



## **REPORT ON THE MODIFICATIONS OF THE REGULATIONS OF THE BOARD OF DIRECTORS**

**Madrid, 26 de February 2020**

(Free translation from the original in Spanish. In the event of  
discrepancy, the Spanish-language version prevails.)

***REPORT OF THE ADMINISTRATORS OF ACERINOX, SA, ON THE AMENDMENTS OF THE REGULATIONS OF THE BOARD OF DIRECTORS WHICH IS KNOWN TO THE GENERAL SHAREHOLDERS' MEETING OF ACERINOX, S.A. TO BE HELD ON FIRST CALL ON 22 APRIL 2020***

**Eighteenth item on the Agenda:**

“Report to the General Shareholders’ Meeting in accordance with the article 528 of the Corporation Law regarding the Regulations of the Board of Directors”.

The present Report of the General of shareholders’ Meeting, aims to explain changes in the Regulations of the Board of Directors in accordance with the article 528 of the Corporation Law.

In relation to the fourteenth item of the Agenda of the General Meeting the Board of Directors reports on two modifications of the Regulations of the Board:

***ANNEX III.- APPOINTMENTS, REMUNERATIONS AND CORPORATE GOVERNANCE COMMITTEE***

**Article 1. Composition.**

1. The Appointments, Remuneration and Corporate Governance Committee (hereinafter, in this annex, “the Committee”) shall comprise the number of Directors that in each case has been appointed by the Board of Directors, which may in no event be fewer than three nor greater than six.
2. All of its members must be non-executive Directors appointed by the Board of Directors. The majority of the members must be independent.
3. The Committee members shall be appointed for a maximum of four years and they may be re-elected one or more times for periods of equal duration.
4. The Board of Directors shall appoint a Chairman of the Committee from among the Independent Directors who are members thereof. The Chairman shall have the sufficient capacity and availability to devote the due attention to the Committee. In the event of absence, vacancy or illness, the Chairman shall be replaced by the Independent Director who has served the longest in the position and if this Director cannot do so, by the next Director in turn.
5. The Board of Directors shall also appoint a Secretary of the Committee, who need not be a Director.

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## **Article 2. Members.**

1. The composition of the Committee must be diverse in terms of gender, professional experience, powers, personal abilities, sector-specific knowledge and internationalisation.
2. The Board of Directors shall endeavour to ensure that the selection of the Committee members reflects the proportion of the institutional shareholders in the share capital and that the members collectively possess the knowledge and experience in corporate governance, strategic analysis and assessment of human resources, selection of directors and managers, the performance of Senior Management roles and the design of remuneration and incentive policies and plans for Directors and Managers.

## **Article 3. The Board's Competency Matrix.**

1. The Committee shall draw up a matrix of required competencies for the Board of Directors that defines the aptitudes and knowledge base of the candidates for the position of director, especially in the case of independent and executive directors. This matrix shall be updated as often as the company sees fit.
2. The Committee shall analyse the competencies, knowledge and experience of the current Directors, to define the roles and aptitudes to be sought in future Directors. Having identified the competencies, knowledge, and experience required to sit on the Board of Directors, it shall also establish representation objectives for the less represented gender.
3. The Committee shall define the duties and aptitudes necessary in the candidates to fill each vacancy and evaluate the time and dedication necessary for them to efficiently perform their duties. In addition, it shall assess the suitability of each candidate, keeping a record in their proposal or report for the appointment or re-election of Directors, of the assessment conducted and the reasons that support the candidate.

## **Article 4. Procedure.**

1. The Chairman of the Committee shall ensure that its members participate freely in its deliberations with independence and a healthy degree of scepticism.

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2. The independence of the Committee's actions and its members shall be preserved at all times from any instructions from or ties to third parties that might compromise it, as well as its members' freedom of judgement and opinion. A suitable atmosphere will be promoted in the Committee that encourages constructive dialogue, freedom of expression and a critical attitude, encouraging the diversity of opinions and contributing to the enrichment of the analyses and proposals.
3. The Committee shall maintain contact with the Chairman of the Board of Directors, with the CEO, and with the managers if it sees fit to do so, without this impinging on its independence. Other Directors, whether executive or not, managers or any other third party may be present at meetings of the Committee provided they have been invited beforehand by the Chairman of the Committee and their presence shall be restricted to those items of the agenda in relation to which they have been called. The entrances and exits of the various guests shall be recorded in the minutes. They may not attend the phases of the Committee's deliberations or voting.
4. The Committee shall have access to whatever information it requires in an appropriate, opportune and sufficient manner.
5. The Committee shall draw up a report on an annual basis with regard to its operations that shall contain at least the regulation of its composition, roles and tasks carried out, meetings held during the financial year and the outcome of the evaluation by the Board and the committees.

**Article 5. Appointment and dismissal of Directors and members of the Senior Management.**

1. The Committee may or may not use an external firm to search for Directors. Before the commencement of each selection process, the required profile and capabilities of the new Director must be spelled out, in accordance with the competency matrix in force, the suitability of each candidate shall be assessed and a record made of the candidate's suitability.
2. Any Director may provide the names of possible candidates. The Committee shall verify that there are no relationships that could compromise any candidate's independence and will call upon the candidate to provide information about their other activities and any possible conflicts of interest that could affect him or her.
3. The Committee will provide the Board of Directors with the proposals for the appointment of Independent Directors and report on the other directors for

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their designation by co-opting or for their submission to the decision of the General Shareholders' Meeting, as well as the proposal for their re-election or removal thereby. Following the appointment the candidate's formal acceptance shall be obtained.

4. The Committee shall assess in the proposals of Proprietary Directors that they deal in a consistent manner with the requests for access to the Committee by shareholders with similar shareholdings and that the requirements laid down in the Group's competency matrix are respected.
5. Proposals for re-election of Independent Directors shall take into account the same factors as those that determined their initial election, the evaluation of their performance during their term of office and their capacity to continue in a satisfactory manner, as well as the progressive renewal of the Committee.
6. In the event that a director steps down, the Committee shall assess the information contained in his/her resignation notice, carrying out such investigations as it sees fit and reporting the findings to the Board.
7. The Committee shall report the proposals for appointment and removal of Senior Managers, Secretary and Under-Secretary of the Board, and the basic conditions of their contracts and any future changes therein, as well as the appointment, removal, contract and remuneration of the CEO. For this purpose, Senior Managers or members of Senior Management apart from the CEO means the Directors that perform their roles while reporting directly to the person that assigned them that role.

#### **Article 6. Remuneration of Directors and of Senior Management.**

1. The Committee shall propose to the Board of Directors the remuneration policy of the Directors and the Chief Executive Officer and, at a proposal from the latter, that of the members of the Senior Management - even if they are Executive Directors - assessing, including at the proposal of the CEO, the level of achievement of all Executive Directors and Senior Management of the objectives subject to variable remuneration.
2. The Committee shall periodically review the remuneration policy of Directors and Managers and ensure that it is aligned with that of other companies with similar characteristics. Proposals made to the Board on this subject shall also take into account the economic performance of the Group's companies and the different commitments of dedication of the Directors.

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3. The parameters to which the remuneration of the Senior Management is subject shall be approved at the proposal of the Chief Executive Officer and shall also take into account the operation of the Group's companies, financial parameters, ESG (*Environmental, Social and Governance*) objectives and, in general, the return for shareholders.
4. The remuneration system of Executive Directors and Senior Management shall take into account those of comparable firms and seek to promote the motivation of those persons included in it, it shall provide that a part of the remuneration is subject to objective performance measurement criteria aligned with the interests of the company and shareholders and it will have systems in place to demand the return of monies received if an error is demonstrated in the assessment of the parameters determining the payment the amount thereof.

#### **Article 7. Assessment of the Board.**

1. The Committee shall, by delegation of the Chairman of the Board, conduct the annual evaluation of the functioning of the Board of Directors and its Committees and shall submit to the Board the results of assessment together with a proposal for an action plan or with recommendations to correct any deficiencies identified or improve the functioning of all the Group's governing Bodies.
2. At least every three years, such an assessment shall be carried out by an independent expert, who shall be different from the one who may have advised on the selection of Directors or remuneration systems in previous years.

#### **Article 8. Promotion of diversity.**

1. The Committee shall monitor and ensure the maintenance of the diversity standards recommended by the Good Governance provisions and propose a diversity policy to the Board of Directors and Senior Management and updates thereto.

#### **Article 9. Promotion of talent.**

1. In making a proposal or issuing a report, within the scope of its powers, the Committee shall give particular consideration to the potential impact that the decision submitted to the Board of Directors may have on the company's talent management and promotion strategy and will ensure the professional growth of Executive Directors and members of the Senior Management.

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2. The Committee shall verify that candidate selection processes of Executive Directors and members of the Senior Management allow the recruitment of the best professionals according to the Company's strategy, analyse and track international best practices in recruitment, retention, management and talent promotion.
3. It shall be informed about the implementation of the measures adopted at Group level to headhunt, retain, manage and promote talent, and about the training and monitoring programmes of members of Management that are in place. It shall also verify the consistency and coherence of selection policies and their alignment with the company's strategy and market conditions.

#### **Article 10. Smooth operation of corporate bodies.**

1. The Committee shall encourage the smooth operation of the corporate bodies and the harmonious exercise of their respective areas of authority, proposing any measures that may be necessary to improve them. It shall review and monitor the corporate structure of the Group and its subsidiaries.
2. The Committee shall ensure that the conduct of the corporate bodies is consistent with the fulfilment of the principles of good governance and transparency, as well as proposing the necessary measures for compliance with them to the Board.
3. It shall periodically review the fitness for purpose of the Company's corporate governance system.

#### **Article 11. Preparation of mandatory reports.**

1. The Committee will coordinate the process of reporting Non-Financial Information and information regarding diversity, in particular the Non-Financial Information Statement, in accordance to the applicable regulations and the international reference standards.
2. It shall also submit to the Board of Directors the draft of the Annual Remunerations Report, the Remunerations Policy which must be submitted to the General Shareholders' Meeting and, in general, it shall ascertain the level of compliance with the remuneration policy established by the Company and will verify the information on remuneration of Directors and Senior Managers that are contained in the various corporate documents, and it shall without prejudice to the purview of other bodies, communicate the Annual Corporate Governance Report.

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3. The Committee shall also review the information that the entity disseminates through its website with regard to matters that fall within the purview of the Committee.

**Article 12. Drafting and review of internal rules and regulations.**

1. The Committee will coordinate the drafting and amending of the Articles of Association, Regulations, General Policies and other corporate-level regulations of the Acerinox Group.
2. It will review and assess the compliance with the Group's Corporate Responsibility and Sustainability policy and will ensure that it is oriented towards value creation.

**Article 13. Prevention and resolution of conflicts of interest.**

1. The Committee will promote the drafting, approval and amendment of the corporate regulations that prevent the existence of conflicts of interest and regulate how they are dealt with should they arise.
2. The Committee will have to report, ex officio or at the Board's request, on any situations that arise in which a risk of conflict of interest is identified among the Directors and the companies in which they carry out functions on any basis, and any Group companies when said function has not been assigned to the Audit Committee.

**Article 14. Succession plan.**

1. To examine and organise the succession of the Chairman of the Board of Directors, other members of the Board and the Chief Executive of the Company, and to promote the appropriate succession plan in the Company's Senior Management and, if necessary, to formulate proposals to the Board of Directors so that said succession occurs in an orderly and planned manner. The succession plan will be reviewed periodically to adapt it to new needs and circumstances as they arise.

**Article 15. Corporate Social Responsibility and Stakeholders.**

1. The Committee will supervise the Corporate Social Responsibility policy and assess the degree to which it is being complied with, and it will supervise the relationship with the various stakeholders, including the communication strategy and relationship with shareholders and investors.

**Article 16. Welcome programme.**

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1. New Committee members will receive, before they attend their first meeting, a welcome programme that will help them to participate actively from the moment they join.

#### **Article 17. Training of Directors.**

1. The Committee shall take care to ensure that the Directors receive the appropriate training in the activities of the company and its Group at all times and that they receive full information regarding the corporate rules and procedures.
2. The Committee will propose training sessions to the Board of Directors on topics of interest for the Directors and the corporate bodies themselves. It will also ensure that Directors receive sufficient information about changes in the law, public administrations or geopolitical issues whose knowledge is beneficial for the decision-making of the various corporate bodies.

#### **Article 18. Meetings.**

1. The Committee shall meet as often as it sees fit to ensure the smooth performance of its functions and at least four times a year sufficiently in advance of Board meetings.
2. The Chairman of the body will organise the calendar of meetings of the year about to commence with due advance notice and will draft a non-binding provisional agenda of the main items that need to be covered in each meeting, having listened to the views of the other members of the body.

#### **Article 19. External consultants.**

1. The Committee may use the consulting services and advice of external experts in relation to matters of a technical nature and in particular with regard to remuneration, evaluation and selection matters, keeping records with sufficient transparency of any relationship or situation entailing a potential conflict of interest, reporting to the Board as applicable. The Committee's report of activities shall include all of the services rendered by external experts and their remuneration.
2. The Committee shall ensure that any conflicts of interest that arise do not prejudice the independence of the external advice provided to the Committee.

#### **Article 20. Independence from other bodies.**

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1. The Committee shall operate completely independently with respect to instructions and guidelines from non-members, it shall maintain a constant dialogue with the Chairman of the Board of Directors, with the Chief Executive Office and with the rest of the Management.
2. The Chairman of the Committee, if the Board of Directors so decides, may be called to appear before the General Shareholders' Meeting to report to it on matters within the scope of that body's powers.

This amendment to the Board of Directors' Regulations was approved by the Board of Directors of Acerinox, S.A. at the meeting held on 17 December 2019.

The new wording of the Board Regulation can be found on our company's website. [www.acerinox.com](http://www.acerinox.com)

Madrid, 26 February 2020