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## **AUDIT COMMITTEE ACTIVITY REPORT 2022**

**Madrid, 12 April 2023**



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## 1. INTRODUCTION

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Pursuant to the provisions of Annex I of the Board of Directors Regulations of Acerinox, S.A. (“**Acerinox**” or the “**Company**”), the Audit Committee of the Company has the following functions, among others:

In relation to financial and non-financial information:

- To inform the Board of Directors of any issues which arise in relation to matters within the Committee’s competence, particularly the outcome of audit, explaining how audit has contributed to the integrity of financial information and the role played by the Committee in the process.
- To report, in advance, to the Board of Directors on the financial information and the management report, which shall include, where appropriate, the mandatory non-financial information that the Company is required to publish periodically.
- To supervise the process for the preparation and presentation of mandatory financial and non-financial information by the Company and, where applicable, the Group, as well as reviewing compliance with regulatory requirements and the proper application of accounting policies, identifying, understanding and supervising the effectiveness of the Internal Control over Financial Reporting (ICFR) system.

In relation to internal control and internal auditing:

- To supervise the effectiveness of the Company’s internal control, ensuring that internal control policies and systems are effectively implemented in practice.
- To supervise the unit that assumes the internal audit service, which shall ensure the proper functioning of the information and internal control systems.
- To establish and oversee a mechanism to enable employees and other persons connected with the Company to report potentially significant irregularities of any significance.

In relation to risk control:

- To monitor and assess the effectiveness of financial and non-financial risk management and control systems.
- To supervise the internal risk control and management function.

In relation to the accounts auditor:

- Making recommendations to the Board regarding the selection, appointment, re-election and replacement of the external auditor.
- Receiving regular information from the external auditor on the progress and findings of the audit plan and its execution.
- To ensure that the Company and the external auditor observe applicable legal requirements for the provision of non-audit services and, in general, any other requirements designed to ensure the independence of auditors.

In accordance with the provisions of Article 4.5 of Annex I of the Board of Directors Regulations of Acerinox, and so that the Board of Directors can carry out its annual evaluation of the Board and its Committees, and on the basis of the information received and the monitoring carried out by this Committee during the 2022 financial year, the Company's Appointments, Remuneration and Corporate Governance Committee issues this report at its meeting of 23 February 2023.

This report will be available to shareholders, investors and other interested parties on the Company's website ([www.acerinox.com](http://www.acerinox.com)) from the date of publication of the notice of the Ordinary General Shareholders' Meeting, in accordance with the recommendations of the Good Governance Code for Listed Companies.

## 2. COMPOSITION AND QUALIFICATIONS OF ITS MEMBERS

In accordance with the provisions of the LSC (Spanish Capital Companies Act), the majority of the members of the Audit Committee are independent directors, including the Chair.

As at 31 December 2022, the Audit Committee was composed of the following members:



**Chair:**

Ms. Leticia Iglesias Herraiz

**Director**

**Proprietary:**

Mr. Tomás Hevia Armengol

**Directors**

**Independent:**

Ms. Laura González Molero

Mr. Donald Johnston

The Secretary of the Committee is the Secretary of the Board of Directors and Secretary General of the Company.



**LETICIA IGLESIAS HERRAIZ**  
Chairman  
Independent External

Ms. Leticia Iglesias Herraiz, a Spanish national, is an Independent Director, member of the Audit Committee since 2020 and Chair of the Audit Committee since 2022. She holds a degree in Economics and Business Administration from the Comillas Pontifical University (ICADE) and has been a member of the ROAC (Official Register of Account Auditors) of the Ministry of Economy and Competitiveness since 1989. Ms. Iglesias Herraiz is currently an Independent Director of: AENA SME, S.A., LAR España Real Estate Socimi, S.A., ABANCA Corporación Bancaria, S.A. and the unlisted company Imantia Capital SGIIC, S.A. In 2021, she was appointed member of the International Advisory Board of the Faculty of Economics and Business Studies of ICADE and member of the Board of Directors of the ICADE Business Club, and is also a Trustee of the PRODIS Foundation Special Employment Centre.

Ms. Iglesias has extensive experience in regulation and supervision of securities markets and financial services. She began her professional career in the Arthur Andersen Audit Division, has been Deputy Director of the National Securities Market Commission (CNMV), Independent Director of Banco Mare Nostrum (BMN) and of Abanca Servicios Financieros EFC, and was CEO of the Instituto de Censores Jurados de Cuentas de España (ICJCE).



**GEORGE DONALD JOHNSTON**  
Member  
Independent External Director

Mr. Donald Johnston, of the United States and British nationality, is an independent director. He has been a member of the Board of Directors since 2014, of which he was the Chairman from 2018 to 2022, and a member of the Executive Committee since 2015. He has also been a Coordinating Director since June 2022.

He 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. Johnston is currently an Independent Director of Merlin Properties Socimi S.A. and an Independent Director of Banco Sabadell S.A. and, throughout his career, he has held positions such as the European Chairman of the M&A group of Deutsche Bank S.A., Director of Bankers Trust International PLC and member of its World Executive Committee. He has also worked as Managing Director at the New York and London offices of Salomon Brothers. Mr. Johnston has over 35 years' experience in investment banking in the United States, Europe and Latin America.



**LAURA GONZÁLEZ MOLERO**  
Member  
Independent External Director

Ms. Laura González Molero, a Spanish national, has been an Independent Director since 2017 and member of the Audit Committee of Acerinox since 2017 and Chair of the Appointments, Remuneration and Corporate Governance Committee since 2018.

She holds a Bachelor's degree in Pharmacy, specialising in Industrial applications from the Complutense University of Madrid, and an Executive MBA by IE Business School. Ms. González Molero is currently president of the Association for the Progress of Management (APD) and developed her career in international pharmaceutical chemical companies, having been CEO and Chairman of Merck Spain and Bayer Latin America and Independent Director at Calidad Pascual, Bankia and Adecco Foundation (NGO). She is currently an Independent Director of Viscofan, S.A. and Banco de Sabadell, S.A.



**TOMÁS HEVIA ARMENGOL**  
Member  
Proprietary Director, in representation of Corporación Financiera Alba

Mr. Tomás Hevia Armengol, a Spanish national, was appointed as a proprietary director representing Corporación Financiera Alba S.A. in December 2016 and has been a member of the Audit and Sustainability Committees from 2022. Previously he was a member of the Executive Committee from 2017 to 2022.

He holds a degree in Business Administration and Management and Law from the Comillas Pontifical University in Madrid. Tomás Hevia also holds an MBA from the IESE Business School of the University of Navarre. He is currently a member of the Investments Department of Corporación Financiera Alba. He is a member of the Boards of Directors of: Piolín Bidco, S.A. (Parques Reunidos) and ERM International Group Limited.

He previously held positions in the Mergers and Acquisitions and Equity Capital Markets Departments of Royal Bank of Scotland and ABN AMRO in Madrid and London. He has been a member of the Board of Directors of Ebro Foods, S.A., Clínica Baviera S.A., ACS Servicios y Concesiones S.L., Dragados S.A. and Antevenio S.A.

On 9 May 2022, the shareholder Corporación Financiera Alba, S.A. requested the Company to replace Mr. Pablo Gómez Garzón (external proprietary director representing it) with Mr. Carlos Ortega Arias Paz (also an external proprietary director). Following the foregoing, Mr. Tomás Hevia Armengol (external proprietary director since December 2016) would become a member of this Committee, replacing Mr. Gómez Garzón.

In 2022, the roles of some of the members of this Committee have also changed.

In this regard, the Spanish Capital Companies Act limits the term of office of the Chairmen of the Audit Committees to four years. In this regard, given that Mr. George Donald Johnston would complete four years as Chairman of this Committee in October 2022, it was imperative that a replacement be found for him. Therefore, the Board of Directors of Acerinox, in its meeting held on 28 October 2022, agreed to appoint as Chair of the Audit Committee, Ms. Leticia Iglesias Herraiz, who had been an Independent Director of the Company since October 2020.

The Committee is deeply appreciative of Mr. Johnston's dedication in his work as Chairman of the Committee, having promoted, directed and led significant improvements during his tenure. Mr. Johnston has continued to work for this Committee since then in his position as a member.

All the members have sufficient training in finance, accounting, internal control, risk management and management experience. In turn, the members of the Committee should, as a whole, have relevant expertise in relation to the industry sector to which the Company belongs.

Detailed information on the members of the Committee and their professional careers is available to shareholders, investors and others interested in Acerinox on the Company's website.

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

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During the 2022 financial year, the Committee held the following meetings, all of which were formally convened:

<i>Date</i>	<i>Location</i>	<i>Attendance</i>
27 January 2022	In-person/Telematic	All
23 February 2022	In-person/Telematic	All
30 March 2022	In-person/Telematic	All
9 May 2022	In-person/Telematic	All
7 July 2022	Circular resolution	All
26 July 2022	In-person/Telematic	All
28 September 2022	In-person/Telematic	All
24 October 2022	In-person/Telematic	All
3 November 2022	Circular resolution	All
19 December 2022	In-person/Telematic	All

In addition to the members of the Committee and its Secretary, the following persons appeared and their attendance was recorded in the respective minutes, always at the invitation of the Chair of the Committee and limited to those items on the agenda for which they had been summoned:

- External auditors: *PwC* (Mr. Jon Toledano and Mr. Ignacio Rodríguez) on four occasions.
- Financial Director of the Acerinox Group, Mr. Miguel Ferrandis, on eight occasions.
- Director of Budgeting, Consolidation and Financial Reporting of the Acerinox Group, Ms. Esther Camós, on eight occasions.
- Internal Audit Director of the Acerinox Group, Ms. Lucía Alonso de Noriega, on four occasions.
- Group Director of Prevention and Compliance, Mr. Rodrigo García-Vega, on three occasions.
- Risk Director of the Acerinox Group, Mr. Juan García, on one occasion.
- Treasury Director, Mr. Antonio Fernández de Mesa, on one occasion.
- Director of Information Systems, Ms. Isabel Vaca, on three occasions.
- *S21SEC* (Mr. Agustín Muñoz Grandes, Mr. Elyoenai Egozcue, Mr. Iván Garrido and Mr. Jairo Alonso), on two occasions.
- *Deloitte* (Mr. Abel Gonzalo and Mr. Raúl Moreno), on 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. RELATIONS WITH THE EXTERNAL AUDITOR**

The General Shareholders' Meeting held in Madrid in 2022 re-elected *PwC* as the external auditor for the 2022 financial year. It was the external auditor of the company for the financial years 2017, 2018, 2019, in an initial appointment for three years and continued thereafter, with annual renewals in 2020, 2021 and 2022.

In February 2022, the external auditor appeared before the Committee to report prior to its subsequent appearance before the Board of Directors immediately before the Board of Directors formulated the accounts for the 2021 financial year. The representatives of the external auditor expressly stated that there were no uncorrected differences in the consolidated accounts and issued an unqualified opinion.

The second meeting, held in July, dealt with the closure of the half-yearly review or limited audit of the accounts for the first half of 2022, carried out in accordance with the standard ISRE 2410. Based on the limited scope of the review and the threshold set, the external auditor's representatives also stressed that no uncorrected material misstatements had been identified in the consolidated financial statements and issued an unqualified opinion.

In October, the external auditor appeared to present the progress made in the Audit Plan for 2022, also setting out the dates scheduled for future appearances before this Committee and before the Board of Directors.

The progress of the audit work for the full 2022 financial year was described in December.

The Committee requested and received the external auditor's independence report, as well as satisfactory explanations regarding the same, and the Committee reported favourably on the independence of the external auditor, as well as on the content and amount of the services provided by the latter, and issued the corresponding independence report provided for in Article 529-quaterdecies.4.f) of the Spanish Capital Companies Act, which was published on the Company's corporate website sufficiently in advance of the Ordinary General Shareholders' Meeting of 16 June 2022, in accordance with Recommendation 6 of the Good Governance Code.

Whenever the firm that has performed the external audit work was also awarded or participated in a competitive process for a non-audit service, the Committee's prior involvement was sought. The services awarded have, in any



case, been of a negligible amount in relation to the audit of accounts as reported in this Committee's report on auditor independence, to which we refer.

## 5. RELATIONS WITH THE INTERNAL AUDITOR

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The Internal Audit function is a fundamental support for this Committee, supervising compliance with the internal controls designed by the Company's management and making recommendations to correct possible internal control weaknesses and improve the efficiency of the processes.

The Internal Audit Director has been available to the Committee at all meetings held and has been present in-person with documents on four occasions (27 January, 30 March, 28 September and 19 December 2022).

In her first appearance, the Internal Audit Director presented her Internal Audit Plan for the 2022 financial year.

In her second appearance, the degree of progress of the work foreseen in the Internal Audit Plan for 2022 was monitored, highlighting the conclusion of important audits in the Group's companies - with their corresponding conclusions and recommendations - and information was provided on the complaints received through the Complaints Channel.

In her third appearance, she reported on the advisability of adjusting the Internal Audit Plan for 2022 due to the war in Ukraine, which affected different processes within the Group, such as the management of financial resources and exchange rates, debtor management and credit risk, and inventory management, all of which required special monitoring, given the delicate geopolitical situation. She also reported on the state of progress of the work foreseen in the Internal Audit Plan and on the complaints received through the Complaints Channel. Following this appearance, the Committee agreed that the reporting and follow-up of complaints received through the Complaints Channel should be channelled through the Compliance Department, as it considered that this matter is more closely related to the functions intrinsically attributed to this Department.

In her fourth and last appearance of the year, the Internal Audit Director reported on several differentiated matters: she described the human resources available and the organisation of her Department; the work plan for the 2023 financial year was also reviewed, on which the Committee had the opportunity to clarify some aspects. The Internal Audit Director also presented the progress of the planned work, the conclusions reached for the work completed, as well as the status of implementation of the various recommendations made.

The Internal Audit Department's work plan was approved in January and has been executed during the year without any incidents other than those arising from the aforementioned adjustment to the Internal Audit Plan for 2022 as a result of the war in Ukraine, which led to the prioritisation of certain work of greater relevance in view of the possible consequences that could arise from the conflict. This has not prevented it from being almost fully implemented.

## **6. RELATIONS WITH THE GROUP FINANCIAL MANAGEMENT**

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The Group Financial Director and the Director of Budgeting, Consolidation and Financial Reporting have been present at all meetings, monitoring the consolidated Group's performance and budget execution, debt and liquidity levels.

The Financial Management also explained the Group's financial structure and the debt and cash strategy.

## **7. RELATIONS WITH THE GROUP RISK MANAGEMENT**

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During 2022, the Committee received the Group Risk Director on one occasion, after approving the work plan for the year. During the year, the Risk Department focused its work on managing the Group's risks in the wake of the war in Ukraine, taking into account the current geopolitical situation and its impact on the Group. Monitoring the conflict from its earliest stages enabled Risk Management to take the necessary actions to limit the Group's exposure to Russia and to seek alternatives in the selection of raw material suppliers. The situation of risks related to trade credit and how they had been managed was also analysed. The management of suppliers, especially nickel, a metal whose price experienced extreme volatility due to high speculation in the financial commodities markets, was also an issue of particular relevance. In short, risks relating to resource availability, energy and raw material prices, reputational risks, risks of loss of competitiveness and security risks were particularly monitored and the Risk Manager reported on them in a timely manner, explaining the measures taken to assess and manage them in the best possible way.

## **8. MANDATORY REPORTING DOCUMENTS**

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The Audit Committee reported favourably to the Board of Directors on the accounts to be formulated by the latter. In the case of the annual financial statements for 2021 and those for the first half of 2022, this was done after obtaining the external auditor's opinion. In the case of the quarterly accounts,

which the company has decided to continue to prepare and publish despite their non-mandatory nature since the amendment of the Securities Market Law by Law 5/2021, this took place without the appearance of the external auditor, but always after hearing the Group Financial Director and the Director of Budgeting, Consolidation and Financial Reporting.

An opinion was also issued on other mandatory documents, such as the Annual Report, the Directors' Report, the Corporate Governance Report and the Directors' Remuneration Report, as well as the Audit Committee's Activity Report for 2021, the conclusions of the self-assessment regarding the body's operations, the report on the external auditor's independence and the report on Related-Party Transactions.

The content of the consolidated Statement of Non-Financial Information was also analysed, the audit of which was carried out on this occasion by the firm *KPMG*.

## **9. RELATIONS WITH GROUP INFORMATION SYSTEMS MANAGEMENT**

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Throughout 2022, the Commission worked with the Group's Information Systems Department on improving cybersecurity, both on the IT (Information Technology) and OT (Operation Technology) side. The Information Systems Directorate awarded the prestigious cybersecurity consultancy firm *S21SEC*, following a call for tenders in which four other companies of recognised prestige in the sector participated, the contract to carry out a cybersecurity audit. The audit drew useful conclusions and identified areas for improvement in which further progress towards more robust and secure information systems could be made. This department also commissioned an audit of the integrity of the Group's database, a matter of particular relevance in this digital era and one on which the Information Systems Department will continue to work as one of the Group's strategic pillars.

## **10. RELATIONS WITH GROUP COMPLIANCE MANAGEMENT**

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In 2022, the Committee also regularly monitored the progress of the implementation and finalisation of the Prevention and Compliance Model, as well as the implementation of specific compliance management software. The person in charge appeared in person at all meetings to which they were invited and, when they did not, they reported the requested information to the Committee through the Secretary of the Committee.

As detailed in the following section of this report, regular monitoring was also carried out of the complaints received through the Company's Complaints Channel, which until September 2022 the Compliance Department shared with the Internal Audit Department and which it now holds exclusively. In this

regard, the measures introduced in the draft bill to transpose into Spanish law the European Directive on Whistleblowing, which regulates, among other issues, the requirements to be met by the Complaints Channel(s) of the Group companies that are obliged to implement it, were also analysed.

## 11. COMPLAINTS CHANNEL

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In the first three appearances before the Committee by the Internal Audit Director during 2022 (on 27 January, 30 March and 28 September) she reported, among other issues, on the status of the complaints received through the Complaints Channel that the Group makes available to any affected party on its website. At these hearings, she reported on the actions taken by the Company in response to these complaints, as well as those where investigations and actions by the Company were still ongoing. As from the hearing on 28 September, the allegations would be reported by the Group Compliance Director.

All actions and investigations carried out as a consequence of a complaint have been conducted with independence of judgement and confidentiality, guaranteeing at all times the rights of the complainant and of the persons under investigation, in accordance with the Group Protocol on Complaints and Internal Investigations.

## 12. PARTICIPATION IN THE REGULATORY ACTIVITY OF THE GROUP

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The 2022 financial year was not particularly active in terms of the Group's regulatory activity, given that in the previous financial year, such activity was very profuse and changes were approved or made to a large number of the Group's regulatory texts (such as the Board of Directors Regulations, the Protocol for Approval of Related-Party Transactions, the Agreement by the Board of Directors delegating to the Chief Executive Officer the approval of certain related-party transactions and the amendment of the Internal Code of Conduct on Matters Relating to the Securities Market (RIC)) which, therefore, did not require further changes.

For the 2023 financial year, the review of certain regulatory texts on which the Audit Committee will have the opportunity to deliberate and issue an opinion is already planned.

## 13. PERFORMANCE EVALUATION

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Acerinox evaluates the performance of its Board of Directors, including its Committees, every year. Once every three years, this assessment is carried out by an independent expert, as recommended by best practice in Corporate Governance. The evaluation for 2022 was carried out by the Company's internal services under the management of the Chairman of the Board, assisted by the Appointments, Remuneration and Corporate Governance Committee.

## 14. FORECASTS FOR 2023

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As in previous years, the Committee set out its calendar for the coming year shortly after the end of the previous year. For 2023 it has already set out a calendar with a minimum of twelve (12) sessions, which may be increased if deemed necessary. The provisional agenda for each of the meetings was set at the Committee meeting held on 19 December 2022.

## 15. REGULATION

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The Audit Committee is regulated by the provisions of the Spanish Capital Companies Act and by the provisions of the Board of Directors Regulations of Acerinox, S.A. The regulations can be consulted at [www.acerinox.com](http://www.acerinox.com), under "Regulations" in the "Corporate Governance" section. The regulation of the Audit Committee was expressly adjusted as a result of the dissemination by the CNMV of Technical Guide 3/2017, of 27 June 2017.

## 16. CONCLUSIONS

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Based on the above, the Company's Audit Committee has assessed its composition and functioning during the 2022 financial year, considering that:

- The composition of the Committee has been adjusted to the legal provisions and the recommendations of the Good Governance Code, with members having the knowledge and experience necessary for the proper performance of their duties.
- All the Committee meetings have been personally attended by all its members, who have either attended the meeting in person or by telematic means or, where applicable, by delegation.
- The members of the Committee have always had at their disposal, prior to the meetings, the necessary information to be analysed and

discussed in the items on the agenda in order to be able to perform their duties correctly.

- Finally, the Committee deliberated and adopted agreements on matters within its competence.

In accordance with the foregoing, it can be concluded that the Audit Committee has complied with legal and statutory regulations as regards its composition, frequency of meetings, attendance and informed participation of its members, having played a key role in the good corporate governance of the Company.

Madrid, 12 April 2023

Leticia Iglesias  
Chairman  
Audit Committee of Acerinox, S.A.

Translation of the original in Spanish. In case of any discrepancy, the Spanish version prevails.