

APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE REPORT CORRESPONDING TO THE ACTIVITIES CARRIED OUT IN 2016 IN COMPLIANCE WITH RECOMMENDATION 6 letter b) OF THE GOOD GOVERNANCE CODE

1. Evaluation of the functioning of the Board of Directors
2. Reports and proposals by directors
3. Modification to the Regulation of the Board of Directors
4. Approval of general policies
5. Approval of the Internal Code of Conduct on Matters Relating to the Securities Market
6. Approval of a new Code of Conduct
7. Substitution of the Secretary of the Board of Directors
8. Changes in senior management
9. Other activities

Members:

- Manuel Conthe Gutiérrez, independent director (Chairman)
- Santos Martínez-Conde Gutiérrez Barquín, proprietary director
- Braulio Medel Cámara, independent director
- Rafael Miranda Robredo, independent director (Chairman of the Board of Directors)
- Oscar Fanjul Martín, until he resigned as a director of Acerinox in July 2016.

The Appointments, Remuneration, and Corporate Governance Committee (hereinafter AR&CGC) held four meetings in 2016, in which the following matters were discussed:

1.- Evaluation of the Functioning of the Board of Directors.

In accordance with that established in recommendation no. 36 of the Good Governance Code of Listed Companies, the Chairman of the Board of Directors delegated the evaluation of the functioning of the Board of Directors to the AR&CGC. Like on other occasions, the evaluation was carried out by means of the directors completing a questionnaire, elaborated by the AR&CGC, which emphasised which improvements were considered necessary in each of the relevant operating areas of the Board of Directors. We should remember that in 2018 this evaluation will be carried out by an independent expert, pursuant to said recommendation. The result of the evaluation and its conclusions on possible improvements were presented to the Board of Directors prior to the General Shareholders' Meeting. Subsequently, the Chairman of the Board of Directors submitted to the Board of Directors, and which it approved, these improvements in the functioning of the Board of Directors which, indicated in the evaluation report, were considered most appropriate.

2.- Reports and proposals by new directors.

In 2016, Jose Ramón Guerediaga Mendiola, the Director with the most seniority in the company, resigned as director and Chairman of the Audit Committee. Mr. Guerediaga's term as independent director expired and at the age of 72, not long before the General Shareholders' Meeting took place, he was not able to be re-elected according to the Board of Directors Regulation.

The AR&CGC, following an intense process of searching for candidates, in which it had external help from a headhunting agency, proposed Ms. Laura Abasolo as his replacement, also independent, whose Curriculum Vitae can be found on the company webpage. The new director was appointed in the General Shareholders' Meeting and was immediately named by the Board of Directors as Chairwoman of the Audit Committee for her knowledge and experience in said area.

In the General Shareholders' Meeting Mr. Oscar Fanjul, proprietary director, was re-elected as well as Mr. Braulio Medel, independent director. Mr. Fanjul presented his resignation to the Board shortly afterwards, along with Mr. Diego Prado, for reasons which were stated in the corresponding significant event.

Towards the end of the year, Mr. Javier Fernández, proprietary director representing Corporación Financiera Alba presented his resignation for professional reasons and the Corporation proposed Mr. Tomás Hevia as his replacement, which was favourably announced by the AR&CGC prior to the appointment of the new director by co-optation.

3.- Modifications to the Regulation of the Board of Directors.

Despite his young age, the Capital Companies Act was modified following the requirement that the Audit Committee be predominantly comprised of independent directors. The AR&CGC announced the relevant modification to article 12, II, A, b) of the Regulation of the Board of Directors, additional information of which was given on the modification in the General Shareholders' Meeting.

4.- Approval of General Policies

At the end of 2015 the Board of Directors approved part of the General Policies which are used as the underlying principles of the activity of the companies of the Group. The work was completed in 2016 by means of discussion and report from the AR&CGC and subsequent approval by the Board of the Policies on Tax, Corporate Governance and Treasury Stock, with which the work was considered completed.

5.- Approval of the Internal Code of Conduct on Matters relating to the Securities Market (RIC)

The previous RIC dates back to 2004 and although it fulfilled its function efficiently, the subsequent legislative developments and specifically the entry into

force in the EU of the Regulation on Market Abuse and their provisions recommend revising this complex matter in depth. The current RIC is a necessarily more complex regulation than the previous, but it goes through all the possibilities that may arise and it provides clarity and certainty of the daily progression of the company, its management, directors and employees, as well as creating the appropriate registers of initiates, permanent and temporary employees and to appoint the Shareholder Information Office and the General Secretary as supporting bodies and also a surveillance and alert system. The role of the AR&CGC, given its special composition and experience of its members, has been essential in guiding and managing the work and bringing it to a successful end.

6.- Approval of the new Code of Conduct.

The previous Code of Conduct dates back to 2010. Since then many changes in our legislative system have forced reflection on it, and mainly the emergence of the figure of criminal liability of legal persons in our positive law, cautiously first, but then much more actively. The explanation of this new institution and the recommendations of the Private Prosecutor recommend promoting the code of conduct in the crime prevention system that the company was developing. For this reason and maintain certain positive points from the old code, the new code is structured around the behaviour and problems it is trying to avoid, and they develop the complaints reporting systems in view of the experience acquired over several years.

7.- Substitution of the Secretary of the Board of Directors and the AR&CGC

At the beginning of the year, Mr. Álvaro Muñoz, following a long and brilliant career as Secretary of the Board of Directors, left due to his age. As proposed by the AR&CGC, the role of the Secretary of the Board of Directors was taken on by the General Secretary of the Company, Mr. Luis Gimeno, who takes on both roles, and by extension the secretary of the Committees of the Board of Directors.

8.- Changes in the senior management of the Company

The AR&CGC made an announcement prior to the appointment of the members of the senior management of the Group.

Mr. Antonio Fernández-Pacheco, General Director of the Company retired during the year, and his role was directly taken on by the CEO. Mr. Antonio Moreno, Director of the Acerinox Europa Factory in Campo de Gibraltar was appointed as Production Director of the Acerinox Group and member of the executive management of the Group, as well as the position of Director of the factory.

9.- Other activities

The AR&CGC developed and submitted for approval by the Board of Directors the Annual Corporate Governance Report, the Report on Remuneration of Directors

as well as the Policy on Remuneration submitted for approval in the General Shareholders' Meeting. The internal documents on level of compliance of the recommendations of good governance and proposals for improving the already high level of compliance have been analysed and discussed.

Madrid, 26 April 2017

ANNEX

MEETINGS AND MAIN DECISIONS MADE BY THE APPOINTMENTS, REMUNERATION AND CORPORATE GOVERNANCE COMMITTEE IN 2016

Meeting of 18 February 2016 (Minutes no. 82):

- Re-election and appointment of Board Members.
- Changes in the Regulation of the Board of Directors as a consequence of the modifications in the Capital Companies Act (the majority Independent in the Audit Committee)
- Appointment of new secretary of the Board of Directors.
- Other changes in the Executive Management of the Group.
- Policy on Directors' Remuneration.
- Approval of the Report and Policy to submit for approval in the General Shareholders' Meeting.

Meeting of 27 April 2016 (Minutes no. 83):

- Appointment of a new board member.

Meeting of 28 September 2016 (Minutes no. 84):

- Preliminary approval of the general policies no. 6, 7 and 8: Tax, Corporate and Treasury Stock, respectively.
- Preliminary approval of the Code of Conduct and Good Practices
- Discussion on covering vacancies in the Board of Directors, following the resignation of two proprietary directors.

Meeting of 22 November 2016 (Minutes no. 85):

- Preliminary approval of the Code of Conduct in Matters Related to the Securities Market (RIC).
- Process for covering vacancies in the Board.
- Reflexion on the system of remuneration of the executive director and of the senior management.

Meeting of 21 December 2016 (Minutes no. 86):

- Proposal to appoint a new proprietary director.
- Monitoring the process of covering vacancies in the Board of Directors.