

# CONFLICT MINERALS TRANSPARENCY REPORT

## ACCIAIERIE VALBRUNA S.p.A - VALBRUNA GROUP

Approval Date	Version
18 <sup>th</sup> July 2024	v.1

**ACCIAIERIE VALBRUNA S.P.A. AND VALBRUNA GROUP ARE AWARE OF THE SOCIAL AND POLITICAL ISSUES RELATED TO THE PROCUREMENT AND ILLEGAL TRADE OF MINERALS FROM CONFLICT-AFFECTED AREAS.**

*For this reason, the Group strongly supports social responsibility throughout its supply chain by adopting selection and monitoring processes and closely following developments in the applicable legislation.*

**INTRODUCTION**

On August 22, 2012, the *U.S. Securities and Exchange Commission* (SEC) announced the adoption of final rules regarding "conflict minerals" under Section 1502 of the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (the "[Conflict Minerals Rule](#)"). In May 2017, the European Parliament and the Council of the [European Union issued Regulation \(EU\) 2017/821](#), which establishes due diligence obligations for European Union importers of tin, tantalum, tungsten, their ores, and gold originating from conflict-affected or high-risk areas. These areas include the Democratic Republic of Congo (DRC) and neighboring countries (Angola, Burundi, Central African Republic, Republic of Congo, Rwanda, Sudan, Tanzania, Uganda, and Zambia). These raw materials are known as "conflict minerals from the DRC."

The overall goal of the regulation is to discourage the use of minerals whose trade could finance violent conflicts in Central Africa, where mineral mines and refineries are often controlled by armed groups. These groups use profits to purchase weapons and ammunition, often employing forced labor and exploiting local communities and the environment to maximize their profits.

This regulation, which entered into force on July 9, 2017, and became applicable on January 1, 2021, aims to:

- Ensure that EU importers of 3TG (tin, tungsten, tantalum, and gold) comply with international responsible sourcing standards established by the Organization for Economic Co-operation and Development (OECD);
- Ensure that global and EU smelters and refiners of 3TG source these minerals responsibly;
- Help sever the link between conflicts and illegal mineral exploitation;
- Help end the exploitation and abuse of local communities, including miners, and support local development

Among the listed conflict minerals, **only tungsten is used in the production of Acciaierie Valbruna's products.** This metal is incorporated as ferro-alloy (Fe-W) during the steel manufacturing process in the production of:

- Martensitic SS Grade 422 (UNS S42200 Valbruna VAL2W AV Grade ID #4221) as a chemical component in the range of 0.75-1.25% of mass, to enhance mechanical properties at high temperatures for applications like turbine blades;
- Nickel-based alloy Grade C-276 (UNS N10276 Valbruna AVC276 AV Grade ID #9327) as a chemical component in the range of 3.00-4.50% of mass, to improve resistance to intergranular corrosion, stress corrosion, and pitting corrosion;
- Superduplex SS Grade 2507 (UNS S32760 Valbruna V257MWU AV Grade ID #5130) as a chemical component in the range of 0.50-1.00% of mass, to enhance resistance to intergranular corrosion, stress corrosion, and pitting corrosion.

## **REGULATORY FRAMEWORK**

To ensure that the tungsten used in its operations does not come from countries designated as high-risk, Acciaierie Valbruna adheres to the principles of [the Responsible Minerals Initiative](#) (RMI). The RMI provides comprehensive tools and resources to help companies make informed sourcing decisions that ensure regulatory compliance and promote responsible global sourcing. This is in line with internationally recognized frameworks, including the OECD Guidelines for Due Diligence and the United Nations Guiding Principles on Business and Human Rights.

This is consistent with Regulation (EU) 2017/821, which sets different rules for companies operating upstream in the value chain (i.e., companies that extract, process, and refine raw materials) and companies operating downstream (i.e., companies that further process metals produced during the upstream stage into a finished product). Specifically, upstream companies must comply with mandatory due diligence rules when importing minerals, as this is the riskiest part of the supply chain. Downstream companies are divided into two categories:

- a) **Companies importing products still in a metallic stage**, which must also comply with mandatory due diligence rules,  
and;
- b) **Companies operating beyond the metallic stage**, which do not have specific obligations under the regulation but are required to use communication and other tools to make their due diligence processes more transparent, including those required by the Non-Financial Reporting Directive.

Acciaierie Valbruna falls under the second category (b), and therefore does not have specific obligations under the Regulation. Regarding the requirement to submit an annual conflict minerals declaration, the EU Regulation mandates submission for:

- Upstream companies, which must comply with mandatory due diligence rules when importing into the European Union;
- Downstream companies that import metal products.

Since Acciaierie Valbruna does not qualify as either an upstream or downstream company, it is not required to submit an annual report. However, it conducts monitoring activities with its suppliers to ensure that a due diligence process is in place to minimize the risk associated with purchasing conflict minerals from the DRC.

## **SUPPLIER SELECTION AND MONITORING PROCESS AT ACCIAIERIE VALBRUNA**

Since Acciaierie Valbruna does not directly purchase any derivatives of conflict minerals from smelters but relies on distributors, it has established a **strict purchasing policy to ensure that the Fe-W it sources does not originate from the DRC, neighboring countries, or other conflict-affected and high-risk areas** as defined in Regulation (EU) 2017/821. In compliance with the IPC-1755 standard, Acciaierie Valbruna requires its suppliers to identify and declare all smelters supplying Fe-W. All identified smelters are companies deemed compliant with the Responsible Minerals Assurance Process (RMAP), having completed a compliance audit conducted by an independent third-party auditor.

**Some of Acciaierie Valbruna's ferro-alloy suppliers** (EU importers/traders) **also conduct direct audits on the smelters supplying them with Fe-W** and are willing to share the results of these audits with Acciaierie Valbruna.

Additionally, Acciaierie Valbruna has conducted a Reasonable Country of Origin Inquiry (RCOI) across all levels of its supply chain. Based on the results of the RCOI, the tungsten used does not come from the DRC, neighboring countries, or other conflict-affected and high-risk areas as defined by Regulation (EU) 2017/821.

Acciaierie Valbruna is committed to repeating this inquiry annually to confirm the absence of conflict minerals from the DRC or other conflict zones in its production process.

No verification actions are necessary for the smelters, as suppliers are carefully selected. In case of a failure to respond to inquiries intended to verify the material's origin, the supplier is not qualified as a tungsten supplier, and Acciaierie Valbruna does not source from them.