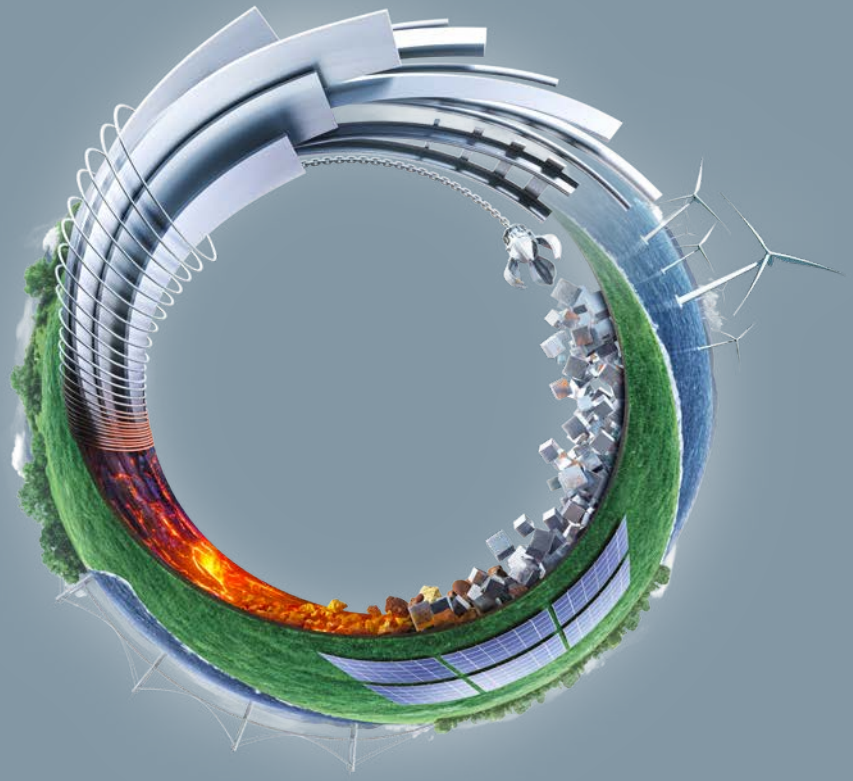
Sustainability Report
2025



SHS - STAHL-HOLDING-SAAR DILLINGER saarstahl

Contents

For us, sustainability is more than just a word

Dear Reader,

Sustainable and responsible operation is firmly embedded within our corporate group and is a traditional, key element of our corporate policy. We aim to manufacture high-quality steel products with state-of-the-art and sustainable methods. Our focus here is on our responsibility to current and future generations, our stakeholders and the environment. Based on what has been achieved so far and with a view to a livable future for all, we are continuously identifying further potential for improvement and redefining ambitious targets.

With this Sustainability Report, SHS - Stahl-Holding-Saar (SHS), as one of Germany's largest steel producers with its two majority-owned subsidiaries Aktien-Gesellschaft der Dillinger Hüttenwerke (Dillinger) and Saarstahl Aktiengesellschaft (Saarstahl) as well as its associated companies, is documenting its responsibility and its economic, environmental and social efforts to serve relevant stakeholder groups. In the annual reports for the companies, we describe the wide-ranging measures and activities in the areas of environmental protection, sustainability and social responsibility. These are now summarized in this joint report and covered in much greater detail and comprehensiveness. We take a holistic approach here that applies to all business units and Group areas.

This report is based on the requirements of the European Sustainability Reporting Standards (ESRS). The individual sections describe the basic concept, the measures applied, and the targets as well as their achievement, including documentation of all key figures. The key figures are summarized in the data sheets and updated annually.

This Sustainability Report contributes to the international transparency and comparability of companies.

Dillinger and Saarstahl, as principle companies of the SHS Group, have established themselves as international premium manufacturers and as strong brands in the high-quality segment for heavy plate, bar steel, wire and forged products. Sustainable action and a long-term corporate policy are essential to achieving and strengthening this position. For generations, this policy has been defined by ecology and sustainability as well as by growth and development activities to safeguard the company by means of profitable and resource-efficient processes and end products. Our strategic activities are dominated by continuous development of the value chain and by the transformation of our production route. The SHS Group is committed to the goals of the Paris Climate Agreement and wants to help achieve carbon-neutral steel production. In their process of transforming to the production of green steel, our companies are focusing – today and in the future – on their responsibility to people and the environment. Based on what has been achieved so far and with a view to a

livable future for all, we are continuously identifying further potential for improvement and redefining ambitious targets. The transformation journey we are taking therefore also means a change movement in the SHS Group. The transformation and the associated risks and opportunities are core issues that we examine in all their facets so that we can develop new solutions.

As a corporate group with international operations, SHS is part of global production chains. Only a shared standard of ethical values and legal requirements within the supply chain enables us to make sustainable and successful products. We have documented our commitment to sustainable management in our corporate strategy for the SHS Group. We are likewise guided here by the fundamental freedoms of international conventions as well as the standards of the UN Global Compact. Dillinger and Saarstahl make the products needed for the energy and mobility transition and are thus contributing in important ways to achieving climate targets. The SHS Group wants to play a pioneering role here and in recent years has initiated the necessary investments and measures.

We are pleased that you are interested in following our reports and hope you will find this publication informative.

Aktien-Gesellschaft
der Dillinger Hüttenwerke
Saarstahl Aktiengesellschaft
SHS - Stahl-Holding-Saar GmbH & Co.KGAa
Stefan Rauber
Joerg Disteldorf
Markus Lauer
Dr. Peter Maagh
Daniël Nicolaas van der Hout
Jonathan Weber

Disclaimer

This report seeks to consolidate the various sustainability activities of the SHS Group and to present them transparently for all stakeholder groups. It covers the 2025 financial year. Unless otherwise stated, the reporting date for all data and facts from the enclosed data sheets is 31 December 2024. The statements generally relate to the scope of consolidation of SHS - Stahl-Holding-Saar, Dillinger and Saarstahl. The report is published in German and English. The report is published online together with the annual reports on the websites of the companies. The SHS Group is interested in further expanding the dialog with our stakeholders. The Sustainability Report is intended to promote this dialog with our stakeholders and to clearly define the requirements today and in the future.

If you have any questions, comments or suggestions, please contact us at:
nachhaltigkeit@stahl-holding-saar.de

Publisher:
SHS - Stahl-Holding-Saar GmbH & Co. KGaA
Werkstraße 1
66763 Dillingen, Germany

Responsible:
Sustainability Officer, SHS - Stahl-Holding-Saar
Corporate Communications,
SHS - Stahl-Holding-Saar

More information on the Global Reporting Initiative and the GRI guidelines can be found at:
www.globalreporting.org
The GRI Content Index is available on the website **www.shs/GRI Content Index**.

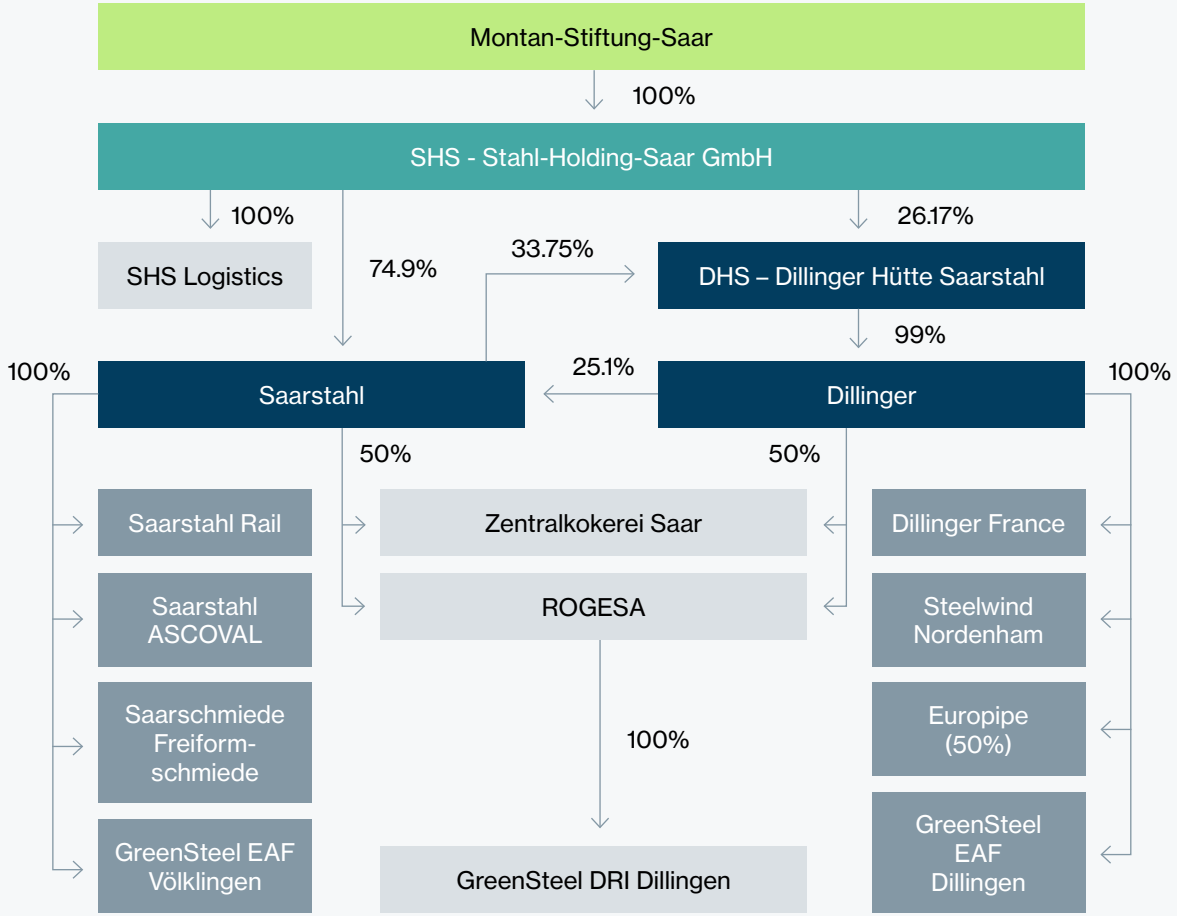
Additional data as well as information and activities related to the company can be found on the websites:
www.stahl-holding-saar.de
www.dillinger.de | www.saarstahl.com

Section 1
Company profile

Facts on sales, profit, employees, locations

The SHS Group is based on a private trust model. Montan-Stiftung-Saar holds a majority stake in the operational management holding company SHS - Stahl-Holding-Saar GmbH & Co. KGaA, which is based in Dillingen. SHS holds the majority of the shares in the capital of Saarstahl, Völklingen, as well as in the intermediate holding company DHS - Dillinger Hütte Saarstahl AG, Dillingen, which in turn holds the majority of the capital in Aktien-Gesellschaft der Dillinger Hüttenwerke, based in Dillingen.

The Montan-Stiftung-Saar trust is a private industrial foundation whose model is based on maintaining and strengthening the two large steel groups in Saarland – Dillinger and Saarstahl – and thereby securing jobs in the region.

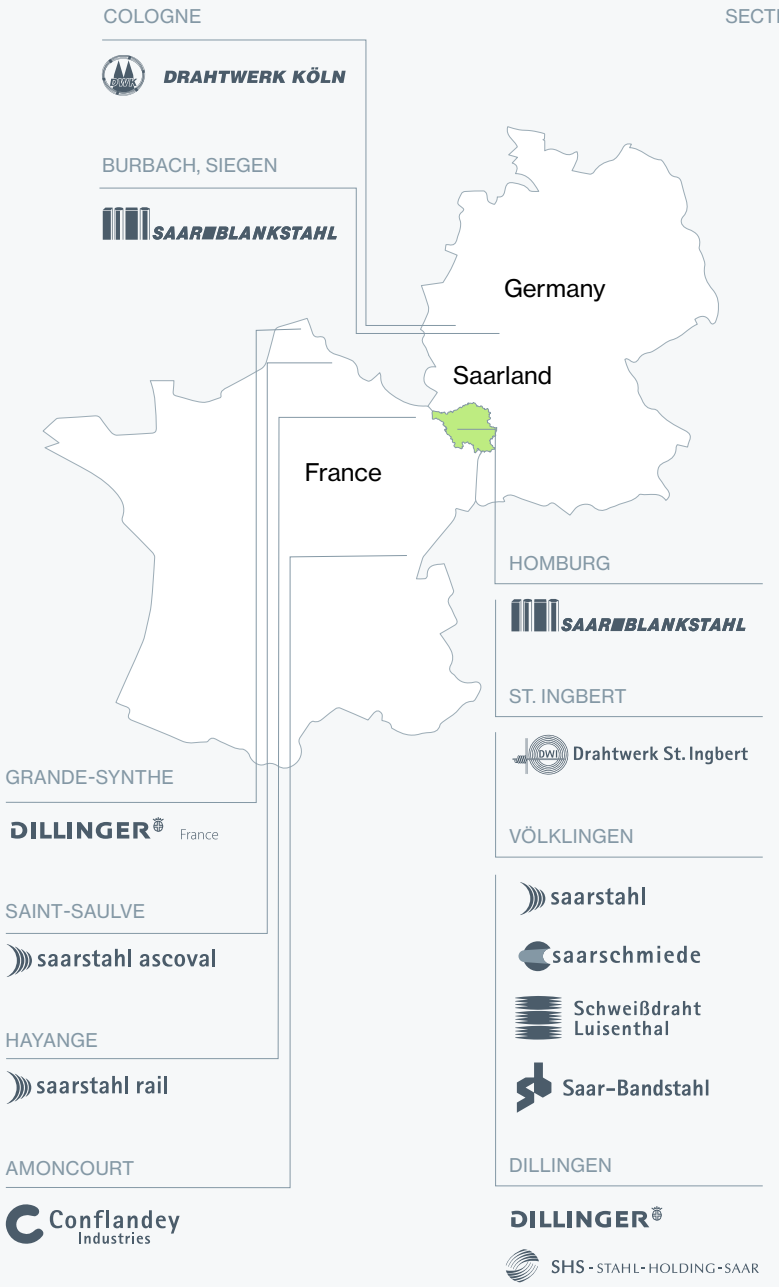


The shareholder structure ensures that corporate management and control – and thus the important economic decisions as well as the strategy and structural alignment – remain in the hands of the companies. The focus of the trust model is also on promoting scientific research and vocational qualification training as well as on fostering environmental protection projects. With the establishment of the InnovationsCluster 4.0 in 2022, the Montan-Stiftung-Saar trust is systematically continuing to pursue its objective. The cluster is an alliance of Saarland University (UdS), htw saar, the German Research Center for Artificial Intelligence (DFKI), the Fraunhofer Institute for Non-Destructive Testing IZFP, the Leibniz Institute for New Materials and the Center for Mechatronics and Automation Technology (ZeMA), as well as trust subsidiaries Montan-Innovation-Lab-Saar GmbH and Montan-Ventures-Saar GmbH. The trust supports the cluster through its companies with up to EUR 10 million per year. “This innovative combination of science and economics will be used to convert research results and research assignments into new products and new business models. The Montan-Stiftung-Saar aims to bring together highly educated young people in Saarland on a new platform and thus support their creative business ideas. The aim of the cluster is to promote the transition to a sustainable and stable economic region along the Saar river. The trust is convinced that innovation is the basis for an economically successful future.

The steel industry in Saarland: A key industry with a long tradition

The two large companies of the SHS Group look back on a long and proud tradition dating back in part to the 16th century (Saarstahl’s Neunkirchen site) or the 17th century (Dillinger). Today, the high-tech plants of Dillinger and Saarstahl are a significant economic factor in the region and the companies are committed to living up to their storied histories. With around 13,000 employees and roughly 530 apprentices, they are by far the largest employer and training company in the region and thus a key industry for Saarland’s economy.

The companies of the SHS Group live in, with and for the region, and have traditionally been committed to social and community issues in the region and beyond. SHS has for many years supported specific projects and events in the (greater) region, as well as in the communities surrounding the respective company sites.



The companies assume a special responsibility for the employees and their families. They offer employees skilled jobs that provide the chance for a secure, long-term livelihood. As an operational holding company, SHS has been responsible since 2010 for central functions for Dillinger and Saarstahl, including strategic management, finance, human resources, communications, marketing, purchasing and logistics. The two subsidiaries Dillinger and Saarstahl are however directly and independently responsible for the essential functions of steel production and sales. SHS itself has around 918 employees.

Dillinger and Saarstahl are linked in many ways, and since the restructuring in the 1980s, have shared hot metal and coke production, which has been concentrated at the Dillingen site in the operation of a coke plant and two blast furnaces. This first part of the value-adding process is performed by ZKS Zentralkokerei Saar GmbH (ZKS) and ROGESA Roheisen- und Rohstoffgesellschaft Saar mbH (ROGESA), both based in Dillingen. Dillinger and Saarstahl each have a 50 percent shareholding in these companies and are supplied through them with hot metal, which enables them to produce various steel products in their respective steelmaking and rolling mills.

The companies have committed to the goals of the Paris Climate Agreement and want to producecarbon-neutralsteel by 2045. To achieve this, the companies are focusing within the framework of the Power4Steel project on the use of hydrogen, electric steel production and the recycling of steel scrap. The path was cleared for the restructuring of steel production on the Saar in December 2023: The European Commission reached a groundbreaking decision for the SHS Group and approved the funding of Power4Steel by the federal and state governments to the tune of EUR 2.6 billion.

In October 2024, SHS and its subsidiaries Dillinger, Saarstahl and ROGESA awarded the key contracts for the direct reduction plant (DRI) and the two electric arc furnaces (EAF). Following the funding commitments from the federal and state governments for Europe's largest decarbonization project, placement of the order for the central components is a major milestone on the path to a "green" future for Saarland's steel industry. The total investment for the conversion to "green" steel production, including environmental design, infrastructure and logistics measures, amounts to around EUR 4.6 billion.

The direct reduction plant will supply reduced iron pellets to the two production sites in Dillingen and Völklingen. The plant at the Dillingen site will have an annual production capacity of around two million tons of direct reduced iron and is based on innovative Midrex Flex technology, which offers the flexibility to work with varying ratios of natural gas and hydrogen. Plant construction firms Primetals Technologies, Midrex Technologies, Inc. and the DSD Steel Group have been commissioned to build the plant.

In addition to the DRI plant, the contracts for the electric arc furnaces (EAF) for Dillinger and Saarstahl have also been awarded. These plants will produce CO_2-reduced steel from the iron pellets produced in the DRI plant with the addition of steel scrap. The EAF for heavy plate manufacturer Dillinger is also being built by Primetals Technologies and DSD Steel Group. SMS Group was chosen to build the EAF for wire rod and bar manufacturer Saarstahl.

The DRI plant and two electric arc furnaces are the core components of the decarbonization project of Saarstahl, Dillinger and ROGESA, with a production capacity of 3.5 million tons of crude steel per year. The SHS Group is thus converting 70% of its total capacity to CO_2-reduced production in just one step.

Using the first quantities of hydrogen and steel scrap, the plants enable CO_2 emissions to be reduced by up to 55% by the early 2030s. This corresponds to an annual reduction of 4.8 million tons of CO_2. These Saarland-based steel manufacturers are therefore the only companies capable already in the first step of achieving the EU's "Fit for 55" climate target by 2030, if the corresponding infrastructure and economic efficiency are in place.
Because of the complexity of the plant configuration and the additional infrastructure, SHS has carried out extensive preliminary planning for Power4Steel. As a result, an exceptionally advanced level of detail was achieved in the planning phase of the

project in order to prepare for the smoothest possible construction phase. The first plants are scheduled to go into operation in 2028/29.

With the awarding of these contracts, Dillinger, Saarstahl and ROGESA are systematically pursuing the goal of climate-responsible production in Saarland. At the same time, they are laying the groundwork for a future hydrogen economy in the Greater Region and thereby securing the future of the industrial location.

Artificial intelligence (AI) is now an important economic factor – and is becoming increasingly important. Artificial intelligence is already being used in many areas of Saarland's steel industry, such as in evaluating scrap.

With the decarbonization project Power4Steel, SHS wants to move away from the blast furnace process; climate-friendly steel is to be produced in the future with electric arc furnaces. More recycled scrap will then be needed for this. And this is where artificial intelligence can help, for example, as a process optimization measure. This laborious and manual process is supplemented with a machine learning algorithm that is able to classify scrap automatically, such as into class E1, E3 or E6 scrap.

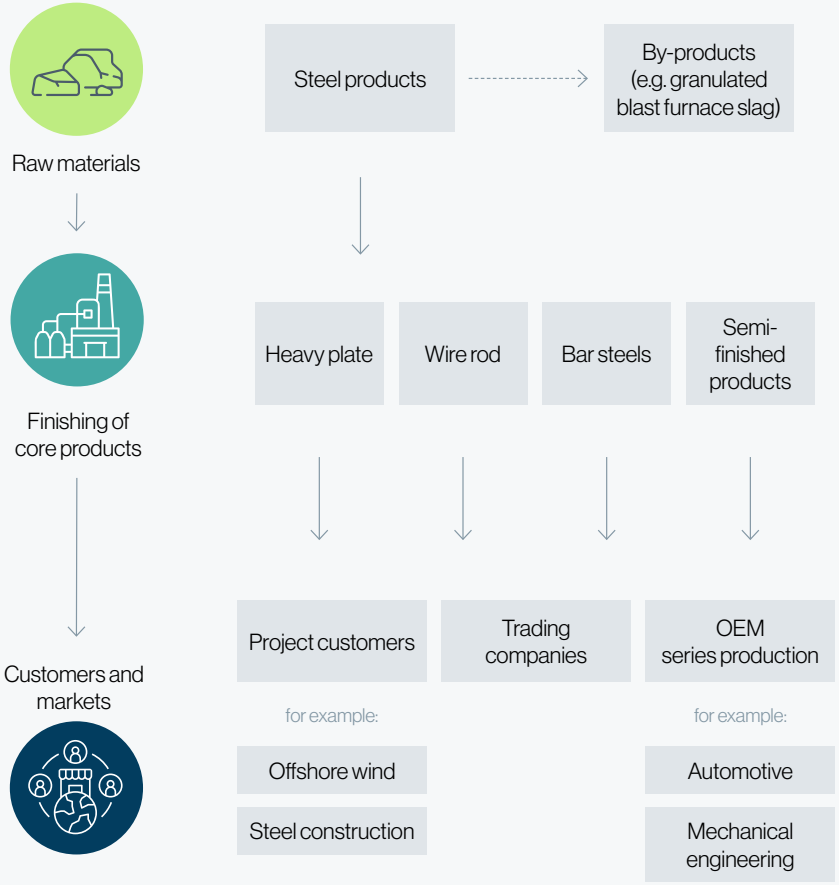
AI is integrated into almost all areas of the Group. This makes the company one of the trailblazers in Germany. According to the Federal Statistical Office (DESTATIS), only one in five companies in Germany will be using artificial intelligence technologies in 2024.

SHS invests millions in digitalization every year. The companies rely on in-house development of AI-based applications so that they do not have to hand over the data required for this to outside firms. Now more than ever, AI-based innovations could make the decisive difference in the highly competitive steel business.

Business areas
Product and customer groups

Saarstahl produces bar steel and wire rod at three sites in Saarland: in Völklingen (steel plant and 2 rolling mills), in Burbach (1 rolling mill), and in Neunkirchen (2 rolling mills). Dillinger produces at its integrated steel plant in Dillingen and operates a steel plant and a rolling mill in addition to the previously mentioned coke plant and blast furnace company held jointly with Saarstahl. Dillinger also operates a rolling mill in Dunkirk (Dillinger France). As an ex-works service, initial fabrication services such as edge milling or plate cutting can be performed on manufactured heavy plate at the customer's request.

The main customer industries for the companies are the energy sector, the automotive and construction industries, mechanical engineering, and the railway industry. Saarstahl is increasingly focused on the automotive, mechanical engineering, rail products and construction sectors, while Dillinger primarily supplies the steel construction, onshore, offshore wind, line-pipe, and hydraulic steel engineering sectors. With steel solutions from Saarstahl and Dillinger, customers all over the world are able to produce better, lighter, more reliable and more efficient products using sustainable processes and construction methods.



As a leading heavy plate producer, Dillinger sets standards worldwide

Dillinger operates worldwide as a leading manufacturer of innovative and high-quality steel products. The company's success is based on its absolute focus on the needs of its customers and on its efforts to continuously develop together with its partners. Dillinger's key markets are Germany and Europe, with a stable supplier share in international markets. Dillinger's trading, flame-cutting and pre-fabrication businesses offer additional downstream services and customized solutions for sales, plus semi-fabrication of heavy plate and other steel products.

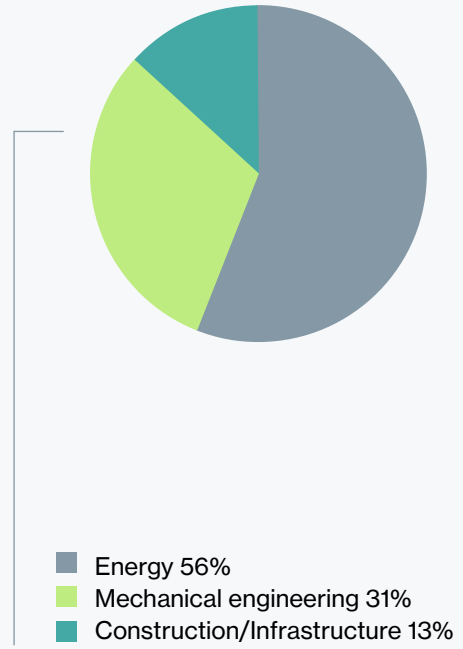
Dillinger launched operation of Steelwind Nordenham GmbH, a wholly owned Dillinger subsidiary specializing in the production of monopiles for the offshore wind market, in 2014. Dillinger itself and Steelwind Nordenham are therefore important suppliers of high-quality steel for foundation structures and manufacturers of foundation structures for the offshore wind sector. The steels supplied must meet the highest standards for strength and processing and are therefore essential for the success of the energy transition and climate reversal.

The versatility and innovative character of the high-tech plates are impressively demonstrated in customer projects. These range from elegant bridge constructions and impressive skyscrapers to huge offshore wind farms, hydroelectric power plants and architecturally unique buildings – such as the (W)rapper office tower in Los Angeles: Curved steel bands entwine the earthquake-proof building like an elegant fabric, but in reality these are elements of an exoskeleton that provide the building with important support.

With a height of 73 meters, it towers far above the surrounding buildings and commercial areas, creating a new landmark in the southwest of the city.

Another extraordinary example of the use of heavy plate from Dillinger is the DolWin 6 offshore grid connection on the North Sea coast of Lower Saxony. The plates were also used here due to their exceptional width. The DolWin kappa converter platform converts the alternating current generated by wind farms at sea into direct current and thus transmits the energy efficiently over long distances at a voltage of 320 kV. This project is a prime example of modern offshore infrastructure and a decisive step toward a sustainable energy future.

Average breakdown of Dillinger's sales by industry (2017–2021)



- Marketing companies and partners
- Steel trading (in part with pre-fabrication)

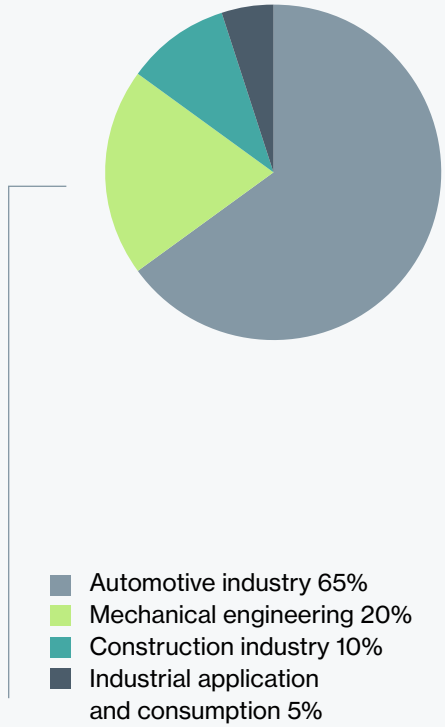
Saarstahl – premium quality wire and rod

The Saarstahl Group has enjoyed an excellent reputation for quality steel throughout the world for many decades and has specialized in the production of wire rod, bar steel and semi-finished products including tire cord, spring steel, free-cutting steel, prestressing steel, and much more. Saarstahl products are used in a wide variety of applications and sometimes under the most extreme conditions. Examples of applications include saw wire for efficient and economical production of solar modules, high-strength steels for demanding infrastructure projects such as prestressing steels in bridge and rail construction, cable armouring wire for energy transmission, innovative steel solutions required for future mobility concepts like electric mobility, and many others.

The wholly owned subsidiary Saarschmiede GmbH Freiformschmiede, based in Völklingen, specializes in the manufacture of high-quality forged products for power engineering and general mechanical engineering as well as for the application areas of high-alloy special materials.

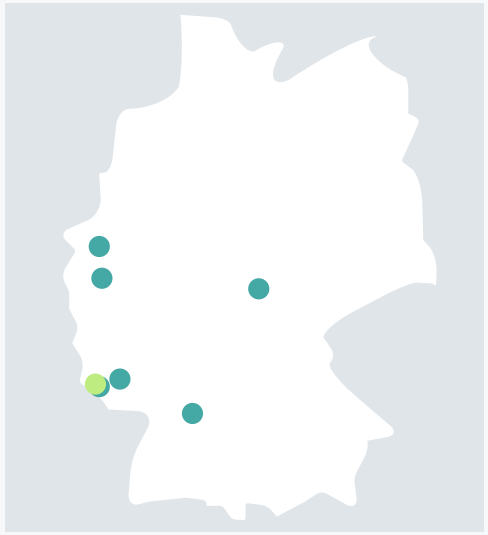
The Saarstahl Group also includes the Saarstahl Ascoval electric steel plant in Saint-Saulve, France, and Saarstahl Rail plant in Hayange, France. With these two plants, Saarstahl is already able to produce CO_2-reduced rails and is making an important contribution to the success of the mobility transition.

Both steel producers are active worldwide and valued as manufacturers of technologically advanced and high-quality products. They invest continuously in construction of new plants and processes and in modernizing existing ones, in their own innovation management, and in their own research and development activities to market new products and improve processes and methods. This involves working internally in interdisciplinary teams of experts, as well as working externally with various research and university institutes. An important focus of all investment measures in general is on measures that protect the environment and that serve to improve the noise or emissions situation, to increase resource conservation or to improve energy efficiency.

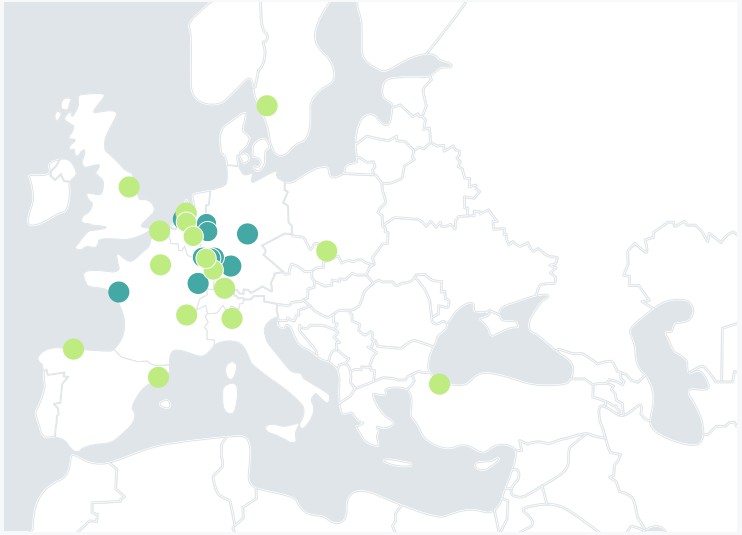


Marketing companies and partners

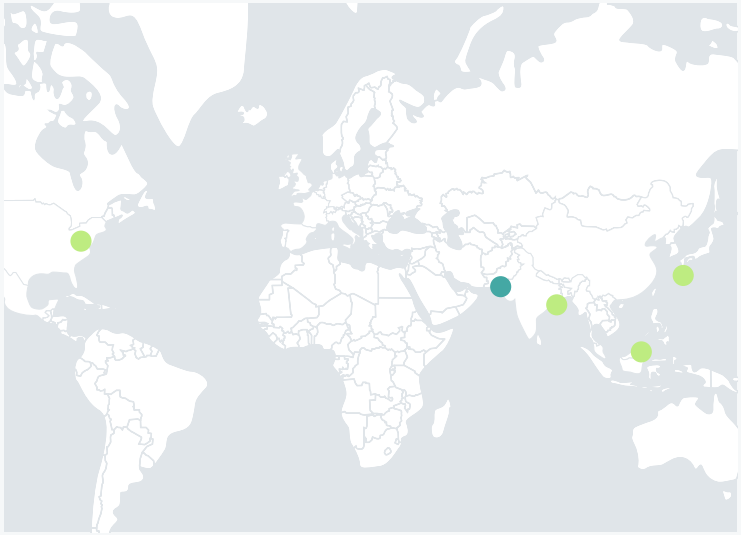
Steel trading (in part with pre-fabrication)



GERMANY



EUROPE



WORLDWIDE

The companies invest equally in socially compatible and responsible human resources work, in the qualification and professional development of their specialized employees and managers, and in the know-how and requirements arising from digitalization as well as from the transformation to production of “green” steel.

Saarstahl’s portfolio includes more than 1,500 steel grades for a wide range of requirements. With its innovative products and intelligent technologies, it is thus helping find answers to global challenges in areas such as mobility, energy efficiency and safety. As a company with international operations and a well-developed sales network, Saarstahl is available to customers worldwide and, thanks to its globally operating sales and transport network, the company can deliver its steel to over 50 different countries. The Saarstahl Group furthermore includes a number of subsidiaries in the area of fabrication, including the wire and bright steel segment.

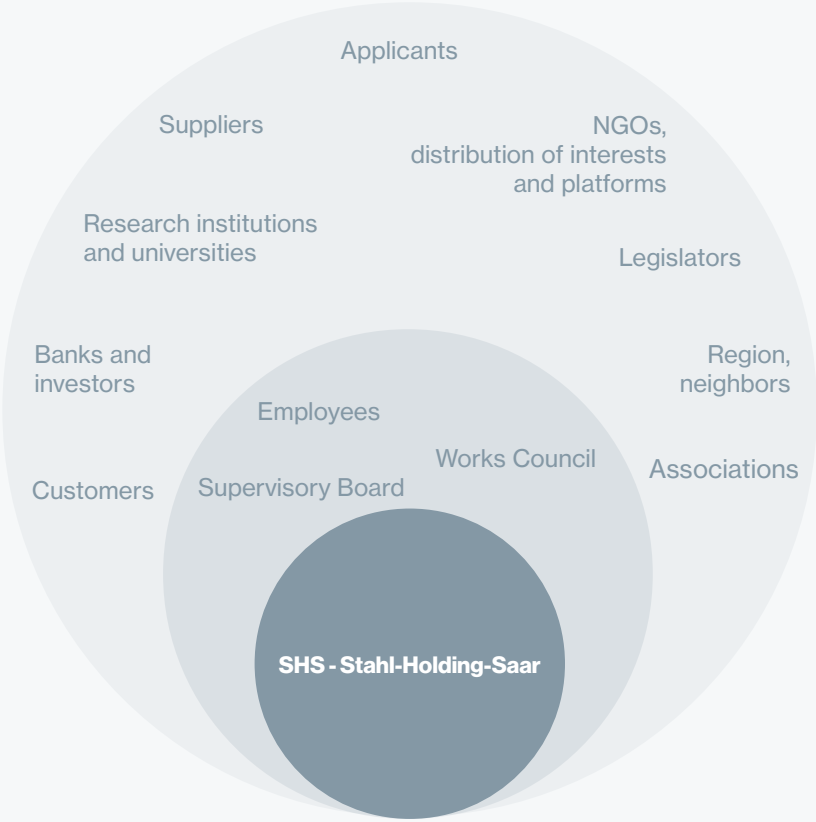
Section 2
Vision, strategy and management

Stakeholder groups

The productivity and success of the SHS Group are determined by sustainable and responsible business practices with respect to employees, the environment, society and the region. The interests of various stakeholder groups are influenced in a variety of ways by our business activities. As part of our sustainability reporting, the following interest groups were identified as key stakeholders by an interdisciplinary project team for the preparation of the Sustainability Report in the form of a consultation.

As a key industry, SHS Group companies are strongly networked with their stakeholders and pursue the goal of open, fast and transparent communication. Continuous dialog with stakeholders is ensured through the various corporate divisions. These are also suitable forums for identifying risks and opportunities and for identifying common goals with regard to key sustainability issues, among other things. This is accomplished regularly and in very concrete terms, such as via customer days and satisfaction analysis, visits to and participation in trade fairs, supplier audits and surveys, employee interviews, and various public events. Both Dillinger and Saarstahl frequently open their doors for company tours, with several thousand visitors per year and with widely ranging groups of participants, including school and university student groups, representatives of NGOs, politicians and journalists.

Saarstahl and Dillinger hold Training Days each year, during which the training workshops are open to interested individuals, and apprentices and trainers are available to answer questions.



Events such as the opening of the new training center at Dillinger Hüttenwerke AG and renovation of the training center at Saarstahl AG are celebrated together with representatives from vocational schools, the local press, associations and chambers, and the internal stakeholders. The modern training centers are examples of our ongoing investment in our technical and human resources as well as of our organizational efforts to ensure successful initial career training.

In the scholastic area, an educational partnership with Wissensfabrik e. V. has led to collaborations with schools such as Schule am Römerkastell in Dillingen and Südschule in Sankt Ingbert. In addition, the companies in Saarland's steel industry have been cooperating for many years with the research and technology center for youth at the "MINTCampus Alte Schmelz e. V." in Sankt Ingbert and the Schülerforschungszentrum student research center in Saarlouis. SHS believes that young recruits who are enthusiastic about mathematics, informatics, natural science and technology (MINT) are the key to ensuring the future innovative strength of the companies.

A partnership was also launched in 2025 with Didactic Innovations GmbH, a science-related institute with which SHS is conducting a study of learning culture to gain even better understanding of how learning content needs to be prepared to best match the learning skills and opportunities of employees.

The aim of the partnership is also to keep existing eLearning courses up to date with respect to methodology and technology.

For many years now, an intensive stakeholder dialogue has also been taking place in the context of energy and climate policy. In light of the current issues of decarbonization and the central role of the steel industry in the energy transition and climate reversal, many discussions are being held directly as one-to-one meetings or at the association level, in various forums with policymakers in Brussels and Berlin, and at the state level. With the opening of its own office in Berlin, SHS is intensifying its public affairs activities in 2025 and aims to maintain a dialog with the relevant stakeholder groups on site. The objective is to represent the steel industry's position on the successful transition to climate-neutral production and on maintaining its status as a key industry for Germany and Europe as locations for business.

SHS is involved in selected initiatives and cooperative projects to establish a local and supra-regional hydrogen economy. For example, a contract was concluded with the grid operators Creos Deutschland GmbH and Na Tran SA to build the cross-border local pipeline network MosaHYc. This infrastructure forms the basis for the future use of hydrogen and is the starting point for connecting to higher-level hydrogen networks. SHS is also actively involved in alliances and interest groups to promote hydrogen infrastructure projects at the national and European level (e.g. H_2ercules, Hydrogen Europe, Grande Region Hydrogen or H_2Med Southwestern Corridor). SHS plays a particularly key role in the region and works closely with the state-owned Saarland hydrogen agency H_2Saar to inform citizens and interested parties about hydrogen activities in the steel industry.

Representatives of the SHS Group take part in many discussion forums on the topics of steel, energy, hydrogen, sustainability and CO_2 emissions, including the regular "Steel Dialogues" in Berlin, where representatives from politics, business and NGOs are also present. In addition, the companies of the SHS Group are active in discussion events with school and university students and representatives from science, including in various research partnerships such as that with Saarland University. An essential component of the SHS Group's communication is the dialogue with our customers. Dillinger and Saarstahl continuously inform their customers about current developments and their products. In addition to personal contacts in the sales area, communication also takes place via the Group's website. Reports (financial and non-financial), customer information letters, safety data sheets, guidelines and many other documents are available for download there. Our customers can also find news about products or investments in equipment in the "News" section. To eliminate any negative impact of its products on ecological systems or social components for the customers of the SHS Group, SHS has set up

dedicated departments to monitor current national and international developments in sustainable legislation. To this end, laws, directives and regulations are examined for their relevance and applied in the company for specific products.

Customers are informed about the above issues and any implications via letters specifically for this purpose. Among other things, information on the following topics is available on the Dillinger and Saarstahl websites: radioactivity, REACH (incl. SCIP letter; the Group also has a REACH officer), conflict minerals, GADSL, RoHS and CLP. Handling of hazardous substances is nationally regulated throughout Germany in a number of Technical Rules for Hazardous Substances (TRGS). In addition, Occupational Health and Safety prepares safety data sheets for customer safety which are likewise sent to our customers and can also be viewed on Group websites. These include references to safety information (REACH), CLP and non-hazardous steel.

Materiality analysis – sustainability issues

The companies of the SHS Group have used a materiality analysis to identify relevant sustainability topics for sustainability reporting. This analysis was repeated during auditing of the report and came to the following conclusion:

- Sustainable production
- Employees
- Environment
- Energy
- Sustainable research and development
- Compliance

These identified topics form the basis of this Sustainability Report and have been supplemented with some useful information. A comprehensive benchmark analysis was performed to determine the report's content. The key topics for our competitors were identified, prepared and compiled for this purpose. After coordination by the Sustainability Report project team, the GRI standard was again selected as a reference basis and the corresponding key topics were defined from this.

The concerns of our stakeholders are important to us, which is why we want to continue to align our reporting with the key issues of these groups.

The productivity and success of the SHS Group are determined by sustainable and responsible business practices with respect to employees, the environment, society and the region. The sustainable corporate policy of the SHS Group is therefore characterized by

- operating in an efficient and resource-saving manner through numerous measures and investments to improve environmental protections and the efficiency of energy use, to recycle by-products and to reduce emissions,
- a responsible human resources policy geared to occupational health and safety as well as high social standards,
- internal improvement processes that bring the principles of sustainability and safe conduct to each workplace and each employee,
- securing and expanding the technology leadership of Dillinger and Saarstahl through investing in new equipment and modernizing existing plants as well as through developing innovative products and processes,
- establishment of a dedicated innovation management system throughout the Group,
- procurement geared to security of supply and environmentally beneficial modes of transport,
- securing know-how through knowledge transfer and strong training and professional development.

If the mechanical engineering sector were to replace its German steel supplies with imports from China, carbon emissions in the corresponding value chain would increase by 13 million tons.

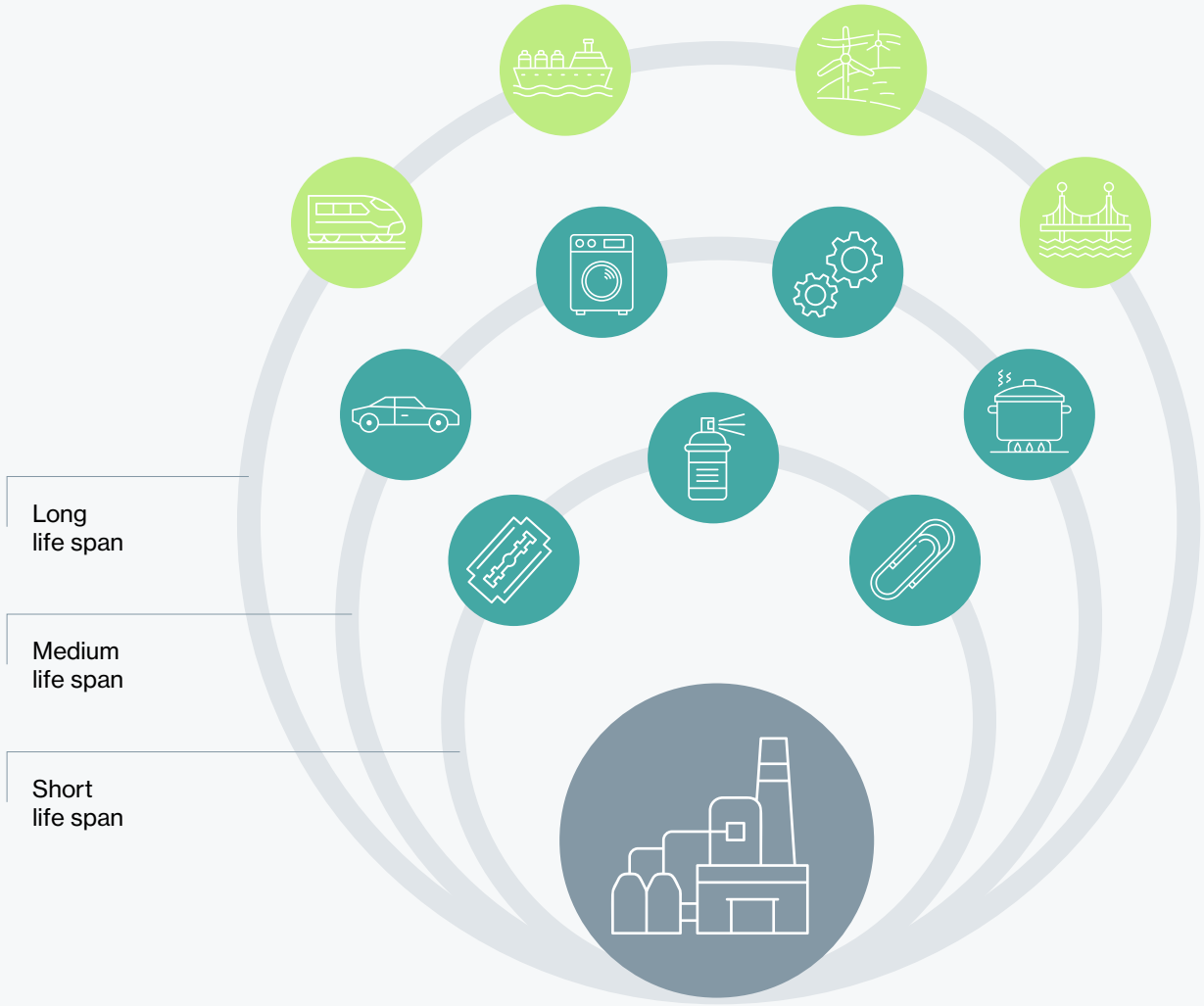
Our steel: Important for environmental and climate protection

Climate policy targets can only be achieved with the steel industry and its products. The industry is of particular importance as a base material supplier for many value chains.

The product of Dillinger and Saarstahl – steel – fulfills the principle of sustainability more clearly than almost any other material: As the most frequently used industrial base material, it contributes significantly to protecting the environment and climate through a wide range of applications. At the end of their service life, steel products can be recycled completely and as often as required, with virtually no loss of quality, and completely returned to the economic cycle. In addition, crude steel produced in Germany sets high standards in terms of environmental and climate protection, not least in a global comparison. This has also been confirmed by an economic study commissioned by the German Steel Federation (WV Stahl). The IW Consult study published in 2022 examines the sustainability of the steel value chain in Germany and the largest competitor countries along four key UN Sustainable Development Goals. The results of the study show that German steel production has a high degree of compliance with the selected criteria in its supply chains and occupies a top ranking internationally. This has a positive impact on downstream industries such as mechanical engineering and the automotive industry.

The study uses the example of the carbon footprint to show specific figures for the industries: If the mechanical engineering sector were to replace its German steel supplies with imports from China, CO_2 emissions in the corresponding value chain would increase by 13 million tons. The situation is similar in the automotive industry. Here, CO_2 emissions would increase by 8.4 million tons. Sustainable production of renewable energy from wind, water and the sun is inconceivable without steel. Innovative steel products such as wind turbines, hydroelectric power plants or other modern power plants save six times more CO_2 than their production causes, as a study by the Boston Consulting Group showed. The use of higher-strength steels, such as in structures subjected to high stresses, often reduces material usage by up to 50 percent. Some applications for the steel produced by SHS Group companies include offshore and onshore wind power, hydraulic steel construction, high-strength steels, e.g. for efficient use of resources and lean designs for sophisticated infrastructure projects, high-strength steels to reduce weight and increase efficiency for the automotive industry (electromobility), photovoltaics and many more.

The perpetual cycle – recycling steel as a material



Source: Wirtschaftsvereinigung Stahl (German Steel Federation)

Values, vision and strategy

The SHS Group has been a member of the UN Global Compact since February 2021. Support for the ten principles of the Global Compact in the areas of human rights and labor standards, environmental and climate protection and anti-corruption is an integral part of the long-term sustainability concept of the SHS Group. The goal, as always, continues to be to integrate the principles of the Global Compact into our corporate strategy and culture as well as into our day-to-day business, and thus to apply and promote the general goals of the United Nations, in particular the Sustainable Development Goals, in all areas of the company.

Dillinger and Saarstahl have also received a gold award for their CSR activities from the international ratings agency. The EcoVadis assessment is based on a defined scorecard. This includes the criteria of the Global Reporting Initiative, the United Nations Global Compact, and the International Organization for Standardization for the areas of environment, labor and human rights, ethics, and sustainable procurement.“environment”, “labour and human rights”, “ethics” and “sustainable procurement”. The definition of specific evaluation criteria enables worldwide comparison of companies certified by EcoVadis. The achieved result places Dillinger and Saarstahl among the top five percent of the top performers in their industry category.

Our activities, both internally and in relation to third parties, are in line with the SHS Group Code of Ethics, which was developed and adopted with the SHS management and the members of the Board of Management of Dillinger and Saarstahl. We also operate within the context of a holistic corporate concept that includes assuming social responsibility with social, environmental and economic contributions from our Group.

The SHS Group’s strategy is undergoing a forward-looking and sustainable change process to increase competitiveness and efficiency as well as to strengthen customer focus. A transformation path has been developed that describes the conversion of the production route for the manufacture of carbon-neutral steel. The companies are thus securing their future viability. Environmental protection, the health and safety of employees and corporate social policy continue to be given top priority – even in times of crisis – and are seen as an essential part of the intergenerational contract.

Environmental and climate protection, the health and safety of our employees and the social corporate policy have top priority.

Corporate management and control

Governance structure

Saarland's steel industry is based on a trust model. Montan-Stiftung-Saar is the majority shareholder in the operational management holding company SHS - Stahl-Holding-Saar GmbH & Co. KGaA. The latter is the majority shareholder of Saarstahl and of the intermediate holding company DHS-Dillinger Hütte Saarstahl AG, which in turn is the majority shareholder of Aktien-Gesellschaft der Dillinger Hüttenwerke. This is a so-called private industrial trust. As described in section 1.1, the aim of this trust model is to maintain and strengthen the steel industry in Saarland and thereby to safeguard jobs in the region. This ensures that corporate management and control – and thus the important economic decisions as well as the strategy and structural alignment – remain in the hands of the companies themselves.

Executive-level responsibility for economic, environmental and social issues

Within the context of the shareholding structure, there are directly responsible managing directors or Board of Management members for all companies below Montan-Stiftung-Saar. The Board of Management members and managing directors bear overall responsibility for all issues and decisions. Larger companies such as SHS - Stahl-Holding-Saar, Saarstahl and Dillinger have rules of procedure and a schedule of responsibilities which subdivide overall responsibility into departments, each of which is assigned to a responsible member of the Board of Management or the management. Such schedules of responsibility have been approved by the respective supervisory boards of the companies.

The following departments are defined: Chairman of the Board of Management, Human Resources, Finance and Purchasing, Sales and Transformation.

The organizational structure is mapped according to these departments, and responsibility for economic, ecological and social issues is thus clearly defined within the departments.

In February 2025, the Board of Management adopted an Environment, Social and Governance (ESG) organization for the SHS Group. As a consequence of this decision, an ESG Committee was established. The ESG Committee is chaired by the Sustainability Officer of SHS and consists of four committee members from the areas: Environmental Protection, Human Resources and Social Affairs, Raw Materials Procurement and Transformation. The ESG Committee meets on a regular basis. The tasks of the ESG Committee include: implementing the sustainability strategy, identifying and coordinating Group-wide measures, working with the specialist departments and internal stakeholder groups, providing input on the strategic alignment, reporting to and exchanging information with the Board of Management and the

specialist departments, providing information for internal and external communication, monitoring legal requirements, and providing and exchanging information with specific stakeholder groups.

The first measure offered was an e-learning training module on the topic of “Sustainability as a success factor”. The first step was to train the SHS Group’s administrative staff. Two further training modules are being planned.

Chair of the highest governance body

The Board of Trustees of Montan-Stiftung-Saar is the highest decision-making body. In line with statutory regulations, the major companies have supervisory boards that act as the highest controlling body. These supervisory bodies perform essential control functions. They decide on transactions requiring approval in accordance with the articles of association of the respective company and decide, among other things, on the appointment and dismissal of managing directors and members of the Board of Management, the purchase and sale of companies and parts of companies, and on investments exceeding an order of magnitude specified in the articles of association or rules of procedure.

Compliance

In addition to high quality standards, a central aspect of our corporate governance is achieving economic success while ensuring fair competition and taking responsibility for the environment and social concerns. Compliance with all legal and contractual requirements, standards, ethical values and internal guidelines applicable to the entire SHS Group in all countries in which we do business has always been a matter of course for us.

Compliance management

Our commitment to management that conforms to compliance standards starts at the executive level (“tone set from the top”). An interdisciplinary compliance committee coordinates the implementation of a Group-wide and cross-divisional compliance concept for the SHS Group. In addition to the preventive tasks of providing information, advice and communication, this primarily also includes responsive tasks such as supervising the whistleblower system and annual reporting to executives of SHS and the Boards of Management of Dillinger and Saarstahl. In systematically implementing the goal of compliance management (CM), to ensure that legal representatives, employees and business partners act in accordance with the rules and values in areas considered to be at risk, SHS has further developed its CM with standardized basic elements and set out the key compliance standards in written, Group-wide frameworks. We also interpret Compliance as a central task of the top management of the respective Group companies (executive responsibility). Each individual company is under an obligation to establish additional, more far-reaching rules if such should be necessary due to specific country- and/or business-related characteristics. We have based our process on recognized standards.

Compliance with internal and external rules is monitored and checked systematically and according to a schedule. Violations are monitored within the scope of applicable labor law according to the “zero tolerance” principle.

Code of Ethics and Corporate Compliance Guidelines

The applicable standard is formed by combining our values with national and international laws relating to corruption and compliance requirements, including those stipulated in the US Foreign Corrupt Practices Act (FCPA), the UK Bribery Act and the French Loi Sapin II. Protecting and respecting human rights in our own business operations and in the supply chain are core principles for the SHS Group and form the basis of our actions. The key guiding values of the SHS Group as part of our culture are documented in the Code of Ethics and in the Declaration of Principles on Respect for Human Rights and the Environment. These include the rejection of child labor, forced labor and slavery, respect for labor and environmental protection, the prohibition of discrimination and the withholding of adequate wages, the unlawful deprivation of land, forests and waters whose use serves the livelihood of the public, the prohibition of the hiring or use of untrained private or public security forces which use unlawful methods to protect a business project. In addition, we observe fair competition within the framework of legal regulations.

This also includes avoiding economic crimes and complying with competition and antitrust regulations, protecting personal rights, treating each other and our business partners with respect, the ban on donations to political parties, freedom of association and freedom of assembly, to name the most important. Additional Group compliance guidelines on specific topics supplement the Code of Ethics. In addition, our corporate principles, works agreements and employment contracts contain numerous provisions that protect personnel, including their compensation, health and occupational safety. SHS has been a member of the United Nations Global Compact since 2021. SHS has thus committed to integrating the Global Compact and its principles into its corporate strategy, corporate culture and day-to-day business, and to participating in cooperation projects that promote the general goals of the United Nations and, in particular, the Sustainable Development Goals.

Awareness measures and prevention

The CM of the SHS Group follows a risk-oriented, preventive approach. In line with the documented training concept, the awareness measures are aimed at the management of all SHS Group companies and personnel with a specific risk profile, as well as at third parties such as agents and apprentices. The measures include workshops as well as internal and external, face-to-face and online training on specific specialist topics including antitrust and competition law, corruption prevention, money laundering, fraud, data protection, IT and human rights, and are continuously developed further in line with the current legal environment and the requirements of our policies. Awareness-raising measures are supplemented with flyers, posters and intranet articles on current topics. At the start of the work or business relationship, our personnel or business partners receive the Code of Ethics and are subjected to due diligence processes, including sanctions list screening and a risk analysis. The company management and senior executives have specifically committed to conduct themselves in accordance with our values. Our suppliers also receive the SHS Group's Code of Conduct on Sustainable Procurement and the Declaration of Principles on Human Rights and the Environment. They are contractually obliged to comply with human rights due diligence obligations and are audited as required. In addition to risk management relating specifically to the Supply Chain Due Diligence Act (LkSG), other compliance risks are also analyzed annually across the Group and reported to the management. Specific preventive and remedial measures are developed from the findings of the risk analyses. The whistleblower system offers employees, business partners and third parties worldwide the opportunity to submit anonymous reports. Special training is provided on how the whistleblower system works, the reporting topics and the rights of whistleblowers. As a consequence of previous legal proceedings, the compliance management system was further expanded and new control mechanisms implemented. There were no data breaches relating to customer data in the reporting period and no substantiated complaints in this area.

No breaches of regulations and/or voluntary codes of conduct in connection with product and service information and labeling were reported via the whistleblower procedure. The is also the case for violations of regulations and/or voluntary codes related to marketing and communications, including advertising, promotion and sponsorship.

No fines or non-monetary sanctions were imposed on the organization in the reporting period.

Section 3
Objectives

Our corporate culture serves the well-being of all

The objective of SHS, Dillinger and Saarstahl is to be able to work together to grow, to operate flexibly, and to strengthen competitiveness in their respective markets. To this end, customer-focused innovations that represent a competitive advantage are advanced and a transformation path toward the production of green steel is being pursued. The SHS Group is convinced that these objectives can only be achieved sustainably in harmony with economy and ecology, and that they have led to measurable sustainability. Comparable figures are provided in the fact sheets and are presented over multiple years as well as discussed and explained in the respective sections. Many of the overarching objectives cannot be expressed in absolute figures, depending on the company and the specialist areas. However, in addition to the values in the respective management systems, we would also like to discuss some individual objectives in relevant sustainability areas here.

Objectives and measures

Over the course of the next few years, it is our aim to ensure our companies achieve progress through sustainable action and thus to expand this Sustainability Report to include further relevant points and sustainability topics. The following projects are currently ongoing in relevant sustainability areas:

Environment and energy

With the establishment of the Energy Efficiency with Steel (ESTA) network in 2017, Saarland's steel industry is supporting the federal government's "Energy Efficiency Networks" initiative. After operating for three years, the network successfully achieve positive results: Saarstahl, Dillinger and the affiliated companies are able to achieve energy savings of around 29,500 megawatt hours per year. This means an annual reduction of approx. 11,750 tons of CO_2. Dillinger and Saarstahl invest continuously in environmental protection measures. The following projects were completed in the reporting period:

- Construction of a new dedusting system for the circular coolers of ROGESA sinter plant 3 at a cost of EUR 28 million, with the aim of significantly reducing dust in the area of the sinter plant and recovering industrial waste heat, thereby reducing CO_2 emissions by around 100,000 tons since commissioning.
- Construction of the coke gas injection system at the ROGESA blast furnace at a cost of EUR 14 million, partially replacing carbon with hydrogen as a reducing agent and cutting CO_2 emissions by 140,000 tons.
- Construction of a compressed gas storage facility for pure natural gas and conversion of the walking beam furnaces to natural gas at the Saarstahl plant in Neunkirchen for an investment of around EUR 8 million. This is associated with a 5 percent reduction in energy consumption at this site.

Labor and social affairs

- A Group-wide sick leave analysis with measures and workshops derived from this analysis while incorporating company integration management to achieve a sustainable reduction in sick leave levels.
- Prev@work: Addiction prevention, counseling and lectures targeted at educating and raising awareness among apprentices.
- A talent pool based on a Group-wide talent management system is being established within the SHS Group in order to specifically identify and promote promising management talent.
- Group-wide transfer coaches to ensure succession planning and secure know-how.
- Occupational safety has top priority and aims to achieve accident-free operation. The accident figures are therefore to be further reduced – as in previous years – through measures such as “15 minutes of safety”, the daily safety talk or the “Come Along with Dillinger” seminar series, which was introduced at Dillinger in 2018.

Compliance

- A Group-wide risk analysis using an IT tool will point to significant future developments in all relevant compliance areas on an annual and ad-hoc basis. Supported by compliance monitoring, the aim is to even more efficiently identify and prevent significant threats.
- In addition to the training already provided to managers regarding the General Equal Treatment Act (AGG), 100 percent of all employees involved in purchasing and procurement processes are to receive training over the next few years on the human rights and environmental risks defined in the Supply Chain Due Diligence Act (LkSG) which concern them. It is important here to integrate the onboarding process into the HR processes.
- Knowledge of all relevant legal requirements in the area of corruption prevention and cartel avoidance is essential when choosing our business partners and agents. The in-house training courses will be available to them as required.
- Continuation of the series of compliance information brochures: Publication of Compliance Signposts (Compliance-Wegweiser) No. 13–16 on various compliance topics.

Integrated management system

The companies have an Integrated Management System (IMS). For Dillinger and Saarstahl, this combines Quality Management (ISO 9001, at Saarstahl also IATF 16949), Environmental Protection Management (ISO 14001), Occupational Health and Safety (ISO 45001), Energy Management (ISO 50001) and Safety Management in accordance with the Hazardous Incident Ordinance (applicable to the coking plant and blast furnace area as well as the gasometers in Völklingen and Burbach). The IMS governs strategic responsibility and operational practices for these task areas across all company operations. All areas are regularly reviewed in internal and external audits. The management systems in all certified business units are evaluated annually by the Board of Management as part of the management review. The aim is to continuously improve the suitability, appropriateness and effectiveness of the management systems. For each management system, the company's primary aims and areas of focus are formulated in policy statements and guidelines.

The management systems are described in detail in the manuals and further process instructions of the integrated management and involve all employees of the companies. In addition, the products and production processes of both companies are approved or certified by numerous national and international associations. All products are manufactured in accordance with agreed customer specifications or with reference to standards and are delivered to our customers with the corresponding mill test certificates attesting to their compliance. The integrated management manuals and other quality documents are stored in the Integrated Management System (IMS) and serve as a framework for all processes. Quality-relevant input materials from suppliers are inspected in accordance with the inspection plans, e.g. in the form of certificates/visual inspections.

Section 4
Employees

Employees

We create an employee-oriented corporate culture in which we require and foster trust, diversity, change and the assumption of responsibility. The culture is continuously being developed further in this spirit as a symbol of a Group-wide identity. We value the individuality of our employees and their abilities, regardless of gender, age, origin, religion, sexual orientation or any impairment, and we create the conditions for equal opportunity and work that protect health and are aligned with phases of life. SHS's joining of the "Diversity Charter," the largest employer initiative to promote diversity in Germany, makes this clearly visible to the outside world. The initiative is committed to a working environment that is free of discrimination, in which all employees are valued – regardless of age, origin, gender, ability, religion, sexual orientation and social background.

Employment, working conditions and employee rights

As manufacturers of high-quality technical products, an important success factor for Dillinger and Saarstahl, in addition to their state-of-the-art plants and processes, are qualified and motivated employees. The company is therefore investing in a social and future-focused HR policy. This is aimed at using appropriate measures to offer employees a secure workplace and fulfilling jobs, as well as to ensure the company's long-term competitiveness. Central concerns here have for years included further improving occupational safety and promoting good health as well as fostering young talent, with which a possible shortage of skilled workers resulting from demographic change is being countered.

In line with the company's strategic requirements and its own drive for continuous improvement, the Human Resources Office is undergoing an extensive organizational, personnel and methodological overhaul in 2025. The focus here is primarily on supporting the upcoming transformation tasks, but also on steadily advancing digitalization to facilitate work processes and strengthening activities in the areas of HR strategy and personnel development.

The success of the human resources work is reflected in the consistently good to very good number of applicants for vocational training at Saarstahl and Dillinger, a low turnover rate, and employees who have been with the company for many years, with an annual three-digit number of long-service employees. The general collective agreement for workers and employees in the iron and steel industry in Saarland applies to employees. In addition, a large number of collective issues are regulated by works agreements between the employee representatives and the employers. Every employee has the right to visit the Works Council, the representative for severely disabled persons or the youth representative during working hours, after consulting with their superior (reasons for the visit do not have to be given). Corporate employee codetermination is governed by the Works Constitution Act (Betriebsverfassungsgesetz) and, in the case of supervisory board appointments, by the Coal, Iron and Steel Codetermination Act (Montanmitbestimmungsgesetz) of 1951. As a family-friendly company, fostering the compatibility of family and career is important to us. Since 2013, employees of the SHS Group have had access to three daycare centers for their children, which were initiated, built and financially supported by the companies and are located near company sites.

Another service is the company’s social counselling service, which serves as a point of contact for employees in special personal situations and offers advice and support.

Dillinger and Saarstahl are family-friendly companies

The saaris business development agency presented Saarland's "Family-Friendly Company" seal of quality to Dillinger and Saarstahl in 2022. The seal is awarded to companies that view family focus as an important part of their corporate culture and set goals for their own further improvement. Dillinger and Saarstahl contribute in important ways to employee pensions with a company pension scheme they co-finance and by offering a program that allows employees to divert part of their gross salary to their pension plan. A company disability insurance policy, specifically designed for the Group with advantageous collective conditions, protects members in the event of occupational disability and is subsidized by the company through an employer contribution. To be able to offer employees affordable meals close to their workplace, the SHS Group operates five staff restaurants and provides a financial contribution for the food served. Food and beverage vending machines complement the provisions and continue to be added throughout the company.

Management/human resource development and career planning

The SHS Group has relied for many years on training its own strong supply of young, skilled workers. With their two modern training centers, Dillinger and Saarstahl are among the most important training providers in the region. The company invested around EUR 6.5 million in the construction of a new training center at the Dillingen site. Its opening was celebrated in 2024. Around 130 apprentices, interns and cooperative (dual work-study) students are recruited each year. Dillinger and Saarstahl provide training in around 18 vocations and generally hire their apprentices after they have completed their training. Our apprentices regularly conclude their training as the best at the state or even national level. To support their professional development options, our employees are offered a wide range of continued training programs concerned with the future-focused issues of digitalization/Industry 4.0 as well as AI and lean and shop floor management. The newly installed SHS Talent Management process identifies especially high-performing and high-potential employees at an early stage and systematically supports and develops them for assuming responsible management positions.

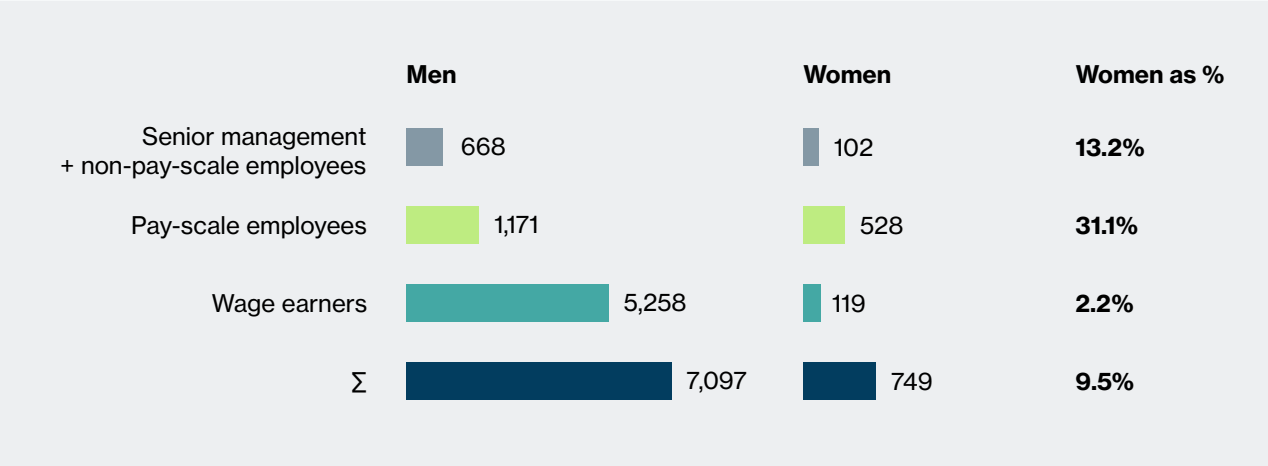
The employee performance review has been an important instrument for many years for improving the corporate culture and teamwork. The partnership-based, routine, one-on-one meeting for employees and their supervisors is held once a year and serves to focus on corporate goals and promote employee development. The employee interview is conducted with all employees and, in the technical area, up to the foreman level.

The following initiatives, aimed at strengthening and further developing managers in general and specifically for the challenges of the transformation, have been taking place since 2025: regular management workshops with dynamic, needs-based content, management coaching, themed evenings with motivational speeches and interactions, individual support, etc.

Diversity and equal opportunity

Women in Saarland's steel industry

The companies of the SHS Group have been working for many years to progressively increase the percentage of women in specialist and management positions. Nevertheless, the steel industry continues to be a male-dominated sector. This is reflected in the figures, as the following graph shows:



Gender distribution
(as of March 2025)

When considering this percentage, industry-specific, historical and socio-cultural circumstances must be taken into account. The vocational training and subsequent careers in the steel industry are predominantly characterized by scientific and technical training paths and professions. Due to the persistently low percentage of women in these training and study programs today, the proportion of female applicants interested in technical professions at steel companies remains relatively low. In addition, other factors including shift work schedules in much of manufacturing play a socio-cultural role in women's willingness to pursue such careers. Dillinger and Saarstahl are taking measures at various levels to continuously increase the percentage of women. These include a wide range of part-time employment opportunities, the possibility of childcare through the company's own three daycare centers, participation in the nationwide Girls' Day, and a continuous increase in the percentage of female apprentices. Women occupy leadership positions primarily in the administrative area. A considerable percentage of female employees and managers are represented within the context of the assumption of operating tasks by the holding company SHS - Stahl-Holding-Saar, including in the area of central staffing of functions such as purchasing, finance and legal affairs. Consequently, the share of female employees in the total workforce is significantly higher here, at around 30 percent, than at the operational steel producers Saarstahl and Dillinger and at Saarschmiede. The SHS Group will continue to intensify its concept for promoting women in the future.

The percentage of women on supervisory boards

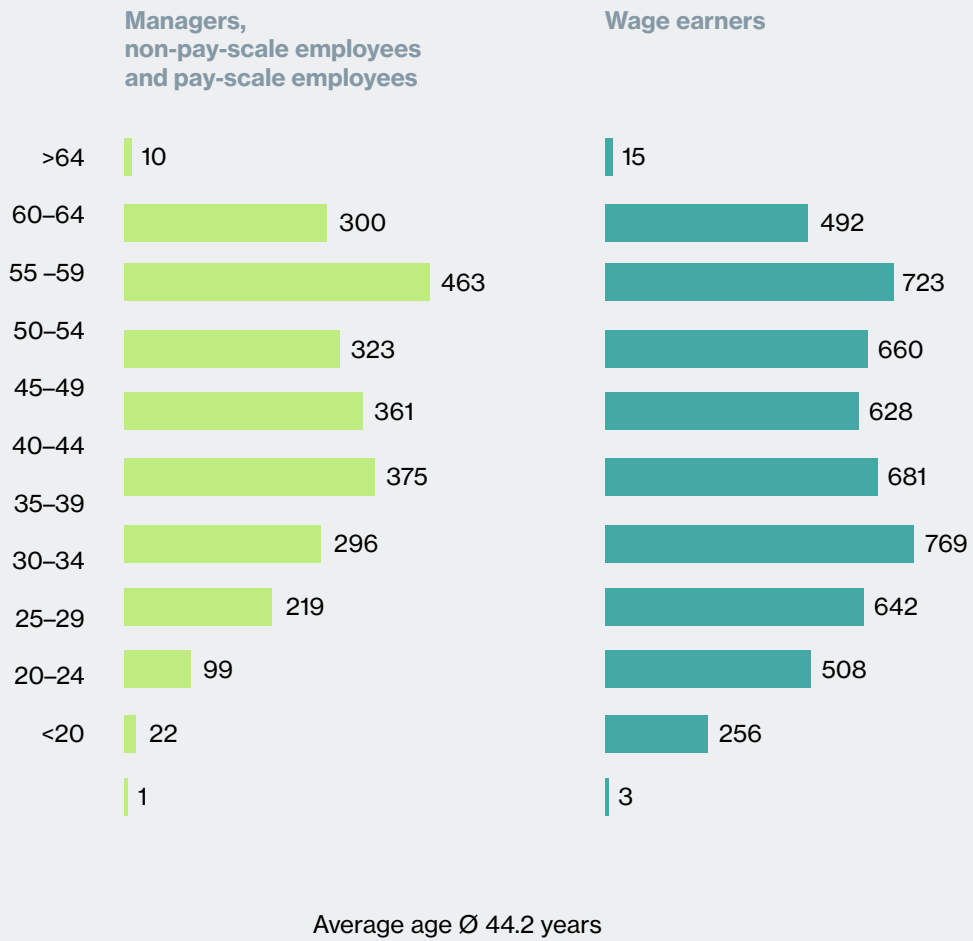
Within the framework of Section 111 (5) of the German Stock Corporation Act (AktG), the target quota of 30 percent for the percentage of women on the Supervisory Board committees was set for all companies in Saarland's steel industry (SHS, Dillinger and Saarstahl). The supervisory boards of the companies are focused on the issue when making new appointments at the Board of Management level in accordance with the German Act on the Equal Participation of Women and Men in Leadership Positions in the Private and Public Sectors (FührposGleichberG).

Age structure

There is a strong sense of identification with the company and loyalty among employees in the companies. The average age is 44.2 years. Employee turnover due to termination is at a very low level of 1 to 2 percent.

When looking at the age structure pyramid, the omnipresent, relatively stronger representation of the age group 55 and over is apparent, but it is also clear that – largely due to consistent, long-standing, and intensive training activities – the age group 35 to 54 is so strongly represented that the "top-heaviness" is noticeable, but not as pronounced as in the overall demographic age pyramid. This is particularly the case in the target group of wage earners.

Looking at the age group of over 55-year-olds among managers as well as pay-scale and non-pay-scale employees, it is also clear that, despite the still solid basis, processes such as succession planning, people and organization reviews, know-how transfer, talent management and, of course, management development must be given an increasingly important role. We take this into account in our short- and medium-term HR strategy.



Age structure
(as of March 2025)

Employees with a migrant background

The companies had already been dependent on labor from abroad during the reconstruction period following World War II. In the 1960s and 1970s, so-called “guest workers” from southern European countries and Turkey were increasingly recruited. The proximity to France and close links with the French steel industry have also ensured a mixture of nationalities in the workforce, especially at Dillinger. These measures continue to shape the employee structure in the companies today. The percentage of foreign skilled workers in the workforce is around 8 percent. In total, employees from 52 nations work together in the SHS Group.

Inclusion

Integration and equal opportunities for people with severe disabilities are part of everyday practice at the SHS Group. Disabled employee officers appointed by the companies and disabled employee representatives elected by employees are a permanent institution that represents the interests of employees with severe disabilities or employees with health impairments. The percentage of employees with severe disabilities in the total workforce in the companies Dillinger and Saarstahl is 5 to 6 percent. Collective bargaining agreements, company agreements and mutual agreements between the parties to the company ensure that the rights and opportunities for severely disabled people in the companies are safeguarded and provide for implementation and development of solutions for specific individuals. Not least, the Stahlstiftung Saarland (a joint non-profit foundation of Saarstahl and Dillinger) and the GBQ (Gesellschaft für Beschäftigung und Qualifizierung Saar GmbH) linked to it are instrumental to offering additional vocational prospects for individuals with severe disabilities or impairments who are therefore threatened with unemployment. This certified inclusion company currently employs around 200 employees.

Occupational health and safety

Maintaining the health of the employees and ensuring their safety are key objectives that are firmly embedded in our mission statement and corporate culture as well as in our processes. The overarching objectives of the company are also clearly and unambiguously formulated in policy statements and guidelines. All main locations of the SHS Group are certified in accordance with DIN ISO 45001 and are regularly checked in internal and external audits. An integrated management system governs operational practices relating to occupational health and safety across all companies. In order to minimize any fundamental risks to the safety of the employees, a specific, process-oriented risk assessment is carried out prior to the initial start of an activity. All potential risk factors are evaluated and appropriate countermeasures are implemented. The risk assessments are reviewed regularly and as warranted by events, and are updated as required. In the event of an accident, internationally recognized methods of accident analysis are applied.

An important component of the multi-stage strategy for process-based mitigation of accidents initiated in 2021 is the presence of managers on site in production. The start-up phase of the initiative includes occupational safety inspections by managers. The work processes are reviewed on the basis of the risk assessment, are discussed with the employees as the specialists on site, and are optimized as a team, if necessary. All employees throughout the Group receive regular training and instruction on occupational health and safety issues. Internal training and a guideline ensure that the employees of external companies also have adequate knowledge about safety. In addition to the elements required by law (such as occupational integration management, preventive occupational medicine, occupational health and safety in accordance with the German Occupational Health and Safety Act (ArbSchG), ASiG, etc.), the services and activities of the occupational health management system also include useful programs which are supplementary to the mandatory elements and are not required by law, such as

- company social counseling,
- addiction prevention measures,
- support services for balancing family and career, as well as
- a range of continuing education programs specifically related to health.

Numerous company sports groups strengthen the sense of community among the workforce and round out the commitment to the health and well-being of the employees.

Since the beginning of 2025, special attention has been focused on nationwide implementation of the “Care Dialogue” concept. This concept offers managers, HR departments and affected employees a high-quality structure and methodology to investigate and address conspicuous patterns in individual employee absences in a caring and goal-oriented way that enables improvement for everyone involved.

The Care Dialogue thus augments the existing standards for return-to-work interviews and company integration management.

Reducing health and safety risks is just as important to achieving our goals as is raising employee awareness and enabling them to behave in a health- and safety-conscious manner.

Section 5
Climate protection targets and EU emissions trading system

Carbon-neutral steel production by 2045

The Paris Climate Agreement was adopted in December 2015. The increase in the global average temperature is to be kept well below two degrees Celsius compared to pre-industrial levels. The aim is to achieve greenhouse gas neutrality worldwide during the second half of this century. The climate protection policy in the European Union (EU) and Germany is ambitious, and the targets are stipulated in the 2021 Climate Protection Act (2030: reduction of CO_2 emissions by 65 percent, and 2045: climate neutrality). The steel industry in Germany, including the steel industry in Saarland, stands by the Paris Climate Agreement and Germany's tightened targets and wants to make a decisive contribution to the political and social goal of reducing CO_2 emissions. The aim of the SHS Group with the companies Dillinger and Saarstahl is to reduce process-related CO_2 emissions to a technically necessary minimum in future through the gradual installation and integration of climate-friendly steel production technologies. The goal of CO_2-neutral steel production can be achieved by transforming the existing blast furnace/converter route into direct reduction plants and electric arc furnaces, and by using hydrogen and CO_2-neutral electricity in production. Achieving the ambitious CO_2 reduction targets will require massive investment in the aforementioned technical systems, and therefore also fundamental changes to the political framework. The SHS Group has defined a path to achieving the CO_2 reduction targets and will step up its research and development activities in order to leverage additional potential and ultimately achieve our ambitious climate targets.

In view of the technical challenges, however, like all steel manufacturers, the company is dependent on support from subsidies. In addition, a reasonable timeframe is needed to manage the complete switch from carbon to other, low-CO_2 reducing agents. At the same time, the international competitiveness of future climate-friendly steel production in Germany must be guaranteed at all costs.

CO_2 emissions trading and CBAM

Reforms to the EU Emissions Trading System (ETS) were agreed in 2017 as the most important element in achieving the climate targets for the fourth trading period from 2021 to 2025. The steel industry, among other sectors, is obliged to pay each year for enough allowances to offset each emitted metric ton of CO_2. The partially free allocation is based on benchmarks which – in order to create monetary incentives for decarbonization despite the risk of carbon leakage – cannot be met by even the most efficient plants in Europe. Consequently, extensive allowances already had to be purchased on the market during the previous, third trading period from 2013–2020. In the first half of the fourth trading period from 2021-2025, SHS must purchase around 15% of its emission allowances each year in European emissions trading, which corresponds to around 1 million emission allowances per year. With the increase in the CO_2 reduction target for 2030 (EU Commission's Green Deal) and the planned introduction of CBAM (border tax), free allocation is to be gradually phased out in the second half of the fourth trading period. Starting in 2034, there will no longer be an allocation mechanism for installations in the EU ETS and all CO_2 allowances will have to be procured on the market.

Science Based Targets Initiative

The SHS Group's corporate targets were validated in December 2024 by the Science Based Target Initiative, thus confirming the Group's ambitious climate protection targets. Overarching short and long-term targets in line with the principles of the Steel Sector Guidance were drawn up for the Group as a whole. In addition to the steel sector target, the remaining indirect Scope 3 emissions were also taken into account in a additional target.

Power4Steel decarbonization project and holistic CO_2 strategy

The goal of the SHS Group is to achieve a significant reduction in process-related greenhouse gas emissions, with the aim of achieving CO_2 neutrality in steel production by 2045. In the first transformation phase, which will last until around 2030, an electric arc furnace (EAF) will be built at the Völklingen site and another EAF and a DRI plant will be built at the Dillingen site. With sufficient availability of hydrogen, CO_2 emissions can already be reduced by around 55 percent by 2030 compared to 1990. The ramp-up of EAF capacity will be accompanied by a corresponding reduction in blast furnace capacity. In addition to the planned measures at the German sites, the French subsidiary Saarstahl Ascoval is already producing CO_2-reduced steel. Railway rails with a significantly reduced CO_2 footprint are produced from this material in the Hayange rail rolling mill; Saarstahl Rail is currently the only supplier of this product in Europe.

For the Dillingen and Völklingen sites, applications for approval were submitted to the Ministry for the Environment, Climate, Mobility, Agriculture and Transport for a DRI plant at the Dillingen site and an electric arc furnace for both the Dillingen and Völklingen sites (Federal Emission Control Act (BImSchG)). The permits were issued in 2024/2025. The first construction measures were started in 2024. The new production plants are scheduled to be commissioned in 2028 (Völklingen site) and 2029 (Dillingen site). Their capacity in this first phase is a maximum of 3.5 million tons of crude steel per year, obtained from direct reduced iron (DRI) and scrap. To ensure the necessary framework conditions for future production, the first steps have already been taken regarding hydrogen supply. In spring 2024, trilateral contracts were signed with the companies Creos and Na Tran for the construction of the cross-border hydrogen network mosaHYc, which is scheduled to go into operation in 2027. mosaHYc will ensure transport of hydrogen to the Dillingen site. SHS joined the alliance to establish the H_2Med Southwestern Hydrogen Corridor in the fall of 2024.

Section 6
Environment

We are investing in protecting our environment

Environmentally friendly production and environmentally compatible products are preconditions for securing the long-term existence of the SHS Group. This means proactive planning and ecological management. Environmentally conscious operation, conserving resources and avoiding burdens for the people in the region are important parts of our corporate culture. Saarstahl and Dillinger, for example, are also certified to ISO 14001, a globally recognized standard for environmental management systems. Environmental activities focus on increasing energy efficiency through energy savings, reducing emissions, reducing noise emissions, expanding internal and external recycling management, reducing waste, and improving water protection.

Implementing sustainability projects is nothing new: Dillinger and Saarstahl have been continuously investing in improving environmental protection at their sites for many years. This includes measures for noise protection and the reduction of CO_2 emissions.

Energy

Optimal steel production requires a safe and economical energy supply as well as effective and environmentally compatible use of energy. The philosophy of the SHS Group is therefore geared to pursuing the principle objective of continuously improving the energy efficiency and energy effectiveness of the systems and processes in order to reduce specific energy consumption and sustainably conserve resources.

Efficient energy use

The paramount objective of rational and therefore efficient use of energy is utilizing the process gases and waste heat produced during steel production completely and with the greatest possible efficiency. Waste heat and blast furnace gases that cannot be used in the company's own processes are converted into electricity. These plants sustainably protect the environment because their own electricity is generated from the steel industry's co-products, thus saving fossil fuels elsewhere (outside the balance limit) that would otherwise have to be burned to generate electricity. The interconnected energy system of the SHS Group's smelter sites also contributes to the extensive use of the blast furnace gases. A central energy and media dispatching system optimizes the energy and media flows between generation and consumption facilities across all sites, thus ensuring the maximum possible as well as cost-optimized use of self-generated and purchased energies and media.

Energy management systems and energy efficiency programs

All sites are DIN EN ISO 50001-certified and are therefore required to demonstrate continuous improvements in energy-related key figures and processes. Beyond this, there are also economic and ecological reasons for implementing energy efficiency measures. The companies have initiated various site-specific cost-cutting programs for this purpose that focus on energy costs and thus on energy consumption. The focus in 2021 was on two major energy efficiency projects, namely coke gas injection at blast furnaces 4 and 5 for high-hydrogen coke gas to reduce CO_2 (commissioning in 2020) and heat recovery at the circular cooler of the ROGESA sinter plant (commissioning in 2021).

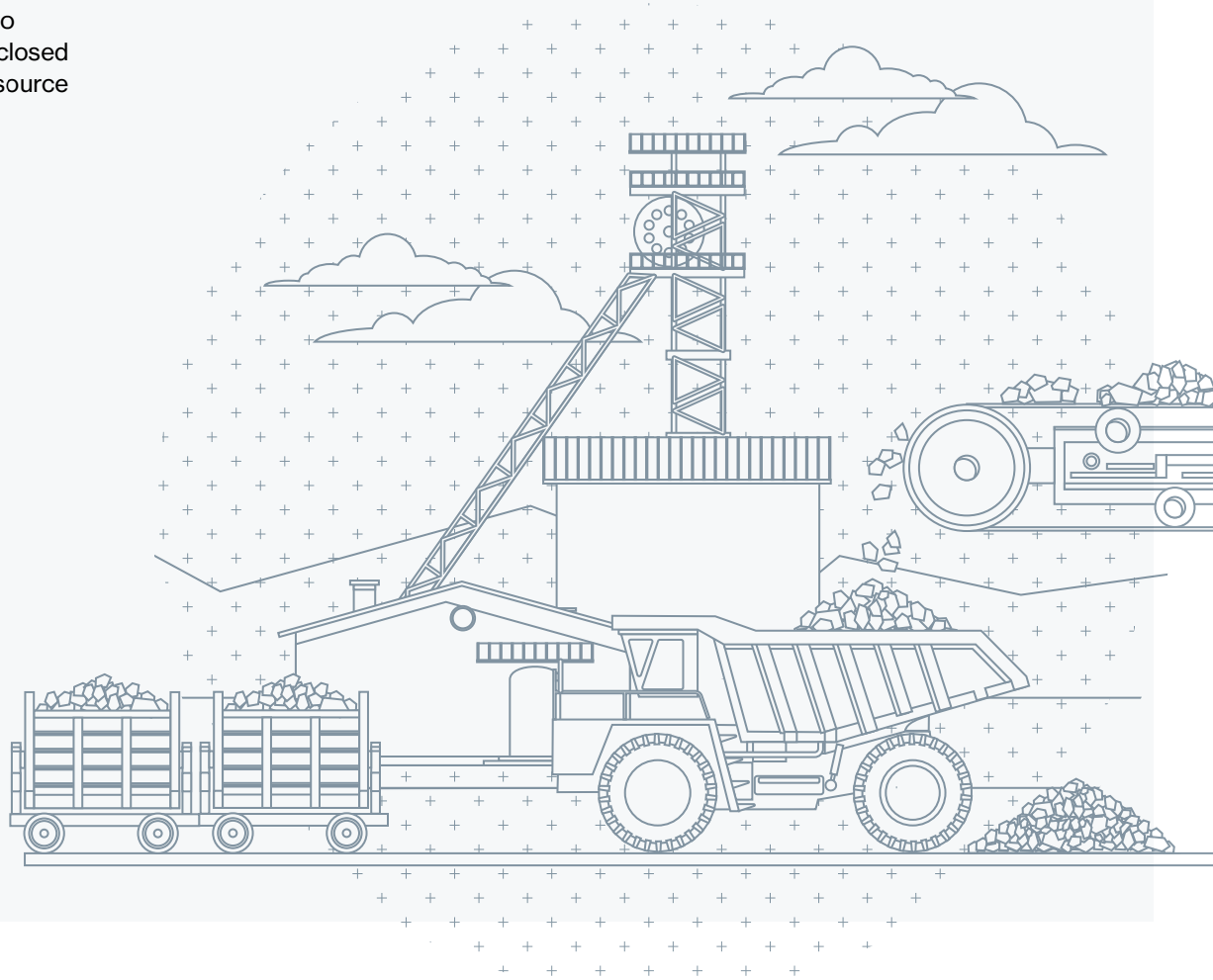
Other examples of completed measures since 2021 with energy savings (operation/investment/savings per year):

- Renewal of refrigeration plant drying HD-KG (ZKS/€700 thousand/374 MWh)
- Temperature-dependent optimization
- Pump operation (ROG/869 MWh)
- Coke-side dedusting (ZKS/1,158 MWh)
- Speed-controlled combustion air fans (WW/€2,200 thousand/4,286 MWh)
- Modernization of lighting (STW-SAG/€132 thousand/1,400 MWh)

Raw material and material use

The most important raw materials for steel production are currently iron ore, coal, limestone, alloys and scrap. In the future, the raw materials iron ore pellets and scrap will gain in importance as part of the green transformation, and the use of coal will be reduced as far as possible. The SHS Group uses these materials to produce long products and heavy steel plate, which will have a lower carbon footprint in future due to the new plants and the associated use of raw materials. In addition to the products of the main production lines, iron and steel production under defined conditions generates iron slags as mineral by-products which are marketed as a quality-controlled products throughout the Saar-Lor-Lux region or used internally as raw materials. These therefore contribute significantly as substitute raw materials to the conservation of resources.

Great attention is paid to recycling management at all locations. The aim is to establish and sustainably maintain closed material cycles in the interest of resource efficiency or a circular economy.



Emissions

In addition to carbon dioxide (CO_2), the main air emissions from steel production are sulphur dioxide (SO_2), nitrogen oxides (NO_x) and dust. The SHS Group strives to further minimize these beyond the legal requirements. Our emissions to air are constantly monitored, documented and regularly reported to the relevant authorities.

Greenhouse gas emissions

The various production processes for steelmaking (in blast furnace and electric furnace routes) produce both process-related CO_2 emissions and indirect CO_2 emissions from energy inputs. The majority of these CO_2 emissions are covered by EU ETS emissions trading and are determined in accordance with the requirements of the corresponding monitoring regulation. In addition to the following accounting concepts, the SHS Group has participated each year since 2020 in the Carbon Disclosure Project (CDP) reporting format and reports, among other things, its greenhouse gas (GHG) emissions, strategies, and climate targets. The aim of the rating by the non-profit organization CDP is to achieve the greatest possible transparency of environmental data from companies, organizations, and cities. CDP collects and evaluates the voluntarily provided data and information once a year and assesses, among other things, the climate protection strategy of our corporate group. The CDP assessment is based on eleven different categories that include business and financial planning, supply chain responsibility, governance and energy, and emissions reduction initiatives, among others.

Accounting for GHG emissions: Corporate carbon footprint

With its corporate carbon footprint, SHS reports the comprehensive carbon footprint (carbon input-output analysis) of its direct and indirect greenhouse gas emissions at the corporate level, including the subsidiary companies.

The annual update of the analysis helps identify potential for improvement in the interest of CO_2 avoidance and reduction. Reporting is based on the DIN EN ISO 14064 standard and thus on the GHG Protocol. This is useful for organizations, governments, project applicants and stakeholder parties worldwide in that it achieves clarity and consistency in the quantitative definition, monitoring, reporting and validation or verification of greenhouse gas balances or climate change projects.

The qualitative identification and reporting of greenhouse gas emissions primarily includes the following emission sources:

Scope 1
Direct GHG emissions from plant operations:

- Input materials (coals, ores, scrap, aggregates, etc.)
- Fuel supply and consumption (natural gas, heating oil and liquid gas)
- Coolant consumption
- Internal traffic and transports
- Business trips with company cars

Scope 2
Indirect energy-related greenhouse gas emissions:

- External power supply
- District heating supply

Scope 3
Other indirect GHG emissions:
Upstream:

- Purchased goods and services
- Capital goods
- Energy and fuel-related activities
- Waste
- Business trips (airplane and rental vehicles)
- Commuting of employees
- Upstream and downstream transport

Downstream:

- Processing of products sold
- Use and utilization of sold products
- End-of-life treatment of products sold

The SHS Group has been reporting its Scope 3 emissions comprehensively since 2023 as part of its CCF reporting, using emission factors from secondary sources. In addition to the direct decarbonization targets, the Science Based Target concept of SHS also includes a specific reduction target for Scope 3 reductions.

Air emissions and air pollution control
One important task in the area of technical environmental protection is to reduce emissions from a wide range of sources.

Dust
Extensive measures to reduce dust have been implemented in recent years. Over the last 10 years, a significant reduction in dust loads has been achieved. One measure, for example, is the installation of a dedusting system for the circular cooler of sinter plant 3 with heat recovery at the Dillingen site.

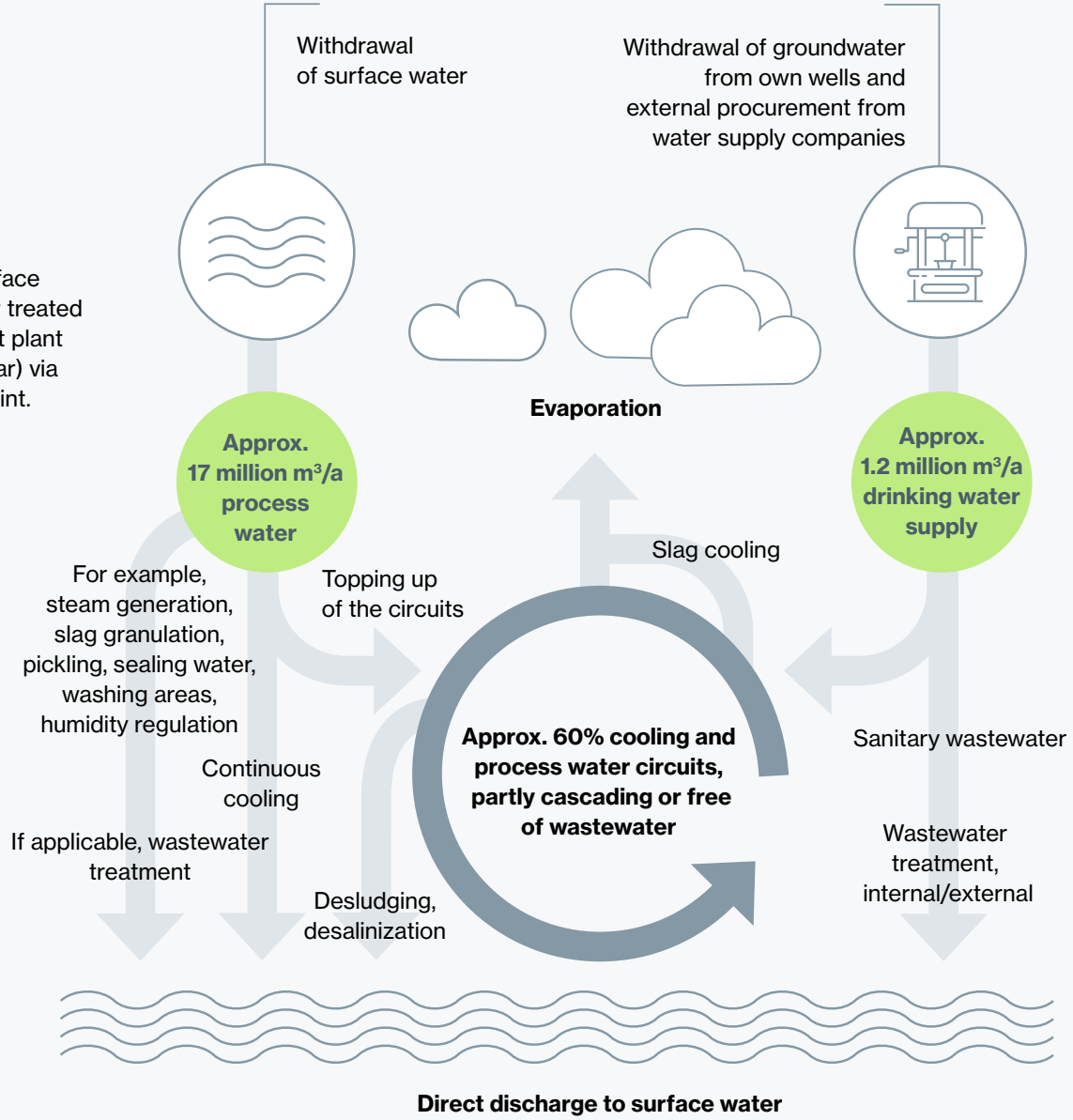
SO_2
Sulfur dioxide emissions are highly dependent on the amount and quality of the coke gas used. Refurbishment of the high-pressure gas scrubbing system at the coking plant's pulverized coal plant is an essential measure for improving coke gas quality and thus reducing SO_2 loads.

NO_x
Use of new burner technology has also enabled a reduction of NOx emissions, but specific emissions can vary greatly depending on the product. Use of the latest exhaust gas capture and heat recovery systems will further improve the emissions situation at the sites in the future. Use of a more efficient combustion air preheater on the walking beam furnace at the Neunkirchen rolling mill is just one example.

Water management

The main purpose of water as a resource is to cool production systems. The consistent goal here is optimization in the form of multiple uses and deploying water-saving techniques. The vast majority of the process and cooling water required is routed through process water circuits that minimize both the water withdrawals required and the discharge of wastewater. This intensive multiple use means that only a small proportion of the fresh water used is returned to the receiving waters in the form of treated wastewater. Precipitation water and leachate from landfills are also used for processes. As a result of their immediate proximity to receiving waters, all sites have a number of direct discharge points, all of which are environmentally monitored. ZKS in Dillingen operates its own 3-stage biological wastewater treatment plant, whose wastewater sludge is fully utilized in the coking process.

To alleviate the burden on the surface water body Prims, the wastewater treated in the biological sewage treatment plant is fed into the receiving water (Saar) via a newly constructed discharge point.



Waste management, waste disposal and waste

Circular economy, waste prevention and recycling are essential measures to achieve sustainability in waste management. This optimizes material flows and conserves raw material reserves. The primary goal of operational waste management is to avoid waste and reduce its harmfulness as well as reduce the amount of waste going to landfills. This is achieved through a waste management program that has been tried and tested over many years and is continuously and promptly revised and adapted to constantly changing legislation as well as to changing customer requirements. SHS strives to put by-products and production residues to material use and, wherever possible, to use them internally to substitute raw materials in a way that conserves resources and thus protects the environment. If it is not possible to use them as recycled materials in our own plant facilities, external cycles for material recycling are used in various industry segments.

Biodiversity

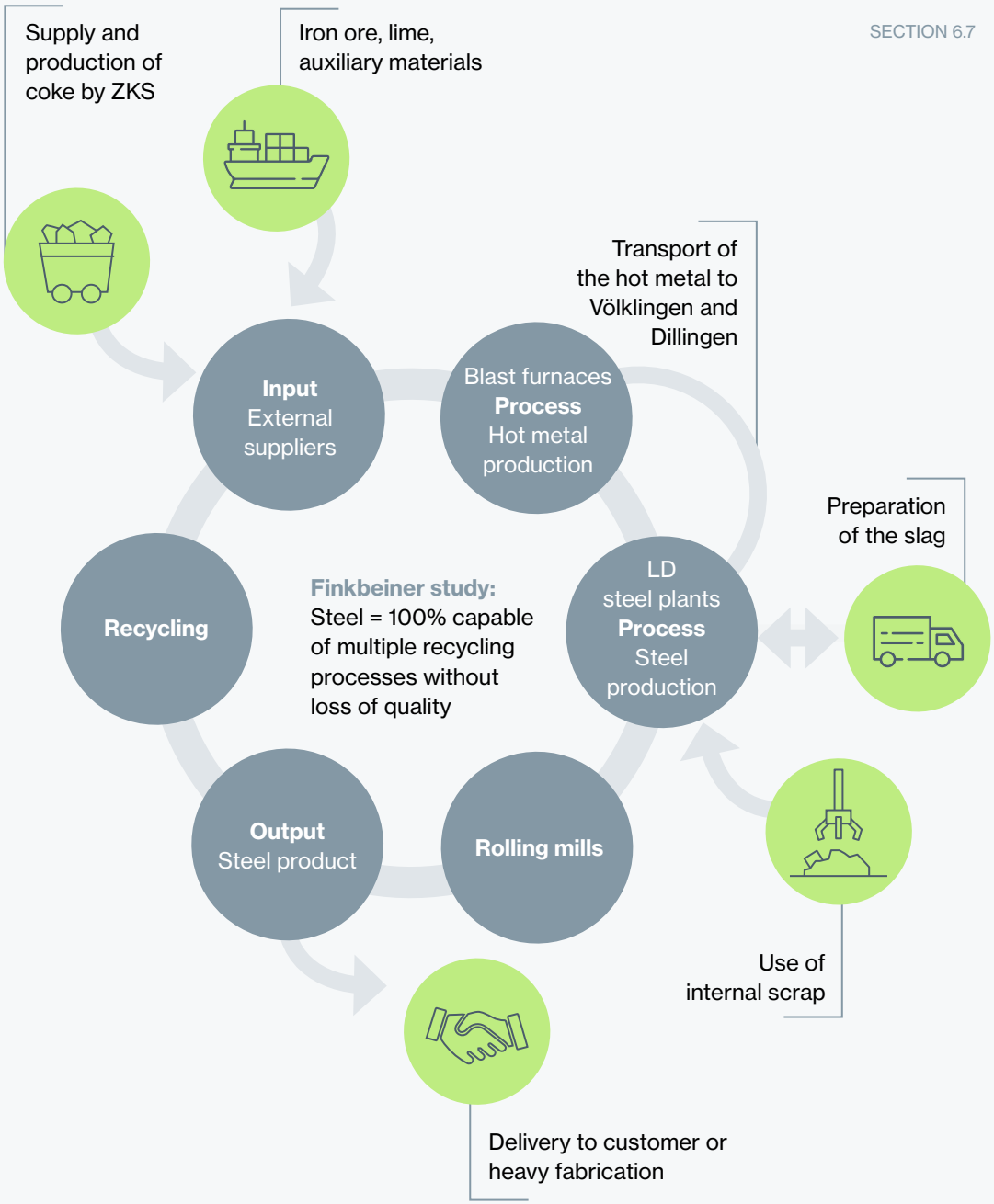
The actual plant area at the Völklingen, Dillingen, Neunkirchen and Burbach sites is 8.37 million m². Areas within these plant sites – for example, 1.58 million m² at the Dillingen site alone – are maintained, cared for and further developed as green spaces of various types and contribute directly to biodiversity. Small-scale differences in habitat conditions foster special habitats and rare regional species.

In addition, the SHS Group owns and manages approximately 4 million m² of private forest. The most important of these is the Hüttenwald forest at the Dillingen site with 3 million m². The naturally managed, PEFC-certified forest was cited in the BUND Forest Report 2016 as one of ten positive examples nationwide, demonstrating the success of the Group's voluntary commitment to exerting a sustainable positive influence on biodiversity.

Conversely, possible negative impacts of plant investments or processes on biodiversity are regularly avoided or assessed and compensated for through accompanying landscape conservation planning in approval procedures that observe construction or federal emission control regulations pursuant to intervention compensation regulations of federal nature conservation law.

Life cycle assessment

Process analysis
To more precisely quantify the overall environmental impact of the production of our steel products, a life cycle assessment is prepared in accordance with ISO DIN 14040/14044. The goal is to generate a product-independent chart of our production operations that addresses the main aspects within the cycle. It is a systematic analysis of the environmental impact of products through a holistic view of energy, material and emission flows. By standardizing the cradle-to-grave, cradle-to-gate or gate-to-gate observation window and defining a reference value, the collected product-related and non-product-related data can be mapped in a comparable way. In the SHS Group, a cradle-to-gate approach is appropriate and the utilization phase of the extremely variable and product-dependent material steel is deliberately left to the processing sector. This type of mapping enables precise description of the entire cycle and significantly contributes to needs assessments for implementing an improved ecological footprint.



Recycling in the steel process

The recycling of steel scrap presents an important sustainability aspect in the steel production process. In keeping with the principles of resource conservation and the circular economy, the production of steel represents a unique closed cycle.

The Finkbeiner study (and its holistic view of steel as a product) emphasizes its multi-recycling capability without any serious loss of quality. This is of enormous importance, especially in life cycle assessment, and sets steel apart from many other products. Once steel has reached the end of its life cycle, it can be recycled countless times as steel scrap and is an important input material in both the blast furnace route and the electric furnace route. Depending on the quality required, an average of 20 to 25 percent steel scrap is used in the converter process at the Dillinger and Saarstahl steel plants. Both internally generated scrap, such as the sections in the rolling mills, and externally purchased scrap are used in this process. The quantity ratio here depends on the quality to be produced. In the electric furnace of the French subsidiary Saarstahl Ascoval, this steel scrap is melted down on the secondary route into new, innovative steel products and offered to our customers as a low-CO_2 product.

Product carbon footprint

With its product carbon footprints, SHS reports the specific CO_2 emissions for the three main product groups of its Dillinger and Saarstahl brands: heavy plate, wire, rod and rail. Starting with the mining of raw materials through to the rolled steel product, the approach describes the cradle-to-gate method of analysis. This approach takes into account the entire process chain, starting with extraction of the raw materials and their transport, through the manufacture of the precursors, and to production of the end product. The respective footprints were calculated by Sphera on the basis of the DIN EN 15804 and DIN EN ISO 14067 standards as well as the IPCC AR6 GWP100 standard. Sphera, a company with years of experience in the construction, automotive and steel sectors and developer of the life cycle assessment software GaBi, is an excellent strategic partner for SHS.

The product-specific footprints are created using complex models – including the blast furnace gas flows between the individual production sites. The calculation used within this standard includes the usual credits within the physical allocation of the slag.

The calculation includes the direct and indirect product-specific emissions of the core product groups and is based on

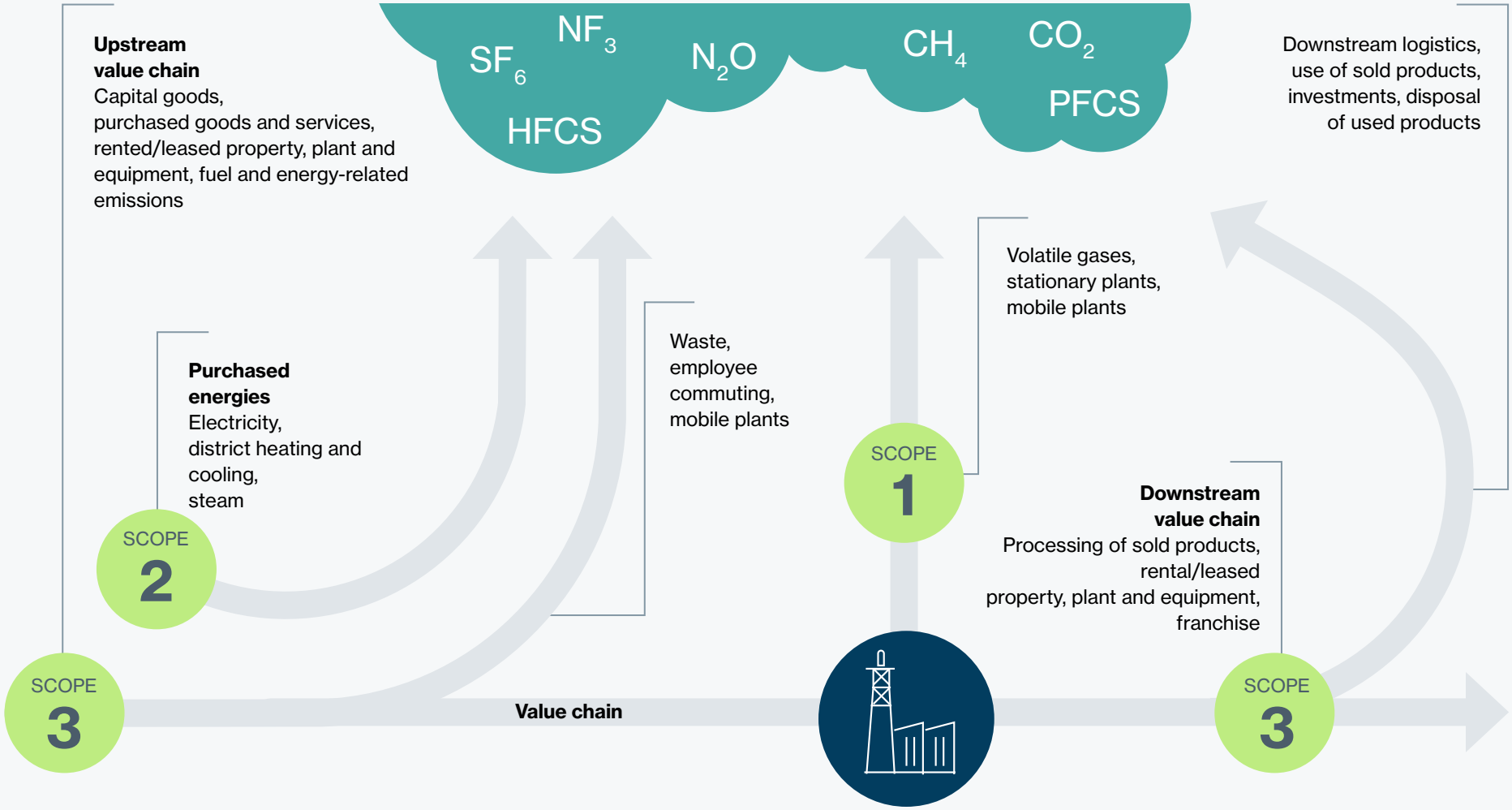
- the GHG emissions of the company's own plants,
- GHG emissions from the consumption of purchased energy, and
- default values (GaBi databases) to determine upstream chain emissions (Scope 3).

In addition to the product carbon footprint and the life cycle assessment, Environmental Product Declarations (EPDs) are also available for selected products such as the rails from Saarstahl Rail.

Upstream chain GHG emissions (Scope 3 – upstream)

A systematic calculation of the greenhouse gas (GHG) emissions of our upstream chain was carried out as part of the product carbon footprint assessment. Thanks to life cycle assessment software and the specific quantities used, the SHS Group is able to present upstream emissions on a product-specific basis. In the course of the life cycle assessment, communication with our suppliers and their commitment to reducing GHG emissions is decisive in this respect, and will contribute significantly to future reduction measures in the steel sector.

The scope categories according to the GHG Protocol



Incident management

Companies such as Dillinger and Saarstahl are subject with certain facilities to the federal Hazardous Incident Ordinance. Our plants meet a high safety standard and are subject to regular monitoring by our own qualified staff, independent experts, and the relevant authorities. A written concept for the prevention of incidents as well as safety reports and operational hazard and defense plans have been prepared for the operation of the plants. All necessary safety measures have been implemented by the companies, so that, due to the measures taken, the probability of an incident is very low. In addition, we are obligated to inform the public on a regular basis about what to do in the event of incidents, among other things.

We are fulfilling this obligation together with all affected companies in Saarland through publication of a brochure. This brochure provides information on preventive measures and recommendations for what to do if, despite all safety precautions, an incident should occur. This brochure can be found on the SHS Group website.

Section 7
Product stewardship, innovation, research and development

Steel is 100 percent recyclable

First and foremost, it is the product of SHS itself – steel – that fulfills the principle of sustainability better than virtually any other material. As the most frequently used base material, which can be entirely recycled over and over, steel contributes significantly to protecting the environment and climate through a wide range of applications. Continuous investment in in-house research and development as well as in-house innovation management enable the companies in the SHS Group to manufacture innovative products in an economical, resource-saving and energy-efficient manner. Steel production nevertheless remains an energy-intensive process.

For this reason, we see it as our duty to constantly be researching innovative and sustainable methods to keep this energy expenditure as low as possible and to continuously optimize our products and production processes in this respect.

This is why we work with leading universities and research institutions – including the Steinbeis Material Engineering Center Saarland (MECS), the CEIT in Spain and Fraunhofer Institutes – to develop the steel of tomorrow.

Optimizing the recycling process

SHS Group company Saarstahl is working together with Tata Steel Nederland and Voestalpine on digital technologies to optimize the recycling process as part of the Digital Twins for Green Steel (Di Gree S) project, which is being coordinated by the Fraunhofer Institute for Non-Destructive Testing (IZFP). A central challenge here is the precise analysis and sorting of large scrap parts such as discarded ships or railroad tracks. The focus is therefore on developing an innovative system for direct analysis of steel scrap during delivery: a truck loaded with scrap drives into a specially designed gate with industrial laser and analysis equipment. Laser-induced breakdown spectroscopy is used to locally vaporize very small parts of the steel. This creates a “plasma” – a small local gas bubble that contains all the components of the scrap. This can then be filmed and analyzed using special cameras. The scrap can then be optimally fed into the recycling process according to its specific composition and criteria. The data obtained enables precise categorization and optimal control in the recycling process.

Product innovation

The sustainability principle is an intrinsic part of the R&D activities of Dillinger and Saarstahl in the field of product innovation. One focal point at Dillinger is the reduction of alloying agents and thus the conservation of resources. The activities are also focused on the adjustment of the mechanical-technological properties through selective control of the rolling process and the cooling process that immediately follows. In addition to conserving alloying elements, this also makes it possible to avoid additional energy-intensive heat treatments. The technology of direct quenching (from the rolling heat) has been developed to such an extent that the proportion of this production method has doubled in recent years. The focus of basic research at Dillinger is therefore on systematically expanding the microstructure-based material design and developing data-based prognosis models for calculating mechanical-technological properties on the basis of machine learning. An important pillar of these activities is networking and research projects with external scientific partners.

By increasing the strength of the high-strength heavy plate produced by Dillinger while also maintaining its high toughness, it is possible to reduce the amount of material used and thus conserve resources. The reduction in material means less welding is required and the weight is lower, thus ensuring improved cost-effectiveness throughout the entire life cycle. Less steel is needed for the same function, which can lead to weight reductions of up to 50 percent. As a result, the unladen weight of earthmoving machinery can be lowered to such an extent that fuel consumption is reduced and the environment is correspondingly impacted by lower pollutant emissions, to name just one example. The challenge of reducing CO_2 emissions affects one of Saarstahl's largest customer areas: the automotive industry. One starting point for this is to reduce the weight of vehicles and thus of individual components. To this end, Saarstahl participated in the "Initiative massiver LEICHTBAU" lightweight forging initiative, founded in 2013 and concluded in 2018, which investigated possible ways to cut the weight of forged components or components made from long products in various vehicle types. The cross-sector consortium has developed a total of more than 1,400 lightweight design concepts, some of which have already been put into practice. One of these outstanding product innovations is the thermomechanically rolled spring steel at the Neunkirchen site.

This advanced rolling process improves the microstructure and mechanical properties in a way that offers potential for weight savings of up to 20 percent for the end product – the suspension spring. And that, in turn, has a positive impact on the consumption and emission values of vehicles. But higher-strength steels, with which components can be made smaller and lighter, are not the only thing contributing to climate protection. Bainitic steels have established themselves in recent years as alternative materials to classic quenched and tempered steels. As these are merely cooled in air in a controlled manner after forging, heat treatment processes and thus energy and CO_2 emissions can be saved already during the production process. The 32MnCrMo6-4-3 bainitic steel developed by Saarstahl is put to use here as an all-round talent in steering knuckles and common rails, and as a material for roller bearings.

Our thermomechanically rolled spring steel cuts weight in vehicle construction by up to 20 percent.

Section 8
Responsibility in the supply chain

Sustainability among our suppliers and service providers is also important to us

It is important for the companies of the SHS Group to fulfill their role as economic and social stakeholders and to distinguish themselves with procurement practices that demonstrate prudence, responsibility and integrity. Suppliers and service providers are selected not only according to economic and technical criteria but also according to sustainability criteria. We thus continue to develop our business processes to increase transparency in the supply chain and identify risks at an early stage. We are currently expanding our supplier management system with regard to the obligations of the Corporate Due Diligence Act for the prevention of human rights violations in supply chains as well as the corresponding international agreements, and are conducting an audit of direct suppliers in this regard. We are specifically addressing the most relevant risks – including forced labor, child labor and slavery, occupational health and safety, waste and environmental management, the prohibited use of security forces and forced eviction – by conducting a risk analysis and developing specific remedial and preventive measures. The SHS Group and its employees are committed to sustainable and ethical behavior, which we also expect from our suppliers. For this reason, our contracts, terms and conditions of purchase, Code of Ethics and the Code of Conduct for Sustainable Procurement and in the Declaration of Principles on Human Rights and the Environment contain the key principles and reflect our commitment to responsible procurement. Risks are identified and mitigated with the aid of the SHS Group's risk management system and within the framework of supplier assessments. This risk management is embedded in a process instruction that applies throughout the Group.

Description and analysis of the supply chain

Within the SHS Group, purchasing is structured as follows: The central task of ROGESA and ZKS Procurement (ROGESA und ZKS Beschaffung) is the long-term, competitive and sustainable supply of primary raw materials to the SHS Group. SHS Purchasing and Warehousing (SHS Einkauf und Lager) handles the commissioning of services and the purchasing of materials (consumables, spare and reserve parts, auxiliary and operating materials, refractories as well as project and plant purchasing) for Dillinger and Saarstahl. ROGESA and ZKS Procurement (ROGESA und ZKS Beschaffung) and SHS Purchasing and Warehouse (SHS Einkauf und Lager) pursue the goal of regularly evaluating all their suppliers and service providers with regard to sustainability standards.

As part of a supplier management system introduced in 2019, the companies have, for example, presented the TOP Supplier Awards annually in the “fuels”, “iron ores”, “maritime shipping/transshipment/storage” and “alloying agents” categories.

Logistics and transport

Transport within the SHS Group is primarily carried out using the environmentally friendly modes of rail and inland waterway vessels, and this almost exclusively true for raw materials transport. In outbound logistics, the share of trucks in transport volumes is well below 20 percent. If possible, the means of transport are loaded during both outbound and return transport in order to avoid empty runs. For inland waterway vessels, this is possible in 100 percent of cases; for truck transports, this is also achieved through active marketing of cargo space via third-party businesses of SHS Logistics. In the case of rail transport, for example, this is only possible for Dillinger to a very limited extent due to the oversized plates and the consequently very highly specialized wagon types.

Responsibility in the supply chain

Statement on the Code of Conduct for Sustainable Procurement

The SHS Group Code of Conduct for Sustainable Procurement is a key element of our commitment to sustainability. It reflects our sustainability strategy of adding value to our businesses while reducing our ecological footprint. The Declaration of Principles on Respect for Human Rights and the Environment supplements our Code of Conduct on Sustainable Procurement with regard to what we expect from our suppliers. Our suppliers are among our most important strategic resources. We therefore plan to further develop and maintain supplier relationships that are ethical, based on mutual benefit and based on a shared commitment to better meet our customers' needs. We are expressly committed to greater transparency in our supply chains. Germany imports most of its raw material requirements. This is also true for Saarland's steel industry and its supply chain, which involves a worldwide network. The aim is to ensure sustainability-oriented management of the supply chain in both raw materials purchasing by ROGESA and ZKS Procurement and in SHS Purchasing and Storage (SHS Einkauf und Lager). Our supply chain process focuses on ensuring that all our suppliers comply with our defined sustainability standards and that sustainability standards in our value chain are continuously improved, such as through knowledge transfer and ongoing employee training in process optimization, resource efficiency, and environmental and social standards. Regular audits of new and existing suppliers are carried out to ensure continuous improvement and appropriate evaluation. We incorporate potential suppliers directly into our sustainability strategy in this way and ensure compliance with the specified environmental and social standards. Since recycling concepts contribute significantly to environmental protection and resource conservation, and recycling mineral raw materials offers advantages over the use of primary raw materials, such as by reducing the use of primary raw materials, reducing dependence on imports, conserving natural resources, reducing energy requirements compared with primary production, etc., we attach particular importance to implementing them.

Statement regarding conflict minerals

The SHS Group treats the issue of "conflict" minerals with great care and ensures as far as possible that no material is procured from conflict countries that directly or indirectly finance or favor armed groups (e.g. in the Democratic Republic of Congo or neighboring states such as the Central African Republic, Sudan, Rwanda, Burundi, Tanzania or Zambia). Appropriate processes have been established for tracking analysis, such as querying the smelter ID according to the RMI. A separate guideline for conflict minerals has also been developed and can be viewed on the company's website.

Section 9
Society

Regional responsibility as an investor, employer, customer and research partner

The companies of the SHS Group live in, with and for “their” region: For example, SHS, Saarstahl and Dillinger, as well as their subsidiaries, have been supporting targeted projects and events in Saarland, in the greater Saar-Lor-Lux region and in the regions around their respective sites for many years. Activities include the areas of culture, social affairs, education and sport – with a special focus on supporting children and young people. The annual budget for sponsoring and donation activities is set by the Board of Management and is closely linked to the compliance policies of the SHS Group. No parties or individuals are to be supported. Proven and current examples of the company's commitment to the region include the annual awarding of funding for sports and culture in cooperation with the city of Völklingen (Saarstahl) and the city of Dillingen (Dillinger), support for the Dillingen and Völklingen Tafel food banks, the endowment from Dillinger and Saarstahl for the Max Ophüls Film Festival Audience Award for Documentary Film, educational sponsorships with the Saarlouis Student Research Center and the MINT-Campus Alte Schmelz in St. Ingbert, and membership in the Wissensfabrik e.V. network. One focus is regional sports sponsorship under the umbrella brand Pure Steel+, both at the professional level and to promote youth sports in the region. These include, for example, the SV 07 Elversberg (second tier German professional football league team), the Saarland Hurricanes American football team, and support for numerous youth sports teams. There are a variety of cooperative projects and sponsorships with various departments at Saarland University. The SHS Group also fulfills its social responsibility to the region with the nearby company daycare centers described in section 4 as well as the provision of local recreation areas such as the Dillinger Hüttenwald (section 6) with the additional social functions of providing fresh air, generating drinking water and protecting the conservation area.

Complaints management

In addition to sustainable and climate-protection-oriented operation, dealing professionally with the concerns of the surrounding community is also part of the responsibility of a modern industrial company. With the specially created Complaints Management unit (part of the Environmental Protection department), the Group has a central point of contact for all environmental concerns of local residents, citizens and employees, and thus presents a further building block for constructive and continuous dialog with our stakeholders that offers mutual satisfaction and trust.

Taxes and subsidies

The Group's tax concept focuses on ensuring that the profits of the international Group are taxed correctly in the respective countries in compliance with global tax laws and value chains. Attention is paid here to transparency and compliance standards. The SHS Group complies with applicable tax regulations and related disclosure requirements. This is also accomplished with the involvement of external experts or in coordination with the tax authorities concerned. Tax risks are integrated into the Group's global risk management system.

Section 10
Appendix, glossary

GRI Content Index

GRI 102: General Disclosures

Organizational profile	
102-1	Name of the organization
102-2	Activities, brands, products, and services
102-3	Location of headquarters
102-4	Location of operations
102-5	Ownership and legal form
102-6	Markets served
102-7	Scale of the organization
102-8	Information on employees and other workers
102-9	Supply chain
102-11	Precautionary principle or approach
102-13	Membership of associations
Strategy	
102-14	Statement from senior decision-maker
102-15	Key impacts, risks and opportunities

Ethics and integrity	
102-16	Values, principles, standards, and norms of behavior
102-17	Mechanisms for advice and concerns about ethics
Governance	
102-18	Governance structure
102-20	Board-level responsibility for economic, environmental, and social issues
102-23	Chair of the highest governance body
Stakeholder engagement	
102-40	List of stakeholder groups
102-41	Collective bargaining agreements
102-42	Identifying and selecting stakeholders
102-43	Approach to stakeholder engagement
102-44	Key topics and concerns raised
Reporting practice	
102-46	Defining report content and topic boundaries
102-47	List of material topics
102-50	Reporting period
102-54	Claims of reporting in accordance with the GRI Standards
102-55	GRI Content Index
GRI 201: Economic performance	
103	Management approach 2016 (including 103-1, 103-2, 103-3)
201-1	Direct economic value generated and distributed

GRI 204: Procurement practices	
103	Management approach 2016 (including 103-1, 103-2, 103-3)
204-1	Proportion of spending on local suppliers
GRI 205: Anti-corruption	
103	Management approach (including 103-1, 103-2, 103-3)
205-2	Communication and training about anti-corruption policies and procedures
	Number of training courses on compliance topics
GRI 206: Anti-competitive behavior	
206-1	Legal proceedings for anti-competitive behavior, anti-trust and monopoly practices
GRI 301: Materials	
103	Management approach (including 103-1, 103-2, 103-3)
301-1	Materials used by weight or volume
301-2	Recycled input materials used
GRI 302: Energy	
103	Management approach (including 103-1, 103-2, 103-3)
302-1	Energy consumption within the organization
302-4	Reduction of energy consumption
GRI 303: Water and effluents	
103	Management approach (including 103-1, 103-2, 103-3)
303-3	Water withdrawal
303-4	Water discharge
303-5	Water consumption

GRI 304: Biodiversity	
103	Management approach (including 103-1, 103-2, 103-3)
304-2	Significant impacts of activities, products, and services on biodiversity
GRI 305: Emissions	
103	Management approach (including 103-1, 103-2, 103-3)
305-1	Direct GHG emissions (Scope 1)
305-2	Energy indirect (Scope 2) GHG emissions
305-3	Other indirect (Scope 3) GHG emissions
305-5	Reduction of GHG emissions
305-7	Nitrogen oxides (NO_x), sulfur oxides (SO_x) and other significant air emissions
GRI 306: Waste	
103	Management approach (including 103-1, 103-2, 103-3)
306-2	Waste by type and disposal method
302-4	Reduction of energy consumption

GRI 403: Occupational health and safety	
103	Management approach (including 103-1, 103-2, 103-3)
403-1	Occupational health and safety management system
403-2	Hazard identification, risk assessment and incident investigation
403-3	Occupational health services
403-4	Employee participation, consultation and communication on occupational safety and health
403-5	Worker training on occupational health and safety
403-6	Promotion of worker health
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
403-8	Workers covered by an occupational health and safety management system
403-9	Work-related injuries

GRI 404: Training and education	
103	Management approach (including 103-1, 103-2, 103-3)
404-1	Average hours of training and education per year per employee
404-2	Programs for upgrading employee skills and transition assistance programs
404-3	Percentage of employees receiving regular performance and career development reviews
GRI 405: Diversity and equal opportunity	
103	Management approach (including 103-1, 103-2, 103-3)
405-1	Diversity of governance bodies and employees
GRI 415: Public policy	
103	Management approach (including 103-1, 103-2, 103-3)
415-1	Political contributions
GRI 417: Marketing and labeling 2016	
417-1	Requirements for product and service information and labeling
417-2	Incidents of non-compliance concerning product and service information and labeling
417-3	Incidents of non-compliance concerning marketing communications
GRI 418: Customer privacy	
418-1	Substantiated complaints regarding the breach of protection and loss of customer data
GRI 419: Socioeconomic compliance	
419-1	Non-compliance with laws and regulations in the social and economic area

Selected memberships in associations and interest groups

Fair and free competition is of fundamental importance to all companies in the SHS Group. Participation by our companies in any association work therefore only occur if it consistently complies with national and European antitrust law. To realize this self-imposed standard, we implemented and communicated a company-wide compliance procedure in 2018. With this procedure, we strive to obtain the greatest possible overview of the association activities of our employees in order to be able to respond to incidents in the shortest possible time.

Association	
Wirtschaftsvereinigung Stahl (German Steel Federation)	Germany
VDeh – Verein Deutscher Eisenhüttenleute (Association of German Iron and Steel Manufacturers)	Germany
The European Steel Association	Belgium
VDSI – Verband für Sicherheit, Gesundheit und Umweltschutz bei der Arbeit (Association for Safety, Health and Environmental Protection at Work)	Germany
Industrieverband Massivumformung e. V. (German Forging Association)	Germany
VDE – der Technologieverband (Technology Association)	Germany
VDBW – Verband Deutscher Betriebs- und Werksärzte (Association of German Company and Works Doctors)	Germany
SVS - Stahl-Verband-Saar e.V. (Steel Association of the Saar Region)	Germany
World Steel Association AISBL	World
Verein zur Förderung der angewandten Forschung in den energieintensiven Industrien e.V. (Association for the Promotion of Applied Research in the Energy-Intensive Industries)	Germany
VDS – Verband der Saarhütten (Iron and Steelworks Association)	Germany
Deutscher Wasserstoff- u. Brennzellen-Verband e.V. (German Hydrogen and Fuel Cell Association)	Germany
DIN Deutsches Institut für Normung e.V. (German Institute for Standardization)	Germany
Hydrogen Europe Hydrogen Europe AISBL	Germany
Wissensfabrik-Unternehmen für Deutschland e.V. (Knowledge Factory Companies for Germany)	Germany

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