



AUDIT COMMITTEE ACTIVITY REPORT 2020

Madrid, 25 February 2021

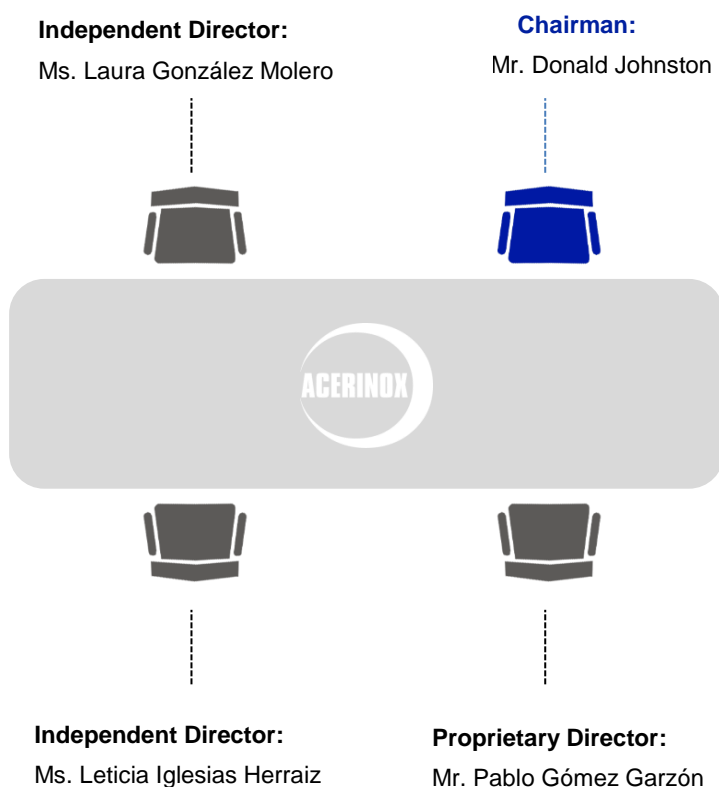
CONTENTS:

1. COMPOSITION AND QUALIFICATIONS OF ITS MEMBERS	3
2. CHANGES DURING THE YEAR	5
3. MEETINGS HELD DURING THE YEAR, NUMBER OF ATTENDEES AND OTHER PERSONS WHO WERE PRESENT	5
4. NUMBER OF MEETINGS HELD WITH THE INTERNAL AUDITOR AND THE EXTERNAL AUDITOR.....	6
5. OTHER SIGNIFICANT ACTIVITIES.....	¡Error! Marcador no definido.
5.1 Financial and non-financial information	8
5.2 Transactions with related persons or entities.....	8
5.3 Risk management and control and Prevention and Compliance Model	8
5.4 Internal audit.....	8
5.5 External auditor.....	8
5.6 Monitoring of the Committee's action plans	8
5.7 Planning for 2020	9
5.8 Performance evaluation	9
6. ANNEX. REGULATION	10

This report on the activities of the Audit Committee in 2020 has been prepared following the recommendations contained in the Code of Good Governance of Listed Companies.

1. COMPOSITION AND QUALIFICATIONS OF ITS MEMBERS

In accordance with the provisions of the LSC (Corporate Enterprises Act), the majority of the members of the Audit Committee are independent directors. At present its members are:



DONALD JOHNSTON

Chairman

Independent External Director



Mr Donald Johnston, an independent director and United States and British national. He has been a member of the Board of Directors since 2014 and a member of the Audit Committee since 2014 (and its Chairman since 2018).

Mr Johnston holds a Bachelor of Arts in Political Science degree from Middlebury College and Master of Arts in International Economics and Latin-American Studies from Johns Hopkins University. He is currently an Independent Director of Merlin Properties Socimi S.A. and an independent Director of Banco Sabadell.

During his career he has held positions such as the European Chairman of the M&A Group of Deutsche Bank, S.A., a Board Member of Bankers Trust International PLC and a member of its Global Executive Committee. He has also worked as a Managing Director at the New York and London offices of Salomon Brothers PLC. Mr Johnston has over 35 years' experience in investment banking in the United States, Europe and Latin America.

LAURA GONZÁLEZ. MOLERO

Independent External Director



Ms Laura González Molero, an independent director and Spanish national. She has been a member of the Board of Directors since 2017 and the Audit Committee since 2017. She has been the Chairman of the Appointments, Remuneration and Corporate Governance Committee since 2018.

She holds a degree in Pharmacy from the Complutense University in Madrid and an Executive MBA from IE Business School.

She is currently an Independent Director of the Adecco Foundation (NGO), Bankia, Grupo Ezentis S.A. and Viscofan, S.A. Since this year she has also been President of the APD (Association for the Advancement of Management).

She previously worked at international pharmaceutical and chemical companies, having been CEO and Chairman of Merck España and Chairman of Bayer Latinoamérica, as well as an Independent Director at Calidad Pascual S.L.

LETICIA IGLESIAS HERRAIZ

Independent External Director



Ms. Leticia Iglesias Herraiz independent Director, a Spanish national. She has been a member of the Board of Directors and this Committee since October 2020.

Ms. Iglesias holds a Degree in Economic and Business Sciences from the Pontifical University of Comillas (ICADE) has been a member of ROAC (Official Register of Account Auditors) since 1989.

She is currently Independent Director of AENA, SME of LAR España Real Estate SOCIMI and ABANCA Corporación Bancaria., SA. During her professional career she has been Independent Director of Banco Mare Nostrum, SA (BMN) and ABANCA, Servicios Financieros, E.F.C, CEO of the Institute of Sworn Account Censors of Spain (ICJCE) and Deputy Director of the National Securities Market Commission.

PABLO GÓMEZ GARZÓN

External Proprietary Director on behalf of Corporación Financiera Alba



Mr Pablo Gómez Garzón, an external proprietary director and Spanish national, has been a member of the Board of Directors since 2019 on behalf of Corporación Financiera Alba and a member of the Audit Committee since the same year, he is also member of the Sustainability Committee since 2020.

Mr Gómez Garzón has a degree in Business Administration and Management from the CUNEF (University College of Financial Studies) in Madrid and he is currently a member of the Investment Department at Corporación Financiera Alba S.A.

He is also An Observer Director at Verisure.

He previously worked in the Mergers and Takeovers Departments at BNP Paribas in Madrid and London and ABN Amro in Madrid. He has been a member of the Board of Directors of Clínica Baviera, ACS Servicios y Concesiones and ACS Servicios, Comunicaciones y Energía.

All the members have sufficient training in accounting and internal control and management experience.

2. CHANGES DURING THE YEAR

2.1 In October 2020 Ms. Marta Martínez, vacated her post becoming part of the newly created Sustainability Committee. The vacancy was filled after the General Shareholders' Meeting, by Ms. Leticia Iglesias Herraiz, Independent Director, appointed to that General Shareholders' Meeting.

2.2 The General Shareholders' Meeting held in Madrid in 2020 appointed external auditors for the 2020 financial year to PwC. PwC has been external auditor of the company in the years 2017, 2018 and 2019.

3. MEETINGS HELD DURING THE YEAR, NUMBER OF ATTENDEES AND OTHER PERSONS WHO WERE PRESENT

The duties performed during 2020 are identified with the scope of their duties, in accordance with the different sections of Annex 1 of the Board's Regulations which, in turn, result from Article 529-quaterdecies of the LSC. As in the last financial year the new regulation of the Committee incorporated as an annex into the Board Regulations has been applied this year. This results from the guidelines included in Technical Guide 3/17 of the CNMV on Audit Committees, which was approved by the Board of Directors at the end of 2018.

During 2020 the following meetings were held, all of them with a formal notice:

<i>Date</i>	<i>Location</i>	<i>Attendance</i>
27 January 2020	Madrid	3
25 February 2020	Madrid	All
24 March 2020	Telematics	All
22 April 2020	Telematics	All
25 May 2020	Telematics	All
23 June 2020	Telematics	All
23 July 2020	Telematics	All
28 September 2020	Telematics	All
21 October 2020	Telematics	3
14 December 2020	Telematics	All

In addition, the following people were present and their attendance was recorded in the minutes:

- External auditors: PwC (Ms.Mar Gallardo and Mr.Jon Toledano), on three occasions.
- Financial Director of the Group, Mr. Miguel Ferrandis, on ten occasions.
- Internal Auditor of the Company: Ms. Lucia Alonso de Noriega, on two occasions.
- Ms. Esther Camós, the Company's Head of Consolidation and Financial Reporting, and Ms. Iciar Marticorena, the person responsible for the implementation of the new consolidation tool. On ten occasions and six occasion, respectively.
- Mr. Rodrigo García-Vega, Prevention and Compliance Director, on one occasion.
- Mr. Juan García, Risks Director, on one occasion
- Treasury Director, Mr. Antonio Fernandez de Mesa with Ms. Sara Prakash in one occasion

The Committee's relationship with the company's management has been constant and fluent and there have been no problems in obtaining whatever information and support has been required.

4. NUMBER OF MEETINGS HELDS WITH THE INTERNAL AND EXTERNAL AUDITOR

An initial meeting was held in February with PwC, the external auditor, prior to the end of 2019 and the formulation of the accounts by the Board of Directors. The representatives of the external auditor were ratified with regard to the content of their previous reports.

The second meeting, held in July, was about the closure of the six-monthly review or limited audit of the accounts for the first half of 2020.

The last appearance in December described the progress of audit work for the full financial year of 2020.

Meetings were also held with the Internal Auditor, without prejudice to the remit of regular information on the progress of its work plan. In them, the responsible set out the state of implementation of the Internal Audit Plan approved for the

preceding financial year, as well as the estimated completion times of the corrections highlighted in the implementation of that Plan and which were not yet fully implemented. In all its appearances, the status of the complaints received and the actions of the company that have resulted in.

The meeting held in December, in addition to summarising the status of the progress and completion of the Plan for 2020, proposed the scope of the work to be carried out in 2021 y which were adopted at the first meeting that the body held this year.

5. OTHER SIGNIFICANT ACTIVITIES

5.1 Financial and non-financial information

The Audit Committee reported favourably to the Board of Directors on the accounts to be formulated by the latter. In the case of the complete accounts for 2018 and those for the first quarter of 2019, the above was done after obtaining the external auditor's opinion. In the case of the other quarterly accounts, it was done without the above but after listening to the Group's Financial Director and the the Director of Budgeting, Consolidation and Financial Reporting.

An opinion has also been issued on other documents attached to the Group's accounts, such as the Corporate Governance Report and the Director Remuneration Report, as well as the Activity Report corresponding to 2019, the conclusions of the self-assessment of the body's operations and the report on the external auditor's independence.

A new feature this year was the analysis of the content of the first Non-Financial Information Statement resulting from the establishment of the obligatory nature of this report. Its audit was conducted by the audit firm KPMG.

Throughout the year the Group's Financial Department has worked on improving the budgetary information, both in terms of the amount of regular information reported and its quality and presentation. The quality of the report to the Committee on operating expenses has also been improved. The new standards, partly facilitated by the implementation - yet to be concluded - of new tools, facilitate the monitoring of the budget execution and its potential modifications.

5.2 Transactions with related persons or entities

The Audit Committee has pronounced on the following related transactions and other operations that need to be included in the Annual Corporate Governance Report. An overview of the Group's related operations can be found in both the Committee's Annual Corporate Governance Report and the Report on Related Transactions of this Committee which have been included in the documentation to be made available to the next General Shareholders' Meeting.

5.3 Risk management and control and Prevention and Compliance Model

During 2020 the Committee has received the Group's risks director after approving the work plan for the year. The director outlined the status of the progress of the work to revise the risk map.

Similarly, the Committee has regularly monitored the evolution of the work on the implementation and finalisation of the Prevention and Compliance Model; the person responsible has personally appeared on one occasion but has reported the information on a regular basis via the Secretary.

5.4 Internal audit

The Committee approved the Work Plan of the Internal Audit Service for 2020 at the first meeting held in January. The monitoring of the work by the Service was analysed at all the meetings. The Audit Service has worked perfectly throughout the year and this has allowed the plan to be fully complied despite significant limitations on travel and year-round visits due to well-known circumstances.

5.5 External auditor

The 2020 financial year has been the fourth financial year audited by PwC since its appointment to the 2016 General Meeting. The independence report of the external auditor was collected and received, as well as satisfactory explanations of it. Provided that the undertaking which has carried out the external audit work was awarded a service or participated in a competition from which that condition could arise, it collected the Committee's prior intervention. The services awarded have in any case been of small amount in relation to the audit of accounts as reported in another mandatory report, to which we refer.

5.6 Monitoring of the Committee's action plans

Apart from the above, and as already mentioned in the preceding paragraphs, and as implementation of the previously approved Work Plan, the following work was carried out:

- Analysis of the *tests* on impairment and projections. Impairment *tests* were performed in order to analyse the recoverability of the investments in cases in which this was necessary. The company explained the calculations made, the foreseeable evolution of the relevant market, the evolution of the companies' performance and the probable future results. As a result, the need arose to make any impairments in the value of the parent company's stake in the Bahru Stainless subsidiary, in the 2019 accounts and in the 2020 biannual accounts that were reported to the Board of Directors and accepted by the external auditor.
- The group's fiscal strategy and its possible risk situation were analysed, as well as the potential fiscal optimisation under the principles set forth in the Group's Fiscal Policy or General Policy nº. 6.
- The Financial Director explained to the satisfaction of the Committee the debt policy followed by the company, highlighting the acceptable levels of indebtedness and above all the relatively low cost of the debt.
- In terms of insurance, the Committee analyzed the overall policies that have been signed, as well as with the choice and operation of the different layers of insurance established to provide coverage to the different companies.

5.7 Planning for 2021

As in previous years, the Committee set out its calendar for the coming year shortly after the end of the first six months of the previous year. For 2020 it has already set out a calendar with a minimum of nine (9) sessions, which may be increased if deemed necessary. The provisional agenda for each of the meetings was set at the Committee meeting held on 14 December 2020.

5.8 Performance evaluation

Acerinox, S.A. evaluates the performance of its Board of Directors, including its Committees, every year and this evaluation is carried out by an independent expert once every three years. The evaluation corresponding to 2020 was carried out by KPMG under the management of the Chairman of the Board, assisted by the Appointments, Remuneration and Corporate Governance Committee.

6. ANNEX. REGULATION

The Audit Committee is regulated by the provisions of the Law on Capital Companies and by the provisions of the Regulations of the Board of Directors of Acerinox, S.A. The regulation can be consulted in www.acerinox.com. The regulation of the Audit Committee was expressly adjusted as a result of the dissemination by the CNMV of the relevant Technical Guide.

Madrid, 25 February 2021

Donald Johnston
Chairman
Audit Committee of Acerinox, S.A.