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Our commitment to a more sustainable world

Although we faced several challenges during the year 2018 such as political instability and world wide trade tensions, we kept our focus on ensuring the sustainability of the business. Inspired by our values—leadership, innovation and agility—we work towards becoming an even more socially and environmentally responsible company that creates and shares value with all stakeholders: employees, the communities that host us, customers and suppliers.

In 2018, we continued working side-by-side with our customers in search of better technical solutions for their businesses. In our efforts to create close ties with the market that consumes our specialty steels, we used a varied set of initiatives. These range from a more active presence in our current and potential customers’ day-to-day activities to maintaining a flow of information that is designed to highlight the benefits of using our products.

Our workforce is celebrating the fact that we are becoming a safer company every day. Our figures show a reduction in absenteeism and in the number and severity of accidents. During our initial participation in the global climate survey promoted by the Aperam Group, we were positively surprised by the high participation rate and excellent results. In Services and Solutions,

for instance, we had a 98% participation rate for Campinas (SP) employees and 100% for Caxias do Sul (RS) employees and a 93% engagement rate.

The activities promoted in South America and initiated at Group level included the creation of a Gender Diversity Policy, which was launched in December 2018, with the goal of making our workplaces increasingly more accommodating and inclusive. We are striving to promote an increasingly more diverse workplace, since we recognize the numerous benefits that come with realizing the target.

The following pages summarize the main results obtained for Aperam South America last year. We have reason to celebrate since we have made progress in the main performance indicators for people management, the environment and the relationship with our stakeholders. We will continue to keep an eye on the issues that arise in 2019 with discipline and dedication so that we can stay true to our vision of being a company that constantly defies the status quo to reshape the future of specialty steels.



8 units in Brazil

- Timóteo (MG)*
- Vale do Jequitinhonha (MG)
- Campinas (SP)*
- Caxias do Sul (RS)*
- Ribeirão Pires (SP)
- Sumaré (SP)
- Belo Horizonte (MG)
- São Paulo (SP)

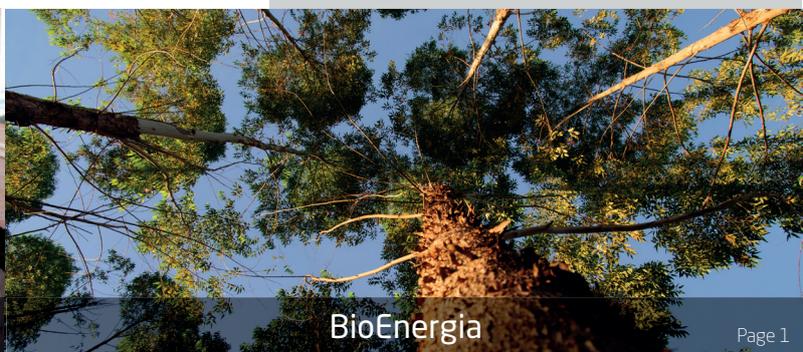
- *
 - > SP: São Paulo state
 - > MG: Minas Gerais state
 - > RS: Rio Grande do Sul state

The main challenges for 2019 will be:

- > Continue to maintain a stimulating and challenging in-house working environment that is capable of attracting and retaining the best talent.
- > Make progress in the fundamentals of the Evoluir program — which uses the lean manufacturing method — finishing its implementation in the Timóteo plant and extending it to BioEnergia.
- > Broaden application opportunities for the specialty steels produced by Aperam South America, with the objective to further expand the Brazilian per capita consumption of stainless steels.



Timoteo



BioEnergia

Our People

Last year, Aperam South America proceeded with the workforce renewal movement due to the large number of foreseen retirements for the period. There were 3,657 employees at the end of the year.

Health & Safety

Aperam further improved its health and safety record in 2018. The company's chosen primary topics were risk perception, working in confined spaces, road safety and cell phone use.

Social dialog

Aperam South America's Brazilian employees are the object of a structured set of actions that include printed and electronic information diffusion channels and opportunities to have direct dialog with their bosses. Last year, the company continued to invest in proximity to families through activities such as the Aperam Meet-Up, which deployed the units from Timóteo, Belo Horizonte, São Paulo, Capelinha and Itamarandiba.

Employee commitment - for a better work environment

For the first time, we simultaneously participated in the Sustainable Climate and Engagement Survey across all the Aperam Group's companies, a change that contributes to greater global integration. The achieved results exceeded the Group's average in all the evaluated aspects. One great highlight was the team's commitment, with 96% of employees responding. The sustainable engagement index in Industry (BioEnergia and plant) reached a very good level at 92%

Employee commitment - through the development of skills

The company earmarked R\$2,6 million reais for training and for updating the methodologies that are used. One highlight was Boost Up!, a global innovation initiative that was carried out via gamification. Ten Brazilians participated in the program's finals in Belgium.

The following are highlights among the initiatives:

> **Evoluir** - A program aimed at making Aperam more competitive. Evoluir introduces profound changes to the way in which people think and act while working. Training activities will complement every phase of the program. In 2018, Evoluir mobilized nearly 70% of the workforce from the Timóteo (MG) plant. The movement continues. In 2019, the program is expected to be fully deployed in the steel mill and make its way to BioEnergia.

> **Management development**- In 2018, the Management Development Program offered an average of nearly 200 hours of activities for approx. 180 professionals. Based on the motto of "Leaders training leaders", the activities aimed to strengthen the concept of mentoring. The activities factored in the Eight Skills of Management, and the Evoluir program's guidelines.

> **My Learning** - Launched in 2018, this self-training program seeks to strengthen accountability. Available in the "MyHR" portal, it offers varied content: Leadership, digital transformation, IT, ethics and compliance, sales, general skills in business and supplies. Only accessible to management in 2018; the platform will reach the rest of the public in 2019.

Aperam Employees in Brazil

Type	Gender	Permanent	Fixed-term	TOTAL	Full-Time	Part-time
Blue Collars	Female	84	0	84	0	84
	Male	2,676	0	2,676	0	2,676
White Collars	Female	176	0	176	0	176
	Male	549	1	550	0	550
Exempts	Female	23	0	23	23	0
	Male	149	0	149	149	0
TOTAL		3,657	1	3,658	172	3,486

Aperam Stainless Belgium, Total of Full Time Equivalent, as of 31/12/2018. (GRI-102-8).



People Management

Indicator	2018	2017	2016
Safety Frequency ¹ rate	0.33	0.48	0.32
Safety Severity ¹ rate	0.04	0.04	0.01
Absenteeism (%)	0.97	1.05	1.12
Training (hours)	126,650	176,243	191,142

GRI-G4²-LA6/LA9

¹ Aperam employees, interim and subcontractors

² GRI: Global Reporting Initiative, an international standard for sustainability reporting (4th version)

Challenges for the next cycle: The company is vigilant about a possible turnaround in the Brazilian economy, which could change the demand dynamics for labor and result in increased turnover. This possibility is being addressed with activities that stimulate the training and professional growth of our team and are designed to maintain the excellent state of our great internal environment, our attractiveness and our capability to retain the best professionals.

Open to the World

Locally -

The company earmarked the equivalent of R\$ 401 million reais in salaries; R\$ 207 million reais for taxes and levies at the three levels of government — federal, state and municipal —and it continued prioritizing the hiring of suppliers that are located in the regions in which it operates. Local partners continued to account for a significant share with 47% of the company's purchases (this compares to 51% in 2017, which was impacted by higher local investments on equipment upgrades.) Out of the 2,100 temporary professionals that were hired that year, 70% were from the region.

Aperam Acesita Foundation -

Aperam South America invests in projects, programs and activities that are able to enhance the vocation of the municipalities and communities in which it is present. The main targets of the activities — most of which are led by the Aperam Acesita Foundation —are the regions of Vales do Aço and Jequitinhonha — both in the state of Minas Gerais — in which an Aperam steel mill and forestry activities and charcoal production managed by BioEnergia are located, respectively. In 2018, these initiatives directly benefited more than 75,000 people and received an investment of R\$2.9 million reais. The Aperam Acesita Foundation directed its investments towards four main activities: education (30%), culture (28%), environment (16%) and social advancement (26%).

Education -

The company maintains partnerships with schools, city halls and non-governmental organizations to improve the quality of education by offering training sessions to teaching professionals and supplementary content to the official curriculum for primary and secondary schools. These measures benefited more than 3,500 educational professionals and 6,200 thousand students in Vale do Aço and Vale do Jequitinhonha in 2018.

Environmental and safety education -

Managed by Aperam's Center for Environmental Education – Oikós, located in Timóteo (MG), projects such as “Supervised School Visits” and “Playing, Doing and Learning at Oikós” reached more than 14,000 people. In 2018, the company commemorated the 20-year anniversary of Transitolândia, an educational transit project that reaches 22 schools in Vale do Aço. More than 65,000 students (between 9 and 10 years of age) have already participated in these two decades.

Training and qualification -

Through the Inox Institute, the company offered more than 5,000 hours of training for 85 professionals, with a focus on the workability of stainless steel. The Inox Institute is a qualification center maintained by the Aperam Acesita Foundation together with the Association of Retirees and Pensioners of Timóteo.

Culture -

To promote the artistic work of Vale do Aço and Jequitinhonha, the Aperam Acesita Foundation organized and supported 63 cultural events (theater, music, dance, artistic shows), which benefited more than 40,000 people.

Strengthening social organizations

Every year, Aperam selects initiatives that are focused on generating employment and income, a solidary economy and strengthening communities to receive resources through the Tender Announcement for Social Projects, managed by the Aperam Acesita Foundation. In 2018, 14 of these projects were implemented; benefiting two thousand people in Vale do Aço and Vale do Jequitinhonha. This foundation has a presence in municipal and state councils and committees and participates in initiatives that improve the quality of life of the communities in which the company is located.



Aperam Environmental Education Center received more than 14 thousand people



In 2018 the Steel Institute has performed more than five thousand hours of training



Work carried out in the Vale do Jequitinhonha through project financing program

Aperam contribution to local economy

Indicators/Year	2018	2017	2016
Employees: Wages and Benefits (mR\$)	401	351	325
Total tax contribution (m R\$) *	207	164	164
Spent of main sites in Vale do Aço (excl. Raw Materials) (%)	47	51	49

* Sum of all the amounts levied with respect to Corporate tax, other taxes (taxes on assets, environmental tax, etc.),

including social contributions (employer and employee share), the latter being also included within Employee Wages & Benefits (GRI-204-1)

Stakeholders

Compliance -

As part of its commitment to best management practices, the company promoted the second edition of the Compliance Seminar for Industry and BioEnergia's management. The debates had outside specialists and mediation from the president of Aperam South America, Frederico Ayres Lima. The main topic of discussion was data privacy through European legislation, the General Data Protection Regulation (GDPR), and Brazilian legislation, the General Data Protection Law [Lei Geral de Proteção de Dados] (LGPD) For the third year in a row, employees filled out forms to describe conflicts of interest. This information is incorporated into the SAP, which automates the limits indicated by the employees in this system. Another highlight—for the third year in a row as well—for sending suppliers and customers the Procedures for Receiving and Offering Gifts and Entertainment, available in Aperam homepage.

Traffic safety -

In Caxias do Sul (RS), Aperam Service Center is located in an increasingly crowded road that the employees need to cross daily. After a running over accident occurred recently, employees mobilized together with public authorities to discuss improving safety by installing a pedestrian overpass, traffic lights, speed bump, etc. Aperam contacted all the neighboring companies to support the formal petition and request for improvements together with the board of directors of DAER (Autonomous Highway Department), a meeting with DAER's regional manager, accompanying the inspector's visit in addition to the traffic safety campaign with

employees. The claimed improvements are underway for implementation.

A new method of communication -

In 2018, the Aperam Group developed informational posters about our results in health and safety. We placed a flash code on these posters that led to a local form. This contact form serves as a communication channel so that our stakeholders who have questions, comments or who wish to provide information about a particular situation can have the appropriate contact to provide them the right answers. The submissions placed online will be handled by the respective plants or otherwise by Group headquarters in the case of specific matters like investors' affairs, for instance. Everyone can use this 24/7 line on the internet in the local language and in a manner that allows us to handle all types of questioning and prevent doubts or situations from becoming crises.

Innovation - stainless steel on garbage trucks -

In Brazil's crowded urban areas, garbage trucks are very much in demand, carrying large quantities of material for keeping cities clean and in good sanitary conditions. However, based on the corrosive nature of this material collected, after a long term use, the carbon steel of the dump truck is attacked by corrosion, with the risk of the garbage spilling and causing pollution. Aperam's solution: our 410 stainless steel that provides the necessary resistance against the collected garbage and extends the service life of the dump truck, allowing it to be used safely and efficiently.



Second edition of the Compliance Seminar including industry and BioEnergia' leaderships



Stainless steel floor for garbage's truck

Environment

When it comes to the environment, we are still increasing efforts to meet new objectives that have been set for 2030, in addition to the fact that our units are operating in full compliance with regulations. For instance, Aperam BioEnergia invested three million in environmental protection measures in 2018. This amount was earmarked for improvement projects, green area management, environmental education for employees and communities, waste management (disposal, transport and treatment) and equipment acquisition such as a new gas burner that is capable of reducing atmospheric emissions from charcoal production furnaces.

In terms of energy, we increased our consumption in 2018 based on an increase in charcoal consumption. Apart from projects related to reusing blast furnace gas instead of natural gas and the deployment of LEDs, we are also participating in the "Alliance" [Aliança] program with government agencies and industry associations with the goal of finding solutions to achieve a 5% reduction in consumption.

With regard to water, the water at Timóteo is collected from the Piracicaba river within a maximum limit of 550 liters per second, granted by the Mining Institute for Water Management (Igam). In 2018, the company collected 16,451 dam³ of water in absolute terms, a 2.9% increase over 2017. Keeping in line with the Group's objectives, we will put into practice projects specifically for reducing water collection

up to 40% by 2023 (compared to 2018). Approximately 94% of the water consumed is treated and recycled. Water consumption in BioEnergia alone amounted to 322,077.00 m³ in 2018. Out of this total, 319,289.57 m³ were gathered from 40 dams designed to store rainwater.

With regard to waste, the goal is to continuously reduce the volume and become a zero-waste company. In 2018, Aperam's companies in Brazil generated 63 tons of waste, compared to 55 verified tons in 2017. Out of this total, 841,581 were transformed into byproducts in Timóteo. Non-hazardous waste — nearly 778,735 tons — were earmarked for recycling, reuse, reutilization and co-processing. Dangerous waste totaled approx. 89,822 tons based on Aperam's global calculation standards (based on calculations defined by Brazilian legislation, 78,103 tons). The ratio of waste per ton of steel plate produced at the Timóteo plant in 2018 was 1186.70 kg/tab steel.

Regarding particulate emissions, our results improve over the years. The Timóteo unit's operations produced 164 tons, compared to 304 tons last year based on significant improvements made on the monitoring of dust-removal systems. Among the notable measures to minimize particulate emissions are humidifying routes and maintaining the plant's green belt, improvements and maintenance to the dust-removal systems, and looking for better alternatives for transporting products and raw materials.



BioEnergia's gas burner to reduce emissions

BioEnergia's gas burner for emissions reduction.

Environmental management recognitions- Aperam South America – the only global producer of the so-called green steel, made exclusively with charcoal – was once again the highlight in the 2018 edition of the Sustainability Guidelines by Exame (Guia Exame de Sustentabilidade), launched at the end of November. In addition to using in-house raw materials—produced by BioEnergia—another highlight that contributes to the recognition are our special steels, which are made to last and are 100% recyclable.

Recycling cleaning felts in Campinas (SP) and Caxias do Sul (RS) – The felts that are used during material processing to eliminate impurities are washed and sanitized instead of being discarded and replaced by new felts, making it possible to reuse them. The number of times that a felt is washed depends on the material in which it is used during processing, but it allows us to reduce the number of felt disposal.

Our industrial impact

Indicator	2018	2017	2016
GHG ³ emission intensity (tCO ₂ /t. of crude steel, scope 1 and 2)	0.43	0.42	0.68
Energy intensity (GJ/t. of crude steel)	21.5	20.6	21.3
Landfilled residues (tonnes)	63.0	55.0	55.9
Water consumption in closed circuits (%)	93.6	93.7	93.8
Dust emissions (t)	164	304	507

³ GHG Green House Gas, here Carbon Dioxide (CO₂)