

# 21

Non-Financial Report 2021



**SALZGITTERAG**  
Mensch, Stahl und Technologie

**Salzgitter AG** ranks as one of Germany's companies rooted in a long tradition.

Our Strategy "Salzgitter AG 2030" marks the start of our journey to evolve into Europe's strongest steel and technology group.

The aim is to establish our Group as a market leader for circular economy solutions with innovative products and processes. Our "Pioneering for Circular Solutions" vision illustrates this leadership aspiration, the success of which hinges on strong partners and networks, as reflected in our "Partnering for Transformation" mission.

The Salzgitter Group comprises more than 150 domestic and international subsidiaries and associated companies and employs a workforce of over 24,000 employees worldwide. In the financial year 2021, we generated external sales of around € 10 billion, with a crude steel capacity of 7 million tons.

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## About this Report

We have based our reporting in the separate Non-Financial Report of the Salzgitter Group (Non-Financial Group Report) on the German Sustainability Code (Deutscher Nachhaltigkeitskodex – DNK). We apply the code to all information assessed as being of material importance regarding the following topics:

- environmental issues,
- matters relating to employees and society,
- regard for human rights,
- combating corruption and bribery.

The essential information was identified with the help of an internal materiality analysis and the results of stakeholder discussions.

The Non-Financial Report of the Salzgitter Group for the 2021 financial year has been examined by the company's Supervisory Board and audited on behalf of the Supervisory Board by the accounting firm of KPMG AG, with due regard for the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", published by the International Auditing and Assurance Standards Board (IAASB) for the purpose of reaching limited assurance engagement with respect to the information required by law under Sections 315b and 315c in conjunction with 289c to 289e German Commercial Code (Handelsgesetzbuch – HGB).

As a general rule, the statements contained in the present report apply to the group of consolidated entities used in the consolidated accounts. Any variances from this principle are explained at the appropriate points.

# Business Model of Salzgitter AG

## A modern company with a long tradition

The companies in the Salzgitter Group have stood for the innovative, sustainable manufacture of steel and technology products for more than 150 years. The idea of smelting ore from Lower Saxony has spawned a global group which includes world-famous brands such as Peiner Träger, Mannesmann and KHS. Today, more than 24,000 employees work to develop and provide innovative as well as financially and ecologically sustainable products of high quality in collaboration with customers from a wide variety of sectors. Our core expertise lies in the production of rolled steel and tube products as well as their further processing, and in trading globally with such products. We also operate successfully in building special machinery and plant engineering.

## We are represented around the world and well positioned

The Salzgitter Group comprises over 150 subsidiaries and affiliated companies around the world. We are represented across the globe through our international locations, which demonstrates our geographical proximity to our customers.

Headed by Salzgitter AG as the holding company, the Group is divided into five business units: Strip Steel, Plate/Section Steel, Mannesmann, Trading and Technology. It also has stakes in further industrial companies, including a shareholding in Europe's leading copper producer Aurubis AG, as well as numerous service companies with overarching functions that are not assigned to any business unit.

The Strip Steel Business Unit produces, processes and distributes strip steel in a wide variety of metallurgical grades and dimensions. To do so, we operate modern, environmentally friendly, integrated steelworks at our Salzgitter site. In 2021 it produced more than 4 million tons of crude steel and more than 3 million tons of rolled steel. The most important feed materials currently are iron ore, coke, scrap and alloying agents. A large proportion of the high-quality products go to the automotive industry for processing. The pipe sector and industry (e. g. manufacturers of household appliances, mechanical engineering industry) also feature among the most important customer segments. Since 2021, the Strip Steel Business Unit has been offering green strip steel products with a reduced carbon footprint in collaboration with the mini mill in Peine. Salzgitter Flachstahl GmbH was the first European steel manufacturer to receive conformity statements for its new green steel products in accordance with TÜV SÜD's VERIsteel standard. This standard enables the product-specific CO<sub>2</sub> emissions in steel production to be verified. It shows that as a result of a change in the steel production process from the conventional blast furnace route to electric steel route, a reduction of more than 75% can be achieved in the carbon footprint of slabs and more than 66% in that of hot-dip galvanized coils. The low CO<sub>2</sub> steel products have already been successfully supplied to prestigious customers such as BMW, Daimler, Bosch Siemens Home Appliances and Miele.

As well as two plate mills, the Plate/Section Steel Business Unit operates an electric steel mill in which around 1 million tons of crude steel are smelted from scrap steel per year. This makes it a significant part of the materials cycle and its products demonstrate that steel can be recycled with high-quality results. A separate company is responsible for trading, processing and recovering scrap, metals and alloys. This company also closely coordinates the corresponding logistics with flexible management. Plate is traditionally used in the metalworking, shipbuilding and mechanical engineering industry. Our mills have also established themselves in recent years as the preferred supplier of steel for the wind turbine industry. Our structural steel is used primarily in the construction industry.

The companies in the Salzgitter Group making steel tubes and pipes are combined in the Mannesmann Business Unit. Three product segments offer a wide range of tube and pipe products for diverse applications from fuel injection systems, power plants and boilers right through to pipelines. In addition, the Mannesmann

Business Unit has access to its own crude steel supply via the 30% shareholding Hüttenwerke Krupp Mannesmann GmbH (HKM). HKM produces around 4 million tons of steel per year.

Most of the global demand for steel is accounted for by small and medium-sized customers who are not able to process the minimum order quantities for direct sale from steel mills. Such companies use the steel trade for their purchases. Operating one's own trading activities in order to stay in direct contact with the majority of one's end users makes sense. These activities are concentrated in the Trading Business Unit: The stockholding steel trade comprises a network of full-range trading warehouses in Europe where customers can procure various steel products from the Group and other steel producers and have them processed. The segment is rounded off by a plate specialist with its own warehousing companies in Germany, other European countries and the USA. With its international trading business, the Trading Business Unit has numerous offices of its own as well as agents on all five continents that are also used by other Group companies to win projects and acquire input material. With the introduction of its digital marketing platform e-World in 2016, the Business Unit is also actively involved in the web-based steel trade.

The Technology Business Unit comprises three long-standing manufacturers of specialized machines that all rank among the leading providers in their respective markets. They include a global manufacturer of filling and packaging machinery for the beverages, food and non-food industries. Further companies in this segment are involved in making custom machinery for the footwear industry or make rubber and silicon injection molding machines.

The main external factors affecting the growth of the Salzgitter Group's business are portrayed in the section on ↗ "Opportunities and Risk Report, Guidance", under "Individual Risks" in the management report forming part of the annual report.

# Strategy

## Strategic Analysis and Actions

We see it as the prime objective of our entrepreneurial responsibility to expand the Group and secure its future – for our shareholders, employees, customers and partners as well as society in which we are firmly embedded as a company. Salzgitter AG's strategic focus was revised with the appointment of a new CEO in the summer of 2021. The new Group strategy was published at the start of 2022. The Group's basic framework of values founded on tradition, working relationships based on partnership and entrepreneurial independence, has been preserved and will be reinforced. Greater emphasis has been given to the "Salzgitter AG 2030" strategy in the sphere of sustainability. Besides the pillars of "Profitability Leadership" and "Growth & Customer Solutions" which are elucidated in greater detail in our annual report, "Circularity" now forms one of the three strategic cornerstones. Specifically, "Circularity" for the Salzgitter Group means keeping resources extracted from nature in economic use for as long as possible, thereby minimizing the feeding of additional finite resources into the economic cycle. The aim of the "Salzgitter AG 2030" Group strategy is to position Salzgitter AG as an independent group at the heart of a circular economy. We want to establish ourselves as the market leader for "Circular Economy Solutions" with innovative products and processes backed by strong partnerships and networks. In steel we produce a durable material well suited to a circular economy that can be endlessly recycled with no loss of quality, and which forms the starting point for further recyclable materials and products, serving as a pre-material in numerous value chains. This is the platform we are building on, by expanding our range of green steel produced with almost no CO<sub>2</sub>, reinforcing our scrap recycling activities and prioritizing the reuse of secondary products. One central building block in our CO<sub>2</sub>-reduced steel production is the SALCOS® program (SALzgitter Low CO<sub>2</sub> Steelmaking) which we aim to accelerate and have implemented by 2033 in the context of the new Group strategy. Up-to-date information on SALCOS® can be found in this report in the sections ↗ "[Process Management](#)", "[Innovation and Product Management](#)" as well as "[Environment](#)", "[Emissions Impacting Climate](#)" and also at ↗ <https://salcos.salzgitter-ag.com>. In the Trading and Technology business units, too, the product portfolio will be targeted more closely at sustainable market segments and customer solutions, promoting low CO<sub>2</sub>, closed-loop energy and material cycles that protect resources.

We are convinced that sustainability criteria for mankind and the environment do not end at the factory gate or national borders, and that all market players should act on the same or at least similar competitive terms. As has been demonstrated once again, especially by the recent discussions, for instance about steel imports to the EU, amendments to emissions trading from 2021 or the further steps presented in the reporting period to put flesh on the bone of the European Green New Deal as well as the "Fit for 55" package: production with the highest environmental standards can only be guaranteed if economic viability and social acceptance, with respect to the preservation of jobs for example, can be ensured in our own company.

Our business activities benefit primarily from our own performance and our aspiration to serve customers proactively, innovatively and efficiently. At the same time, we acknowledge that a reliable social framework, fair collaboration with partners based on trust and our relationship with our natural surroundings are of considerable importance. This obliges all employees of the Salzgitter Group to observe all laws anywhere and at any time when acting on behalf of the company, to respect generally accepted basic values when dealing with other people and other companies, to maintain fairness in our actions and to preserve nature to the best of our ability – or to put it in a nutshell: to act responsibly at all times. This is the starting point for the Salzgitter Group's Code of Conduct dated August 2015, which also declares the basic principles listed in the United Nations Global Compact to be the basis for actions taken in the company. Further information on the Code of Conduct is to be found both in Chapter ↗ "[Process Management](#)", "[Rules and Processes](#)", and on our homepage.

CSR is firmly established at SZAG. A corresponding working group has been set up and located at Group level. It comprises the respective managers responsible of the relevant technical departments, and it reports directly to the Executive Board. This enables us to ensure that all aspects regarded as correct and important are incorporated into the corresponding specifications for the various departments via Group directives, instructions and objectives agreements. Alongside financial indicators, aspects such as environmental protection and occupational safety are components of objectives agreements with managers. For example, CSR-related targets – in areas such as energy efficiency or health and safety at work – are defined for variable components of remuneration. There is no separate sustainability strategy for the Salzgitter Group as a whole as sustainability is embedded as a core element in the new Group strategy “Salzgitter AG 2030”. We will further expand our activities, targets and performance on sustainability on this basis. Aspects of relevance to the subject of sustainability are governed by means of specific Group directives and other specifications with binding effect on the workforce. Examples to be mentioned here are the Group directives on environmental protection and energy policy, corporate compliance Corporate Compliance as well as the Code of Conduct issued by the Executive Board.

However, we can only put CSR into practice successfully if all employees embrace the subject in the daily business of our Group companies. The fact that we are succeeding in this endeavor with our existing structures has now been confirmed by an external source: Since 2020, SZAG has been part of the Lower Saxony Alliance for Sustainability ↗ <https://www.nachhaltigkeitsallianz.de>. The Alliance is a collaboration between the Federal State Government, business associations, trade unions and chambers of commerce of Lower Saxony. It pursues the goal of promoting sustainable growth in companies in order to strengthen Lower Saxony as a business location on a lasting basis. As a symbol of its organizational and operational achievements in the sphere of sustainability, SZAG as a parent company and all Group facilities in Lower Saxony are entitled – initially until 2025 – to sport the official slogan of the Lower Saxony Alliance, “Wir sind dabei” (We’re on board).

Last year, we again used our extensive range of measures initiated back in 2020 aimed at securing earnings and liquidity to mitigate the effects of the COVID-19 pandemic on the Group. The measures are applied for at short notice and in targeted fashion depending on financial developments. These measures include the use of short-time work, the postponement of non-essential maintenance and repair work, strict working capital management, as well as a prudent approach to new investment. There were no major outbreaks of COVID-19 in 2021 thanks, not least, to the well-organized vaccination campaign in the Group and the rapid uptake of company vaccination offers.

## Materiality

The major themes identified by means of a materiality analysis and reinforced in September and October 2018 in the course of stakeholder dialogs (see also ↗ “Process management”, “Stakeholder participation”) were subject to an internal review in 2021 and confirmed for the reporting year. A decision was also taken to conduct a new materiality analysis in 2022. Other aspects not classified as material as defined by the CSR Directive Implementation Act are presented in this Non-Financial Report as supplementary information due to other considerations. More detailed explanations can be found below and in the corresponding chapters.

Steel has been and still ranks as the number 1 construction material worldwide. It is a component of or even the starting point for many industrial value chains, thereby contributing to the prosperity of those employed in them. At the same time, steel production and steel processing are necessarily associated with the consumption of relevant resources and energy, and particular attention must be paid to this aspect. A sharp eye must also be kept on working conditions in order to avoid any harmful effects for staff or areas surrounding production facilities.

Steel production and steel processing, together with associated activities, are at the heart of the entrepreneurial value chain of the Salzgitter Group. We are therefore aware of our special responsibility for ensuring that our work is sparing on resources and energy efficient and for providing a high degree of workplace health and safety. With this in mind, priority is given to the Group’s steel related activities as defined by the criterion of “materiality” in the environmental sphere, as these activities far outweigh all other Group



operations as far as the use of resources, consumption of energy and emissions are concerned. For example, analysis of the Group's total CO<sub>2</sub> emissions from operating its plants (Scope 1) shows that around 90% is accounted for by the steel production of Salzgitter Flachstahl GmbH (SZFG) alone. This correlates above all with further air emissions as well as the consumption of resources and the generation of waste. This report thus reveals any circumstances of material importance for obtaining a general understanding of the Salzgitter Group's business operations in this context. The aim is to define the reporting framework and at the same time highlight significant information.

As far as employee matters are concerned, the following issues were also rated as material for the preparation of this year's Non-Financial Report: transparent and fair principles of remuneration on which we report in Chapter 7 "Process Management", "Incentive Systems", employee rights both with regard to information and the workforce's participation and also with respect to the inclusion of employee interests in decision making processes, as well as the set of issues surrounding the development of junior staff, personnel growth and training and further education which we cover under 7 "Society", "Training". Moreover, we regard our comments on health and safety at work and health protection in the Chapter 7 "Society", "Employee Rights" as material.

In addition, we voluntarily report on our human resources strategy with the aid of which we respond to the challenges of demographic changes and that we portray on the basis of selected areas of our project "GO – The Generation Offensive 2025".

In addition, we report more comprehensively on the topics of human rights, political dialog, as well as conduct compliant with laws and directives.

## Objectives

Salzgitter AG (SZAG) subscribes to qualitative and quantitative sustainability targets that can be measured. However, due to the complexity of our production systems and the products manufactured in them, it is usually not useful to attach absolute or relative targets across the Group to certain aspects. This is evidenced by the fact that we do not run any groupwide management systems, for instance in accordance with DIN EN ISO 14001 (environment) or DIN EN ISO 50001 (energy) standards, but implement them at Group company level depending on requirements. We will therefore focus below on individual targets in relevant areas of sustainability and also report on the degree to which those targets were met in the 2021 financial year:

### The environment/energy

- CO<sub>2</sub> reduction target 30% by 2030

With regard to the sphere of action encompassed by our SALCOS®-program, our ambition in the Salzgitter Group is to reduce CO<sub>2</sub> emissions by 30% by 2030 (see also 7 "The Environment", "Emissions Impacting Climate").

Status: In the past fiscal year, we set ourselves even more ambitious targets and made progress towards achieving them. We are currently preparing to take a final investment decision on the first expansion phase for SALCOS®. Assuming a positive vote in the Supervisory Board in the summer of 2022, we could start low CO<sub>2</sub> steel production as early as the end of 2025 and by 2026 we could be producing over a million tons of steel by this method.
- Energy savings in the Salzgitter Group

Now that the target of SZAG's energy efficiency network to save 100,000 MWh of energy across the Group in the period from August 2016 to August 2019 has been reached, 2020 saw the registration of a follow-up network which will run for two years. The purpose is to continue identifying and implementing the potential for energy savings across the Group. Buoyed by our positive experience from the first network, we have raised the current annual savings target to 105,000 MWh.

Status: Significant milestones on the path to achieving the savings targets announced by October 2022 were already reached in the Group in the reporting year, with among other things the successful realization of the heat treatment line investment project at Ilsenburger Grobblech GmbH (ILG) as well as further energy efficiency measures.

- **Hydrogen Campus Salzgitter**  
 In September 2020, Salzgitter AG signed a collaboration agreement with its partners, the town of Salzgitter, Projektbüro Südostniedersachsen represented by the Office for regional State Development, the regional Network Alliance for the Region, MAN Energy Solutions, Bosch, Alstom, WEVG Salzgitter and the Fraunhofer Institute for Surface Engineering and Thin Films, in order to set up a Salzgitter hydrogen campus. Its aim is to promote the subject of hydrogen in the region by implementing specific, joint projects already underway and establishing a suitable legal entity in 2021.  
 Status: The substantive targets set by the Hydrogen Campus Salzgitter were largely met in 2021. In spite of the impact of the coronavirus pandemic, various overarching projects were launched. We also succeeded by means of active, targeted public relations work in shifting the subject of hydrogen further into the spotlight in the Salzgitter region. It was not possible to complete the target defined in the 2020 Non-Financial Report of converting the Hydrogen Campus to the structure of an association due to the degree of complexity which the project has now assumed.
- **Heat treatment line investment project at Ilsenburger Grobblech GmbH (ILG)**  
 Thanks to the new construction started in 2018, 200,000 tons of plate steel are to be refined in energy efficient processes from 2021 onward. The use of modern technology prevents significant loss of exhaust heat – by comparison with previous technology – and allows a substantial reduction in the volume of material transports by rail to be achieved by moving the heat treatment line from Salzgitter to Ilsenburg.  
 Status: The heat treatment line was commissioned in spring 2021, followed by technical acceptance for production by the end of the year. By 2023, the availability of ILG's high-quality range will be more than doubled.
- **Erection of electrolyzers to generate hydrogen at Salzgitter Flachstahl GmbH (SZFG)**  
 The construction of a 2.5-megawatt PEM electrolysis plant (PEM = Proton Exchange Membrane) will complete an important step toward achieving hydrogen-based steel production at the Salzgitter facility. Together with the high-temperature electrolysis plant with a nominal output of 720 kW<sub>el</sub> (kilowatts electric), launched at the end of 2020 as part of the innovation project GrInHy2.0, both plants are expected to be sufficient to meet the entire current hydrogen requirement for SZFG's annealing processes. Today, this requirement is still produced elsewhere from natural gas and transported to Salzgitter by truck.  
 Status: The PEM electrolysis plant went into partial operation in the middle of the reporting year but is not yet supplying the hydrogen production volumes budgeted. Hydrogen production in the high-temperature electrolysis plant in the GrInHy2.0 project, on the other hand, almost reached its targeted level in 2021.
- **Software-based management system**  
 The transparent design of internal and cross-company interfaces with SZFG's established management system which commenced in 2019 has already brought success and led to the effective exploitation of synergies. Implementation in further Group companies such as Peiner Träger GmbH, Ilsenburger Grobblech GmbH, Verkehrsbetriebe Peine-Salzgitter GmbH, Salzgitter Europlatinen GmbH, Salzgitter Mannesmann Forschung GmbH (Salzgitter facility) and TELCAT MULTICOM GmbH was to continue in 2021.  
 Status: Further impetus was given to its implementation in the companies in the reporting year. In 2022, further work will be conducted on implementation in the companies, including the requirements of information security.
- **Integrated transfer of employer's obligations**  
 In 2019, in a joint project, the occupational safety department and the project and environmental management of SZFG as well as Salzgitter AG's legal department developed and successfully tested a concept to harmonize and optimize the processes in transferring the employer's obligations regarding industrial health and safety at work and environmental protection for managers. It was not possible to implement the scheduled roll-out in Group companies in 2020 due to the coronavirus pandemic and it was therefore postponed to 2021.  
 Status: The target was met in 2021. The roll-out has started and the associated seminar has been included in SZFG's further education program. As the seminars are held as face-to-face events, it was only possible to start them in the fourth quarter of 2021 due to the coronavirus.

- Change to the supply of iron ore for low CO<sub>2</sub> steel production  
A change in the supply of iron ore is required as part of the SALCOS® transformation program. SZFG signed a letter of intent in the reporting year with the mining group Anglo American. The objective is to minimize the CO<sub>2</sub> footprint of steel production. To facilitate this, low CO<sub>2</sub> process and logistics chains are to be included in their joint research work.

#### Work/social issues

- Group mission statement “YOUNITED”  
The corporate mission statement YOUNITED describes SZAG’s “essence”, its responsibilities, special features and principles. Our objective is therefore to imbue the values contained in the mission statement with life by means of various initiatives within the workforce and refine the statement as part of change processes in the Group.  
Status: The most recent building block in the mission statement process, the YOUNITED 2.0 initiative, was successfully completed in 2021 with the thematic focus on “Quality”. Nevertheless, implementing the mission statement remains an ongoing task that will continue to occupy the Group in the coming years. Aligning it with the new Group strategy, in particular, will play a central role.
- Groupwide talent pool and systematic succession planning  
Against the backdrop of demographic change and the increasing departure of specialists and management staff due to age, it is becoming ever more important to identify talent throughout the Group and secure systematic succession planning. SZAG therefore launched corresponding programs as early as 2017 with the aim of providing highly qualified employees with career prospects across the Group and guaranteeing provision of the necessary personnel resources in the Group in the medium and long term.  
Status: In spite of the restrictions caused by the coronavirus pandemic, it proved possible to implement the programs for managing talent and succession planning on schedule in 2021 and to initiate a new cycle. The next nomination phase is due to start at the end of 2022.
- Further training  
Further training enjoys high status in the Salzgitter Group. In view of technological change, we aim to steadily intensify the further education of our employees in order to preserve and reinforce the employability of our workforces. In the process, our goal is to drive the digitalization of further education processes as well as make enhanced use of digital education formats in the Group.  
Status: Further education activities in the Salzgitter Group were expanded as scheduled in the reporting year. Both the number of participants and the number of further education measures attended increased by comparison with the previous year. In addition, a digital Learning Management System (LMS) in the shape of “SAP SuccessFactors Learning”, which offers an extensive and targeted further training and qualification program for the employees, was introduced, using KHS GmbH as the pilot company. The aim is to roll out the LMS successively in the Group after a successful pilot.
- Safety at work  
Besides cost-effectiveness, productivity and quality, occupational safety is one of Salzgitter AG’s high-priority corporate goals. We work continuously on reducing absences and preventing accidents by means of targeted measures and campaigns on occupational health and safety.  
Status: In spite of wide-ranging occupational safety measures, it was not possible to achieve any further reduction in the number of accidents in the Group in the reporting year. Nevertheless, we are sticking to our target for reducing absence rates and avoiding accidents, and for 2022 we are aiming for a significant improvement in the accident figures compared with the reporting year.
- Modern employer  
In order to secure the long-term competitiveness and innovative capabilities of the Salzgitter Group, increasing importance must be attached to attracting specialists, encouraging their loyalty to the company and preserving their employability. SZAG therefore intends to put greater emphasis on positioning itself as an attractive, modern employer, both internally and externally, and on raising awareness of its wide-ranging jobs and extensive employer benefits.  
Status: A new employer campaign was developed in 2021 on the basis of a concept prepared in 2020. The roll-out via various communication channels began at the end of 2021 and will be continued in 2022.

## Depth of the Value Chain

Quality assurance for our products begins with the choice of suppliers for primary and raw materials. Lasting supplier relationships are of particular importance to Salzgitter AG due to its positioning in its markets and procurement is therefore an essential part of our risk management. To ensure the demand-based supply of all Group companies, we aim for long-term partnerships with key suppliers. Cooperation based on trust, flexibility and reliability are of paramount importance here. When analyzing supply chains, the emphasis naturally lies on steel production at the Salzgitter and Peine facilities due to the large throughput of material. In the 2021 financial year, the Group's material expenditure stood at approximately € 6.7 billion with external sales of around € 9.8 billion. A major part of that expenditure, amounting to 23.8%, was accounted for by the purchase of raw materials and energy for steel production at Salzgitter Flachstahl GmbH (SZFG) and Peiner Träger GmbH alone. Procurement is conducted via SZFG's Purchasing Department, paying strict attention to all the principles of an integrated management system in accordance with current standards.

As already shown in our non-financial reports of preceding years, environmental effects in the upstream supply chain are of particular significance for the metal producing and metal processing industry. As bulk raw materials – such as iron ore, coal, and bought-in coke – are almost exclusively imported, we pay attention in this regard to our upstream supply chain.

As the center of competence for various Group companies, the Purchasing Department of SZFG assesses significant long-term suppliers of all products with relevance to quality and environmental protection on the basis of various criteria every year. Besides the standardized supplier evaluation, SZFG developed a separate questionnaire in 2015 to cover the most important sustainability issues that is closely based on the "Sustainability for Automotive Sector Suppliers" self-disclosure form used in the automotive industry. This form was first sent in 2016 to all major long-term suppliers of different raw materials, and it includes subject areas such as "Social sustainability" and "Compliance". Initial analysis showed that all long-term suppliers from the mining (iron ore and coal suppliers) and chemical industries have met SZFG's targets. The range of suppliers to be assessed on sustainability criteria is to be successively expanded in the coming years. In refining our supplier management, we are also keeping an eye on the requirements arising from the German Supply Chain Due Diligence Act coming into force in 2023.

# Process Management

## Responsibility

Overall responsibility for sustainability and the strategic priority and consideration given to it in corporate decisions lies with the Group's Executive Board. Duties within the Executive Board are divided into the domains of "CEO", "Finance" and "Human Resources". Members of the Executive Board work within a responsible management framework based on values, to ensure that their departments act in a sustainable fashion, supported by the specialist departments set up in their domains. As a general rule, however, each single employee bears responsibility for acting sustainably themselves.

The Group Management Board represents the Group's extended management body and is made up of one representative from each of the Group's five business units as well as members of the Executive Board. These representatives are responsible for economically, socially and ecologically sustainable management in their individual business units and the operating Group companies assigned to their particular business unit.

## Rules and Processes

The aspiration of the Salzgitter Group is to remain one of the best steel and technology companies, also in the future. Employees and managers are working together to achieve this objective. This was one of the reasons for drawing up the "YOUNITED" mission statement for the Group with the following three elements:

- Our aims – they describe the long-term strategy.
- Our pathways – they show the specific procedures for achieving our aims.
- Our values – they form the foundation for the way we think and act.

Further details on that can be found at ↗ ["YOUNITED Corporate mission statement"](#).

The Executive Board has defined principles in its "Acting responsibly" Code of Conduct and, in the process, specified binding guidelines for each individual's work. This highlights protection of the environment and sustainable management as follows:

"We attach high value to protecting the environment in all our actions. We minimize emissions and the use of energy within the scope of what is economically and competitively justifiable. When we develop new products and new production processes, we endeavor to keep the environmental impact as low as technically and economically possible. Sustainable management is one of our guiding principles. The long-term success of the company is at the forefront of all our activities. Every employee must be aware of their responsibility for protecting the environment towards their colleagues, customers and shareholders and as part of society. We pay particular attention to using resources efficiently, and thereby conserving resources in view of the finite nature of many raw materials."

In a Group "Environmental protection and Energy policy", the Executive Board has elevated protection of the environment and the climate as well as prudent treatment of resources to a central management assignment. It has drawn up "Environmental and Energy Guidelines" which "are to be seen as principles for action defining aims and methods" and which state among other things:

"The protection of the environment, the conservation of natural resources and a frugal approach to energy constitute important corporate goals of Salzgitter AG. The observance of current laws and requirements is self-evident for us. Our understanding of responsible protection of the environment and resources does not end with the observance of statutory regulations but is also an integral part of our entrepreneurial conduct. Systems and production processes are subject to constant review and continuously improved."

To ensure that strategic assignments are fulfilled in this regard, a central Department for Environmental Protection and Energy Policy has been set up. The main operating Group companies also maintain specialist departments for environmental protection.

## Monitoring

To ensure that the company prevails against the competition on a lasting, sustainable basis, targets are set with respect to a series of financial performance indicators for each Group company as part of a rolling three-year plan, and there is a regular monitoring process in place to establish to what extent they have been achieved. The reliability, comparability and consistency of the data are ensured by centrally specified definitions and other measures serving the purpose of standardization.

In addition, technical performance indicators such as the output and availability of production systems, or rates of complaints are regularly recorded in Group companies, compared with target figures, analyzed and used for management decisions.

Accidents at work in Germany are recorded and accident frequency rates are calculated in order to monitor occupational safety over the long term. The average number of accidents at work leading to days off work per employee (work-related accident – per person rate) in Group companies throughout the world is treated as a performance indicator. The target is to lower the rate in comparison with the previous year. In all meetings of the Group Management Board, the key safety figures and relevant events in the Group and the companies are discussed in turn. As far as staff health is concerned, absenteeism rates are reported on a regular basis and any anomalies give rise to further inquiries. You can find information on occupational health management in the Chapter 7 “Society”, “Equal opportunities”. A further goal is to sustainably intensify the further training of employees. In this case, the participation rate serves as the performance indicator. Every effort is being made to increase this rate steadily from year to year.

## Incentive Systems

Acting entrepreneurially in unison is a success formula of Salzgitter AG (SZAG). In the process, we rely on committed employees to whom we offer an attractive, respectful working environment. One important condition is a transparent and fair remuneration policy consistent with economic growth and strategic development. This is guaranteed and supported by means of Group framework specifications for managers and the application of sector-specific collective agreements which serve to maintain the competitiveness of the companies. In 2021, around 95% of our core workforce in Germany were working in companies subject to a collective agreement. If short-time work is necessary, Group companies will pay top-up payments to the employees concerned on the basis of a Group framework works agreement, thus mitigating the associated loss of income. In addition, coronavirus bonuses, tax-free and exempt from social security contributions, were granted in large parts of the Group in 2021 on the basis of corresponding collective bargaining agreements. When we employ temporary staff, we respect the statutory specifications and obligate the temp agencies, in compliance with industry-specific collective bargaining agreements, to pay any supplements to the collectively agreed rates of pay for the temporary agency sector or remuneration at the level of comparable wages for our own employees (equal pay).

A collective Group agreement on profit sharing in the Salzgitter Group governs the participation of our workforce in the success of the company for the majority of our companies within Germany. Participation is assessed on the basis of the Salzgitter Group's pre-tax earnings and the ROCE targets (ROCE = Return on Capital Employed) for Group companies which are defined annually by the Executive Board. If a Group minimum earnings target is met, all employees receive a basic bonus topped up by an additional company component in companies that meet the ROCE target.

The variable remuneration of our employees paid at rates above the collective pay scale is also subject to standard Group rules in order to guarantee comprehensive fairness and transparency in the payment structure. Members of the Executive Board, general managers and senior executives have a high variable component in their remuneration package via which the financial results of the Group, the business unit and the relevant company, as well as the individual performance of the manager are reflected in the calculation. At the beginning of the new financial year, SZAG's Executive Board adopts the targets for SZAG and its Group companies. These are discussed in subsequent interviews with the general managers and, in a top-down process, they form the basis for target agreements for all employees participating in the variable remuneration system. The resulting cascade of information ensures that the Group targets defined are implemented in specific assignments with the degree to which the target is met having a direct impact on the level of variable remuneration or bonus. In this way, an employee's contribution towards the overall financial results is rewarded as is their own individual performance. The Group's Executive Board can specify results-based, and equally performance or conduct-related targets to be applied in the companies. As we are convinced that non-financial targets also contribute towards the long-term success of the company, agreements with our managers reflect not only key financial indicators but also strategic, ecological and social ones such as reducing accident figures, intensifying the further education of our staff or the sparing use of resources.

To reinforce the incentive of achieving sustainable company growth for members of the Executive Board, their variable remuneration is partly dependent on achieving targets over a performance period covering several years and the future growth of the share price.

A detailed explanation of the current remuneration system for the Executive and Supervisory boards can be found in our Remuneration report in accordance with Section 162 of the German Stock Corporation Act (AktG) ([↗ www.salzgitter-ag.com/en/company/executive-board/remuneration.html](http://www.salzgitter-ag.com/en/company/executive-board/remuneration.html)).

Our aim is for minimum standards to be observed for salaries, and payments to be fairly based on performance. In our opinion, the GRI performance indicator SRS-102-38 "Total annual remuneration ratio" says little about whether remuneration is fair. As the business activities in the Salzgitter Group are heavily diversified, a purely relative value – such as the ratio of the annual remuneration of the highest paid employee to the median of the total annual remuneration of all employees (SRS-102-38) – does not adequately reflect this state of affairs.

## Stakeholder Participation

Openness and transparency towards our partners form part of our guiding principles. We have always seen dialog with stakeholders, which we conduct on different levels and in different ways, as a factor for the long-term success of the company. Such dialog acts as a driving force and helps us to identify opportunities as well as risks at an early stage and take them into account in the way we conduct our business. Special open days for customers on subjects relevant to sustainability, dialog with our neighboring communities and analysts' conferences are just a few examples of the events we stage to understand the viewpoints and needs of internal and external stakeholders and to integrate them into our own actions.

In the context of our activities surrounding the subject of sustainability and non-financial reporting, we also rely on separate discussion panels with representatives of different groups in public life, politics as well as associations and organizations, customers, employee representatives and the press. Stakeholder discussions last held in 2018 showed that the substantive priorities set by us in our non-financial reporting match the expectations of these stakeholders. As the Salzgitter Group since then has not undergone any significant changes with regard to its production plants and products, we have relied on the previous results of our discussions with stakeholders for the 2021 Non-Financial Report after an internal review. A decision was also taken to conduct a new materiality analysis in 2022.

One example of constructive collaboration with external actors is our commitment to the regional network "Alliance for the Region" in the greater area of Salzgitter. The alliance pools resources from political and administrative circles, industry and science, thereby establishing conditions vital for a strong region. Forward-looking spheres of action such as the recruitment of skilled workers, mobility, regional marketing and business development are prioritized and implemented in joint projects and programs.



## Innovation and Product Management

### Sustainability as the basis for innovative products

Sustainability is an important aspect of research and development in the Salzgitter Group. For example, the standard we set ourselves already when selecting pre-development and development projects is that they must make economic and ecological sense. Numerous projects comprise very specifically sustainable applications such as for lightweight automotive construction or systems for the generation of renewable energy. We accept the challenge of developing sustainable products and process solutions along the entire value chain. This includes resource-efficient, low CO<sub>2</sub> steel production, the optimized use of energy and the development of innovative materials.

The following examples from different business units illuminate the level of importance accorded to the subject of sustainability in our company:

#### **Life Cycle Assessment (LCA) – eco-auditing of steel products**

One central challenge consists in protecting the environment and making sustainable use of resources. The results of eco-audits, the so-called Life Cycle Assessments (LCA), serve as an indicator of the environmental impact of products. The steel production process of Salzgitter Flachstahl GmbH (SZFG) has been mapped in terms of its life cycle assessment. The model comprises the manufacture of the main products (e.g. slab, hot strip, cold strip), and shows the advantages of steel in terms of its eco balance sheet over its entire life cycle. Specific components from SZFG products can also be assessed with the result that customers can also be expertly advised in this regard when selecting materials.

#### **Low CO<sub>2</sub> steel in mass production in automotive industry**

SZFG is supplying cold-rolled and galvanized sheet with a carbon footprint reduced by more than 66% to various cold rolling mills, household appliance manufacturers and automotive producers. The low CO<sub>2</sub> steel grades are made in the Peine electric steel plant on the basis of steel scrap in conjunction with the rolling mills and galvanizing plants in Salzgitter. Together with Mercedes-Benz AG, SZFG won the 19th MATERIALICA Design + Technology Award in the category “CO<sub>2</sub> Efficiency” for its CO<sub>2</sub>-reduced steel at the “eMove360° Europe 2021 International Trade Fair for Mobility 4.0” in Munich in November 2021.

#### **Resource-efficient StronSal® coating for the automotive industry**

The resource-efficient zinc-magnesium coating StronSal® for automotive applications is making a significant contribution towards saving resources as a coil-coated material. Thanks to its significantly improved corrosion protection properties, the thickness of the zinc layer has been cut in half for the same level of corrosion protection, which leads to considerable weight and resource savings. Furthermore, the life cycles of components can be extended accordingly due to the improved corrosion protection. Besides the automotive industry, these coatings are used predominantly in the building industry.

#### **A new generation of bottle fillers is raising the bar for consumption and product quality**

For example, the new Innofill Glass DRS ECO generation of fillers from KHS GmbH is proving its worth in the OeTTINGER brewery. The consumption figures for this bottle filler are significantly below the targets set for the filling process and it is thus setting new benchmarks. CO<sub>2</sub> consumption in the filling process is up to 60% lower than the market average. Further benefits of the Innofill Glass DRS ECO filling system are its frequency-controlled vacuum pump and the ECO mode which can save up to 20% of energy and water. You can find further information at ↗ [“New generation of filling systems raises the bar” \(khs.com\)](https://www.khs.com).

#### **Paper instead of film: environmentally friendly paper wrapper as a retrofit**

The demand for environmentally compatible alternatives to packaging material in the beverage market is on the increase. Paper is attracting steadily growing interest among bottlers as an alternative, especially to plastic film. This is precisely the aspect that KHS takes as its starting point with its paper wrapper in the form of a retrofit. To offer customers the greatest degree of flexibility, the new, environmentally friendly packaging solution in which packs are wrapped in paper instead of film has been integrated into a combined machine. However, as not every beverage company wants to invest in a new machine, there is now a paper wrapper that

can be used for the conversion of existing machines. The costs are considerably lower and existing formats only have to be partially commissioned. ↗ **“One more option” (khs.com)**.

Our management of innovation, ideas and knowledge promotes innovative energy within the company. The framework is provided by an ingenious innovation process, professionally structured with corresponding interfaces with individual Group companies. The innovation process in central Group research is supported by an integrated management system comprising the aspects of quality, the environment and occupational safety.

The subject of sustainability is inherent in the innovation process. Potential development trends are also reflected in the sustainability concept, also as early as the “Analysis of Trends and Markets”.

### Future R&D priorities for the Group

Research and Development (R&D) for business units of the Salzgitter Group connected with steel is pooled in Salzgitter Mannesmann Forschung GmbH (SZMF). SZMF is closely networked with higher education institutions, research facilities and industrial partners through numerous domestic and international research projects. The resulting collaborations are preferred to buying in external know-how.

In all its business activities, SZAG is aware of its social responsibility with regard to their ecological and social impact. In addition, the environmental impact of our steel products is determined with the aid of life cycle assessments and further optimized. Besides classical life cycle assessments, Environmental Product Declarations are also produced for construction products that give users from the construction sector a tool with which to construct an ecologically optimized building.

R&D priorities are based on the requirements of the market and customers. Salzgitter AG (SZAG) companies offer not only products but increasingly complete technological solutions containing innovative and sustainable properties.

As the above examples illustrate, the Technology Business Unit underpins the competitiveness of our customers with its products, solutions and services in the field of filling and packaging technology as well as special-purpose machinery. These products enable them to increase their productivity, protect resources, lower CO<sub>2</sub> emissions and thus achieve considerable cost benefits. We undertake great efforts in our own production facilities to use less energy and natural resources.

With its SALCOS® program (Salzgitter Low CO<sub>2</sub> Steelmaking), SZAG is stepping up to the ambitious EU climate targets to reduce CO<sub>2</sub>. The concept comprises the execution of all technical measures for achieving a significant, gradual reduction in CO<sub>2</sub> emissions in SZFG’s steel production at its Salzgitter facility while using existing production systems to the greatest extent possible. As part of this concept, SZAG has launched its “GrInHy/GrInHy2.0” and “Wind Hydrogen” project. Here, research is conducted into new ways of producing hydrogen that in the future may make a contribution towards the production of steel with significantly reduced carbon emissions. In addition, a demonstration plant is currently being built to produce Direct Reduced Iron (DRI) in the “μDRAL” project on the site of Salzgitter Flachstahl GmbH. This is the first flexible DRI plant that can be run on natural gas and hydrogen. You can find further information in the Chapter ↗ **“Environment”, “Emissions Impacting Climate”, and at ↗ SALCOS® – climate initiative for low CO<sub>2</sub> steel production (salzgitter-ag.com)**.

Activities for the automotive industry have been coordinated across the Group for many years in the “Initiative Automotive”. The same applies to all hydrogen activities. We are thus bundling our extensive existing know-how in the area of hydrogen and opening up market potential and synergy effects across the Group. A hydrogen center of excellence is being fitted out at the SZMF research facility in Duisburg; with its high level of materials expertise, this center will be available both internally and externally for R&D services in connection with the transportation and storage of hydrogen.

# Environment

## Utilization of Natural Resources

The wide variety of steel products in everyday life provide greater quality of life, ensure a safe and effective energy supply, guarantee mobility and form the necessary prerequisites of productivity in numerous sectors of industry. Due to its properties, steel is ideal for a circular economy. It is durable and there are no limits to the number of times it can be reused. The more frequently it is recycled, the smaller its ecological footprint. At the same time, however, the production of steel is unavoidably associated with a significant consumption of energy and resources. As a steel and technology group, we are aware of this special responsibility. The consumption of natural resources and energy is also of increasing concern to our customers and has become an important purchase criterion. For years, therefore, efficiency of resources and energy has been the subject of systematic management in the different business units of Salzgitter AG (SZAG) that are uncompromising in their demand for such efficiency.

The environmental relevance of steel production and the constantly rising pressure on costs led the Salzgitter Group to focus on its own resource efficiency at an early juncture. Scarcely three quarters of the cost of steel production are accounted for by raw materials such as iron ore, scrap, reducing agents and energy. Increasing the efficiency of its production processes has long since been a target for SZAG, both from a financial and an ecological perspective. Our activities for protecting the environment are based among other things on an established, viable organizational structure documented in the Group directive on Environmental Protection and Energy Policy. In the process, we trust the specific skills of our employees evolved over time at a local level in individual companies. At a Group level, the Department for Environmental Protection and Energy Policy defines the strategic focus of activities in this sphere, in collaboration with the relevant Group Divisions and in consultation with the Executive Board.

In order to reflect the aspect of materiality in this section, too, particular emphasis with regard to the consumption of resources and energy, emissions, the generation of waste and further parameters is placed on the figures recorded by the Strip Steel, Plate/Section Steel and Mannesmann business units for the reasons outlined in Chapter 7 “Strategy”, “Materiality”.

## Resource Management

Embedded in the Group Environmental Protection and Energy Policy, the Environment and Energy Steering Committee has already been in existence for 20 years. It represents the most important areas of the Group from the perspective of environmental impact and the consumption of resources. It reports directly to the CEO of Salzgitter AG (SZAG). The particular assignment of this body consists in organizing the exchange of relevant information on the subject of the environment and energy across the Group. As well as ensuring information transfer within this network, it also coordinates uniform strategies throughout the Group on issues regarding environmental policy and energy management. A further example of the operationalization of sustainability targets in resource management is the “Energy Management Group Forum” which came into existence as early as 2013. It brings together the most important Group companies in terms of their energy consumption. The common objective is to improve energy efficiency through a continuous process of learning from each other, thereby contributing at the same time to a reduction in greenhouse gas emissions. A further core element of the Energy Management Group Forum’s work is to establish an “energy efficiency knowledge platform” with shared responsibility for registering efficiency measures already implemented or under examination and making them available to other Group companies. It comprises several hundred individual measures.

With this idea in mind, SZAG registered the Group’s own energy efficiency network in 2016 as part of an initiative launched by the Federal Government. A specific target was set to implement energy efficiency measures across the Group from August 2016 to August 2019 with a cumulative saving of 100,000 MWh. This target was even clearly exceeded. Following on from this target and to maintain our success in achieving

consistent energy savings into the future, we registered a new energy efficiency network within the Group in 2020 (see also ↗ “Strategy”, “Objectives”).

Within our Group companies, the significance of the subject of environmental protection is directly related to the particular production processes and methods used and their basic potential impact on the environment. For example, a significantly higher number of statutory environmental regulations and requirements apply to the integrated steel production at the Salzgitter facility than is the case for Group companies that only process steel. Furthermore, due to our sense of identity, we strive to treat natural resources responsibly and reduce the environmental impact to an unavoidable minimum under consideration of technical and economic factors. The status enjoyed by this commitment is also reflected in the fact that in the Strip Steel, Plate/Section Steel, Mannesmann and Technology business units, the majority of manufacturing Group companies have installed certified environmental management systems in accordance with the international standard DIN EN ISO 14001 and/or certified energy management systems to the DIN EN ISO 50001 standard. You can find further information on this on our homepage: ↗ [www.salzgitter-ag.com/en/corporate-social-responsibility/certifications-management-systems.html](http://www.salzgitter-ag.com/en/corporate-social-responsibility/certifications-management-systems.html). The current expenditure on environmental protection also shows the importance attached to it in the totality of our production processes. In the 2021 financial year, this totaled around € 175 million (2020: € 170 million).

Following the criteria outlined in Chapter ↗ “Strategy”, “Materiality”, the key ecological indicators shown in this report refer – unless stated otherwise – to the fully consolidated manufacturing companies in the Strip Steel, Plate/Section Steel and Mannesmann business units with SZAG’s share standing at over 50%. In addition to the results of the materiality analysis conducted in 2018 in accordance with the CSR Directive Implementation Act, we report figures on water consumption and wastewater volumes as the resource of water is of strategic importance not only in terms of process technology but also with respect to volume, particularly for steel production at the Salzgitter facility.

The key indicators shown on energy consumption, waste, air emissions and greenhouse gas emissions (see ↗ “The Environment”, “Emissions impacting climate”) for 2021 are partially based on the extrapolations of individual Group companies included in the report – particularly for the months of November and December. For the 2020 financial year, we have relied on the key indicators already published in the 2020 Non-Financial Report, taking account of cost/benefit aspects. Any extrapolations it contains have not been retrospectively adjusted. Wherever key indicators for the current reporting year differ from those of the previous year by more than 10%, comments on the change have been inserted directly below the relevant table.

#### Materials used<sup>1)</sup>

		2021	2020
<b>Iron ore (lump ore, pellets, ...)</b>	<b>kt</b>	<b>5,533</b>	<b>5,056</b>
<b>Reduction agents</b>			
Coking coal	kt	1,771	1,676
Bought coke	kt	90	76
Anthracite and coal fines	kt	898	736
<b>Other auxiliary materials</b>			
Limestone and dolomite	kt	1,033	933
Alloys and metals	kt	93	85
Auxilliarities (e. g. dunite)	kt	196	197
<b>Total scrap</b>	<b>kt</b>	<b>2,111</b>	<b>2,022</b>

<sup>1)</sup> Only the quantitatively most important material flows for steelmaking at the Salzgitter and Peine sites have been taken into account, that means materials which are input for the final product and whose amount is larger than 50 kt a year.

After a fall in crude steel production in 2020 as a result of a dip in the steel market caused by the coronavirus, production at the Salzgitter site increased by around 10% in 2021 and was thus back in line with 2019. This trend is also reflected in the consistently higher input volumes for iron ore, reducing agents as well as the process materials lime and dolomite.

#### Energy consumption<sup>1)</sup>

		2021	2020
<b>Primary energy sources<sup>2)</sup></b>	<b>GWh</b>	<b>4,023</b>	<b>3,844</b>
<b>Energy used to generate steam and electricity from waste gas and waste heat</b>	<b>GWh</b>	<b>1,934</b>	<b>1,779</b>
<b>Electricity consumption</b>	<b>GWh</b>	<b>2,635</b>	<b>2,461</b>
of which external power supply	GWh	1,160	1,117
<b>Total energy consumption</b>	<b>GWh</b>	<b>5,183</b>	<b>4,961</b>

<sup>1)</sup> In terms of materiality, additional Group companies of the Trading Business Unit, Technology Business Unit, Industrial Participations / Consolidation and EUROPIPE sites were considered the energy consumption. In detail: EUROPIPE GmbH, Berg Pipe Mobile Corporation, Berg Pipe Panama City Corporation, GESIS Gesellschaft für Informationssysteme mbH, Glückauf Immobilien GmbH, Hansaport Hafenbetriebs-gesellschaft mbH, Klöckner Desma Elastomertechnik GmbH, DESMA Schuhmaschinen GmbH, KHS GmbH, MÜLHEIM PIPECOATINGS GmbH, Salzgitter Automotive Engineering GmbH & Co. KG, Salzgitter Hydroforming GmbH & Co. KG, Salzgitter Mannesmann Forschung GmbH, TELCAT KOMMUNIKATIONSTECHNIK GmbH, TELCAT MULTICOM GmbH, Verkehrsbetriebe Peine-Salzgitter GmbH, VPS Infrastruktur GmbH, KHS Corpoplast GmbH, Salzgitter Mannesmann Handel GmbH, Salzgitter Mannesmann Stahlhandel GmbH, Stahl-Center Baunatal GmbH, Universal Eisen und Stahl GmbH.

<sup>2)</sup> Without reducing agents, they are considered under "Materials used".

Due to the increase in crude steel production (see above), more byproduct gases were also produced with the result that the corresponding in-house production of steam and electricity was significantly higher than in 2020.

#### Water consumption

		2021	2020
<b>Total water consumption</b>	<b>Thousand cubic meters</b>	<b>19,439</b>	<b>17,135</b>
of which drinking water	Thousand cubic meters	2,339	2,195
of which industrial water/service water	Thousand cubic meters	17,100	14,940

#### Wastewater discharge

		2021	2020
<b>Total wastewater discharge</b>	<b>Thousand cubic meters</b>	<b>12,903</b>	<b>13,691</b>
of which direct discharge	Thousand cubic meters	12,409	13,212
of which indirect discharge	Thousand cubic meters	494	479

Water consumption in 2021 was noticeably higher than in the previous year. This is primarily the result of higher crude steel production at the Salzgitter site and the higher accompanying requirement for process water. Wastewater volumes were slightly below the level for 2020.

## Waste generation

		2021	2020
<b>Total waste generation</b>	<b>kt</b>	<b>1,342</b>	<b>859</b>
of which recycled	kt	655	596
hazardous waste as a share of the total	kt	56	40

The waste produced in the Strip Steel, Plate/Section Steel and Mannesmann business units was significantly higher in 2021 than in the coronavirus-impacted reporting year of 2020. The determinants behind this development are much higher production volumes such as the roughly 10% increase in crude steel production at Salzgitter Flachstahl GmbH (SZFG), as well as the production waste associated with it, lower sales shares for LD slag. The higher amount of hazardous waste in comparison with the previous year resulted primarily from waste requiring disposal of construction projects, mainly in the Mannesmann Business Unit.

Air emissions<sup>1)</sup>

		2021	2020
NO <sub>x</sub>	t	4,510	3,792
SO <sub>x</sub>	t	4,804	4,081
Particulate matter (PM10)	t	101	108

<sup>1)</sup> Facilities for which an emission declaration is made pursuant to Section 11 of the German Federal Control Act (BImSchV) or which are listed in the PRTR register.

The majority of the air emissions reported here result from the operations of Salzgitter Flachstahl GmbH due to the processes involved. To this extent, higher year-on-year crude steel production at the Salzgitter facility in the reporting year is also reflected in the emissions of NO<sub>x</sub> and SO<sub>x</sub>.

## Emissions Impacting Climate

Salzgitter AG (SZAG) has participated in the CDP reporting format (formerly Carbon Disclosure Project) since 2016 on an annual basis. In 2021, SZAG once again achieved a good “B” rating. CDP is an international not-for-profit organization. Among other aspects, it records and evaluates the greenhouse gas emissions (GHG emissions) voluntarily reported by companies and organizations, as well as the way in which opportunities and risks resulting from climate change are handled and strategies evolved in response. Once a year, CDP collects extensive data, and it claims to have now established the most important database and analysis on the subject in the world.

Based on the system of the Greenhouse Gas Protocol which is also used by CDP, we report GHG emissions in the categories Scope 1 to Scope 3 as shown below. The definitions are as follows.

- Scope 1 = direct GHG emissions from operating plants
- Scope 2 = indirect, energy-related GHG emissions
- Scope 3 = further indirect GHG emissions from the purchase of raw materials

We have therefore used the approach of the Greenhouse Gas Protocol Corporate Standard for calculating the greenhouse gas emissions in Scope 1 to Scope 3. The majority of our direct emissions are also subject to the European Emissions Trading System (ETS) with the result that the strict specifications contained in the Monitoring Regulation are applied in this area. The data for Scope 1 and 2 result from energy consumption figures shown under “Resource Management” as well as details from ETS monitoring.

With respect to GHG emissions, Salzgitter Flachstahl GmbH (SZFG) occupies a unique position in the Group as an integrated steel mill, and it therefore operates its own energy savings program with its own GHG emissions reduction scheme. In 2021, these programs achieved a cumulative reduction in Scope 1 and Scope 2 emissions of 207 kt CO<sub>2</sub> as a direct consequence of efficiency measures; in 2020, the figure was 203 kt CO<sub>2</sub>.

### GHG emissions

		2021	2020
Direct GHG emissions from operating plants (Scope 1)	kt CO <sub>2</sub>	8,196	7,646
Indirect GHG emissions (Scope 2)	kt CO <sub>2</sub>	425	448
Other indirect GHG emissions from feedstock purchase <sup>1)</sup> (Scope 3)	kt CO <sub>2</sub>	1,378	1,375
Reduction of GHG emissions as a direct result of efficiency measures <sup>2)</sup>	kt CO <sub>2</sub>	207	203

<sup>1)</sup> Without reducing agents; specific emission factors based on supplier information or common available sources. Survey is oriented to Corporate Value Chain Standard (Scope 3) of the Greenhouse Gas Protocol Initiative of the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD)

<sup>2)</sup> Resulting from measures of the EE project of Salzgitter Flachstahl GmbH, affecting Scope 1 and Scope 2.

Crude steel output at the Salzgitter facility was higher in 2021 than in the previous year. This is also reflected in increased volumes of reducing agents used as a result of which direct GHG emissions (Scope 1) and indirect GHG emissions from the procurement of raw materials also rose (see also ↗ “[Environment](#)”, “[Resource Management](#)”). The reduction in Scope 2 emissions is due to a significant fall in the average carbon dioxide emission factor in the electricity mix in Germany.

The greatest challenge for the Group in connection with emissions affecting the climate is the fact that carbon emissions stemming from technologies for the ore-based production of primary steel used today on an international scale and in the Salzgitter Group have nearly reached their minimum possible level within the process boundaries set by laws of nature. There are therefore strict limits to future reductions in greenhouse gas emissions achievable merely through efficiency measures. SZAG therefore set up a program named SALCOS® (Salzgitter Low CO<sub>2</sub> Steelmaking) back in 2015. This program makes us a forerunner when it comes to the decarbonization of the steel industry. The technical approach of SALCOS® consists in directly avoiding CO<sub>2</sub> emissions in the production process itself by gradually replacing the carbon hitherto required in steel production on the basis of iron ore initially with natural gas and later hydrogen used in direct reduction plants still to be built. SALCOS® is based on a modular concept offering the possibility of gradual implementation. Assuming a positive vote in the Supervisory Board in the summer of 2022, implementation on an industrial scale is envisaged from the end of 2025, i.e. two years earlier than originally planned. In the following year, 30% of primary steel production, equating to over a million tons of steel from Salzgitter Flachstahl GmbH (SZFG), is set to be produced without the use of coking coal. Full implementation is now scheduled for 2033. Assuming the availability of green hydrogen, this can lead to a CO<sub>2</sub> reduction of over 95%, thereby avoiding around 1% of Germany's emissions today. Not only would we therefore be significantly ahead of our original target of 2050 but also clearly in advance of Germany's climate targets schedule. To achieve these ambitions, we gave the SALCOS® program a new organizational and program structure in the middle of the year. The "SALCOS® Office", reporting directly to the CEO, combines the technical, commercial and organizational expertise required to realize the program. For more information please go to: ↗ <https://salcos.salzgitter-ag.com>.

We are currently building a demonstration plant for the production of Direct Reduced Iron (DRI) on SZFG's site as part of the "µDRAL" project; this plant can be flexibly operated with natural gas and hydrogen and is due to go into operation this year.

Low CO<sub>2</sub>, green steel slabs in a differentiated range of sizes and grades have been produced in Peiner Träger GmbH's electric steel mill since the end of 2020 and subsequently further processed at SZFG into hot and cold strip. SZFG was the first European steel producer to receive conformity statements in accordance with TÜV SÜD's VERISteel standard for this achievement. This method enables product-specific CO<sub>2</sub> emissions in steel production to be verified, and it goes hand-in-hand with the process of decarbonization. It shows that as a result of a change in the steel production process from the conventional blast furnace route to electric steel route, a reduction of more than 75% is achieved in the carbon footprint for slabs and more than 66% in that of hot-dip galvanized coils. The low CO<sub>2</sub> steel products have already been successfully supplied to prestigious customers such as BMW, Daimler, BSH and Miele.



# Society

## Employee Rights

Success and progress are heavily dependent on our employees; they shape the future of Salzgitter AG (SZAG). That is why we set great store by maintaining an open, regular exchange of views as well as including the workforce in the affairs of the company at an early stage. We use various tools to integrate the experience and expertise of our employees into SZAG's change and improvement processes.

### Governing principles

The management of SZAG is geared towards ensuring the company's sustainable growth and long-term success in keeping with the principles of the social market economy and meeting its responsibility for people and the environment. It is based on the specifications contained in the German Stock Corporation Act and the recommendations of the German Corporate Governance Code.

Our Code of Conduct ([↗ https://www.salzgitter-ag.com/en/corporate-social-responsibility.html](https://www.salzgitter-ag.com/en/corporate-social-responsibility.html)) also provides an important foundation for working relationships in the Group based on trust and with our external partners. The Executive Board has drawn up clear behavioral principles in this code that all employees at home and abroad should be guided by in their work.

### Coal and steel co-determination

The dialog at SZAG between Group management, company managements and employee representatives has traditionally been marked by a relationship of trust and constructive cooperation. As a Germany-based steel and technology group, we are subject to the coal and steel co-determination law with respect to SZAG and the primary iron and coal producing Group companies. This agreement gives employee representatives on the Supervisory Board substantial influence over the main business transactions and the appointment of the Industrial Relations Director. Complementing our corporate objectives and entrepreneurial perception, the interests of our employees are represented legally by unions, works councils and other forms of employee representation. The Group Works Council is the employees' central co-determination and participation body. The works councils also have separate working groups for each Business Unit. The Executive Board and company heads regularly participate in events of the Group works council and the working groups, which ensures an intensive exchange between company and employee representatives. Special subjects such as occupational safety, health and environmental protection are dealt with by the Group Works Council in separately formed committees.

By concluding collective agreements on the various operational and pay scale levels, we secure the inclusion of employees' interests both on a statutory basis and the more generous voluntary basis as well as the application of standard, objective procedures for shaping service relationships with our employees. For example, measures to deal with the coronavirus pandemic, which reflect both our duty of care towards our staff and our corporate responsibilities, were negotiated between the Management Board and the Group Works Council in a Group works agreement. Against the background of the continuing pandemic, the relevant arrangements have been extended into 2022 as a precautionary measure.

In addition, the setting up of steering committees and control bodies with equal representation facilitates participation by employees in the development of the company, thereby promoting a managerial style that is free of discrimination and focused on diversity while maintaining social standards.

The inclusion of foreign companies in the design of Group policies and circulars extends the scope of national standards to our foreign facilities, especially within the sphere of any management concept based on values, within statutory provisions and as long as this makes sense from a human resources and economic perspective.

## YOUNITED corporate mission statement

Our “YOUNITED” corporate mission statement describes SZAG’s “essence”, its responsibilities, special features and principles. At the same time, it formulates the target state our company is striving to reach. “YOUNITED” therefore serves as the starting point and defining element as far as the aims of desired changes are concerned, and it offers the orientation of a “company philosophy”. It is composed of three different elements: aims, pathways and values.

The six goals of “We are profitable!”, “We are a promising investment!”, “We are first class and we think ahead!”, “We are an ideal partner!”, “We are fit for global challenges!” and “We are responsible in our growth!” were drawn up by SZAG’s Executive Board, while a group of managers from the whole Group developed the pathways. Our affirmation of the aim “We are responsible in our growth!” reflects the overarching importance of a corporate strategy based on sustainability. Around 300 employees in the Salzgitter Group, working in large group events, were largely responsible for formulating the values which govern our actions. The mission statement implementation team – a group of managers from all business units of the Salzgitter Group – has since been continuously developing ideas for implementing them in the companies. Specific projects and measures are initiated in consultation with the managements and their effectiveness constantly reviewed. The Group’s Executive Board also conducts regular, intensive discussions on the status of the implementation process.

The six values “Customer orientation”, “Reliability”, “Fairness and working together as partners”, “Groupwide cooperation”, “Innovation” and “Sustainability” were each brought to life from 2014 to 2019 as “Value of the Year” by means of initiatives to highlight their relevance in the everyday working life of all employees.

From 2019 to 2021, this was followed by the initiative “YOUNITED 2.0” with its emphasis on quality. Five managing directors in the Salzgitter Group acted as the sponsors and took active responsibility for one aspect of quality each, assembling a cross-company team – the Value Team – to work on it. These Value Teams presented their results at the end of 2020 in SZAG’s annual managing director workshop as well as at the 2021 Group forum. From 2022 onward, “YOUNITED” is to embody the mission statement and focus more closely on the prerequisites for implementing the Group strategy in terms of the corporate culture.

## Communication and participation

We continuously refine our products and processes. The creativity and inventiveness of our employees are major drivers in this process – potential that we appreciate and which we want to promote to the best of our ability. The management of ideas offers employees the opportunity to submit their suggestions for improvements, thereby actively promoting changes in their working environments. In 2021, we received 1,843 suggestions for improvements in Group companies in Germany.

We actively involve our workforce in the further development of the Group. To this end, the groupwide employee survey IMPULS has already been conducted three times. The results were saved within a structured follow-up process and the measures derived from them implemented.

We ensure that our employees are informed of current issues in the Group through our extensive Intranet, a range of printed matter and events. We are also making greater use of new digital formats such as videoblogs and podcasts for this purpose. For example, the Executive Board provides regular information on the Group’s current situation in the series “InSZights” as well as an outlook on future developments.

## Equal Opportunities

Demographic change is one of the most important topics in discussions within society with regard to securing the future on a sustainable basis. The changed demographics of the population and the structures of employment in Germany also impact the Salzgitter Group. The diversity of Salzgitter AG's (SZAG) products is matched by that of the workforces, workplaces and the regional framework conditions at individual Group locations. All this requires a human resources policy which reflects the different demands made of SZAG and that, as a result of suitable measures, both enables the employees to enjoy fulfilling and fruitful work and guarantees the company's long-term performance

### Employee structure

In the following, we provide a brief overview of the structure of our workforce. The key workforce indicators for understanding the course of business are based on the permanent workforces of all domestic, consolidated Group companies – in contrast to the focus on steel-related activities with respect to environmental issues.

The core workforce of Group companies based in Germany decreased slightly in 2021 compared with the preceding year (2020: 18,297) and stood at 18,021 at the end of 2021. The staff turnover rate (percentage average of additions to and departures from the core workforce) in 2021 came in at 5.56% (2020: 5.01%). The average length of service in 2021 remained at 19.9 years. The majority of employees of the Salzgitter Group work in Germany, a tight 81% in percentage terms. A further number of roughly 8% are employed in other EU countries and around 12% of our workforce in facilities outside the EU.

The following table shows the split by gender and employee category:

Core workforce Germany by gender and employee category

	2021		2020	
	m	f	m	f
Wage earners	10,024	264	10,225	274
Tariff	3,865	1,698	3,853	1,749
Non-tariff	1,634	275	1,658	265
Senior executives	234	27	243	30
<b>Total core workforce</b>	<b>15,757</b>	<b>2,264</b>	<b>15,979</b>	<b>2,318</b>

The total consolidated workforce at home and abroad in 2021 amounted to 24,255 (2020: 24,416).

The share of female employees in the Group in Germany in 2021 stood at 12.6% (2020: 12.7%). Female students are still heavily under-represented in scientific and technical subjects – a factor which also affects companies' workforce structures. The distribution of female members of the workforce in the different areas of activity of the Salzgitter Group is correspondingly uneven.

A trend observable in society as a whole that can also be seen in the Salzgitter Group is the increasing age of workforces as a consequence of demographic change. The average age of the core workforce in Germany in 2021 was 45.7 (2020: 45.6). The distribution of respective age groups is as follows:

#### Workforce by age group

Age structure in %	2021	2020
Up to 30 years	12.4	12.7
31 to 50 years	45.3	45.4
Over 50 years old	42.3	41.9

A description of changes in the workforce in 2021 and information on the composition of our Supervisory Board can be found in the annual report in the Chapter 7 “Company and Organization”, under “Employees” as well as “Management and Control”.

### The challenge of demographic change

The success of the company in the coming years will depend appreciably on accurately identifying the effects of demographic change and taking them into account as they relate to the company’s human resources policy. Challenges such as the imminent lack of skilled workers, the extension of working life or the changed demands of employees for a work-life balance will also affect the Salzgitter Group. SZAG is therefore intensifying its efforts to be perceived as an attractive employer in the competition for skilled workers. Furthermore, SZAG launched the group-wide project “GO – The Generation Offensive 2025” back in 2005 to manage the diverse challenges.

Numerous measures and projects are drawn together in the Group under the umbrella of the project. They range from activities in the recruiting of junior staff and training employees, health insurance and old age pension offers for the employees to the ergonomic design of workplaces. Some of these offers – FORWARD, Salzgitter pensions and workplaces adapted to employees’ needs, for instance – will be explained in greater detail in the course of this report. Groupwide priorities were also identified in the shape of the promotion of women and the reconciliation of family and work, and further efforts will be focused on these areas.

#### Positioning as a modern employer

SZAG pursues the goal of positioning itself more clearly as a modern employer both internally and externally and raising awareness of the wide-ranging jobs it has to offer and its extensive employer benefits. A central element of this strategy is the development of a new employer umbrella brand supported by an accompanying advertising campaign. Work on implementing these measures was systematically pursued in 2021 on the basis of a concept drawn up in 2020. Consequently, a new employer campaign was rolled out at the end of 2021. This will also be continued in 2022 through various communication channels.

#### Discount portal for employees

To reinforce our attractiveness as an employer, a groupwide discount portal was introduced in 2021 that gives employees access to discounts on various products and services via a central supplier app.

### **Promotion of women**

SZAG regards the promotion and development of female prospects as an important duty which begins before they even join the company. As the majority of our staff work in technical and scientific domains and female graduates are still underrepresented in these MINT professions, we encourage any interest shown in these subjects by young female schoolchildren even at this early stage. One example is the Technology Center of Lower Saxony which enables female high school graduates to take on parallel work placement at SZAG and to enroll in taster engineering courses at a participating university.

Two elements of our human resources development program FORWARD are making an important contribution to the promotion of female staff in the Salzgitter Group:

The “Career Paths for Women” orientation program is addressed to women of all functions who wish to actively plan their careers and see a managerial career as an option. The concept of the program takes account of their personal goals and prospects as well as the specific demands of different professions. Since the start in 2015, 49 women have already taken part in the program.

In addition, the target market for the mentoring program for women is composed of dedicated female managers and experts on every level of the hierarchy. It serves to develop them further in their managerial role or to support them on their path to taking over managerial responsibility. Acting in the role of mentors are senior executives or managing directors in the Group who are willing to share their professional experience and insights as well as their network of contacts with the mentee in confidence and to support them as their career develops. Since the start of the program in 2012, 59 mentees and 42 mentors have already helped the project to achieve lasting success.

### **Reconciliation of family and work**

Against the backdrop of demographic change, it is important to reflect the individual needs of our employees. Various company-specific working time models such as trust-based working hours, flexitime and working time accounts allow our employees to shape their working hours to reflect their individual needs. For example, 4.2% of the workforce were employed on a part-time basis in 2021 (2020: 4.0%). Home office use has been considerably expanded in the Salzgitter Group in the wake of the coronavirus pandemic. Based on collective experience, talks were initiated in 2021 between the company and the Group Works Council to define a uniform framework for home office work in the Group for the time after the coronavirus and give employees further leeway in striking a balance between their work and their private lives.

For several years, our employees in Germany have also been able to take advantage of a free family service that advises them and helps to arrange care for children or dependents in need of nursing care.

### **Workplaces adapted to employee needs**

SZAG offers workplaces adapted to employee needs for the integration of people with severe disabilities. A Group framework inclusion agreement also stipulates that the participation of employees with severe disabilities in training measures to maintain, expand and adapt their skills and knowledge, must be promoted. Companies define their targets on their own initiative, e.g. the appointment or training of young people with disabilities. To meet these targets, individual companies can set up “Inclusion Teams” which draw up the specific measures to be implemented. The proportion of employees in the Salzgitter Group in Germany with severe disabilities was above 5% in the last few years, in line with statutory demands.

### **Company pension**

Large parts of SZAG have a uniform model for pensions funded by the employer: the Salzgitter pension (company pension). It makes an important contribution towards securing employees’ standard of living when they retire by reducing pension shortfalls between the final pay packet and their old-age pension. We also offer attractive options for deferred compensation in the form of a pension plan and as disability insurance. They complement the company pension and allow our employees to pursue individual solutions.

**Demography fund**

We wish to preserve the health and capacity of our employees to their best possible advantage. Nevertheless, they will not all be able to work until the statutory retirement age. We were therefore one of the first companies in our sector to set up company demography funds financed in equal measure by employers and employees. These funds are used primarily for the early retirement of employees with particular health problems, for instance as part of a semi-retirement package if the intention is to fill the post again.

**Health and safety at work**

Besides cost-effectiveness, productivity and quality, occupational safety is one of SZAG's high-priority corporate goals. Our responsibility derives from our obligation for the well-being and physical safety of our own employees, but also with regard to the employees of partner companies, customers, suppliers and our visitors. Consequently, the groupwide target of our safety policy is: zero accidents! Above and beyond this goal, we also want our employees to live healthy lives and to be able to work free of illness. This task is taking on ever greater significance with respect to longer working lives. Against this background, the subject of health and safety at work is regularly at the top of the agenda in Group management meetings. The Executive Board and business unit managers discuss the relevant safety figures here, as well as events occurring in the Group and individual companies.

**Health and safety management**

Nevertheless, the different requirements in the individual business units and companies of the Salzgitter Group necessitate that occupational safety be regulated on a decentralized basis. A Group directive defines SZAG's safety policy and the components and standards of our health and safety management. Every company is tasked with drawing up targets, priorities and programs and reviewing the effect of the measures taken. In particular, the collaboration with partner companies is substantiated by corresponding guidelines, for instance with common and order-specific briefings as part of the contractor management. In this way, we are able to define a high standard across the Group and lay the foundation for continual improvement. Building on this foundation, the occupational safety management of external companies and partners was subjected to a review in Group companies with the aim of identifying further potential for optimization in health and safety practices.

A Group committee for health and safety at work supports Group companies in their objective to continuously improve occupational safety. Members of the working group have been conducting smart audits on selected Group companies for this purpose since 2019. The aim of this analysis is to identify strengths and areas in need of development. In addition, the Occupational Safety Department of Salzgitter Flachstahl GmbH provides regular information via the Group Intranet and in notices on various aspects of safety.

The following key statistics in relation to employees are collected in the Salzgitter Group in accordance with statutory and trade association principles in order to evaluate health and safety at work and the situation with regard to accidents.

**Safety at work**

	2021	2020
Rate H <sup>1)</sup>	7.1	6.1
Rate h <sup>*2)</sup>	9.5	8.4

<sup>1)</sup> Reportable work-related accidents per 1 million work hours (from the fourth day off work); domestic core workforce and training contracts

<sup>2)</sup> Work-related accidents per 1 million work hours (from the first day off work); domestic core workforce and training contracts

The accident frequency rate from the fourth day of absence, relative to a million working hours, increased from 2020 to 2021, as well as the number of work-related accidents from the first day of absence per million working hours. In 2021, there were no work-related accidents resulting in death.

A record of the work-related accident per person rate is kept in order to understand the worldwide occupational safety and accident situation. This metric records the average number of accidents at work leading to days off work per 1,000 employees.

**Occupational safety worldwide**

	2021	2020
Work-related accident per person rate <sup>1)</sup>	12.8	11.3

<sup>1)</sup> Work-related accidents from the first day off work; worldwide core workforce and apprenticeships

Compared with the previous year, the work-related accident per person rate could not be lowered any further.

Health and safety at work is subject to co-determination as a general rule. For example, there are various company agreements in Group companies that reflect comprehensive health and safety at work as well as an integrated understanding of health. In terms of agreements on a collective level, in Germany the collective agreement for shaping demographic change in the iron and steel industry is important. Among others, the collective agreement comprises aspects of health promotion and workplace design. It defines potential measures necessary for the health- and age-appropriate design of work conditions, operating processes as well as the work organization, for instance.

**Measures related to the coronavirus pandemic**

Regular coronavirus monitoring of the infection rate in the Group continued at SZAG in 2021 in order to overcome the pandemic. Task forces remained active in Group companies. They developed operational measures and hygiene concepts exceeding statutory obligations and implemented them for the protection of their own workforces as well as outside employees (partner companies, suppliers, etc.). In addition, a comprehensive range of information and communication channels were provided for managers and employees. For example, they included regular coronavirus news on the Intranet and flyers as well as new communication channels in the form of podcasts on the subject of vaccination and COVID-19 put together by works doctors.

Supporting measures also included the development and implementation of a concept for voluntary self-testing for COVID-19 from February 2021 at the Salzgitter facility. In a pilot project coordinated with Lower Saxony’s Ministry for Social Affairs, employees were given the opportunity to test themselves before the general introduction of self-testing by members of the general public. The offer of company vaccines against the coronavirus was also proactively pursued from the Spring of 2021 as an integral part of the fight against the pandemic. As early as the beginning of May 2021, SZAG was able to offer vaccinations to prioritized employees in a model project run by the State of Lower Saxony, and it set up a separate vaccination center at the Salzgitter facility with four vaccination lanes with up to 450 vaccinations per day. Once prioritized vaccinations no longer applied, all employees were offered the vaccine from the beginning of June 2021 with the offer then extended to family members and employees of partner companies. A “Drive-Impf” (drive-in vax site) was also set up at the Salzgitter Headquarters at the end of 2021 to further intensify the vaccination campaign. On the very first day of the campaign, 500 people took advantage of the offer to get vaccinated sitting in their cars. In total, the works doctors at the Salzgitter, Peine and Ilsenburg facilities had thus administered over 14,000 first and second doses and booster shots in the company by the end of 2021. At other Group facilities, employees were offered company coronavirus vaccinations in collaboration with external occupational health services. The company vaccination campaign was supported by the Group works agreement “Execution of company coronavirus vaccinations” which defines aspects such as the vaccination order or the allowance of time off work for vaccination appointments. Company flu jabs were also offered in many parts of the Group as a further element of company protection from infection.

### Health management

We subscribed to the “Luxembourg Declaration on Workplace Health Promotion” in the EU as early as 2004. This declaration aims not only to prevent work-related illnesses but also to actively reinforce the potential for good health and improve the feeling of well-being at the workplace. To this end, we have developed numerous measures in the GO sphere of action “Health, Fitness and Ergonomics”. Offers in Group companies range from “The Salzgitter AG Health Check”, via proprietary fitness centers and collaborations with external partners to special action offers, with the emphasis on health and prevention. Once again in 2021, it was only possible to offer limited sport and fitness activities due to coronavirus restrictions.

Prevention is a pivotal aspect of our health management, meaning efforts to promote behavior conducive to good health. In addition, employees with long-term illnesses are given special support to reacclimatize to working life. First and foremost, this includes measures individually tailored to those affected and their workplace demands. The highest priority is given to enabling them to return to their existing workplace. The close networking of all service providers allows a coordinated response to be quickly orchestrated.

### Training

The commitment, knowledge and creativity of our employees are important factors in the success of our company. Personnel growth and training have therefore always been central components of our human resources work. We are convinced that continuous learning and further training form the foundation for successful work. To enable our employees to develop their capabilities and talent, we create an environment offering the opportunity and space to grow. To do so, we provide suitable opportunities in the Group for any age and position.

#### Securing the workforce of the future

To counter the imminent lack of specialists and engineers in good time, we promote young people also during their training. We focus our commitment on disciplines where there are clear signs of an upcoming shortage of qualified workers in Germany. In the process, we make a commitment towards the talent of tomorrow along the entire education chain.

Visits to companies, practical days and company presentations, as well as other professional orientation activities enable schoolchildren to gain practical insights and show them the wide-ranging professional prospects on offer in the Salzgitter Group. The STEP.ING project invites students from high schools in Salzgitter and the region to take a detailed look at the opportunities to study science and technology and the career prospects such courses offer. To this end, we offer training for career orientation and the opportunity to swap notes with engineers. The students involved take charge of advertising this project themselves through a special Instagram account – by students for students. In addition, Salzgitter AG (SZAG) once again exhibited at IdeenExpo this year, Europe’s largest youth event for technology and science. Due to the continuing pandemic, IdeenExpo was held online for the first time.

Our commitment to higher education institutions serves to enthuse students for the tasks facing our Group and tie young, highly qualified and talented individuals to the company for the long term. To ensure that we are successful in that endeavor, we work with numerous higher education institutions. We actively design curricula together, support students’ projects and offer students the chance to take on internships and write their theses and dissertations with close support.



## Training

Mega trends such as globalization and digitalization require worldwide networking and the fast availability of information. This requirement challenges workforces and companies to constantly update and expand their capabilities. This can start with in-depth training and continues throughout their entire professional life in the form of “lifelong learning”.

### Vocational training

SZAG currently offers training in more than 40 professions and dual study courses in the industrial/technical, commercial and IT sphere. As at December 31, 2021, the company employed 1,005 trainees in Germany. There were also a further 219 other training contracts in Germany with interns, working students and apprentices. Vocational training represents an important investment in the future in our eyes. This is demonstrated by the proportion of trainees which as of the end of 2021 stood at 5.3%. Securing the future prospects of trainees by giving them follow-on employment not always based on requirements, reinforces the processes of obtaining and extending qualifications, and it constitutes an important element in countering demographic challenges.

In 2021, the business magazine Focus Money once again honored the quality and commitment of our training at our Salzgitter facility, crowning it “Germany’s Best Training Company”.

For graduates, there is the chance to join SZAG as a trainee. The trainee programs that serve to secure the futures of specialists and managers have different emphases and are conducted by individual companies.

### Personnel development

Personnel development has traditionally enjoyed a high status at SZAG and its subsidiaries. We have therefore established FORWARD in the Salzgitter Group, a system of personnel development across all companies that promotes commitment, innovative energy, and the exchange of information between high achievers on all levels. In this process, our Salzgitter model of expertise defines the generic requirements of special significance besides technical know-how and professional experience.

Junior employees with a university degree and qualified staff with vocational training constitute the target market for FORWARD basic programs. The focus here is on the structured communication of knowledge and the systematic establishment and expansion of methodological expertise and social skills which are intended to enable students to take on departmental and managerial responsibility at a later date. There is a broadly diversified range of seminars on offer that not only offer interesting opportunities for further training in line with requirements and on an extracurricular basis, but also contribute towards the networking of junior staff between companies. Regular presentations from internal speakers also give an insight into company structures, processes and subjects.

With more extensive programs on personnel growth such as the Salzgitter College for the target group of experienced specialists and managers, FORWARD promotes and supports the development of skills in high-potential individuals and high achievers for the long term. In spite of the restrictions on contact caused by the pandemic, it proved possible to deliver the programs on a continuous basis by introducing virtual seminar formats.

The aim of the Salzgitter Group’s succession and talent management launched in 2017 is initially to identify and encourage successors (with a specific target function) and talented individuals (with potential for more far-reaching management assignments without as yet any defined personal development target) for the general manager level and managers reporting directly to them in a standardized form across the Group. A precise analysis of their potential is obligatory for all those nominated. Talented individuals are integrated into a talent pool and they undergo a high-quality international program for personnel growth at a Group level. The development of successors is managed in the companies on a decentralized basis.

The FORWARD program for top management “Insight” provides senior management at the Salzgitter Group with a high-quality, varied and up-to-date program for personnel growth which offers new impetus with its focus on self-management, entrepreneurial action, leadership communication, as well as strategy and finance.

We also attach great importance to the continuous promotion of employees on the collective pay scale. One example of this is the PEQO program (PersonalEntwicklung, Qualität & Qualifizierung, Organisationsentwicklung – Personnel growth, quality & training, organizational development) conducted by Salzgitter Flachstahl GmbH. The need for training and career prospects are discussed with the line manager in an annual interview. Building on this foundation, measures or career development opportunities are agreed and usually implemented within a year.

#### **Further training**

As well as the initial training, continuous further training represents an essential means of securing motivated, qualified employees and of preserving their employability for the rest of their working lives. In 2021, we registered 18,206 participants in a total of 48,388 further training measures (2020: 16,202 participants in 40,908 further training measures). The range of further training on offer focuses on the development of personal as well as technical skills. Due to the continuing restrictions in place as a result of the coronavirus pandemic, the emphasis remained on e-learning formats and virtual events with the result that employees' participation in further training measures was guaranteed in spite of the restrictions on face-to-face learning.

SZAG has pooled its further training activities in a Center of Excellence at SZFG on the Salzgitter campus since 2015. In 2021, a comparable structure was set up for Group companies in North-Rhine Westphalia and the area around KHS GmbH in the shape of "Campus West". This means the Group is now pooling its further training activities in its two central regions of Germany, making its further training expertise available across the Group in a targeted, efficient process. With SAP SuccessFactors Learning, SZAG is introducing a new Learning Management System (LMS) in a move to strengthen and digitalize further training. The aim is to create a group-wide range of education that provides training resources for specific target markets and companies, as well as enabling access to different learning content and formats. SAP SuccessFactors Learning was introduced at KHS GmbH in a pilot scheme in the late summer of 2021. Further companies are due to follow successively.

#### **Knowledge transfer**

A process for systematic knowledge transfer in the Group will be implemented in 2021 as a further element. The aim is to preserve knowledge in the company, especially when the holders of key functions change, and under normal circumstances it will be made available to their successor. To this end, a corresponding training concept has been developed as well as a method for creating these so-called "Transferwerke" (transfer works). As many as 32 Transferwerke were carried out in the Group on this basis in 2021. More are to follow on in 2022.

## Human Rights

The Group's Code of Conduct emphasizes: "Respect for internationally recognized human rights (personality rights, civil liberties, statutory and social human rights) is a matter of course for the Salzgitter Group." More precisely, reference is made to the catalogues of the European Convention of Human Rights and the Universal Declaration of Human Rights of the United Nations. The Code has been produced in twelve languages and distributed to every employee through the Group companies in the form of a brochure in the relevant language.

Procurement processes represent an important subject in the Salzgitter Group with respect to the observance of human rights. As the competence center for various Group companies, the Purchasing Department at Salzgitter Flachstahl GmbH (SZFG) sees sustainability as an important element in procurement processes. Natural resources, materials and services are procured from around the world in order to secure the sustainable, lasting success of our customers with innovative, high-quality products. Alongside financial and technical evaluation criteria, social and ecological issues such as human rights, occupational safety and environmental protection are also taken into account in procurement processes. The interplay of these factors plays a predominant role in selecting, evaluating and training suppliers and service providers.

Significant long-term suppliers of all products with relevance to quality and environmental protection made by SZFG and other Group companies are evaluated once a year on the basis of various criteria such as price, logistics, quality and other contractual terms. The list of products and services relevant to quality and environmental protection is constantly modified to fit new requirements. If the targets set are missed, the supplier may be blocked, and the contractual relationship terminated. Besides the standardized supplier evaluation, SZFG developed a separate form in 2015 to cover the most important sustainability issues which is closely based on the self-disclosure form used in the automotive industry "Sustainability for Automotive Sector Suppliers". This form, first sent in 2016 to all major long-term suppliers in the mining, raw materials, chemical and processing industries, comprises the following sections:

- Code of Conduct
- Social sustainability
- Occupational health and safety
- Compliance
- Environmental protection
- Supplier management

The sustainability survey is now sent to the relevant suppliers on a recurring basis. A growing number of suppliers meet the requirements. The results of the self-disclosure form provide the basis for planning future sustainability performance in the supply chain. The aim is to prepare a concept for supplier audits and on-site inspections. This step will complement the supplier evaluations, thereby helping to ensure that the sustainability standards demanded in the supply chain as well as any requirements arising from the German Supply Chain Due Diligence Act that comes into force in 2023, are taken into account wherever possible.

EcoVadis has honored KHS GmbH every year since 2012 – once again awarding it a silver medal in 2021 at all its facilities in Germany. This independent rating tool evaluates Corporate Social Responsibility (CSR) in the spheres of the environment, labor rights and human rights, ethics and sustainable procurement.

With regard to their corporate due diligence in respecting human rights, companies in the Salzgitter Group already take their bearings from the federal government's National Action Plan (NAP) "Business and Human Rights". All Group companies in Germany meet the requirements set out in this plan in a fashion commensurate with their size, sector and position in the supply and value chains. In order to further reduce the risks to human rights or environmental concerns along the supply chain in the future, the Salzgitter Group is also intensifying its risk management in this regard.

## Community

Salzgitter AG (SZAG) has particularly close ties to the region of South East Lower Saxony. Here, around 40,000 people – employees, retired workers and their families – derive their livelihood from the Salzgitter Group. In 2021, 9,228 employees, i.e. 41.3% of our core workforce (2021/12/31: 22,356) were employed at these facilities. Every year, we award contracts worth more than €350 million to around 700 regional service providers and suppliers. SZAG therefore plays an important part in the regional economy. We also make a commitment to the local communities there in many different ways.

### Location concept

The location concept forms the basis for structuring our social commitment. It defines groupwide criteria for the systematic, transparent promotion of cultural, social and sporting projects and initiatives. The extent of overall funding is closely linked to the relevant economic framework conditions affecting the financial years concerned and the company's resulting financial capacity. The aim of the location concept is to promote the quality of life in the communities in which our employees and their families live and work. Initially developed for the Salzgitter facility, further Group companies are now making a commitment to their regions. Far fewer projects were able to be sponsored in the last two years than in previous years – due to the coronavirus pandemic.

### Promotion of the business location

We commit to initiatives and projects that strengthen Lower Saxony as a place to do business over the long term. SZAG is a shareholder in "Allianz für die Region GmbH". This initiative functions in accordance with the public private partnership model, meaning that it is funded in equal measure by public and private shareholders. Besides Salzgitter AG and the State of Lower Saxony, further companies and numerous towns and districts from the region are also actively engaged in the project.

### Social commitment

Besides economic development, we also focus on social concerns in the regions where our plants are sited. As a founding member of the Salzgitter Citizens' Foundation, we support charitable projects in the areas of education, sport, youth, culture, social affairs and the environment. The Foundation supports both individuals and institutions, clubs and associations in their commitment to the public good. As a founding member of the foundation, SZAG made a significant contribution towards the starting capital of €700,000. In 2021, a total of €15,000 was distributed and allocated to projects worthy of support.

## Political Dialog

Fair political conditions are crucial for successfully positioning companies engaged in global competition. In times of global trade flows, highly complex, industrial value chains require reliable rules as essential factors in entrepreneurial activity.

Multilateral agreements and institutions are being increasingly called into question against the background of growing protectionist measures in (steel) exports. A lack of standards or different norms around the world in numerous political areas, in environmental, climate, energy and labor policy, for instance can be the cause of considerable distortion in competition. We therefore lobby political decision-makers for an international level playing field which provides fair production conditions for German industry.

To do so, we follow the political debate systematically, maintain contact with relevant political institutions and contribute our expertise to political processes. In our dialog with communal, regional, national and European bodies, we rely on precise information and credible, transparent communication. In this context, we would refer to our corporate policy of giving no donations or payments to political parties. Due to the shareholding of the State of Lower Saxony, we see ourselves obliged to maintain political neutrality, also with regard to open dialog with all democratic parties.

The independent tracking of issues relevant to the Group by means of political monitoring forms the basis for effective communication: parliamentary bills are already substantially drafted at a European level. It is therefore crucially important to identify legislative measures which directly or indirectly affect Group activities or its business environment at an early stage. To intensify this area of responsibility and the representation of the Group's interests at EU level, the Salzgitter Group has its own liaison office in Brussels. Due to these political activities, Salzgitter AG (SZAG) has been registered in the EU's Transparency Register since 2014. Interested parties can obtain insights here into the resources spent for its political work at European level. A public transparency register has now been introduced at a national level effective January 1, 2022, and Salzgitter AG has its own entry.

Besides policies on energy, the environment and climate protection (e.g. the transposition acts governing EU emissions trading from 2021, border adjustment mechanisms, low carbon technologies), the main political issues of the last few years actively followed by the Group included trade policy (EU trade protection procedures and instruments, in particular EU safeguards, and reform of the WTO), EU research and innovation policy (for instance, the ETS Innovation Fund, Important Projects of Common European Interest and Clean Steel Europe), including the EU subsidy system, as well as employment and social policies.

The Salzgitter Group has been trustfully working for years as a know-how incumbent with associations and cross-sectoral initiatives to follow legislative procedures and promote constructive cooperation between politics, industry and society. Representatives of the Group are actively engaged in political umbrella associations both at a national and European level. Among the most important of these are the Federation of German Industries, the Business Confederation of Lower Saxony, the European Steel Association Eurofer, the German Steel Federation, as well as the European Hydrogen Association Hydrogen Europe and the German Hydrogen and Fuel-Cell Association (DWV). The foundation of all work in associations is a set of rules on compliance meeting legal requirements and the observance of a lawful code of conduct (see ↗ [“Society”](#), [“Conduct compliance with laws and directives”](#), section [“Corporate compliance”](#)). Beyond its participation in associations, SZAG is actively engaged in advisory groups in the public sector and the EU. Government commissions on important issues relating to policies on the environment and energy have a long tradition, especially in Lower Saxony. Experts from SZAG are regularly represented in these advisory bodies to the state government as well as in the working groups assigned to it. SZAG also played an active role in the development of the Federal Government's [“Action Plan for Steel – For a strong Steel Industry in Germany and Europe”](#), and it is involved in its continuing implementation.

SZAG regularly participates on the employers' side in the [“Sectoral social dialog – Steel”](#) set up by the European Commission. Furthermore, delegates from the company take part in expert groups set up by the European

Commission such as the “RFCS – Steel Advisory Group (SAG)”, “RFCS – Technical Group (TGS9)”. For this purpose, SZAG is a regular member of the German delegation in the OECD Steel Committee.

## Conduct Compliant with Laws and Directives

### Corporate Compliance

Corporate Compliance, meaning the observance of all external and internal regulations (laws, ordinances, provisions in articles of association, rules of procedure, internal directives, etc.), is regarded as an important part of Corporate Governance in the Salzgitter Group. In its prudent and scrupulous management of the company, the Executive Board of Salzgitter AG (SZAG) goes above and beyond the observance of regulations as far as the actions of its Executive Board members and general managers is concerned, by employing systematic prevention to actively ensure that its employees also respect the regulations. In the process, it is supported by the Compliance Management Department. The Executive Board has installed a Compliance Management System (CMS) which focuses on the company’s compliance risks. It includes numerous measures for avoiding, exposing and penalizing unlawful conduct, in particular corruption and antitrust violations, for example personal statements by members of the Executive Board, a code of conduct, a mission statement and a “Corporate Compliance” Group directive.

The scope of this Compliance Management System (CMS) comprises the processes in all SZAG’s Group companies (Section 18 para. 1 German Stock Corporation Act). Its structure is tailored to the nature of the business and closely linked to the management organization to ensure the highest level of efficiency possible, i.e., responsibility for compliance corresponds to managerial responsibility.

All consolidated companies (100% of the operating facilities of the Salzgitter Group) are vetted first and foremost but not exclusively for corruption, anti-trust and money-laundering risks with the aid of annual compliance surveys. No substantial risks were identified in 2021 for which there are no clear prevention measures in place. No significant fines or monetary sanctions were imposed on Group companies in 2021 due to failure to observe laws or regulations. For detailed information we refer to the legal risks described in Section 7 “Opportunities and Risk Report, Guidance”, “Individual Risks” of the management report in the annual Report. Sales of the Salzgitter Group were also generated in regions with a Transparency International Corruption Index of under 60 – also including some Western European countries – with due attention paid to the particular risk position. The main preventive measures include regular compliance training for employees on the subjects of criminal law governing corruption, antitrust law and the law on money laundering by means of e-learning which ensures a substantively uniform training standard throughout the world.

A Compliance Committee has been set up in the Group parent company as a platform to monitor, review and discuss current compliance issues, and as a joint opinion-forming and decision-making forum, for example, when the compliance organization is changed, or special compliance measures are implemented. The committee is made up of the Chief Executive Officer, the Chief Financial Officer, the Legal/Insurance Manager and the Audit Manager. This Compliance Committee meets as warranted but at least twice a year to assess the CMS.

A whistleblower system consisting of internal reporting posts, a compliance hotline and external ombuds-person gives all employees the chance to report breaches of external and internal regulations to be observed in the course of company activities – also under the cloak of confidentiality – in order to minimize the damage and prevent similar breaches in the future.

The Executive Board portrays the corporate compliance situation of the Salzgitter Group to the Supervisory Board in a detailed compliance report every year and as and when needed. An Audit Committee set up by the Supervisory Board also addresses issues relevant to compliance. SZAG also reports on the Group’s corporate compliance in a corporate governance statement published annually.

## EU Taxonomy

Due to the EU requirements in the new Taxonomy Regulation to facilitate sustainable investments, listed companies have been taken under obligation since January 1, 2022 to include details in their (consolidated) non-financial reports of how and to what extent their activities are linked to economic activities that can be classified as ecologically sustainable as defined by the Taxonomy Regulation. In particular, they must report on the proportion of their sales revenues generated through products or services associated with ecologically sustainable economic activities, as well as the proportion of their capital expenditure and operating expenses linked to assets or processes associated with ecologically sustainable economic activities.

Activities are classified as ecologically sustainable if firstly they make a significant contribution to the realization of one or more environmental goals (“environmental goals”) pursued by the Taxonomy Regulation, secondly they do not have a substantially negative impact on one or more of the other environmental goals, thirdly they are performed in observance of a defined minimum protection in the field of occupational safety and human rights, and fourthly they meet technical measurement criteria to be defined by the EU Commission.

The six environmental goals are

- climate protection,
- adaptation to climate change,
- sustainable use and protection of water and marine resources,
- transition to a circular economy,
- avoidance and reduction of environmental pollution, and
- protection and restoration of biodiversity and the eco systems.

In the period from January 1 to December 31, 2022, however, two simplifications apply to the duty to report on the preceding financial year. On the one hand, the duty to report only applies with respect to the two environmental goals of climate protection and adaptation to climate change and not to the other environmental goals. On the other, there is only a requirement to report the ratio of sales revenues, capital expenditure and operating expenses linked to economic activities covered by the Taxonomy Regulation (“classifiable economic activities”) to their sales revenues, capital expenditure and operating expenses associated with other economic activities (“non-classifiable economic activities”). They are not required to report on the extent to which these economic activities are also conducted in an ecologically sustainable manner as defined by the Taxonomy Regulation (“taxonomy-compliant”) until the following year. The same applies to the corresponding capital expenditures or operating expenses.

Proportion of sales, capital expenditure and operating expenses arising from goods or services linked to classifiable economic activities<sup>1)</sup>

	2021		
in %	Sales	Capital expenditure (CapEx)	Operating expenses (OpEx)
Classifiable business activities	38	75	92
Non-classifiable business activities	62	25	8
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

<sup>1)</sup> Production of iron and steel, production of organic base material and chemicals, transfer and distribution of electricity resp. teleheating, operation of water procurement systems and wastewater treatment

The data used for the key indicators reported in the table above are basically identical to those used for Salzgitter AG's consolidated financial statements. The figures stated here are included in the Group's consolidated income statement, under the items sales, personnel expenses and other operating expenses, as well as in the consolidated balance sheet, under non-current assets. However, the key indicators were determined taking account of materiality aspects. More than 90% of the sales, capital expenditures and operating expenses for classifiable activities reflected here represent the production of iron and steel. Knowing the Group structure, it was assumed that if the calculations had been made on the basis of a complete survey of Group companies, this would only have resulted in insignificantly differing ratios. The overall presentation would not change appreciably as a result.

Based on the Taxonomy Regulation, the Group companies have identified the economic activities classifiable under the definition and determined the key figures for them. The key figures for non-classifiable economic activities were also determined. The results were summarized at Group level. The key indicators essentially do not include any intra-Group procurements of goods and services. For the future, the intention is to automate data capture to enable a detailed data analysis to be made. The operating expenses reported here only show expenses for maintenance, research and development and training in accordance with the Taxonomy Regulation.

The production of iron and steel is defined within the EU Taxonomy as a classifiable economic activity. In line with NACE codes, this economic activity also includes further processing into rolled steel or tubes within the Group, along with steel production. These processing steps are therefore included in the aforementioned data. Following the procedure described, we are reporting that 38% of our external sales are taxonomy-eligible for the 2021 financial year. The classifiable economic activities are almost exclusively to be found in the steel-producing and steel-processing companies. These are more capital-intensive than the other business units in the Group, which explains the disproportionately higher classifiable capital expenditure and operating expenses by comparison with sales.

We make reference to the fact that interpretation of the wording and terms in the Taxonomy Regulation and their application in the non-financial Group reporting on Salzgitter AG's ecologically sustainable economic activities is still subject to considerable uncertainty and that there may be amendments and adjustments in the reporting in the following year. There are still numerous questions of interpretation to be clarified in this Regulation as can be seen from the FAQ list from the EU Commission in February 2022. Due to time constraints, fully reflecting the impact of these issues in our reporting process was not possible.



For computational reasons, rounding differences amounting to  $\pm$  one unit (€, %, etc.) may occur in the tables.

To improve readability, we only use the male form in the present non-financial report. Personal designations always apply to both genders.

The non-financial report of Salzgitter AG is also available in an English translation. In the event of discrepancies, the German version takes precedence over the English version.

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