

Communication
On Progress
2016

voestalpine

ONE STEP AHEAD.

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Statement of continued support

voestalpine AG

voestalpine-Straße 1
4020 Linz, Austria
T. +43/50304/15-0
F. +43/50304/55-DW
www.voestalpine.com

Rechtsform: Aktiengesellschaft
Sitz: Linz/Austria, FN 66209 1
beim Landes- als Handelsgericht Linz
DVR 0752533
UID Nr. ATU 36919607

United Nations Global Compact
685 Third Avenue, 12th Floor
NEW YORK, NY 10017
USA

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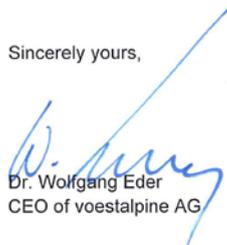
Statement of continued support

To our stakeholders,

I am pleased to confirm that voestalpine AG reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

Sincerely yours,


Dr. Wolfgang Eder
CEO of voestalpine AG



1. voestalpine AG – facts & figures

voestalpine AG is a technology and capital goods group, whose four divisions are operating more than 500 Group companies and locations in more than 50 countries on five continents.

More than 48,000 employees are working for voestalpine worldwide.

The company is headquartered in Linz, Austria.

voestalpine AG has been listed on the Vienna Stock Exchange since 1995.

1.1 Development of the key figures

Key figures

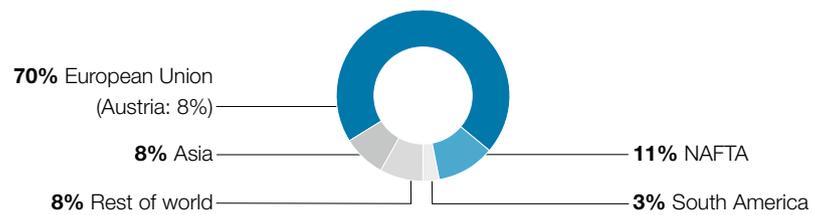
In millions of euros	2011/12	2012/13	2013/14	2014/15	2015/16
Revenue	12,058.2	11,524.4	11,007.2	11,189.5	11,068.7
EBITDA	1,301.9	1,431.3	1,374.0	1,530.1	1,583.4
EBITDA margin	10.8%	12.4%	12.4%	13.7%	14.3%
EBIT	704.2	843.1	788.4	886.2	888.8
EBIT margin	5.8%	7.3%	7.1%	7.9%	8.0%
Employees (full-time equivalent)	46,473	46,351	47,485	47,418	48,367
Research expenses	117.0	126.0	128.0	127.0	132.0
Operating expenses for environmental protection systems	212.0	213.0	218.0	222.0	237.0
Environmental investments	32.0	27.0	23.0	42.0	55.0
Crude steel production (in millions of tons)**	7,572	7,529	8,118	7,929	7,733
CO ₂ emissions per ton of crude steel (in tons)**	1.67	1.64	1.61	1.60	1.67

* Figures collected per calendar year

** All quantities expressed as tons in this Corporate Responsibility Report are metric tons (1,000 kg)

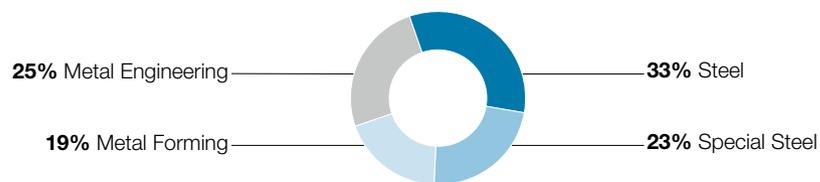
Revenue by regions

Business year 2015/16



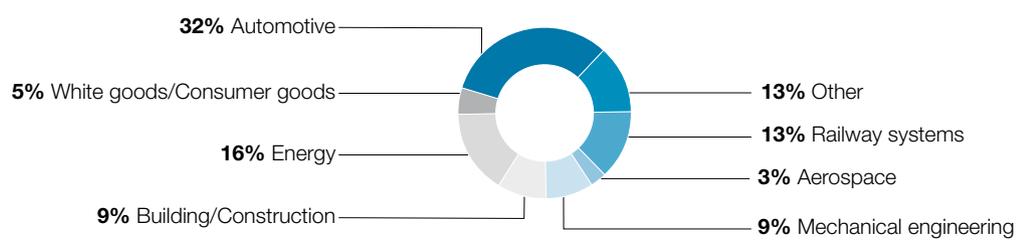
Revenue by divisions

Business year 2015/16

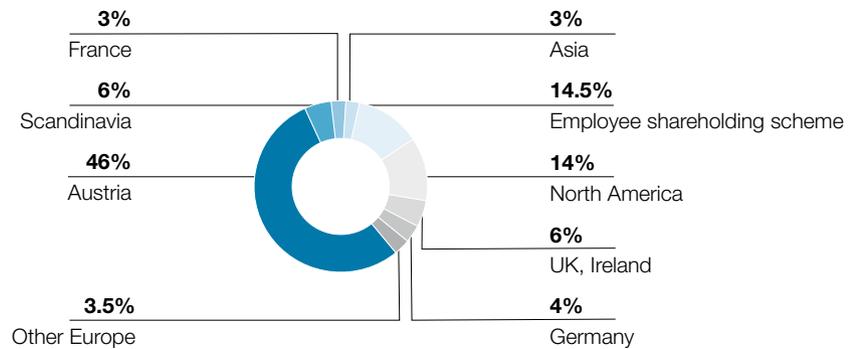


Revenue by industries

Business year 2015/16

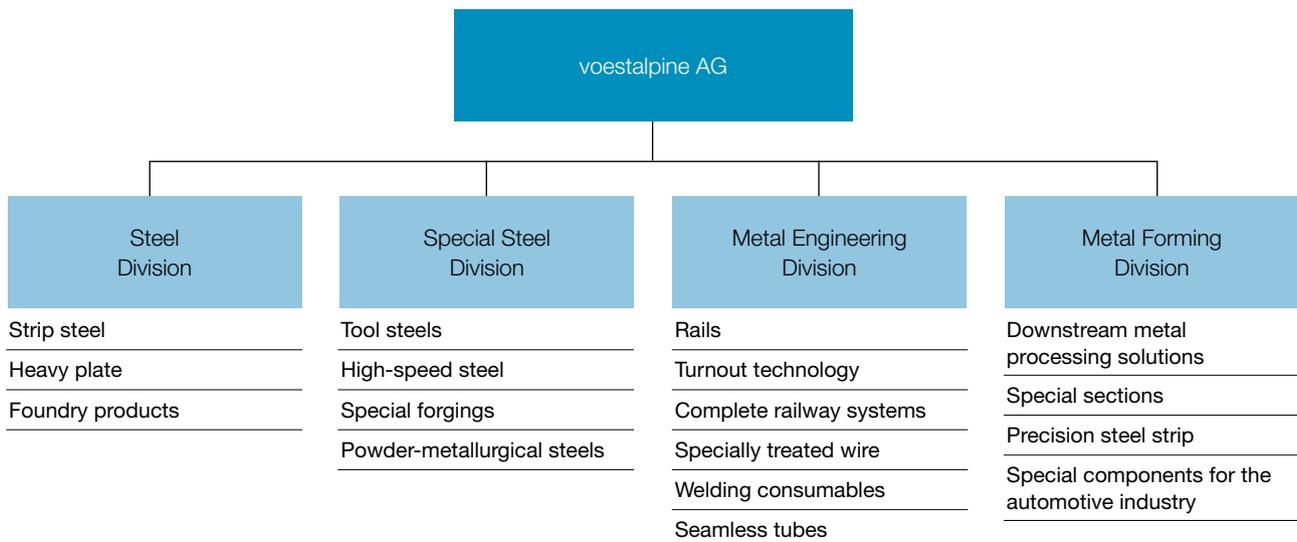


Shareholder structure



1.2 The four divisions

voestalpine consists of four divisions; each one is highly specialized and is among the leading providers on its markets.



1.2.1 Steel Division

The Steel Division generates the most revenue in the Group. It is a global quality leader in highest quality steel strip and is the global market leader in heavy plate for the most sophisticated applications as well as in casings for large turbines.

The focal point of its operations is the production of hot- and cold-rolled steel as well as electrogalvanized, hot-dip galvanized, and organically coated plate. Its other activities include electrical steel strip, heavy plate production, a foundry, and the downstream sectors Steel & Service Center and logistics services, which are all managed as independent companies.

The products of the Steel Division are mainly supplied to the European automotive and automotive supply industry, the white goods industry, and the building supply industry. In these industrial sectors, voestalpine is among Europe's leading suppliers.

All of the Steel Division's companies are subsidiaries of voestalpine Stahl GmbH and are headquartered in Linz.

To learn more about the Steel Division, please visit: <http://www.voestalpine.com/stahl/en>

1.2.2 Special Steel Division

The Special Steel Division was established in the business year 2007/08 through the acquisition of Böhler-Uddeholm AG; it is a group of companies consisting of special steel and materials companies that are global leaders, with production companies in Austria, Germany, Sweden, Brazil, and the USA.

The Special Steel Division produces steel long products, narrow strip, open-die forgings, and special steel forgings. It is the global market leader in tool steel and materials for gas and steam turbine blades. The Group is in the number two position worldwide with regard to high-speed steel and valve steel. The Special Steel Division is one of the leading providers of structural parts for aviation use and aircraft engine disks.

The division has created proximity to its customers with its sales and service network that has roughly 150 locations worldwide. This creates real added value by enabling the maintenance of local inventories, which result in short delivery times and provide pre-processing, heat treatment, coating, application support, and other services.

To learn more about the Special Steel Division, please visit: <http://www.voestalpine.com/edelstahl/en>

1.2.3 Metal Engineering Division

The Metal Engineering Division integrates the voestalpine Group's steel manufacturing and processing operations in the rail, turnout, and welding technology segments as well as the wire, seamless tube, and steel segments. In the railway systems field, voestalpine is both a global market and a technology leader.

This division produces the world's broadest range of high-quality rail and turnout products, rod wire, drawn wire, prestressed steel, seamless tubes, welding filler materials, and semi-finished products. Additionally, the division offers a complete range of services for railway construction, including planning, transport, logistics, laying of the track, and recycling. Moreover, the Metal Engineering Division has access to its own steel production.

The products of the Metal Engineering Division are delivered worldwide to customers in the railway, oil and natural gas, steel, construction, mechanical engineering, and automotive industries. In these industrial sectors, voestalpine is among Europe's leading suppliers.

To learn more about the Metal Engineering Division, please visit:
<http://www.voestalpine.com/group/en/divisions/metal-engineering/>

1.2.4 Metal Forming Division

The Metal Forming Division is the competence center at voestalpine for highly developed special sections, tube and precision strip steel products as well as pre-finished system components made from pressed, punched, and roll-profiled parts. The division's combination of expertise, both with regard to materials and processing and its worldwide presence that are unique within the industry make it a sought-after partner for customers who highly value innovation and quality.

The Metal Forming Division is a leading global manufacturer of custom-made special tubes and sections as well as precision parts that are of the highest quality. The division provides future-oriented body components for lightweight solutions in the automotive industry. Additionally, it produces cold-rolled precision strip steel for sophisticated applications. The division is also known for its intelligent racking system solutions for complex logistical requirements.

The division's flexible, mid-sized units have the expertise to provide their customers with fast solutions to problems in all phases of the development and production process. Among their customers are practically all of the leading manufacturers in the automotive and automotive supply industries, with a definite focus on the premium segment, as well as numerous companies in the commercial vehicle, construction, storage, energy, and (agricultural) machinery industries. The division maintains longstanding relationships to its key customers. In addition to its international presence, it offers a unique combination of materials and processing expertise.

To learn more about the Metal Forming Division, please visit:
<http://www.voestalpine.com/metalfforming/en>

2. Stakeholder and material topics

2.1. Stakeholder communication

voestalpine considers as its stakeholders both those groups that are impacted financially by the company's business activities or who have another justified interest in its performance and those groups whose actions and decisions impact the business activities of voestalpine.

The most important stakeholder groups have been defined by the Corporate Responsibility Steering Committee. This body is comprised of the heads of the Group units Environment, Research and Development, Legal, Communications, Human Resources, International Business Relations, and Investor Relations. Important criteria for the incorporation of individual stakeholder groups include statutory framework conditions, the frequency and the main areas of collaboration, business relationships, but also the physical proximity to the locations.

voestalpine is in regular contact with its stakeholders by way of its Management Board, its executives, and individual employees in the specialist departments. Beyond the scope of day-to-day business, voestalpine also maintains this dialogue at conferences, specialist conferences and expert roundtables, trade fairs and university events, analyst and investor meetings, through employee surveys and appraisal dialogues as well as within the scope of advocacy and special interest groups, industry associations, and various platforms.

The following summarizes how structured contact between voestalpine and representatives of various stakeholder groups takes place.

2.1.1 Employees

The roughly 48,000 employees of the four divisions represent a central stakeholder group. Management, including the Management Board, is in regular contact to employees, utilizing events such as the so-called Steel Evenings, institutionalized formats such as employee surveys and appraisal dialogues as well as informal everyday contact. The next employee survey regarding job satisfaction will take place in the fall of 2016. As was the case in past surveys, besides responding to a standardized questionnaire, employees can also make suggestions or offer criticisms. The results are summarized in a structured format, and potential measures to be taken are developed and implemented to the greatest extent possible.



2.1.2 Customers and suppliers

Open dialogue and close collaboration with customers and suppliers are cornerstones of voestalpine's success. Their needs and requirements provide guidance to the Group for its research and development of innovative products.

In recent years, voestalpine has deepened the traditionally very close collaboration and sharing of information with customers and suppliers with regard to corporate responsibility. The company can be successful in fulfilling the growing requirements of sustainable management and development along the entire value and supply chain only through dialogue and cooperation. voestalpine is making every effort to consistently increase transparency throughout the supply chain and to improve knowledge about the origin of raw materials and other materials used and to also increase awareness on this subject in its direct sphere of influence (in this regard, see the Chapters "Supply Chain Management" and "Life Cycle Assessment"). The minimum requirements for suppliers and business partners are set forth in the Code of Conduct, which is part of voestalpine's terms and conditions for suppliers.

2.1.3 Analysts and investors

For voestalpine as an exchange-listed company, investors and analysts are important dialogue partners as they are equity holders, investors, and opinion leaders on the capital markets. The Chairman of the Management Board, the other members of the Management Board, and the Investor Relations Department are in close contact with these stakeholders, for example, at investor conferences, roadshows, or during plant tours. At regular intervals, voestalpine holds a "Capital Markets Day" (CMD) in order to provide concentrated information to analysts and institutional investors about the newest developments and trends. The most recent CMD focused on aerospace and was held during the Farnborough International Airshow near London.

voestalpine provides information to private shareholders through various formats that range from events, such as the Annual General Shareholders' Meeting and investor fairs to annual and quarterly reports and personal contact.

2.1.4 Research institutions and universities

As described in the Chapter "Research and Development," voestalpine is working very closely with universities and research institutions and also supports endowed professorships. In the area of application-oriented fundamental research, voestalpine relies on the expertise and resources of partners in the sciences, such as universities, research institutes, competence centers, and Christian Doppler Laboratories.

2.1.5 NGOs, advocacy and special interest groups, and platforms

Experts from voestalpine are collaborating in numerous working groups and in committees and bodies of industrial and professional associations, such as, the World Steel Association, EUROFER, the German Steel Institute (VDEh), ESTEP (European Steel Technology Platform), and ASMET (Austrian Society for Metallurgy and Materials) on topics like LCA, recycling, climate change, and sustainability reporting.

These organizations invite voestalpine to provide concrete statements during consultations, for instance, most recently with regard to the EU Directive on Non-Financial Reporting.

Executives with specialist knowledge or local responsibility are in direct contact with NGOs and representatives of civil society.

2.2 Material aspects

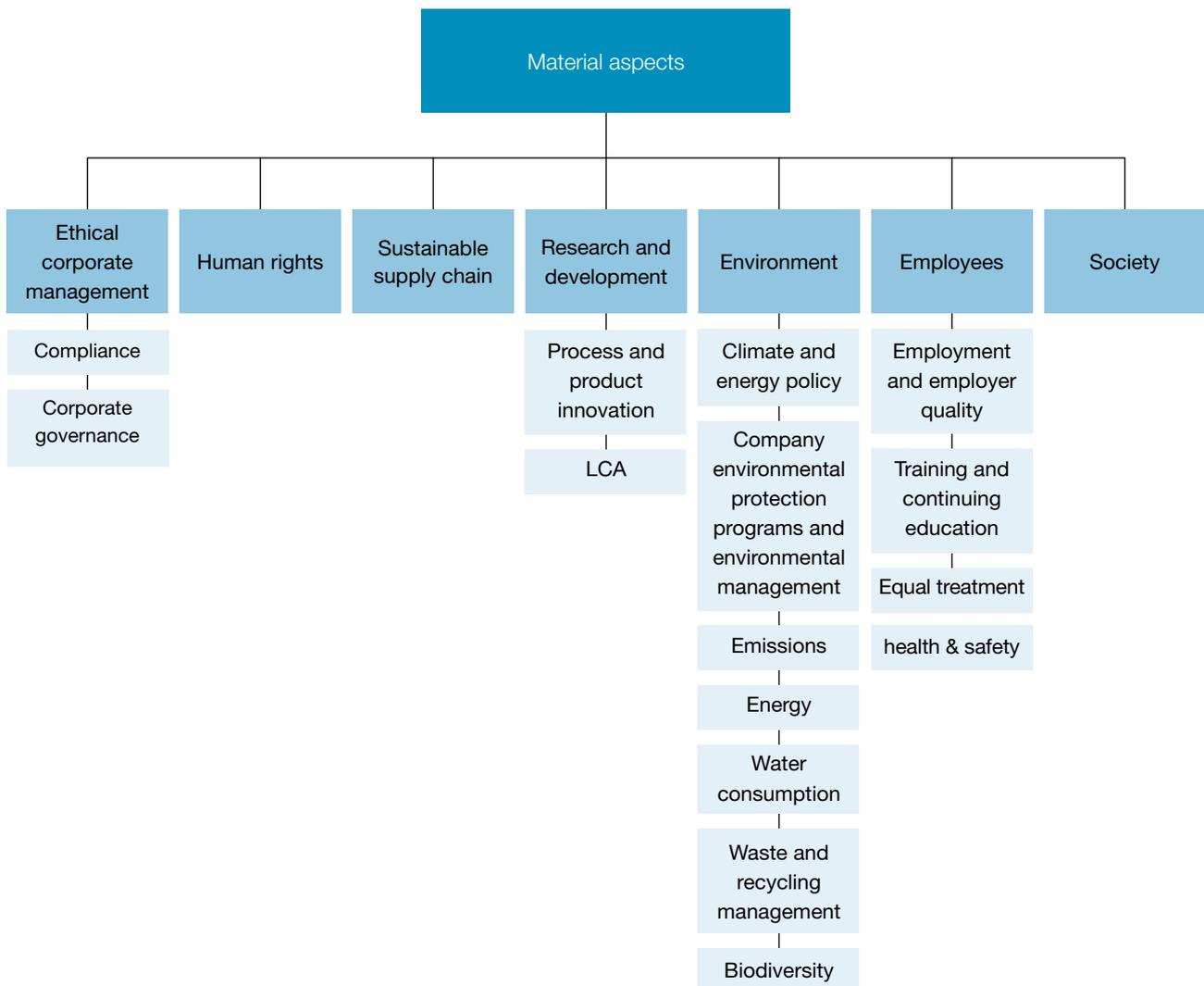
During the preparation of this CR Report, voestalpine identified topics in connection with sustainability reporting that are of particular importance for the company. Various sources of information were consulted and subsequently, the topics were ranked in importance.

The most important basic principle for the collection of important topics was ongoing dialogue with stakeholders. The Corporate Responsibility manager collected responses from internal contact persons for sustainability and from the heads of relevant specialist units (Sales, Legal, Research, etc.) not only across divisions but also across re-

gions. They reported which topics and aspects had been addressed and discussed by and with their external contacts.

The resulting long list of important topics for stakeholders was supplemented by those subjects that have been identified during collaboration in relevant committees and bodies, through analysis of trade publications, and by way of a benchmark analysis of selected competitors, suppliers, and customers. Finally, the relevance for internal and external stakeholders was discussed.

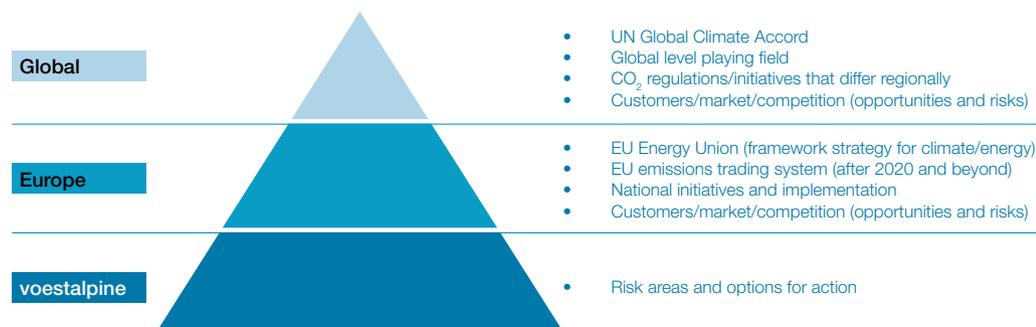
The following topics were identified as “material aspects” for voestalpine’s sustainability performance:



3. Energy and climate policy

Worldwide, but especially in Europe, fundamental decisions regarding energy and climate policy are currently being made, which will have a direct impact on companies such as voestalpine. Therefore, we must prepare ourselves for this today by developing options for action and long-term strategies.

Overview



At a global level, international organizations are working on various regulations and initiatives regarding climate protection, the most important of which is the UN Global Climate Accord, which was adopted in Paris in 2015. The further development and concretization of these initiatives will show in the medium-term whether they will actually create a level playing field with regard to climate protection regulations that are binding for all regions.

In the European Union, the focus is on the political configuration of the European Energy Union. This comprehensive package represents the long-term framework strategy for energy and climate policy, innovation, and competition. The EU is pursuing ambitious plans that include complete decarbonization by the middle of this century. The associated CO₂-free economic system presents enormous challenges for energy-intensive industries such as the steel industry. After all, today the production of steel is still largely based on fossil, i.e., carbonaceous, raw materials and the use of fossil fuels.

From the steel industry's perspective, the reform of the emissions trading system for the period from 2021 to 2030 (and beyond) is of fundamental significance. The decisive factor, however, will be to enable industry to actually transition to carbon-

free production and to facilitate and support the process. This affects particularly the economic and technological capabilities and the availability of the required amount of energy at affordable prices and with a high degree of supply reliability.

These political decisions and their national implementation impact voestalpine at various levels. On one hand, they affect important customer industries and their development (e.g., energy, mobility) and on the other hand, they impact the markets for our raw materials. And finally, they entail new legal and formal requirements, for example, in the area of the life cycle assessment.

Considering the far-reaching importance of energy and climate policy for our long-term technology, investments, and location-related decisions, we are devoting a great deal of attention to this topic at all levels of the Group. Using a holistic approach, we will be investigating the risks involved in various scenarios and developing a wide range of options for action to enable us to deal with changes proactively.

4. Life Cycle Assessment (LCA)

Today, the ecological valuation of products goes across and beyond corporate boundaries and comprises the entire life cycle of the utilized materials. A Life Cycle Assessment (LCA) examines the entire process and supply chain.

Both lawmakers and business partners now wish to see eco-balance sheets that are as comprehensive as possible. The environmental impact—and increasingly other (e.g., social) aspects as well—must be documented along the entire production and supply chain. Therefore, the utilized raw materials and pre-materials are examined under the heading of resource efficiency; in keeping with the concept of closed-loop recycling management, the focus is on reuse/recyclability and degradability.

voestalpine is working closely with strategic customers, primarily in the automotive and construction industries, in order to provide substantive and reliable LCA data. This comprehensive method of analysis makes it possible to present the advantages of steel, especially with regard to its practically unlimited service life, thus leveraging competitive advantages. The detailed collection of environmental data also provides numerous

opportunities to optimize production processes as well as impetus for product innovation.

As a Life Cycle Assessment covers a wide range of issues, it requires data to be harmonized Group-wide to the greatest extent possible. To this end, various experts are involved in the divisions and at the Group level to coordinate the collection and analysis of data, for example, by implementing joint standards and tools.

However, the great diversity of laws, standards, and regulations represents a major challenge. In this area, additional effort will be needed to attain harmonization across applications, industries, and countries. By participating in various working groups, e.g., within EUROFER, voestalpine is advocating for the establishment of substantive and objective measurement criteria and uniform requirements.

5. Sustainable Supply Chain Management

As a group that operates worldwide, voestalpine is responsible for sustainability in its supply chain. In order to fulfill this responsibility, it needs to analyze the possible risks along the supply chain and put an appropriate risk management system in place. In the case of long-standing business relationships and close contacts to suppliers, the key element for transparency in the supply chain is already a given. Furthermore, procedures have been developed to manage sustainability in the supply chain in a structured way and to ensure it by means of appropriate measures.

voestalpine analyzes and manages sustainability along the supply chain through existing and new processes, especially by means of risk management, the purchasing terms and conditions, and the recently developed project Sustainable Supply Chain Management (SSCM):



Risk management

A general Group-wide policy, which was approved by the CFO of voestalpine AG, sets forth how the Group's operational risk management is set up systematically and performed on a regular basis. The risk categories range from strategic risks and market and financial risks to personnel, environmental, IT, and compliance risks. The risk management process is performed by the Group companies at least four times per year; this means that the risks are examined, evaluated,

monitored, and, if necessary, updated. This process also provides the basis for discussion for any improvements within the risk management system. As the Group is very heterogeneous, there is no centralized supplier evaluation. Instead this evaluation is up to the individual companies. Evaluation results are, however, coordinated among the companies.

To learn more about voestalpine risk management please visit:

<http://reports.voestalpine.com/1516/gb/lagebericht/risikobericht.html>

Purchasing terms and conditions

voestalpine's purchasing terms and conditions apply to all suppliers. The Code of Conduct for voestalpine Business Partners and the certification requirements have been an integral part of these terms and conditions for some years. The Code of Conduct was revised and contains explicit regulations that refer to sustainability issues, for example, human rights, environmental protection, working conditions, and work safety.

SSCM project

In order to improve transparency in voestalpine's own supply chains, the SSCM project was introduced in the spring of 2016. In a multiple-phase project, voestalpine experts from the Corporate Responsibility, Purchasing and Raw Materials

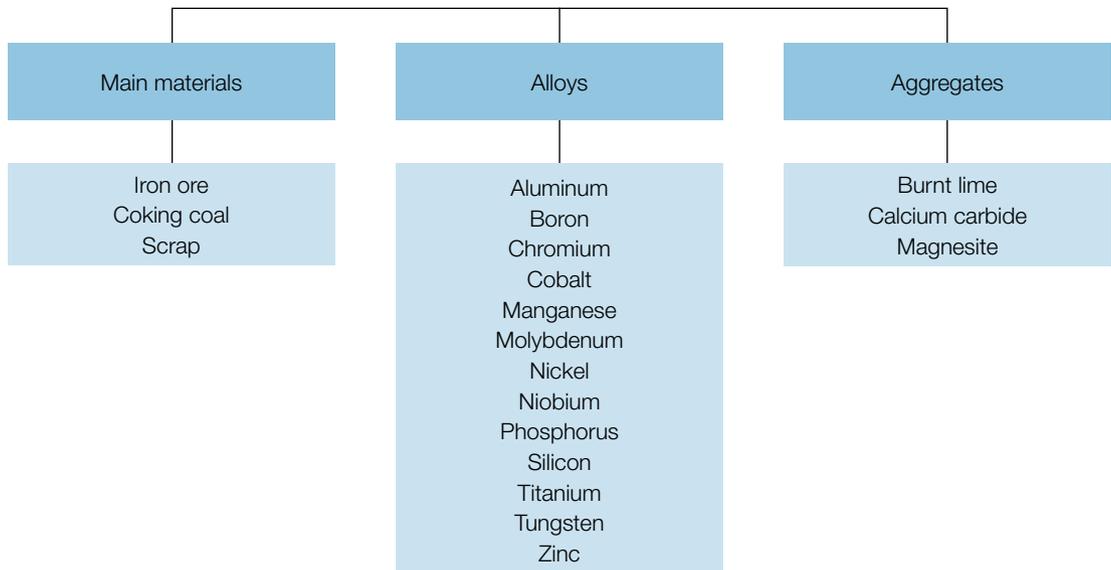
Purchasing, and Quality Assurance units, together with the assistance of an international expert in the area of supply chain analysis, assess suppliers and countries of origin with regard to pre-defined risks—from the extraction of raw materials to the point when products leave the voestalpine plants. These risks apply primarily to environmental issues, social issues such as human rights and working conditions, and compliance and corporate governance.

Considering the large number of suppliers (multiple tens of thousands) and the geographic diversity (suppliers on all of the five continents), the essential first step is to define the most important raw materials and other materials in order to then set up a systematic process to create sustainable supply chain management system using a number of supply chains as examples. A typical supply chain from the steel production sector was developed as an initial step.

Development of a supply chain from the steel production sector to be used as an example



The following raw materials and other materials were defined as significant for this exemplary supply chain and were therefore examined more closely:



Subsequently, the countries of origin and suppliers of these materials and raw materials were determined. All material/country/supplier combinations were analyzed for the previously mentioned risks. In addition to this research, interviews are being conducted with selected internal and

external stakeholders with regard to these risks. After completing this process, the results will be analyzed, and further measures will be developed and implemented. The SSCM will be successively applied to all of the major value chains in the voestalpine Group.

6. Ethical corporate management

Ethical corporate management means corporate governance that is geared to creating sustainable, long-term value and to ensuring that the conduct of all employees of the Group complies with statutory provisions and internal guidelines as well as fundamental moral and ethical values.

6.1 Compliance

voestalpine requires that all of its companies and its employees in all countries, where voestalpine operates, comply with all laws. For voestalpine, however, compliance is more than merely acting in accordance with the law and other external regulations. It is the expression of a corporate culture built on ethical and moral principles. The principles of this corporate culture for dealing with customers, employees, and other business partners have been explicitly set forth in the voestalpine Code of Conduct.

voestalpine likewise requires that its suppliers fully comply with all applicable laws in their respective countries and particularly respect and comply with human rights as fundamental values.

6.1.1 Code of Conduct

The voestalpine Code of Conduct was set forth in written form in 2009. It is the result of numerous conversations and discussions among the Management Board, company CEOs, and division heads of the voestalpine Group. It is based on the

Group's corporate values and provides the foundation for ethically and legally sound conduct by all of the Group's employees.

The Code of Conduct was published in German and thirteen additional languages and can be downloaded from the Internet:

<http://www.voestalpine.com/group/en/group/compliance/>

The Code of Conduct covers the following areas:

- Compliance with laws and other external and internal regulations
- Fair competition
- Corruption/bribery/acceptance of gifts
- Money laundering
- Respect and integrity
- Conflicts of interest
- Handling of corporate information / confidentiality
- Corporate communications
- Use of the Internet and IT
- Insider information
- Reporting of misconduct

The Code of Conduct applies to all members of the Management Board, CEOs, and employees of all companies in which voestalpine AG has a direct or indirect stake of at least 50% or which it controls in any other way. With regard to all other companies, in which voestalpine AG has a direct or indirect stake of at least 25%, but which it does not control, the Code of Conduct is brought to their attention and they are requested to enforce it by way of independent recognition thereof by their decision-making bodies that are governed by corporate law.

In the event of a violation against statutory provisions, internal guidelines, regulations, and directives or against provisions of the voestalpine Code of Conduct, employees will be subject to disciplinary measures. Furthermore, violations can have consequences under criminal and/or civil law, e.g., recourse claims and claims for compensatory damages. voestalpine is pursuing the goal of having the Code of Conduct apply throughout its sphere of influence. Suppliers and consultants are required to comply with the Code of Conduct for Business Partners. Additionally, Group companies are urged to bring the Code of Conduct to the attention of their customers and to strongly encourage them to commit to compliance therewith. All of voestalpine's business partners are also requested to promote compliance with the Code of Conduct among their own business partners along the entire supply chain.

voestalpine AG has adopted several Group guidelines to serve as a helpful tool in applying the Code of Conduct: The compliance rules and regulations associated with the voestalpine Code of Conduct are currently comprised of the following sections:

Business conduct

These guidelines are an expansion and concretization of the Code of Conduct with regard to the subjects of corruption / bribery / acceptance of gifts / conflicts of interest and regulate, for example, permissibility of gifts, invitations and other benefits, donations, sponsoring, ancillary activities, and the private purchase of goods and services from customers and suppliers by voestalpine employees.

Furthermore, the prohibition of political contributions is set forth under "Business conduct." Donations to politicians, political parties, organizations affiliated or associated with political parties, or political front organizations are not tolerated in the voestalpine Group. Donations to political front organizations that are devoted solely to social issues are excepted; however, they must be approved by the Management Board of voestalpine AG in each individual case.

Group Directive related to dealings with business intermediaries/brokers and consultants

This guideline provides additional information on the topics of corruption, bribery, and acceptance of gifts. It defines the procedure to be complied with prior to contracting or engaging sales representatives, representatives, or other sales consultants. An objective analysis of the prospective business partner's business environment and scope of activities prior to establishing business relations is required, in order to ensure that the business partner can comply with all applicable laws and the voestalpine Code of Conduct.

Antitrust law

This guideline describes the prohibition of agreements restricting competition, provides rules for dealings and interaction with and in associations, professional associations, or other industry organizations, and defines concrete rules of conduct for employees of the voestalpine Group. Additionally, handbooks have been developed on the topics of information sharing and benchmarking, buying collaborations, and supply relationships with competitors, which provide employees with information on these topics from an antitrust perspective.

Compliance Manual / Compliance Prevention Program

These rules and regulations provide information about compliance strategy, compliance structure, prevention measures, detection of and reaction to violations, sanctions, and the web-based whistleblower system.

Code of Conduct for voestalpine Business Partners

These rules and regulations that are directed toward business intermediaries, consultants, and other business partners define the principles and requirements for doing business with voestalpine. voestalpine requires from its business partners that they respect and comply with human rights as fundamental values in accordance with the European Convention on Human Rights and the UN Charter on Human Rights. In particular, this applies to the prohibition on child and forced labor, equal treatment of employees, and the right of employee representation and collective bargaining.

6.1.2 Compliance system

The management of the respective Group company is responsible for adherence to the compliance regulations. A compliance system was set up in the voestalpine Group in the business year 2011/12 to support management in meeting this responsibility and to set up the necessary processes.

In addition to a Group compliance officer, a compliance officer was appointed in each division; furthermore, additional compliance officers were appointed in certain divisional sub-units. The Group compliance officer reports directly to the Chairman of the Management Board and is independent and not bound by directives. The divisional compliance officers report to the Group compliance officer and to the respective heads of the divisions.



The compliance officers are responsible for the following areas:

- Antitrust law
- Corruption
- Capital market compliance
- Fraud (internal cases of theft, fraud, embezzlement, or breach of trust)
- Conflicts of interest
- Special issues that are assigned to the compliance officers by the Management Board of voestalpine AG (e.g., UN or EU sanctions)

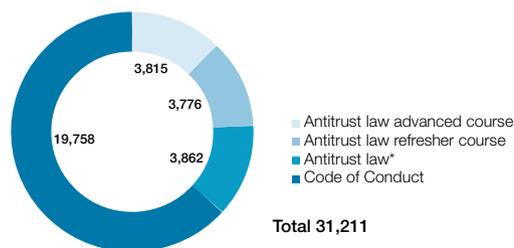
All other compliance issues, e.g., environmental law, taxes, accounting, labor law, protection of employees, or data protection and privacy are not part of the compliance officer's area of responsibility. These compliance issues are handled by the respective specialist departments.

6.1.3 Preventive measures

Within the scope of its compliance efforts, voestalpine places particular importance on preventive measures, including training, discussions with management, and communication. Since 2002, CEOs, sales personnel, and other employees have been sensitized to antitrust law.

Since the introduction of e-learning courses in the voestalpine Group (antitrust law since 2009; Code of Conduct since 2012), more than 30,000 employees of the voestalpine Group have completed e-learning courses on the Code of Conduct and antitrust law (including refresher course). Roll-out of an advanced course on antitrust law began in April 2016.

Completed e-learning courses since 2012



*e-learning courses on antitrust law have been offered since 2009

In addition to the e-learning courses, target-group oriented face-to-face training has been carried out Group-wide, especially for sales employees. This training is focused on compliance with the law and internal guidelines as well as corruption and antitrust law in the respective sphere of activity of the participants.

Extensive compliance training is mandatory for young executives: there are six to seven training sessions each year for up to 40 employees. Additionally, face-to-face training on the topic of capital market compliance is also provided for employees of voestalpine AG.

Furthermore, compliance is a regular topic in Group communications and is often mentioned—including by top management—at major employee events at both the Group and the divisional level.

6.1.4 Reporting of compliance violations

Reports of compliance violations should primarily be made openly, that is, providing the whistleblower's name.

According to the Code of Conduct, such reports can be made to the direct supervisor, the appropriate legal or HR department, management of the respective Group company, the audit department of voestalpine AG, or one of the Group's compliance officers. Upon request, whistleblowers are ensured of absolute confidentiality.

In 2012, a web-based whistleblower system was launched that enables employees to file anonymous reports about violations. Reports using this system can be made only in the areas of antitrust law, corruption, fraud, and conflicts of interest, in other words, only reports on these issues are processed through this system.

The system enables compliance officers to communicate with whistleblowers while maintaining absolute anonymity.

6.2 Corporate governance

The Management Board and the Supervisory Board of voestalpine AG recognized the Austrian Corporate Governance Code in 2003 and have also implemented all the amendments introduced since that date without exception.

In addition to the mandatory "L rules" (legal requirements), voestalpine AG voluntarily complies with all of the "C rules" (comply or explain) and the "R rules" (recommendations) of the Code. The Austrian Corporate Governance Code provides Austrian stock corporations with a framework for management and monitoring of their company. The Code is based on the provisions of Austrian stock corporation, stock exchange, and capital market law as well as the OECD Principles of

Corporate Governance. The last revision was in January 2015. The Code achieves validity when companies voluntarily undertake to adhere to it.

The Code aims to establish a system of management and control of companies and Groups that is accountable and geared to creating sustainable, long-term value. By voluntarily undertaking to adhere to the Code, voestalpine backs these objectives and commits to providing a high degree of transparency for all of the company's stakeholders.

Business transactions with associated companies or parties or pending proceedings (e.g., antitrust proceedings) are reported on in the the quarterly and annual reports of voestalpine AG.

7. Human rights

voestalpine is committed to respecting and upholding human rights in accordance with the UN Charter and the European Convention on Human Rights. Furthermore, voestalpine has supported the UN Global Compact and its ten principles since 2013.

The chapter titled "Respect and Integrity" of the voestalpine Code of Conduct, which also covers human rights, states:

Based on the UN Charter and the European Convention on Human Rights, human rights are viewed by the Group as fundamental values, which must be respected and observed by all employees. The corporate culture of voestalpine Group acknowledges and welcomes the fact that each person is unique and valuable and shall be respected for his or her individual abilities. voestalpine Group therefore does not tolerate any type of discrimination whatsoever in any form. This also applies to sexual harassment in any form, for instance by way of obvious advances, demeaning comments, jokes, vulgar expressions, obscene gestures, or the display of graphic material in business and production facilities of the Group. Such conduct may be considered harassment even if it was not intended as such.

These principles shall also apply to conduct towards external partners.

The commitment to respecting and upholding human rights is also enshrined as a crucial point in the Code of Conduct for Business Partners, which voestalpine suppliers are required to comply with. All customers are also strongly urged to respect and uphold human rights.

Collective bargaining and the right to freedom of association

Around 80% of the voestalpine workforce is in an employment relationship that is regulated by a collective agreement, i.e., in all countries where such collective agreements exist. Every employee has the fundamental right and freedom to become a member of a union. In all voestalpine companies, employee representatives can be elected by the workforce. There is a Group Works Council and a European Works Council in the voestalpine Group.

Traditionally, a good basis for communication is maintained at voestalpine between management, members of the Work Council, and the unions.

Child labor and forced labor

voestalpine is strictly against child and forced labor. Thus far, there is not a single known case of child labor, forced labor, or compulsory labor in the entire Group.

The Code of Conduct for voestalpine business partners states:

The Business Partner undertakes to respect and comply with human rights as fundamental values on the basis of the European Convention on Human Rights and the UN Charter on Human Rights. In particular, this applies to the prohibition of child and forced labor, equal treatment of employees, and the right of employee representation and collective bargaining.

Human rights training for security personnel

voestalpine plant security personnel consists largely of company employees. The Code of Conduct also applies to employees of third-party companies and the Code of Conduct for business partners applies to their employers. Both documents stipulate compliance with human rights. voestalpine carries out human rights training of its own employees; external security personnel are trained by their employer.

Rights of indigenous peoples

As voestalpine operates solely in developed industrial regions, the rights of aboriginal peoples are not restricted in any way by voestalpine's business operations.

8. Research and development

Staying at the top through innovation: for voestalpine that is an integral part of its corporate strategy.

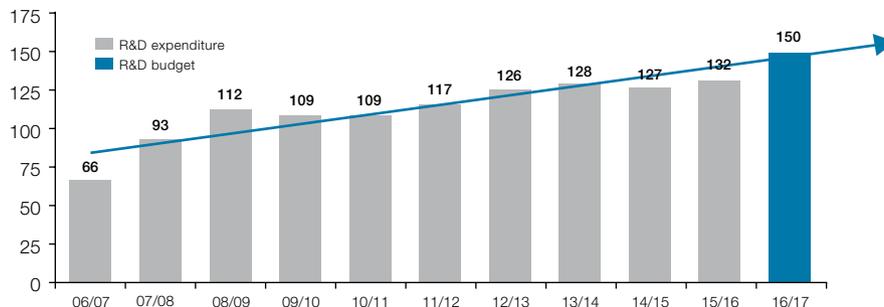
The long-term objective of our research and development sector (R&D) is to generate optimum customer benefit through innovative complete solutions, while reducing life cycle costs, and to achieve the best possible performance along the value chains. Our focus is on the development of innovative concepts for markets with the highest technology and quality requirements, especially in the mobility and energy sectors, which account for

62% of the Group's revenue. The challenge is to actively collaborate in broad-based approaches to potential solutions and to integrate the two sectors. In addition to further and new development of products and processes, our R&D activities are increasingly oriented toward the Life Cycle Assessment, i.e., looking at the entire life cycle of a product—from the sourcing of the raw material to the recycling or disposal of the product.

8.1 Research expenditures in the voestalpine Group

In recent years research expenditure has been continuously on the rise. The high budget of EUR

150 million in the business year 2016/17 shows what an important role R&D plays in the Group.



In millions of euros

8.2 Organization

The decentralized R&D organization has proven to be very successful and will therefore be maintained. This enables research and development activities to be in close proximity to both production facilities and the market and customers, enabling rapid implementation of R&D results.

At the Group level, the R&D strategy and the R&D programs are decided upon by the Research Board in its bi-annual meetings with the Management Board. The persons responsible for R&D in the divisions are closely linked and share information regularly in the Research Committee.

8.3 Worldwide network

Around 700 employees in 70 companies around the world are working in the Group's research and development sector. By combining and linking the expertise available within the Group across divisional boundaries, it is possible to develop system solutions for concrete customer needs and requirements.

Another key to success is the global network and the collaboration with external R&D partners, such as customers and suppliers. In the area of application-oriented fundamental research, voestalpine relies on the expertise and resources of partners in

the sciences, such as universities, research institutes, competence centers, and Christian Doppler Laboratories.

voestalpine makes a major contribution to academic research not only through its collaboration in R&D projects but also through its financial participation in competence centers and Christian Doppler Laboratories as well as by proposing and supporting endowed professorships. In the past three years, three professorships at Austrian universities were initiated and supported.

8.4 Resource-conserving and environmentally-friendly processes and facilities

Our process developments are focused on energy and resource efficiency, CO₂ reduction, zero waste, enhancing quality, and cost efficiency. Thus, for instance, all production processes are being investigated for potential resource recovery from recyclable materials and energy.

In collaboration with university institutes, voestalpine is pursuing the development and optimization of processes for the recycling of metaliferous materials. Process residues that contain significant quantities of valuable metals, such as zinc, lead, and copper, are especially promising. There are also ongoing projects aimed at heat recovery from slag.

With regard to resource efficiency, the focus is on greater flexibility of input materials, for example through mixtures of ores or increasing the use of natural gas over coal, for instance by using the

HBI/DRI technology. Another focal point is to continue to optimize the entire process chain by improving how the individual process steps are combined and coordinated with one another. This is based on the process simulation of metallurgical process engineering and forming technology as well as the development of model-based systems management.

In this area, voestalpine has achieved a genuine innovation with batch radar (Möllerradar). This measuring system, which is currently unique worldwide, was installed on a blast furnace at the Linz site; it shows the topography and temperature distribution on the batch surface during production in real time. This enables optimized process management that scales down the consumption of reducing agents as well as CO₂ emissions.

8.5 Materials development and product innovations

In addition to further development of steel, which continues to be a very versatile material with great future potential, voestalpine is also doing research on hybrid materials and the processing of other materials such as aluminum. This is enabling voestalpine to create components with greater durability, lightweight structure, minimal use of materials, and increased safety.

Efficiency and emissions reduction are equally relevant for both the mobility and the energy sectors.

8.5.1 Automotive and aerospace sectors

Both in the automotive and the aerospace sectors, development is continuing to move in the direction of reducing the empty weight of cars and aircraft in order to lower fuel consumption and, in turn, emissions as well.

For years, voestalpine has been supplying ultra-high-strength steel for lightweight automobile construction and special steel alloys, titanium alloys, and nickel-based alloys for aircraft components that must withstand high stress.

As an increase of the efficiency of turbines—whether in an aircraft propulsion system or in a steam power plant—is always accompanied by an increase of the operating temperature and therefore a higher thermal load on the material, voestalpine is developing special alloys and custom-tailored forging and heat treatment processes for these applications.

8.5.2 Rails and turnouts

voestalpine's development efforts in the rail and turnout sectors aim at achieving top passenger comfort combined with the highest degree of railway safety.

In the railway heavy-haul sector, axle loads are constantly increasing worldwide for economic reasons and are currently being increased to more than 40 tons. For this area of application, a heavy-duty turnout that integrates special rail sections was developed and successfully installed in Australia. This new turnout design, which includes a special turnout point setting system solution, guarantees use with an axle load of more than 40 tons (in Europe, 22.5 tons are currently the norm).

With its core product of turnouts as the foundation, voestalpine is now specialized in the development of complete high-tech systems. The life cycle cost optimization concept for turnouts includes assistance and support during the entire life cycle of the product—from measurement of the site to the pre-assembly of the turnouts at the plant, transport in special freight cars, support during the installation process, turnout service, and turnout grinding to taking back and recycling old turnouts.

8.5.3 Corrosion protection

voestalpine addresses the high economic impact caused by corrosion by developing specially refined plates and sections for the automotive and construction industries and by producing sour gas-resistant ultra-high-strength heavy plate, oilfield pipes, wire applications, and welding consumables for energy technology.

Flexible pipes are used in the petroleum and natural gas extraction industry for the transport of water and gases under extreme conditions. These pipes consist of several metal layers that are wound from flat and shaped wire. This high-quality wire has special qualities enabling it to handle high pressure and tensile stress and to be sour gas-resistant. In the further development of wire, focus is currently on the improvement of its sour gas-resistance and the optimization of its cold-forming capabilities.

9. Ecology

Active environmental protection is a core element of voestalpine's corporate philosophy. It is part of all segments of the production chain and is directed toward very economical use of resources (especially raw materials and energy) and minimization of the environmental impact of our processes and products.

In the voestalpine Group, environmental protection begins with the production facilities, where we strive to make use of the best available technologies, undertake intensive research in order to develop environmentally friendly steel production processes and products, implement measures to increase efficiency, reduce emissions, achieve energy savings, and—last but not least—facilitate transparent and efficient environmental management.

At all of our production locations, we are committed to the following principles:

- Holistic responsibility for our products
- Optimization of production processes
- Establishment of environmental management systems
- Integration of employees into the process by ensuring that each individual behaves in an environmentally responsible way
- Open and objective dialogue

Due to its consistent efforts, voestalpine has a leading position within the European steel industry, for example, with regard to emissions intensity and resource efficiency. Many innovative processes were developed in the company or jointly with industrial partners and used for the first time worldwide at voestalpine.

9.1 Strategic Environmental Management

The central point of contact for all questions relative to environmental issues is the “Strategic Environmental Management voestalpine AG” unit, which is also responsible for all operational environmental activities in the Steel Division.

At the Group level, this unit—together with the Management Board of voestalpine AG and the divisional environmental officers—defines strategic objectives, thematic focal points, and positions relating to policies affecting the company’s interests regarding important strategic long-term issues, such as energy and climate policy or the LCA. It also coordinates the Group’s dialogue with stakeholders about these issues, i.e., it represents the Group’s interests at the national and European level vis-à-vis the political arena, advocacy and special interest groups, and professional and industry-specific organizations.

At the same time, Strategic Environmental Management coordinates the flow and exchange of information in the Group within the framework of the “Environment Network” that consists of Group representatives and the environmental officers of the Special Steel, Metal Engineering, and Metal Forming Divisions and voestalpine’s CR manager. In addition to the ongoing event-related sharing of information, this network meets quarterly, thus ensuring consistent development and implementation of measures relevant to environmental issues throughout the entire Group (for example, changes in the legal situation, standards, or similar regulations).

Furthermore, the establishment of the annual “voestalpine Environment Day,” which the Man-

agement Board actively participates in, has created an event that is directed toward management and staff responsible for operations from very different areas (e.g., production, research and development, communications, legal, sales), in other words toward participants from beyond the actual environmental sector. The objective is, on one hand, to inform voestalpine management about ecological topics that are of importance for the Group and the definition of concrete, associated challenges and possible actions for the company. On the other, the inclusion of external experts, for example from NGOs and universities, makes dialogue and the sharing of ideas a top priority. Up to now, the “voestalpine Environment Day” dealt with questions associated with European and national energy and climate topics and the Life Cycle Assessment (LCA), for example.

The objective presented in the last CR Report of creating a comprehensive central environmental database of all of the Group’s production companies was achieved, and the “SoFi” software has been implemented and rolled out. This tool is now an established part of everyday practice and provides standardized collection, analysis, and substantive evaluation of environmental data based on aggregated, uniform indicators. The first collection of environmental data was undertaken in the 2015 calendar year. It is the basis for the indicators presented in this CR Report.

9.2 Environmental management systems and environmental standards

The implemented management systems for quality, safety, energy, and the environment make a crucial contribution toward maintaining and improving the environmental performance of each Group company. Packages of measures that are rolled out regularly and ongoing monitoring of progress are important elements of the environmental management system.

Action that is rooted in expertise and reflects a high degree of familiarity with environmental issues is only possible if the entire workforce has internalized a true awareness of environmental concerns. Therefore, environmental protection at voestalpine begins literally with each and every individual employee and is understood as an ongoing improvement process.

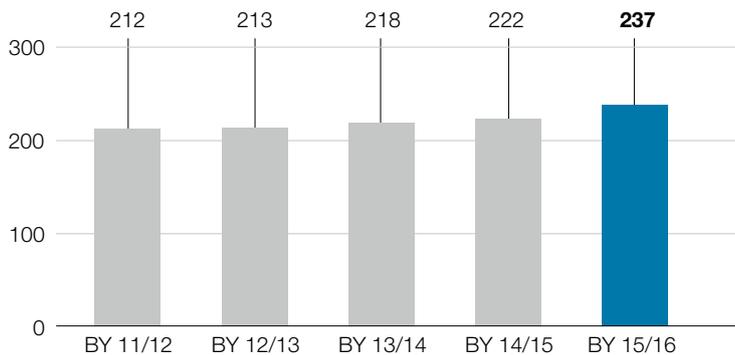
The production companies that are certified under the environmental management system represent 100% of the crude steel produced by the voestalpine Group. As of December 31, 2015, of 105 Group companies being tracked, 62 (or 59%) have an environmental management system in accordance with the ISO 14001 standard, 15 (or around 14%) have also been validated in accordance with EMAS, and 23 (22%) have an energy management system that has been certified in accordance with the ISO 50001 standard.

In order to implement the Group's ecological standards outside of Europe as widely as possible, an environmental management system in accordance with the ISO 14001 standard has been instituted in other countries, for example in companies in Brazil and Sweden. This system is also being installed in Corpus Christi, Texas, USA, where the new direct reduction plant, the largest ever investment by an Austrian company in the USA, will soon begin operations.

9.3 Expenditures and investments for environmental protection

Operating expenditure for environmental protection systems

In millions of euros

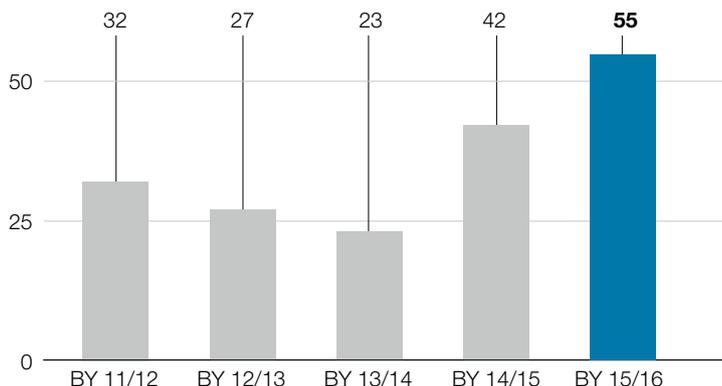


In the BY 2015/16, a number of primarily non-Austrian production locations was included in the data for the first time.

For many years, voestalpine has been consistently advancing the application of high environmental and environmental technology standards, and this is reflected in the key financial indicators. In the business year 2015/16, environmental investment amounted to EUR 55 million and the ongoing costs of operations for environmental systems came to EUR 237 million.

Environmental investments

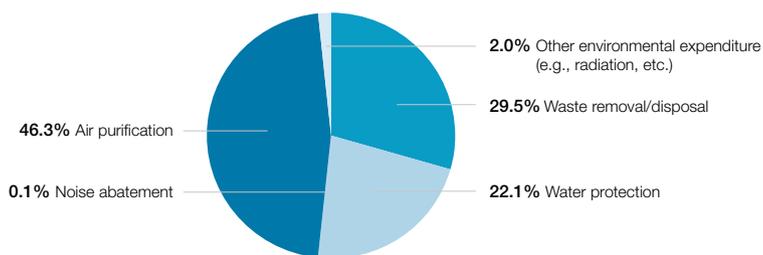
In millions of euros



In the BY 2015/16, a number of primarily non-Austrian production locations was included in the data for the first time.

It is particularly noteworthy that during this period—in addition to the previously reported 20 Austrian Group sites—another 18 largely international production companies and their operational environmental systems are also being reported on.

Environmental expenditures 2015



In 2015, the greatest percentage (46.3%) of environmental expenditure was spent for air purification (including the majority of the certificates to be acquired under the EU emissions trading system). 29.5% were spent on waste removal/disposal, and the third largest expenditure was for water protection at 22.1%.

In the past five years, the Group's collection of environmental data has not shown any significant fines or judgments based on non-compliance with environmental regulations. External complaints are mainly in connection with unforeseen noise, and these are generally responded to promptly and the problem is remedied to the greatest extent possible.

9.4 Air emissions

The major air pollutants that occur during the production of steel besides greenhouse gases (in particular CO₂) are sulfur dioxide (SO₂), nitrous oxide (NO_x), and dust. Emissions of all of these pollutants comply with the statutory threshold limits. These parameters are measured regularly and the annual loads recorded; intermittent analyses are also carried out.

voestalpine makes every effort to minimize to the greatest extent possible the air pollutants that occur during production due to purely technical reasons related to the process. On one hand, this is done by way of optimization of the technical process (process integrated (PI) measures) and on the other, through end-of-pipe measures utilizing state-of-the-art technology.

Fundamentally, process-related emissions that result primarily from the raw materials required and from existing production processes cannot be avoided entirely because of technical limitations. Due to the environmental measures that were begun in the mid-1980s and continued since then with significant technical effort and financial expense, emission levels have practically reached the minimum that is currently technically achievable. Therefore, no additional significant reduction is possible with currently available technologies, as illustrated in the following.

For example, the specific emissions for CO₂, SO₂, and NO_x in the last five years are within the production-based fluctuation range. During the last three decades, the specific emissions produced by the voestalpine Group (i.e., based on one ton of crude steel) have been reduced as follows: CO₂ by 20%, SO₂ by 75%, NO_x by 27%, and dust by 95%.

9.4.1 CO₂ emissions

Crude steel production using the LD process, which continues to be the worldwide standard in steel production, creates emissions from unavoidable chemical reactions that are process-related. In the production of pig iron, the raw materials coal and coke are needed in the blast furnace as reducing agents, while carbon is necessary in order to extract oxygen from the iron ore. Subsequently, the carbon still contained in the pig iron is oxidized in the LD converter by blowing in oxygen. Therefore, when carbon and oxygen combine, carbon dioxide (CO₂) is created.

A reduction of these process-related CO₂ emissions can only be achieved by way of partial (or in the case of total decarbonization) complete re-placement of carbon, in other words, a completely new production process. (In this regard, see the chapter “Energy and Climate Policy”.) From today’s perspective, these technological options can only be realized over the long term due to their complexity.

As described above, the required use of carbon and the resulting CO₂ emissions are already very close to the technically possible minimum threshold.

At the Linz and Donawitz locations, whose blast furnaces are among the best compared to other European countries, a total of 11.7 million tons of CO₂ were emitted in 2015. This corresponds to specific CO₂ emissions of 1.67 tons (based on one ton of crude steel); viewed against the comparative figures, the changes are within the production-based fluctuation range.

By way of its applications (such as lightweight construction, improved efficiency in power plants, electric motors, renewable energy), high quality steel makes a significant contribution to the improvement of the energy balance sheet of these products, therefore improving the CO₂ balance sheet as well. According to a study by the Boston Consulting Group, which was carried out on behalf of the German Steel Federation (“Steel’s CO₂ balance sheet: A contribution to climate protection”), these applications save six times the amount of CO₂ than is created during steel production.

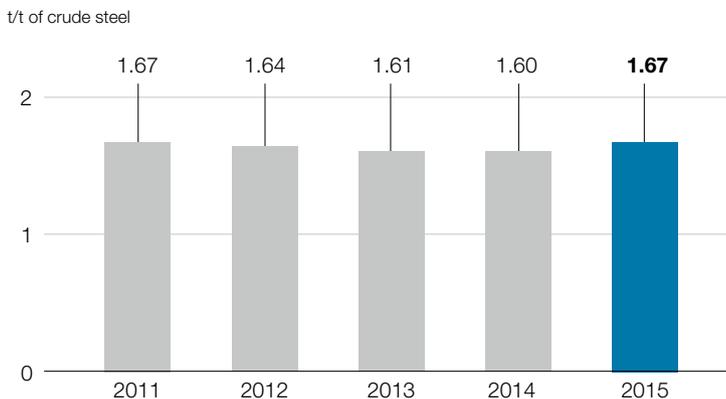
Awards for climate protection

The production at our location in Zeltweg has been CO₂-neutral since 2010; in 2014, it received the European EMAS Award for eco-innovations. In addition to measures to increase efficiency and reduce consumption, 75% of the heating of the plant was converted to biomass, and a small hydropower plant was installed on the Pöls River. voestalpine Tubulars GmbH & Co KG in Kindberg received the klimaaktiv award for its comprehensive expertise in climate protection, especially with regard to energy efficiency, from the Austrian Federal Ministry for Land and Forest Management, Environmental and Water Management (less formally known as the Lebensministerium or Ministry of Life).

voestalpine Polynorm B.V., Netherlands

By using new compressors with a heat recovery system, almost 50,000 m³ of natural gas can be saved annually in the future, which means a reduction of CO₂ output by 340,000 tons.

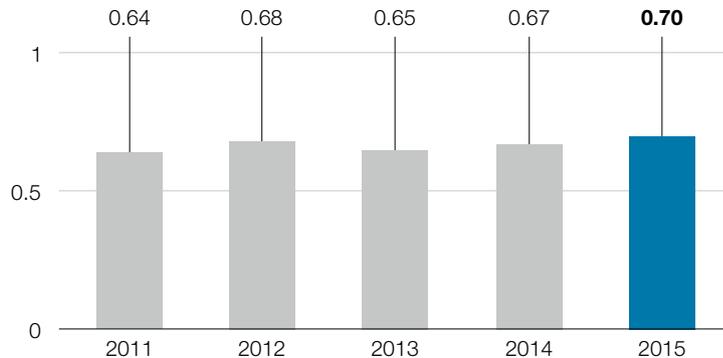
Specific CO₂ emissions caused by voestalpine, reported in accordance with the Austrian Emissions Allowances Act (EZG)



Figures refer to CO₂ emissions pursuant to the Austrian Emissions Certificate Act at the Linz and Donawitz sites

Specific SO₂ emissions

kg/t of crude steel



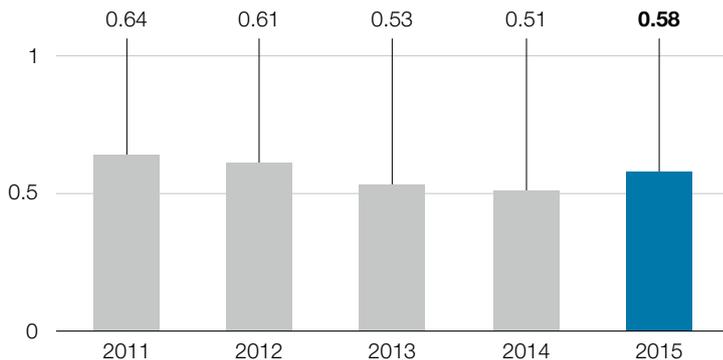
9.4.2 SO₂ emissions

Many raw materials contain sulfur, which is then introduced into the production process. During certain processing steps and when by-products (coke oven gas and blast furnace gas) are used for energy generation, sulfur is released as sulfur dioxide (SO₂).

The specific SO₂ emissions in 2015 were 0.70 kg per ton of crude steel. In recent years, changes were within the production-based fluctuation range.

Specific NO_x emissions

kg/t of crude steel



9.4.3 NO_x emissions

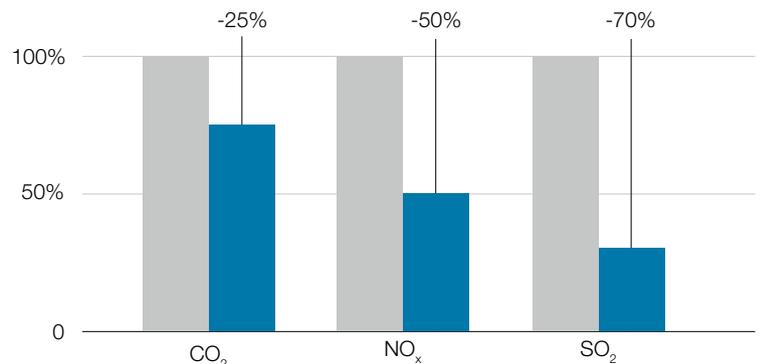
Nitrous oxides (NO_x) are gaseous nitrogen compounds that are generally created during combustion processes; they are also created in the soil through natural microbiological decomposition processes.

In steel production, nitrous oxides are created during the production process in industrial furnaces; they are also created in power plants when utilizing process gases for energy generation.

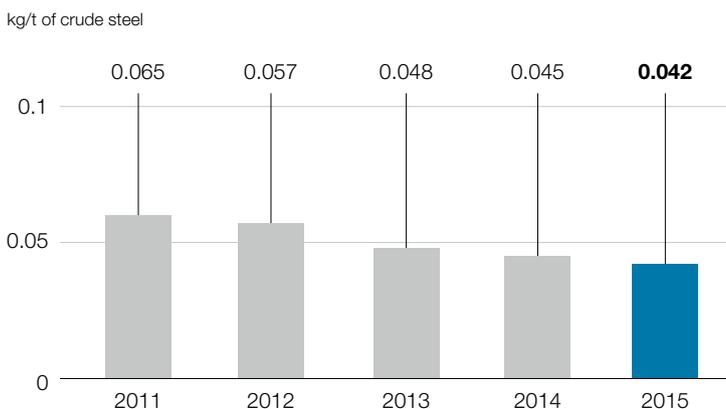
By deploying denitrification systems and improved combustion technologies, voestalpine has been able to reduce these emissions in a long-term comparison; in 2015, the specific NO_x emissions were 0.58 kg per ton of crude steel.

Emission reduction at Uddeholms AB, Sweden:

Prior to switching to liquid gas, warm-up and heat treatment furnaces were powered mainly by oil. Until 2014, all of the furnaces were converted to burn liquid natural gas. This is based on a modern combustion technology and, combined with additional process improvements during the conversion process, it enabled an overall reduction of energy consumption by 28 GWh per year and a significant reduction of emissions compared to previous technology.



Specific captured dust emissions



9.4.4 Dust emissions

Dust-laden exhaust gases and emissions that occur during production are captured and routed to a dedusting system by way of state-of-the-art measures and precautions.

The specific dust emissions were 0.042 kg per ton of crude steel in 2015, down slightly compared to the previous year's figure. After a significant reduction of more than 20% between 2008 and 2009, they have remained at a low level.

Direct reduction plant in the USA

The new direct reduction plant in the USA is also considered an environmental benchmark with regard to its technology and engineering. In addition to the use of the best available technologies to minimize air and water emissions, a briquetting plant processes filter dust and any ferrous production residue and recycles it back into the process (zero waste production with maximum raw materials efficiency).

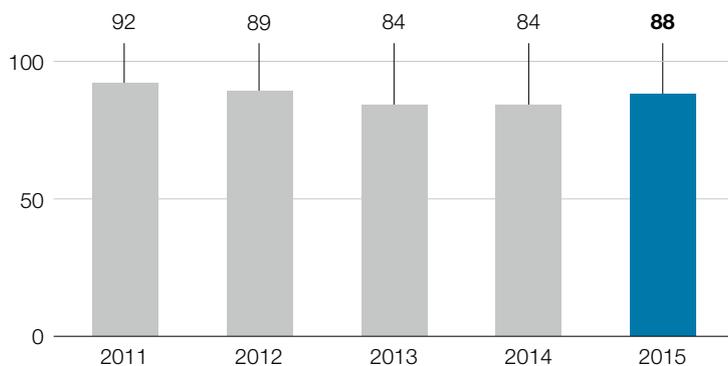
Dedusting system at Buderus Edelstahl GmbH, Wetzlar (Germany)

A central dedusting system was put into operation at the electric-furnace steel plant in late 2014. Dust is extracted from the electric furnaces and other sources of emissions; diffuse emissions are not extracted. The extraction performance has been tripled compared to the previously used extraction system, and the cleaning efficiency has almost doubled.

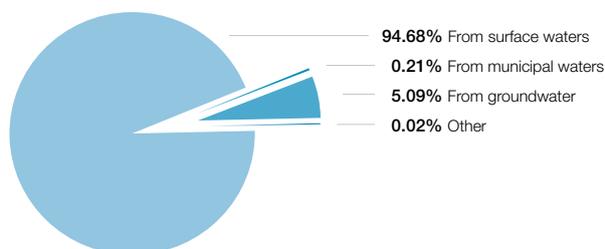
9.5 Water management

Specific total water requirement

m³/t of crude steel



Water withdrawal according to source 2015



Water is used in the production of pig iron and crude steel for cooling and for the generation of steam and is therefore one of the most important consumables and auxiliary materials. Conservation of water resources, which takes local circumstances into particular consideration, is achieved by methods that include closed-circuit systems and multiple use of process water.

The total withdrawal quantity by the production companies of the voestalpine Group, which were included in the collection of environmental data, was 678.8 million m³ in 2015. The majority of the water is from surface water, which is used for cooling purpose.

The total specific volume of water required is 88 m³ per ton of crude steel, and this figure has remained largely constant during recent years.

The wastewater discharge represents the water volume that is routed into discharge systems or into the public sewer system after being purified with state-of-the-art methods. The wastewater discharge by the production companies of the voestalpine Group was kept at about the same level in recent years.

Villares Metals, Brazil

By building two reservoirs, which have a total capacity of 11 million liters of recyclable water, water consumption from local wells was reduced by around 30%. The project was awarded first place in the Group-internal CIP (continuous improvement program) Awards 2014 in the "Environmental Protection" category.

Böhler Profil GmbH: Hydropower plant on the Ybbs River, Austria

- *Renovation of the power plant with an increase in performance of around 15% from the original 2.3 GW*
- *Electricity self-sufficiency of around 90%*
- *Construction of fish ladders*

Furthermore, fish ladders were built or improved at the Austrian locations of Donawitz, Zeltweg, and Bruck.

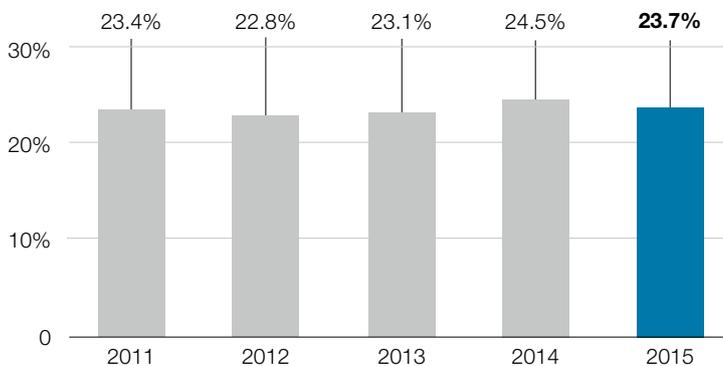
Ensuring water quality at the Linz, Austria, site

All of the cooling water from the production facilities at the voestalpine Linz site is routed into the Danube or Traun Rivers. After being purified, operational wastewater is either routed into the Danube or into the Asten regional sewage treatment plant, where it is again treated biologically depending on its ingredients.

Wastewater discharge is continuously monitored. The cooling water is constantly tracked and monitored as far as water volume and discharge temperature are concerned. Operational wastewater is monitored and recorded with regard to water volume, temperature, and pH. Furthermore, samples are regularly taken and analyzed in accordance with defined organic and anorganic parameters.

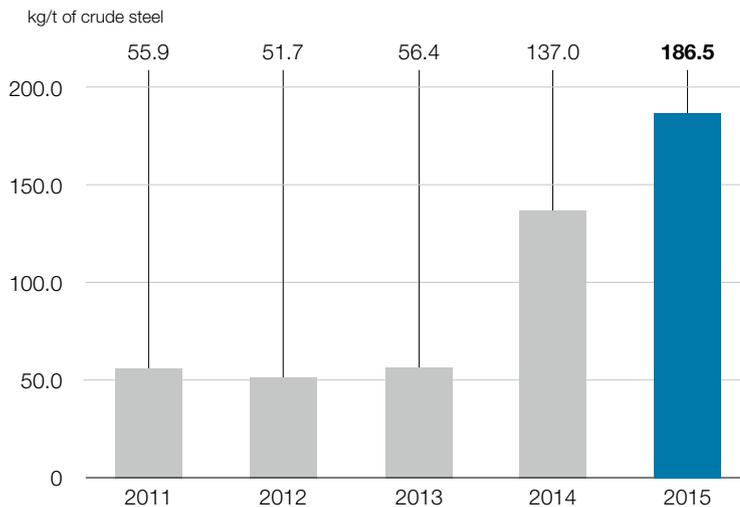
9.6 Waste and recycling management

Percentage of recycled materials of total materials used

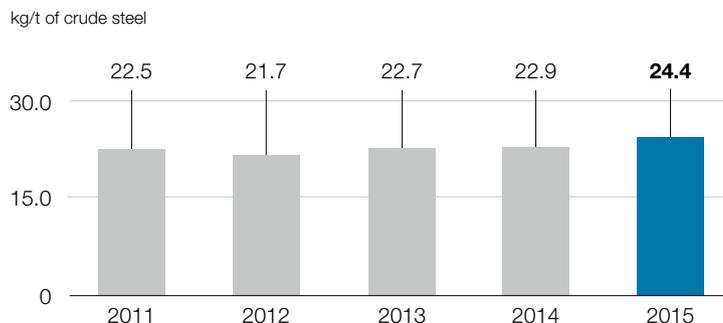


Figures refer to steel production sites in Austria, Germany, Sweden, and Brazil

Specific volume of non-hazardous waste



Specific volume of hazardous waste



As far as conservation of resources is concerned, sustainability is not limited to production and processing alone. voestalpine undertakes numerous activities to optimize the durability of its products as well as their reusability/recyclability/recoverability.

Due to their ingredients, many of the by-products generated by the production and downstream processing of pig iron and steel can be utilized in-house as recycled materials or in other industrial branches (e.g., steel mill dust in the zinc industry) as secondary raw materials.

Process management in integrated metallurgical facilities is optimized on an ongoing basis in order to ensure a high degree of internal recycling and external utilization of waste and residual products that accrue from production facilities and downstream machinery, including filter dust and mill scale. Additionally, products, residual materials, and waste that accrue in external production facilities are also utilized in voestalpine production facilities, for example, scrap, plastic pellets, and used oil and grease.

At the production sites in Austria, Germany, Sweden, and Brazil, the percentage of recycled materials of the total material used is 23.7%. Around 40% of the total amount of waste generated is recycled.

In the 2015 calendar year, the specific volume of non-hazardous waste rose to 186.5 kg per ton of crude steel as a result of changes in the statutory framework conditions, especially for LD slag. The specific volume of hazardous waste on the other hand remained constant at 24.4 kg per ton of crude steel.

BÖHLER Edelstahl GmbH, Germany

In 2015, almost 260 tons of grinding dust and more than 50 tons of flame cutting dust from voestalpine's own dust extraction systems were used as a secondary raw material in the electric furnace. Previously, abrasive dust had to be disposed of at the plant's own dump site.

9.7 Energy

Energy efficiency in the steel industry is a constant challenge—for cost reasons alone. Energy intensity is directly associated with CO₂ intensity (see chapters “Air Emissions” and “Energy and Climate Policy”). In the classic integrated metallurgical facilities, an increase in efficiency can be achieved, for example, by optimizing process gases generated during production by increasing thermal recycling of these gases and utilizing waste heat potential.

Against the backdrop of political decisions (keyword energy paradigm shift), this subject gains additional significance in the long term. As the steel production locations of the voestalpine Group are currently to a great extent self-sufficient with regard to generation of electricity (integrated energy cycles based on fossil coal/coke utilize occurring process gases; conversion into electricity takes place in separate power plants, and energy is routed back into the production process), the decarbonization of products is connected with the challenge of how fossil energy can be replaced in the future by electricity from renewable sources from an external network.

Environmental action by Böhler Edelstahl GmbH & Co KG, Kapfenberg, Austria:

In 2005, the first waste heat recovery facilities were installed at the Kapfenberg location. Today, five installations with a capacity of 13 GWh/year are in use, which not only cover in-house consumption but also provide heat for the city of Kapfenberg. Similar models, which provide excess electricity from production to external grids, also exist at other major locations, for example, Linz and Leoben-Donawitz.

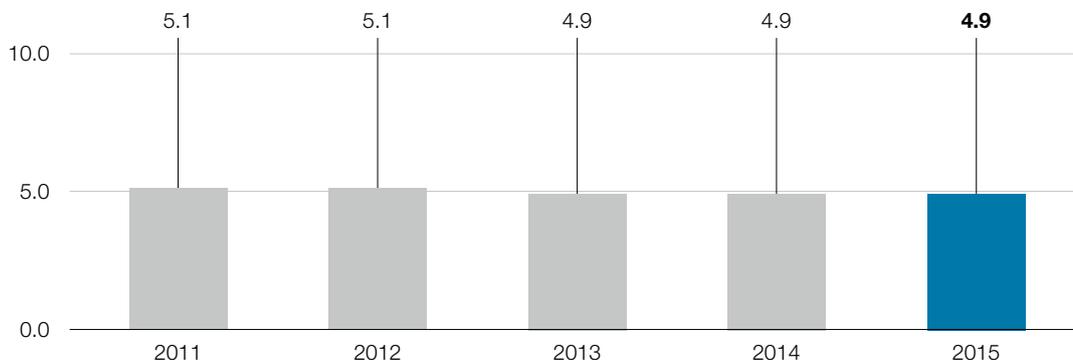
Total energy consumption of the voestalpine Group in 2015 was 37.88 TWh; the largest consumer is the Linz location.

Breaking down the energy sources, the largest ones are, of course, coal (54.7%) and coke (20.3%), followed by natural gas (16.7%). At 5.9% of total energy consumption, the purchase of additional electricity is a comparatively minor factor.

Specific energy consumption is 4.9 MWh per ton of crude steel, thus remaining practically unchanged during the past five years.

Specific total energy consumption

MWh/t of crude steel



9.8 Biodiversity

All planned measures and projects, such as new construction, renovations, and decommissioning of production facilities, are carefully analyzed with regard to their impact on the eco-system or on areas requiring particular protection. Mitigation and compensatory measures are taken when necessary.

The Linz site

voestalpine has the impact of its activities on the environment, e.g., microorganisms or fish populations, examined regularly by external partners and derives appropriate measures from the results.

Environmental remediation of the coking plant, Linz, Austria

The coking plant, which began operations in 1942 and was largely destroyed toward the end of World War II, was rebuilt and continued operations. In addition to benzene, tar was also distilled on-site as a by-product of the production of coke. The effects of war and the destruction of various parts of the coking plant resulted in massive contamination of the soil at the plant site. Since 2011, the following measures have been taken to sustainably remediate and ensure the safety of the coking plant site in Linz, taking ecological and economic aspects into consideration:

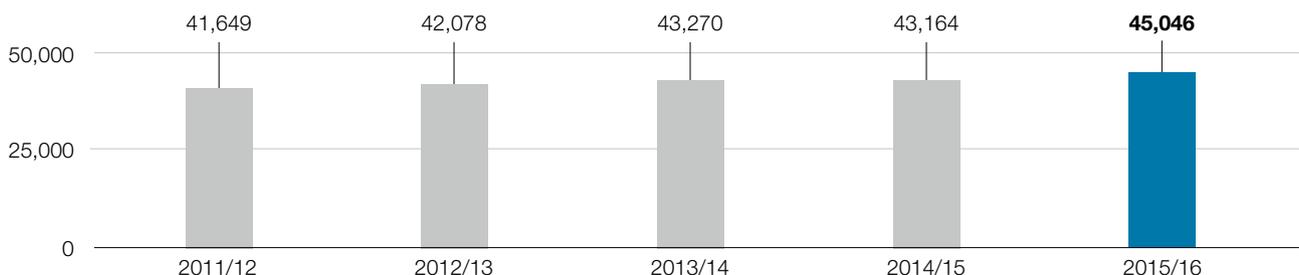
- *Funnel & gate system to ensure groundwater flow*
 - *Partial excavation of the unsaturated soil zone (hotspots), soil washing to remove contaminants, and backfilling of the site*
 - *Soil vapor extraction in the unsaturated soil zone to remove fugitive contaminants (primarily BTEX)*
 - *Phase separation of contaminants in the saturated soil zone (primarily tar oils and light oils)*
-

10. Employees

As of the reporting date of March 31, 2016, the voestalpine Group had 45,046 employees worldwide, plus 1,377 apprentices and 3,389 temporary employees (FTEs). This corresponds to a total of 48,367 full-time equivalents/FTEs.

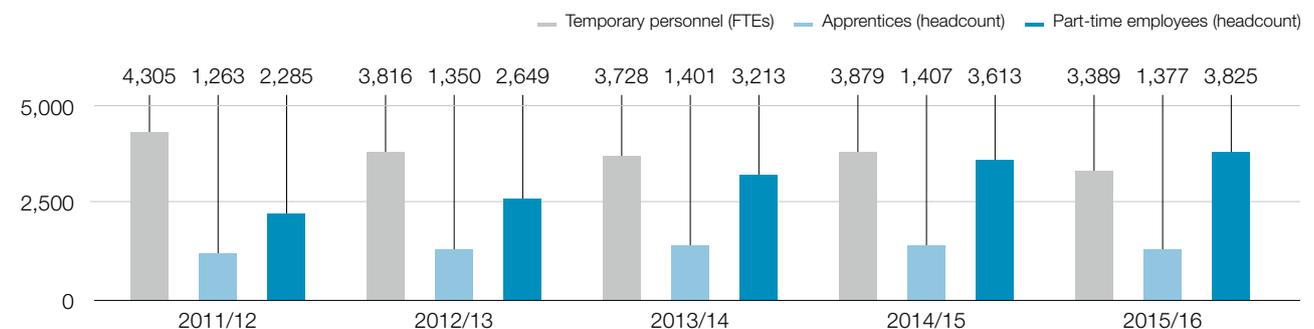
Development of the number of employees

Persons (excl. apprentices, headcount) per business year



Structure of the workforce according to type of employment (full-time employees excluded)

per business year

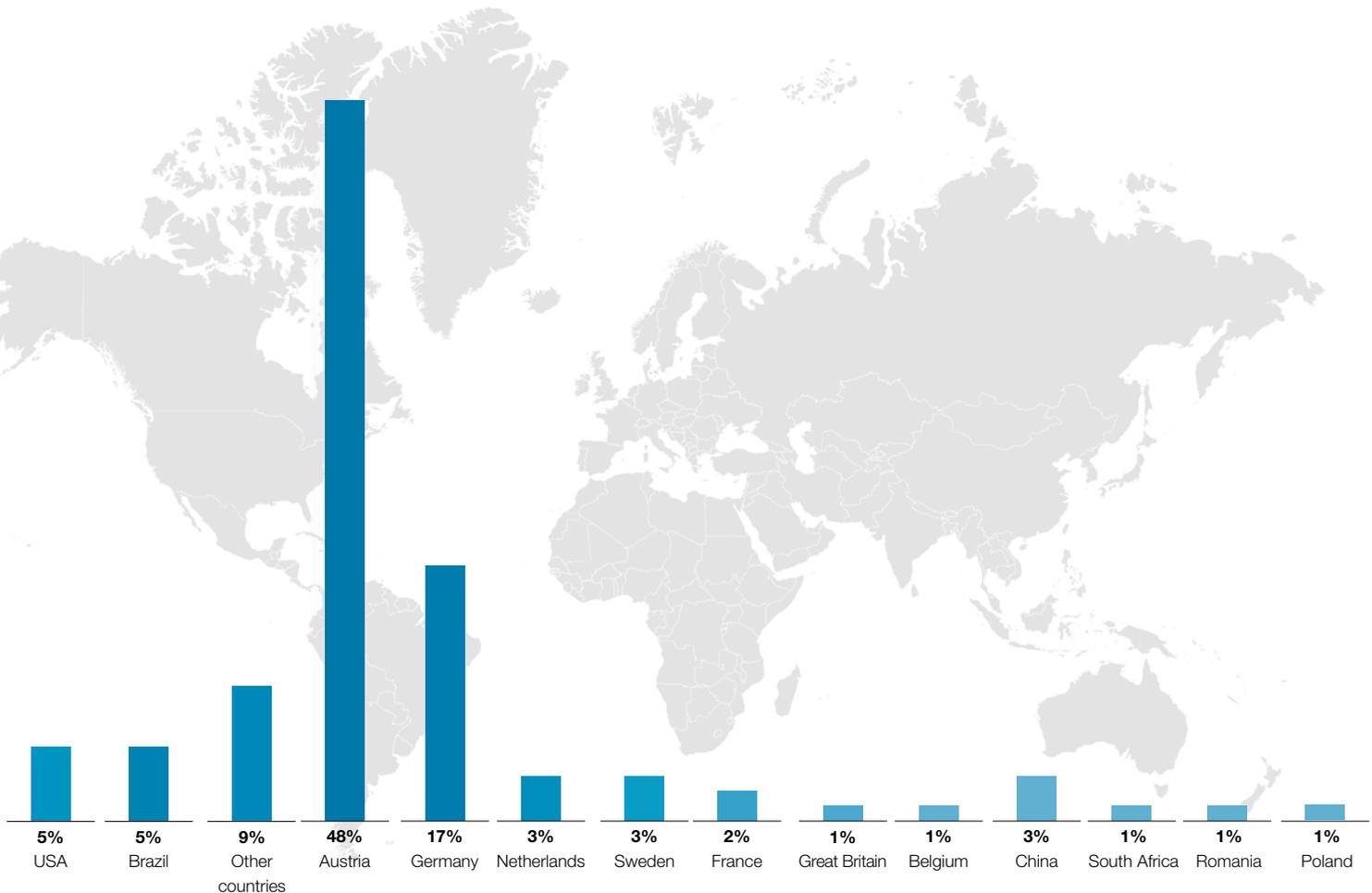


10.1 Employment according to countries

voestalpine employs more than 48,000 employees in roughly 500 Group companies and locations in 50 countries on five continents. 51.7% of the employees are working at locations outside of Austria, while 21,760 employees (excluding apprentices) are working at Austrian Group companies.

voestalpine employees speak a multitude of languages. In order to make the most important internal and external publications available to all employees, they are provided in various languages on the Internet or the company intranet or are mailed to employees at their home address. For example, the Code of Conduct and the Code of Conduct for

Business Partners, which are valid Group-wide, are available in a total of 14 languages; the same applies to mm, the employee magazine. The Corporate Responsibility Fact Sheet, the short version of the Corporate Responsibility Report, is also available in 14 languages in electronic form, with some of the languages available in printed form as well.



10.2 voestalpine as employer

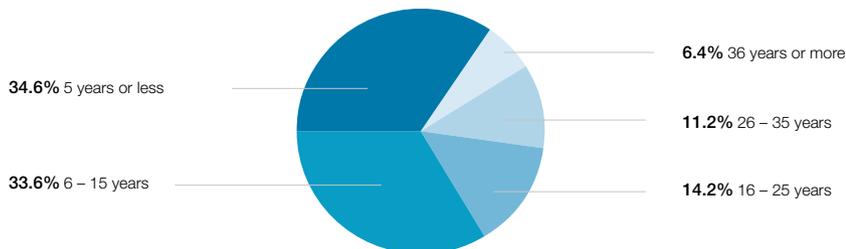
voestalpine is an attractive employer both for those employees who are already working for the company and for applicants; this is affirmed by various top placements and recognition in company and employer rankings.

10.2.1 Job tenure and fluctuation

In the past years, the number of employees in the voestalpine Group has been constantly on the rise. The group of employees with a job tenure of five years or less is therefore the largest one and has grown the most during the reporting period. The following graphic shows the job tenure figures of voestalpine's employees:

Job tenure

As of the reporting date March 31



The external fluctuation rate (calculated according to those cases in which employment was terminated by the employee or was terminated by mutual agreement) of voestalpine has been at a very low level for years. For the business year

2015/16, it is at 5.8%, which affirms the Group's attractiveness as an employer as does the fact that there are 23 applications for every job vacancy—a very high number.

10.2.2 Employee survey

voestalpine conducts employee surveys Group-wide every three years in order to determine employee satisfaction and identify opportunities for improvement. The last survey took place in October 2013, when roughly 42,000 employees in 21 countries were surveyed in 13 different languages. The response rate of 75% was a new record.

The outcome was discussed throughout the Group companies and individual divisions, resulting in about 500 concrete measures in the areas of health management, work-life balance, information and communication, continuing education and career development, among others. Group-wide, three major areas were identified:

- Introduction and/or relaunch of the annual appraisal dialogue
- Definition of management responsibilities
- Structured talent management and succession planning

Concrete measures relating to all three areas were developed and subsequently resolved by the Management Board. Progress is being documented and reported on regularly, for example in the employee magazine.

The next employee survey is set to take place in the fall of 2016.

10.2.3 Age structure of the employees

In the business year 2015/16, the average employee age was 41.2, thus remaining unchanged compared to previous business years.

The following table shows the average age of employees, broken down according to salaried employees and workers and gender:

Age structure of the employees

per business year

	2011/12	2012/13	2013/14	2014/15	2015/16
Workers	39.9	40.4	40.4	40.4	40.5
Salaried employees	42.0	42.3	42.0	42.1	42.3
Women	39.9	40.0	39.9	39.7	39.8
Men	40.8	41.1	41.1	41.3	41.4

10.2.4 Employer branding

For voestalpine, employer branding means positioning itself proactively as an attractive employer, which enables it to acquire new employees who are the best and the brightest in various specialist areas and to retain existing staff. We can drive innovation and compete successfully in our markets only if we have committed employees who are experts in their fields. In addition to internal measures, we are also undertaking numerous external personnel marketing activities in order to enhance voestalpine's employer brand, for example, collaborations with (primarily technical) universities, participation in career fairs, and sponsoring. A strong presence on all of the relevant online and social media channels as well as active reporting about the company increase voestalpine's visibility among target groups.

10.3 Equal treatment

Each and every voestalpine employee is unique and valuable and must be respected for his/her individual abilities. We see our employees as hard-working, motivated, eager to make every effort, and interested in taking an active role in both their own development and the development of the company in all of its diversity. For our part, we create a corporate culture in which we require and promote trust, diversity, self-determination, and assuming responsibility.

At voestalpine, all employees are treated equally regardless of gender, age, ethnic origin, religion, sexual orientation, or any disabilities. Therefore, the voestalpine Group does not tolerate any form of discrimination whatsoever. In the Code of Conduct, which is binding for all employees throughout the entire Group, the Chapter "Respect and Integrity" states:

Based on the UN Charter and the European Convention on Human Rights, human rights are viewed by the Group as fundamental values, which must be respected and observed by all employees. The corporate culture of voestalpine Group acknowledges and welcomes the fact that each person is unique and valuable and shall be respected for his or her individual abilities. voestalpine Group therefore does not tolerate any form of discrimination whatsoever.

This also applies to sexual harassment in any form, for instance by way of obvious advances, demeaning comments, jokes, vulgar expressions, obscene gestures, or the display of graphic material in business and production facilities of the Group. Such conduct may be considered harassment even if it is not intended as such.

These principles shall also apply to conduct towards external persons.

10.3.1 Persons with disabilities

In Austria, companies with more than 25 employees are required to make jobs available for persons with disabilities. For reasons relating to data protection and privacy, information about the possible disability of employees is not collected outside of Austria.

voestalpine fulfills all statutory obligations at all of its locations in this respect.

10.3.2 Women at voestalpine

As of the reporting date of March 31, 2016, the percentage of women in the workforce in the entire Group was 13.1%, the percentage of women workers was only 3.9%, and the percentage of female salaried employees was 28.4%.

The percentage of female executives (salaried employees holding positions with staff responsibility, including forepersons, excluding members of the Board) was 12% as of March 31, 2016. This percentage has increased slightly in recent years. The category "Female apprentices (other)" saw a particularly high percentage. As of March 31, 2016, the percentage of female apprentices was 55.2%. They are female apprentices who are not receiving technical training.

Percentage of female employees at voestalpine

per business year

	2011/12	2012/13	2013/14	2014/15	2015/16
Total of all female employees	12.3%	12.6%	13.4%	13.3%	13.1%
Female executives	10.2%	10.1%	10.6%	11.0%	12.0%
Salaried female employees	27.2%	27.7%	28.4%	28.4%	28.4%
Female workers	3.4%	3.5%	4.3%	4.1%	3.9%
Female apprentices (technical training)	9.0%	9.1%	8.6%	12.1%	11.8%
Female apprentices (other)	50.9%	53.8%	49.5%	55.9%	55.2%

10.4 Training and continuing education

Ongoing training and continuing education of employees has a high priority at voestalpine. Maintaining the qualification of the workforce at the highest level is an essential requirement to achieve innovation and quality and thus to attain success.

We view targeted professional qualification as a performance-enhancing factor for our employees. We rely on suitable development measures that are initiated as part of appraisal dialogues and local needs assessments.

It is important for us that employees are deployed in accordance with corporate requirements but at the same time in a way that maintains their health and is aligned with their life cycle phase.

The total cost for personnel development in the business year 2015/16 was EUR 51.3 million, 59.3% of all employees participated in either training or continuing education.

Group-wide, voestalpine employees underwent a total of 803,611 hours of training, an average of 30.1 hours per trained employee.

10.4.1 Management training

In its management training, voestalpine is focusing on the multi-phase "value:program," which was developed at voestalpine. In the business year 2015/16, 228 executives from 31 countries participated in this program Group-wide, about 50% of whom were from subsidiaries outside of Austria. The percentage of female participants was 15%. Online learning modules were used for the first time, and a learning support platform was set up. A separate program was developed for CEOs who have already been appointed to their position.

voestalpine also runs the "High Mobility Pool" development program for university graduates with a few years of professional experience in order to develop young talent. The internationalization of the program was continued. For the "2015 generation," participants from Asia, North and South America, and Europe were recruited.

10.4.2 Professional academies

In addition to proven programs for executives and future executives, there are numerous training programs for ongoing professional qualification of salaried and wage-earning staff that teach specialist skills based on specific requirements.

Young Professionals Training Program in China

2015, voestalpine began a training program in China, the first program of this kind developed for a specific country. 38 employees from almost all local sites participated in the first cycle of this program.

In accordance with its corporate strategy, voestalpine continues to drive internationalization forward. The focus of its growth objectives is Asia, especially China, a future-oriented market. In China alone, the voestalpine Group already has 19 companies with 1,502 employees (excluding apprentices). In the most recent past, operations have been launched at four voestalpine plants; plans are set for a total of ten new plants to begin operations between now and 2020.

Three-module training program

This newly developed training program has three thematic focal points. In the first module, participants are familiarized with the voestalpine Group—the Group's structure, its products, and its markets, both globally and in China. The second module addresses the development and enhancement of communication and presentation skills, placing particular emphasis on intercultural differences and issues.

The third and last module focuses on the acquisition of the required specialist knowledge and skills in sales and project management. Each module is rounded out by providing joint activities that promote team-building and visits to companies at the location where the seminar is being held. Participants play an active role in designing parts of the program themselves, a feature that supports dialogue and an exchange of professional experience and information.

Objectives of the training program

The objective of this training program is to provide voestalpine's Chinese employees with a comprehensive overview of the voestalpine Group, to sharpen their professional skills by way of targeted training, and to enable them to profit from the sharing of experiences.

10.5 Apprentices

The training of apprentices and young skilled workers has traditionally had a high priority in the voestalpine Group. As of the reporting date of March 31, 2016, 1,377 apprentices were being trained in 50 different vocations; the majority of the apprentices (81.9%) are being trained at 39 locations in Austria and Germany under the dual system.

As a result of their efficient, needs-oriented training, 100% of the young workers who have completed their apprenticeship successfully are hired as permanent employees.

Facts and figures on the training of apprentices

- 37.6% of all apprentices are being trained outside of Austria.
- voestalpine invests EUR 70,000 per apprentice participating in the three- or four-year training program.
- The third voestalpine Group Apprentice Day took place in Linz in October 2015, with 380 apprentices participating.
- For the apprenticeship year beginning in 2016/17, about 400 new apprenticeship positions are available in Austria and Germany.
- In Austria and Germany, 96.6% of the apprentices who took their final examination in the last business year passed.
- Of the Austrian graduates of the apprenticeship program, 67.6% passed their final examination with the grade "good" or "excellent."

Apprentices

per business year

	2011/12	2012/13	2013/14	2014/15	2015/16
Number of apprentices	1,263	1,350	1,401	1,407	1,377
Female apprentices	185	210	205	260	247

Apprentice training in the USA

voestalpine Automotive Body Parts implements a dual program for young skilled workers

In Georgia, USA, voestalpine has set up a dual training program to qualify young people for technical professions in order to cover the need for young skilled workers.

The automotive supplier voestalpine Automotive Body Parts has created a two-and-one-half-year program jointly with the Bartow County College & Career Academy that provides both theoretical and practical training. It has now been officially certified as an apprentice training program by the Department of Labor. After completing the dual training, the graduates receive the title of "Industrial Manufacturing Technician."

Currently, eight young people are being trained. In contrast to German-speaking regions, the USA does not have a nationwide standardized training program for skilled workers. The program in Georgia is based on the voestalpine companies that run apprenticeship programs in Austria and Germany and on the educational program of Austrian and German vocational schools.

US delegation visits the training center in Linz

On July 14, 2016, a delegation from Georgia headed by Sandra Deal, the governor's wife, visited the voestalpine headquarters in Linz. The main items on their agenda were a presentation of the dual training system in Austria and a visit of the training center in Linz that highlighted its special features. At the end of the visit, the delegation had the opportunity to speak with former apprentices about their career plans.

10.6 Employee participation plan

The voestalpine employee participation plan gives the Group's employees the opportunity of participating in the development and success of voestalpine by owning shares in the Group. This is implemented either by way of collective agreement solutions (in Austria) or based on annual offers to acquire shares.

The voestalpine employee participation plan was established 16 years ago on November 1, 2000 jointly by the company's management and the Works Council under the required supplementary collective agreement.

Employees who have voestalpine shares can participate in the Group's economic success by receiving dividend payments and through possible price appreciation of the shares.

The voestalpine employee participation model is acknowledged and respected all over Europe and has become an important component of voestalpine's corporate culture.

Currently (as of March 31, 2016), 24,100 active voestalpine employees hold around 23.3 million shares. Together with the 1.9 million "private shares" owned by current and former Group employees, this corresponds to 14.5% of voestalpine AG's share capital. As a result, voestalpine employees are the second largest core shareholder, giving the company a stable ownership structure.

All 51 Austrian Group companies are integrated into the employee participation plan, as are 70 companies in the Netherlands, Germany, Great Britain, Poland, Belgium, Czech Republic, and Italy. Models for Switzerland, France, and Sweden are currently being developed.

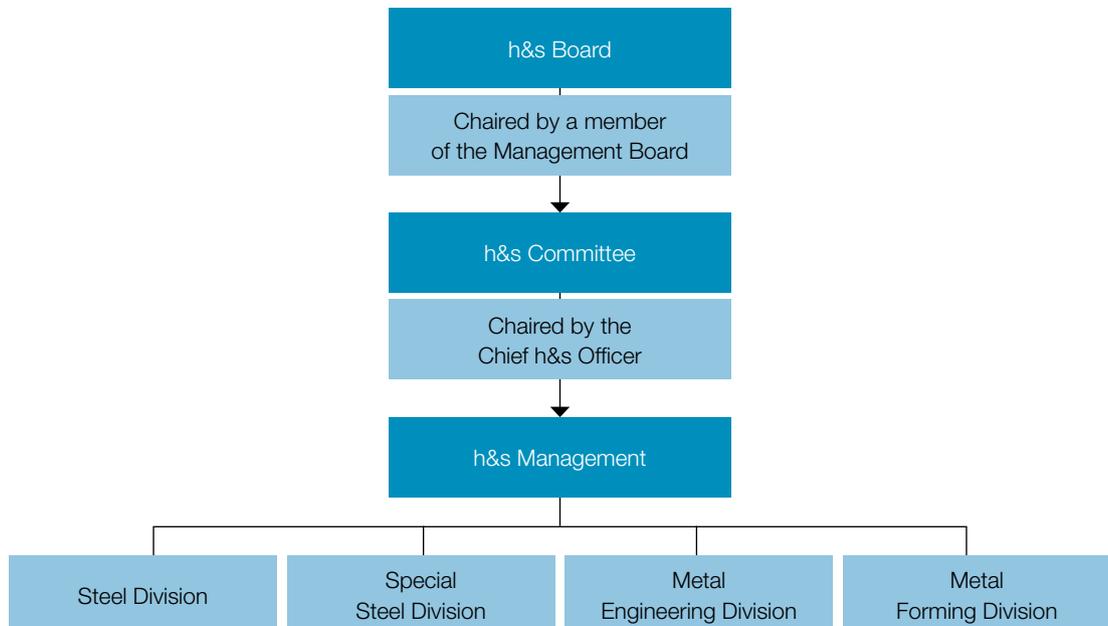
11. health & safety

The safety and health of its employees are fundamental values of voestalpine and have top priority. Therefore, the topics of occupational safety and promotion of health have always had crucial importance. In mid-2015, an independent department was established at the Group level for Health and Safety (h&s) Management, which had been organized divisionally up to that point in time. This department falls within the area of responsibility of one of the members of the Management Board of voestalpine AG and has the objective of establishing uniform standards, procedures, and key performance indicators.

The main responsibilities of the persons and entities in charge of h&s, from the Chief health and safety Officer to the h&s Committee headed by the Chief h&s Officer to the persons responsible in the individual divisions (see graphic) are to establish and promote an active and vibrant h&s culture. Two focal points are achieving uniform key performance indicators and learning best practices throughout the Group. In order to accomplish this, knowledge and experiences will be shared on the h&s platform. The "Learning from the Best" fea-

ture will introduce good examples and encourage people to imitate them. Numerous activities will be implemented under the slogan "Professionals work safely" in order to promote a consciousness for safety at work among employees in all sectors and countries. Management has an important role in this process, as executives can make an essential contribution to the program's success and achieve a reduction of work-related accidents by providing a good example and consistently implementing all guidelines.

An overview of the structure at the Group level:



OHSAS 18001

Numerous voestalpine Group companies already have certifications in accordance with an occupational safety and health management system. All of the companies of the Steel Division have already been certified in accordance with OHSAS 18001, for example. As OHSAS 18001 certifications are being rolled out throughout the entire Group, the next goal is for all companies of the Metal Engineering Division to be certified in accordance with this occupational safety and health management system by the end of 2017.

h&s performance

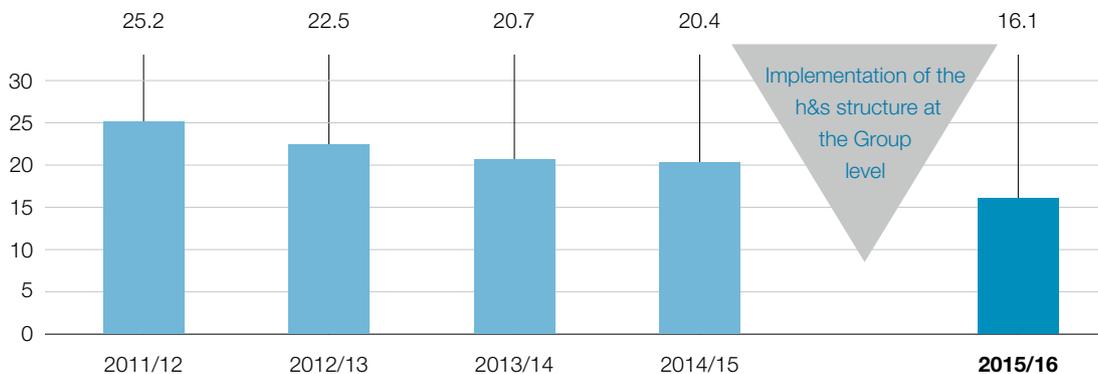
The two most important key performance indicators, which are already being tracked Group-wide through the health & safety organizational structure, are the Lost Time Injury Frequency Rate (LTIFR) and the "health quota."

LTIFR

This key performance indicator captures the number of work-related accidents per million working hours, which are subject to reporting requirements and result in more than three lost days or death. As the regulations for work-related accidents, which must be reported and which result in lost days and lost working hours, differ widely in the individual countries, a uniform definition has been established at the Group level. The figures captured beginning in the business year 2015/16 are governed by this definition and therefore deviate from previous figures. The graphic shows that the number of work-related accidents has gone down continuously in the past years. Nevertheless, every work-related accident is one accident too many so that the mission statement is clear: zero work-related accidents.

To our deep regret, there was a fatal work-related accident at voestalpine in the business year 2015/16.

Development of the Lost Time Injury Frequency Rate





Health quota

The health quota indicates the percentage of the target working hours during which the employees were actually present during a pre-defined period. By pursuing an active health promotion policy, voestalpine is aiming to promote and maintain the physical and psychological health of its employees. A high health quota is not only in the interest of the individual employee but creates the basis for a successful business operation. While the company makes an important contribution to the health of its employees through proper workplace/workstation design, it is also necessary to encourage employees to maintain a healthy lifestyle. To this end, individual companies and locations are implementing various measures. The objective is to lower the number of sick days overall, but at the same time to ensure that sick employees have the necessary convalescence period. The vision of h&s Management is to lower the number of work-related illnesses to zero.

The health quota was determined in the business year 2015/16 for the first time and was 96% for the entire voestalpine Group.

Occupational safety for contractors and third-party companies

voestalpine also endeavors to ensure that life and health of employees of third-party companies are protected. Binding guidelines have been issued in this regard, which must be complied with by employees of contractors and third-party companies.

12. Society

The companies of voestalpine AG engage intensively with the needs of their local communities and support them in various ways, as previously described in the Corporate Responsibility Report 2013.

At the Group level, commitment to social issues is concentrated primarily on two focal points: the Contemporary History MUSEUM at the Group headquarters location in Linz and refugee and integration aid.

12.1 Contemporary History MUSEUM

The early years of the Linz location under the name of "Reichswerke Hermann Göring AG, Berlin" are examined mindfully and comprehensively in an exhibit that is dedicated to forced laborers under the Nazi regime in Linz.

Starting in 1938, an iron and steel making plant was built in Linz and was gradually put into operation from 1941 onward. From the beginning on, "Reichswerke Hermann Göring" were an integral part of the National Socialist arms industry.

Many thousands of forced laborers (men, women, juveniles, and children), prisoners of war, and concentration camp inmates from more than 30 nations were used to build and operate the steel plant. The permanent exhibit at Group headquarters is dedicated to them and depicts the largely inhumane conditions under which the foundation of today's Group that operates worldwide was created.

The people and their stories are the focus of the exhibit, and their life journey and their ordeal are presented in four areas that build upon each other. The victims of the NS forced labor system are given

a voice in audio documents, with additional series of comprehensive explanations, visual materials, and multi-media stations. Around 38,000 personnel files and salary slips from the Linz operations of the Reichswerke Hermann Göring in the years 1938 to 1945 form the basis of this comprehensive exhibit. This was the largest post-war find of NS personnel and salary documents of a company. voestalpine was the first company in Austria to engage with the subject of NS forced labor in a permanent exhibit and to make it accessible to the public.

On the occasion of the award of the Austrian Museum Seal of Approval, the original "Exhibit of Contemporary History 1938–1945" became the new Contemporary History MUSEUM. The new name better reflects the enduring character of the installation. voestalpine Stahlwelt is responsible for the operation of the permanent exhibit.

You will find additional information at <http://www.voestalpine.com/zeitgeschichte/en>

12.2 Refugee and integration aid

Against the backdrop of the movement of refugees to Europe since September 2015, voestalpine AG has been supporting concrete projects of the humanitarian aid organizations Caritas Austria and Doctors Without Borders. Donations totaling EUR 1.5 million are being used equally directly in the crisis areas and in Austria. voestalpine is also planning to create additional trainee openings for refugees in its own plants. The Group sees it as part of its social responsibility to create future prospects particularly for young refugees by providing education and work.

12.2.1 Locally provided medical care and education

Half of voestalpine's donation went to local aid projects in crisis areas of the Middle East. Support went to the humanitarian aid organization Doctors Without Borders, which treats patients in Syria and provides medical care to refugees in Lebanon, Jordan, and Iraq. Our donation will provide 100,000 persons with the most important medications for a year and will provide emergency medical help for war casualties.

Around half of the residents of refugee camps in the Middle East are children who are growing up without a permanent home, education, or future prospects. Therefore, voestalpine is also financing educational opportunities arranged locally by Caritas, which provide children with remedial education that enables them to reconnect with the school system.

12.2.2 Initial aid and integration measures in Austria

The second half of this major donation went into a package of measures developed jointly by voestalpine and Caritas to support refugees in Austria. Here, in addition to initial aid, the focus is on education with the objective of ensuring long-term integration, especially of young people. This package created around 166 new residences and guaranteed psychological intervention in acute cases for 66 persons. German and literacy courses are being provided for 518 people, and 157 unaccompanied juveniles will receive a four-month-long course of study as a basis for further vocational training.

Contact & Imprint

Contact

voestalpine AG, Corporate Responsibility
T. +43/50304/15-6599
cr@voestalpine.com

voestalpine AG, Investor Relations
T. +43/50304/15-3152
ir@voestalpine.com

voestalpine AG, Corporate Communications
T. +43/50304/15-2090
mediarelations@voestalpine.com

www.voestalpine.com

www.voestalpine.com/group/en/group/corporate-responsibility/

Imprint

Owner and media proprietor: voestalpine AG, voestalpine-Strasse 1, 4020 Linz

Senior editor and editorial staff: voestalpine AG, Corporate Responsibility, T. +43/50304/15-6599
cr@voestalpine.com, www.voestalpine.com

Design and implementation: 7 Punkt Communication Group GmbH, www.7punkt.at

