Aperam Sustainability Report 2017

Online Supplement C

Aperam GRI Index 2017 – DMA section
Disclosures on Management Approach (DMA)

Economic

Economic performance

The circulation of economic value generated by private industry has a positive impact on local communities, regional economies and national trading balance sheets, primarily as a result of the jobs created by our commercial activity.
The tax we pay to the state and the programmes we run to improve social conditions in communities where we operate also make an important positive contribution to society. In addition, the returns we pay to our investors facilitate their continued financial interest in Aperam.

We manage our potentially negative impacts via a range of suitable channels. Our legal, commercial and financial matters are managed through appropriate governance and executive processes in accordance with the laws of the Duchy of Luxembourg where we are listed, as described on p56 of our Annual Report.
Our human resources teams manage the employment impacts through a wide range of policies and practices in line with our values and using trained experts. We manage our community impacts primarily through our Acesita Foundation in South America and through meeting and engaging with local stakeholders at our European sites.

We assess the effectiveness and quality of our approach through internal audit and external assurance, in accordance with our listing requirements.

Our general approach is to seek the 'business case' for our sustainability actions. We assess sustainability risks via our group risk register and management process (see p58 of our Annual Report), and set four-to five-year targets to meet our environmental objectives and usually shorter-term targets (two- to three-year) on social and governance action plans.

We report the economic value generated at Group level with some sub-indicators at divisional level. We do not manage or measure the economic value generated at country level. Operationally, we follow some of them also at regional level for Stainless & Electrical Steel Division (Europe and Brazil) but we have chosen not to disclose them in this report as they are less relevant to our external stakeholders.

However, starting 2017, we have released three Country supplements for our three largest countries of operations and have included some elements pertaining to local economic contributions, such as the salaries paid and will improve going forward.

>> Indicator: **EC1** Direct economic value generated and distributed.

Procurement – Supply Chain

Our Code for Sustainable Sourcing and Purchasing describes how we work with our suppliers and asks them to meet minimum health and safety, human rights (we support the Universal Declaration of Human Rights), ethical and environmental standards. We encourage our suppliers to work with us to identify and develop ongoing improvements to our sustainable procurement.
In support of our company vision and of the United Nations' Global Compact principles, we work with our suppliers to:
- Operate a lean supply chain that supports our corporate policies;
- Develop procurement solutions in line with customer, regulatory and wider stakeholder needs and expectations; and
- Create long-term value and reduce risk for our business, our suppliers and our stakeholders.

We aim to achieve these objectives by setting standards for sustainable procurement, and by collaborating, innovating and embedding sustainable purchasing into our business processes.

Aperam procurement department is divided into the purchasing of raw materials and non-raw materials. Raw material procurement processes optimise the supply chain process management for raw materials and define best practice for local raw material supply chain management processes.

Aperam GRI Index 2017 – DMA section
Disclosures on Management Approach (DMA) continued

The key objective of non-raw material purchasing is to have an effective purchasing process for Aperam industrial sites with a platform for central buying. Non raw-materials are mostly composed of operational products (such as rolls and electrodes), industrial products (such as oils and lubricants) and various services including logistics, industrial and IT services (see next page for the diagram).
Our supply chain comprises companies providing raw materials such as recycled stainless steel, and non-raw materials such as goods and services. (G4-12)

We use approximately 4,000 suppliers, though the exact number varies from month to month. Suppliers are located around the world, mostly close to where we operate. Subcontractors also work on our sites.
In South America we are conscious that smaller suppliers will be part of a community where economic development may be limited or where they may be social deprivation. We explain our approach to managing community impacts below.

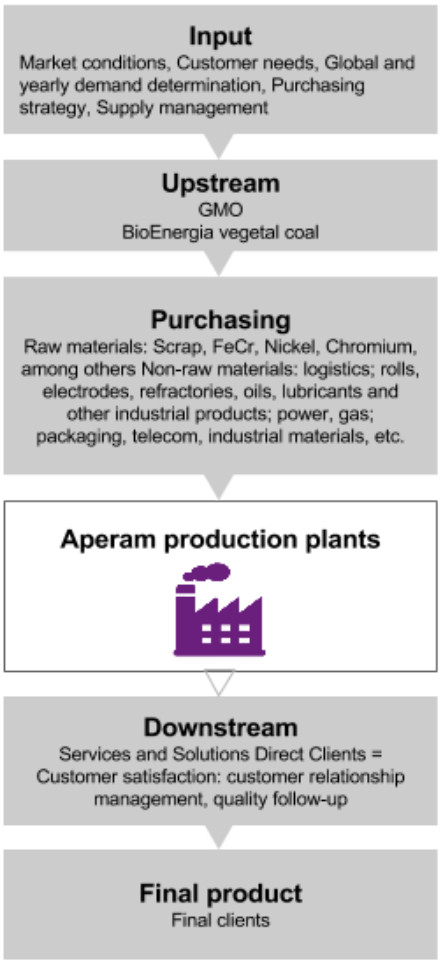
Of course, where it is possible for us to exert a positive influence we do so – for instance, one of our procurement criteria is that our suppliers support our community involvement practices.

Our General Purchasing Conditions require our partners to respect quality, environmental, safety and labour practice regulations, and subcontractors that perform services on Aperam premises have to comply with our General Health and Safety Instructions (GHSI) to ensure they align with our high safety standards.

In some specific cases Aperam may even help suppliers to safeguard their business continuity if they face difficult economic conditions.

>> Indicator:
EC9 Percentage of spending on locally-based suppliers.

Supply chain



Environmental

Materials
Stainless steel is 100% recyclable and its production process requires various extractive materials. For a stainless steel producer the right usage of input materials is key.

Firstly, extracting minerals and ores is more costly than collecting scraps (for us as well as for the community as a whole). As a consequence the usage of recycled metallic input has a positive impact on our profitability.

Secondly, the properties of our various grades, as well as our energy intensity, depend upon the right dosage of the different ores. Also, our production process generates a lot of different residues (e.g. sludge, dust, slag), many of which still contain valuable chemical elements and can be treated for internal re-use or sales.

Finally, our melting, rolling and shipping processes request more diverse materials than simply metals, and our purchases encompasses consumables such as gas, refractories (made from silica, alumina, etc.), oil or acids, that can often be recycled. As a result, on a day-to-day basis, we are striving to avoid any type of waste, we are promoting recycling and reuse and trying to reduce total consumptions as much as possible.

We have committed to become a zero-waste company and are actively looking for various options to leverage all types of waste and extract value out of them. We are partnering with external firms and have also implemented our own recycling channels, notably through our fully-owned Recyco subsidiary.

To monitor the deployment of this policy in Aperam, we use various indicators followed at site level and reviewed by the management on a monthly basis.

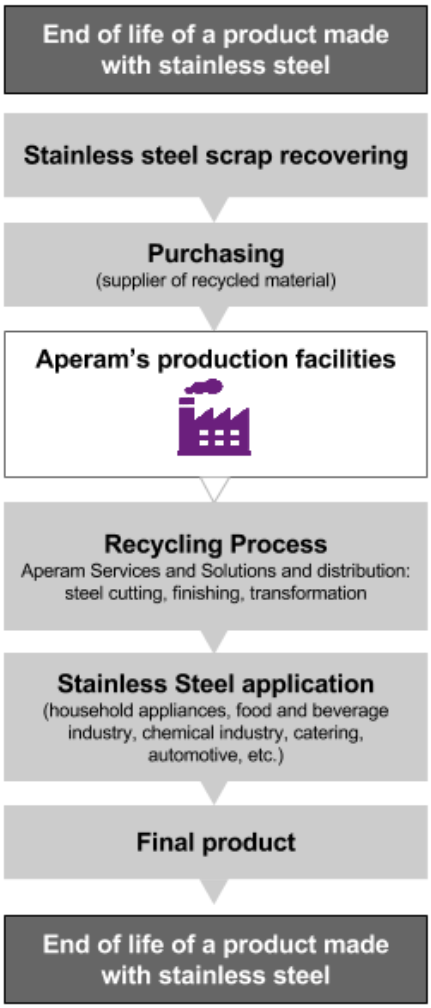
Amongst them are the scrap usage ratio (metallic recycled input material at the melting phase) and our yield indicators (in all our transformation sites), which we do not disclose for confidentiality reasons.
As a consequence, the total input breakdown (EN1), is material but not disclosed.

We are also monitoring our Waste recycling ratio and our Recycled Manufacturing input ratio, which takes into account products ranging from scraps to paper, via refractories or electrodes (EN2), and we have finalised the exhaustive breakdown of Aperam waste by type in 2015 (EN23).

>> Indicators:
EN2 recycled manufacturing input, **EN23** waste breakdown

Aperam GRI Index 2017 – DMA section
Disclosures on Management Approach (DMA) continued

Lifecycle of stainless products



Energy consumption

Steel making is amongst the most energy-intensive industrial processes. As energy costs have increased and environmental regulations progressed, we have invested in more efficient methods and equipment.

Our Environmental Policy commits to a long-term approach to resource-efficiency and sustainability. Our Energy Policy covers all Aperam sites and operations. It promotes new efficiency programmes, and tight collaboration with suppliers and customers to maximise the energy efficiency of our steel products.

We identify and implement energy conservation measures to cut costs and protect both our customers and ourselves from price and supply volatilities. Since production can vary, monitoring our energy intensity (together with absolute energy use) is a key metric for our performance. We have in place two targets that address our energy use:

- Revised (from 5%) to a 10% reduction in total energy consumption by 2020 (from a 2012 baseline).
- A 35% reduction in carbon intensity of our current sites by 2020 (from a 2007 baseline).

We monitor the effectiveness of our energy management based on data at site level, and our performance relative to the two targets above.

>> Indicators:
EN5 energy intensity,
EN18 GreenHouse Gas (GHG) emissions intensity.

Emissions

Local air quality is an important issue for our operations. Our Environmental Policy commits us to a long-term approach to environmental performance. Dust (particulate matter) is our main material issue, but we also emit volumes of NOx and SOx and other air emissions.

These are carefully treated and monitored at source. We operate air quality monitoring stations and work with regulatory authorities to support their air quality monitoring efforts. We operate in jurisdictions where air quality regulations are strongly monitored and enforced. As a consequence, we monitor our annual dust, NOx and SOx performance in relation to our operating limits (as defined in regulatory permits) and our performance trends. Since our level of production can vary, we look at our performance using both absolute and relative metrics.

Diffused dusts are measured periodically to evaluate the leakages and identify the areas for improvement and dust falls are also a relevant additional indicator, as it reflects directly the nuisances caused to local populations. But this last metric is impacted by external factors such as the wind, or alternative sources of pollutions (agriculture, traffic, ..), rendering the interpretation subject to debates. So we only report externally dust emissions.

With the aim to change mindsets, improve the reliability of our measurements and ensure that progress is continuous, we have set up an action plans with global Aperam target and we started to conduct more frequent measurements.
We aim for a -12% decrease of our dust intensity in 2020 compared to 2015.

>> Indicator:
EN21 NOx, SOx, and other significant air emissions (Dust).

Aperam GRI Index 2017 – DMA section
Disclosures on Management Approach (DMA) continued

Water

Water is an important resource which is under stress in some parts of the world; Aperam's significant sites of operation are not located in water-stressed regions, except for BioEnergia's plantations. However, BioEnergia meets its water-related permit conditions as per local regulations.

Our Environmental Policy commits us to a long-term approach to resource efficiency and environmental performance. We operate in jurisdictions where water quality regulations are strongly enforced. The vast majority of our water (more than 90%) is sourced from surface waters – local rivers and canals. The rest is sourced from rainwater harvesting, groundwater and municipal supplies. We do not receive wastewater from any other organisation.

We monitor water consumption carefully at each site, through automated metering wherever possible. Through this we are able to accurately measure our consumption (in cubic metres) on a monthly basis at significant sites of operation.

Where we are abstracting water, this must be in accordance with the conditions of our abstraction license. We are subject to periodic inspections from the relevant authorities to ensure compliance. We monitor the effectiveness of our water management based on data recorded at site level, and in terms of our total annual consumption (in m^3) and our relative consumption per tonne of crude steel (in m^3 per tonne of crude steel).
We have an Aperam target of -5% reduction of water intakes in 2020 compared with 2015 (ie -8% versus 2012).

In 2017, we have also started to report on water quality.

>> Indicator:
EN8 total water withdrawal by source.

People

The workforce of Aperam represents an asset for the company, as well as a significant part of the costs. Therefore it is key to the competitiveness of the company. The FTE of the total workforce is used to calculate several KPIs, including 'productivity' (tonne/FTE) and 'competitiveness' (total cost of employment/tonne).
Achieving our targets on these KPIs is vital for the sustainability of Aperam.

Details such as the employment contract, employment type, gender, region, also give us a view of the structure of the workforce. We have stated in our 'Aperam Way' our commitments to promoting diversity and the development of each employee.

HR data are consolidated at the Corporate level monthly. The data are reported by dedicated HR Reporting Partners in each entity in a unique HR system. HR concepts are defined in a special document, shared with the HR Reporting Partners at each site. Consolidated headcount data are made available through a database tool. We measure the internal workforce by FTE at the end of the period – this number varies only a little.

The external workforce (including supervised workers) is usually measured by the average FTE in the period and this workforce can vary a lot (due to seasonal variations and scheduled annual maintenance, for example).
At the Corporate level, the supervised workers are counted as part of sub-groupings but not statistically consolidated on an individual basis. We therefore do not report their split by gender or employment type.

Occupational Health and Safety

Nobody working for, or with, us should have their health and safety compromised in any way. This is Aperam's top priority across the Company, for anyone at any moment. There are three drivers for good management of our health and safety performance: legal, moral and financial. Our health & safety management and practices are governed by our Health & Safety Policy. Vigilance is central to the commitments in Aperam's Health & Safety roadmap.

Aperam people, as well as subcontractors, are briefed and trained on safety. It is central to the Continuous Improvement Challenge. It is a vital part of customer visits. There is a well attended annual Health & Safety Day and a competency framework to make sure people have the right skills and equipment to do their job safely.

Our Leadership Team has reinforced this heightened vigilance by establishing four key safety priorities: visible leadership, root and branch risk evaluation, clear understanding of good practice to achieve fatality prevention and safety auditing for managers.

We have monthly, senior level health & safety global conference calls to discuss general performance, the management response required and individual incidents using detailed descriptions, root causes and photographic evidence. This is a check on how well we are managing safety. Also, we collect comprehensive data to track performance.

We use a combined Lost Time Injury (LTI) Frequency Rate, which incorporates the impact of lost days as well as occupational disease. For this reason we do not collect distinct data to report an Occupational Diseases Rate (ODR).

To comply with the Aperam safety standards, all accidents are only counted once, and are put in the highest category. So, if the incident resulted in a fatality (as sadly was the case in 2015), it is categorised as such but if not we assess if the person was absent from work for at least one day, excepting the day of the incident.

Aperam GRI Index 2017 – DMA section
Disclosures on Management Approach (DMA) continued

If this is the case then the incident is categorised as a lost time incident (LTI). If not we assess if the person did 'adapted work' as prescribed by a medical professional. If this is the case then the incident is categorised as an incident requiring medical aid. If not we count it as an incident requiring first aid.

The absenteeism rate is monitored only for our employees, excluding supervised workers. The rate is defined as the number of hours of absence for illness up to a maximum of six months divided by the number of theoretical to-be-worked hours. We calculate this based on the time and attendance data reported each month by each entity. Also, small entities are not included – the workforce of small entities is 3% of the workforce of Aperam.

At the Corporate level, the time and attendance data are available by site, country and Division.Currently our data collection does not differentiate between men and women because our operational workforce at the six main sites is predominantly male. If/when the female proportion becomes more significant, we will review this.

When we uncover an ongoing issue, we establish a thorough management response. For example, in 2014, we had set up a specific working group to tackle the declining contractor safety performance. In 2015, we have responded to the fatality occurred at Châtelet with an additional specific program aimed at involving the entire staff worldwide. Leveraging on the collective motion in order to make the entire staff reflect on their own reflexes and mindsets, this program also allowed Aperam to collect news ideas and try new methods for the needed change management.

Safety is a material impact inside Aperam as well outside the organisation (cf. G4-18 Boundary protocol). Subcontractors are entities effectively operating inside or outside of Aperam but for whom safety is a material aspect.

>> Indicator:
LA6 Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.

Training and education
People are at the heart of Aperam and we want to retain talented employees. It is important that we listen to our employees and that we support them so that they are equipped to develop themselves and deliver a quality-work. So it is vital that we have a competency framework and management system that works and that is recognised by our people.

Through our talent development programme – Global Exempt Development Programme (GEDP) – we provide our exempts and managers with annual appraisals and career development reviews. Through this, at the annual review, a manager assesses whether or not an individual has achieved the yearly goals and the expectations from their career plan. The latter are tailored to specific roles, and by measuring an individual's performance annually, both the manager and the employee can formally evaluate performance against the plan and find the best ways to move further.

We monitor the number of annual appraisals conducted yearly and we make sure that our internal targets are constantly met or exceeded. We also monitor Blue Collar and White Collar workers through annual interviews, which are organised locally. We report the information for the group and by employee category.

We also provide our workforce with the necessary tools to maintain and upgrade their competencies and their behavioural skills via external training or on-the-job learning experiences. To monitor our efforts, we are also putting in place a new Human Resouces system, which is currently under deployment. As a result, in 2017 we can only report estimates of training hours by country. We hope to be able to report the indicator entirely in 2019.

>> Indicators:
LA11 percentage of employees receiving regular development reviews, by gender and by employee category ;
LA9 average training hours by region, by employee, by category and by gender.

Stakeholders

Supplier assessment for labour practices
The way we assess our suppliers and subcontractors is guided by our Code for Sustainable Sourcing and Purchasing, supplier commitment programmes, supply
chain risk assessment, supplier awards, on-site contractor rules and our General Terms and Conditions. They govern how we work with suppliers to understand performance and improvements, how we support them and how we focus on key areas for improvement.

Suppliers and subcontractors are subject to pre-qualification reviews and on-site induction and training, audit and dialogue, principally on health and safety labour practices, but nominally on wider human rights and ethical standards. Our supplier evaluation is the tool by which we assess suppliers on business performance, and decide on improvement action plans and boss-to-boss discussions, for example. The actions taken with subcontractors on site include action plans on site safety, briefings upon site access and the use of temporary workers, for example.

Expectations are described in such action plans, but they are also enshrined in the contractual documents, which are subject to our procurement policies described above. No incentive schemes per se exist to encourage going beyond compliance. In addition to our preventive measures, we have procedures in place for terminating a relationship with an existing supplier in case of detection of non-respect of any rules on labour practices.

Since 2010, we also assess sustainability practices of our raw material suppliers. Our raw materials supplier survey covers topics such as health & safety management, human rights, business ethics, environmental management, REACH and conflict materials. In addition, in Latin America, strategic suppliers sign the Commitment to Corporate Responsibility Aperam South America.

Aperam GRI Index 2017 – DMA section
Disclosures on Management Approach (DMA) continued

In 2016, we have started to use the same approach for non-raw materials suppliers. Firstly, SAGA, a global tool has been designed (and implemented early February 2016) to assess suppliers with a systematic form including a series of questions related to Human Rights, Health & Safety or Ethics. The aim was to allow to assess (potential) suppliers, to red-flag those with mediocre scores and to follow-up on any remediation action requested by Aperam, further to on-site audits.
In 2018, we have continued with this project but the improvement envisaged have been perturbated by other programs launched in parallele within the Purchasing function. As a result, the schedule of the suppliers' reviews organised by our sites was not always compatible with the deadline for our Sustainability reporting and consequently the scope of ou 2017 reporting is not improved as we expected last year.
We have still continued with the reporting but on a different scope in 2017 with a view to keep up with the efforts of some of our sites.

>> Indicator:
LA15 Significant actual and potential negative impact for labour practices in the supply chain and actions taken.

Impacts on local communities
We contribute to the economic livelihoods of those who work for us directly and those in the supply chains serving us, we pay company taxes where we operate, and we operate community involvement in line with our values and with frameworks such as the UN Global Compact

In addition, in order to promote sustainability in its host regions, Aperam South America operates the Aperam Acesita Foundation with projects in culture, education, environment and social promotion. Since 1994 the foundation has helped integrate us into the community of Timóteo, partnering with NGOs (non-governmental organisations), governments at federal, state and city level, global agencies, foundations and institutions.

Our team there runs projects using volunteers as well as funded programmes to promote development in education, training, youth services, citizenship and the environment.
They conducts community needs assessment, using feedback from grassroots stakeholders, local partners and our Environmental Education Centre (Oikós). We do not currently monitor the number of discrete assessments within the ongoing process.

In Europe, we continue to focus on specific partnerships on more of an ad-hoc basis. We do not run specific community needs assessments: we participate in community projects as a result of stakeholder feedback at the six main sites.

In 2016, we have decided to homogenise our practices and organised an inventory for 30 sites. The result of this analysis will be guidelines which will allow us to have specific criteria to base future SO1 assessments.
In 2017, we have defined and validated these guidelines and prepared the implementation which include the roll-out of additional communications tools to interact efficiently with communities.
Based on these preliminary works, we were able to formalise a clear methodology to assess in a fully auditable manner the number of sites that meet the criteria proposed by the guidance elements regarding the GRI SO1 indicator. But also, and more importantly, this will hekp us follow up on iprovements in this area.

GRI G4 Mining and Metals Sector Disclosures:
We are only working on impact assessments while operating in the community. We do this through a long-standing community engagement process.

>> Indicators:
SO1 Percentage of operations with implemented local community engagement, impact assessments, and development programmes (See specific note in our Supplement B - Aperam Sustainability Report 2017) ,
EC1 Economic contribution,
EC9 (see above)

Products

Product and Service labelling
Health and safety impacts of products are assessed at the metallurgical design stage and certification relating to materials safety in the use phase is in place. This applies to all significant products.

Stainless steel is manufactured and independently certified according to international standards such as the EN, ASTM and UNS series. We are regularly audited on these certifications.
Our latest material safety data sheets confirm the absence of health or toxicological hazards.

We meet European regulations and French ministerial decrees relating to materials intended to come into contact with food. Finally, Aperam Stainless Steel Europe achieved compliance with EU REACH regulations again as our products do not contain any substance listed on the Candidate List of the European Chemical Agency.

Product information of this type is provided to customers. Regular product sheets and brochure documentation disclose the raw materials – it is the balance of nickel and chromium for example that generates the properties of the steel desired by the customer.

We have no recorded incidents of non-compliance relating to product Information. In 2015, Aperam further enhanced its joint R&D, marketing and commercial platform with the aim to spur and accelerate innovation.

Customer satisfaction is of paramount importance to us for business reasons and it is part of our collaborative approach to R&D. We survey customer satisfaction regularly, usually every one to two years, overall, and in line with our market approach . This enables us to monitor how well we are meeting their requirements. Results are discussed by the Leadership Team.

>> Indicator:
PR5 Results surveys measuring customer satisfaction.