



**REPORT THAT THE ACERINOX, S.A. ADMINISTRATORS FORMULATE ON THE PROPOSAL OF DELEGATION TO THE BOARD OF DIRECTORS ON THE FACULTY TO ISSUE SIMPLE AND/OR CONVERTIBLE AND/OR EXCHANGEABLE OBLIGATIONS INCLUDED IN THE NINTH POINT ON THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETING TO BE HELD ON FIRST CALL ON 14 APRIL 2021, AND ON SECOND CALL ON 15 APRIL 2021 BONDS.**

**Madrid, 25 February 2021**

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## **I. PRECEDENTS**

This Report is formulated to justify the proposed agreement whereby, under the provisions of the general scheme on the issuance of obligations (Articles 401 and following of the Corporation Law hereinafter LSC, and 310 and beyond of the Regulations of the Commercial Registry), delegating in the Board of Directors the precise powers to issue:

- a) Bonds or simple bonds
- b) any securities representative of a debt to the company, either on Spanish territory or in foreign territory.
- c) obligations
- d) obligations convertible in shares.

In the current situation of financial markets, the Board of Directors should have the greatest facilities to go to credit, banking or not, through the widest range of systems and having a wide flexibility and capacity of response. Therefore, the proposal for a delegation to the Board of Directors should not be confined to the assumption referred but should also cover the possibility of issuing securities representing a loan, or even simple obligations or, where appropriate, obligations that entitle the subscription of shares of the Company under the conditions predetermined by the General Shareholders' Meeting.

In the same way, in order to facilitate the issuance of securities and the fund-raising, the authorization also includes the possibility that it is the Company, the parent of a Group, that issues the arising values or that it is a subsidiary of the same, with or without guarantee of the Group's parent company, in whole or in part, in such a case, complying with the legal requirements applicable in the respective territory, with the particularity, in this case, that the conversion affects only the titles of the issuing company of the same

## **II. JUSTIFICATION FOR THIS PROPOSAL**

Since the next year expires the five-year period by which the General Shareholders' Meeting held on 9 June 2016, granted the Board of Directors of Acerinox, S.A., the power to issue bonds, obligations, convertible obligations or other fixed income securities in any market, the Board of Directors considers it appropriate to submit to the General Shareholders' Meeting to delegate powers, to go to the capital market and obtain financing by issuing fixed income securities in the most agile and effective as possible, to the extent that this raising resources formula is deemed appropriate, weighing market circumstances, the Company's strategic objectives and its financing needs. In this context, it is considered appropriate that the Board of Directors should have the capacity to take the decisions it deems most suitable for the company interest, as well as to

implement them flexibly and adapt to the requirements deadlines imposed by financial markets

The proposal gives the Board of Directors the power to issue fixed income securities, whether simple and convertible and/or exchangeable, which may entitle the subscription or acquisition of shares of the Company, either or issue or in circulation.

The agreement submitted to the General Shareholders' Meeting establishes the quantitative and maximum set limit on the issuance of any securities under the authorization of the General Shareholders' Meeting, amounting to six hundred million euros.

The time limit during which the Board of Directors may make use, on one or more times, of the authorisation is five years.

In addition, the agreement submitted to the General Shareholders' Meeting for approval delegates to the Board of Directors itself, in the event that the Latter agrees to make use of the authorization of the General Shareholders' Meeting, the development and concreteness of those bases and the modalities for each issuance.

On the other hand, the proposed agreement also provides, in the event that the issue concerns convertible obligations on new issuance shares, the authorisation to the Board of Directors to agree to the exclusion of the right to preferred subscription of shareholders and holders of other convertible obligations previously issued, where this is necessary or appropriate for the collection of financial resources on national and international markets or is required by the company interest.

However, in order to comply with the provisions of the Recommendation of the Code of Good Governance of Listed Companies, the issuance of convertible shares or securities to the exclusion of the preferential subscription right may not be more than 20% of the share capital at the time of delegation.

If, in the use of those powers, the Board of Directors decides to abolish the preferential right in relation to a specific capital increase, it shall, at the time agree to the increase issue, a detailed report of the reasons which, in support of the company interest justify the adoption of such a measure; this report shall be supplemented by another to be performed by an auditor of accounts in the terms provided for in Article 417 of the LSC. Under the abovementioned provision and Article 511.2 of the LSC, both reports shall be made available to shareholders and communicated to the first General Shareolders' Meeting to be held following the capital increase agreement.

### **III: PROPOSAL OF AGREEMENT**

Request to the Company's General Shareholders's Meeting:

“Delegate to the Board of Directors the precise powers to issue bonds, obligations, convertible bonds other types of fixed income securities in any market, as follows:

1. Reach of delegation.- The delegation to issue the securities referred to in this agreement shall include, as broadly as required in law, the fixing of all the elements and circumstances of each issue (nominal value, type of issue, reimbursement price, currency or currency of the issue, form of representation, interest rate, amortization, subordination clauses, guarantees of issuance, place of issue, fixing of the internal rules of the trade union of bond holder and appointment of the Commissioner, if required, admission to trading, etc.), and the completion of any formalities necessary, in accordance with the applicable securities market rules, for the implementation of each of the specific issues intended to be carried out in accordance with the terms of this delegation.

2. Bases and methods of conversion and/or exchanges in case of a special issue of convertible debentures and/or exchangeable- For the case of issuing of bonds and/or convertible debentures, and to the effects of the bases and methods of conversion and/or exchange, they will be fixed by the Board of Directors each time they are carried out, always according to the following criteria:

- a. The relation of conversion and/or exchange will be fixed and for this purpose, the bonds and/or convertible debentures will be assessed by their face value, while the corresponding shares will be at the fixed exchange set in the corresponding agreement of the Board of Directors, according to the closing value of the company shares, presented in the periods or reference periods which will be determined by the Board of Directors itself. In case of convertible debentures, it will never be lower than the price of the company shares between (i) the arithmetical average of the closing price of the company shares in the continuous market during the period to be set by the Board of Directors, not longer than 3 months neither shorter than fifteen days after the Board of Directors Meeting, where exerting this authorization, it is agreed the issue of convertible debentures and (ii) the closing price of the company shares in the continuous market the day immediately before the celebration of the Board of Directors meeting, as stated in the previous section (i).
- b. In any case, according to articles 415, 1<sup>st</sup> and 2<sup>nd</sup> of the Corporation Law ("LSC"), the bonds value cannot be lower than their face value, and can not be converted into shares if their face value is lower.
- c. If when applying the conversion and/or exchange equation, there would be fractions of shares to be delivered to the owners of the bonds or/and convertible debentures and/or exchangeable, they will be rounded to the next one, if there are excesses they will be compensated in cash, according to the treasury availabilities.
- d. Anyhow, in each issue agreed by the Board of Directors exerting the authorization given by the General Shareholders Meeting, a report of administrators will be drawn up, including the details of the bases and methods of the conversion and/or exchanges applicable in such issue, which will be object of the corresponding report from the independent expert, according to the article 414.2.LSC.

- 2.1. Period for the conversion and/or exchange of the values in case of issuing of convertible debentures. The values issued can be converted and/or exchanged by shares in the moments determined by the Board in each of the issues agreed according to article 418 LSC. Nevertheless, the maximum period for the conversion and/or exchange will be TEN (10) years, from the moment when the issues are done.
- 2.2. Rights of the owners of the convertible value. The owners of the convertible or exchangeable values will always have all rights observed by the law in force.
- 2.3. Increase of capital and exclusion of the right of preference subscriptions in convertible values. The delegation to issue bonds and/or convertible debentures upon newly issued shares will include:
- a) Increase the capital in the necessary quantity to comply with the applications of conversion on newly issued shares. This faculty will be in accordance with the total share capital increases agreed by the Board of Directors, considering those related to the faculties now delegated and those subject to the General Shareholders' Meeting authorization, which will not exceed the half of the forecasted share capital, according to article 297,1, b) LSC.
  - b) To exclude the exercise of the right of preferential subscription of shareholders or holders of convertible obligations where this is necessary or suitable for the social interest. In any case, the sum of all shares for which the preferential subscription right is excluded under this authorization may not exceed 20% of the capital at the time of delegation. In any case, if it were decided to exercise the power conferred on the abolition of the preferential subscription right, the Board of Directors would issue the mandatory report of administrators, together with the corresponding report of auditor of accounts under Article 511.3 LSC.
  - c) To develop and specify the bases and methods for the conversion and/or exchange established in this agreement.
- 2.4. Quotation of the values. When necessary, the Company will request the admission to quotation/negotiation in secondary official/unofficial markets, domestic or foreign, of the convertible titles issued in the exercising of this delegation, being the Board of Directors empowered to take any necessary step for their respective admission in the corresponding financial market.
- 2.5. Guarantee of issues of values of dominated societies. The Board of Directors is also empowered to guarantee in the name of the Company, within the above mentioned reasonable limits, the new issues of values

which, during its valid period according to this agreement, will be carried out by its Group societies.

The maximum limit of this delegation is six hundred million euros, once all the contracting methods have been included and the period is five years. The issues comprised in can be of one or more types. It will be possible to make as many issues as the Board of Directors deems convenient, whenever the sum of all do not exceed the above mentioned figures.

The present delegation of powers on the Board of Directors replaces that granted by the Company's General Shareholders' Meeting held on 9 June 2016".

This report has been formulated and approved unanimously by all members of the Board of Directors by voting.

Madrid, 25 February 2021