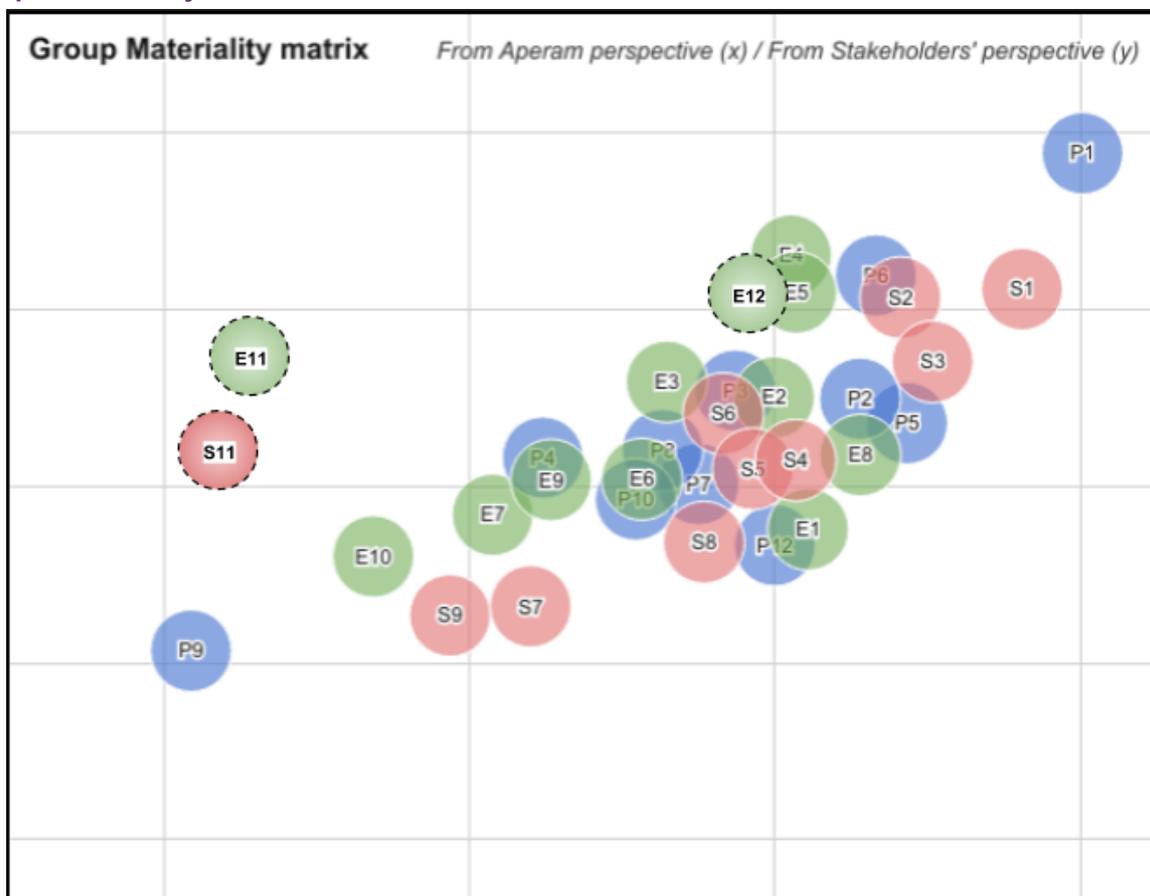


Aperam Sustainability Report 2017

Online Supplement B

The Report Materiality Process at Aperam

2017 Group matrix - Very similar to 2016



P1 Occupational Safety
 S1 Sustainably Profitable
 P6 Occupational Health
 S2 Legal & Fiscal Compliance
 S3 Customer Satisfaction
 E4 Air & Dust Emissions
 E5 Pollution Prevention/ E12
 Industrial Safety ^{NEW}
 P5 Competencies & Employability
 P2 Employee Engagement
 E8 Product Innovation

E2 Energy Consumption
 P3 Social Dialogue
 S6 Fair Business Practices
 S4 Anti-Dumping
 E3 Waste/Recycling
 S5 Cash, Debt & Financing
 E1 Raw Material Consumption
 P8 Diversity & Equal Opportunity
 S7 Supplier Labour Practices
 P12 Attracting talents
 E6 Water Consumption

S8 Market Dynamics
 S10 Data Privacy and
 cyber-criminality
 P4 Community Engagement
 E9 Transport Emissions
 E7 Climate Change
 S7 Economic Sanctions
 S9 Supplier Environmental Practices
 E10 Biodiversity
 E11 Noise ^{NEW}
 S11 Urban Integration ^{NEW}
 P9 Philanthropy

Determining Report Content

We follow a structured process to identify our most material sustainability issues and determine the content of our report.

This is based on the GRI G4 Reporting Principles for Defining Report Content. To determine if an Aspect (topic) is material for us, we assess its potential impact in sustainability terms and on our business. This assessment evaluates potential financial and reputational risks to Aperam; the importance to our stakeholders and the links with our mission and goals. From our internal risk perspective, we evaluate the magnitude of the impact using a scale from Minor risk to Critical risk.

> In 2014, further to regular stakeholder engagement at our six main plants in Europe and Brazil, we updated the 2013 assessment and improved our local and Group-level materiality dashboards and we identified 12 sustainability Aspects for the Aperam. Building on this, we have decided not to conduct a full review in 2015 but to drill down on a specific stakeholder group: Aperam employees.

The idea was to make a refresh of our Materiality matrix making a focus on our Employees' view and to make sure that we are addressing the key topics, from their specific perspective. This approach could be extended to other kinds of stakeholders going forward.

> In 2015, as a result, we used a specific Survey, asking our people to prioritise topics on the three pillars of our Sustainability strategy: Aperam people; Environment; Governance.

The responses collected from our worldwide staff from all Divisions confirmed that our previous matrix was still valid, with Health & Safety undisputedly the primary focus of the Company and Aperam employees fully supporting the action plans deployed to that regard. The survey also highlighted two additional topics, "Local Pollution Prevention" and "Quality of Life at work", which were then added to our matrix and 2015 report.

Also in 2015, we received enquiries of several ESG-rating agencies or shareholders' associations.

We have taken these elements into account both for our internal focus on some areas and for our 2015 Sustainability reporting.

> In 2016, our matrix has been updated resuming the 2014 methodology and topic ranking, but taking into account the answers from our 11 major sites including three sites for Service & Solutions (Brazil, Germany and Italy) and two additional industrial units with more specific business, Précision in Pont-de-Roide and BioEnergia. The Group matrix had finally been consolidated using each of the matrices defined by our units and weighing their responses based on the number of their employees. A final fine-tuning was performed using the feedback of our Leadership Team to reflect also the opinions of those of our stakeholders that interact more with central functions than plants (Professional Associations, Large Industrial customers, ESG analysts, etc.).

Thanks to this process, we had expanded the scope to cover 85% of our global workforce and managed to reflect the diversity of our sites, stakeholders and material topics.

> In 2017, we decided to continue with our methodology to focus every other year on one specific Stakeholder group and we set up specific meetings to engage with local authorities at each of our main sites.

This series of meetings were an opportunity to explain our strategy in detail, present short term action plans on stakeholder engagement at local level and evaluate each of the material aspects of our GRI matrix in face-to-face meetings. Of course, our units' management regularly meets these key local leaders, but the debates are usually focused on topicalities, emergencies and other specific subjects. Then was the time for a typical "helicopter view" exercise where the important points which are perfectly handled get no less attention than the less important areas where some issues need solving. This exercise allowed us to confirm and refine our vision, while adding a handful of topics considered as salient by these officials: "Urban Integration", "Industrial Security" and "Noise".

> The first one, "Urban integration", was not in our matrix and had never arose until then, but it is clearly an area where our sites have a responsibility.

> The second topic "Industrial Security", we had already covered in previous reports, within the "Pollution prevention" chapter. Indeed, we were describing the protocols in place to ensure quick reactions in case of accidental pollutions. It is obviously clearer to distinguish these two topics as matters of intrusions are also covered by National programs, in particular with the

European anti-terrorism context whereas "Pollution prevention and remediation" can deal with awareness, installations such as retention basins or regular simulation exercises. We will make sure to address the two topics going forward. > "Noise" was a topic tackled in view of our Environmental permits, but not identified among the most material. Already last year, with three Service Centres adding their input to the analysis, Noise and Traffic had gained in importance in our matrix. This year, some of the representatives of Local Authorities have requested to add it specifically and so we have.

Apart from these particular items, the takeaway of this thorough reviews with officials from the Local Authorities is that there is no need to revise entirely our full matrix but only to add the missing items and highlight the new topics introduced further to our discussions..

The final matrix is available on the first page of this Supplement, with the new topics inserted with an estimated positioning and highlighted with dotted lines. A recapitulation highlighting the comments and topics of interests as per the interrogated officers from our Local Authorities is also page 8 of main report.

The Boundary Protocol

Aperam operates in Europe and South America. The specific operations that are subject to the materiality process has been expanded from six to eleven production facilities, located in Brazil, Belgium, France and now also in Germany and Italy.

Operations within the boundary of the report represent all main entities included in our consolidated financial statements (G4-17a).

This list of entities is provided in note 26, p162 of our 2017 Annual Report. However, there are entities included in our consolidated financial statements that are not subject to the sustainability reporting processes and coverage (G4-17b). These are as follows:

- **Process:** As described, the materiality assessment is based on the eleven significant sites and the views of the ESG Committee. The resulting list of material Aspects is then applied to the whole Group.

- **Materiality Process:** The materiality process highlights topics that are material for the Group and does not supersede local analysis and specific site-based action plans;

The Report Materiality Process at Aperam Continued

- Additional information identified in the GRI G4 Mining and Metals Sector Disclosures document is somewhat relevant to Aperam operations and reporting; for example, 'Additional disclosure requirements' for Economic and Environmental information is not relevant but we have included information for the local community aspect; and
- Coverage: We report performance data for the Group (G4-17a).

Aspects, their indicators and the materiality boundaries are shown below. Disclosures on Management Approach (DMA) information is shown in Online Supplement C.

GRI Index	Disclosure code and label		Information or reference
Economics			
Economic Performance	G4-DMA	Disclosure on Management Approach	Online Supplement C - page 1.
	G4-EC1	Direct economic value generated & distributed	Present report - page 4-5 ; Annual report 2017 page 3-4.
Procurement Practices	G4-DMA	Disclosure on Management Approach	Online Supplement C - page 1-2.
	G4-EC9	Proportion of spent on local suppliers at main sites	Present report - page 38.
Environmental			
Material	G4-DMA	Disclosure on Management Approach	Online Supplement C - page 2.
	G4-EN2	Percentage of materials used that are recycled input material	Present report - page 27, 33.
Energy	G4-DMA	Disclosure on Management Approach	Online Supplement C - page 3.
	G4-EN5	Energy intensity	Present report - page 27, 29
Water	G4-DMA	Disclosure on Management Approach	Online Supplement C - page 4.
	G4-EN8	Total water withdrawal by source	Present report - page 27, 32.
Emissions	G4-DMA	Disclosure on Management Approach	Online Supplement C - page 3.
	G4-EN18	Greenhouse gas (GHG) emissions intensity	Present report - page 26-27
	G4-EN21	NOx, SOx and other air emissions	Present report - page 27, 30-31.
Wastes	G4-DMA	Disclosure on Management Approach	Online Supplement C - page 2
	G4-EN23	Weight of waste by disposal method	Present report - page 27, 33.
Labour			
Occupational Health & Safety	G4-DMA	Disclosure on Management Approach	Online Supplement C - page 4.
	G4-LA6	Rate and gravity of injury, occupational diseases, lost days, and absenteeism, number of work related fatalities, by region and by gender	Present report - page 11-12
Training & Education	G4-DMA	Disclosure on Management Approach	Online Supplement C - page 5.
	G4-LA9	Average hours of training per year per employee by gender, and by employee category	Present report - page 17, 19-20.
	G4-LA11	Percentage of employees receiving regular performance reviews, by gender and by employee category	Present report - page 17.
Supplier Assessment for Labour Practices	G4-DMA	Disclosure on Management Approach	Online Supplement C - page 5-6.
	G4-LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken	Present report - page 36, 40-41.
Society			
Local Communities	G4-DMA	Disclosure on Management Approach	Online Supplement C - page 6
	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Present report - page 45-46.
Product and Service Labelling			
Customer Satisfaction	G4-DMA	Disclosure on Management Approach	Online Supplement C - page 6.
	G4-PR5	Results of surveys measuring customer satisfaction	Present report - page 49.

The Report Materiality Process at Aperam Continued

Reporting notes

General reporting notes:

Safety data covers our Services & Solutions and Alloys & Specialty operations, as well as contractors on site. People data does not include contractors.

Environmental data covers all main industrial sites, service centre operations and corporate offices, with the following exceptions: raw material data excludes packaging and miscellaneous parts.

Specific indicators notes:

■ EC9: Local supplier information covers mainly non-raw materials industrial purchasing for our most significant operations in Europe and Brazil. It excludes BioEnergia and our Services and Solutions units, which have different purchasing needs. From 2016 reporting, we have started to include non-raw materials suppliers but we are still in a progressive learning phase, trying to strengthen our methodology and improve our scope.

■ EN21: Only dust emissions are reported as this indicator is relevant to our local stakeholders. NOx, SOx and other pollutants are monitored according to our regulatory permits but not fully reported - they are highly sensitive to specific metallurgic grades production, so measured emissions can vary considerably from day to day and the reliability of the measurement is difficult to sustain. In 2016 and 2017, we have improved our measurement protocols, increasing the frequency of our measures and introducing a logic of stress-test with the aim to ensure compliance at all times. We will continue in that direction in 2018.

■ EN23: Steel production is based on the melting of different raw materials and processing of slabs into coils or smaller formats of steel (such as sheets, tubes, bar and wires). The process generates by-products, such as slags or scraps, together with industrial wastes (such as dust, slag, sludge, oils, acid, refractories and paper).

These residues, many of which have a metallic content, are considered valuable so they are sorted and considered as potential materials for reuse or treatment. Usually they are reused in the process or sent for treatment at Recyco or an external firm, but in some cases they are simply stored for the future or land-filled.

All these elements are taken into account in our calculations and zero-waste target. Since 2015, we have improved our overview of Aperam total wastes and have finalised the mapping; as a consequence, we are able to report the hazardous and non-hazardous wastes and the EN23 on its entirety.

■ LA6: This health & safety metric covers also sub-contractors working on Aperam sites.

■ LA9: This training indicator is currently provided only in total and by country, with estimates regarding the split in terms of topics, status or gender as the reporting systems are not aligned across Aperam. We hope to be able to provide more detailed follow-up as the Human Resources platforms get rolled-out.

■ LA11: This career development indicator is currently provided with the split by exempts / non-exempts.

■ SO1: This indicator reflects the proportion of our sites that conduct active stakeholder engagement, of the eight main sites analysed in greater detail (see section 1). Because our appreciation of 'active stakeholder engagement' was still too qualitative, and not specific enough to assess objectively the level of responsiveness of local stakeholders, we decided to build a pragmatic but clear stakeholder engagement policy with predefined conditions to fulfill to be considered having an "active stakeholder engagement".

Based on the extensive mapping of existing practices conducted in 2016 over 30 of our sites, we validated what are Aperam corporate guidelines in terms of stakeholder engagement. Thanks to this assessment, we were able to calculate a preliminary view of the SO1 indicator, based on several clear criteria:

- > High end grievance mechanisms (including a 24/7 availability)
- > Public disclosures of results.
- > Practices of Stakeholder engagement beyond legal requirements.

After analysis, we disqualified the criteria linked to local development plans which did not seem necessary everywhere, in particular in Europe. This last point was also confirmed through our round of discussions with officials from Local Authorities, which have not expressed high expectations in terms of philanthropy or development plans..

With our new official guidelines, and the foreseen implementation of additional communication tools, we define improvement areas and help our sites to progress.

Managing risks at Aperam

Risk management processes are embedded in the organisational culture. They support decision-making and continuous improvement, and allow us to identify and act on opportunities. Our Combined Assurance risk management function facilitates this process and prepares the Risk Management reporting documentation for both the Management Committee and the Audit & Risk Management Committee. Our framework for managing risk is based on:

- COSO Enterprise Risk Management Framework;
- ISO 31000 principles and guidelines for risk management; and
- Benchmarking with external companies.

Our Audit and Risk Management Committee supports the Board of Directors in fulfilling their corporate governance duties relating to defining and reviewing risk, managing risk assessment, and risk audit, all the above including also sustainability risks. Page 7 of our Risk Management Manual describes risk as a pillar of corporate governance and the organisational responsibilities for risk.

Our numerous Aperam Policies and Whistleblowing protocols allow employees to raise concerns over possible irregularities and malpractices on various topics such as fraud, corruption, money-laundering.

In addition, the compliance programme set up in 2014 (including a network of local champions and a full set of policies) has pursued its roll-out, with a focus on Code of Conduct and Anti-Corruption in 2017. Amongst the significant aspects of the program was the enacting of a specific internal Gift policy that was not only communicated within Aperam but also dispatched to our external business partners.

The implementation of these actions was accompanied by extensive local communications and training, carried out in liaison with our Combined Assurance risk management function.

The Report Materiality Process at Aperam Continued

Our Stakeholders' list for 2014, still valid until 2017. Below is a summary of the stakeholders we engaged with, when building our 2014 Materiality Matrix that also served as a basis for the preparation of this report.

Stakeholder engagement is an ongoing activity at each site, and it is the responsibility of the site's General Manager or equivalent. Any new issues that require attention is shared with key subject matter experts within Aperam and is then included in our materiality assessments.

<p>Employees & Management Unions, Educational Institutions & trainees, Retired Aperam employees, Students and potential joiners</p> <p><u>Our engagement is reflected in:</u></p> <ul style="list-style-type: none"> - Collective agreements including CSR based incentives - Proximity meetings - HR and Human Rights policies - Data Privacy policies - H&S programmes and H&S days - Yearly performance appraisals - People development plans - Training plans & catalogues - Professional Committees - Climate Surveys, Sustainability and other surveys - Newsletters incl. Bonus letters - Videos on Company results and campaigns. 	<p>Authorities & regulators Governments and local authorities Competition Authorities Standardisation Authorities</p> <p><u>Our engagement is reflected in:</u></p> <ul style="list-style-type: none"> - Regular meetings with local authorities - Policies and formal procedures eg. Anti-Trust, Anti-Money Laundering, Economic Sanctions. - Compliance programmes and trainings, including specific intranet - Regular measurements, certifications and risks prevention protocols - Combined Insurance audits and alerting systems - Diligent responses to enquiries - Support of global initiatives such as CDP, Global Compact. 	<p>Communities Neighbours & Communities, NGOs & Local Associations, Local Media, local Academics, Local economic players</p> <p><u>Our engagement is reflected in:</u></p> <ul style="list-style-type: none"> - Stakeholder day or meetings - Site visits or open days - Specific newsletters or internet pages - Press releases and interviews - Acesita Foundation programs - Preference and support of local suppliers - Environmental & Human Rights policies - Pollution prevention training exercises - Local development and student fairs - Social media - Our new Stakeholder engagement policy and internal guidelines.
<p>Customers Customers, End Consumers Subscribers</p> <p><u>Our engagement is reflected in:</u></p> <ul style="list-style-type: none"> - Code of Business Conduct - Meetings, site visits, trade fairs and technical customer trainings - General Sales Conditions - Product documentation - Antitrust & Anti-Corruption policies - Economic sanctions policy and protocols - Requests for quotations and annual contract negotiations - Customer satisfaction surveys - R&D partnerships. 	<p>Financial partners Shareholders Banks & investors Stock Exchanges</p> <p><u>Our engagement is reflected in:</u></p> <ul style="list-style-type: none"> - Code of Business Conduct - Policies on Anti-Fraud, Insider dealings, Money-Laundering, Double-Signature protocols - Regular assessments, certifications and risks prevention protocols - Combined Insurance audits and alerting systems - Earnings & press releases, IR meeting & IR day, interviews - Shareholders meetings, general meeting, etc. 	<p>Business partners Suppliers and Subcontractors, Trade Associations, Audit & Certification firms,</p> <p><u>Our engagement is reflected in:</u></p> <ul style="list-style-type: none"> - Code of Business Conduct - General Purchase Conditions - Environmental policies - Sustainable Sourcing charter - Associations, working groups and exchanges on H&S best practices - Subcontractor Safety Charter - Requests for quotations and annual contract negotiations - Congresses and trade fairs - R&D partnerships - Certification audits and site visits - Direct dispatch of general communications such as Sustainability reports or Gift policies.