

REPORT PRESENTED BY THE CHAIRMAN OF THE BOARD OF DIRECTORS OF ACERINOX, S.A., TO THE GENERAL MEETING PERTAINING TO THE CHANGES TAKEN PLACE SINCE THE PREVIOUS GENERAL MEETING AND THE REPORT ON THE RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE ACCORDING TO ITS THIRD RECOMMENDATION.

1.- Improvement of internal regulations

1.1 General Policies

At the end of 2015, as already notified in the Board Meeting held in June 2016, the Board of Directors of ACERINOX, S.A. had approved and distributed five general policies, complementing the three additional policies approved after the Meeting of June 2016.

These new policies include the General Fiscal Policy, the General Corporate Governance Policy, and the Discretionary Portfolio Management Policy.

The General Fiscal Policy is part of the commitments assumed by Acerinox to promote and endorse the Good Practice Code of the Spanish Ministry of Finance having played a very active role in the Corporate Cooperation and Institutional Relations Committee of the Spanish Ministry of Finance Forum for Large Corporations. In short, this Code is based on the principle that assumable risks in the Group are derived from the business itself, not those generated by schemes and ploys designed to reduce reprehensibly the contribution towards the state of prosperity.

The General Fiscal Policy imposes on all companies within the Group their alignment with the Base Erosion and Profit Shifting (BEPS) strategy that, without excluding the sound and legal economic option for creating companies in jurisdictions that have low (or no) taxes (so-called tax havens), except when selling stainless steel in or from the same, and that remove any artificiality in the corporate structures that are not justified for operational requirements.

The General Corporate Governance Policy summarises in one document the basic organisational conduct of the Group that has already been described in the basic rules (By-laws and Board Regulations), or in other policies, as well as those relating to the inclusion of the subsidiaries in the overall structure and relations with interest groups, or on how to set up the governance bodies of the subsidiaries.

The General Policy with respect to Portfolio matters is the only policy whose effectiveness is pending the decision on whether to perform this activity or not. The recent entry into force of the European directive on Market Abuse Regulation (MAR) recommends that the integrity and complexity of an entity be controlled and regulated right from the beginning so that, in the case of participating in this way in the market, the decision is not dependent on the

foregoing activity regulation. Notwithstanding, this policy is a development of the provisions stipulated by MAR as well as the Spanish National Stock Market Commission (CMNV) in this area.

Please go to the Acerinox web page for more information on these policies.

1.2 Internal Conduct Regulations (ICR) concerning matters relating to the Stock Market.

On the same theme, MAR determines the need to make major changes in this area. The former ICR created in 2004 has fulfilled its purpose, but the changes made in this area by national and EU directives does not involve a simple adaptation of the same rather it means starting all over again and preparing a new one. The approval of an ICR by the Board of Directors is a legal obligation, as set forth in article 80.2 of the Consolidated Text of the Stock Market Law.

This regulation together with the Policies can be found on the Corporate web site and are exhaustive since they are a central premise that for any affected individual or anyone interested in this matter, can, by reading one single document and in an uncomplicated way, get a clear idea of what can be done, when they should be done, and what is not allowed.

The ICR defines and delimits the competence of the Shareholder's Office, which monitors, controls and provides support for the system and of the Secretary-General, as well as the procedures for creating records and the channels to be used for subscribing/unsubscribing and performing modifications in the system.

1.3 Code of Conduct

Replaces that approved by the Board in 2010. The experience gained over the year in which this Code was in force and the requirement to extend the scope to include prevention standard systems and surveillance of illicit acts, including criminal offences, and recommendations by experts with regards to the prevention system and fulfilment of the same shall start with and be based on a new Code that not only will adapt its system to that set forth in Spanish criminal law but also comply with the continuous changes and fulfilment thereof of the same in different countries in the Acerinox Group.

The internal system of the Code of Conduct is simple: the first part groups the main principles, that are structured according to interest group and is dictated by, in the main, by the same, and the second part is grouped by Conduct that might result in a criminal act, by penal type. Despite being more comprehensive, the new Code is shorter than the previous version which says a great deal about the capacity of the team responsible for summarising the same. This team was made up of experts from the Internal Audit, Legal Counsel, and Risk Prevention areas of the Acerinox Group.

2.- Personnel

2.1 Increase in the number of women on the Board

The Board has fulfilled their commitment to increasing the gender diversity internally and since then has not nominated an Independent Director that is not a woman. At the same time, male members have been reduced respectively.

At the General Meeting held last year, Laura Absolo was nominated as Independent Director and when, shortly afterwards, two more positions became vacant, the Appointments, Retribution and Corporate Governance Committee (AR&CGC hereinafter) initiated an extensive search for ideal candidates, that resulted in the appointment through co-option of two of the Directors whose ratification is going to be proposed at the General Meeting of 2017. Namely: Rosa García Piñeiro and Laura González Molero, having extensive experience in multinational companies and being familiar with working in countries other than their own.

This would have increased the number of female Directors to 4 (26.6%) three years after the deadline date for fulfilling this objective, if it was not for the recent resignation of Rosa García García, Chairman of Siemens due to an incompatibility between the two taking on the responsibility as Chairman of a new company.

Laura Absolo was also nominated Chairman of the Audit Committee, but this is not anything new since this position was previously held by a woman.

2.2. Increase in the number of women on the Board

Currently, Independent Directors make up the majority on the Board of Directors with 7 members out of 14 (not including the unexpected resignation of the female member, giving them overall majority), followed by the 6 Proprietary Directors. At the General Meeting held in 2016, the total number of Independents was 6 with 8 Proprietary Directors. This was due, in the main, to the resignation last July of two Proprietary Directors that were replaced by two Independents, both women. This new ratio is in line with the shareholder structure, in which the number of shareholders represented in the Board of Directors has declined in the last year, as can be seen in the Annual Corporate Governance Report.

The number of Executive Directors has not changed, nor the CEO.

2.3 Increase in the number of Independents on the Audit Committee

In the General Meeting of 2016 the amendment of the Regulation of the Board of Directors governing the same was noted to bring it in line with the Capital Companies Act that stipulates a majority participation of External Outside Independents in the Audit Committee.

In compliance with the amended Regulation, the corresponding adjustments were made to the Committee reducing the Proprietary Directors down to one. The exit of one of the female Independent Directors due to the aforementioned resignation has resulted in the Board asking one of the recently nominated board members to assume duties on the Audit Committee so that the structure of the same goes back to being made up of three Independent Directors and one Proprietary Director.

3.- Institutional and Operational Modifications

3.1 Implementation of a digital platform for the calling of meetings, sending, and custody of documentation and communications between the company and the members of the board.

The CEO announced in the General Meeting held in 2016 that Acerinox had committed to an outstanding digital transformation process. From a Corporate and Institutional perspective, this translates into projects such as the creation of a platform managing the calling of meetings, documentation distribution, and communication between the Company and its bodies, known as the Board Member Portal.

The tender process for the purchase and implementation of the software resulted in the same being awarded to a Spanish provider who we have been delighted to be able to help and recommend to other IBEX companies, who have, by default, started similar projects.

After a first phase, started in July, in which the systems being replaced and the new platform were working in parallel, in January the “disconnection” from paper was made and from this moment the corporate day-to-day operations of Acerinox, not only that of the Board but also that of the Committees, is performed exclusively on the digital platform to which options are being continually added.

The use of digital platforms in day-to-day corporate operations is essential in a company such as Acerinox, in which the international element plays an important part. The new Regulations of the Board of Directors gave these communication systems “free rein” in the belief that they were going to play an increasingly important role and that it was necessary to increase connectivity in the operation of the bodies.

3.2 Assessment of the operation of the Governance bodies

The Board of Directors has postponed the external assessment of the operations of the same until the financial period 2018, up to this point said assessment will be performed internally by the Chairman of the AR&CGC on the request of the Chairman of the Board.

It is important to mention all the improvements made to corporate governance that have been achieved as result of this activity that include, but are not limited to:

- An improvement in the quality of the simultaneous translation services provided, essential in a company with these characteristics.
- The increase in the number of work sessions of the Board of Directors and their Committees.
- The higher participation of the External Auditors, and Internal Auditing of the Group in meetings organised by the Governance bodies.
- The earlier distribution of the supporting documentation for the meetings.
- The preparation of non-decision making reports that explain and present in detail the main areas of the Group's activity and by default contributing to the better understanding of the company purpose.

3.3 New duties of the Executive Board

The Board of Directors considered it appropriate to recommend to the Executive Board not only, as has been the case up to now, the regular monitoring of the day-to-day operations of the company during the months in which the Board do not meet, as in any case the Board had the intention of meeting on a more regular basis than it traditionally had been doing, but also the study of topics and matters that could be of interest so that the scope of the Committee and its structure become more in line with what is needed.

With this in mind, in 2017 the Executive Board has already met the same amount of times as it did during the whole of the previous year, showing that the decision was the right one. The Executive Board has committed to keeping the Board informed on a regular basis of any conclusions drawn on the areas and topics studied, without taking for granted that they shall be implemented.

3.4 Increase in the number of sessions of the Board and their Committees and the quality of its reporting

As mentioned in the previous section, the Board has clearly committed to the decision to hold at least eight meetings, in line with the recent recommendations made by Good Governance. This increase, already demonstrated in 2016, should not result in the degradation of the performance of the Committees since it is not a revocation of powers rather an extension of the activities that monitor, control, and supervise company activity.

In this way, the Audit Committee has held eight meetings; five by the Appointments, Retribution and Corporate Governance Committee, and three by the Executive Board (the latter exceeding the number held during the previous year in the month of April 2017). The governance bodies as a whole of the parent company Acerinox, S.A. have held a total of 24 annual meetings, or 25 if you add, quite rightly, the General Meeting. Taking into account that the attendance percentage at the Board Meetings (including on-line sessions) has been 97.3% it must be said that despite the difficulties involved in travelling between continents, there is a high level of commitment among the governance bodies and their members to the duties with which they have been entrusted and, taking into account that the average number points on the Agenda for all the bodies is rising, this commitment is increasing in each financial period.

Following the recommendations of Good Governance, the Board and their Committees have prepared a report on the activities that is attached to this document and distributed before the General Meeting.

4.- Other improvements in Corporate Governance quality. Sustainability Report.

For some years now, Acerinox, S.A. And Acerinox Europa, S.A.U. have submitted their sustainability reports to Global Reporting Initiative (GRI) standards. The Board of Directors commissioned the sustainability report corresponding to 2016 not only from the two aforementioned companies but also North American Stainless (NAS), Columbus Stainless and Bahru Stainless who submitted their report that was subsequently validated by GRI standards. The objective was to cover in its entirety as far as possible the materiality of the activity that the Group undertakes around the world.

To this end, the report on all the material producing companies of the Group and the listed company was prepared, according to GRI standards, and was certified by the same. The said report issued according to GRI standards is available on the web site of the group in the Sustainability tab.

In parallel, this sustainability report has been subject to an external audit and distributed to the shareholders and other interest groups giving it a double certification: that of the compliance of industrial subsidiaries with GRI standards and the standard sustainability annual report of all the companies in the Group audited by external auditors of the Group. The sustainability annual report can be accessed by clicking the “Annual Report 2016” icon on the Acerinox Group website.

Madrid, 26 April 2017