
<td>80</td>
<td>2,613</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Slovakia</td>
<td>9,595</td>
<td>0</td>
<td>2,445</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Finland</td>
<td>838</td>
<td>146</td>
<td>1,050</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Netherlands</td>
<td>111</td>
<td>0</td>
<td>256</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Mexico</td>
<td>11,440</td>
<td>3,143</td>
<td>0</td>
<td>553</td>
<td>0</td>
</tr>
<tr>
<td>Norway</td>
<td>112</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Poland</td>
<td>7,178</td>
<td>0</td>
<td>487</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Portugal</td>
<td>6,842</td>
<td>0</td>
<td>75</td>
<td>252</td>
<td>0</td>
</tr>
<tr>
<td>UK</td>
<td>14,219</td>
<td>161</td>
<td>16,256</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>17,108</td>
<td>0</td>
<td>2,826</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Romania</td>
<td>9,992</td>
<td>0</td>
<td>31,760</td>
<td>1,606</td>
<td>0</td>
</tr>
<tr>
<td>Russia</td>
<td>9,739</td>
<td>12</td>
<td>12,190</td>
<td>587</td>
<td>53</td>
</tr>
<tr>
<td>Sweden</td>
<td>800</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Turkey</td>
<td>9,936</td>
<td>0</td>
<td>32</td>
<td>0</td>
<td>1</td>
</tr>
</tbody>
</table>

Country | Energy Intensity (GJ/tons of product sold)
---------|--------------------------------------------------
Germany  | 0.02
Argentina| 0.13
Brazil   | 0.11
China    | 0.36
Colombia | 1.53
Spain    | 0.17
USA      | 0.16
Slovakia | 0.04
Mexico   | 0.05
Poland   | 0.04
Portugal | 0.04
UK       | 0.11
Czech Republic | 1.85
Russia   | 0.06
Turkey   | 0.23
GMH Group| 1.18

Energy intensity 302-3

Gonvarri considers that a good way to measure efficiency and the impact of its processes is by measuring the energy intensity. The resulting annual ratio is calculated by dividing energy consumption by the total weight of products sold in each country. The calculation takes both electricity and fuel, only relative to their internal use, into consideration.
In our commitment to sustainability, Gonvarri continues to work on maintaining our highly efficient production through optimizing energy consumption in all our processes, production lines and auxiliary equipment, striving at all times to achieve maximum production rates with the lowest energy cost possible, whilst always maintaining high-quality standards.

In order to meet this objective, the ECO-ENERGY project has been under development since 2015. This project has the following main targets:

- The implementation of an energy management and monitoring system in the different plants.
- The search for and execution of measures to improve energy savings, which can primarily reduce gas, electricity and water consumptions.

Currently we have 18 plants which are monitored, the objective in 2019 is to add 4 more.

The control and monitoring of the general gas, electricity and water consumptions, as well as the consumptions of all the production lines, compressors, lighting, heaters, air conditioning, etc., is focused to:

- Conduct a detailed follow-up on the specific consumptions of our lines and auxiliary equipment that serves to detect possible deviations in our base lines.
- Analyse and assess the consumptions of our installations in order to identify opportunities for improvement and energy optimization that will allow us to reduce our energy costs.

In 2018, 15 energy saving measures (ESMs) were implemented in different plants. This allowed us to increase Gonvarri’s energy savings by 3.12 Gwh/year, which, added to the savings obtained in previously implemented measures (53 ESMs since the start of the project), amount to annual savings of 10.86 Gwh/year, of which 29% correspond to natural gas consumptions and 71% to electricity.

The accumulated reduction of energy consumptions over the 4 years the project has run (2015 – 2018) is 19.92 Gwh, which amount to an estimated reduction of CO₂ emissions of 3,665 tons/year (1,201 ton/year in 2018).

Among the measures taken in 2018, especially significant are those that aim to optimize existing installations by replacing old equipment for new devices equipped with much more efficient technology, with regulators that are more precise and better adjusted to the operational needs.

The strong value that Gonvarri places on its commitment to sustainability and the environment means that the company is always looking for and investing in the most efficient solutions and technologies for its processes that allow it to reduce its energy consumption as much as possible.
Climate Change

Climate change affects every country on every continent. It has a negative impact on the economy and on the life of the people, communities and countries. In the future, the consequences will be even worse. For this reason, goal 13 requires urgent action to combat climate change and its impacts. The greenhouse gas emissions caused by human activity make this threat grow. In fact, emissions have never been this high.

This is why Gonvarri seeks to minimize its impact on climate change, through 2 main lines.

Environmental management

Through the development and implementation of environmental management systems we contribute by measuring our impact and by defining measures that contribute to their mitigation.

Lighter vehicles

The CO₂ emissions derived from transportation are estimated to be around 22% of the total. To minimize this impact, various measures have been taken, such as the changing of fuels, more aerodynamic designs, weight reductions and improving the awareness and sensitization of the drivers. However, this is still not enough.

Risks and opportunities associated with climate change

2015, 2016 and 2017 have been confirmed as the three warmest years to date. Globally, carbon emissions are expected to increase by 2.7 percent by 2018, according to new studies published by the Global Carbon Project.

Following the Paris agreement, COP 24 was held in Poland this year to coincide with the publication of the Report of the Intergovernmental Panel on Climate Change (IPCC).

This report is clearly worrying and warns that the rate at which emissions are increasing will lead to widespread problems such as food shortages, forest fires, coastal flooding and population displacement by 2040.

It describes several ways to limit global warming to 1.5 degrees Celsius. These solutions will require unprecedented global efforts to reduce the use of fossil fuels by 50 percent in less than 15 years and eliminate their use, almost completely, in 30 years.

Although COP 24 did not show a firm commitment to reductions, mainly due to the opposition of some countries led by the United States and Saudi Arabia, 160 countries presented their reduction objectives and verification rules and mechanisms were established.

At Gonvarri we take different measures to minimize our impact, both in our processes through energy efficiency, as in our products through lighter and safer designs that help to reduce vehicle emissions. Similarly, we contribute to the Sustainable Development Goals, as is detailed throughout the chapter.

Risks

- Increase in tropical storms: this year exceeded the average number of tropical cyclones in the four northern hemisphere basins, such as the Mangkhut and Yutu. In addition, typhoons such as Jebi and Son-Tinh and hurricanes such as Florence and Michael were associated with enormous economic damage and claimed a large number of victims.
- Increase of floods and rainfall: among others, the floods in south-west India which were the worst since 1920 and the floods in western Japan, which killed at least 230 people.
- More heat waves and droughts: in Europe, where many countries experienced an exceptional heat wave and drought in late spring and summer, Japan, the Republic of Korea, Oman and Algeria all set new national heat records.
- Increasing cold and snow: one of the most important cold waves in recent years affected Europe at the end of February and beginning of March.
- Forest fires: on 23 July there were major forest fires that affected Athens. The Canadian province of British Columbia surpassed its burned area record in one season for the second consecutive year and California suffered devastating forest fires.
Greenhouse gas emissions

By measuring its carbon dioxide (CO₂) emissions, Gonvarri contributes to improving the communication of its impact and to the collection of specific data with the aim of setting possible improvement targets.

Regarding the calculation of the CO₂ emissions, these are reported as directed by the Green House Gas Protocol (GHG Protocol) standard, taking the emission factors provided by the International Energy Agency (2013) as a reference.

**Direct and indirect Emissions 305-1 AND 305-2**

The direct emission of greenhouse gases (scope 1) come from the combustion of fuel in the production process (natural gas, propane, and diesel) and amount to 22,390 tons of CO₂. The indirect emissions (scope 2) are those generated in electric power generation plants as a result of the electric consumption in plants and offices, which amounts to 44,198 tons of CO₂, and raise the total to 66,588 tons of CO₂.

In the attached chart their distribution by country is shown:

### Corporate trips

- **Rental car**: 170 tons CO₂/year
- **Travel by plane**: 4,792 tons CO₂/year
- **Travel by train**: 19 tons CO₂/year

### Employee transportation

33,812 tons CO₂/year

<table>
<thead>
<tr>
<th>Country</th>
<th>GLP (tons CO₂)</th>
<th>Natural gas (tons CO₂)</th>
<th>Propane (tons CO₂)</th>
<th>Diesel (tons CO₂)</th>
<th>Electricity (tons CO₂)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>0</td>
<td>413</td>
<td>0</td>
<td>88</td>
<td>1,918</td>
</tr>
<tr>
<td>Argentina</td>
<td>0</td>
<td>0</td>
<td>107</td>
<td>0</td>
<td>625</td>
</tr>
<tr>
<td>Brazil</td>
<td>244</td>
<td>1,760</td>
<td>0</td>
<td>0</td>
<td>589</td>
</tr>
<tr>
<td>China</td>
<td>0</td>
<td>155</td>
<td>0</td>
<td>0</td>
<td>6,009</td>
</tr>
<tr>
<td>Colombia</td>
<td>44</td>
<td>1,340</td>
<td>0</td>
<td>8</td>
<td>221</td>
</tr>
<tr>
<td>Denmark</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>27</td>
</tr>
<tr>
<td>Spain</td>
<td>4</td>
<td>12,512</td>
<td>67</td>
<td>375</td>
<td>20,570</td>
</tr>
<tr>
<td>USA</td>
<td>0</td>
<td>6</td>
<td>165</td>
<td>0</td>
<td>1,761</td>
</tr>
<tr>
<td>Slovakia</td>
<td>0</td>
<td>170</td>
<td>0</td>
<td>0</td>
<td>538</td>
</tr>
<tr>
<td>Finland</td>
<td>9</td>
<td>73</td>
<td>0</td>
<td>0</td>
<td>47</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0</td>
<td>18</td>
<td>0</td>
<td>0</td>
<td>13</td>
</tr>
<tr>
<td>Mexico</td>
<td>198</td>
<td>0</td>
<td>0</td>
<td>41</td>
<td>1,430</td>
</tr>
<tr>
<td>Norway</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Poland</td>
<td>0</td>
<td>34</td>
<td>0</td>
<td>0</td>
<td>1,555</td>
</tr>
<tr>
<td>Portugal</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>19</td>
<td>576</td>
</tr>
<tr>
<td>UK</td>
<td>10</td>
<td>1,130</td>
<td>0</td>
<td>0</td>
<td>1,742</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>0</td>
<td>196</td>
<td>0</td>
<td>0</td>
<td>2,809</td>
</tr>
<tr>
<td>Romania</td>
<td>0</td>
<td>2,207</td>
<td>101</td>
<td>0</td>
<td>1,280</td>
</tr>
<tr>
<td>Russia</td>
<td>1</td>
<td>847</td>
<td>37</td>
<td>4</td>
<td>1,182</td>
</tr>
<tr>
<td>Sweden</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Turkey</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>1,303</td>
</tr>
<tr>
<td><strong>GONVARRI</strong></td>
<td><strong>510</strong></td>
<td><strong>20,862</strong></td>
<td><strong>482</strong></td>
<td><strong>536</strong></td>
<td><strong>44,198</strong></td>
</tr>
</tbody>
</table>

With regard to indirect emissions from other sources, in this scope we consider emissions that derive from business trips made, which amount to a total of 4,981 tons of CO₂, and emissions that derive from employee commutes, which amount to 33,812 tons of CO₂.

Their distribution is shown next (305-3):
Emission intensity

Gonvarri also takes note of the emission intensity to measure the efficiency and impact of its processes.

The resulting yearly ratio is calculated by dividing the sum of its direct and indirect emission (305-1 and 305-2) by the total weight of all the products sold in each country. In the following table the obtained results are specified:

<table>
<thead>
<tr>
<th>Country</th>
<th>Emissions Intensity (tons CO₂/tons of sold product)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>0.003</td>
</tr>
<tr>
<td>Argentina</td>
<td>0.01</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.00</td>
</tr>
<tr>
<td>China</td>
<td>0.07</td>
</tr>
<tr>
<td>Colombia</td>
<td>0.09</td>
</tr>
<tr>
<td>Spain</td>
<td>0.01</td>
</tr>
<tr>
<td>USA</td>
<td>0.02</td>
</tr>
<tr>
<td>Slovakia</td>
<td>0.002</td>
</tr>
<tr>
<td>Mexico</td>
<td>0.01</td>
</tr>
<tr>
<td>Poland</td>
<td>0.01</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.003</td>
</tr>
<tr>
<td>UK</td>
<td>0.01</td>
</tr>
<tr>
<td>Czech Rep.</td>
<td>0.28</td>
</tr>
<tr>
<td>Russia</td>
<td>0.01</td>
</tr>
<tr>
<td>Turkey</td>
<td>0.03</td>
</tr>
<tr>
<td>GMH Group</td>
<td>0.10</td>
</tr>
<tr>
<td></td>
<td>0.01</td>
</tr>
</tbody>
</table>

Avoided indirect emissions

The company is very aware of the possible negative effects that can induce climate change and against this real risk, Gonvarri contributes to its mitigation through the Solar Steel division.

The main activity of this division is the manufacturing and provision of solar structures, mainly fixed structures with a single-axis tracker, that are part of photovoltaic plants which are built to generate renewable energy without greenhouse gas emissions.

In 2018, solar structures for the installation of a total of 1,726 MW were provided, distributed over 15 countries.

By calculating, among others, the net sun radiation hours per project, as well as the percentage of the total cost of the project that these structures and the conversion ratio in each country, we estimate to have contributed to the avoidance of a total of 300,083 tons of CO₂ in 2018.

Similarly, concerning the energy savings that derive from the ESMs, these amount to 1,201 tons of CO₂ avoided and a total of 531 tons of CO₂ deriving from renewable energy installations.
Emissions derived from other sources

Regarding emissions derived from other sources, these are few and isolated in our business, as the majority of the plants are not submitted to regulatory controls.

The plants that perform special treatments (galvanization, electro-galvanizing coating, etc.), where controls are carried out by a certified body with the periodicity established in the corresponding licenses and legal requirements, are affected.

Next, we summarize the main emissions:

<table>
<thead>
<tr>
<th>Other emissions (tons)</th>
<th>NO_2</th>
<th>SO_2</th>
<th>CO</th>
<th>Particles (MP)</th>
<th>VOC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Slovakia</td>
<td>0.0986</td>
<td>0.0006</td>
<td>0.04</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Spain</td>
<td>8.162</td>
<td>0.6991</td>
<td>2.63</td>
<td>1.0608</td>
<td>0</td>
</tr>
<tr>
<td>Romania</td>
<td>2.4346</td>
<td>0.0220</td>
<td>0.95</td>
<td>0.0513</td>
<td>0</td>
</tr>
<tr>
<td>Russia</td>
<td>1.2746</td>
<td>0.0754</td>
<td>4.02</td>
<td>0</td>
<td>0.0920</td>
</tr>
<tr>
<td>Turkey</td>
<td>0.0001</td>
<td>0</td>
<td>0.0002</td>
<td>0.0006</td>
<td>0.0001</td>
</tr>
<tr>
<td>TOTAL</td>
<td>11.97</td>
<td>0.80</td>
<td>7.64</td>
<td>1.11</td>
<td>0.09</td>
</tr>
</tbody>
</table>

In addition, 0.0008 t of KOH, 1.6 t of HCl, 0.009 t of Zn and 0.126 t of TOC are emitted in Spain and 0.11 kg of HCl in Brazil.

Carbon footprint analysis

Anthropogenic climate change is one of the biggest challenges of our time and we all, including companies, have the obligation to understand its causes, assume our responsibility and try to progress towards the reduction of emissions.

This problem especially affects us in the steel industry as the production of steel, Gonvarri’s main raw material, is an emission intensive activity with an average of 1.83 tons of CO_2 emitted per ton of produced steel. (Methodologic Cradle to gate. World Steel Association, 2017).

Greenhouse Gases are released into the atmosphere throughout the whole lifecycle of a product, from the extraction of raw materials to their manufacture, use, and end-of-life treatment.

The carbon footprint measures these emissions of Greenhouse Gases and represents them in their equivalent CO_2 emissions. Measuring the carbon footprint over the entire life cycle is essential in order to know the true impact of materials, products and services.
At Gonvarri, we believe that the first step towards reducing our emissions is to get to know ourselves better. Therefore, in 2018, a pilot project was developed which followed its own methodology and a “Cradle-to-Gate” approach.

For its development, we have selected two plants, which together represent the main activities of the group. For its size and characteristics, Gonvarri Barcelona encompasses most of the relevant processes of the organization (cutting lines, galvanization, electro-galvanization, etc.) and, combined with the logistic activity and pickling line of Gonvarri Tarragona, they give us a reliable picture of the company activities.

This study will enable us to understand the emissions of our products better and detect which productive processes generate more emissions.

In addition, this life cycle analysis may help to differentiate certain steel products that have great potential for recycling and lower emissions compared to other materials they are currently competing against in the market.

The main outcomes of the carbon footprint analysis done in the Gonvarri Barcelona and Tarragona plants are given next:

- The extraction of raw materials and production of steel account for the large majority of the emissions (96.5%), followed by the processes in the Gonvarri plants (~2%), and finally the transport of the steel coils to the plants (~1.5%).

- The most emission intensive processes of our plants are, by far, the pickling, galvanization and electro-galvanization processes. These account for 89% of the emissions in Barcelona (galvanization and electro-galvanization and 93% in Tarragona (pickling).

- Despite the fact that these account for a very significant part of the total emissions of our plants, the iron and steel processes in Barcelona and Tarragona obtain better results than the European and Asian averages. These results demonstrate the high efficiency of our analysed plants, which results in lower emissions than the sector average.

To significantly reduce emissions in pickling and galvanizing lines, work is already underway internally on several initiatives: improving efficiency in electricity consumption and the consumption of the main emitting products (e.g. Minimizing zinc consumption) and encouraging the reuse of secondary products by minimizing the purchase of primary products (e.g. Hydrochloric Acid).
Innovation allows us to develop competitive products, access new markets, and increase added value to our customers.
Innovation model

INNOVATION as a transversal and multidisciplinary value

Gonvarri’s innovation model breaks with the already existing management systems, which has been an important success story for the way in which we work and think.

By incorporating new agents to the Innovation Model, we have been able to increase the involvement of the different Group areas.

The SPG Coordinators and the plant IT technicians are becoming the catalyst for a change that brings out more high value-added ideas.

For this reason, in 2018 the new working bases for the Strategic Plan 2019 – 2021 were established, adding digital competences for SPG Coordinators, and by incorporating “lean” tools to the work system of the Innovation Department, this with one common goal: to employ the enabling technologies of Industry 4.0 to optimize the production processes.

**SDG 9.4**

By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.
Innovation culture

COMMUNICATION as a crucial axis in the transformation towards an innovative culture

The global communication measures and the implementation of the Innovation Communication Plan have contributed to the creation of a new culture in which creativity at the Work Centres is key.

Similarly, the development of the monographic “Innovation Days” by the Innovation Department have served to make the initiatives for new innovative business models known, as well as the advance of new technologies.

This year, several pilot initiatives were developed. Initiatives like “Inspiring Innovation” of the GMS division and a series of successful workshops at different plants have enabled us to detect many Innovation initiatives.

These do not just bring added value to the group, they also reinforce the innovation culture, given that they are seen positively as the ideas generated by workers become real projects directly applicable to their daily work.

Product innovation

Responds to the new challenges of mobility, electrification, emission reduction and road safety.

In 2018 we continued to develop the Marketing Intelligences activities in the area of new products, researching the application of new steels that reduce the weight of vehicles, as well as the alternative materials of steel, with the aim of finding new opportunities in our value chain.

In addition, the Innovation department has strengthened its ties with its customers, developing consortium projects that have allowed us to obtain the quantitative data about the new potential businesses.
Storage structures. Gonvarri Colombia

Gonvarri Colombia, through its innovative team, developed and improved the “roll-formed” panel beam for the sections 50/60/70/80/90/100. It designed 2 “Z” and “C” profiles developed through the roll form process, which present a significant advantage over the previous panel beams that were manufactured through bending. This initiative reduces the manufacturing processes by 15% and is therefore much more efficient, as the final product can be obtained from a continuous process roll forming process line.

Road Steel

At Road Steel we know that innovation is essential to keep our competitiveness in the market and therefore we develop products of very high added value. Next, we will detail two important projects that were set in motion in 2018:

Development of a safe streetlight against impacts

We have developed a 12m high streetlight prototype 100HE3 made of high-strength steel, whose characteristics allow to minimize damages and avoid that the occupants of a vehicle are expelled after the impact in case of an accident. Therefore, this prototype shows the best possible performance against impacts in accordance to the EN 12767 standard.

The prototype is pending patent and tests are being done for different heights, ranging from 6 to 1.4 metres.

The parameters that define its performance are:
• High energy absorption capacity
• Speed class 100 (highest)
• Safety level 3 (safest)

Development of sensorized dimmers

The main target is to develop an intelligent kinetic absorption system for impact dimmers through applying state-of-the-art detection, qualification and accident response technologies. This system is able to contain and reduce the severity of an impact in the event of an accident and report to the competent authorities in real time.

Two detectors are available:
• Impact detector, allowing to detect any impact, either frontal and lateral.
• Laser detector, allowing to measure the length of the affected dimmer.

The detector will measure the impact and send the data to a web application, in addition to determined telephone numbers and email addresses. Moreover, an application was designed to visualize the status of all implanted detectors.
Solar Steel
Single-row tracker TracSmarT+

The Solar Steel innovation team designed the new single-row tracker “TracSmarT+”, available since the end of 2018, and implemented in two important projects.

This new tracker minimizes both installation times and costs through wider installation tolerances, thus reducing the cost of the civil works needed and so providing one of the lowest piles/MW ratios in the market.

Its advanced wireless communication system, together with the self-powered motor, optimize installation, trenching and labour times, as well as lower maintenance.

Innovation of processes
New technologies for operational improvements

In addition to what we have been doing, the incorporation of new technologies such as additive manufacturing, makes it possible to improve our production resources and meet the following objectives:

- Incorporate Additive Manufacturing as a LEAN tool to improve industrial processes.
- Training of the technical staff in Additive Manufacturing.
- Gaining a Virtual Warehouse with 3D data sheets.
- Agile manufacturing of critical pieces from 3D data sheets to functional pieces
- Open up the possibility of redesigning key components to improve their functionality.

The possibilities that these new processes offer allow us to gradually create the Service Centre of the future, in which production means for mass manufacturing are combined with agile technology which allows for the manufacturing of short series and customized pieces.

Adopting a different approach, the incorporation of digital technologies to the current processes increases the possibility of obtaining noticeable improvements in production, and at the same time improve our control over the different process parameters, as was achieved through the implementation of a pilot program in a slitting line of the group.

Open innovation, a crucial tool for technological vigilance

Aligned with the current innovation trends, pilot “open innovation” experiences were developed over the past year. Through these experiences, start-ups with highly-specialized knowledge were identified, which, apart from their undeniable value to increase the technological assets of the group, also serve to incorporate new techniques that, in the future, may become the base for potential businesses.

Within this context, the acquisition of the majority of the shares of the company “Addimen” should be noted. This company specializes in Additive Metal Manufacturing and possesses SLM technology. Through this acquisition, Gonvarri can include this new activity into its service portfolio.
Gonvarri 4.0
Digital transformation becomes a main driver for Innovation

The year ended with the completion of various “Case Studies” for the Gonvarri 4.0 Project, which, once their intrinsic value for the whole group has been analysed, and after their validation by “Key Users” at the different plants, will be deployed in different companies.

The development of the “Monitoring Execution System” (MES) model for the Blanking, Slitting and Cut-to-length processes, is the base on which a customized solution will be deployed for different plants in the coming years.

These initiatives are complemented with those already incorporated to the Systems Plan, which will form a new framework for our technological applications, and which will lead to a modernization of our IT Systems in order to make us more competitive.

Gonvarri 4.0: production management system

This objective of this system is to improve the control of the process parameters inherent to the production activities, while enabling us to obtain on-line mass Data from our production lines.

The development of a solution with these characteristics has a direct impact on the basic drivers defined in the Project Gonvarri 4.0, namely:

- On efficiency, given that by increasing the control over production, and by aligning the production objectives with the business objectives, we are able to establish the basis on which to improve the results of production indicators.
- On quality, since that we will be able to correlate quality results of our products with basic machine parameters, allowing us to reduce non-quality costs.
- On Safety and people, given that new graphic interfaces have been developed that are easier for plant operators to understand and operate, thus simplifying the daily operations of workers at different positions.

This is a key project that will change the way production operators work, will have a significant effect on the degree of digitalization of the company, will enable us to increase the competences of the people of Gonvarri, and will be one of the key points in the Digital Transformation Process of the entire Group.
The development of the new "Compliance Model" is aimed at improving the tracking, measurements and control mechanisms for the identified risks. In 2018, as a part of this project, the Compliance Committee was established as the Delegate Body of the Board of Directors responsible for the Model’s application and revision and for the Management of the Ethics Channel. The project is jointly led by the Internal Audit area, the Compliance Committee and the different areas of Gonvarri to update and prepare the Internal Regulation applicable to the Model. In the Internal Audit Statute, the functions, competences, responsibilities and acting principles of the Internal Audit and Compliance Management are defined.

Its implementation is carried out in phases. It began in 2018 and is expected to be completed in 2019, including all design and continuous improvement, diffusion, management, training and supervision processes.

At its beginning, a deep revision of the Code of Ethics and Conduct was conducted, just as the revision of various anti-corruption, risk, commercial sanctions and information exchange policies, among others, which were all approved by the Board of Directors in September 2017 and January 2018.

Some of the norms that make up the Compliance Model are summarized next:

The Code of Ethics and Conduct is applicable to all Group Companies, as well as to investee companies that are under effective control. In the investee companies where the Code is not applicable, principles and guidelines consistent to this Code are promoted.

At the same time, the Ethics Channel and the Regulation that contains the operating principles and terms of use on which this Channel is based were redefined. This includes the functions and responsibilities of each of the bodies involved in the management and processing of queries/complaints. Throughout the Report, the code of ethics and complaint channels will be further elaborated upon.

205-1 AND 205-2

The Global Compact Principles

Sustainable Development Goals
The Statute of the compliance committee, the supervision Policy and Plan of the compliance model define the scope, responsibilities, roles and powers of each Gonvarri member and of the Compliance Committee in order to control, supervise, evaluate and improve the “Compliance Model”.

The “Rule zero” is directly related, which describes the production, approval and publishing of the internal regulation devised by Gonvarri and is designated to the people that are in its structure or related to it in any of their own areas of activity.

In the anti-fraud and corruption Policy the commitment of the Group to the corporate values and behavioural guidelines set out in its “Code of Ethics and Conduct” is established, explicitly expressing the objection of the Gonvarri Group to committing any type of conduct that implies or might imply an act of fraud or corruption.

In line with the foregoing, the Corporate Competitive Information Exchange Policy establishes the rules and standards that guide the exchange of information between employees and the personnel of competing companies, and the Corporate Trade Sanctions Policy complements the general provisions established in the Group’s Code of Ethics and Conduct and Compliance Policy in relation to compliance with all laws and regulations on international trade sanctions and restrictions. It encompasses broad economic sanctions against a country or territory; as well as the particular economic sanctions based on lists, in which certain entities, people or organizations are included.

Finally, the Corporate policy for risk control and management and the Corporate policy for tax risk management have determining basic principles, such as an internal control framework and the management of any type of risk that Group Gonvarri Industries faces, as their goal.

In addition and together with these, various internal regulations are issued that detail and deploy our principles, defined in the Code of Ethics, in each of the areas of interest, among others: Management of relations with third parties, Acceptance and delivery of gifts, invitations and incentives, Health and safety standards, Safety in transport, Recruitment and training of personnel, Performance evaluation, Code of Conduct for suppliers, Code against harassment, Protection of the environment, Management of conflicts of interest, privileged information, Purchasing and Investment Policy, Security of Systems and information, Transparent Relations with Public Administrations, etc.

Also noteworthy is the implementation of action protocols, internal regulations, privacy policies, attribution of new responsibilities and the necessary tools to adopt to the new requirements of Personal Data Protection regulations in the European Union, as well as the publication of the first Privacy and Personal Data Protection Report for 2018. Throughout 2019, the best practices implemented in the countries of the European Union will be transferred to the rest of the locations in which Gonvarri has a presence, adapted to the local requirements.

Once the compliance model is updated and these internal rules are issued, an ambitious plan for the diffusion, communication and training for 2019, with continuity in future years, has been developed.

In 2018, the Compliance Committee received two complaints regarding workplace harassment, as well as several consultations (406-1).

Upon completion of the investigation, one of the complaints was filed with the conclusion that it was unfounded. The second complaint was resolved by issuing a warning to the accused after the investigation.

No discrimination cases nor complaints from third parties have been detected, nor corruptions cases (205-3). No sensitive others activities related to human rights, forced labour and child labour have been identified that would have a significant impact on the company’s different operations. (408-1 and 409-1).

In 2018, no proceedings have been initiated as a result of accidents at work that could result in penalties for surcharging benefits. Of the four procedures initiated in 2017, two are being processed, and the other two have already been resolved with the corresponding administrative sanction in favour of the worker (403-2).

Regarding other procedures initiated against the society, ongoing disputes and sanctions, there are no other meaningful instances that have a relevant economic impact on the Company with regard to:

- Unfair competition, monopolistic practices and practices against free competition (206-1).
- Health and safety impacts of products and services (416-2).
- Justified complaints related to customer privacy violations or to customer data losses (418-1).
- Non-compliance to the laws and legislation in the social, environmental and economic areas (307-1 and 419-1).
- Non-compliance concerning information and labelling of products and services (417-2).
- Non-compliance concerning marketing communications (417-3).
## Annexes

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Review Report</td>
<td>106</td>
</tr>
<tr>
<td>Report Profile</td>
<td>108</td>
</tr>
<tr>
<td>GRI Content Index</td>
<td>108</td>
</tr>
<tr>
<td>Contents based on the Principles</td>
<td>113</td>
</tr>
<tr>
<td>UN Global Compact</td>
<td>113</td>
</tr>
<tr>
<td>List of consolidated subsidiaries companies</td>
<td>114</td>
</tr>
</tbody>
</table>
Independent Review Report

INESDEPENDENT LIMITED ASSURANCE REPORT
ON THE CORPORATE SOCIAL RESPONSIBILITY INDICATORS

To the Management of Gonvarri Corporación Financiera, S.L.:

We have carried out our work to provide limited assurance on the Corporate Social Responsibility indicators contained in “GRI Content Index” of the 2018 Sustainability Report (hereinafter “CSR Indicators”) of Gonvarri Corporación Financiera, S.L. and its subsidiaries (hereinafter “Gonvarri Industries”) for the year ended 31 December 2018, prepared in accordance with the content proposed in the GRI Standards of the Global Reporting Initiative (GRI) (hereinafter GRI Standards).

Responsibility of Management

Management of Gonvarri Industries is responsible for the preparation, content and presentation of the Sustainability Report in accordance with the Comprehensive option of the GRI Standards.

Management’s responsibility includes establishing, implementing and maintaining the internal control required to ensure that the CSR indicators are free from any material misstatement due to fraud or error.

Management of Gonvarri Industries is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the CSR indicators, is obtained.

Our responsibility

Our responsibility is to issue a limited assurance report based on the procedures that we have carried out and the evidence obtained. Our limited assurance engagement was done in accordance with the “International Standard on Assurance Engagements 3000 (Revised)” “Assurance Engagements other than Audits or Reviews of Historical Financial Information”, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

The scope of a limited assurance engagement is substantially less extensive than the scope of a reasonable assurance engagement and thus, less security is provided.

The procedures that we have carried out are based on our professional judgment and have included consultations, observation of processes, document inspection, analytical procedures and random sampling tests. The general procedures employed are described below:

• Meetings with Gonvarri Industries’ personnel from various departments who have been involved in the preparation of the 2018 Sustainability Report.
• Analysis of the procedures used for obtaining and validating the data presented in the CSR indicators.
• Analysis of Gonvarri Industries’ CSR indicators adaptation to the requirements established by the GRI Standards for the preparation of sustainability reports.

• Verification, through random sampling tests revisions, and substantive tests on the information used to determine Gonvarri Industries’ CSR indicators. We have also verified whether they have been appropriately compiled from the data provided by Gonvarri Industries’ sources of information.

• Obtaining of a management representation letter from the Management.

Our Independence and Quality Control

We have fulfilled our work in accordance with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which are based on basic principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and thus employs an exhaustive quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards, statutory laws and applicable regulations.

Limited assurance conclusion

As a result of the procedures carried out and the evidence obtained, no matters have come to our attention which may lead us to believe that Gonvarri Industries’ CSR indicators, for the financial year ending 31st December 2018, contain significant errors or have not been prepared, in all of their significant matters, in accordance with the GRI Standards.

Use and Distribution

Our report is only issued to the Management of Gonvarri Industries, in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than Gonvarri Industries’ Management.

PricewaterhouseCoopers Auditors, S.L.

Pablo Bocanegra
20 May, 2019
Report profile

The Sustainability Report has been made in accordance with the information and indicators established in the reference guidebook ‘GRI Standards’, comprehensive option, (102-54) and the relevant factors that derive from our Materiality Study, as an integral part of our Management Model ‘Drive’ and our commitment to the Sustainable Development Goals. The GRI table of Contents is annexed to this report, together with the independent external verification report from the Company PwC (102-56).

The purpose of this report is to communicate the most important initiatives and issues, through an approach aligned with our understanding of sustainability and its impact on the management of the Company.

As in previous years, the Report has an annual periodicity (102-52), and covers the information from January 1st 2018 and December 31st 2018, (102-50) the last report being that from 2017 (102-51).

In comparison to the previous year, the scope of the Report now also includes the quantitative and qualitative data concerning the following installations (102-49):

• **Gonvarri Material Handling**, which includes the following installations:
  - Plants: GMMH Dexion Germany, GMMH Russia and GMMH Romania.
  - Distribution Centres: GMMH Norway, Finland, Sweden, Netherlands, UK and Denmark. Data on distribution centres with less than 15 employees is not included in the report. This concerns the following distribution centres: GMMH Poland, Czech, Hungary, Belgium and Slovakia.
  - **AMG Senica** (Slovakia).
  - **The engineering company Suports** (Spain y Mexico).
  - **Flinsa Group**.

Qualitative data has been incorporated regarding the Gonvarri Nitra plant (Slovakia) which is under construction and the recent acquisitions GMMH Canrena (Sweden), Laser Automotive Zaragoza (Spain) and Addimen (Spain).

The minor changes are indicated in their corresponding sections.

There has not been any restatement of information regarding the previous financial year (102-48), nor any changes to the supply chain (102-10).

General questions about this report can be addressed to (102-53):

rsc@gonvarri.com
+34 91 379 10 00
C/ Ombú 3, floor 1.
28045 Madrid. Spain

GRI Content Index

102-55

The contents of this index have been externally verified by the independent entity PwC. The related independent review report for verification can be found in the Annex of this document. Information omissions are included as a note in italics on appropriate indicators.

<table>
<thead>
<tr>
<th>GRI Standards</th>
<th>Content</th>
<th>Page/Omission</th>
<th>Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRI 101: Foundation</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 102: General Content</td>
<td>102-1</td>
<td>Name of the organization</td>
<td>10 √</td>
</tr>
<tr>
<td></td>
<td>102-2</td>
<td>Activities, brands, products, and services</td>
<td>10, 16 √</td>
</tr>
<tr>
<td></td>
<td>102-3</td>
<td>Location of headquarters</td>
<td>10 √</td>
</tr>
<tr>
<td></td>
<td>102-4</td>
<td>Location of operations</td>
<td>14 √</td>
</tr>
<tr>
<td></td>
<td>102-5</td>
<td>Ownership and legal form</td>
<td>10 √</td>
</tr>
<tr>
<td></td>
<td>102-6</td>
<td>Markets served</td>
<td>14, 16 √</td>
</tr>
<tr>
<td></td>
<td>102-7</td>
<td>Scale of the organization</td>
<td>12 √</td>
</tr>
<tr>
<td></td>
<td>102-8</td>
<td>Information on employees and other workers</td>
<td>47 √</td>
</tr>
<tr>
<td></td>
<td>102-9</td>
<td>Supply chain</td>
<td>42 √</td>
</tr>
<tr>
<td></td>
<td>102-10</td>
<td>Significant changes to the organization and its supply chain</td>
<td>10, 44 √</td>
</tr>
<tr>
<td></td>
<td>102-11</td>
<td>Preventative Principle or approach</td>
<td>40 √</td>
</tr>
<tr>
<td></td>
<td>102-12</td>
<td>External initiatives</td>
<td>77 √</td>
</tr>
<tr>
<td></td>
<td>102-13</td>
<td>Membership of associations</td>
<td>45 √</td>
</tr>
<tr>
<td>Organizational profile</td>
<td>102-14</td>
<td>Statement from senior decision-maker</td>
<td>4, 6 √</td>
</tr>
<tr>
<td></td>
<td>102-15</td>
<td>Key impacts, risks, and opportunities</td>
<td>39, 63 √</td>
</tr>
<tr>
<td>Strategy</td>
<td>102-16</td>
<td>Values, principles, standards, and norms of behavior</td>
<td>88 √</td>
</tr>
<tr>
<td>Ethics and integrity</td>
<td>102-17</td>
<td>Mechanisms for advice and concerns about ethics</td>
<td>88 √</td>
</tr>
<tr>
<td>GRI Standards</td>
<td>Content</td>
<td>Page/Omission</td>
<td>Review</td>
</tr>
<tr>
<td>---------------</td>
<td>---------</td>
<td>---------------</td>
<td>--------</td>
</tr>
<tr>
<td>102-18</td>
<td>Governance structure</td>
<td>30</td>
<td>✓</td>
</tr>
<tr>
<td>102-19</td>
<td>Delegating authority</td>
<td>30</td>
<td>✓</td>
</tr>
<tr>
<td>102-20</td>
<td>Executive-level responsibility for economic, environmental, and social topics</td>
<td>30</td>
<td>✓</td>
</tr>
<tr>
<td>102-21</td>
<td>Consulting stakeholders on economic, environmental, and social topics</td>
<td>30</td>
<td>✓</td>
</tr>
<tr>
<td>102-22</td>
<td>Composition of the highest governance body and its committees</td>
<td>30</td>
<td>✓</td>
</tr>
<tr>
<td>102-23</td>
<td>Chair of the highest governance body</td>
<td>30</td>
<td>✓</td>
</tr>
<tr>
<td>102-24</td>
<td>Nominating and selecting the highest governance body</td>
<td>30</td>
<td>✓</td>
</tr>
<tr>
<td>102-25</td>
<td>Conflicts of interest</td>
<td>30</td>
<td>✓</td>
</tr>
<tr>
<td>102-26</td>
<td>Role of highest governance body in setting purpose, values, and strategy</td>
<td>30</td>
<td>✓</td>
</tr>
<tr>
<td>102-27</td>
<td>Collective knowledge of highest governance body</td>
<td>31</td>
<td>✓</td>
</tr>
<tr>
<td>102-28</td>
<td>Evaluating the highest governance body’s performance</td>
<td>30</td>
<td>✓</td>
</tr>
<tr>
<td>102-29</td>
<td>Identifying and managing economic, environmental, and social impacts</td>
<td>31</td>
<td>✓</td>
</tr>
<tr>
<td>102-30</td>
<td>Effectiveness of risk management processes</td>
<td>31</td>
<td>✓</td>
</tr>
<tr>
<td>102-31</td>
<td>Review of economic, environmental, and social topics</td>
<td>31</td>
<td>✓</td>
</tr>
<tr>
<td>102-32</td>
<td>Highest governance body’s role in sustainability reporting</td>
<td>31</td>
<td>✓</td>
</tr>
<tr>
<td>102-33</td>
<td>Communicating critical concerns</td>
<td>31</td>
<td>✓</td>
</tr>
<tr>
<td>102-34</td>
<td>Nature and total number of critical concerns</td>
<td>31</td>
<td>✓</td>
</tr>
<tr>
<td>102-35</td>
<td>Remuneration policies</td>
<td>31</td>
<td>✓</td>
</tr>
<tr>
<td>102-36</td>
<td>Process for determining remuneration</td>
<td>31</td>
<td>✓</td>
</tr>
<tr>
<td>102-37</td>
<td>Stakeholders’ involvement in remuneration</td>
<td>31</td>
<td>✓</td>
</tr>
<tr>
<td>102-38</td>
<td>Annual total compensation ratio</td>
<td>NA</td>
<td>Confidential Information</td>
</tr>
<tr>
<td>102-39</td>
<td>Percentage increase in annual total compensation ratio</td>
<td>NA</td>
<td>Confidential Information</td>
</tr>
<tr>
<td>102-40</td>
<td>List of stakeholder groups</td>
<td>27</td>
<td>✓</td>
</tr>
<tr>
<td>102-41</td>
<td>Collective bargaining agreements</td>
<td>55</td>
<td>✓</td>
</tr>
<tr>
<td>102-42</td>
<td>Identifying and selecting stakeholders</td>
<td>27</td>
<td>✓</td>
</tr>
<tr>
<td>102-43</td>
<td>Approach to stakeholder engagement</td>
<td>27</td>
<td>✓</td>
</tr>
<tr>
<td>102-44</td>
<td>Key topics and concerns raised</td>
<td>28</td>
<td>✓</td>
</tr>
<tr>
<td>102-45</td>
<td>Entities included in the consolidated financial statements</td>
<td>114</td>
<td>✓</td>
</tr>
<tr>
<td>102-46</td>
<td>Defining report content and topic Boundaries</td>
<td>28</td>
<td>✓</td>
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<tr>
<td>102-47</td>
<td>List of material topics</td>
<td>28</td>
<td>✓</td>
</tr>
<tr>
<td>102-48</td>
<td>Restatements of information</td>
<td>29</td>
<td>✓</td>
</tr>
<tr>
<td>102-49</td>
<td>Changes in reporting</td>
<td>28</td>
<td>✓</td>
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<tr>
<td>102-50</td>
<td>Reporting period</td>
<td>108</td>
<td>✓</td>
</tr>
<tr>
<td>102-51</td>
<td>Date of most recent report</td>
<td>108</td>
<td>✓</td>
</tr>
<tr>
<td>102-52</td>
<td>Reporting cycle</td>
<td>108</td>
<td>✓</td>
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<tr>
<td>102-53</td>
<td>Contact point for questions regarding the report</td>
<td>108</td>
<td>✓</td>
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<tr>
<td>102-54</td>
<td>Claims of reporting in accordance with the GRI Standards</td>
<td>108</td>
<td>✓</td>
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<tr>
<td>102-55</td>
<td>GRI content index</td>
<td>108</td>
<td>✓</td>
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<tr>
<td>102-56</td>
<td>External assurance</td>
<td>106, 108</td>
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</table>

**Economic Performance**

<table>
<thead>
<tr>
<th>Maternity topics</th>
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<tbody>
<tr>
<td>GRI 103:Management Approach. It is applicable to all indicators reported in this section Economic Dimension</td>
<td></td>
</tr>
<tr>
<td>103-1 Explanation of the material topic and its Boundary</td>
<td>28</td>
</tr>
<tr>
<td>103-2 The management approach and its components</td>
<td>28</td>
</tr>
<tr>
<td>103-3 Evaluation of the management approach</td>
<td>28</td>
</tr>
<tr>
<td>GRI Standards</td>
<td>Content</td>
</tr>
<tr>
<td>---------------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>Economic Performance</strong></td>
<td></td>
</tr>
<tr>
<td>GRI 201: Economic Performance</td>
<td>103-1: Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td></td>
<td>103-2: The management approach and its components</td>
</tr>
<tr>
<td></td>
<td>103-3: Evaluation of the management approach</td>
</tr>
<tr>
<td></td>
<td>201-4: Financial assistance received from government</td>
</tr>
<tr>
<td><strong>Procurement Practices</strong></td>
<td></td>
</tr>
<tr>
<td>GRI 204: Procurement Practices</td>
<td>204-1: Proportion of spending on local suppliers</td>
</tr>
<tr>
<td><strong>Anticorruption</strong></td>
<td></td>
</tr>
<tr>
<td>GRI 205: Anti-corruption</td>
<td>205-1: Operations assessed for risks related to corruption</td>
</tr>
<tr>
<td></td>
<td>205-2: Communication and training about anti-corruption policies and procedures</td>
</tr>
<tr>
<td></td>
<td>205-3: Confirmed incidents of corruption and actions taken</td>
</tr>
<tr>
<td><strong>Anti-competitive Behavior</strong></td>
<td></td>
</tr>
<tr>
<td>GRI 206: Anti-competitive Behavior</td>
<td>206-1: Legal actions for anti-competitive behavior, anti-trust, and monopoly practices</td>
</tr>
<tr>
<td><strong>Environmental performance</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Management Approach</strong></td>
<td></td>
</tr>
<tr>
<td>GRI 103: Management Approach</td>
<td>103-1: Explanation of the material topic and its Boundary</td>
</tr>
<tr>
<td></td>
<td>103-2: The management approach and its components</td>
</tr>
<tr>
<td></td>
<td>103-3: Evaluation of the management approach</td>
</tr>
<tr>
<td><strong>Management Approach (no material)</strong></td>
<td></td>
</tr>
<tr>
<td>GRI 301: Materials</td>
<td>301-01: Materials used by weight or volume</td>
</tr>
<tr>
<td><strong>Energy</strong></td>
<td></td>
</tr>
<tr>
<td>GRI 302: Energy</td>
<td>302-1: Energy consumption within the organization</td>
</tr>
<tr>
<td></td>
<td>302-2: Energy consumption outside of the organization</td>
</tr>
<tr>
<td></td>
<td>302-3: Energy intensity</td>
</tr>
<tr>
<td></td>
<td>302-4: Reduction of energy consumption</td>
</tr>
<tr>
<td></td>
<td>302-5: Reduction in energy requirements of products and services</td>
</tr>
<tr>
<td><strong>Emissions</strong></td>
<td></td>
</tr>
<tr>
<td>GRI 305: Emissions</td>
<td>305-1: Direct (Scope 1) GHG emissions</td>
</tr>
<tr>
<td></td>
<td>305-2: Energy indirect (Scope 2) GHG emissions</td>
</tr>
<tr>
<td></td>
<td>305-3: Other indirect (Scope 3) GHG emissions</td>
</tr>
<tr>
<td></td>
<td>305-4: GHG emissions intensity</td>
</tr>
<tr>
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<td>305-5: Reduction of GHG emissions</td>
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<tr>
<td></td>
<td>305-6: Emissions of ozone-depleting substances (ODS)</td>
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<tr>
<td></td>
<td>305-7: Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions</td>
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</table>
**Environmental performance**

**Effluents and Waste (not material)**

<table>
<thead>
<tr>
<th>GRI Standards</th>
<th>Content</th>
<th>Page/Omission</th>
<th>Review</th>
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</thead>
<tbody>
<tr>
<td>GRI 306: Effluents and Waste</td>
<td>306-1: Water discharge by quality and destination</td>
<td>68</td>
<td>✓</td>
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<tr>
<td></td>
<td>306-2: Waste by type and disposal method</td>
<td>68</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>306-3: Significant spills</td>
<td>68</td>
<td>✓</td>
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<tr>
<td></td>
<td>306-4: Transport of hazardous waste</td>
<td>Note C</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>306-5: Water bodies affected by water discharges and/or runoff</td>
<td>68, Note D</td>
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</table>

**Environmental Compliance**

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<thead>
<tr>
<th>GRI Standards</th>
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<th>Review</th>
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<tbody>
<tr>
<td>GRI 307: Environmental Compliance</td>
<td>307-1: Non-compliance with environmental laws and regulations</td>
<td>103</td>
<td>✓</td>
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</table>

**Social Performance**

**Management Approach**

<table>
<thead>
<tr>
<th>GRI 103: Management Approach</th>
<th>Content</th>
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<tr>
<td></td>
<td>103-1: Explanation of the material topic and its Boundary</td>
<td>28</td>
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<td></td>
<td>103-2: The management approach and its components</td>
<td>28</td>
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</tr>
<tr>
<td></td>
<td>103-3: Evaluation of the management approach</td>
<td>28</td>
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</table>

**Employment**

<table>
<thead>
<tr>
<th>GRI 401: Employment</th>
<th>Content</th>
<th>Page/Omission</th>
<th>Review</th>
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<tbody>
<tr>
<td></td>
<td>401-1: New employee hires and employee turnover</td>
<td>49</td>
<td>✓</td>
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<tr>
<td></td>
<td>401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees</td>
<td>58</td>
<td>✓</td>
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<tr>
<td></td>
<td>401-3: Parental leave</td>
<td>59</td>
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**Occupational Health and Safety**

<table>
<thead>
<tr>
<th>GRI 403: Occupational Health and Safety</th>
<th>Content</th>
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<th>Review</th>
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<tbody>
<tr>
<td></td>
<td>403-1: Workers representation in formal joint management–worker health and safety committees</td>
<td>67</td>
<td>✓</td>
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<tr>
<td></td>
<td>403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities</td>
<td>65, 103</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>403-3: Workers with high incidence or high risk of diseases related to their occupation</td>
<td>65, 66</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>403-4: Health and safety topics covered in formal agreements with trade unions</td>
<td>67</td>
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</table>

**Training and Education**

<table>
<thead>
<tr>
<th>GRI 404: Training and Education</th>
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<th>Page/Omission</th>
<th>Review</th>
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<tr>
<td></td>
<td>404-1: Average hours of training per year per employee</td>
<td>50</td>
<td>✓</td>
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<tr>
<td></td>
<td>404-2: Programs for upgrading employee skills and transition assistance programs</td>
<td>50</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>404-3: Percentage of employees receiving regular performance and career development reviews</td>
<td>51</td>
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</table>

**Diversity and Equal Opportunity (not material)**

<table>
<thead>
<tr>
<th>GRI 405: Diversity and Equal Opportunity</th>
<th>Content</th>
<th>Page/Omission</th>
<th>Review</th>
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<tbody>
<tr>
<td></td>
<td>405-1: Diversity of governance bodies and employees</td>
<td>47, 48, 54</td>
<td>✓</td>
</tr>
<tr>
<td>GRI Standards</td>
<td>Content</td>
<td>Page/Omission</td>
<td>Review</td>
</tr>
<tr>
<td>---------------</td>
<td>---------</td>
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</tr>
<tr>
<td><strong>Social Performance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-discrimination</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GRI 406: Non-discrimination</td>
<td>406-1: Incidents of discrimination and corrective actions taken</td>
<td>88, 103</td>
<td>✓</td>
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<tr>
<td><strong>Child Labor</strong></td>
<td></td>
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<tr>
<td>GRI 408: Child Labor</td>
<td>408-1: Operations and suppliers at significant risk for incidents of child labor</td>
<td>103</td>
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<tr>
<td><strong>Forced or Compulsory Labor</strong></td>
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<tr>
<td>GRI 409: Forced or Compulsory Labor</td>
<td>409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor</td>
<td>103</td>
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<tr>
<td><strong>Human Rights Assessment (not material)</strong></td>
<td></td>
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<tr>
<td>GRI 412: Human rights assessment</td>
<td>412-2: Employee training on human rights policies or procedures</td>
<td>50</td>
<td>✓</td>
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<tr>
<td></td>
<td>412-3: Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening</td>
<td>39</td>
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<tr>
<td><strong>Local Communities</strong></td>
<td></td>
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<tr>
<td>GRI 413: Local Communities</td>
<td>413-1: Operations with local community engagement, impact assessments, and development programs</td>
<td>77, 78</td>
<td>✓</td>
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<tr>
<td></td>
<td>413-2: Operations with significant actual and potential negative impacts on local communities</td>
<td>78</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Public Policy</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>GRI 415: Public Policy</td>
<td>415-1: Political contributions</td>
<td>39</td>
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<tr>
<td><strong>Customer Health and Safety</strong></td>
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<tr>
<td>GRI 416: Customer Health and Safety</td>
<td>416-1: Assessment of the health and safety impacts of product and service categories</td>
<td>Note E</td>
<td>✓</td>
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<tr>
<td></td>
<td>416-2: Incidents of non-compliance concerning the health and safety impacts of products and services</td>
<td>103</td>
<td>✓</td>
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<tr>
<td><strong>Marketing and Labeling</strong></td>
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<tr>
<td>GRI 417: Marketing and Labeling</td>
<td>417-1: Requirements for product and service information and labeling</td>
<td>71</td>
<td>✓</td>
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<tr>
<td></td>
<td>417-2: Incidents of non-compliance concerning product and service information and labeling</td>
<td>103</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td>417-3: Incidents of non-compliance concerning marketing communications</td>
<td>103</td>
<td>✓</td>
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<tr>
<td><strong>Customer Privacy</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>GRI 418: Customer Privacy</td>
<td>418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data</td>
<td>103</td>
<td>✓</td>
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<tr>
<td><strong>Socioeconomic Compliance</strong></td>
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<tr>
<td>GRI 419: Socioeconomic Compliance</td>
<td>419-1: Non-compliance with laws and regulations in the social and economic area</td>
<td>103</td>
<td>✓</td>
</tr>
</tbody>
</table>

**Note A:** The calculation methodology will be implemented gradually and is expected to have all the energy information and the carbon footprint in 2022.

**NOTA B:** Does not apply. The products follow the customers’ specifications, so the company has little influence.

**NOTE C:** Due to our type of activity we do not transport of hazardous waste

**NOTE D:** Do not affect water bodies

**Note E:** Does not apply due to the type of product of our company.
## The Global Compact

Contents in relation to the Global Compact Principles

The following table shows the chapters of this report that provide the most relevant information regarding the 10 principles of the Global Compact, in addition to the one included on the management approaches of every GRI aspect. Each stakeholder can evaluate Gonvarri Industries’ progress concerning these principles by the following this table:

<table>
<thead>
<tr>
<th>Aspect</th>
<th>UN Global Compact Principles</th>
<th>Progress included in chapter</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human Rights</strong></td>
<td><strong>Principle 1:</strong> Businesses should support and respect the protection of internationally proclaimed human rights.</td>
<td>Drive: Sustainability</td>
</tr>
<tr>
<td></td>
<td><strong>Principle 2:</strong> Make sure that they are not complicit in human rights abuses.</td>
<td>Drive: Sustainability Drive: Efficiency Drive: Profitable growth</td>
</tr>
<tr>
<td><strong>Labour Rights</strong></td>
<td><strong>Principle 3:</strong> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</td>
<td>Drive: People</td>
</tr>
<tr>
<td></td>
<td><strong>Principle 4:</strong> The elimination of all forms of forced and compulsory labour.</td>
<td>Drive: Profitable growth</td>
</tr>
<tr>
<td></td>
<td><strong>Principle 5:</strong> The effective abolition of child labour.</td>
<td>Drive: Profitable growth</td>
</tr>
<tr>
<td></td>
<td><strong>Principle 6:</strong> The elimination of discrimination in respect of employment and occupation.</td>
<td>Drive: People</td>
</tr>
<tr>
<td><strong>Environmental</strong></td>
<td><strong>Principle 7:</strong> Businesses should support a precautionary approach to environmental challenges.</td>
<td>Drive: Sustainability Drive: Efficiency</td>
</tr>
<tr>
<td></td>
<td><strong>Principle 8:</strong> Undertake initiatives to promote greater environmental responsibility.</td>
<td>Drive: Sustainability Drive: Efficiency</td>
</tr>
<tr>
<td></td>
<td><strong>Principle 9:</strong> Encourage the development and diffusion of environmentally friendly technologies.</td>
<td>Drive: Sustainability Drive: Efficiency Drive: Innovation</td>
</tr>
<tr>
<td><strong>Anti-corruption</strong></td>
<td><strong>Principle 10:</strong> Businesses should work against corruption in all its forms, including extortion and bribery.</td>
<td>Our business Drive: Internal Auditing &amp; Compliance</td>
</tr>
</tbody>
</table>
## Scope consolidation

of Gonvarri Industries and subsidiaries

Scope of consolidation: the group was composed by the following companies at the end of 2018.

### Subsidiary/ Associated company

<table>
<thead>
<tr>
<th>Subsidiary/ Associated company</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>GONVARRI PORTFOLIO BRASIL</td>
<td>Spain</td>
</tr>
<tr>
<td>GONVARRI ASTURIAS, S.L.</td>
<td>Spain</td>
</tr>
<tr>
<td>LASER AUTOMOTIVE BARCELONA, S.L.</td>
<td>Spain</td>
</tr>
<tr>
<td>SOLAR STEEL ENGINEERING</td>
<td>Spain</td>
</tr>
<tr>
<td>GMS SOLAR CONSTRUCTION, S</td>
<td>Spain</td>
</tr>
<tr>
<td>ROAD STEEL ENGINEERING</td>
<td>Spain</td>
</tr>
<tr>
<td>LASER AUTOMOTIVE VALENCIA, S.L.</td>
<td>Spain</td>
</tr>
<tr>
<td>LASER AUTOMOTIVE ZARAGOZA, S.L.</td>
<td>Spain</td>
</tr>
<tr>
<td>LASER AUTOMOTIVE PALENCIA, S.L.</td>
<td>Spain</td>
</tr>
<tr>
<td>Flejes Industriales, SA</td>
<td>Spain</td>
</tr>
<tr>
<td>Suports Desarrollo y Soluciones, SL</td>
<td>Spain</td>
</tr>
<tr>
<td>Addimen Bizkaia, SL</td>
<td>Spain</td>
</tr>
<tr>
<td>Gonvarri Material Handling, S.L.</td>
<td>Spain</td>
</tr>
<tr>
<td>CF Group OY, Finland</td>
<td>Finland</td>
</tr>
<tr>
<td>Constructor Finland OY</td>
<td>Finland</td>
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<tr>
<td>Constructor Dexion Holland BV</td>
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<td>Dexion KFT Hungary</td>
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</tr>
<tr>
<td>GONVAVUTO PUEBLA S.A. de C.V.</td>
<td>Mexico</td>
</tr>
<tr>
<td>MEXICANA DE SERV. LABORALES DEL ACERO</td>
<td>Mexico</td>
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<tr>
<td>GONVARRI PUEBLA CALIFORNIA</td>
<td>Mexico</td>
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<tr>
<td>Suports Energia Sustentable México S.A.P.I. de C.V</td>
<td>Mexico</td>
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<td>Gonvarri Material Handling AS (Constructor Group)</td>
<td>Norway</td>
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<td>Norway</td>
</tr>
<tr>
<td>GONVARRI POLONIA</td>
<td>Poland</td>
</tr>
<tr>
<td>GONVARRI PRODUCTOS SIDERURGICOS, S.A.</td>
<td>Portugal</td>
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<td>Constructor Group UK Ltd</td>
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<tr>
<td>Hi-Lo Storage Systems Ltd</td>
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<td>Dexion Storage Solutions SRL, Romania</td>
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<tr>
<td>SEVERSTAL GONVARRI KALILLA</td>
<td>Russia</td>
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<tr>
<td>Constructor Rus</td>
<td>Russia</td>
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<tr>
<td>Constructor Sverige FIS Sueded</td>
<td>Sweden</td>
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<tr>
<td>Constructor Shared Services AB Sweden</td>
<td>Sweden</td>
</tr>
<tr>
<td>CEPAS GALVANIZ, SANAYI ANONIM SIRKETI</td>
<td>Turkey</td>
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### Subsidiary/ Associated company

<table>
<thead>
<tr>
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<th>Country</th>
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<tbody>
<tr>
<td>GONVAUTO THURINGEN, GMBH</td>
<td>Germany</td>
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<tr>
<td>GONVARRI AUTOMOTIVE GMBH</td>
<td>Germany</td>
</tr>
<tr>
<td>GONVARRI ALUMINIUM, GMBH</td>
<td>Germany</td>
</tr>
<tr>
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