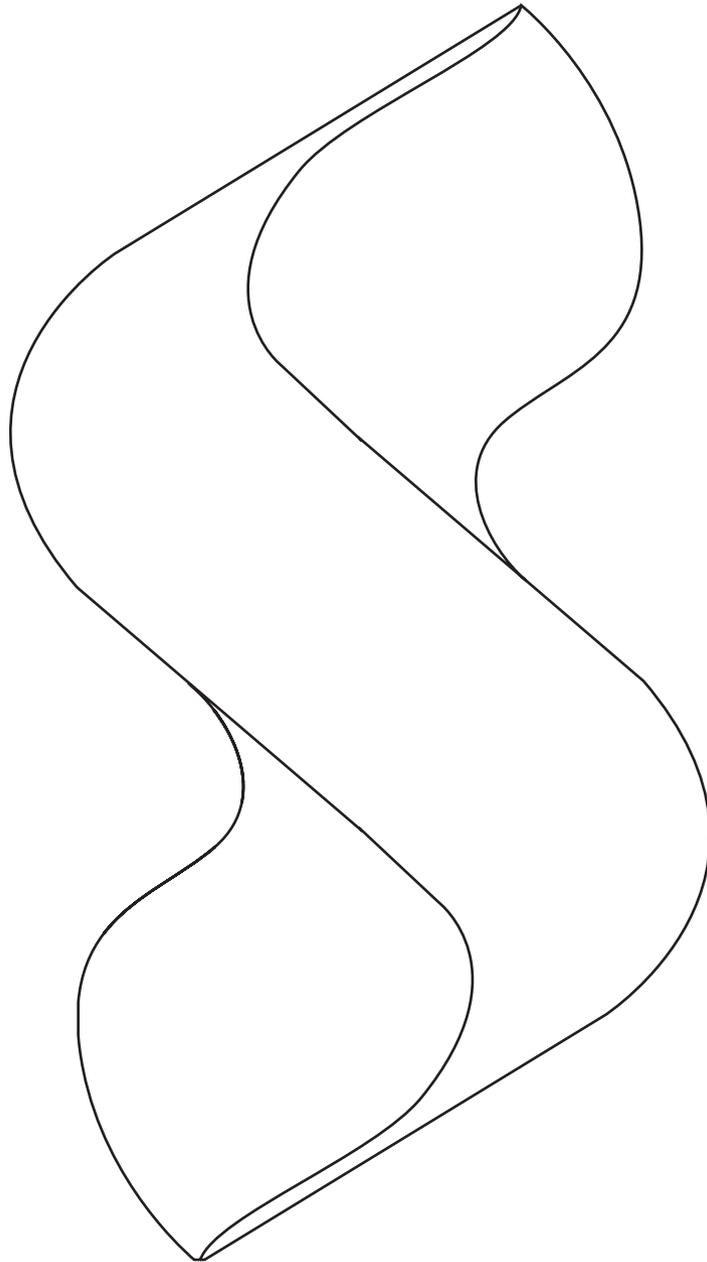




 **sidenor**

2017
CORPORATE REPORT



2017
CORPORATE REPORT

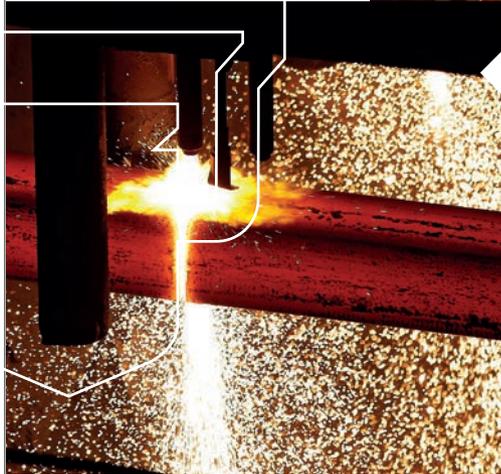
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Proud of Sidenor



Our joint efforts, a commitment to a shared project and a desire to do better each and every day in all areas of our business along with our principles and values have led us to becoming a company of reference in the iron and steel sector. Together, we've been able to attain a leadership position at the cutting edge and be competitive in the market.

In 2017, we continued working to keep on offering our customers products of the utmost quality and specific solutions to meet all their business needs. We've grown and evolved alongside them, building close long-term relationships to lay the foundation for the company we wish to be in the future.

Innovation is and will be an essential tool for Sidenor as we go down this road. We've been able to improve our processes thanks to its use in all our areas to become more efficient and develop new lines of business that will allow us to diversify our

strategy. All of this is aimed at being more competitive and fostering the company's sustainability over time.

In order to do so, we must continue working on and improving other aspects in addition to the business side. One of our most important priorities continues to be the safety of people and the environment. We will keep striving to make Sidenor a safer and safer company.

Moreover, we continue to be committed to the environment. We've assumed the principles of the circular economy as our own and, as a result, implemented actions to use our resources more efficiently, optimise our use of energy and contribute to a decarbonised society.

Likewise, we're continuously applying different improvement actions to help us reuse and recycle valuable resources such as water and decrease our emissions.

We'd like to improve not only as a company, but also as a neighbour in all of the communities where we're present. We're convinced that developing everything that

We must continue working to successfully overcome the challenges that will surely arise

surrounds us is the best way to change our society and, therefore, we help promote training, employment, integration, culture and sports in the places where we do business.

None of this would be possible without the people who are part of the Sidenor family, the real engine that moves

the company. Their implication, commitment and dedication are the best stimulus to keep going forward and growing together in this shared project. For this reason, we make efforts to offer them the best possible workplace, always looking out for their health and safety and carrying out initiatives to enhance their quality of life and enable their personal and professional development.

Everything we've achieved thus far is a source of pride as well as a challenge and responsibility. We must continue working with even more desire to successfully overcome the challenges that will surely arise. It is the only way to continue to be the company of reference that we are. And it is the only way to make our dreams for the future a reality. Together, we'll get there.

José Antonio Jainaga

Chairman of Sidenor







01

ABOUT US

- Towards business excellence
- Main figures from 2017
- Where we are
- Values and principles
- Executive committee
- 2017: A year of achievements

Towards business excellence



At Sidenor, we're leaders in the production of special types of long steel and one of the main manufacturers in the world of forged and cast parts as well as an important supplier of calibrated products in the European market. We have production centres in the Basque Country, Cantabria and Catalonia and sales offices in Germany, France, Italy and the United Kingdom.

We have highly specialised facilities that are capable of providing ideal solutions to all industrial sectors requiring steel with high service and quality requisites.

In Europe, our steel production capacity exceeds a million tonnes a year mainly for the manufacture of parts and components for the automobile sector, machinery and capital goods, naval and civil construction, defence, energy, mining and the petrochemical sector. In all these sectors, Sidenor's special steel is used to

produce highly responsible products.

As a company, we're on the cutting edge of the sector because of our strong commitment to research.

Proof of this is our R+D centre, one of the steel sector's largest in Europe, where we engage in technological developments to optimize our products and processes.

Sidenor Research and Development has more than 30 years of experience and is an iron and steel reference for the company and our customers.

We maintain a strong commitment to our professionals to whom we offer the best possible place to work and develop their careers. We value people for their initiatives and capacity to work as a team, their commitment to the organisation, customer-based approach and a desire to continuously learn.



1 MILLION
TONNES OF STEEL
PRODUCED A YEAR

Moreover, we are constantly looking out for their safety, which is a priority at the company. Our activities are further marked by responsibility and sustainabili-

ty as we seek intelligent alternatives to reduce, reuse and valorise the waste generated during steel production.

It is along these lines that we always maintain a responsible social commitment with respect to investors, suppliers, customers, society and the communities where we do business.

All of this is aimed at building a road towards achieving business excellence in collaboration with all stakeholders in the value chain to continue growing sustainably and be the sector leader.



30 YEARS
OF EXPERIENCE

*Our R+D centre is one of
the sector's largest
in Europe*

Main figures for 2017



Employees

2,319



Turnover

722 Million
euros



Production

1 M
tonnes
of steel



Sales

746,000
tonnes
of steel



Training

More than

75,000

hours provided



Investment of

40 Million

euros in a new rolling
mill and a new furnace

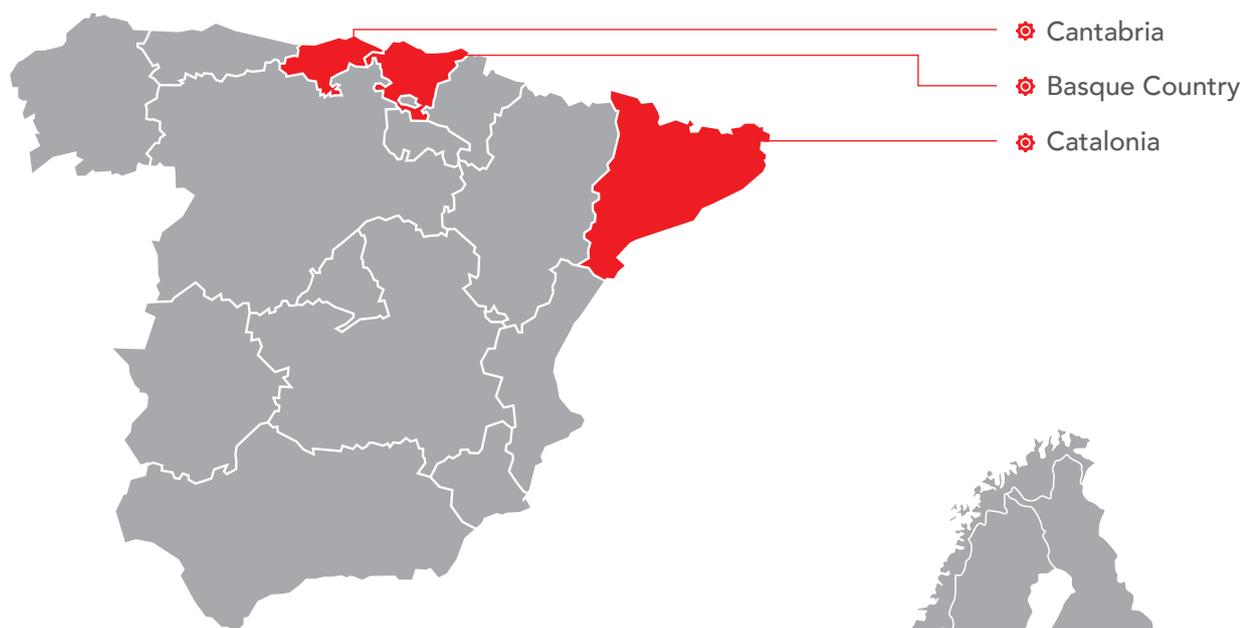


More than

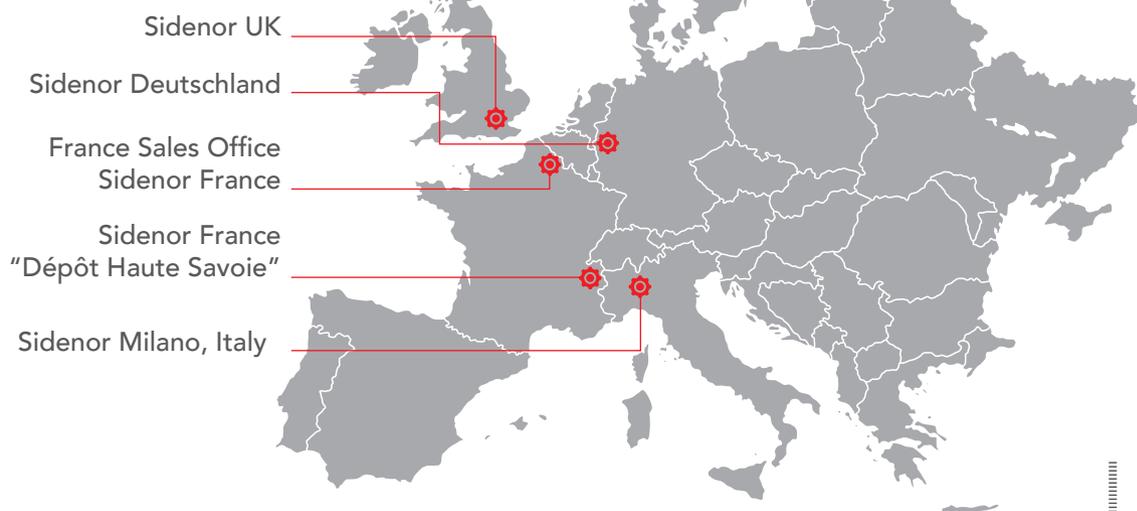
350

environmental actions
taken

Where we are



Sales offices throughout Europe



Values and principles

Mission

To sustainably generate value in the special steel business.

Vision

To be a reference in product and process INNOVATION

VALUES



Customers

Meeting our customers' needs.



Safety

of our people.



Results

Results-oriented approach.



People

are respected and committed.



Simplicity

in everything we do.



Sustainability

Economic, social and environmental.





Certifications

Our Management System is certified based on several standards:

UNE-ISO/TS16949
UNE-EN ISO-9001
ISO-14001
ISO-50001
OHSAS-18001

Integrated Policy

We've integrated our Health and Safety, Environment, Quality and Energy policies into a single document as we view our business as a whole. People and their integrity comprise our most important value in addition to environmental protection, the efficient use of energy and the quality of the products and services we offer.

At Sidenor, we seek the satisfaction of all our stakeholders through ongoing improvement in all our activities which are always carried out in compliance with current laws and oriented towards sustainable development.

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Code of Ethics

The principles and values present in all our activities are outlined in the Code of Ethics, a fundamental document to being successful in the management of our business.

One very important part of our daily work focuses on making an effort to strengthen and maintain trust in Sidenor among our employees, suppliers, customers and communities where we're present always trying to update and reinforce aspects that help guarantee the transparency of our actions.

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Executive committee



**José
Antonio
Jainaga
Gómez**
Chairman of
SIDENOR



**Marco
Pineda
Gómez**
SIDENOR
Corporate
Managing
Director



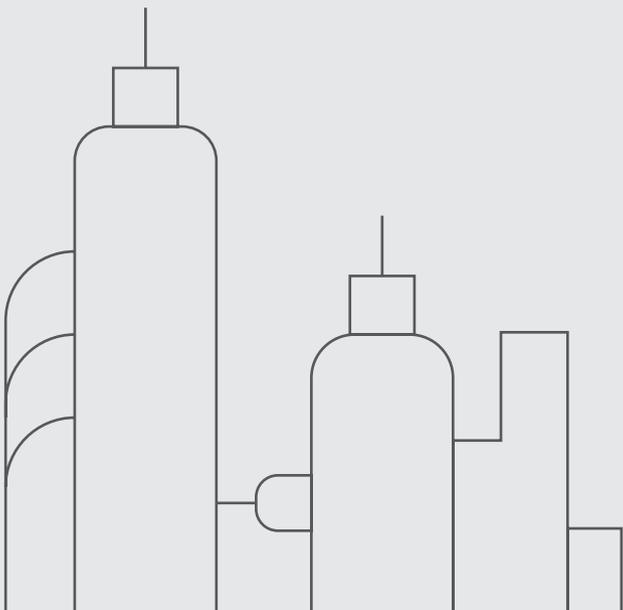
**Maite
Echarri
López**
SIDENOR
Director of
Economics,
Finance and IT



**Goyo
Iparraquirre
Campos**
SIDENOR
Director
of Sales



**Enrique
Canal
López**
SIDENOR
Director of
Industrial Affairs



2017

A year of achievements

Ratification of the **Framework Agreement** for the 2017-2021 period in an effort to reach social stability and improve the working conditions.

January 

 May

MC Mutual Award in the personnel category (safety).

- Bidegorri Basauri: an all-new 45,000 m² green lung at the site of the old plant waste heap in the town.

July 

- Participation in the **BIND 4.0 project** with which Sidenor is driving innovation and supporting entrepreneurs.

September



Translation of the **corporate website to German** to be closer to our customers.

The inauguration of an **outdoor dining hall** at the **Basauri** plant.

October 

November

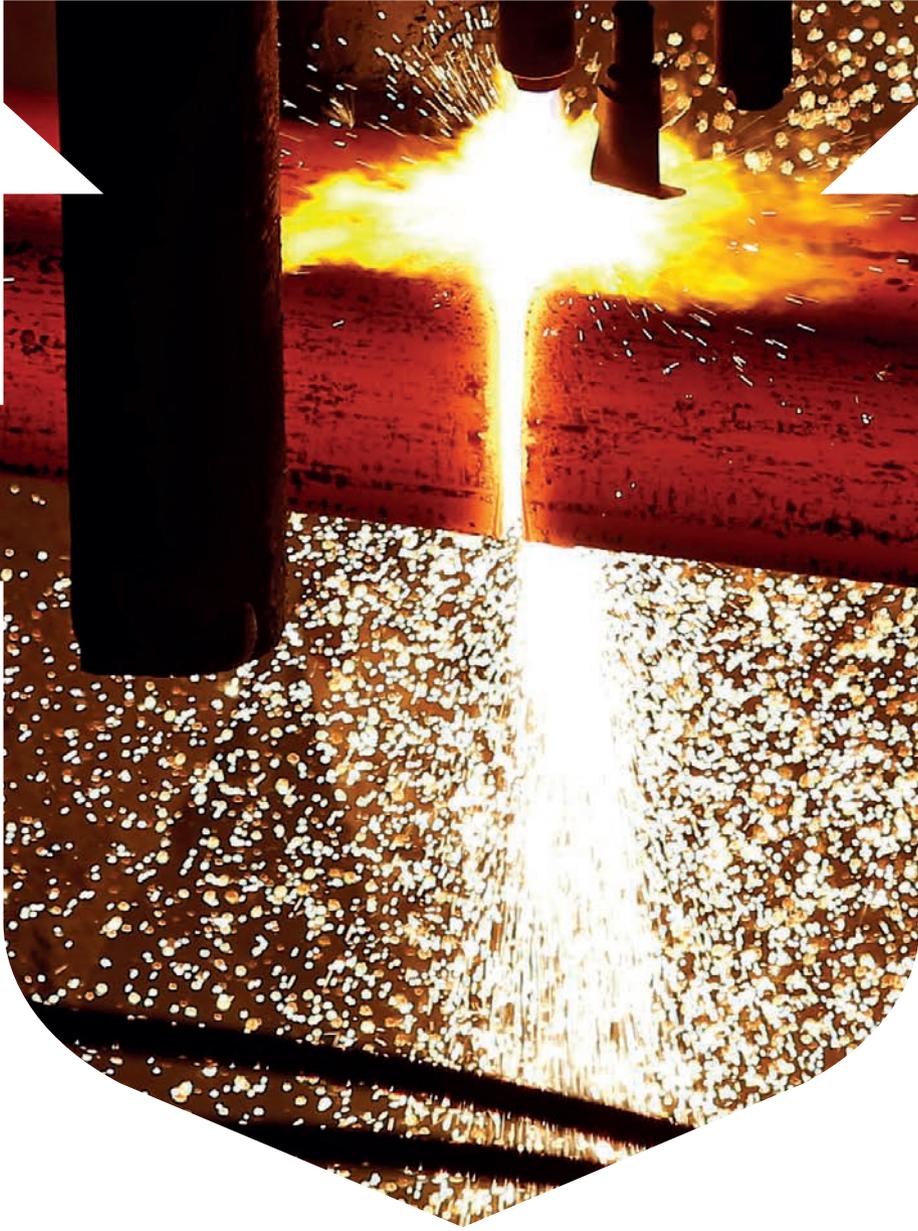


- Start-up of the **new rolling mill and new furnace** with an investment of more than 40 million euros.
- Celebration of the **50th anniversary** of the **Basauri** factory.



2016: the starting point

Sidenor Aceros Especiales S.L.U. was created in 2016 when a group of Basque executives, led by the current chairman, José Antonio Jainaga, decided to purchase the part of the business in Spain from the multinational company they had been working for up until that time and again operate under that brand. The headquarters of the new company was established in the Basque Country, transferring all decision-making to the corporate heart of the new company.



Q2

WHAT WE DO

- On the cutting edge of the steel sector
- Business lines
- Innovation
- Innobars

On the cutting edge of the steel sector

From the very beginning, we've been working at Sidenor to sustainably generate value in the special steel business. We've become a world reference in the sector thanks to our processes and products, but above all, due to our commitment to innovation and ongoing improvement which are present in everything we do.

Our highly specialised production centres, which feature next generation equipment and technologies, allow us to develop and manufacture a wide range of products of the utmost quality that are capable of successfully meeting the needs of the most demanding of customers in a number of different sectors.





Sustainable activity in all our business

At Sidenor, we'd like to be acknowledged for the things we do, but also the way in which we do them. And the fact is, our production process is based on 100% recycling as we transform hundreds of thousands of tonnes of scrap each year into the best quality steel products.

This raw material is of great importance to the company to the extent that we have forged

strong long-term relationships with our scrap suppliers. Moreover, we have the necessary resources to develop the supply chain and guarantee the quality of the material used. The work done at our five scrap collection and processing sites is essential to all of this.

- Basauri Steel Mill (processing)
- Reinoso Steel Mill (processing)
- Legazpi Centre (Gipuzkoa) (collection)
- Azuqueca de Henares Centre (Guadalajara) (collection)
- Sagunto Centre (Valencia) (collection)

This way of developing our business allows us to grow and participate in important projects along with our customers but also promote a responsible model in line with our commitment to the environment and to society.

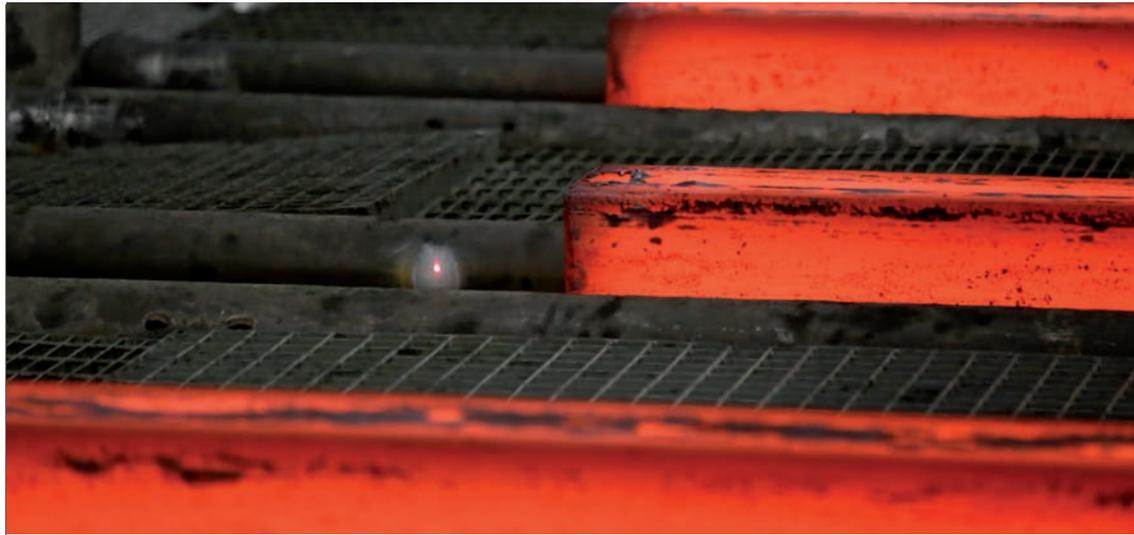
Business lines

Our activities revolve around two main business lines where we apply the knowledge we've acquired over all our years of experience.

Special steels

We're one of the most important manufacturers of special types of steel in Europe. Our constant search for technological improvement as a result of our significant investments in our centres allows us to offer products that comply with the most demanding efficiency and quality requirements from our customers.

We have a wide range of laminated products (wire rod, bars, rims and billets), calibrated products (drawn, turned and rectified) and forged products (bars and rims) in carbon steel, easy machined steel, alloys, springs, micro-alloys, bearings, cold-formed steel, tools and stainless steel.



Our special steels are very much present particularly in the automotive sector as many of the vehicles produced in Europe feature some of our products in components such as the engine, transmission, suspension, gear box and steering assembly. Moreover, we supply parts for the energy, agricultural machinery and public works sectors in addition to a wide variety of end sectors. All of this has one common denominator: to offer the best characteristics for intensive and long-lasting use.

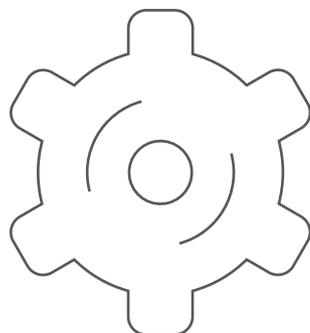
We're one of the most important manufacturers of special steels in Europe

Forged and cast parts

Our specific forged and cast parts business division is led by the company Sidenor Forgings & Castings. At our Reinosa factory, which has worldwide reach, we produce large forged and cast parts for sectors such as naval and civil construction, electricity generation, cement manufacturing, mineral preparation, ironworks, capital goods components, etc.

With a hundred-year-old history, the Reinosa plant boasts complete and highly specialised facilities that allow us to operate a fully integrated manufacturing process: from scrap to products ready for delivery. Thus, we not only have absolute control over the process, but we also meet all our customers' needs for these types of products.

All the parts we manufacture at Sidenor Forgings & Castings (carbon steel, carbon manganese steel, alloys, micro-alloys and super clean steel) stand out because they are critical parts for the correct operation of the equipment they are used in. Our product line includes ingots (polygonal and round), forged parts (up to 70 tonnes and 18 metres long), cast parts (up to 140 tonnes and 8 metres long) and mechanised and sub-assembled parts (up to 250 tonnes, including mechano-welded and welded parts).



Business lines

Sidenor Bright Steels

Sidenor Bright Steels, the Sidenor calibration division, is the result of our global growth strategy in the world of steel. It is a process that began back in 2008 with the acquisition of three of the main Spanish calibration companies and which, after years of effort, dedication and hard work, has led us to creating the largest Spanish group in the sector.

Our work focuses on two types of products:

- **Calibrated bars.** We're specialists in cold-rolled steel, handling drawing, turning, rectification and cutting work. These products are used in different sectors particularly including the automobile industry, mechanics industry, capital goods and energy.



Integration in a large steel manufacturing group involves important synergies which lead to an extensive catalogue of steel products: alloys, free cutting, thermally-treated steel, etc.

- **Drawn rolls.** We're leaders in wire for bearings and other types of special quality wire, such as bearing needles, capable of meeting our customers' demands and needs.





Technical assistance

At Sidenor, we work to offer our customers excellent service and products of the utmost quality. To this end, we provide technical advice to all of them with a team of professionals with extensive experience in metallurgy, thermal treatments and special steel products and processes.

Our technical team's skill is visible and applicable before and after a sale as they provide their experience and knowledge to solve any problem that arises, accurately defining the most adequate product for our customers'

Technical advising is differential value for Sidenor

needs, optimising existing products and suggesting innovations and added value.

In collaboration with other Sidenor departments like T&Q, R+D and Sales and Production, our Technical Assistance managers supervise the manufacturing process from the design phase, encouraging competitive changes and solutions to any issue that may be raised. All of this is done while remaining in permanent contact with our customers, creating work groups to streamline the processes, reduce costs and find opportunities for improvement that lead to mutual benefits.

It is for all of these reasons that this service brings differential value to the company as it allows us to accompany our customers in their ongoing improvement processes and boost their competitiveness through products that adapt to their needs.

Innovation

Innovation is one of Sidenor's best allies. It's one of the cornerstones that supports our business and it is thanks to innovation that we have become a reference group in the steel sector. Innovation drives our ongoing improvement and has taken us to becoming pioneers in our products and services in addition to becoming more efficient, more competitive, safer and more respectful of the environment. It is present in everything we do because we're convinced it is the best vehicle to remain the leaders in the world of steel.

Sidenor Research and Development has been fostering innovation at Sidenor for more than 30 years. Founded as a non-profit entity, its aim is to be the reference in metallurgy for our company and our market. In order to do so, it focuses its activities on enhancing Sidenor's competitiveness through improvements and innovations which, in collaboration

with our customers, optimise quality, costs, productivity and product development.

In all activities

Sidenor R+D is present in the company's processes and products.

As concerns its processes, it works to streamline and enhance the techniques and procedures used as well as implement new ones and incorporate the latest technologies. The main tools used in this area are:

- Monitoring processes and data processing and analysis (Industry 4.0).
- Physical and digital simulation, modelling and software development.
- Metallurgy proficiency associated with manufacturing processes.



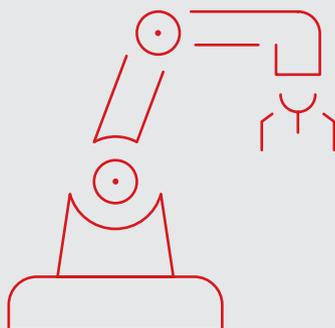
On the other hand, as concerns products, the Sidenor R+D aim is to become a strategic partner for our customers. To do so, it applies all its knowledge and experience to designing new steel qualities, adapting existing qualities to new processes and technologies and identifying new applications and markets for existing qualities.

In order to perform these tasks, we rely on highly qualified professionals and our own research laboratory equipped with the most modern of equipment. These resources allow us to conduct tests to study steel characteristics and the various steel transformation processes.

Innobars

The Innobars brand identifies and promotes the most advanced and innovative products and processes we produce at Sidenor pursuant to the market development demands.

The Innobars by Sidenor concepts guarantees that all our products and processes comply with the most demanding quality, safety and sustainability standards in addition to being carried out and produced at the most modern of facilities and applying the latest technology as well as all the possibilities offered by industry 4.0. Thus, Sidenor is capable of meeting and exceeding its customers' expectations.



High-quality steel

- Steel with new and/or enhanced properties
- Repetitiveness in properties and characteristics
- The application of advanced metallurgy
- High-performance steel: fatigue, resistance, machinability, wear, corrosion, etc.

Flexibility

- Immediate adaptation to the changing logistics needs in the market
- Flexibility in product design and production processes
- Shorter response times in launching new products
- Technical assistance for customers

Health and safety

- Occupational health and safety management systems
- People and environmentally-friendly responsible practices
- Occupational risk prevention

Sustainable production

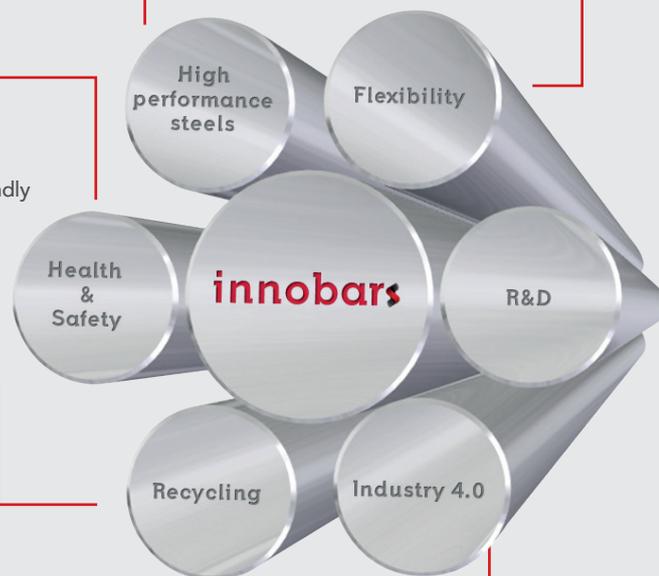
- Recycling
- Circular economy
- Environmental respect

Industry 4.0

- Process control
- Monitoring/sensors
- Advanced technologies
- Simulation and modelling

R+D

- More than 30 years of experience
- 50 highly-qualified engineers and scientists
- A laboratory equipped with the most sophisticated equipment for characterisation and physical simulation







03

SOCIAL ACTION

- Part of our communities
- We collaborate

Part of our communities

Social responsibility is one of the cornerstones that sustains us as a company. We'd like to be a leading actor in the communities where we're present and make an effort to boost the development of all of them in areas related to education, employment, culture and sports. Our aim is to encourage real improvements in society and the environment.

Just as any other neighbour in the communities where we operate and as part of our commitment to them, Sidor participates directly or through recognised organisations in programmes and activities that promote integration, development and an enhanced quality of life in each of our areas of action.

Our collaboration involves being present, advising, managing, sponsoring and other types of specific support. These programmes are included in our corporate social responsibility strategy which extends to all our areas of business.



We collaborate

At Sidenor, we work with different public and private organisations in the areas where we're present in order to boost the development of our society and improve the world we live in.



We work for...



integration



education and employment



medical research



the environment



our elderly



the underprivileged



sports



culture



children

For education and employment

At Sidenor, we're convinced that education is the best means for individual and collective development. It is along these lines that we collaborate with various entities that engage in activities related to our business. One example

of this is sponsoring the **Adsis Foundation** which promotes inclusion and employability among young people with guidance and training programmes. This commitment was rewarded by the city of Vitoria-Gasteiz, which recognised our history of boosting and facilitating access to first job opportunities for many young people.

✓ The city of Vitoria-Gasteiz recognised our commitment to boosting employment.



^ A visit with students participating in the STARTInnova programme.



Likewise, we participate as mentors in Reinoso in the **STARTInnova** school programme, an initiative developed by the newspaper Diario Montañés to encourage teamwork and student involvement. It's an enriching experience not only for the students in the programme, but also for our professionals. As mentors, we relay a commitment to innovation to the students participating in this initiative as one of our company's main values.

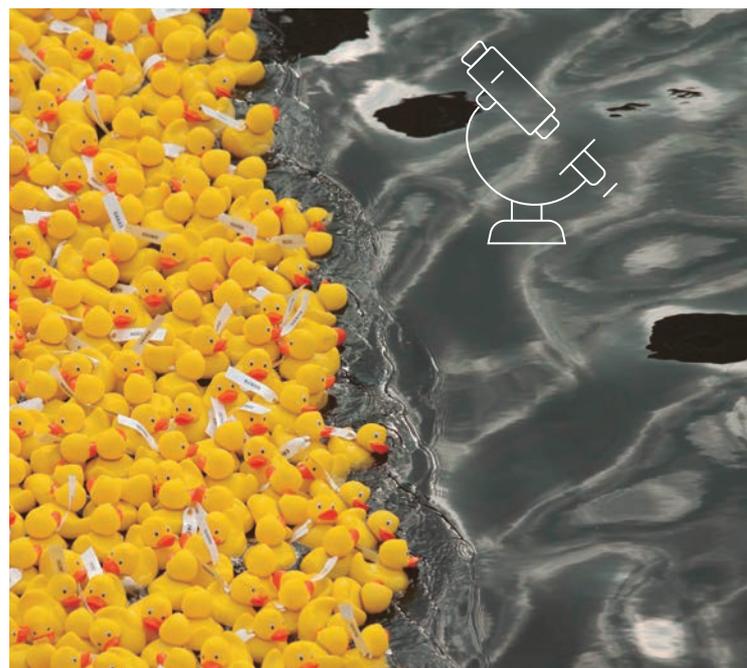
Moreover, we welcomed **visits by students** to our facilities last year so they could find out first-hand how we work. Such was the case of students in the **Fundación Laboral del Metal** Master's in International Welding Engineering programme who visited the steel mill, the foundry and the mechanics shop at our Reinosa plant.

At Sidenor, we also collaborate with the **Bilbao School of Engineering** to hold "Employment and Company Presentation Days" as well as "Company Seminar Days". This school offers experience, resources and knowledge

gained over many years in the different technical education specialisation areas taught by UPV/EHU in Biscay. The centre relies on the commitment of more than 700 faculty members, 150 administrative and service employees and 5,000 students.



Student visits are habitual at our worksites.



For medical research

At the Basauri site, we support the **WOP Foundation** (Walk on Project) in its efforts to fund research projects searching for therapies for neurodegenerative diseases and to spread awareness among society for the need for research and science. For several years, we've been collaborating with the *Estropatada* race involving *WOPatos* (geolocalised rubber ducks) along the Bilbao estuary to raise funds while enjoying a very fun day of recreation.



For integration

In 2017, we began collaborating with the **Bakuva Foundation**, a non-profit association dedicated to the social integration of children from Bilbao's La Vieja district. They serve school-age children by fostering their integration and development

within society and through a culture of co-existence with sports and other entertainment and educational activities.

We provided them with the **Sidenor Classroom**, a place for school tutoring and academic support located in a civic centre assigned to the Foundation near the Miribilla public school. A group of 30 boys and girls aged 8-11 has been able to do



their homework, work on reinforcement tasks and do other art, computing and language (Basque and English) activities there. The purpose of the classroom is to facilitate the social integration of children in vulnerable social situations by giving them the tools and opportunities to avoid school failure and integrate both personally and professionally in society in the future. Besides having all the necessary materials, each child receives personal follow-up services with regard to the activities on site as well as at school (school tutors) and with their families.

For culture

We support culture in all disciplines and work closely with sector entities to promote it and bring it closer to society. One of the most outstanding initiatives is the **Bilbao Association of Friends of the Opera**, an essential leader in Basque and national culture which stands out due to its international projection. All of its activities are always planned in a view to achieving excellence with a complete and balanced cultural offer each year with nearly fifty performances that reach more than 90,000 spectators, reflecting a real commitment to society.



For the environment

Our commitment to the environment goes beyond policies that reduce the carbon footprint from our activities. For example, we participate in projects such as **'Bosques Sostenibles'** (Sustainable Forests) in collaboration with the Town Council of Campoo de En Medio through which we've reforested a four hectare area with more than 5,200 trees. This initiative allowed us to also increase our compensated tonnes of CO₂.

Our worksites in Vitoria and Legutiano also collaborate with the City Council of Vitoria-Gasteiz on the project **'Raíces del mañana'** (Morning roots), the aim of which is to improve the ecological functionality of the Green Loop and make it the main part of the municipality's sustainable infrastructure. People from Sidenor, along with family and friends, planted 600 trees and bushes in the Zabalgana area.



For our elderly

At Sidenor, we work to improve the quality of life of our elderly. One example of this is our collaboration from Azkoitia with the **Hurkoa** association's Frailty Care programme. This initiative focuses on helping elderly people who live alone, who have no family support, who have health problems or are in situations of dependency and those with certain limitations in organising and managing their own needs and resources by providing them with monitoring and support services, defending their rights and interests and taking their values and desires into account.

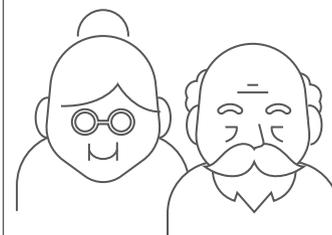
For children



We've been sponsoring the **Azkoitia Wisemen parade** for years. This is a very special event for small children which spreads excitement and happiness to everyone.

For the underprivileged

Every Christmas, professionals from the Reinos site organise a charity food and toy drive for local organisations such as the **Campoo de En medio food bank** or **Caritas Reinos**, which work with the underprivileged.



For local sports

Ever since our foundation, Sidenor has been known for supporting sports, especially locally, as a way to transmit values such as integration, equality and teamwork. Thus, we collaborate with different clubs in the communities where we're present. Some of them include:

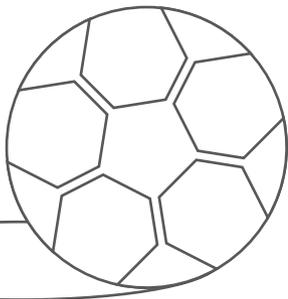


- **Club Deportivo Basconia.** Founded in 1913 in the city of Basauri, it's a historic Biscay football club. An affiliate of the pro Athletic Club, it trains different teams of boys and girls from Basauri of all ages.
- **Club Deportivo Anaitasuna.** With headquarters in the town of Azkoitia and founded in 1934, it has teams in different categories including women and girls.

- **Club Iraurgi Saski Baloia.** With headquarters in Azpeitia, it's been promoting basketball in all categories for more than 40 years.



- **Club Deportivo Naval.** A Reinosa-based football team that plays in the Third Division, this entity has been historically linked to the local Sidenor plant.



- **Club Atlético Basauri Balonmano.**

It was founded in 1896, although the current club was created in 2006 as a result of a merger between Club Balonmano Basauri (women's) and Atl. Basauri Balonmano (men's). Its handball school trains 130-150 boys and girls from Sub-7 to Sub-14 and relies on 350 people who work to keep the Club operating adequately.



Other sports sponsorships



Our commitment to sports and the values transmitted are also reflected in our collaboration with public institutions such as **Basauri Kirolak**, the Town Council of Basauri Municipal Sports Institute. Its objectives include protecting, encouraging and developing opportunities in all types of sports disciplines as well as promoting involvement in sports with an offer of technical services and facilities that are adequate for all of the municipality's social sectors.



We also cooperate with the **Bizkaia Bizkaialde Foundation**, a public and privately-funded institution which coordinates the economic efforts of sports sponsors in order to make their investments profitable, help promote Biscay and contribute to the proper and effective organisation of sports events.



- **Azkoitia Zubi Berri Gimnastika Kirol Taldea.**

Our Azkoitia worksite has been sponsoring this gymnastics team for years.

- **Oteiza Pilota Taldea.** A Basque pelota club supported by our Azkoitia plant.



- **Zubiaurre Igeri Elkartea.**

An Azkoitia swim club with more than 25 years of history.







04

THE ENVIRONMENT

- Committed to our environment
 - The 5Rs at Sidenor
 - Environmental indicators
- 

Committed to our environment

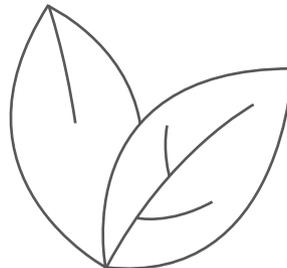


The sustainable development of the environment is a maxim for our business. We're convinced that the continuity of our business is directly related to our environmental performance, a strategic line that is present in all our actions in a view to minimising our environmental footprint.

This commitment is reflected in our daily practices, in the significant investments we make year after year to update our equipment and processes and in the development of training and awareness programmes to foster a more environmentally-friendly culture.

Moreover, the environment is one of the main foundations for our future strategy. It is included in our Code of Ethics ("Sidenor undertakes the commitment of seeking utmost respect for the environment in its business development" and "will contribute to the conservation of natural resources and sites of ecological, landscape, scientific or cultural interest"), which encourages us to continuously improve in this area by reviewing our policies and taking on new and ambitious commitments that help position ourselves as environmental leaders in the sector.

Investments in environmental and energy efficiency initiatives have exceeded 32 million euros in the last ten years



Environmental Management System

All our worksites have implemented an Environmental and Energy Management System that is aligned with standards ISO 14001 and ISO 50001 and requires analyses of all our industrial activities.



Through this system, which is fully integrated in our business activities, we guarantee the assessment, planning and environmental monitoring of our entire process. To do so, the Environment and Energy Affairs area leads specific meetings during the first quarter of every year with each production area to establish an annual action plan based on the results obtained and those expected for the following year.

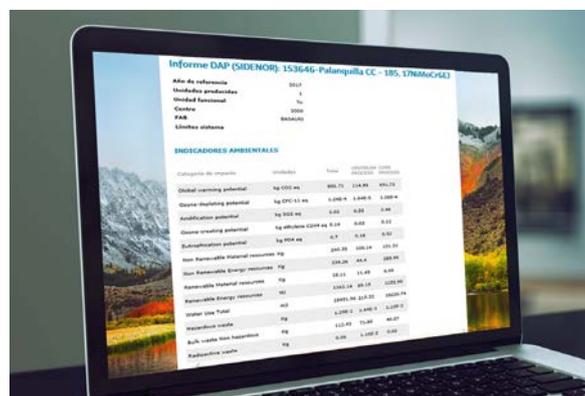
Our working philosophy goes beyond the traditional view of focusing only on our own activities by expanding it to our various stakeholders and the entire value chain through a lifecycle analysis approach.

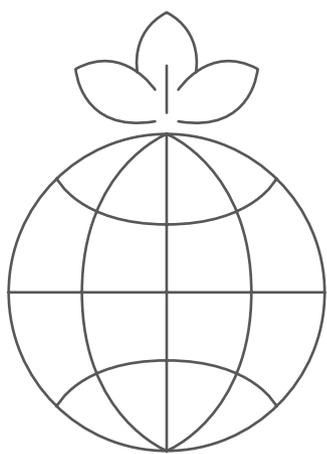


Sidenor environmental programme and monitoring in 2017

Environmental Plan actions	Climate Change Plan actions	Action Plan Total
202	155	357
Internal audits	External audits	Total audits
173	8	181

We have a computer tool that calculates the environmental footprint of more than 400 steel families, evaluating 13 impact categories for each process





A sustainable future



The management of our business is based on a circular economy model and lifecycle analysis, a paradigm that helps us become more responsible and sustainable.

Our medium-term **goals** are:

- Fighting climate change by reducing our CO₂ footprint and focusing efforts on energy efficiency.
- Manufacturing sustainable steel by incorporating the environmental factor into our product designs.
- Integration with our environment by working more closely with interested parties.

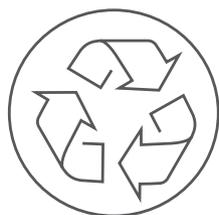
In order to continue making progress and improving in environmental matters, Sidenor endorsed the **Circular Economy Compact** promoted by the Spanish Ministries of Agriculture and Fisheries, Food and the Environment and of the Economy, Industry and Competitiveness aimed at getting the main economic and social role-players in

Spain involved in the transition towards a new economic model.

This initiative aims to create a political framework to support the change to an efficient economy as concerns the use of resources and low carbon emissions to help us improve our economic results all while reducing the use of resources, identifying and creating new economic growth opportunities and fostering innovation and competitiveness, guaranteeing supply security for essential resources, fighting climate change and limiting the environmental impacts of the use of resources.

Likewise, we are one of the companies that has endorsed the **Radiological Surveillance Protocol**, the aim of which is to prevent incidents from occurring as a result of radioactive materials in recycled metal materials.

An environmental policy with visible results



We recycle **950,000 tonnes** of **scrap** a year



We valorise **82%** of our **waste**



We've **reduced** the **waste we produce by 25%** since 2012



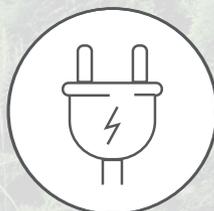
45,000 m³ of recovered land **in 2017**



357 environmental actions carried out and more than **700 hours** of specific training



Water consumption: **880,000 m³** saved in the last five years at the **Basauri, Reinosa, Vitoria and Azkoitia** worksites



Energy efficiency: **8%** improvement in **electricity** and **13%** in **natural gas** in comparison with 2012



Our **CO₂ emissions** have **decreased** by **20%** in the last seven years

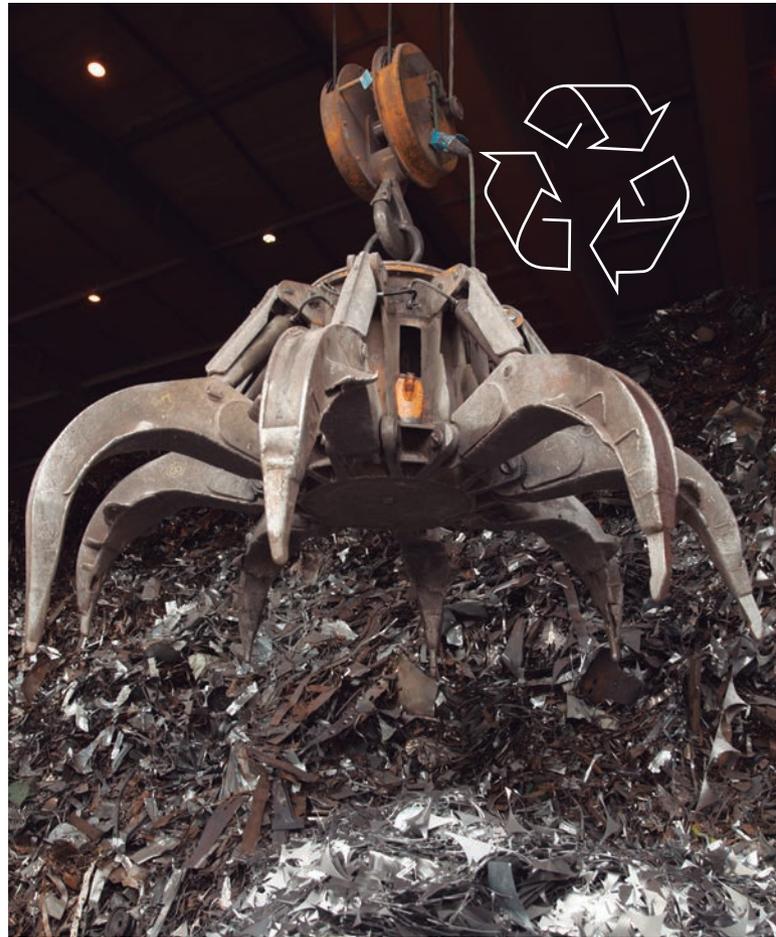
The 5Rs at Sidenor

At Sidenor, we feel we're a part of the communities where we operate. That's why we're committed to maintaining the natural environment and work on the sustainable development of our business by seeking alternatives aimed at reducing consumption and emissions and valorising the waste produced by steel production.

Recycling

We produce 100% of our steel from scrap. Recycling is one of our primary activities and we manage nearly one million tonnes of industrial waste and obsolete material each year. Most of it comes from excess steel from production processes in the automobile and household appliance industries, among others, as well as products that are no longer useful to society such as old appliances and cars. All of this waste can be reused and transformed into new steel products.

Scrap recycling helps reduce the use of energy in the steel production process and, therefore, CO₂ emissions. It also decreases the amount of waste deposited at tips, which enhances and protects the environment. Recycling scrap also generates jobs for thousands of people through an extensive collection and processing chain.



We recycle nearly 950,000 tonnes of steel a year, which is enough to build the Eiffel Tower 130 times

1
Recycling

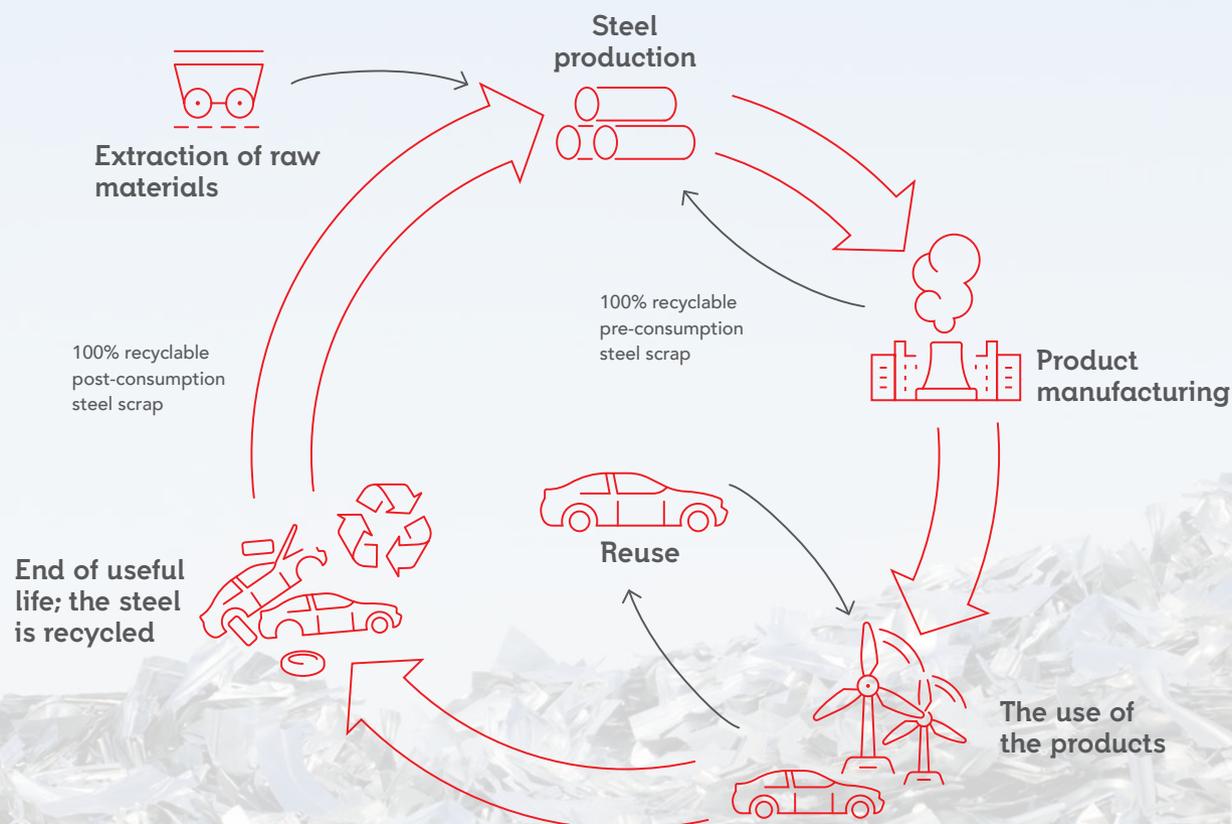
2
Reuse

3
Recovery

4
Reduction

5
Re-education

Recycling process



For every tonne of steel recycled, the Spanish iron and steel industry saves 1.5 tonnes of iron mineral, 40% water and 80% energy

Reuse and valorisation

At Sidenor, reusing and valorising the waste we use is a working philosophy. The purpose is to get the most out of them to lengthen their useful life or benefit from them. To do so, we follow different lines of action such as identifying opportunities in the steel production process itself or conducting studies in collaboration with universities, research centres and industries. Three examples are:

- **Water.** We apply the best available techniques to our production processes. We have closed circuits for the water used for direct and indirect cooling so we can reuse nearly 95% of it. Likewise, we've optimised our water purification systems, which were implemented to avoid polluting the receiving

environments (rivers, municipal sewers) and to be able to reuse it internally.

Moreover, as a result of the measures taken in investments and rational water use, we've reduced the water consumption by 82% at the Reinosa factory and by 54% at Azkoitia in the last five years.

- **Heat recovery.** All of our billet heating furnaces feature heat recovery systems that take advantage of the gases generated to preheat the combustion air and, therefore, reduce the consumption of natural gas.

- **Waste.** We work to get the most out of the use of our resources. One of the most outstanding examples is our will to reuse and valorise the auxiliary materials used in the iron and steel industry such as refractory waste, with which we've opened up a new line of recycling in the mineral industry. To this end, our participation in the ISOVAL Project has allowed us to increase the valorisable fraction of this type of waste produced at our Basauri plant from 7 to 94%.

This project was awarded the **"European Business Award for the Environment – Basque Country Section"** and **"First Prize in the Process Award for Sustainable Development in Large and Medium Enterprises – National Section"**.



Recovery

We actively contribute to the conservation of resources and natural areas of ecological, landscape, scientific or cultural interest. Through the recovery of former industrial areas, Sidenor is providing society with new areas for recreation and enjoyment.

One clear example of this is found at the former Basauri facility waste heap, which we have assigned to the Town Council after converting it into a 45,000 square metre park to create a new green lung equipped with benches and LED lighting to foster community development, leisure and recreation.

Likewise, we promote sustainable mobility, one of the priorities of the Town Council of Basauri, through the expansion of the *bidegorris* (bike lane) system by creating a new stretch connecting Basauri and Arrigorriaga.



▲ Iñaki Irureta with Andoni Busquet (Mayor of Basauri) at the new park.

Along these same lines, we've contributed to the reforestation and recovery of other areas near our production centres by planting some 6,000 trees.

Reduction

In line with our commitment to sustainability and the objectives of the Circular Economy model, we're working at Sidenor to reduce the use of resources and minimise the impact of our business, a process in which efficiency is the key to achieving results.

- **Emissions:** a good portion of the investments we've recently made has been used to reduce our emissions of particles as well as greenhouse gases into the atmosphere. Thus, we've been able to decrease our CO₂ emissions by 20% in the last seven years.
- **Water:** the improvements implemented in our production processes have helped decrease our water consumption as we are needing less and less to produce every tonne of steel, as well as our sewage by reusing

the water consumed for internal processes.

- **Energy:** we are committed to the efficient use of energy resources to reduce our consumption all while fostering the decarbonisation of the economy. Proof of this lies in the fact that we've reduced our electricity consumption by 8% and our natural gas consumption by 13% between 2012 and 2017.

- **Waste:** through innovation, we've been able to reuse and valorise a high percentage of our primary waste. Black slag is used in industrial construction work and to produce concrete whereas white slag is used in cement production processes; steel mill dust is used in the zinc recovery industry; and mill scale is used in sintering plants for blast furnace iron and steel processes.



Re-education

The application of our environmental policy is led by the Environmental Affairs department yet the commitments undertaken in this area are assumed in all areas of the company.

With the focus on ongoing improvement, each one of them reviews their training needs annually and proposes a series of learning and awareness activities on all levels in order for everyone, especially new hires, to become aligned with the goals established.

In 2017, we provided nearly 300 hours of awareness training for new hires and nearly 400 hours of specific environmental management training to the company's professionals.

These training activities have focused on issues such as the Environmental Management System, waste management, legal environmental requirements for waste manage-



ment authorities and facilitators, hazardous goods transport and the handling and storage of chemicals, among others.

In 2017, we provided nearly 700 hours of environmental training

REGLAS GENERALES DE SEGURIDAD

SEGURTASUNEKO ARAU OROKORRAK



1. OPERAR O INTERVENIR EQUIPOS SÓLO SI ESTOY AUTORIZADO.

1. EKIPOETAN JARDUN EDO ESKU HARTZEA BAIMENDUTA BANAGO BAKARRIK.



2. MANTENERSE SIEMPRE A DISTANCIA SEGURA DE LAS CARGAS SUSPENDIDAS.

2. BETI ESEKITA DAUDEN KARGETATIK DISTANTZIA SEGURUAN MANTENTZE.



3. BLOQUEAR TODOS LOS ELEMENTOS DE INTERVENCIÓN ANTES DE INTERVENIR.

3. ENERGIA-ITU DAUDEN MAKINAK BAIMENDUAN AURRETIK.



4. MANTENER EL EQUIPO SIN MOVIMIENTO CUANDO SE TRABAJA EN EL MISMO.

4. ESKUAK MUGIMENDUA HARRAPATZEKO ARRISKUA DUTEN EKIPO MANTENTZEA.



5. INGRESAR EN ZONAS AUTOPROTEGIDAS.

5. C...

6.



05

PREVENTION

- We look after our people
- We communicate to be safer
- Leaders in industrial safety

We look after our people



Looking after and protecting the health and safety of everyone at Sidenor is our priority. For us, human beings are more important than any other company objective. For this reason, no emergency, production or economic situation can compromise the integrity of our workers.

Led by Sidenor Management and with support from the group's Prevention services, we work day after day to be a safer and healthier company and aware of all facets of protecting people. Thus, we make an effort to promote and foster a preventive culture of safety by implementing a number of actions to maintain our target of eradicating accidents at the company.

This philosophy is reflected in our internal policy as well as our scrupulous compliance with current occupational health and safety regulations. The search for ongoing improvement in this field allows us to learn from

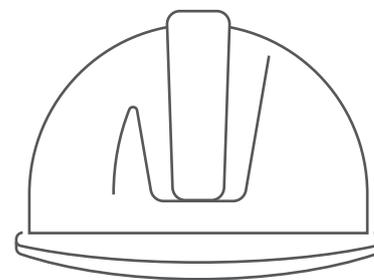
best practices and implement them systematically in all our activities to benefit people. Moreover, we make efforts to offer ongoing prevention training to all our professionals so they are aligned with the company's strategies and goals.

This way, and with cooperation from everyone, we can make Sidenor the safest possible company.

Human beings are more important than any other company objective



ple and foster a healthy lifestyle through the promotion of best practices. All of this is supported by a corporate communication policy that helps us transmit our commitment and safety-related work.



*At Sidenor,
we work each
day on
the 'Zero
accidents'
objective at all
our plants*



**Objective:
'Zero
accidents'**

One of our most important goals as a company is guaranteeing people's health and safety to ensure occupational accidents never occur. Thus, we dedicate significant efforts and resources each year to attaining our 'zero accidents' objective.

It is along these lines that we study the way to improve the safety of our processes, we encourage ongoing training on the culture of prevention among peo-

We communicate to be safer

Communication is a strategic lever in our will to foster prevention, health and safety at Sidenor. With the support and constant participation of Management and the entire line of command, the company carries out a number of actions and creates campaigns to transmit specific message to everyone and achieve the collective awareness that can help us achieve our goals.

World Safety Day

Although it is always present in our business, 28th April is the day we celebrate World Safety Day. Therefore, each year we implement several initiatives at all our worksites seeking to improve specific aspects of safety within the company. All of them involve immense participation and implication by our human resources and foster a cultural change that helps us make progress in this area.



'Protect your hands'

This campaign was designed to make everyone, Sidenor personnel as well as employees from other companies who do work at our facilities, aware of the need to pay attention to hand protection as one of the body parts that are most exposed to possible workplace accidents. With simple yet effective signs, the initiative aimed to bring people's attention to specific aspects such as the adequate use of personal protective equipment, tools and machinery and, most importantly of all, develop and foster a preventive attitude.

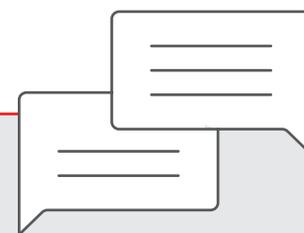


Hoisting platforms

We developed this operational campaign due to the immense use of this equipment, which is considered high-risk, because there must be continued awareness of the importance of properly checking and using platforms to avoid any type of risk even though all users are professional and duly trained.



Thus, the campaign was prepared focusing on the basic aspects of operation and proper platform functioning and the use of management system tools like audits and behavioural observations to guarantee the knowledge users have is correct.



Dialogue to improve

Safety begins with each individual at Sidenor. Aware of this, and in order to spread awareness among everybody of the importance of maintaining a preventive and safe attitude at all times, we implemented the 'Daily Safety Dialogue' practice. Every day, at the start of each shift, people invest five minutes in chatting about any type of accident prevention related aspect in order to make Sidenor the safest possible company.

Safe distances

Our innovative philosophy was reflected in this campaign: it was the first one in an audio-visual format and also the first animated campaign which used male and female characters in line with Sidenor's gender equality commitment. A male worker and a female worker explained how to maintain a safe distance and offered tips to guarantee physical integrity and avoid potential risks.



Leaders in industrial safety



Our ongoing commitment to safety and health has led us to becoming a sector reference. We'd like to be a safer company each day and work so our environment also is by fostering the use of our management system to do work at our plants among all contractors who operate with us. Moreover, we partici-

pate in local and national forums each year to share our experience and explain our best practices to promote our prevention culture beyond our own corporate scope.



Award for
a job well
done

Fernando González, Production Manager at the Basauri Steel Mill, was rewarded by the mutual benefit insurance company MS Mutual with the **MC 28 April Award for Personal Merit in Occupational Risk Prevention**. This is no doubt a personal and group success that makes clear just how well we're doing and our efforts to make Sidenor the safest possible company





➤ Roberto Castaño, Sidenor Prevention Manager (first from the right), at the conference with the Asturian Institute and ASPY.

Participation in events

- **'Integrating Occupational Risk Prevention through Leadership'**. Bilbao and San Sebastián.
At this conference, we explained the importance and need to align corporate culture with prevention to have an effective and successful policy.
- **FVEM Conference**. Basauri.
Roberto Castaño, Prevention Manager, and Iñaki Irureta, Director of the Basauri plant, participated in this event where they highlighted the need to integrate prevention in companies' management and discussed common behaviours on the job.
- **ADEGI Conference + Osalan Director**
The Association of Gipuzkoa Enterprises (ADEGI) relied on us to talk about occupational risk prevention as part of companies' culture beyond regulatory compliance and from an awareness approach.
- **Conference with the Asturian Institute and ASPY**
During this event, we discussed the critical elements that must be present in a behavioural management programme.

We share our corporate prevention culture with the rest of the sector



06

PEOPLE

- Proud of our team
- Initiatives to work better
- Future talent

Proud of our team

The people who make up the company (2,319 at the end of 2017) are the engine that drives Sidenor. All of them, with their commitment, cooperation and daily efforts, have made it possible to become what we are – a leading organisation in our sector which does business in the most efficient and safest way possible.

We are proud of our human resources and, therefore, make an effort to offer them the best work environment where safety and healthcare are above everything else. Thus, we are constantly updating our occupational risk prevention measures in addition to respecting applicable regulations in this area at all our worksites.

Likewise, we promote ongoing training in order to encourage our team's professional growth and to develop all their innovative potential for mutual benefit. Moreover, we provide incentives to people with an

enterprising spirit and forward-looking vision.

We also have corporate policies that favour equality and reject any type of discrimination so everyone has the same development opportunities. And we do it all by enabling a real family/work balance.

We make an effort to offer our human resources the best work environment





The Sidenor culture

We want everyone to feel as though Sidenor is their own personal project and make efforts for this to be the case. This helps us generate commitment and a real obsession for quality and positive results where each member of the team has a direct relationship with the business objectives. We value people for their initiatives and ability to work as a team, for having a systematic vision of the organisation and the markets, a customer-oriented approach and for seeking continuous learning.

The value of ethics



Our Code of Ethics is a declaration of the rules and principles that must govern Sidenor's activities and the behaviour of all those who work at the company in addition to fostering a work environment where integrity, respect and equity are at the centre of everything. We are convinced that the future of our business must be based on compliance with a few fundamental principles:

- Respect for legality
- Ethical integrity
- Respect for Human Rights
- A commitment to prevention and eradicating child labour



Initiatives to work better

Our professionals well-being and happiness is one of our highest priorities. We are continuously making efforts to improve their work conditions by implementing actions so their time on the job is of the highest quality and safe.

Towards real equality

We began outlining our Equality Plan with different Negotiation Committee meetings to diagnose the state of equality at the company and to define some basic aspects that had to be included in the final agreement. With all of this, Sidenor aims to take a step forward in the area of Equality with respect to the general scene in the iron and steel industry.

Health is first

All Sidenor professionals have life insurance, which is one more example of how people are the company's most important asset.

Aid for education

Some of our worksites, like those in Reinosa and Vitoria, encourage the development of our professionals' children through an education aid programme.

Personal benefits

In Vitoria, we're one of a number of companies associated with the San

Prudencio Foundation and all people hired become members of this entity with the possibility of accessing services and activities that fully cover their needs in very diverse circumstances.



Our Reinosa site relies on a corporate group, which organises trips, excursions and different activities so Sidenor professionals and their families can get the best out of their leisure time.





A balanced diet... and an outdoor area

Our Basauri site offers health and varied eating options in the dining hall so people can maintain a balanced diet. Moreover, we subsidise the set menus as an employee benefit. We've also renovated the area in the back of the dining hall to create a place to eat outdoors. With a capacity for 40 people, it was mostly built with recycled materials in line with the company's sustainability strategy.



We want all our professionals to feel as though Sidenor is their own personal project



We signed a new Framework Agreement

Our Management and most union representatives ratified the 2017-2021 Framework Agreement which covers the Basauri, Vitoria and Reinosa plants as well as the General Offices and R+D. The objective is to emphasize the path towards competitiveness and ensure sustainability for the company and our human resources.



Fun for the youngest

At Sidenor, we're not only concerned about our people, but also about their families and loved ones. That's why, we organise a children's workshop at Christmas in Reinosa so our employees' children can enjoy games and activities.



Basauri celebrates 50 years

In 2017, we celebrated the 50th anniversary of our Basauri factory with an emotional event with which we wanted to recognise our history and the site's contributions to progress around it as well as the work and commitment of all those who have been and currently are a part of Sidenor. Besides taking a look back, we took advantage of the opportunity to look ahead with the inauguration of new facilities at the site which will allow us to face the next 50 years in good health.



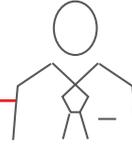
Future talent

We work each day to encourage the development of our human resources through training, by offering the necessary tools to boost skills and personal abilities through programmes that facilitate learning and knowledge. We dedicated more than 75,000 hours to this throughout 2017, in addition to significant resources to recruit and retain the best talent in order to keep on growing as a company.

We'd like this growth to be comprehensive and for people to engage in long-term relationships with the company. To do so, we offer assistance and individualised orientation so each of our professionals may plan and design goals and take the necessary actions for their professional development and evolution.

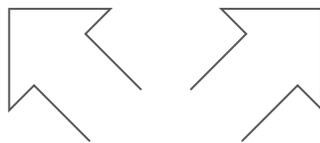
We believe that people must be responsible for the evolution of their own careers. This commitment to self-development is incentivized by leaders in each area

who promote constant evaluations of potential, performance and skills. The results are used as a guide to find the best paths in each person's professional career.



Management as leaders

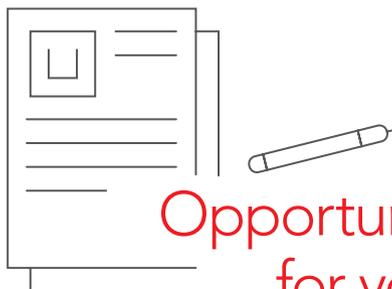
Each year, we select a group of managers to do an advanced management programme in addition to their habitual training taught by IE in the Basque Country. This high-impact training allows us to develop competencies, skills and leadership in key personnel for our business.



Two means of development

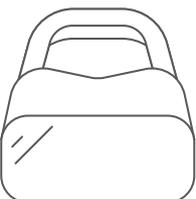
At Sidenor, professional development is viewed through two personal dimensions:

- **Challenges:** challenges aimed at increasing behaviour-oriented actions, new inter-functional tasks, participation in work groups and research into new issues.
- **Skill-building:** adequate techniques and concepts are incorporated with a view to improving individual performance which ensures higher qualifications in acquired knowledge, attitudes and professional skills.



Opportunities for young professionals

In line with our commitment to education, Sidenor signs agreements with several education institutions so high-performing students in their last year of studies may continue their training at our company.



Virtual reality for training

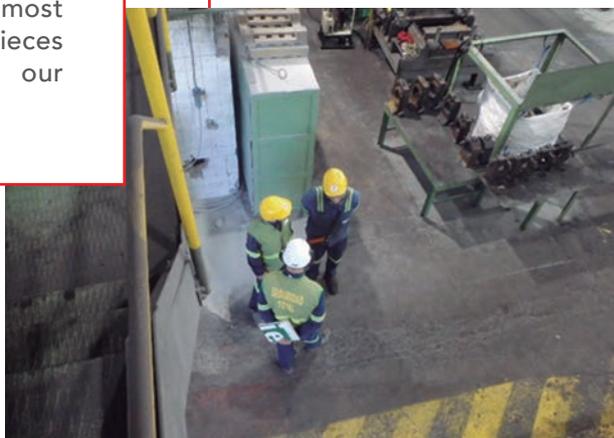


Likewise, we carry our Dual Vocational Training programmes at our sites so future professionals can combine education and work experience. This work has led us to being acknowledged by the Montesclaros secondary school in Reinosa highlighting our professionals' implication in the task of guiding students and coordinating their internships.

We make efforts to encourage and integrate new technologies in our activities and in training. It is along these lines that we acquired a virtual simulation machine in 2017 to enhance training on forklift handling, which is one of the most commonly-used pieces of equipment at our sites.

BIND 4.0; the future of the industry

As part of our promotion of Industry 4.0 and support for newly-created start-ups, we became a collaborating company for the BIND 4.0 programme aimed at attracting talent and innovation from start-up companies all over the world and using it in Basque industry. The initiative helps us adapt to customer needs in a highly competitive sector like the steel business.







07

FUTURE CHALLENGES

- Challenges to keep improving...
- ...and build a project for the future

Challenges to keep improving...

Our history, experience and knowledge are the best guarantees we have to successfully face the challenges ahead and those that are sure to come.

Moreover, we are backed by the commitment of a great team and the trust of our stakeholders, whose demand is enough incentive to keep improving.

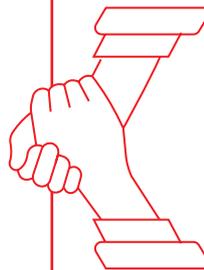
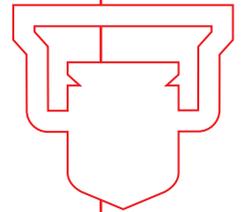


Our company

Efficiency and profitability must mark our activities and always with our minds set on quality and customer satisfaction. Updating our facilities and improving our processes will help us achieve this.

Our business

We must move into new sectors by developing business lines that will help diversify our activities and thus ensure the sustainability of our company. Innovation and technology will be crucial on this road.



Our people

We want to be a company with the highest quality jobs and where everyone has the same opportunities. We will develop our first Equality Plan and activate effective mechanisms to attract and retain the best talent.



2018

Commitments for 2018

- Developing a new Strategic Plan.
- Signing the Equality Plan.
- Signing the Azkoitia (2019-2023) and Legutiano (2018-2020) Collective Bargaining Agreements.
- Contributing to the United Nations Millennium Development Goals (MDGs) with our corporate policies.
- Improving Sidenor's corporate reputation and that of its executives.
- Creating a new Corporate Development department to work on business growth and diversification.
- Participating in the Bizkaia Open Future challenge for our digital transformation.
- Developing new tools to help us manage meritocracy and performance.
- Optimising data protection and cybersecurity management.

Safety

We will continue working on our 'zero accidents' objective by encouraging initiatives and earmarking resources to guarantee the safety of our people and all our activities.

The environment

We will continue reducing our environmental footprint with more ambitious policies and investments that help us make progress with our commitment to the circular economy.

Social Action

We will benefit the communities where we're present to achieve their effective development with a focus on education, employment, integration, culture, sports and environmental recovery.

...and build a project for the future

It is clear to us which path we must follow in the coming years to ensure the continuity of our business and we've designed the strategic lines that will guide our short- and medium-term activities.

The objective is to continue growing and, in order to do so, we must be more profitable and more sustainable. Efficiency will be key during this process as it will help us streamline our work all while maintaining the high quality levels we're known for. Innovation also will be key as it will help us find new business models

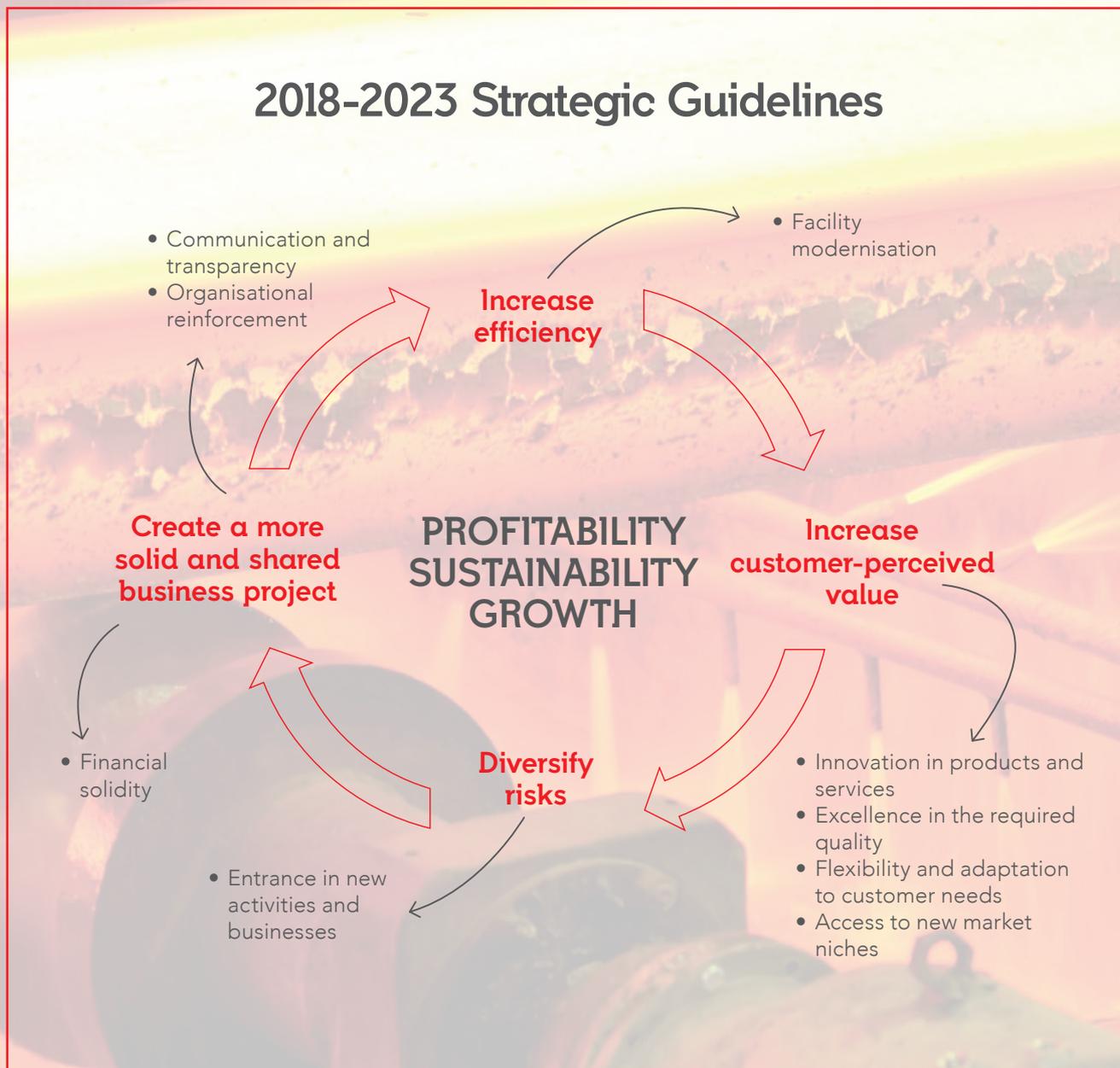
to diversify our most traditional activities.

We cannot forget about society or the environment. Nothing we do would make any sense if it did not have a positive impact on the communities where we're present and if it were not respectful of the environment. And, of course, we will continue focusing on our people because this is shared project where everyone matters. Together, we'll make it so Sidenor continues to be a reference in the sector and the best possible place to work.

The objective is to continue growing and, in order to do so, we must be more profitable and more sustainable



2018-2023 Strategic Guidelines





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