Sustainability Report

ACERINOX 2012

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Statement of the Chief Executive Officer

Statement of the Chief Executive Officer

Industry is a crucial driving force for growth. In a world with a growing population, the demand for industrial products is increasing at the same rate. As well as increasing in size, the standard of living of the world's population is also on the rise, meaning that growth in global industrial production is exponential.

It is industry that generates the enormous capital requirements that give rise to the emergence of a developed financial sector. The existence of industry finances the development of specialized services of high added value. The societies that have fared the current recession best are those with an industrial infrastructure and a secular manufacturing tradition. Not only is industry sustainable but, even more so, it is the foundation of sustainability of the level of welfare in the country in which it is located, providing quality long-term employment contracts and generating a wide range of collaborating auxiliary industries around it, that are almost as important in terms of job creation as the main industry.

There are no greater recyclers in the modern world than iron and steel manufacturers that use electric arc furnaces, which simply must recycle if they wish to continue in operation. Bearing this in mind, if we define sustainability as the capacity to satisfy our needs without compromising the potential of future generations, there is no more sustainable material than stainless steel which, due to its durability, price and physical properties can, and more importantly must, be recycled indefinitely, without losing its qualities.

The nature of the business in which the Company operates has made Acerinox a keen advocate of sustainability at its most fundamental level, involving the construction of our business upon solid bases, a clear long-term plan and preventing resources being wasted on unwise investments.

To this end, the Company is committed to solid and lasting relationships with its shareholders, long-term employment relationships, reliable suppliers and clients, and the concept that diversification and plurality enhance opportunities and reduce the impact of risks. As a result, today Acerinox is the oldest European stainless steel manufacturer and one of the top eight companies on the IBEX-35 index to still exist in its original form.

Once again this year, we present our Sustainability Report, which has achieved the level XXX. In addition, this Report sets out our commitment to comply with the ten principles of the United Nations Global Compact. As well as signing up to these principles, Acerinox is a member of the Spanish Global Compact Network.

Being sustainable means investing in difficult times and to be the first to arrive when things improve. Being sustainable means fostering growth by taking full advantage of your own knowledge, experience and resources, without taking short cuts or taking on other people's problems or failures. Being sustainable means building loyalty among your shareholders and workforce, getting them involved in the project and showing concern for the risks they face. Being sustainable means manufacturing an extraordinary and irreplaceable product for which consumption is constantly growing and which is destined to last.

Drafting process of this Report

Drafting process of this Report

Our responsible interpretation of business and the need to foster sustainable development in the societies in which we operate is a key part of our founding purpose. Acerinox is a company that can offer the innovative solutions that the market demands, while promoting economic, social and environmental balance at the same time and striving to respond to the concerns of its stakeholders and future generations.

Last year, Acerinox published its first Sustainability Report, outlining the Company's results, challenges and commitments in terms of sustainability, as an act of accountability for our environmental, social and economic performance with respect to each of our stakeholders. After the success of the first Sustainability Report, Acerinox was keen to draft this second Sustainability Report for 2012. This year, the Report goes even further, reporting on the sector indicators and achieving an 'A' application level, once again following the Guidelines for drafting sustainability reports as indicated in the G3 version of the Global Reporting Initiative (GRI) and the Supplement for the Mining and Metals Sector.

Acerinox has carried out research with respect to the reported period which has enabled it to identify and analyse all relevant aspects that, if left unchecked, may pose a risk to the sustainability and reputation of the company in the current social and economic climate. This research has enabled the development of the layout and content of the Sustainability Report.

The scope of the present Report includes Acerinox S.A. and Acerinox Europe S.A.U. In any cases in which information that is not included within this general scope is provided, the group concerned will be specified. The scope encompasses all of the principles on which decisions are based with respect to ensuring the quality of information, thereby enabling stakeholders to make a considered and rational evaluation of the Report.

In order to guarantee the quality of the information presented, the GRI's principles of balance, comparability, accuracy, regularity and clarity have been adopted. The GRI's guidelines in terms of the content of the Report have also been followed and the Company has complied with the Initiative's principles of materiality, stakeholder engagement, the context of sustainability and completeness.

The present Report reflects the risks and challenges faced by the organization during 2012. The information reported comes from the management systems of the various departments that are responsible for the data. These systems are subject to a number of verification processes, as well as internal and external audits. The quantification techniques for the various statistics reported and the bases for the calculations comply with the indicator protocols established by the Global Reporting Initiative (GRI).

As the General Secretary of Acerinox, Luis Gimeno is responsible for drafting the present Report and its submission to the Company's governance bodies. To make any enquiries or to contact Acerinox directly regarding any issues related to this Report, an e-mail should be sent to the following address: antonio.lopez@acerinox.com.

1. Business model

Business model

ACERINOX has a business model in place with the objective of achieving the Mission to be the stainless steel manufacturing and commercialization company that contributes most to the society in which it operates. This complements our permanent goal of maximizing value for our shareholders and the positive perception of our stakeholders.

The definition of our strategy is based around the creation of a balanced portfolio of quality assets with the integration of the production and sales cycle of stainless steel. Our strategy is based on three priorities:

1. Globalization. Active and consolidated presence in the main global markets in terms of stainless steel consumption.

2. Operational efficiency throughout the supply chain together with solid financial discipline, enabling us to achieve a highly competitive cost structure.

3. Corporate Social Responsibility and Sustainability. Performing our activities with rigour, good governance, austerity and consistent social and environmental performance.

In these times of uncertainty and difficulty, our strategic priorities are enabling us to remain among the elite in terms of the most efficient and profitable companies in the sector at an international level. Against the current backdrop of recession in Europe and far-reaching change in the rest of the world, ACERINOX will continue to develop and apply its sustainable business model for the manufacture and sale of stainless steel, based on internationalization, operational efficiency, financial discipline and social responsibility.

Organizational profile

Based at its headquarters in Madrid, ACERINOX is the world's most competitive manufacturer of stainless steels. The Acerinox Group is probably the world's leading manufacturer, with a steelwork capacity of 3.5 million tonnes. On one hand, the Company has 3 factories which perform the entire process of manufacturing flat products. A fourth factory is currently under construction which involves a project of four phases, the first of which is already in operation, with the second being rolled out by the end of 2013. On the other, in terms of long products, the Company has another two factories (as well as NAS, which also manufactures long products). So, the Company has a total of 6 factories:

1. Acerinox Europa, our production plant in Campo de Gibraltar (Spain) was the first plant to produce in excess of a million tonnes in a year (2001).
2. North American Stainless, N.A.S. (Kentucky, USA), completely integrated since February 2002 when the steelworks began operation.
3. Columbus Stainless (Middelburg, South Africa), which became part of the Acerinox Group in 2002.
4. Bahru Stainless (Johor Bahru), the project involves an entire stainless steel production plant with a capacity of 1 million metric tonnes in steel production and 600,000 metric tonnes of cold rolling.

5. Roldán S.A. (Ponferrada, Spain), which initiated an ambitious investment programme in 1995 which culminated in 1999, almost doubling its production capacity in this period.
6. Inoxfil S.A. (Igualada, Spain), is a pioneering leader at an international level in terms of the competitiveness of its production structure.

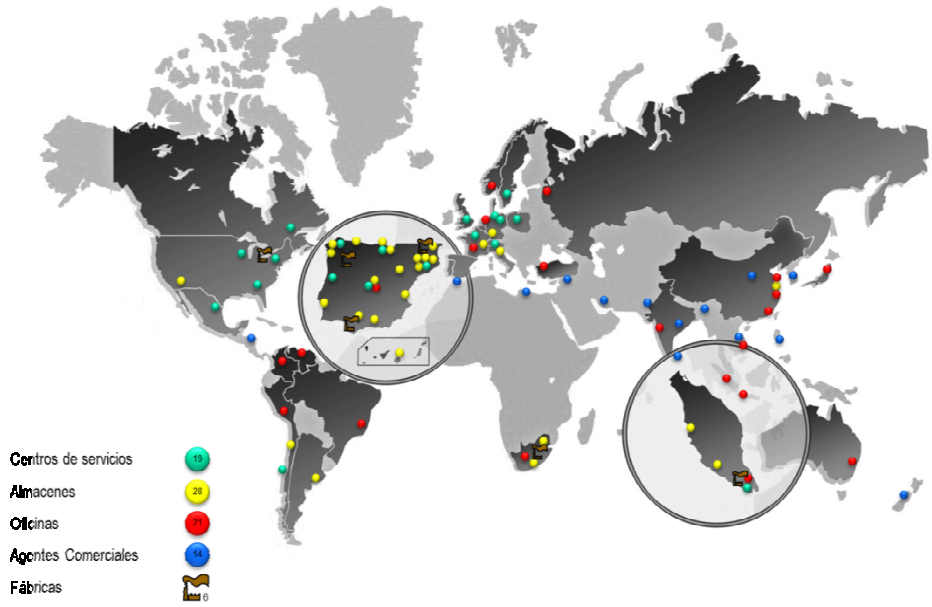
Acerinox's commercial network has made great efforts to adapt itself to the challenging circumstances in the market, particularly in Europe, and continues its strategy of strong international expansion. During 2012, the Group strengthened its expansion policy in emerging markets. As a result, the Group has opened a new commercial company in St. Petersburg (Russia) and new offices in Thailand, the Philippines, Taiwan and Indonesia have opened or are just about to open.

Thanks to its extensive commercial network, the Acerinox Group has an active presence on all five continents, with sales in over 84 countries. The regions in which the Group conducts significant manufacturing activities are Europe (Spain), the United States, South Africa and Malaysia (where the stainless steel factories are located). In terms of the markets it serves, Acerinox has an active presence on all five continents.

In 2011, the Group continued to expand its distribution network in line with the Strategic Plan, which aims to improve the allocation of production between the factories and to increase our presence in markets in which we already operate. Currently, the Group's commercial network includes 19 Service Centres, 28 Warehouses and 21 Sales Offices spread across all five continents.

Acerinox's sales network

2012



Activities and product uses

Despite the difficult situation that we currently face with great economic uncertainty, the market for stainless steel continues to demonstrate its stability and robustness. Thanks to the qualities of stainless steel, it is one of the materials that shows the greatest potential for the future. It is one of the most sustainable products, being 100% recyclable, with some of its key advantages including the fact that it does not degrade with use and can always be resmelted to create new products.

There is no other product with these characteristics, generating a great saving in natural resources and always helping to protect the environment. Due to all of these facts, the consumption of stainless steel has maintained annual growth rates of 6% on average throughout its 100 years of use.

It is worth highlighting that it is an ecological, neutral and hygienic material which, thanks to its many applications, has enjoyed constant growth. Not only is it used in situations that are highly subject to corrosion, but nowadays, thanks to these same properties, it is also used for hygienic and health reasons in the food and medical industries. Due to its unbeatable qualities, it is also used in many other sectors such as the pharmaceutical, chemical, petrochemical and biotechnology industries, as well as the nuclear and other energy sectors. In addition, it is commonly used in sectors which require low maintenance components in projects such as coastal or mountainous constructions, street furniture, high quality engineering and healthcare. Stainless steel is also in demand in other sectors as it is so easy to clean and for its great visual and tactile beauty, always looking brand new and spotless. Thanks to these aesthetic qualities, it is one of the most commonly used materials for decoration.

Last but not least, it is widely used in a large number of construction projects and means of transport due to its fantastic mechanical properties and the significant reduction in maintenance requirements.

This all means that a responsible society, concerned for quality, efficiency, beauty and sustainability is a society that consumes a lot of stainless steel.

Product types

ACERINOX manufactures stainless steel flat products and long products:

Stainless steel flat products include the following:

Billets	Product cast in steel mill for the manufacture of Long Products.
Slabs	Product cast in steel mill for further hot rolling.
Black coil	Hot-rolled product in coils.
Plates (N1 Finish)	Hot-rolled product in sheets, annealed and pickled.
Hot-rolled coil (N1 Finish)	Hot-rolled product in coils, annealed and pickled.
Hot-rolled sheet	Hot-rolled product in sheets, annealed and pickled.
Checkered coil/sheet	Hot-rolled engraved product, annealed and pickled.
Flat bar (N1 Finish)	Bar with rectangular cross section made from hot-rolled sheet/strip.
Cold-rolled coil (strips)	Cold-rolled product in coils, annealed and pickled.
Cold-rolled sheet	Cold-rolled product in sheets, annealed and pickled.
Discs	Cold-rolled circular product, annealed and pickled.

Our stainless steel long products include the following:

Billet	Hot-rolled product with square cross section.
Wire rod	Hot-rolled product in coils.
Angles	Hot-rolled product with equal-sided angular cross section.
Flat bars	Hot-rolled bar with rectangular cross section.
Hot-rolled ribbed bar	Hot-rolled ribbed product, straightened and cut.
Ribbed in coils	Ribbed product in coils.
Cold-rolled ribbed bar	Cold-rolled ribbed product, straightened and cut.

Black bar	Black hot-rolled product, straightened and cut.
Peeled bar	Hot-rolled product, peeled, straightened and cut.
Calibrated bar	Hot-rolled cold-calibrated product with thin diameter.
Wire	Cold-drawn wire in coils.
Cross sections	Square and equilateral triangle.
Colour-coated wire	Wire painted black or grey (other colours on request).
Prestressed wire	Cold-rolled wire with three indents or ribs.
Ribbed wire	Cold-rolled wire with four sets of ribs.

In compliance with our policies and quality standards, all Acerinox products have:

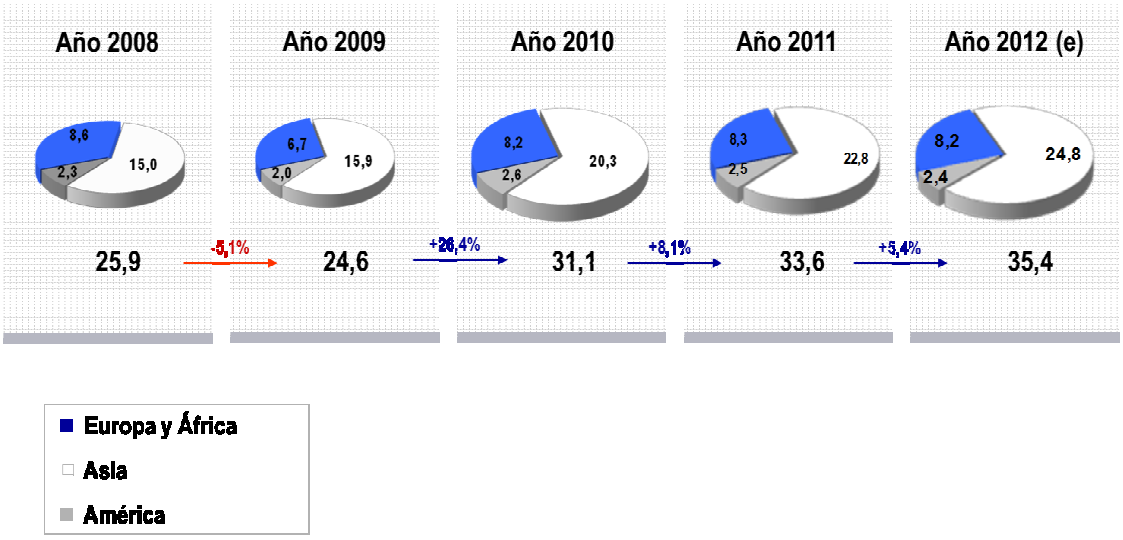
- A stamp and label for identification in accordance with the current international supply regulations. In this way, the mark provides information about the traceability of the product and its chemical composition, mechanical features, inspection certification and various reports and manufacturing controls regarding the material in question.

- A Safety Information Sheet (SIS) in accordance with the current regulations. This sheet sets out all of the recommendations for the safe use of our products, both in terms of safety and the environment.

Global production

In 2012, despite the challenging situation in terms of economic uncertainty and the crisis in the Eurozone, the market for stainless steel continued to demonstrate its robustness, with global production reaching 35.4 million tonnes, representing a 5.4% increase compared to 2011.

Evolution of the global production of stainless steel. Metric tonnes (millions)



Source of statistics: International Stainless Steel Forum (ISSF)

As the following table shows, production continued to grow from the third quarter of 2011 to the fourth quarter of 2012, which represents strong growth in consumption, as stocks did not increase during this period.

		1º Trimestre	2º Trimestre	3º Trimestre	4º Trimestre (e)	Total
Año 2011	miles T m	8.736	8.438	8.097	8.351	33.621
Año 2012		8.562	8.657	8.893	9.311	35.424

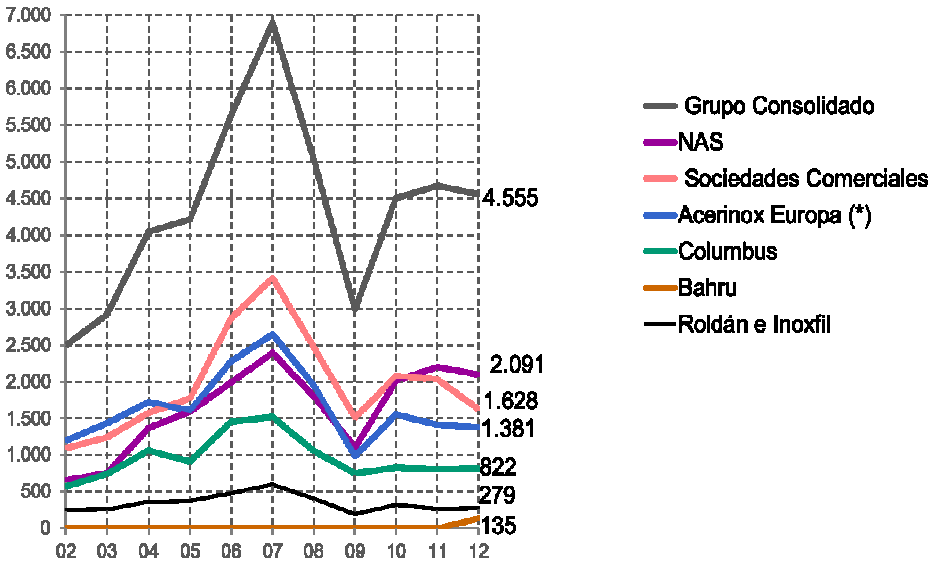
Acerinox operates in many different markets in which the growth rate in terms of manufacture varies greatly between them. An analysis of each market shows that the differences that had been observed in previous years continued to widen. In the Europe/Africa region, production dropped by 1.2%, while the Americas continued to reduce production (4.7% last year). Asia, not including China, recorded very similar figures to 2011 (+0.3%), while China reaffirmed its status as the leading global manufacturer, with growth of 14.2% in 2012.

		2011	2012 (e)	Variación
Europa/África	miles Tm	8.274	8.177	-1,2%
América		2.486	2.368	-4,7%
Asia sin China		8.770	8.793	0,3%
China		14.091	16.087	14,2%
Total		33.621	35.424	5,4%

The global market for stainless steel consolidated in 2012 (5.4%) with strong growth recorded over the last three years, which reinforced our confidence in the strength of the sector in the medium and long term. Stainless steel is the only one of the industrial metals and alloys that has recorded an annual growth rate around 5.9% over the last 63 years.

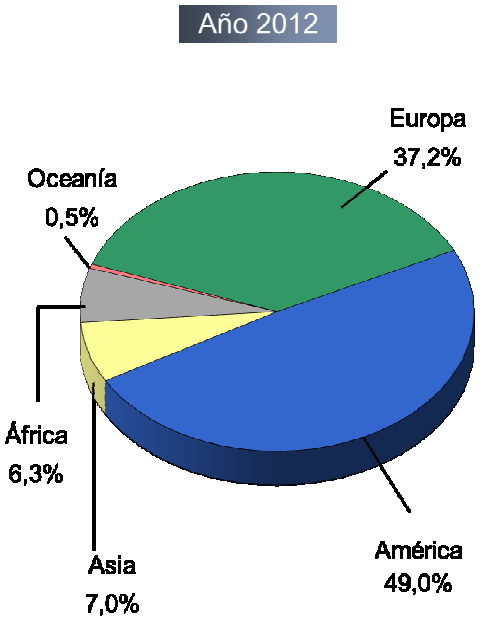
Evolution of Acerinox's turnover

2012



Elsewhere, the Americas consolidated their position as the Group's main market, representing 49% of turnover, with the Spanish market representing just 8% of the total.

Geographical Distribution of Acerinox's Turnover in 2012



Spanish production

Acerinox S.A.

On 31st December 2012, Acerinox's capital stock totalled 62,326,136.50 euros, divided into 249,304,546 common shares with a nominal value of €0.25 each. All of the shares that comprise the Company's capital stock are listed on the official stock markets in Madrid and Barcelona, and are traded on the continuous market.

The number of shares represented by the Board of Directors at the end of 2012 rose to 59.4% of the capital stock.

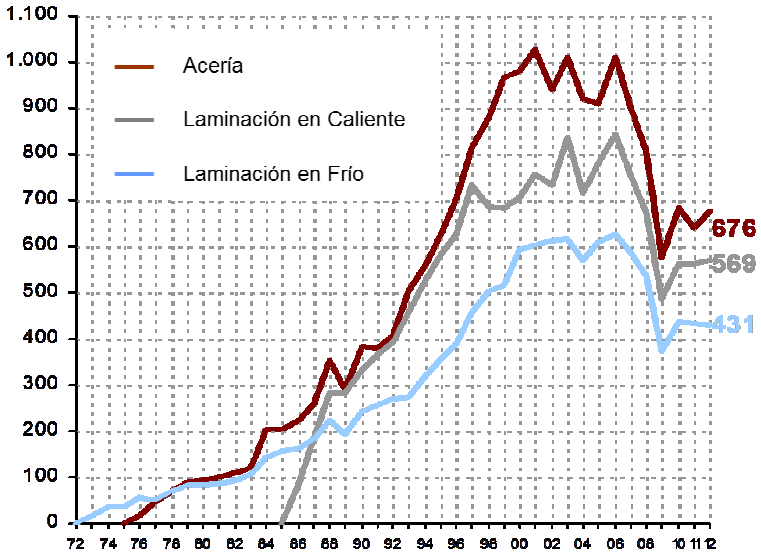
At the General Shareholders' Meeting held on 7th June 2012, attendance in terms of shareholders who were present or represented accounted for 70.1% of the capital stock. Of this percentage, companies represented on the Board of Directors owned 84.6%.

Acerinox Europa S.A.U.

Once again, production at the Campo de Gibraltar factory has responded exactly to the order book and is aligned to the stock reduction strategy.

The steel production of 676,034 t in 2012 represented a 5.7% increase compared to 2011, due in part to the fact that billet production returned to normal after being significantly affected in 2011 by the fire in Roldán at the end of 2010, the consequences of which were felt throughout the following year.

Evolution of production at the Campo de Gibraltar factory. Metric tonnes (thousands)



The cold-rolling mill processed 568,949 t, which represents a slight increase from 2011 (+0.9%).

Cold-rolling production totalled 431,400 t, practically the same as the previous year (-0.4%).

Alliances and external initiatives:

Acerinox is a company that actively participates in a number of entities:

- Eurofer
- Euro Inox
- Confemetal
- CEOE
- The World Steel Association
- Unesid
- The Circle of Businesspeople
- The Spain-US Advisory Foundation
- The International Chromium Development Association
- The Association of Large Industries of Campo de Gibraltar
- The Federation of Businesspeople of Leon
- The Metallurgy Industry Employer's Union
- The Anoia Business Association
- The Alavés Business Association
- CEDINOX - The Association for Research and Development in Stainless Steel
- International Stainless Steel Forum (ISSF)
- The Chamber of Commerce of the United States and Spain, Amcham
- The Elcano Royal Institute
- British Stainless Steel Association (BSSA)
- Association of Large Energy Consumption Companies (AEGE)
- The New Economic Forum

In addition, due to its strong commitment to society, the Company collaborates in and donates to various social, cultural and sporting organizations in a range of sporting, cultural and social events.

2. Sustainability in Acerinox

Sustainability in Acerinox

Contribution to sustainable development

At a time when we speak so much about sustainability and social responsibility, we may tend to forget that any company, in order to operate as such and to do so for a long time, has to be sustainable and to act responsibly. Acerinox is a perfect example of a Company with lasting relationships with its shareholders, clients, suppliers, employees and friends. We believe that a company can help to improve the world of the people that it deals with, making it a freer and more efficient world with fairly distributed economic resources, a community which respects its environment and a society in which profit is the result of a job well done, effort and continual improvement.

At Acerinox, we believe that if we keep to these principles, we ensure our long-term sustainability and the fulfilment of the interests of our employees, shareholders and all other stakeholders that we deal with. We contribute to the progress of the communities that surround us, always being the preferred employer for young people in the places where we are located, offering them the opportunity to develop their professional career.

However, this would be impossible without Acerinox implementing strict practices in the fulfilment of its responsibility towards society and the environment. Acerinox is one of the world's biggest scrap recyclers and the Company contributes towards a huge range of projects for the reduction of waste through industrial reuse. Both the sensible consumption of energy and the optimization of the raw materials required for its processes represent Acerinox's main competitive advantages, making efforts to improve the efficient use of natural resources.

Acerinox strives to use technology and efficiency to compensate for the disadvantages faced due to the global economic crisis and the production shift towards Asia. In other words, sustainable and sustained growth is the result of investment and continual improvement based on financial prudence and the maximization of the value of its shareholders' investment, while fulfilling the expectations of its clients and employees. In order to achieve all this, the Company implemented Excellence Plans and cost reduction programmes, and opened the new Bahru Stainless factory in Malaysia.

Within its strategy and business model, Acerinox integrates environmental and social opportunities, thereby fulfilling its commitment to generate value responsibly. All of the Group's companies and all of the people who work for or deal with Acerinox have taken on this commitment to sustainability and sustainable development.

Stakeholder relations

For Acerinox , its stakeholders include all those individuals and groups that influence the company's activities, decisions and management systems, and may be influenced by them in such a way that generates significant associated effects.

Acerinox has always been highly aware of the importance of the expectations of all of its stakeholders. With this in mind, one of the primary objectives of Acerinox is to respond to their interests and concerns, always striving to fulfil these expectations. We believe that a good relationship and a clear understanding of stakeholders' expectations is crucial. This can only be achieved through better management of risk and Acerinox's reputation, improvements in products and processes, a constructive and transparent dialogue, increasing trust, identifying new strategic and business opportunities, and improved communication and decision-making processes.

The Corporate Social Responsibility Committee identifies and defines the stakeholders for the organization. Based on this analysis, the main stakeholders are defined as shareholders, clients, suppliers and employees and their families. The aim of this management is the establishment of relationships of trust based on the voluntary commitment taken on by Acerinox, after ensuring strict compliance with the laws in each country and the internationally agreed regulations that apply. To achieve this, it is crucial for Acerinox to establish and maintain effective lines of communication with all stakeholders and with each group specifically.

In order to ascertain our clients' level of satisfaction, at Acerinox, we send each client a Client Satisfaction Survey each year, to gather information about potential complaints,

recommendations and suggestions. These surveys are processed and analysed and, based on the results obtained, any corrective measures that may be necessary are adopted. In addition, as part of the quality management procedure, Acerinox has the Customer Survey and accreditation of the ISO 9001 international normative.

Moreover, Acerinox has implemented a set of procedures throughout the Company in order to respond in the event of potential incidents:

- The Code of Conduct and Good Practices
- Complaints channels through which and relevant incident can be reported

In addition, shareholders can request any clarification on the information published or make any suggestion that they may wish to via email to accionistas@acerinox.com. Once again, the solutions to the issues suggested and proposed are analysed thoroughly. In addition, via an e-mail to the same address, shareholders can make recommendations or notifications to the highest governance body. These comments are analysed by the Corporate Social Responsibility Department. Moreover, regular meetings are held to discuss the most relevant issues.

Last but not least, the suppliers that Acerinox contracts can submit any potential complaints or suggestions at any time via written letter or e-mail to the management of the Commercial Department or to the person that contracted them.

Ethical and Responsible Conduct

At Acerinox, our Code of Conduct and Good Practices is a fundamental pillar of the Company, which inspires our pledge to honesty, rectitude, integrity and transparency, thereby reinforcing our public commitment to ethical conduct.

Our way of conducting business is aligned to our Code of Conduct, with certain commercial, ethical and personal standards always being upheld. As a result, any employee can report any conduct that they consider may involve a breach of legal regulations or the Company's principles of conduct. Such conduct should be reported to the employee's direct superior or to the Company's governance bodies.

There is a specific commission within Acerinox that is responsible for correct monitoring and assessment (in the most extreme cases, the governance bodies of the parent company shall bear this responsibility).

Moreover, Acerinox is firmly committed to the fight against corruption, implementing the following measures, among others:

1. Payments made by any of the Group's companies must be made only by authorized personnel, and this authorization extends only to registered certificates and bank transfers. Payments in cash or by means other than those expressly authorized are strictly prohibited, except for amounts below the limit indicated by the Chief Executive Officer of Acerinox S.A.

2. Under no circumstances may people in the Acerinox Group resort to unethical or morally dubious practices in order to influence the will of people external to the Company for the purposes of obtaining some type of benefit for the Group or for

themselves. People in the Group must also remain vigilant in order to avoid other people resorting to such practices.

3. Nobody who works for the Group must ever make promises nor give gifts or compensation for the purposes of speeding up procedures with administrative, judicial or political bodies, or to ensure or influence the results of these procedures.

4. The Group's companies must remain politically neutral and their dealings with the authorities are to be founded solely on respect for the institutions that represent the authorities and the Law. Acerinox does not finance any political party, nor any association or foundation that is sponsored, recommended or used by political parties. Neither does the Company contribute to the funding of unions, maintaining respectful interactions at all times. Acerinox does not include amounts in the public budgets for non-repayable grants at either a local or state level. Certain reimbursable amounts are excluded from this in the case of participation in joint projects that Acerinox does not head, particularly in Spain.

The best way of implementing our Code of Conduct throughout Acerinox is through training and awareness building. In this way, the Company ensures better comprehension and compliance. To this end, all professionals that work at Acerinox are obliged, from the moment that the sign their employment contact, to attend the relevant courses regarding the policies and procedures set out in the Code of Conduct and Good Practices. Moreover, during 2012, a number of face-to-face presentations were organized for all of the employees.

Lastly, the measures that Acerinox has adopted in response to potential incidents of corruption include the complaints channels that the organization has put in place, disciplinary dismissals, obligatory job reassignment and the termination of commercial contracts.

Regulations that govern the Group

Articles of Association

- In 2012, the Ordinary General Shareholders' Meeting approved an amendment to the Articles of Association in order to adapt them to the Capital Companies Act and its modification resulting from Law 25/2011, dated 1st August.

The Company's Articles of Association are up to date and can be accessed publicly on the Company's website, www.acerinox.com, in either Spanish or English.

General Shareholders' Meeting Regulations

Also at the General Shareholders' Meeting held on the 7th June 2012, certain articles of the General Shareholders' Meeting Regulations were amended in order to adapt them to the Capital Companies Act which was modified by Law 25/2011, dated 1st August.

The amended articles have been included in the Regulations and duly recorded on the Madrid Commercial Register. The full text of the General Shareholders' Meeting Regulations is available in Spanish and English on the Acerinox website: www.acerinox.com.

The Regulations of the Board of Directors and other Delegated Committees is also available on the websitewww.acerinox.com. No amendments were made in 2012.

Guidelines for the Operation of the Senior Management Committee.

This is not a corporate regulation, but rather purely internal. The Guidelines limit the exercise of the internal competencies of the Chief Executive Officer and the assignation of internal tasks to the different members of the Senior Management Committee and Strategic Committee, as well as the relations between the various directors.

As mentioned above, the Senior Management Committee of the Acerinox Group has certain uncommon characteristics, even in comparison to similar companies, in terms of it being a permanent body that holds a daily meeting whenever circumstances allow, and which adopts and considers decisions within an uninterrupted work schedule.

Guidelines of the Operation of the Internal Audit Service.

These Guidelines are clearly based on the schedules set out by the continental public administrations, and enshrine a dual dependence at both an organic and functional level between the Internal Auditor or the Central Audit Service and the delegated auditing bodies that operate in each of the Group's large industrial subsidiaries.

They establish certain guarantees regarding the person that takes responsibility for the Central Audit Service to ensure the impartiality and independence that is required of the role.

The Internal Audit Service does not finish its duties at the identification of issues, but rather the Service is obliged to provide proactive courses of action from the analysis of the situation and propose improvements and innovations in those areas of activity that have received a critical evaluation with respect to their primary function.

The Code of Conduct and its supplementary regulations.

Nowadays, the Company is not only expected to comply with the Law but also to conduct its activity within an ethical framework which is applied throughout its decision-making process and the decisions of each and every one of its members, from directors to employees.

The large corporations in the most developed countries must set limits of what is acceptable and unacceptable in line with the strictest interpretation of current laws, as well as governing areas not addressed by the law. The Internal Code covers such areas and is applied throughout the organization.

A company's shareholders and stakeholders need to know where their money is invested and who they are dealing with. The employees and directors of a company must act at all times in such a way that their conduct takes place within a universal framework of conduct.

To this end, the Code of Conduct has been developed for all of the companies in the Acerinox Group. The Code, which applies to directors, employees and any other associate, has been available on the Acerinox website since 2010.

The scope of the Code of Conduct does not cover all possible aspects but it is supplemented with specific regulations set by the companies located in various locations around the world. However, the Code does not represent an entirely new innovation, but rather it is a collection that brings together the standards of conduct required and applied throughout all of the Group's companies.

A crucial aspect of the Code is the advanced measures in place to ensure obligatory compliance with respect to harassment for reasons of belief, race, gender or any other cause. These measures are relaid by the executive bodies to the various companies in order to ensure that provisional preventive measures are taken in response to a single report of one of these situations having arisen.

Lower regulations with obligatory compliance.

The Senior Management Committee approved various provisions of a lower magnitude regarding all issues that, due to compliance requirements or the result of an analytical process and flowcharts of certain areas of activity, were considered to act as a guide for individual initiative or to set certain guidelines for activity. In matters concerning financial information, these lower regulations are subject to verification by external auditors when requesting their opinion on the Internal System of Control of Financial Information. As a result, the Group has internal regulations for each of its areas of activity: risks, travel, relocation, etc.

Compliance activities

In a joint initiative of the Chief Executive Officer and the Audit Committee, an ambitious process of review, identification and coding of all compliance activities was launched.

This objective is closely related to those detailed above with respect to the task of detection and reduction of risks and the establishment of a framework of conduct that extends beyond that imposed by the relevant laws in each case.

The task of coding began after the unification and standardization in 17 different fields regarding the various areas in which significant conduct standards have been established.

The purpose of this task is bringing the general level of compliance within the Group into line with standards similar to those implemented by financial institutions, despite the fact that a less strict framework is required under the relevant laws.

Excellence Plan II 2011-2012

The Excellence Plan II 2011-2012 was approved in February 2011 based on the success achieved with the Excellence Plan I 2009-2010. The Plan consists of 15 chapters in which the objectives to be achieved in the short-, medium- and long-term are set out, as well as the improvements in efficiency in terms of the manufacturing process, procurement and supply chain.

On completion of the Plan, recurrent savings are estimated to reach 90 million euros per year from 2013 onwards.

After the success of Plans I and II, on 18th December 2012, the Board of Directors approved the Excellence Plan III 2013-2014.

As in previous editions, the Excellence Plan III is the result of thorough and intensive internal benchmarking programmes, but also because the Excellence Plan has already become a key part of the Group's methodology The third Plan develops the chapters included in the previous editions much further and incorporates two new chapters, meaning that there are a total of 16 chapters divided into four sections:

- Excellence in operations.
- Excellence in working capital management.
- Excellence in the supply chain.
- Commercial excellence.

The involvement of all of the Group's companies in the definition and development of the Plan should be highlighted, with the Plan being the result of a process in which all of the units have contributed initiatives and suggestions. If 100% of the objectives set are reached, a recurrent annual saving of an additional 60 million euros will be achieved.

Acerinox and society

One of Acerinox's key objectives is promoting local development in the places in which it operates, generating employment and welfare. To this end, the organization's main social action initiatives are evaluated and approved by the Senior Management team, including the following:

- Donations
- The Volunteer Programme
- Agreements with universities and institutions
- Providing support for various associations or the different agreements

Acerinox's commitment to society is not only based on conducting its activities responsibly, creating value and paying its suppliers, shareholders and employees. It also involves contributing to public expenses via the current tax system and Social Security system in the countries in which in conducts its activity.

These obligations are the best and most committed demonstration of a Company's social responsibility, lasting over time, without depending on circumstances or easily revocable marketing operations.

In this respect, Acerinox's main contributions to the development of society in 2012 were as follows:

- 284,891,000 euros in salaries
- 29,805,000 euros in taxes
- 50,991,000 euros in contributions to various Social Security and social provision systems
- 112,187,046 euros in remuneration to our shareholders

In addition, the Group's companies have provided other benefits through their social actions.

As a Company committed to society, it is Acerinox's intention to invest the maximum possible amount in the community. As a result, throughout 2012, the Company collaborated in various fields including sporting events, festivals and social projects in the town of Los Barrios, with a total investment of 22,200 euros, even more than in 2011.

The most significant social action carried out in 2012 was the repair of the roof of the Pura y Limpia Parish in the neighbouring town of Palmones. The repair project received a warm welcome, with clear displays of gratitude from both the parish priest and the parishioners, given their special devotion to the church.

In Spain, the Company also collaborated in the maintenance of the local football club (U.D. Los Barrios), which went up a league last season, as well as various other local institutions for the development and maintenance of a range of social services. In addition, we awarded 50 grants to children of our employees who had achieved good grades at school. Students can choose to participate in the practical courses in July or August, attending classes in the morning and carrying out activities in the factory in the

afternoon. The departments in which the students do their work experience are accounting, warehouse, environment and civil projects.

Moreover, certified practical courses have been run in the various Professional Training Centres, with a total of 34 students being taken into our factory. Furthermore, during the summer period, six study grants are awarded to employees' children who are studying the last year of their university degrees.

3. Corporate Governance

Corporate Governance

At Acerinox, the transparency and effectiveness of Corporate Governance is fundamental. As a result, the Company's governance bodies comply with the set of regulations and guidelines that aim to ensure the implementation of best practices. (Further information on the Acerinox website).

The operational structure of Acerinox's organization is highly efficient, including all of the main divisions, operating companies, subsidiaries and joint ventures. The following organigrams show the structure of Acerinox:

	Board of Directors	Executive Committee	Appointment and Remuneration Committee	Audit Committee
Mr. Rafael Naranjo Olmedo	Chairman	Chairman		
Mr. Bernardo Velázquez Herreros	Chief Executive Officer	Member		
Mr. Pedro Ballesteros Quintana	Proprietary Board Member			Member
Mr. Clemente Cebrían Ara	Proprietary Board Member			Member
Mr. Manuel Conthe Gutiérrez	Independent Board Member		Chairman	
Mr. José Ramón Guerediaga Mendiola	Independent Board Member	Member		Chairman
Mr. Óscar Fanjul Martín	Proprietary Board Member	Member	Member	
Mr. Ryo Hattori	Proprietary Board Member	Member		Member
Mr. Luis Lobón Gayoso	Proprietary Board Member	Member		
Mr. Santos Martínez-Conde Gutiérrez-Barquín	Proprietary Board Member	Member	Member	
Mr. Braulio Medel Cámara	Independent Board Member		Member	
Mr. Yukio Nariyoshi	Proprietary Board Member			
Ms. Belén Romana García	Independent Board Member			
Mr. Diego Prado Pérez-Seoane	Proprietary Board Member			Member
Mr. Mvuleni Geoffrey Qhena	Proprietary Board Member			
Mr. Álvaro Muñoz López	Non-board member secretary	Secretary	Secretary	Secretary

	Senior Management Committee
Mr. Bernardo Velázquez Herreros	Chief Executive Officer
Mr. Antonio Fernández-Pacheco Martínez	General Director
Mr. Oswald Wolfe Gómez	Commercial Director
Mr. Miguel Ferrandis Torres	Financial Director
Mr. Luis Gimeno Valledor	General Secretary

The General Shareholders' Meeting

This is the highest ranking body which makes decisions on the most important issues.

On 7th June 2012, the General Shareholders' Meeting was held in which the accounts for the preceding year were approved as well as the management of the governance body, among other issues that needed to be discussed.

For the first time in the Company's history, this Meeting offered the possibility of voting electronically prior to the session. Between convening and announcing the Ordinary General Shareholders' Meeting and holding the Meeting in 2012, a large number of telephone enquiries were received from shareholders regarding the Company's status. All of these enquiries were dealt with in a personalized way by the Company's employees, a fact which is highly valued by the shareholders and which sets us apart from the trend among large companies, which often use outsourced call centres to deal with their shareholders.

Main governance organs: the Board of Administration and other executive organs

- *The Board of Directors*

With the exception of the competencies of the General Shareholders' Meeting, the Board of Directors is the Company's highest governance body. While it may consist of between 5 and 15 members, it has always had 15 members. A total of 20% of the members are aged between 30 and 50 years old, while the remaining 80% are over 50 years old.

Acerinox's highest governance body is formed of 15 members, four of whom are Independent Non-executive Members.

The Board strongly embodies the principles of excellence that the Company demands of itself, and this is apparent from the professional careers of the Board Members. All of the Members have a wealth of experience in the world of business or have held positions of great responsibility in the public sector, including in regulatory bodies.

During 2012, the Board held a total of 6 sessions in Acerinox S.A.

The Board has three Delegated Committees: the Executive Committee, the Appointment and Remuneration Committee and the Audit Committee. The last of these Committees was the most active, with a total of 11 sessions. In accordance with the recommendations of Good Governance and the application regulations, an Independent Board Member acts as the Chairperson.

The Members of the Board receive remunerations for the performance of their duties. This remuneration is detailed in the Annual Corporate Governance Report and is subject to a vote at the General Shareholders' Meeting, together with the remuneration policy of the body.

Since July 2010, the positions of Chairman and Chief Executive Officer have been held by separate individuals. Since this date, Rafael Naranjo has acted as Non-Executive Chairman of the Board and of the General Shareholders' Meeting, while Bernardo Velázquez has held the position of Chief Executive Officer. Both of these men have worked for Acerinox throughout their entire professional careers and have steadily been promoted through the ranks, from the entry level to the positions that they now hold. This experience has given them a deep understanding and knowledge of the Company and its operations. Of all of the Board Members, only the Chief Executive Officer holds the status of Executive. Four of the Members are Independent (26.67% of the board) while the remaining nine are Proprietary Board Members (60% of the Board). The numbers of Proprietary and Independent Board Members reflect the proportion of capital owned by the proprietary Board Members with respect to the total capital.

In 2012, no modifications were made to the composition of the Board of Directors.

Once a year, the Board evaluates:

- The quality and efficiency of the Board's operation.
- The performance of the duties of the Chairman of the Board and the Company's Senior Executive, based on the report drafted by the Appointment Committee.
- The operation of the Committees, based on reports drafted by the Committees themselves.

- *Audit Committee*

The Audit Committee was chaired by Ms. Belén Romana until 18th December 2012, on which date the Board appointed her replacement, the Independent Board Member, Mr. José Ramón Guerediaga, who is a graduate of Law, Economic Sciences and Business Studies at the University of Deusto. His functions include channelling the ownership of financial information, the appointment of external auditors and supervising and facilitating external auditing tasks.

During the year, certain changes were applied to regulations in the Spanish legislation. To ensure compliance with the amended regulations, the Company voluntarily initiated a programme of six monthly reviews by external auditors. Among other things, this commitment has led the listed Company to prioritize audit verification of the suitability and effectiveness of the Internal Systems of Control of Financial Information in line with the recommendations of the Treadway Commission and the CNMV (Spanish National Securities Market Commission), in order to complete a map of the consolidated Group's risks and to strengthen other internal compliance systems.

- *Executive Committee*

Chaired by Mr. Rafael Naranjo, the Executive Committee is a flexible and responsive body with the capacity to analyse and take decisions on the most urgent issues. In its decision-making process, the Executive Committee gathers the opinion and comments of the Group's executives and conducts thorough monitoring of the activities. In 2012, the Committee held a total of five sessions.

- *Appointment and Remuneration Committee*

Chaired by the Independent Board Member, Mr. José Ramón Guerediaga, until 18th December 2012, the date on which Mr Manuel Conthe was appointed as Chairman. The Appointment and Remuneration Committee convened five meetings throughout the year.

- *The Chief Executive Officer*

Since July 2010, after the separation of the roles of Chairman and Chief Executive Officer, the latter position has been held by Bernardo Velázquez.

Bernardo Velázquez is a Spanish engineer belonging to the ICAI who has spent his entire professional career in Acerinox. As such, he is a perfect example of the Company's model of professional development.

After thorough technical and commercial training, he was assigned to the Company's subsidiary in Mexico before being relocated to Australia in order to develop the Company's commercial network. In both roles, he gained a deep knowledge of the Company from the commercial and corporate perspective. Subsequently, he held positions as the Assistant to the General Director, the Director of Planning and the General Director of the Group.

The appointment of Bernardo Velázquez represents the culmination in a generational succession programme that the Company had been carefully planned over many years.

- *Senior Management Committee*

The Senior Management Committee of Acerinox consists of the individuals that hold the position of Director as appointed by the Board of Directors of Acerinox S.A. based on the recommendations of the Appointment and Remunerations Committee and the decision of the Chief Executive Officer.

In addition to Mr. Bernardo Velázquez, four individuals currently form part of the Senior Management Committee, which is one less than in 2011, as Mr. José Luis Masi Sainz de los Terreros stood down from his position on the Committee in 2012, having reached the regulation retirement age. The Committee meets daily and, in the absence of the Chief Executive Officer, the General Director chairs the Committee.

The duties of the Senior Management Committee are set out in the Operational Guidelines of the Committee, which also govern the duties assigned to its members by the Chief Executive Officer.

Key competencies of the Committee include:

- The Committee provides support and advice to the Board of Administration in decision-making and the development of the Group's policies.

- Under the coordination of the Chief Executive Officer, it is also the Committee's responsibility to direct the different units of Acerinox S.A. that each member has been assigned, as well as the coordination of the equivalent units in the Group's various subsidiaries and the definition of the internal structure of the Group's companies.

- It is the responsibility of the Committee as a whole and with respect to the competencies of each of its Members, under the senior direction of the Chief Executive Officer, to design, implement and operate the Internal Systems of Control of Financial Information at a corporate level and within each company, as well as its effective dissemination and strict compliance.

- With the aid of the Committee, the Chief Executive Officer defines the lines of responsibility and reporting in the various units of the Group's companies, either directly or through the Directors of the companies.

The Chief Executive Officers of the Group's main other industrial companies are also assimilated into the Senior Management Committee, who, for obvious reasons, are not always present. The difficulties inherent in these Members belonging to the Senior Management Committee as well as the governance bodies of the subsidiaries became increasingly apparent in 2010, especially with three global Directors meetings being held per year, in which all issues related to strategy are dealt with collectively, as well as any items that the Chief Executive Officer has included on the agenda.

- *Internal Audit Service*

The Internal Audit Service brings together the Company's General Audit Department and the delegated Audit Committees (one for each of the Group's large industrial companies). Approved by the Audit Committee, the Operational Guidelines set out the respective competencies and the operational and organic relations between the various services and the companies, respectively.

The Service produces an Annual Plan, the content of which is determined by the Audit Committee and the Chief Executive Officer. The analysis that the Service carries out may give rise to lessons or experiences that the Service communicates to the Group's governance bodies if applicable.

- *Risk Management*

The recommendations of Good Governance and the increasing interrelation in the commercial field, due to the width of the scope of the Group's products, included a recommendation for the creation of the position of Director of Risk Management, who reports directly to the Chief Executive Officer. The role of this Director is to detect, analyse and evaluate risks to which we are exposed and to propose reduction mechanisms for any risk that may affect the Group or one or several of its companies, as well as drafting and updating the risk map.

Approach:

ACERINOX S.A. has a Risk Management Model in place. An initiative of the Board of Directors and Senior Management, designed for the identification, classification and assessment of potential events that may affect all of the organization's key units and departments. The overall objective is to manage risks and ensure a reasonable level of certainty with respect to achieving the Company's objectives, whether they be related to strategy, operations, compliance or information.

Process:

ACERINOX S.A. is aware of its exposure to a series of uncertainties that are unique and inherent in the industrial sector in which it operates, mainly characterized by volatility in terms of its most important indexes and values, which can affect both financial and non-financial results.

In order to increase confidence and certainty in terms of achieving the objectives set and the sustainability of our business, the Company's Board of Directors has implement the Risk Management process throughout the whole organization, as part of the usual management activities.

The process is based on the following principle:

1. *Efficiency*. The Board of Directors is responsible for ensuring that Acerinox runs an effective Risk Management process.
2. *Commitment*. Each manager has to take responsibility for the risks that they face in their activity.
3. *Leadership*. Necessary and fundamental for achieving continual improvement throughout the process.
4. *Compliance and transparency*. Strict and rigorous compliance with all applicable laws and regulation wherever the Company operates. Compliance is also required in terms of any internal codes and regulations that the organization may have in place in the processes, as well as the established information channels, efficiently and effectively.
5. *Supervision*. Tracking and monitoring the entire process by the bodies and departments in charge of these tasks.

Organizational Model:

The competencies and responsibilities of the various parties involved in our *Risk Management Model* are as follows:

Board of Directors:

The Board of Directors is responsible for the existence of an adequate Risk Management process. This body is ultimately responsible for supervising the efficiency of this process. To achieve this task, the Board has a delegated body: the Audit Committee.

Audit Committee:

It is the responsibility of the Audit Committee to supervise the Internal Control and Risk Management System, as delegated by the Board of Directors.

Chief Executive Office and Senior Management Committee:

The Chief Executive Office and Senior Management Committee are responsible for the design and implementation of an effective Risk Management Model.

Corporate Risks:

The mission of the Corporate Risk Department, which reports directly to the Chief Executive Officer, is to design methodological proposals for the Risk Management model and to design the model's information and reporting channels.

Business Units:

The top managers of the Business Units are responsible for the existence, effectiveness and maintenance of the Risk Management Model of their business areas, and identifying and managing risks in these areas.

Internal Audit:

As well as consulting services, the Group's Internal Audit service provides an independent and objective guarantee in order to assess the effectiveness of the Internal Control, Risk Management and Governance processes, and report to the Audit Committee.

Main risks and uncertainties

Key risk	Description	Our response	
Overcapacity	*Oversupply due to overcapacity in the markets, resulting in price reduction.*	• Excellence Plan • *Product Mix* • Quality	• On-time Delivery • Building Client Loyalty • Price / Costs
Raw Material Price Volatility	*Variations in the price of the main Raw Materials.*	• Excellence Plan • Integrated Supply Chain Management • Natural Hedging	• Alloy Surcharge • Reduced stocks
Economic Cycles	*Supply and Demand / Economic crises*	• Excellence Plan • Integrated Supply Chain Management	• Market diversification • Reduced stocks
Competition	*Commercial policies of the competition, lowering prices to increase or maintain market share.*	• Sales Network Optimization • Excellence Plan • *Product Mix* • Quality	• On-time delivery • Research and Development • Price / Costs
Financial: Liquidity - Interest Rates	*Lack of liquidity, restrictions on access to sources of finance, increasing financial costs. Interest rate volatility*	• Solid financial structure • Institutional and geographical alternatives for sources of finance • Reduction in working capital	• Balance between long and short term • Insurances • Integrated management: *Cash pooling*
Financial: Exchange Rates	*Exchange rate risk in commercial transactions. Conversion of individual financial statements.*	• Insurances • Derivatives: *Cross currency swap*	• Centralized, integrated management: *Cash pooling*

4. Our shareholders and investors

Our shareholders and investors

Commitment and transparency with shareholders and investors

Acerinox has firmly upheld its principle of maintaining the profitability required for the sustainability of the business, generating value for the shareholders and a stable environment for its employees. The Company has been listed on the Madrid and Barcelona Stock Markets since 1986 and is one of the select group of companies on the IBEX-35 index. In 2012, Acerinox became part of the IBEX Top Dividend Index. This index includes the 25 shares with the best profitability in terms of dividends from all shares included on the IBEX-35, IBEX Medium Cap and IBEX Small Cap indexes, as long as ordinary dividends have been paid on these shares for at least two years.

In 2012, 212,952,017 shares were traded for a total value of 1,956,771,348.13 euros. The Company's capital stock totals 62,326,136 million euros divided into 249,304,546 million common shares with a nominal value of €0.25 each.

During the year, Acerinox paid out a total of 112.2 million euros to its shareholders. Since the Company's flotation on the Stock Market in 1986, the shareholders have received 1.498 billion euros in accumulated payouts. Acerinox has never failed to remunerate its shareholders, even in times of adverse economic circumstances.

A large proportion of Acerinox shares have been held by the same shareholders since 1970. This results in great stability and the possibility of design long-term policies and creating wealth without having to search for profits from outside the Company's main activity. This also leads to a high level of shareholder representation in the Company's governance bodies.

Shareholder remuneration has never been reduced and, once again in 2012, shareholders have received a total dividend of 0.45 euros per share. This amount is the same as the remuneration received by shareholders in 2011 and the years before. In contrast to the majority of companies on the IBEX-35 index, Acerinox continues to ensure unaltered remuneration for its shareholders.

With the aim of establishing relationships of trust with our shareholders and investors, we present our accounts transparently and we rigorously inform shareholders of our financial status. In addition, to reinforce our bond with clients, at the General Shareholders' Meeting, it is Acerinox itself that deals with the shareholders and organizes logistics and the distribution of Annual Reports, while welcoming and serving the attendees. Acerinox does not outsource these tasks as most other listed companies do.

Communication with our shareholders.

With the aim of fostering and maintaining a network of relations based on trust and transparency, Acerinox has open communication channels in place with the shareholders and the financial community.

To this end, the Company has a Shareholder Office to which any enquiries can be made via telephone (91 398 52 85 or 91 398 51 74), by post (Santiago de Compostela 100, C.P. 28035 Madrid) or by e-mail (accionistas@acerinox.com).

In addition, Acerinox has an Investor Relations and Communication Department which is responsible for the dissemination of the financial schedule and for providing any information that may be requested by analysts and investors, usually in relation to share values. Moreover, the Department organizes the regular investor meetings in various cities around the world.

We believe that it is important for us to ascertain the significance that shareholders place on ethical, social, environmental and governance issues, as this enables us to align our policies and practices and improve our performance.

5. Our clients

Our clients

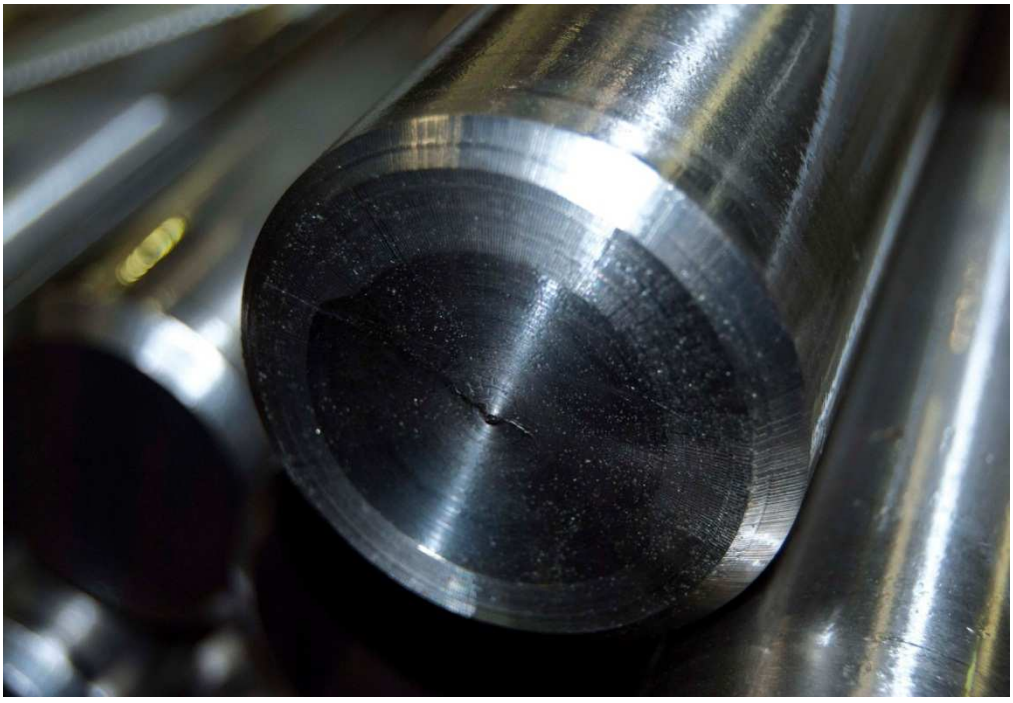
Our relationship and commitment to our clients

Acerinox is the leading company in the steel sector and our priority is to satisfy the needs and expectations of our clients. Quality is a key factor of Acerinox's value proposition and is naturally integrated throughout our methodology and at all levels of the decision-making process, with a management structure and suitable measures in place to guarantee this quality is achieved.

Our relationship with our clients is based on trust and commitment to results. Our clients value the efficiency, quality and competitiveness that Acerinox offers.

Acerinox has a broad network of national and international clients, offering the same quality and commitment to each client anywhere around the world under a single brand. As a result, for a single material, Acerinox applies the same General Sales Conditions and prices without regard to the geographical area.

To ensure that expectations are coordinated between the client and Acerinox, we strive to optimize communication channels and assure the sustainability of the business, maintaining a stable and lasting relationship. The area manager conducts various studies which take into account factors such as the cost of raw materials and energy in order to predict possible variations that may affect prices in the short or long term.



Client Satisfaction

In order to ensure compliance with certain principles of quality and with the aim of analysing opportunities to improve its products and services, Acerinox has developed a Customer Survey and has been granted ISO 9001 certification, on which the Quality Management System is based. This international standard focuses on all elements in terms of quality administration that every company must have.

This year, for the first time, the client satisfaction surveys have been conducted quarterly, dividing the clients into two groups by delegation/subsidiary, which means that each client receives the survey twice a year.

The changes that have taken place in the market have meant that it has become more crucial than ever to be able to react to unforeseen events and meet delivery deadlines, above all, in times of great volatility in terms of raw material prices. Therefore, in order to gain a more comprehensive overview of our clients' opinions, the survey has been modified in the following way:

- The points regarding 'Personal service' have been removed and merged into the section on 'Quality of response from our employees', while 'Product suitability' has been incorporated into the 'Product range' section.

- New sections include 'Capacity to respond to unforeseen events/changes' and 'Meeting delivery deadlines'.

The overall result of the 2012 survey was 3.9 out of 5, which is classed as very satisfactory.

The technical professionals at Acerinox (both in the factory and the Quality Managers in service centres/subsidiaries) regularly visit the clients. The Technical Support Reports are drafted based on these visits, 28 of which were drawn up in 2012.

The Company continues to draft Client Quality Specification Sheets which gather all of the information regarding the specifications and special needs of each client, two of which have been registered in 2012.

Other Technical Reports are also drafted for clients for several reasons:

- Client needs.
- Complaints.
- Technical enquiries.

In addition, Delegation Technical Reports are regularly drafted.

Just as in the case of our suppliers, clients cannot order products unless all of the payments and charges are traceable to financial institutions.

Sales operations must be covered by a letter of credit or credit and surety insurance. The performance of operations that do not comply with the above regulations are only

permitted with express prior authorization and must fall within the authorized limits of risk set by the Senior Management of Acerinox S.A. under the terms defined in the internal authorization and risk coverage regulations.

For a number of years, our efforts to measure and accredit our client service systems has led the Company to request and obtain the most highly accredited quality and service certifications in terms of the product, supply chain and environmental relations.

Health and Safety in our products

Acerinox has a department that is responsible for the Health and Safety of our products, which identifies and assesses any risks that may exist. This department guarantees a high level of protection through:

- Risk analysis in the factories.
- Drafting and distribution of product Safety Information Sheets (SIS).
- Compliance with Registration, Evaluation, Authorization and Restriction of Chemical Substances (REACH) programme, which primarily aims to guarantee a high level of protection in terms of the Health and Safety of people and the environment.

The REACH regulations establish an obligation to register any chemical substance that is commercialized within the territory of the European Union. The European authorities then conduct analyses and act accordingly, restricting or prohibiting the use of any substances that may involve a high risk.

6. Our people

Our people

Human Capital Management

At Acerinox, we are committed to our professionals, who represent a strategic pillar of our business. We implement a sustainable model of Human Capital Management and Acerinox's business model is indicative of its employment stability in the current financial situation.

It is a priority for the Company that our employees are happy in their work and as a team with the best possible working environment. As a result of this policy, the number of employees that leave the Company each year is minimal, as shown in the table attached in Annex 1.

Acerinox is committed to avoiding high employee turnover, in the belief that this indicates high levels of uncertainty and dissatisfaction among employees. This situation is not the case in Acerinox. The Company also tries to prevent employee turnover and the implied changes in the organization's human and intellectual capital from affecting Acerinox's productivity.

The good relations that Acerinox upholds with its employees is underlined by the fact that many children of former employees have joined the Company, following in the footsteps of their proud parents to form part the workforce. This phenomenon is particularly evident in the Palmones factory, which is practically the oldest in the Group (1970) and has witnessed this handover between generations, continuing the family's affection for the factory ever since.

The quality of our working environment means that the average age of our employees is particularly high in those work centres that have been established for a number of decades. For example, this is the case in the Campo de Gibraltar factory, which began operation in the 1970s, where the average age is 44 with a total of over 480 employees having retired.

This high average age is in no way perceived as a problem by the Group. In fact, just the opposite is true as it is seen as an extremely valuable accumulation of experience and loyalty to the Company. It is no coincidence that the Group's company with the highest revenue from technical support projects is Acerinox Europa, as its factory has spread its know-how and expertise to the entire Group, particularly in the new factory in Malaysia.

Expert professionals have provided technical support services during the construction of this factory and have reached the age of retirement in Malaysia, after having contributed their many years of experience to the new project. Acerinox is extremely grateful to them for this contribution.

On a separate issue, until 2010, the majority of the workforce of the Acerinox Group was based in Spain, where the Company originated. However, today this proportion is 46.05% and is on the decrease due to the rising number of new employees contracted in Asia.

By continent, the figures are as follows: [1]

Europe (including Turkey and Russia)	3,684
The Americas	1,418
Africa	1,592
Asia and Oceania	558

This table shows that, year after year, the specific weight in terms of the whole workforce is shifting away from Europe. In fact, in less than two years' time, the majority of the Acerinox Group is expected to work outside of Europe. The Acerinox Group has had foresight and has correctly predicted in good time that the global centre for the exchange of goods and services is shifting from the Atlantic towards Asia. With this in mind, the Company invested first in the Americas and subsequently in the construction of a new factory in Malaysia.

In addition, the Acerinox Group owns industrial establishments in four countries on four different continents, with sales in over 84 countries. With almost 92% of its revenue coming from outside Spain, Acerinox is probably the most international Spanish Group.

[1] On 31st December 2012

Commitment to our disabled employees

Acerinox goes to great lengths to offer employment to people whose capacity has been reduced due to accidents or illness. As a result, a total of 50 people with reduced mobility and disabilities recognized by the Healthcare Authority currently work in the Campo de Gibraltar factory, as well as 64 other employees who have not received official accreditation (or which is pending) but who have been identified either by the Company's medical services or by recommendation of the Employment Agency as individuals with difficulties that hinder their regular work.

Whenever necessary, employees with reduced mobility are offered the opportunity to work part-time, if such a reduction would reduce the severity of the consequences. The Company's flexibility not only fulfils the employment expectations of this group but also leads to a real reduction in absenteeism at the plant, as indicated in other sections of this Report.

In total, the Algeciras factory employs 104 people with reduced mobility or an officially registered disability. This is far above the minimum standards required by Spanish legislation in this respect.

Training our employees

Acerinox has always been committed to employee training, which is one of the Company's most valuable assets. Investment in human capital is fundamental to the Company's growth and this is patently clear from the high average number of hours that Acerinox invests in each employee every year. The areas in which employees are offered training are as follows:

- Languages: English, French, German and Mandarin.
- Information systems: Introduction to Windows Server 2008, Programming in C with Microsoft Visual Studio 2010, Basic Access.
- Traffic: Master logistics.
- Internal Audit: Internal Fiscal Control Function, Internal Auditing of Financial Management and Analysis, Internal Auditing of Compliance with Regulations, Internal Auditing of Fraud in the Supply Chain.
- Risks: Drafting the Risk Map.
- Risk Coordination: Advances Accounting, Accounting of Risk Management and Systems.
- Consolidation: Consolidation of Financial Statements.
- Legal: Personal Income Tax.

Acerinox's principal investment in training its employees is related to one of the most important areas - Workplace Risk Prevention. Some of the key courses in this area include:

- Basic Workplace Risk Prevention (60h).
- Health and Safety for Administrative and Office Staff.

During 2012, the Group's companies awarded a total of 48 research grants in order to integrate research into disciplines related to the factory's activities. It is Acerinox's intention that the majority of the beneficiaries of these grants belong to less advantages ethnic groups, in accordance with the provisions of the 1998 Employment Equity Act. A total of 77% of grant beneficiaries come from less advantages ethnic groups.

This year, for the first time, the Quality, Safety and Environment Awards have been created, which aim to reward ideas and projects that enhance improvement in quality in any area. Any member of the factory workforce is eligible for these awards, which may be presented to an individual or a group. The aim of this initiative is to encourage the employees' commitment to product quality, safety and the environment.

Acerinox is keenly aware that, without adequate training, there can be no quality or innovation. As a result, the Group's factories constantly collaborate in the preparation of its contracted employees in Bahru Stainless, with over 200 people having received their practical training in Algeciras, Columbus and NAS.

Orientation and Assessment

The Acerinox Career Plan is defined and structured around professional categories. The Plan is consolidated and allows for different options in terms of speed and direction, so that the professional can design the different stages of their career. It should be highlighted that our Chairman, our Chief Executive Officer and the majority of the executives that make up the Group's Senior Management have risen through the ranks of the Company through the internal promotion process and the performance assessment of each professional.

The promotion opportunities for newly contracted employees in the Group mainly depends of their efforts, aptitudes and competency, and are based on the endorsement of their Directors. Acerinox offers employees many opportunities for training and so the only limits to their professional career are limits that they have freely chosen themselves.

In addition, in order to evaluate the performance of employees or, in other words, their effort, discipline and commitment, Acerinox conducts regular assessments, as shown in the following table:

Regular assessments

	ACERINOX S.A.	ACERINOX EUROPA S.A.U.
Employees with performance-related variable salaries	54	223
Promotions	0	364
Total people evaluated	54	587
Percentage of people evaluated	83.08%	24.33%

Equality and diversity

Equality between men and women is a reality in Acerinox, which is demonstrated in each and every process:

- The opportunities are the same in the selection processes.
- The remuneration policy is identical. The policy is based on levels associated with each professional category, thereby preventing any discrimination based on gender, which complies with all of the policies related to gender equality.
- A single career model for all Acerinox professionals.

Acerinox complies with all policies related to gender equality, not only because the Collective Bargaining Agreement establishes such requirements but because Acerinox's policy is completely committed to these objectives, which aims to ensure non-discrimination and equality of treatment in a working environment.

Diversity management is and will continue to be a priority for Acerinox, as the Company is a remarkable example of a multicultural organization in which different cultures and religions coexist harmoniously, with each of them is duly protected and included by the conduct of the Group and its companies. Acerinox is committed not only to our professionals gaining the maximum personal and professional benefit from diversity and a multicultural environment, but also that, as a company, we are able to have a positive influence on society, building a legacy of absolute inclusivity for generations to come. We believe that diversity enriches the organization, promoting the development of innovative solutions and facilitating the exchange of knowledge and experience, thereby creating competitive advantages.

In the Senior Management bodies in the Company, the Group usually prioritizes the inclusion of local directors in its companies. Acerinox has always been committed to local management bodies and the promotion of local residents, thereby ensuring their contribution to our business culture.

In order to implement non-discrimination policies in terms of the determination of working conditions in all of the countries in which Acerinox operates, the Group takes inspiration from the standards set by the Universal Declaration of Human Rights and the International Labour Organization. Moreover, a diverse range of protocols have been implemented aimed at preventing any type of discrimination. During 2012, the Group has not been notified of the existence of any firm breach in terms of discrimination in the workplace.

Certain legislation is in place which demands that particular measures are taken to ensure the protection of groups that are especially disadvantaged. Acerinox complies with and respects all of this legislation. A clear example of this is in South Africa, where the Executives comply with the principles of Broad Based Black Economic Empowerment, which have led to significant progress being made, as explained in another section.

In European countries and the USA, no racial data is available. However, gathering such data is legal and may even be required by law in other countries.

Social Benefits

Acerinox ensures that all of the Group's employees are given the necessary medical coverage in the case of accidents, as well as the obligatory coverage provided by the Social Security systems in each country, all from the moment that they join the Company.

Acerinox provides the following social benefits:

- Participation in the Company group
- Life insurance
- Accident insurance
- Master's courses and other courses for employees
- Meal vouchers
- Discounts on computers and internet connection
- Nursery vouchers
- Grants to employees' children
- Medical insurance - special offers

Acerinox is aware of the potential implications that social benefit programmes have for the Company, as in some cases, they may become commitments which the beneficiaries take into account when planning their long-term economic welfare.

Health and Safety in our products

With all of the Company's professionals, Acerinox has taken on the commitment to promote a preventive culture that strives to guarantee its professionals the highest levels of health, safety and wellbeing, by implementing extra safety measures and achieving a constant reduction in accidents and absenteeism.
In order to fulfil these commitments, Acerinox goes beyond compliance with current legislation by implementing a Health and Safety Management System throughout its work centres, in line with the requirements of the OHSAS 18001:2007 standard. All of this ensures compliance with all of the Company's obligations in terms of Health and Safety.

Moreover, in order to ensure a safe working environment, Good Practice programmes are run that are implemented throughout the year at the request of the Department of Safety and the Environment in the Campo de Gibraltar factory. In particular, the following key initiatives are run:

- Process line audits
- Safety equipment operability audits
- Service company audits

Due to the significance that safety has acquired in the factory, all of the above mentioned Environmental and Safety Departments have been merged into a single department with increased resource allocation. As a result, and despite the existence of a certain risk involved in Acerinox's activity, the number of victims of fatal accidents is zero and the level of absenteeism is as shown in the table:

ACERINOX S.A.			**ACERINOX EUROPA S.A.U.**		
	Accident rate	**Illness rate**		**Accident rate**	**Illness rate**
Madrid	0.00	0.76	**Madrid**	0.00	0.95
			Pinto	0.19	1.49
			Gavà	0.82	4.50
			Betanzos	0.32	0.02
			Algeciras	1.25	1.42

In addition, through its OHSAS 18001 Management System, Acerinox has established a procedure based on its internal process for the identification of hazards, risk assessment, and planning and control of these risks in accordance with PSS-431-1.Rev.2, as well as a Health and Safety procedure for investigation into accidents and incidents (PSS-452-3).

Nevertheless, the Health and Safety Department issues a monthly report, which includes accidents resulting in time off work, accidents not resulting in time off and accidents en route to or from work. This report is analysed by the Workplace Health and Safety Committee which holds a monthly meeting and takes the appropriate measures to ensure that such accidents are not repeated. This analysis is conducted by all members of the Committee, including the Accident Prevention Delegates. The results are disseminated on the notice boards around the factory for the information of all of the employees.

One of the Group's main objectives in the integration of safety at all levels of the Company's hierarchy, considering it to be an inherent factor to be applied by all positions. Thanks to the fact that the Directors of the various construction areas come from the Group's companies, it has been possible for the Company's own safety standards to be fully implemented, based on their broad experience in this field. Moreover, safety experts in other factories have made a number of technical support visits with the aim of reproducing their results in the rest of our factories.

In 2012, the Roldán factory in Ponferrada (Spain) received the highest investment in safety by the Group in proportion to its capacity, due to the fire that occurred at the end of 2010.

The measures adopted before the fire prevent any injuries, thanks to the implementation of high standards and efficiently trained staff.

In addition, a high percentage of Acerinox employees are represented on joint Health and Safety committees made up of directors and employees. In this way, Acerinox helps to ensure that its employees are advised on Health and Safety matters. The following table shows the high percentage of employees represented on these committees:

HEALTH AND SAFETY COMMITTEES

Headquarters	Nº of people	Percentage
Madrid	6	4.05
Pinto	4	14.81
Gavà	4	6.35
Betanzos	5	33.33
Algeciras	12	0.54

Last but not least, various formal agreements with unions are in place with respect to Health and Safety in the workplace. In particular, the Company has agreements with the Spanish Confederation of Metal Business Organizations (CONFEMETAL) representing companies in the sector, as well as with the UGT Federation of Metal, Construction and Related Activities (MCA-UGT) and the CCOO Federation of Mining and Metallurgy (FM-CCOO). The ERGOSID project has been carried out in collaboration with these associations, which focuses on developing the criteria and design for ergonomic improvement in the iron and steel sector.

7. Acerinox and the Environment

Acerinox and the Environment

Environmental management

All aspects of society worldwide are moving towards a more sustainable world which, at the same time, is highly competitive, built on a foundation of utmost respect for the environment. Sustainability in business management is involved in this globally in all of its dimensions: economic, social and environmental.

Based on these fundamental premises, Acerinox S.A. considers the environmental dimension be the very core of all of its sustainability policy, which is then incorporated by the Company's governance bodies throughout the model of strategy definition and setting objectives. These include the environmental management processes as an inherent part of the usual management activities, which are defined below.

Acerinox promotes industrial activity with the minimal possible impact on the environment. In addition, the Company is committed to finding the most sustainable models with the lowest carbon footprint in its everyday operations, thereby integrating climate change into its business strategy and adopting active emission reduction policies. Since its foundation, Acerinox has been a sector leader as an installation that has managed to implement continual improvements in the design of its processes and management systems. Moreover, the Company has been able to identify the risks and opportunities that have arisen at an environmental level, and has developed tools for analysing and assessing them with remarkable results.

The Company's environmental policy reflects its commitment to sustainability and, therefore, to the continual assessment of the environmental impact generated by its activities. To this end, significant economic and organizational resources are allocated in order to strike a balance between the needs of production, employees and the organization and protecting the environment. As one of the Company's main protection activities in terms of both employees and the environment, Acerinox has established a working group specializing in compliance with REACH and CLP, essential regulations in terms of chemical policy of the product. This working group manages and assesses all of the materials and products throughout the entire supply chain, and reports on the safe use of these materials.

The Senior Management of Acerinox assesses the risks and opportunities that arise in terms of the environment. The result of this analysis and assessment provides a global overview of the Organization within the context of the environment that surrounds it, and enables improvements for both the Company and the environment. The Senior Management promotes the effective implementation of the Environmental Management System (EMS) based on the ISO 14001 regulation. In view of the activity that Acerinox carries out, one of the most important factors of the EMS is the efficient use of materials and all other resources.

The following materials balance sheet for 2012 shows various monitoring indicators that allow Acerinox's environmental performance to be assessed.

Materials Balance Sheet

Inputs		
Energy[2]	GJ	2,610,876
Natural Gas	GJ	3,066,188
Recycled material		563,497 t
Ferroalloys		199,018 t
Gases		67,839 t
Acids		11,507 t

Outputs	
Steel	676,6034 t
Smoke dust	16,751 t
Slag	222,549 t
Scale	8,867 t
Neutralized red mud	19,171 t
NOx	28 t
CO_2	167,876 t
Particulate matter	26 t

The stainless steel manufacturing process involves an intensive use of energy and so one of the main objectives of the Environmental Management System (EMS) is to monitor this resource. Each year, the EMS carries out environmental management programmes which focus on this objective and which involve investments into projects such as efficiency improvements of the steelworks' AOD converters or the improvements implemented in the pickling line and the recovery of cold-rolling acids. These operations result in a reduction on energy consumption. In 2012, the energy efficiency operations conducted led to decreased consumption of fuel and electrical energy, which translates to a reduction of 2,800 tonnes in CO_2 emissions which, together with the rest of the measures implemented, has resulted in a total saving of 8,142 tonnes of CO_2.

[2] The quantity of primary energy used for the generation of this energy came from the following sources: Coal (1GJ), Oil (1GJ), Gas (5GJ), Other (2GJ)

Environmental expenditure and investment

As part of its sustainability policy and environmental management, every year, Acerinox makes significant investments in the environment in order to reduce risks in this area, leading the way in terms of manufacturing installations with minimal or zero environmental impact and complying rigorously with the regulations and guidelines in the fields in which it operates.

In addition, every year, in its industrial installations and manufacturing units, significant investments are made in environmental management in order to achieve all of the objectives set and to monitor all environmental management in an integrated way.

Environmental investments since 2012 at the Campo de Gibraltar factory total €16,856,124.

Investment in the environment in 2012 rose to €1,931,595, including the following key projects:

- Improvements in the efficiency in the the steelworks' AOD converter process.
- New pool pumping equipment for spill emergencies.
- Improvements in the cold-rolling pickling lines.
- Improvements in the acid recovery plants.

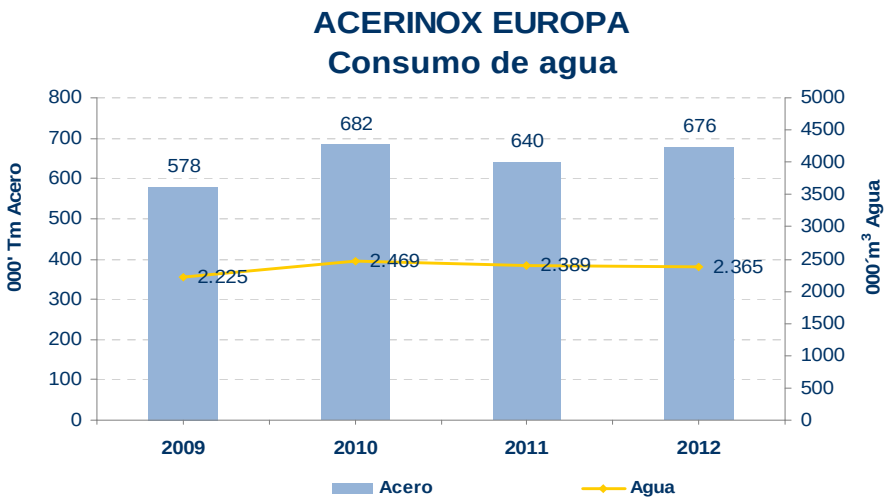
The assessment of the Company's environmental performance is an internal management system that forms part of Acerinox's EMS, which uses indicators to provide information that enables the comparative evaluation of environmental conduct. The process follows a 'Planning-implementation-monitoring-action' management model and it is a key tool for dealing with the environmental diagnostics of our activity. It is based on the ISO 14031 regulation on Assessment of Environmental Conduct.

Environmental programmes

In Acerinox's EMS, there are various environmental programmes aimed at controlling the main impacts generated by the Company's activity.

1. Water - our ally in the battle to improve the environment

Water is an essential element for life and, in the manufacture of our product, it is an important natural resource in the activity of Acerinox. Water is collected from a reservoir near to the installation.

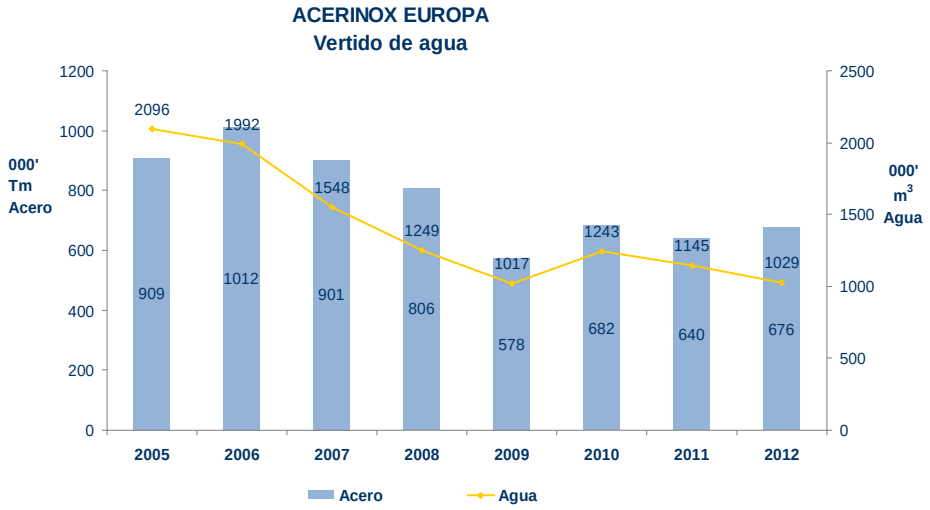


Graph 1: Water consumption 2009-2012

Water is consumed on process lines, refrigeration systems and auxiliary plants. The water used is subjected to various treatments that enable the recovery of quality levels and its subsequent reuse. There are various installations that enable the recovery of acids used which can then be reintroduced in the stainless steel pickling processes. In addition, oily waters are treated in the oil recovery plants to obtain water that is free of oil, which is then transported to the Neutralization Plants, while the oil is disposed of by authorized experts. Water with organic load is treated in the Residual Water Purification Stations (RWPS).

These treatments ensure that the water that is finally collected complies with the legal limits established in Acerinox Europa's Integrated Environmental Authorization (IEA) and with the authorization of each subsidiary. The Company has three discharge points, two in the Bay of Algeciras and the other at the mouth of the Palmones River, which is certified as a protected area, a fact which involves a special obligation to take care of the disposed water.

Thanks to the installation of an underwater pipeline which involved an investment of over 3 million euros, Acerinox Europa avoids any pollution load in the receptor environment. The great effectiveness of this pipeline is confirmed not only through the real-time monitoring of water quality for the purposes of prevention, but also through official monitoring of the quality of the waters in the Bay of Algeciras, the results of which were very positive. It should be highlighted that, in 2012, the Company obtained satisfactory results in terms of the operation of submarine pipelines.



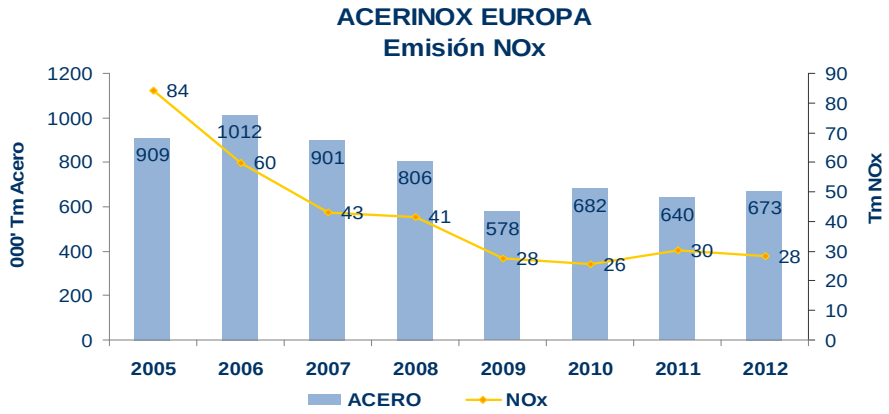
Graph 2: Water discharge 2005-2012

2. Air:

With the objective of minimizing emissions and for greater control, Acerinox performs constant surveillance of the main emission sources in its factories, thereby obtaining continuous measurements of emissions. As a result, continuous measures are taken with respect to emissions of particulate matter and the most common gases, such as NOx.

The steelwork installations are equipped with particulate filters in order to capture and recover valuable metallic materials, which has a clear environmental and financial benefit. Continuous opacity and flow statistics are gathered for each emission point, which enables these parameters to be monitored thoroughly.

For the delicate issue of the elimination of NOx emissions, the factories not only of Acerinox Europa but all of Acerinox are equipped with catalytic towers which convert NOx vapours into molecular nitrogen, resulting in NOx emissions in the atmosphere achieving level far below the already strict legal limits and eliminating the risk of acid rain in the surrounding area.

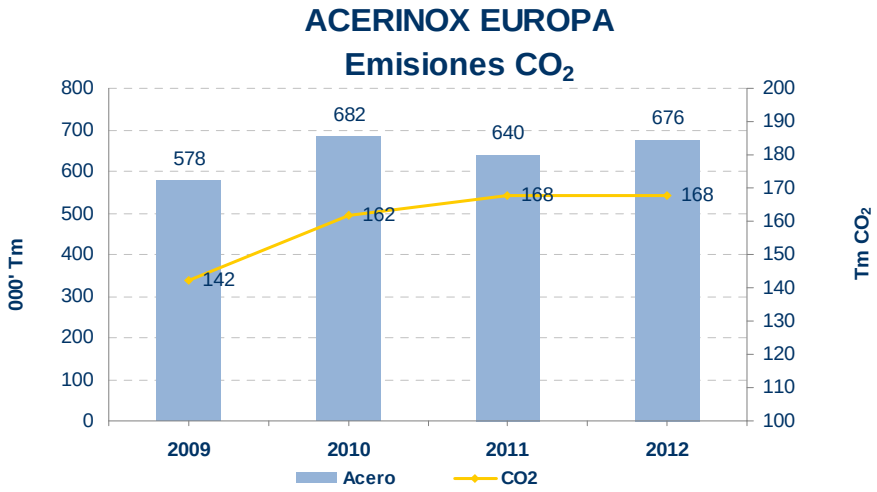


Graph 3: NOxemissions 2005-2012

One of the key environmental objectives at the steelworks is, of course, a reduction in CO_2 emissions. To this end, over the last few years, Acerinox Europa has made significant investments, including the installation of chimneys that regenerate natural gas, hot-rolling furnace improvements and heat recovery boilers, managing to become one of the most efficient companies in terms of emissions reduction. According to official data from the ISSF (International Stainless Steel Forum), Acerinox's intensity of direct emissions (tonnes of CO^2/ tonne steel) is 31% below the average for stainless steel manufacturers around the world.

Acerinox has taken part in the Carbon Disclosure Program2012 (CDP) and has received recognition from this Organization as one of the most efficient plants in the world in terms of environmental management. This declaration was made in the report submitted to the Madrid Stock Market, in which the factory was awarded a score of 83B. Over recent years, the Company's environmental policy has led to a progressive and significant reduction in CO_2 emissions.

It is important to highlight the Group's factories' rigorous compliance with international regulations, calculating not only direct but also indirect emissions generated through the consumption of electricity and the supply chain, with the accrediting body verifying these emissions in accordance with ISO 14064-1:2006.



Graph 4: CO_2 emissions 2009-2012

The Company collaborates with the Union of Steel Companies (UNESID), preparing the inventory of CO_2 emissions for the Ministry for the Environment and developing the MIRAT project as part of the Law of Environmental Responsibility. In addition, the Company is committed to acting responsibly in order to minimize or prevent negative environmental impacts. To this end, it also collaborates with the World Steel Association, which ensures compliance with environmental regulations, promoting best practices and developing new technologies to prevent emissions at their origin. This Association has granted Acerinox a certificate in recognition of the actions it has taken in the fight against climate change.

3. Waste treatment:

- Waste generated:

During 2012, a total of 21% of total waste generated was recycled, with 8% being hazardous waste and 92% non-hazardous.

Principal waste generated	
Smoke dust (h)	16,751 t
Slag (nh)	222,549 t
Scale (nh)	8,867 t
Neutralized red mud (nh)	19,171 t

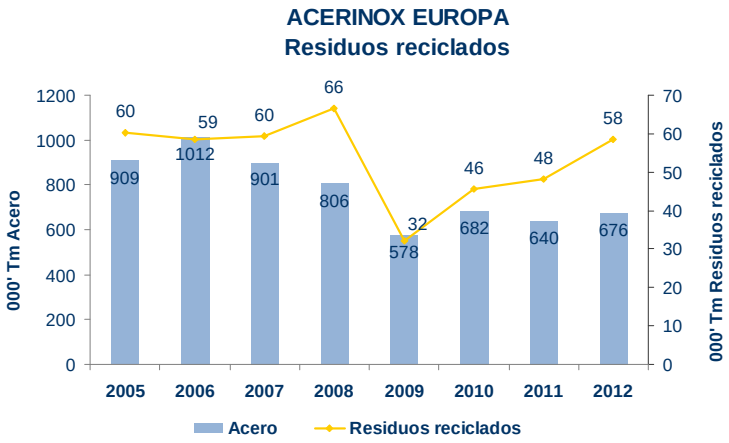
Note: The initials in brackets refer to (h) waste classified as hazardous and (nh) non-hazardous waste.

In terms of treatment and reuse of waste, the scrap treatment plant carries out the recovery of its metallic content. This means that we obtain a material with a value as high as metal that contains certain alloy contents. In 2012, 35,629 t of metal were recovered which were transported for remelting. The resulting slag is considered non-hazardous, with the advantage that this implies for its subsequent use. Acerinox participates in

various projects at a national and international level for the development of applications for this type of waste.

Austenitic smoke dust gathered in the bag filters at steelworks coming from the scale and dust that is produced in the acid recovery plant is transported to a European installation where metal recovery takes place. A metallic product is obtained that can be reused in the smelting process of stainless steel. In 2012, 4,940 t of this material were recovered. As can be seen from the graph, Acerinox Europa maintains constant levels of waste reuse. The lower recycling figures, as you may imagine, relate to the new steelwork production over recent years. All in all, the ratio of recycled waste per tonne is on the rise.

During 2012, a process was developed to obtain briquettes that enables the recovery of all of the scale generated in the factory.



Graph 5: Recycled waste 2005-2012

- Reuse of waste:

Stainless steel is one of the products that contributes most to environmental sustainability, as it generates a significant reduction in consumption of natural resources both in terms of its manufacturing process and its useful life.

The Acerinox Group has developed its own technology that uses a high proportion of recycled material in its manufacture of steel, well above the sector average. This rate is far above the world average for stainless steel manufacturers, which is currently 60% according to the most respected environmental organizations, such as the International Stainless Steel Forum (ISSF). The use of this recycled material substitutes the consumption of other raw materials, thereby achieving a dual environmental objective.

On the one hand, consumption of natural resources is reduced, while on the other, emission of pollution into the environment is prevented, that would have been produced in the manufacturing process of the ferroalloys required to replace this recycled material (for example, CO_2).

Acerinox participates in the research project, the Life Cycle Inventory (LCI), run by Eurofer, due to the need to assess the environmental implications of the entire life cycle of the

product. Both the quantity of recycled material used and the possibility of recovering and reusing stainless steel products in the manufacturing process at the end of their useful life lead to an extremely positive rating in the life cycle assessment of stainless steel.

Many of the applications of stainless steel are found in sectors that are clearly associated to respect for the environment. Key examples include renewable energy equipment such as solar panels, the construction of energy optimized buildings and water treatment plants, among others.

After a long life cycle, stainless steel is systematically recycled. In fact, this great material is produced mainly from scrap. Scrap is pressed into blocks which are then transported to steelworks for reuse. As a result, there is a reduction in the consumption of raw materials and energy, contributing significantly to less industrial waste in the environment. The life cycle assessment of stainless steel is extremely positive due to the fact that production uses large quantities of scrap, as well as the future potential for the complete recycling of all products made of stainless steel.

Acerinox is one of the world's biggest scrap recyclers and the Company contributes towards a huge range of projects for the reduction of waste through industrial reuse. One of the Company's main objectives is the recovery, reuse and minimization of the waste generated.

Last but not least, as well as slag and dust from steelworks and cold rolling, the Group recycle the following waste in its factories:

- Regenerated acid
- Oil used in the decanting plant
- Recovered oil
- Oily paper
- Diatomaceous earth

4. Natural habitats

The Company's environmental policy reflects its commitment to sustainability and, as such, to the continual assessment of the environmental impact generated by its activities. A clear result of our efforts to maintain the best possible environment is the fact that Acerinox performs its activities in a protected area which is particularly popular as a tourist destination. This protected area is known as the Palmones River Marsh Natural Park, which covers an area of 58 hectares of lush vegetation around the salt water marsh estuary at the mouth of the Palmones River. This haven has also been declared a specially protected bird zone. The biological interest that the natural park holds comes from its being a stop off point for a large number of birds that migrate long distances across the Straits of Gibraltar. The area also boasts a wide variety of animal and plant species.

Close to the factory, Palmones beach is very popular with bathers and fishermen from the area, which has exhaustive controls in place run by the administrative authorities who monitor the water and air in real time with sophisticated electronic systems.

Committed to its environmental policy which reflects its pledge to sustainability, Acerinox monitors the water and air in real time with automatic measuring systems that are linked to the competent authorities. In addition, the Company regularly conducts a surveillance and control plan that aims to monitor the sedimentary hydrological quality and the health

of the organisms in the environment, with results that are well below the permitted maximum limits, showing that the receptor environment has not been affected.

In order to achieve continual improvement, the company participates in many of the environmental initiatives through its membership of the Local Board of Environment and Sustainability of Los Barrios Town Council, and the Environmental Committee of the Association of Large Industries of Campo de Gibraltar. This enables Acerinox to keep in close contact with the rest of the key sectors present in the Bay of Algeciras and share environmental protection initiatives which, to date, have been very successful, bringing wealth to the area without harming the ecosystem.

Spill prevention.

Committed to its environmental policy, Acerinox has a procedure in place to control spills which involves measures for spill prevention, avoidance and solution in the event of occurrence of spills from leaks or substance storage, as well as monitoring subsequent progress.

To this end, the Company's installations are equipped with a neutralization plant for treating acidic and base waters. In the event of breakdowns or problems at this plant, emergency pools are available to prevent any spill reaching the receptor environment.

Moreover, all storage of chemical products and oils involves holding tanks and floating separation channels in order to eliminate any possibility of spills.

Nevertheless, a daily surveillance plan of key points is carried out by our environmental team.

In the event of an incident, internal procedures are in place as part of our Environmental Management System in compliance with the ISO 14001 normative in order to resolve the environmental incident. This involves the internal regulation NSM-9019 'Regulation for factory staff response in case of emergency' and the 'Factory Self-protection Plan' which tackle and manage this type of situation, providing practical guidelines for factory staff.

The abovementioned activities underline the installation's commitment to the environment, bearing in mind that it is at the heart of the Bay of Algeciras and surrounding by natural parks. This commitment is reflected in the environmental policy, which is set within the framework of the ISO 14001 standard. The Company's policy has resulted in a complete lack of environmental incidents and has built awareness among the employees about the importance of the good practices that we implement.

8. Our suppliers

Our suppliers

At Acerinox, we know that in order to offer innovative products, we need to have a qualified and efficient network of suppliers, and we promote sustainability and responsible practices throughout this network. To this end, Acerinox has a management system in place that aims to consolidate alliances that promote mutual benefit and to base the supply chain on responsible practices that are compatible with our sustainability diagram.

For Acerinox, it is crucial that suppliers and contractors comply with the internationally recognized standards such as the principles of the United Nations Global Compact.

Ethical, Fair and Responsible Contracting

Acerinox promotes compliance with good practices from an ethical, social and environmental perspective by striving to contract suppliers with models of conduct that are consistent with the Company's principles of business responsibility and our Code of Conduct. However, Acerinox ensures that all of our suppliers have equal opportunities in terms of contracting, requiring them to undergo an accreditation process. However, the Company's policy does not include specific requirements for preference for hiring local suppliers.

Forming part of Acerinox's network of suppliers requires accreditation by Acerinox using questionnaires which include requirements of compliance with the following standards:

- ISO 9001 International Standard
- ISO 14001 International Standard
- REACH Regulations

In addition, suppliers are required to comply with the conduct standards set out in our Code of Conduct, as well as performing any actions that may be compatible with international declarations of Human Rights. To this end, in 2012, the purchasing service managers conducted on-site inspections at various work centres of our suppliers.

Acerinox is committed to maintaining a relationship with suppliers that is underpinned by enduring trust and good faith, guaranteeing equal opportunities in the hiring process. In these processes, our general contracting conditions shall be implemented, applying the principles of honesty and fairness and criteria such as quality, price, performance, suitability or sustainability credentials. A clear demonstration of equality in terms of contracting is the publication of the General Purchasing Conditions which enables suppliers to ensure that others are not subject to better conditions.

Our contracts include an amicable mechanism for conflict resolution and, if necessary, are subject to tribunals in countries in which the Rule of Law is well established.

9. Research, development and innovation

Research, development and innovation

The current period of excess demand and lack of liquidity cannot and must not be used as an excuse to stop thinking progressively about stainless steel. Acerinox is committed to new and innovative projects in order to fulfil the expectations of a market that displays ever-increasing demand for this great material.

Part of the Company's competitive strategic is specifically taking care of the good reputation that it has achieved through many years of effort and improvement, maintaining the level of technology required to respond to the new demands faced by the stainless steel sector. This has been a permanent commitment of Acerinox for over four decades and one that the Company shall continue to uphold in the future.

In the Group's various factories, specific and multidisciplinary working teams have been set up with the participation of the different production departments and the significant involvement of the Commercial Department. These teams continually strive to improve the qualities, properties and appearance of the product. The R&D&I Departments are formed of professionals with previous experience in the production departments. In the case of the Campo de Gibraltar factory, a total of 14 professionals completely devote their efforts to the tasks of the projects underway and the projects that are being run in the Group's other factories.

Well aware of the role that the academic and research worlds have to play, Acerinox and its subsidiaries have established various agreements with universities near its factories and professional colleges for the dual purpose of entrusting these important centres of learning with support tasks in pure and applied research projects, as well as encouraging the desire of university students to complete their training and, with a little luck, fostering their passion for stainless steel. Agreements have been signed or renewed with the Universities of Cádiz (the Acerinox University Chair), Málaga and Seville, and further afield with the University of Pretoria and the Louisville School of Engineering (USA).

During 2012, the collaboration with the various universities has not only enabled great individual academic achievements, but also has fostered the cooperation and synergy between the Company and the University, channelling and acting as a catalyst for the development of a diverse range of Engineering degree end-of-course projects, from which both parties benefit mutually. The main lines of work which form the activity of the Department of Research, Development and Innovation are set within the framework of the following topics:

- Optimization of manufacturing processes and final properties of steels.
- Research into new manufacturing technologies.
- Technical support and consultancy for clients.
- Research into new applications for stainless steel.
- Development and dissemination of the features and main applications of our wide product range, in collaboration with CEDINOX.
- Monitoring and participation in the project to update European regulations on stainless steels.
- Technological surveillance.

In addition, in cooperation with other national and European companies and technological centres, Acerinox Europa participates in research projects of great interest for our sector. These projects are set within the framework of the European RFCS Programme and the Spanish INNPRONTA Programme, which focus on strategic actions designed in collaboration with the authorities. The most significant projects in which the Company collaborated this year include the following:

SAFSS (Structural applications of ferritic stainless steels), a European programme that aims to research the behaviour of ferritic stainless steels for structural applications. **FLEXPROMUS** (Flexible production by multi-sensor process control of pickling lines), a European programme with the objective of developing online analysis of stainless steel pickling lines. **STEELTAC** (Steel Sheet Surfaces with Enhanced Tactile Feel),a European programme that aims to develop new finishing technologies in order to improve the surface properties of stainless steels. **IISIS** (Spanish acronym for 'Integrated research into sustainable islands'), a national programme in which Acerinox participates in the construction area, researching the performance of stainless steels, and particularly duplex stainless steels, in hostile construction environments. **STT** (Steel Tailor Tubes), a European programme with the goal of researching a manufacturing method that combines casting techniques in order to obtain tubular steel components for applications in automotive exhaust and suspension systems. **BIOGASS** (Innovative and competitive solutions using SS and adhesive bonding in biogas production), a European programme that aims to use stainless steel in the construction of biodigesters in the production of biogas.

On top of all of the above, there were another two projects within the framework of the Incentive Programme for Sustainable Energy Development in Andalusia, run by the Andalusia Energy Agency.

At the end of 2011, the first Board of Directors of the recently established Acerinox Europa initiated a new award to acknowledge the employee or group of employees who have contributed ideas that enable quality improvements to be incorporated in terms of the product or the manufacturing process that can be applied at a practical level. The awards had multiple objectives: firstly to incentivize the flair for improvement among the members of the Group who are not part of research departments; and secondly to convey

the idea that the processes of innovation can also be the result of bottom-up development, as nobody knows the job better than the person who carries it out over a period of time with a critically constructive attitude. To this end, an assessment or judging panel was established, made up of technical staff from the factory and deans and professors at Engineering Colleges.

The success of the initiative surpassed all expectations. The innovation and research activity among the workforce was so impressive that the panel of judges had to extend the judging deadline for the 16 projects submitted and had a difficult task when considering their verdict to choose the winner. The award and significant monetary prize went to our colleague José María Bianchi, who presented the original project entitled, 'Modification of the rolling position of the middle cylinders of the Steckel train'. The project was notable for its originality and feasibility, having been implemented without delay in all of the Group's factories.

The second prize was also awarded to workers at the factory, Manuel Gabino and Francisco Tejado, for the presentation of a less original project entitled 'Surface quality optimization of the 2B finish. Elimination of burnt oil marks'.

The quality of the rest of the projects was also extraordinarily high and can only be explained within a context of the professionalism, experience and passion that is so characteristic of our factories. As is to be expected, a new edition of the awards has been scheduled for 2013.

Annex 1: Supplementary information

Annex 1: Supplementary information

Economic value generated

	Economic value generated (€)	
	2011	**2012**
Expenditure on suppliers	465,016,734	323,613,983
Donations	20,600	22,200

Breakdown of the workforce

By sex	Acerinox S.A.		Acerinox Europa S.A.U.	
	2011	**2012**	**2011**	**2012**
Women	29	28	112	111
Men	39	37	2,305	2,302
Total	**68**	**65**	**2,417**	**2,413**

By age group	Acerinox S.A.		Acerinox Europa S.A.U.	
	2011	**2012**	**2011**	**2012**
Up to 30 (30 not included)	8	11	165	133
Between 30 and 50 (inclusively)	38	36	1,394	1,411
Over 50	22	18	858	869
Total	**68**	**65**	**2,417**	**2,413**

By employment type	Acerinox S.A.		Acerinox Europa S.A.U.	
	2011	**2012**	**2011**	**2012**
Full time	64		2,177	2,123
Part time	3	1	240	290

Total	**68**	**65**	**2,417**	**2,413**

By contract type	Acerinox S.A.		Acerinox Europa S.A.U.	
	2011	**2012**	**2011**	**2012**
Open-ended	66	61	2,400	2,403
Temporary	2	4	17	10
Total	**68**	**65**	**2,417**	**2,413**

By region	Acerinox S.A.		Acerinox Europa S.A.U.	
	2011	**2012**	**2011**	**2012**
Madrid	68	65	91	83
Betanzos			15	15
Pinto			30	27
Gavà			66	63
Algeciras			2,215	2,225
Total	**68**	**65**	**2,417**	**2,413**

By nationality	Acerinox S.A. 2012	Acerinox Europa S.A.U. 2012
Spain	63	2,410
United States	1	0
France	1	0
Italy	0	2
Peru	0	1
Total	**65**	**2,413**

Employee turnover

Percentage of employee turnover	Acerinox S.A.				Acerinox Europa S.A.U.			
	Men		Women		Men		Women	
	2011	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**

Up to 30 (30 not included)	2.94%	0.00%	1.47%	0.00%	0.41%	0.39%	0.08%	0.00%
Between 30 and 50 (inclusively)	0.00%	0.00%	1.47%	3.57%	1.19%	0.08%	0.16%	1.80%
Over 50	4.41%	5.41%	0%	7.14%	2.77%	0.32%	0.04%	1.80%

Training of the Workforce

Acerinox S.A.

Category	Nº of employees 2011 (A)		Total hours worked (B)		Average training per employee (B/A)	
	2011	2012	2011	2012	2011	2012
Office Administration 2nd level	2	2	97.00		48.5	
Office Administration 1st level	16	11	428.00	99.00	26.75	9.00
Security guard	1 1					
Second Head of Administration	3 4		69.00		23	
First Head of Administration	1 1					
Engineer	13	12	170.00	102.00	13.1	8.50
Bachelor's degree	31	33	718.00	1,077.00	23.2	32.64
University diploma	1	1				
Total	**68**	**65**	**1,482.00**	**1,278.00**	**134.55** **50.14**	

Category	Nº of employees 2012 (A)	Total hours worked taken 2012 (B)	Average training per employee 2012 (B/A)	Average training per employee 2011
IS Analysts	6	34.00	5.67	3.97
Level 1 analyst	27	447.00	16.56	4.47
Level 1A analyst	10	86.25	8.63	4.47
Administrative Assistant	9	152.25	16.92	20.60
Laboratory Assistant	2	16.00	8.00	34
App. Op. Programming Assistant	1	81.00	81.00	26.87
1st Level Technical Assistant	3	9.00	3.00	5.33
Assistant Engineer	93	1,027.00	11.04	19.85
Assistant IS operator	1	0.00	0.00	13.75
Assistant Architect	12	249.50	20.79	8.96
Driver	1	18.00	18.00	22.75
Draughtsman	8	55.00	6.88	25.97
Technical engineer	39	85.50	2.19	3.75
Engineer	51	159.00	3.12	1.79
Group manager	37	363.00	9.81	4.66
Line manager	73	1,068.25	14.63	9.48
Workshop manager	27	149.00	5.52	1.32
Line manager 1	2	85.50	42.75	6
Second Head of Administration	21	204.00	9.71	7.90
Bachelor's degree	76	629.00	8.28	5.21
Assembler	37	251.25	6.79	4.63
Office Administrators levels 1, 1 A and 2	143	1,477.25	10.33	7.77
Official levels 1, 1A, 2 and 3	1,519	18,659.00	12.28	10.18
IS operator	8	286.75	35.84	38
Office aid	2	4.50	2.25	0.00
Labourer	67	517.25	7.72	7.77
Specialized Labourer	109	1,844.75	16.92	7.77
IS Programmer	16	199.00	12.44	15.30
Total	**2,400**	**28,158.00**	**397.07**	**322.52**

Annex 2: Global Reporting Initiative (GRI) Content Index and Supplement for Mining and Metals sector

For further information about the content of Acerinox's Sustainability Report index, please see Annex 5 'Complete GRI Content Index' at: www.acerinox.es

		Page
1.	**Strategy and analysis**	
1.1.	Statement from the most senior decision maker of the organization about the relevance of sustainability to the organization and its strategy.	Statements of the Chief Executive Officer (page 3) / Excellence Plan II 2011-2012 (page 24)
1.2.	Description of key impacts, risks, and opportunities.	Statements of the Chief Executive Officer (page 3) / Sustainability in Acerinox (pages 17-26).
2.	**Organizational profile**	
2.1.	Name of the organization	Business model - Organizational profile (pages 7-8)
2.2.	Primary brands, products and services.	Business model - Organizational profile (pages 7-8) – Activities and product uses (pages 9-10) – Product types (pages 10-11)
2.3.	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Business model - Organizational profile (pages 7-8) - Corporate Governance (pages 27-35)
2.4.	Location of organization's headquarters.	Business model - Organizational profile (pages 7-8)
2.5.	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the Report.	Business model - Organizational profile (pages 7-8)
2.6.	Nature of ownership and legal form.	Drafting process of this Report (page 5)
2.7.	Markets served.	Business model - Global Production (pages 11-14)
2.8.	Scale of the reporting organization.	Business model (pages 6-16) / Our people - Human Capital Management (page 44-45) / Annex 1: Supplementary information - Breakdown of the workforce (pages 71-72)
2.9.	Significant changes during the reporting period.	During 2012, no significant changes took place.
2.10.	Awards and accolades received in the reporting period.	Trade and Innovation Award 2012 for the Company's expansion into the United States, given by the United States Chamber of Commerce in Spain.
3.	**Report parameters**	
3.1.	Reporting period for information provided.	Calendar year 2012 (1st January 2012 to 31st December 2012)
3.2.	Date of most recent previous Report.	Calendar year 2011 (1st January 2011 to 31st December 2011)
3.3.	Reporting cycle.	Annually
3.4.	Contact point for questions regarding the Report or its contents.	Drafting process of this Report (page 5)

	Scope and boundary of the Report	
3.5.	Process for defining Report content.	Drafting process of this Report (page 5)
3.6.	Boundary of the Report .	Drafting process of this Report (page 5)
3.7.	State any specific limitations on the scope or boundary of the Report.	Drafting process of this Report (page 5)
3.8.	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations.	Business model - Organizational profile (pages 7-8) - Spanish production (pages 14-16)
3.9.	Data measurement techniques and bases of calculations.	Drafting process of this Report (page 5)
3.10.	Explanation of the effect of any re-statements of information provided in earlier Reports, and the reasons for such re-statement.	No re-statement of information with respect to previous Reports has been made.
3.11.	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the Report.	During 2012, no significant changes took place with respect to the previous year.
	GRI content index	
3.12.	Table identifying the location of the Standard Disclosures in the Report.	Annex 2: Global Reporting Initiative (GRI) Content Index and Supplement for Mining and Metals sector (pages 75-89)
	Assurance	
3.13.	Policy and current practice with regard to seeking external assurance for the Report.	Drafting process of this Report (page 5)
4.	**Governance, Commitments and Stakeholder Engagement**	
4.1.	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational supervision.	Corporate Governance (pages 27-35)
4.2.	Indicate whether the Chair of the highest governance body is also an executive officer.	The Chairman of the highest governance body does not hold an executive position.
4.3.	The number of members of the highest governance body that are Independent and/or Non-executive Members.	Corporate Governance - Main governance bodies (pages 29-35)
4.4.	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Our shareholders and investors - Communication with our shareholders (page 38)
4.5.	Linkage between compensation for members of the highest governance body, senior managers and executives, and the organization's performance.	Annual Report of Corporate Governance
4.6.	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Conflicts of interest in the highest governance body are avoided through rigorous compliance with the provisions of the Statute of Worker's Rights, the Regulations of the Board of Directors of Acerinox S.A., the Capital Companies Law and the Code of Conduct and Good Practice of Acerinox.

4.7.	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental and social topics.	Corporate Governance (pages 27-35) Acerinox regulations
4.8.	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation.	Sustainability in Acerinox - Contribution to sustainable development (page 18) - Ethical and responsible conduct (pages 20-21) - Regulations that govern the Group (pages 21-24)
4.9.	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental and social performance.	Corporate Governance (pages 27-35) Acerinox Regulations
4.10.	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance.	Corporate Governance (pages 27-35) Acerinox Regulations
	Commitments to external initiatives	
4.11.	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Corporate Governance - Main governance bodies (pages 29-35) - Risk Management (page 32 -35)
4.12.	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Sustainability in Acerinox - Acerinox and society (pages 25-26) In addition, Acerinox has signed up to the ten principles of corporate citizenship established in the United Nations Global Compact and the Company is a member the Spanish Global Compact Network.
4.13.	Memberships in associations and national bodies it supports.	Business model - Alliances and external initiatives (page 16)
	Stakeholder engagement	
4.14.	List of stakeholder groups engaged by the organization.	Sustainability in Acerinox - Stakeholder relations (pages 19-20)
4.15.	Basis for identification and selection of stakeholders with whom to engage.	Sustainability in Acerinox - Stakeholder relations (pages 19-20)
4.16.	Approaches to stakeholder engagement.	Sustainability in Acerinox - Stakeholder relations (pages 19-20)
4.17.	Key topics and concerns that have been raised through stakeholder engagement and how the organization has responded to those key topics and concerns, including through its reporting.	Sustainability in Acerinox - Contribution to sustainable development (page 18) - Stakeholder relations (pages 19-20)
5.	**Management approach and performance indicators**	
	5.1. Economic aspects	
	Information on the economic management approach	
	Economic Performance	

EC1	Direct economic value generated and distributed.	Business model - Global Production (pages 11-14) - Spanish production (pages 14-16) / Our shareholders and investors (pages 36-38) Annex 1: Supplementary information - Economic value generated (page 71)
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Acerinox and the Environment - Environmental management (pages 54-55)
EC3	Coverage of the organization's defined social benefit plan obligations.	Our people - Social benefits (page 49)
EC4	Significant financial assistance received from government.	In 2012, Acerinox received the amount of 1,367,859.60 euros as a grant for research and development projects of preferential interest.
	Market presence	
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	Acerinox uses social welfare as one of the methods for intervention with its employees, having a significant impact on the local labour market. The entry level wage at Acerinox is 1,300.00 euros and is, therefore, far above the legal minimum of 641.40 euros. As a result, strong links are formed with the community in which the Company is located and with the workforce.
EC6	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation.	Our suppliers (pages 64-65)
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	No internal policy exists in Acerinox with respect to preference for local hiring. 100% of the Directors come from the local community. Annex 1: Supplementary information - Breakdown of the workforce (pages 71-72)
	Indirect Economic Impacts	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind or pro bono engagement.	Sustainability in Acerinox - Acerinox and society (pages 25-26)
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	At Acerinox, there have been no significant indirect economic impacts.
5.2.	Environmental aspects.	
	Information on the environmental management approach	
	Environmental performance	
	Materials	
EN1	Materials used by weight or volume.	Acerinox and the Environment - Environmental management (pages 54-55)
EN2	Percentage of materials used that are recycled input materials.	Acerinox and the Environment - Environmental programmes - Waste treatment (pages 60-62)

	Energy	
EN3	Direct energy consumption by primary energy source.	Acerinox and the Environment - Environmental management (pages 54-55)
EN4	Indirect energy consumption by primary energy source.	Acerinox and the Environment - Environmental management (pages 54-55)
EN5	Energy saved due to conservation and efficiency improvements.	Acerinox and the Environment - Environmental management (pages 54-55)
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Acerinox and the Environment - Environmental management (pages 54-55)
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	Acerinox and the Environment - Environmental management (pages 54-55)
	Water	
EN8	Total water withdrawal by source.	Acerinox and the Environment - Environmental programmes - Water: our ally for Environmental improvement (pages 56-58)
EN9	Water sources significantly affected by withdrawal of water.	Acerinox and the Environment - Environmental programmes - Water: our ally for Environmental improvement (pages 56-58)
EN10	Percentage and total volume of water recycled and reused.	The installation recirculates water through the various plants available.
	Biodiversity	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	Acerinox and the Environment - Natural habitats (pages 61-62)
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas, products and services in protected areas and areas of high biodiversity value outside protected areas.	Acerinox and the Environment - Natural habitats (pages 62-63)
EN13	Habitats protected or restored.	Acerinox and the Environment - Natural habitats (pages 62-63)
EN14	Strategies, current actions and future plans for managing impacts on biodiversity.	Acerinox and the Environment - Natural habitats (pages 62-63)
EN15	Number of IUCN Red List species at risk of extinction and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	Acerinox and the Environment - Natural habitats (pages 62-63)
	Emissions, effluents, and waste	
EN16	Total direct and indirect greenhouse gas emissions by weight.	Acerinox and the Environment - Environmental programmes - Air (pages 58-60)
EN17	Other relevant indirect greenhouse gas emissions by weight.	Acerinox and the Environment - Environmental programmes - Air (pages 58-60)

EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Acerinox and the Environment - Environmental management (pages 54-55)
EN19	Emissions of ozone-depleting substances by weight.	An environmental programme exists in the EMS which controls equipment that contains substances that deplete the ozone layer. Every year, Acerinox monitors the replacement of refrigerant gases and, in 2012, the impact on global warming was calculated in compliance with ISO 14064-1:2006.
EN20	Nitrous Oxides (NOx), Sulphur Oxides (SOx) and other significant air emissions by type and weight.	Acerinox and the Environment - Environmental programmes - Air (pages 58-60)
EN21	Total water discharge by quality and destination.	Acerinox and the Environment - Environmental programmes - Water: our ally for Environmental improvement (pages 56-58)
EN22	Total weight of waste by type and disposal method.	Acerinox and the Environment - Environmental programmes - Waste treatment (pages 60-62)
EN23	Total number and volume of significant spills.	No significant spills were recorded in 2012. Acerinox and the Environment - Spill prevention (pages 63)
EN24	Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	In 2012, a total of 22,197 t of hazardous waste was managed of which 16% was shipped internationally.
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	Acerinox and the Environment - Natural habitats (pages 62-63)
	Products and services	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	Acerinox and the Environment - Environmental management (pages 54-55)
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	Stainless steel is 100% recyclable and requires an insignificant amount of packaging with respect to the weight of the product.
	Compliance	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	In 2012, the Company is not aware of any significant fines or regulatory proceedings in accordance with the established procedures.
	Transport	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	Acerinox and the Environment - Environmental programmes - Air (pages 58-60)
	Overall	

EN30	Total environmental protection expenditures and investments by type.	Acerinox and the Environment - Environmental expenses and investments (pages 56)

5.3. Social aspects

	Information on the management approach to employment practice and work ethic.	
	Social performance	
	Employment	
LA1	Total workforce by employment type, employment contract and region.	Our people - Human Capital Management (pages 44-45) / Annex 1: Supplementary information - Breakdown of the workforce (pages 71-72)
LA2	Total number and rate of employee turnover by age group, gender and region.	Our people - Human Capital Management (pages 44-45) / Annex 1: Supplementary information - Employee turnover (page 71)
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Our people - Social benefits (page 49)
	Labour/Management Relations	
LA4	Percentage of employees covered by collective bargaining agreements.	Acerinox is an extremely rigorous company in general terms, but even more so with respect to compliance with current legislation and the collective bargaining agreements that apply. 100% of employees are covered by some type of collective bargaining agreement.
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	The minimum notice periods are in compliance with current legislation.
LA6	Percentage of total workforce represented in formal joint management–worker Health and Safety committees that help monitor and advise on occupational Health and Safety programmes.	Our people - Health and Safety in the workplace (pages 49-52)
LA7	Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region.	Our people - Health and Safety in the workplace (pages 49-52)
LA8	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families or community members regarding serious diseases.	Our people - Employee training (pages 46-47)
LA9	Health and Safety topics covered in formal agreements with trade unions.	Our people - Health and Safety in the workplace (pages 49-52)
	Training and Education	
LA10	Average hours of training per year per employee by employee category.	Annex 1: Supplementary information - Breakdown of the workforce (pages 73-74)
LA11	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Our people - Employee training (pages 46-47)

LA12	Percentage of employees receiving regular performance and career development reviews.	Our people - Orientation and Assessment (pages 47)
	Diversity and equal opportunities	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.	Corporate Governance (pages 27-35) Annex 1: Supplementary information - Breakdown of the workforce (pages 71-72)
LA14	Ratio of basic salary of men to women by employee category.	Our people - Equality and diversity (pages 48-49)
	Information on the Human Rights management approach	
	Investment and procurement practices	
HR1	Percentage and total number of significant investment agreements that include Human Rights clauses or that have undergone Human Rights screening.	In view of the activity that Acerinox carries out in Spain and its geographic scope it operates in, no risks are considered to exist in terms of non-compliance with Human Rights. In addition, the contracting regulations comply with the criteria of the global organization, which are more rigorous than the current legislation. In addition, Acerinox has signed up to the principles of the Global Compact.
HR2	Percentage of significant suppliers and contractors that have undergone screening on Human Rights and actions taken.	100% of Acerinox's suppliers and contractors have undergone screening on Human Rights. Suppliers are required to comply with the principles of the UN Global Compact Initiative (a clause to this effect is included in all contracts).
HR3	Total hours of employee training on policies and procedures concerning aspects of Human Rights that are relevant to operations, including the percentage of employees trained.	The total hours of employee training on policies and procedures concerning aspects of Human Rights that are relevant to their operations is 2 hours per person through face-to-face courses and presentations.
	Non-discrimination	
HR4	Total number of incidents of discrimination and actions taken.	Acerinox has the necessary mechanisms in place so that any incidents of discrimination that may occur are dealt with through the Whistleblowing Complaints Committee. The solutions that this Committee develops aim to defend workers' rights and are committed to compliance with the Code of Conduct and Good Practices. In 2012, the Company was not aware of significant incidents of discrimination.
	Freedom of Association and Collective Bargaining	

HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	Acerinox employees are all covered by the right to form unions enshrined in the Spanish Constitution. The Company's work regime complies with current legislation and the collective bargaining agreement that applies in each case. In addition, Acerinox has signed up to the principles of the Global Compact.
	Child labour	
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to the elimination of child labour.	Acerinox has not identified any activities or operations of this type. In view of the nature of the activity Acerinox performs in Spain, there is no significant risk that may give rise to the incidence of child labour. At the closing date of this Report, Acerinox complies with the strictest international regulations on this matter, the California Transparency in Supply Chain Act. In addition, Acerinox has signed up to the principles of the Global Compact.
	Forced and Compulsory Labour	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	Acerinox has not identified any activities or operations of this type. In view of the nature of the activity Acerinox performs in Spain, there is no significant risk that may give rise to the incidence of forced labour. At the closing date of this Report, Acerinox complies with the strictest international regulations on this matter, the California Transparency in Supply Chain Act. In addition, Acerinox has signed up to the principles of the Global Compact.

	Indigenous rights	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	Acerinox carries out no activities in Spain that may violate indigenous rights.
	Information on the management approach with respect to society	
	Community	
SO1	Nature, scope and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities.	Sustainability in Acerinox - Acerinox and society (pages 25-26)
	Corruption	
SO2	Percentage and total number of business units analysed for risks related to corruption.	100% of the business units are obliged to comply with Acerinox's policy with respect to corruption prevention. In addition, in all cases, compliance with the provisions of the Code of Conduct and Good Practices is compulsory. In addition, Acerinox has signed up to the principles of the Global Compact.
SO3	Percentage of employees trained in the organization's anti-corruption policies and procedures.	Sustainability in Acerinox - Ethical and Responsible Conduct (pages 20-21)
SO4	Actions taken in response to incidents of corruption.	Sustainability in Acerinox - Ethical and Responsible Conduct (pages 20-21)
	Public policy	
SO5	Public policy positions and participation in public policy development and lobbying.	In Spain, the existence of lobbies and pressure groups is not permitted. However, Acerinox is a member of business associations in the sector. Business model - Alliances and external initiatives (page 16)
	Anti-Competitive Behaviour	
SO7	Total number of legal actions for anticompetitive behaviour, anti-trust and monopoly practices and their outcomes.	The Company is not aware of any significant fines through the mechanisms established by the Legal Department.
	Compliance	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	The Company is not aware of any significant fines through the mechanisms established by the Legal Department.
	Information on the management approach to responsibility in terms of products	
	Customer Health and Safety	
PR1	Life cycle stages in which Health and Safety impacts of products and services are assessed for improvement, and percentage of significant product and service categories subject to such procedures.	Our clients - Health and Safety in our products (page 42)
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning Health and Safety impacts of products and services during their life cycle, by type of outcomes.	The Company is not aware of any significant impact on Health and Safety.
	Product and Service Labelling	

PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Business model - Product types (pages 10-11)
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes.	As a result of the mechanisms established by the Legal Department, the Company is not aware of non-compliance of legal regulations or voluntary codes related to product and service information and labelling.
	Marketing Communications	
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Our clients - Client satisfaction (pages 41-42)
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	Acerinox forms part of the Carbon Disclosure Project. In addition, Acerinox has signed up to the principles of the Global Compact.
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion and sponsorship by type of outcomes.	The Company is not aware of any significant incidents through the mechanisms established by the Legal Department.
	Client privacy	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	In compliance with the requirements of the Spanish Data Protection Agency, Acerinox has a Security System in place that is audited externally and which applies extremely strict policies. The Company is not aware of any complaint related to privacy or losses or misuse of confidential information.
	Compliance	
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of the organization's products and services.	The Company is not aware of any significant fines through the mechanisms established by the Legal Department.

METAL SECTOR INDICATORS

		Page
	Environmental	
MM1	Amount of land disturbed or rehabilitated.	Given the nature of Acerinox's activity, this indicator is not considered relevant.
MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place.	Given the nature of Acerinox's activity, this indicator is not considered relevant.

MM3	Total amounts of overburden, rock, tailings and sludges and their associated risks.	Acerinox and the Environment - Environmental programmes - Waste (pages 59-61) In 2012, a total of 22,197 t of hazardous waste was managed of which 16% was shipped internationally.
	Labour practices and decent work	
MM4	Number of strikes and lock-outs exceeding one week's duration, by country.	In 2012, there were no strikes or lock-outs of this type in Acerinox.
	Human Rights	
MM5	Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples' communities.	In Spain, Acerinox does not carry out activity in Indigenous Peoples' territories or surrounding areas and the Company has no agreements with Indigenous Peoples' communities.
	Company	
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples.	The Legal Department is not aware of any significant conflict in relation to land use and customary rights of local communities and Indigenous Peoples.
MM7	Grievance mechanisms to resolve disputes relating to local communities and Indigenous Peoples, and the outcomes of such incidents.	The Legal Department has established the mechanisms require to resolve conflicts through direct communication. Nevertheless, in 2012, the Company was not aware of any complaints through the mechanisms established by the Legal Department.
MM8	Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks.	Given the nature of Acerinox's activity, this indicator is not considered relevant.
MM9	Resettlement sites, number of households and consequences.	Given the nature of Acerinox's activity, this indicator is not considered relevant.
MM10	Number and percentage of operations with closure plans.	Given the nature of Acerinox's activity, this indicator is not considered relevant.
	Product Responsibility	
MM11	Programmes and progress relating to materials stewardship.	Acerinox and the Environment (pages 53-63) Research, development and innovation (page 69)

Annex 3: Relationship between the principles of the Union Nations Global Compact and the GRI indicators

The Ten Principles of the Union Nations Global Compact

Areas	Principles	Corresponding GRI Indicator
Human Rights	Principle 1 Businesses should support and respect the protection of internationally proclaimed Human Rights within their area of influence.	EC5 LA4, LA6-LA9, LA13, LA14 HR1-HR7, HR9 SO5 PR1, PR2, PR8
	Principle 2 Businesses must make sure that their companies are not complicit in Human Rights abuses.	HR1-HR7, HR9 SO5
Employment rights	Principle 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	LA4, LA5 HR1-HR3, HR5 SO5
	Principle 4 Businesses should uphold the elimination of all forms of forced and compulsory labour.	HR1-HR3, HR7 SO5
	Principle 5 Businesses should uphold the effective abolition of child labour.	HR1-HR3, HR6 SO5
	Principle 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.	EC7 LA2, LA13, LA14 HR1- HR4 SO5
The Environment	Principle 7 Businesses should support a precautionary approach to environmental challenges.	EC2 EN18, EN26, EN30, SO5
	Principle 8 Businesses should undertake initiatives to promote greater environmental responsibility.	EN1-EN30 SO5 PR3, PR4
	Principle 9 Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN2, EN5-EN7, EN10, EN18, EN26, EN27, EN30 SO5
Anti-corruption	Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.	SO2, SO5

Annex 4: GRI application level

Annex 5: Complete GRI Content Index