



aperam

Sustainability Report 2013



Welcome to the second Aperam Sustainability Report

We publish this report to communicate our sustainability objectives, part of how we do business. We are a young company with an extensive legacy. Publishing our evolving strategic approach and our year-on-year performance is an important expression of our company values.

This year's report gives an overview of our activities during the last 12 months and data for activities through 2012. The report is guided by the Global Reporting Initiative's (GRI) sustainability reporting guidelines and subject to external assurance. Additional information about the initiatives covered in this report is available on our website and from the regional company websites accessible via our homepage. Our last year's report and an accompanying GRI index can be downloaded at aperam.com.

Feedback

Please, take a look inside. We invite you to reflect on the past and look to the future: and please spare a few minutes to give us your feedback on things you liked or improvements you recommend.

Please contact us on sustainability@aperam.com or +352 273627128.



See more at aperam.com/sustainability

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Our awards

ISSF
INTERNATIONAL
STAINLESS STEEL
FORUM



The International Stainless Steel Forum (ISSF) has granted its 2012 Sustainability Award to Aperam for SolarStyl®, its pioneering solar panel technology.

Aperam South America is listed in the Sustainability Guide 2012 (Guia Exame de Sustentabilidade, published by Revista Exame) as one of the top 21 most sustainable organisations in Brazil in 2011. Some 150 companies were considered and Aperam scored 88.4% on social performance, while the average was 86.1%.

For the third year running Aperam South America was selected as a top 150 Best Place to Work. The ranking appears in the Guia Voce S/A – Exame edited by Editora Abril and the Foundation Institute of Administration (FIA). The listing recognises action taken on employee health and wellbeing.

Aperam is a constituent company in the FTSE4Good Index series.

Customer innovation as part of economic sustainability

The economic pillar of responsible business is the main item covered in this second Sustainability Report, based on the principles of the Global Reporting Initiative and the United Nations Global Compact.

Last year I described the alignment of our Leadership Journey® and our Sustainability objectives. Sustainability management includes responsible economic growth and innovation. In order to progress in this direction, we have responded by reorganising our 'top line' management (from raw materials to sales) through integration under a unique leadership of sourcing, sales and customer service, including Research and Development. Process improvements and product development are at the center of this new top line management, and accounts among the number one priority of our new Customer & Sourcing Officer.

This direction is supported by our belief that customer service and agility are determining qualities in challenging markets. Quarter after quarter Aperam is shown to be the strongest among its peers. We want our results to be seen not only as a good representative level of achievement in financial, marketing and operational terms, but also as a sign of responsible business. Our customers expect us to operate responsibly. Aligning sustainability practices with commercial and operational competitiveness is our objective. For example, our investment in a new line at Gueugnon was designed to provide energy efficiencies, safety benefits and improved delivery schedules, in addition to better operating performance.

Apart from customer innovation, Aperam has been working on all directions as previously announced:

- Our first Sustainability Report published in 2012 laid out how safety is front and centre in our lives here at Aperam. 2012 was clearly not a satisfactory year to this respect with fatal accidents in Timóteo and Imphy. Another challenge was a major fire at our Gueugnon plant. All these unfortunate events received my urgent and in-depth attention and the entire Aperam team has been redoubling efforts to get back on track towards zero accidents.
- In 2012 we also continued our employee engagement and action plans. We responded with our **(we+do)** concept to intensify respect and collaboration across the Group. We also completed our commitments relating to training and succession plans.
- With regards to emissions, we are delighted to now power our Brazilian furnaces solely with charcoal from our forest operations. In line with our commitment to revise our environmental targets, we now propose a new target to reduce the carbon intensity of our current sites by 35% by 2020.

Economic conditions are uncertain and in Europe, even difficult. Aperam believes that Sustainability objectives are a key catalyst to improve performance and ensure business continuity. Safety, service to customers, environment for our neighbours, process improvement to contain CO₂ emissions are determining factors to allow Aperam benefitting from the new competitive landscape for the best of its stakeholders, people, customers and end users.

Philippe Darmayan, Aperam CEO



Stainless | Unmatched

A better option all round

Let's not compromise when choosing materials, especially in clean technology. Take air quality: without stainless steel, catalytic converters would not be as efficient; the substances they treat are usually highly corrosive and active at high temperatures. On energy efficiency, and thus carbon emissions, without it, condensing boilers would be far less efficient: condensates are corrosive. In countries where liquefied petroleum gas is used, without the strength and ductility of stainless steel, piping the fuel would be less safe. And so to water cleanliness: our steels guarantee lasting hygiene and prevent surface bacteria growth. See other examples in this report!



The approach at Aperam

We innovate with customers. We deliver quality stainless steels, specialties and alloys. We are tenacious in keeping costs as low as possible. We are a catalyst for new practices in our sector.

Aperam is a leading global producer serving high-end, mature and emerging markets. Responsible manufacturing is simply part of how we work.

The vision

Our vision is to be the leading industry catalyst in stainless steel and specialties. Our passion, agility and ingenuity help us respond to change and prepare for the future. This is happening at Aperam in various areas, from raw material sourcing, pricing, people policy, operational investment, customer engagement and biomass energy, for example.

See our Made for Life video and other media at aperam.com.

Fast facts: Unique strengths

- Long-term market position trends in mature markets as well as demand from emerging markets
- Global, integrated distribution channel to customers with a major focus on partnership for product opportunities
- Leading R&D: product and process innovation in ferritics, high-end GO/NGO, nickel alloys and duplex for example; facilities in France and Brazil
- Continuous improvement programme driving cost efficiency and health & safety programme
- Speciality steel production powered by low-cost charcoal from a unique upstream forestry sustainable energy asset

Key challenges

During a company's 'sustainability journey', the relative importance of issues will rise and fall. In 2012 our key challenges related to, firstly, **business sustainability**: maintaining our edge as key catalysts of change, to continually reinvent how we manage the business. And, secondly, **safety**: constantly focusing on awareness, root causes and communication. We are moving forward. For us, 2011 was a year of transition but 2012, in many ways, was a year of transformation in pursuit of excellence. Our direction is agreed and we are aligned with our brand message 'made for life' and our underlying operational values of agility, leadership and ingenuity.

Resolute and agile, we have responded to challenging market conditions. We have achieved our goal of US\$250m cost savings without compromising quality or innovation, and we progressed the integration of our sourcing and commercial functions. Like many others in our sector we have reduced our workforce numbers, but all parties concerned have weathered it with integrity and a positive attitude.

Regretfully we endured three fatalities in 2012. We are resolute in tackling the causes of all accidents, we are redoubling our vigilance and setting clear commitments for improvements. We have evolved our human resources practices to adapt to the prevailing economic challenges too.

So, we embrace the economic pillar of sustainability: where the management of wider risks and opportunities aims to create value at every turn. While focusing on the 'business case', sustainability is part of what we do. We assess sustainability risks via our group risk register and management process (Annual Report, p13). We summarise performance against targets and lessons learned in this report; objectives and goals related to sustainability risks and opportunities are set to be delivered over a one to three year period. We are guided by our Sustainability, Performance and Strategy Committee which takes a strategic view of what is at stake during our 'sustainability journey'.



Fast facts: Profile

Public limited company in Luxembourg

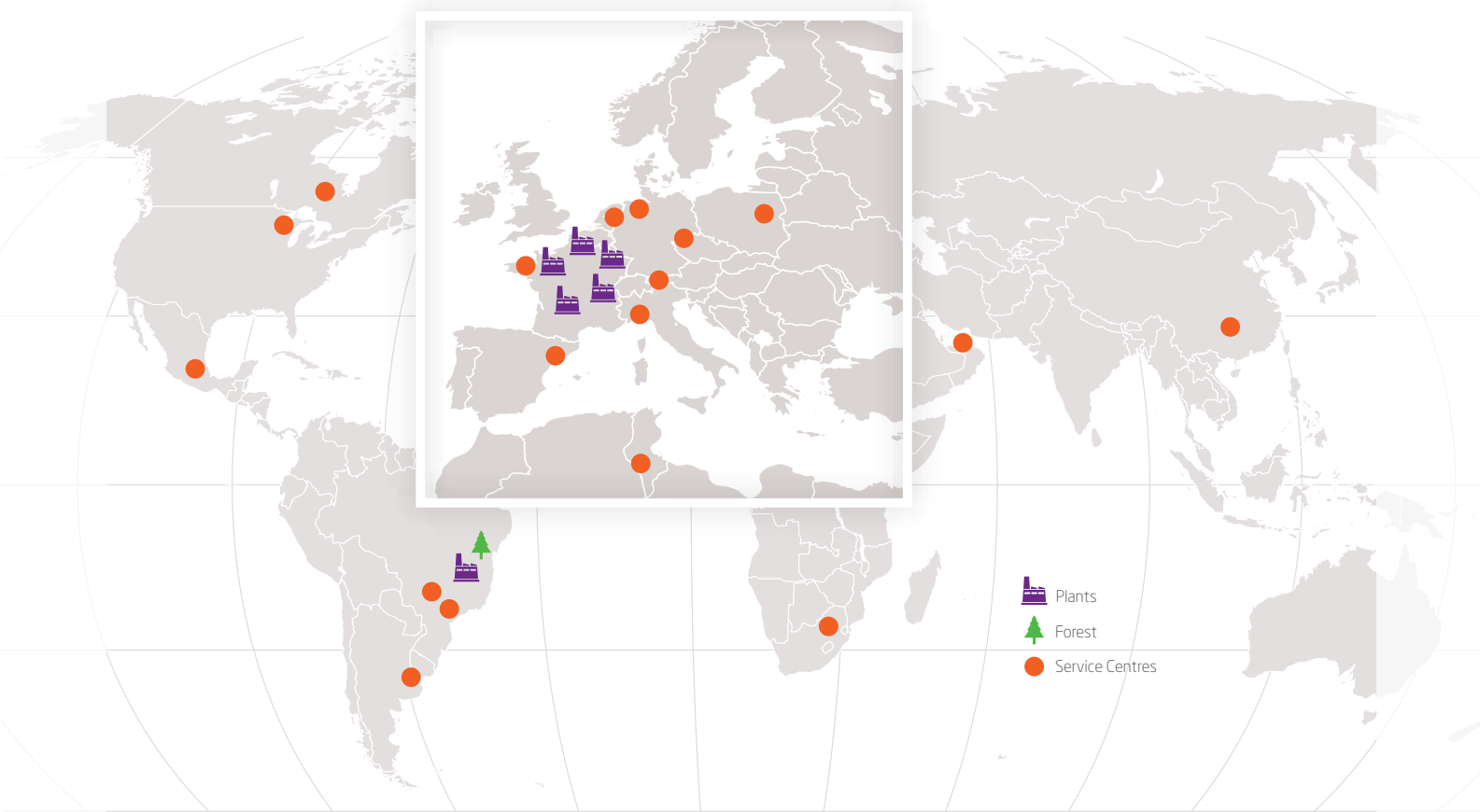
1.68mt shipped in 2012

2.5mt flat stainless steel capacity in Europe and South America

Aperam offers the widest stainless steel product range in the world

37% of Aperam's energy is from biomass

US\$ million	2012	2011	2010
EBITDA	214	356	410
Number of employees	9,806	10,533	9,904
Employee wages and benefits	688	761	709
Payments to suppliers	4,373	5,265	4,535
Taxes paid to government	59	58	61
Community investments	1.5	2	2
Payments to providers of funds	134	132	178
Research & development	20	20	21
Economic value retained	69	203	171
Economic value generated	5,345	6,454	5,691



18 Service Centres

9 Transformation Facilities

22 Sales Offices

6 Main Plants
Belgium | Brazil | France

US\$5.3bn
2012 sales in 40 countries (€4.1bn)

Governance

Navigating a straight and trusted course is helped by a raft of policies to support the Management Committee. These include our Code of Business Conduct, Insider Dealing Regulations and policies on risk management, anti-fraud. We aim to maintain high standards of integrity, accountability and responsible governance practices. We comply with the Luxembourg Stock Exchange Ten Corporate Governance Principles (Annual Report, page 42).

To see our Annual Report, please visit aperam.com/who-are-we/investors-shareholders/aperam-reports



We have in place a committed and engaged Board of Directors who define our business objectives under the advice of the Management Committee. The Chairman is not an executive officer. The CEO has ultimate accountability for our sustainability ethics, performance and compliance. Some 10% of the performance bonus of the CEO and Management Committee members is linked to safety performance (Annual Report, page 49). Shareholders can provide recommendations to the highest governance body via the standard routes such as the shareholders' meeting. Employees can engage with the Management Committee and CEO on a monthly basis on matters relating to safety and human resources.

Our Management Committee is entrusted with the day-to-day management of the Company, as authorised by the Board. Its members are appointed and dismissed by the Board.

Our Sustainability, Performance and Strategy Committee assists the Aperam Board's approach to sustainability. The committee met four times in 2012, with 100% attendance. A separate Sustainability Steering Committee guides sustainability management, risk, stakeholder relationships, reporting and assurance.

Developing how we manage sustainability

Safety matters are listed as risk factors in our Annual Report, our CEO and Management Committee are engaged on safety front and centre and we are redoubling our vigilance to make sure behaviours respect guidance on safety. Our safety guidance and policy are emphatically underlined during our annual Health & Safety Day, in which members of the Board of Directors also participate. Aperam's Health & Safety Roadmap maintains a focus on key safety action, such as training and best practice sharing, through the year. We continue to work towards a goal of zero accidents and injuries.

On people matters, we used our employee motivation and engagement survey to keep abreast of sentiment and satisfaction in Aperam. We are taking forward the actions resulting from the last survey. Safety, compensation and work-life balance are the top three issues of importance to employees.

We have initiated new leadership development programmes, building on our Human Resources policies launched in 2011 and we run our Continuous Improvement Challenge to recognise the skills and values of Aperam employees and management.

(we+do)

This engagement is coupled with a new concept to articulate the reciprocity, closeness, respect and engagement between employee and company. Known as **(we+do)**, the aims are to increase the motivation and the engagement of all our employees, retain key people and attract the best candidates, and create a strong employer branding.

Material issues 2012-13 and engaging with stakeholders

Issues that have a material impact on our stakeholders, the environment and on us are assessed in a structured way by our Sustainability Steering Committee by division first and then consolidated at Aperam level, to identify the most important for our reporting. Other issues that are omitted, or that do not receive substantial coverage in the report, are of lower materiality. Absence from our report does not necessarily mean that an issue is not managed.

We have assessed the priority attached by our stakeholders, and internally, to sustainability issues. Issues raised by stakeholders are subject to review by our Sustainability, Performance and Strategy Committee. Where the issue meets certain risk related classifications (internally and externally-focused) we formulate a way to manage it and will include it as appropriate in our public reporting.

People involved in our materiality process include internal experts in our Sustainability Steering Committee, employees (via a wider survey) and dialogue with unions. As part of our wider sustainability approach we engage with shareholders (AGM), customers (constantly and through Customer Satisfaction Surveys), communities (notably those close to our operations and through Aperam Acesita Foundation programmes) and local suppliers, academic bodies, the ISSF (and other trade bodies).

What are our key material issues?

- 1

Health and Safety
- 2

Economic value generated
- 3

Local air quality
- 4

Labour relations
- 5

Business integrity
- 6

Energy use and efficiency
- 7

Materials use efficiency
- 8

Greenhouse gas emissions
- 9

Use of recycled materials
- 10

Waste management
- 11

Ozone depleting emissions
- 12

Customer satisfaction
- 13

Employee development and engagement
- 14

Environmental management and compliance
- 15

Water use and recycling
- 16

Local supply chain engagement
- 17

Local employment
- 18

Waste water
- 19

Human rights
- 20

Community involvement
- 21

Environmental fines incurred
- 22

Biodiversity

We have initiated new leadership development programmes, building on our Human Resources policies

Risk and issues

Risk also means opportunity. Risk management processes, embedded in the organisational culture, help decision-making by the leadership, allows opportunity to be spotted and acted upon, and supports continuous improvement. Our Combined Assurance risk management function facilitates the risk management process and prepares the Risk Management reporting documentation for both the Management Committee and the Audit & Risk Management Committee.

Our framework for managing risk is based on:

- COSO Enterprise Risk Management Framework
- ISO31000 principles and guidelines for risk management
- Benchmarking with external companies.

Our Audit and Risk Management Committee supports the Board of Directors in fulfilling their corporate governance duties relating to defining and reviewing risk, managing risk assessment, and risk audit. The Sustainability, Performance and Strategy Committee advises the Board on wider, sustainability risks. Page seven of our Risk Management Manual describes risk as a pillar of corporate governance and the organisational responsibilities for risk.

Our Aperam Anti-Fraud Policy and Whistleblower Charter allow employees to raise concerns over possible irregularities in financial practices.

Aperam's Board of Directors

Name	Age	Gender	Position held in Aperam's Board of Directors	Status	Sustainability, Performance and Strategy Committee	Audit and Risk Management Committee	Remuneration, Nomination and Corporate Governance Committee
Lakshmi Mittal	62	M	Chairman	Non-independent			
Romain Bausch	59	M	Member	Independent		Member	Chairman
David Burritt	57	M	Member	Independent		Chairman	Member
Kathryn Matthews	53	F	Member	Independent	Member		Member
Aditya Mittal	36	M	Member	Non-independent			
Laurence Mulliez	46	F	Member	Independent	Member	Member	
Gonzalo Urquijo	51	M	Member	Non-Independent	Chairman		



Aperam offers the widest stainless steel product range in the world

Accountability, control and influence

Activities that are not managed appropriately may present challenges from a sustainability perspective. Competition for water or land, amenity impacts for local communities, and greenhouse gas emissions from our operations are examples of this. We encourage wider debate on the expansive benefits to society as a result of the use of our stainless steels, alloys and speciality products. The in-house approach to employee

engagement ((we+do) for example) is an important process to build ways of working that allow leadership to be accountable and the rest of the employees to hold leaders to account.

We manage our business so that we do not infringe stakeholders' rights as defined by national and international laws and norms; for example we uphold employees' labour rights according to Brazilian labour relations and representation laws.



Customer innovation and shared value

Our customers and end users expect an overriding focus on quality and cost. But we strive to go further: to be bold and to innovate beyond what the customer expects. Taking advantage of Aperam's ingenuity, we catalyse the astonishing properties of our products and adapt to economic challenges.

The commercial environment over recent years has presented challenges. Raw material price rises and volatility present demanding impacts on operators, whilst the European market has seen some significant manufacturing consolidation in 2012. Against this background, Aperam responds with innovation and new ways of organising our business for greater customer benefits.

All this takes place as the products we make continue to get better and to serve a supreme diversity of needs in industry and society. Stainless steel was first discovered and commercialised a century ago: and now we look forward to countless future opportunities.

Indicator	We said	We did	We will
Customer: continue pursuit of excellence in customer satisfaction	Establish and monitor action plan in response to customer surveys in 2012	 Achieved	We will run a new survey in 2013 for both Europe and South America markets
	Phase 2 of Commercial Excellence Project in Europe and logistics performance in South America; common performance monitoring for commercial teams	 On track, and under review	Review how excellence in commercial performance is measured under the re-organised Aperam
Product: maintain innovative profile	Promote the development and marketing of high volume less expensive alloys (less nickel content)	 Achieved	30% of portfolio will comprise 200 series, ferritics and duplex
	Ramp up commercial developments in oil & gas, water, desalination and sustainable construction	 On track, in response to market segmentation	Launch new sector marketing teams by the end of 2013
	Intensify collaborations with universities and utility companies	 On track	New collaborations with key universities covering stainless steel application in food industry and hospitals

Stainless | Unmatched



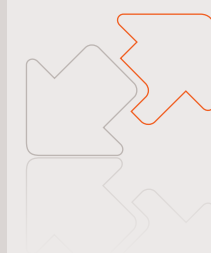
Fit for a severe environment

Stainless steel presents architects with many possibilities for shape, colour and form, whilst being tough, hygienic, adaptable and recyclable. But stainless steel is also corrosion and fire resistant, it offers superior strength and load-bearing capacity for a longer time than equivalent carbon steel forms.

This can therefore allow buildings to use stainless members without protection. This can lower construction costs, shorten construction periods, make better use of interior space, improve the working environment and make the building more aesthetically pleasing.



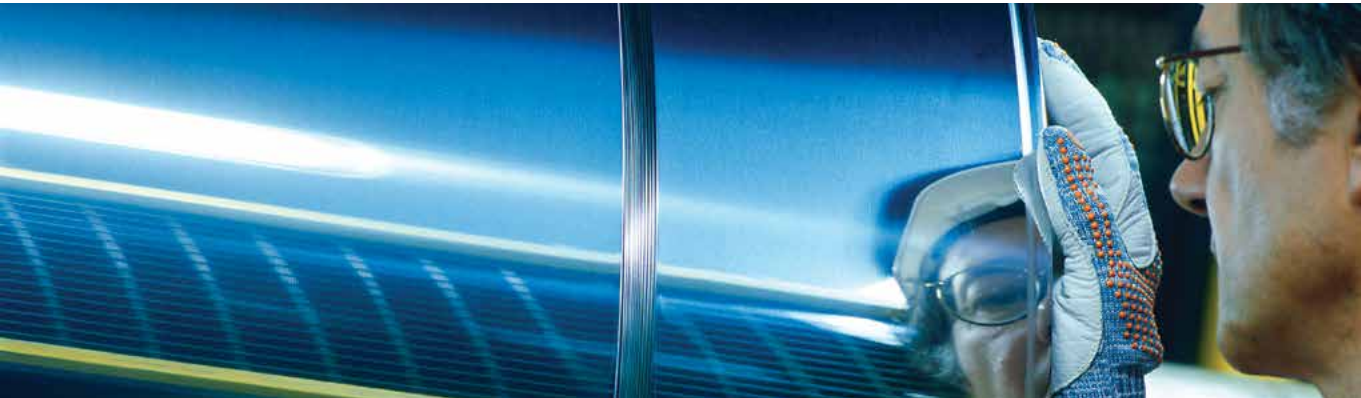
How we work



Agility

As is our way, we have a deftly innovative response to market conditions by, for instance, more tightly aligning our sourcing and our sales functions; the result is rapid improvement in customer terms and more stable prices.





Exceeding customer needs

Recent global context

Market conditions present big challenges to our sector. Among these was the financial crisis of 2009, the European budget crisis of 2012, a slide in infrastructure investment, tax increases hitting consumption and European stainless steel structural overcapacity.

Analysts see the dynamic markets to be China, India, some Asian countries, NAFTA and Latin America, while the stagnating markets are seen by some to be Europe (UK, Spain, France) and Japan. The US market was strong in 2010 and 2011, with a good outlook in 2013 when it is likely to grow faster than most European markets.

The forces of globalisation and a strong Euro have impacted the competitiveness of our customers, and their financial vulnerability has been further affected by strict policies of credit insurers. Also, in some market segments, such as automotive, there are signs of overcapacity globally.

A positive development for us in 2012 was the decision of the Brazilian government to increase tariffs on stainless steel to compensate for the loss of competitiveness resulting from the high value of the Brazilian Real. See page 11 of our Annual Report for a market analysis.

Consumer durables tend to be more price sensitive as consumers often have alternatives at hand (coated carbon steels, aluminium, plastics). While investment goods are more stable in their specifications but with a lot more volatility in the face of the economic situation, as we saw in 2009. So the sector is developing strategies to face highly demanding raw material prices: our inputs comprise scrap, molybdenum, ferrochrome, nickel, pig iron, oil and electricity; and each is exposed to volatility.

As a result, we focus here on the ‘economic pillar’ of sustainability, that part of the equation that sustains the financial health of a company. Agility, one of our key values, is really brought to life as we cope successfully with these adverse conditions.

“R&D teams play an essential role to understand what direction the world is heading in and anticipate needs.”

Tim di Maulo, Chief Commercial & Sourcing Officer

Five benefits of our recent changes for customers:

- 1 Raw material cost savings buffering for customers
- 2 Tailored pricing solutions
- 3 Trusted strategic partner: increased product sales 2011-2012
- 4 Unrivalled technical support
- 5 Long-term partnerships: great teams working on solutions together

Cutting diesel pollutants

Our automotive customer team have scored a great achievement. Working with automotive partners, Aperam’s K33X ferritic grade has been developed and approved for use in a new selective catalytic reduction (SCR) system to remove nitrogen oxides (NOx) from diesel engine exhaust gases.

The SCR will be these partners’ production cars of 1.6L or less from 2014, to help meet the EURO6 environmental standard.

For five years we have been developing the skills of specialist engineers at the Isbergues research centre in anticipation of this standard. This dedicated automotive competence is unique on the European market.



Responding with agility

So what is Aperam’s response?

Our aim is to continue adding value for customers and end users as well as investing in the future, by improving products, production equipment and processes.

Our immediate response has been to reorganise how we serve our customers so that they can have a clear single point of contact for product sales from mills and service centres. We are simplifying how we organise supply chain management, procurement and commercial sales management. We have established a strong integrated trading and sourcing department. Our agility means we can work to achieve what we call ‘effective pricing’ for customers, for example by using an overhead at current London Metal Exchange (LME) nickel prices rather than those of previous months. Customers like this: it helps them avoid, or limit, passing raw material price volatility to their end user customers.

Our response also means practical changes on site. At Gueugnon we have invested heavily in a new production line – the ‘RD79’. We can buffer customers against raw material price volatility but we can also improve delivery times through such production investments. This amounts to a series of attractive innovations for customers.

Also, we maintain a clear momentum in product development – this remains a clear long-term focus for our teams. We have continued to work on ‘lean Duplex’ products, for example DX2202, and we have succeeded in promoting our KARA® K33X in the automotive sector.

Finally, we continue our long-term partnerships and associations to help retain our market profile and position at the heart of the industrial production chain. This encompasses deep collaboration with original equipment manufacturers (OEM) such as PSA, Renault, Mercedes, Doosan, Indesit and Sidem, Technip, Valtimet as well as evolving product development approaches and new materials with Bosch.

For the long-term:
Aperam as ‘strategic supplier’ (again)

Aperam Stainless Europe achieved the accolade as Indesit’s ‘strategic supplier’ for the fifth consecutive year. This acknowledges quality, innovation, service and stability. Indesit is planning further development of small appliances, hoods and sinks, focusing on the Middle East, South Africa, Turkey and Russia. Indesit was founded in 1975, has a €2.8 billion turnover, 16,000 employees and 16 production sites; it is the second largest European producer of household appliances, producing the Hotpoint-Ariston, Scholtes and Indesit brands.

Aperam’s primary brands and products

In Europe, our product offering comprises a wide range of grades such as duplex and primary brands such as KARA® (a nickel-free ferritic grade). From our Imphy site we offer a large range of forged, drawn bars or billets from continuous casting whilst Aperam Alloys Amilly provides our magnetic alloys offering; we are also known for our specific electrical and specialist carbon steels. Alongside production is our Services & Solutions division that offers distribution services as well as customised steel solutions, relating to, for example, tubes and precision steels.

For all details on our products please follow the links from www.aperam.com.

60 seconds with the
Chief Commercial & Sourcing Officer

As described above, we reorganised our sourcing and commercial functions bringing mill and service centre sales together, with stronger global marketing and a leaner organisation where the teams are closer than ever to site operations.

Tim di Maulo. Tim di Maulo was appointed Chief Commercial & Sourcing Officer (CCSO) in May 2012.



How has Aperam responded to the tighter market conditions?

We have integrated further the commercial and sourcing functions. This includes raw material purchasing, direct mill sales, service and solutions sales, marketing and research & development. Also, sales teams will be working closely with buyers to take advantage of how the commodity markets work in order to provide benefits that we can share with customers.

What will be different?

We have simplified the way customers can access products from mills and Services & Solutions division. Better synergies exist between sales and sourcing teams. We continue to innovate and be a catalyst in the sector, for example by minimising our working capital and hedging our open nickel position on the London Metal Exchange.

What about R&D?

R&D teams play an essential role to understand what direction the world is heading in and anticipate needs. It will be more focused on the needs of the market to create new opportunities for customers.

What are the challenges in the future?

With the merger between Outokumpu and Inoxum (ThyssenKrupp), European competition will change significantly. However, while they deal with the impacts of the merger, a real opportunity opens to us. We can strengthen our market and commercial position if we remain faithful to our values of agility, ingenuity and leadership.

Solid customer service: how it works here

Whilst we adapt to changing conditions we also ensure the basic approach to managing customer and product affairs is intact and evolving. Engagement with customers is constant.

Commercial policy and marketing strategy are set centrally. Revised in 2012, our Risk Management Policy allows the company to assess risk relating to changing customer demands and market trends. It requires each division and corporate function to cascade risk management in accordance with Aperam's Risk Management Guidelines.

Internally we build connections and carry out training for sales teams on new offers, new grades and team building. For example, we have a common development programme across Europe and Brazil, which is also a vector through which we share R&D progress.

We survey customer expectations every year in South America and every two years in Europe. In 2012, South America returned a score of 8.05 (49 clients)*, compared to 8.17 in 2011. Subsequently, an action plan to improve logistics is now in place in Brazil. In 2011, Aperam Stainless Europe returned a score of 7.1 (170 respondents)* compared to 7.3 in 2008. Logistics (6.5), claims settlement (6.3) and development performances (6.9) were challenged by our clients. Action plans have

been established and monitored and many were implemented on sites according to their market segment, relating to logistics, claims, commercial relationships, terms and conditions, technical assistance, product development and communication in 2012. These will continue in 2013 and a new survey will be launched in September 2013 to check their impacts. Quality management at Aperam is underpinned by plant-level training, audit and defect detection. Existing certifications include ISO9001, OHSAS18001, ISO/TS16949.

Specialist quality software and operator training are implemented in our plants. The Good Products software ensures coil quality for each tool and results show that the software revealed early quality risks, for example furnace temperature in annealing. It is in place at Gueugnon, Genk and Châtelet. Another software tool provides a structured method for each work station to allow procedural rigour in order that risks to quality, health and environmental control are minimised.

Flexing our muscles: RD79 in action

The significant investment at Gueugnon into the new production line known as 'RD79' will, when it is commissioned, allow us to further improve our response to the needs of customers in terms of quality and timeliness. Hot-rolled products will see improved delivery times and lower breakage rates; flatness is substantially improved too. Also, it will strengthen our product offering in line with US materials standards.



Safe products through the life-cycle

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.

An accolade for Aperam: Star Supplier 2013

Aperam South America has been recognised the 'best commercial service' provider for its work with Flexibrás, part of the Technip Group, world leader in engineering and construction. They use our duplex grades for flexible tubes in marine oil extraction: we provided bespoke adaptations to meet client needs. The reasons for this recognition are:

- Aperam is close to the customer
- Our agility helps solve any quality or commercial issues
- Short production lead time compared to imported material
- Strategic storage of hot rolled material.

"We are proud to provide products that meet the highly demanding requirements of a national oil and gas supply chain"

Clênio Guimarães,
Chief Operating Officer, Stainless & Electrical Steel South America



Heart of the industry: collaborations in practice

Our ambition is to be a lead catalyst in the industry in stainless and electrical steel and specialities, allowing us to be competitive through operational efficiency and to create wealth for all stakeholders, especially customers. We work alongside customers consistently at Management Committee level as well as shop-floor level.



Kicking off with quality in Brazil's World Cup stadium

2012 saw the inauguration of Brazil's first World Cup stadium!

The façade of the stadium prominently features stainless steel plates 42 metres high fixed between 68 pillars on the stadium façade. In total Aperam South America supplied 80 tons of ferritic stainless steel. Aperam steel was also used for railings, sanitary fittings and locks on the site. Aperam steel will also be used in the National Stadium in Brasília.

"The material is highly reliable, not only for the security related applications but also for aesthetics and maintenance purposes; we value the low-maintenance aspect and 100% recyclability"

Vicente Castro Mello, project architect

A helicopter view of stainless steel at an altitude of 3835 meters

Sitting in a valley, this project required several months of studies to resolve the issues surrounding the construction of this capped and faceted building. Precision to the nearest millimeter was required in view of the extreme conditions. Mat finished and durable, the stainless steel roofing material responds to both the climatic and environmental requirements.

Temperatures which can plummet to minus 40 degrees, the concept was to create a shell with a capacity to accommodate 120 people. This project comprises type 304L austenitic stainless steel for the outer cladding, perfectly suited to the extreme weather conditions in mountainous regions thanks to its surface finish, mechanical properties, ease of transformation and installation, whilst being recyclable.



Making for life

Cooking up innovation with Demeyere

Demeyere worked with Aperam Alloys Imphy on a specialist heat-tolerant metallurgy.

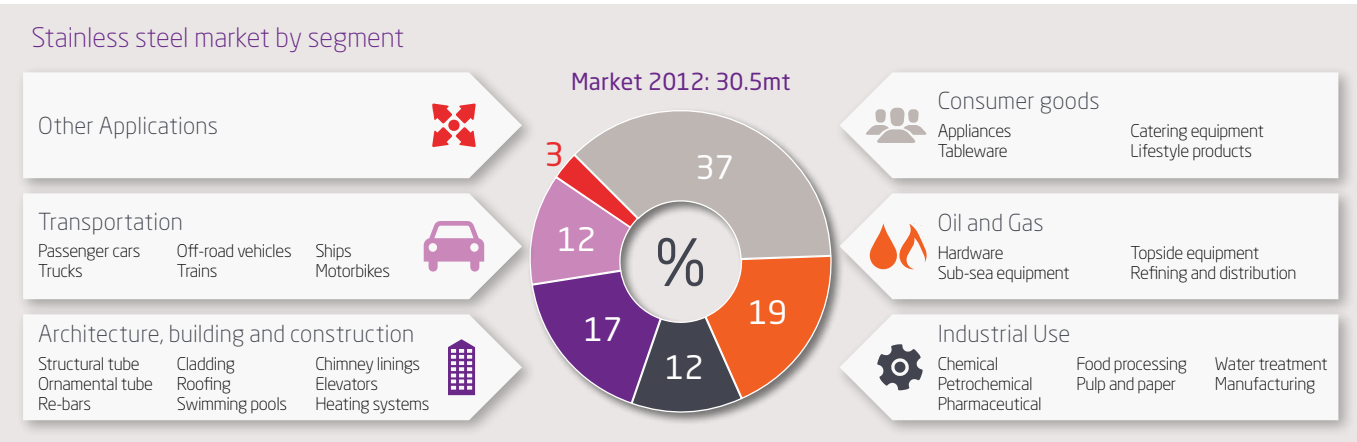
It is now possible to produce cooking utensils and heating induction containers that will not exceed a given temperature. One of the first applications has been in cookers where this feature prevents food from burning and fat from overheating. This also helps protect non-stick coatings because they degrade during prolonged heating over 240°C. The benefits are numerous, in terms of energy savings, ease of use and ensuring the maximum life for cooking utensils.



Innovation, long term

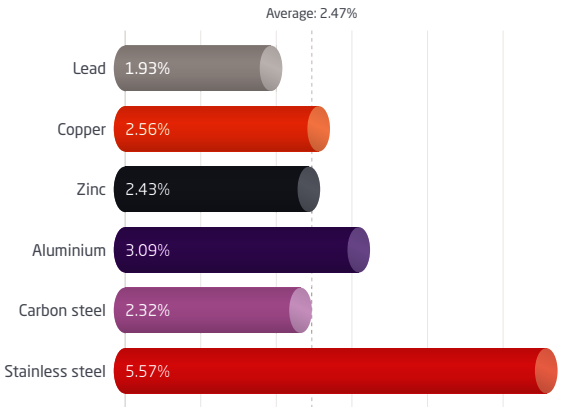
We are proud of the extraordinary properties of stainless steel and we never stop exploring the opportunities that lie around the next corner. No other material offers the durability, resilience, resistance to corrosion and heat, as well as outstanding mechanical properties at high temperatures. Stainless steel is perfect where hygiene is mandatory, it is endlessly recyclable and easily recycled, it is safe and it has a noble and aesthetic attraction to many end users and specifiers.

No wonder the end users are so diverse.



As society and governments become more conscious of sustainability considerations, the growth in the use of stainless steel has been the highest of any material in the world.

Compound annual growth rate of major metals (%/year): 1980 - 2010



ISSF, Stainless Steel in Figures 2012

And stainless steel will see further demand in line with global trends over the next 15 years relating to scarcity of energy resources, ore, food and water as well as climate change and demographic shifts. Our research team is already working on the resulting future opportunities for Aperam. In 2012 we maintained our €20m commitment to our R&D programmes in Isbergues, Imphy and Timóteo.

The 'anti-fingerprint' product UGINOX Cleantouch®

Our sales, production and Isbergues R&D teams have been working on a special coating on a stainless steel substrate. It aims to provide resistance to chemical change, heat, ultra-violet light, and shocks and scratches. It is also intended to be robust and easy to clean. The product will serve different markets such as kitchen appliances, interiors and sanitary applications.



In use: roofing

Stainless steel functions in even the most severe environments. It has high physical and thermal shock properties. Ferritic stainless steel for example combines easy-to-clean features with durability and lightness. Our excellent surface finishes, UGINOX® tinned and UGITOP®, present great flexibility and durability for compelling architectural forms. For example, at St Lawrence Church in northern England UGINOX FME was installed. The design resembled the form of the original roof and the tin oxides forming on the replacement ferritic stainless steel gives a patina that blends perfectly with the traditional appearance desired.



The stainless church roof has excellent resistance to high wind, is lead-free and inert.

St Lawrence Church, Doncaster – United Kingdom
Architect: Wiles and Maguire Ltd
Contractor: A+K Bridgett & Sons (Tickhill)
Installer: CEL

Energy scarcity

Stainless steel is currently used in providing alternative energy resources and in promoting energy efficiency. Opportunities are expected to grow with the further development of liquefied natural gas (LNG), deep sea fossil fuels and shale gas, for example. And as renewable energy technologies form a greater part of our energy mix we will see further opportunities for stainless steel, building on existing product offerings in solar, wind, biomass, hydroelectric, wave and geothermal systems.

Crucially, stainless and electrical steels are found to have a key role in many energy efficiency systems, in distribution grids, household appliances and construction.

Electrical steels allow great efficiency in energy generation and energy saving applications. In South America for example, Aperam is the sole producer of grain-oriented (GO) and non-grain oriented (NGO) electrical steels. Their excellent magnetic properties allow higher efficiency of electrical equipment.



The non-grain oriented (NGO) electrical steels are used in compressors for refrigerators

Demographic change

As mega-trends in world population growth, such as ageing population and urbanisation, intensify we can note a series of changes in society's consumption habits. An example is the potential demand for products that promote or preserve hygienic conditions, and for products that meet increasingly stringent demands on quality.

Cachaça of quality

Cachaça is a popular beverage made from fermented sugarcane juice. Aperam's stainless steel components are used in reservoirs, preheating tanks, condensers, fermentation tanks and homogenisation tanks. The very smooth surface of stainless steel prevents the accumulation of impurities on the surface of the processing tanks. This and other benefits allow a better quality product at a competitive price. Sante!

Solarstyl® growth

Last year we reported on our photovoltaic products using our K44 grade for façade and roofing components. Over 2012 we have seen some steady growth particularly in France. We recorded 3,000m² sold and installed. The French governmental support available to end users has undoubtedly benefited this market.



Air quality and emissions regulations

To improve air quality globally we anticipate that the choice of materials used in infrastructure and industry will change. Industrial processes, transportation systems, power utilities and construction projects are increasingly specifying 'lower carbon' options with lower life-cycle costs. And specialist technologies such as carbon capture and storage and other nitrogen oxide emissions control technologies are being applied more widely. Stainless steel is specified in such applications because over the long term, its life-cycle costs are compelling.

In the transport sector, fuel economy and CO₂ emissions are increasingly regulated around the world. Stainless exhaust systems are increasingly used for their excellent service life and resistance to high temperatures. Lighter car bodies of stainless steel will improve fuel economy, without compromising safety. Extensive tests carried out in recent years with all the leading carmakers in Europe and the United States show that the total cost of body parts can justify the use of stainless steels.

Stainless growth in sugar cane and ethanol

Aperam South America is a leading supplier to the sugar and alcohol industry in Brazil. Substituting carbon steel with stainless improves productivity and product quality there, in line with new corporate policies. Tests run with the sugarcane sector show stainless steel as a more cost-effective option in sugarcane mills, sometimes by up to 40%. The relationships, technical developments and test results are very attractive to customers such as the Raizen Group featured here.

Carbon steel is increasingly being substituted in processes such as washing, evaporation and milling: the intention is to achieve a '100% stainless steel sugar and ethanol mill'. Cleaning costs are reduced, equipment lasts longer, and, vitally, the quality and price of sugar improves as 'black spots' in the product are reduced.



Sugarcane plantation



Example of Aperam's stainless steel inserts in sugar and alcohol mills



Stainless steel grades K39MD and K44



Stainless | Unmatched



Safer than plastic

Minute amounts of elements may be released from stainless steel during normal wear and tear, but any releases are highly dependent on the quality of the stainless steel. Iron, nickel, manganese, and even chromium are naturally occurring and safe to ingest in trace amounts. Our stainless steel meets stringent materials safety regulations. So in catering and home kitchen products for example it is important to make sure that the right grade of stainless is used for each application.

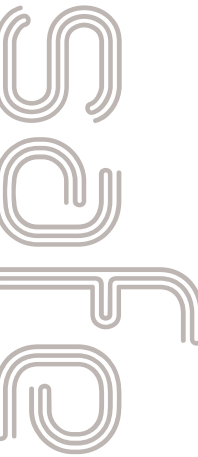


The core fibre of safety

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

Safety management must be a journey of vigilance. We capture this commitment in Aperam's Health & Safety Roadmap.

There are complex reasons behind decisions that human beings make. We know that we must constantly focus on being vigilant on safety behaviour. We work in high risk operating environments. We are accountable for our own safety. We look out for the safety of those around us. This is part of who we are.



Indicator	We said	We did	We will
Combined LTIFR (Employees and contractors, all regions)	0.7	1.3	Recover 2011 results
Fair Play Policy	Implement Fair Play Policy, group wide	✓ On track Policy implemented in most of the units	Monitoring the strict application of Fair Play Policy
Absenteeism	2.6%	2.4%	2.1%

How we work



Leadership

Heightened vigilance is reinforced: our Management Committee instigated 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.



How we manage safety

Safety is paramount at Aperam. We consider any injury to be unacceptable and all incidents to be preventable. Our Health & Safety Roadmap aims to show progress towards our long-term goal of zero accidents and injuries: all our employees and contractors must arrive home safely at the end of every shift.

We focus on the ‘behavioural dimension’ to health and safety to ensure that every person in Aperam takes responsibility; we are all accountable. In line with our Health & Safety Policy all of us at Aperam complete health and safety training. This provides a strong foundation and a supreme safety ethos in the organisation.

We actively encourage the sharing of best practice to enhance our ‘zero accident’ culture, a commitment clearly demonstrated in our Health & Safety Day in 2012. In addition, we hold a monthly management level meeting focusing on health and safety. All operations participate and Aperam’s CEO is involved in each one. Enshrined in the laws of the countries where we operate, our employees are represented by formal management worker safety committees. For example, Works Councils in Europe, and in Brazil 100% of our employees are represented by CIPA members in all production sites. Employees and temporary workers are represented by trade unions. All French employees and temporary workers are covered by collective agreements signed with local independent trade unions; formal safety agreements exist between Aperam and the local trade unions.

Our focus on behavioural management with respect to safety revolves around three key elements, see below.

- 1 Greater vigilance

We must couple the briefings and campaigns, such as the Golden Rules, with constant guidance on risk and reaction. Employee participation is vital: in each meeting’s safety-share, in regular safety meetings, task briefings and contractor engagement as well as our Health & Safety Day.
- 2 Fair Play Policy

Our Fair Play Policy is our commitment for each of us to be accountable for our safety and the safety of colleagues, whatever the pay grade. Where one’s actions become too risky this policy allows us to speak up to help reduce infringements of safe practice.
- 3 From the top down and the shop-floor up

Executive pay is directly linked to safety performance. The executive team deliberate intensely on safety. Our Head of Health & Safety is responsible for collecting performance information and disseminating learning, best practices, standards and awareness across the group.

Risk reminders

A new poster campaign launched on Health & Safety Day 2012 aimed to truly embed a daily ‘stop, think, act safely’ instinct in all employees and contractors. The message: that safety must always come first. Employees and contractors should work together to apply ‘shared vigilance’.

We didn’t stop there. Aperam’s Continuous Improvement Challenge 2012 was designed to showcase the continuous improvement and ambition of our operations with respect to Health & Safety.

What happened in 2012?

Regrettably, three tragic fatalities occurred in 2012. We have a very strong Health & Safety culture at Aperam and this tragic news was met with shock. Aperam’s Health & Safety Committee has identified and the Management Committee has validated four key priorities:

1. Maintain a visible leadership: to lead by example and avoid accidents through appropriate behaviour.

2. Top-down and bottom-up risk evaluation: we will map all root causes of accidents, all employees and contractors must report every accident and near-miss and best practices will be shared.

3. ‘Good safety practices’: clear understanding of good practice will support our immediate aim to achieve level 3 in applying fatality prevention standards. The long-term aim is level.

4. Recognise the importance of auditing for managers: it improves the understanding of safety risks and procedures. Managers must apply a Hazard Identification and Risk Analysis before conducting any risky activity.

We measure our progress based on the frequency and severity of accidents. Our combined lost time incident frequency rate (LTIFR) for employees and contractors was 1.3* (this means 1.3 injuries resulting in lost time per million working hours). Our Brazilian operations include manufacturing and forestry so the overall risk profile differs; in 2012 the LTIFR in Brazil was 0.5. Our absenteeism rate was 2.4% in 2012, indicating a small reduction from 2011 of absences as a result of occupational disease, chronic health issues and work related stress.¹ The rate varied from 1.0% in Brazil, 3.0% in France, 3.9% in Belgium and 2.8% for other sites.

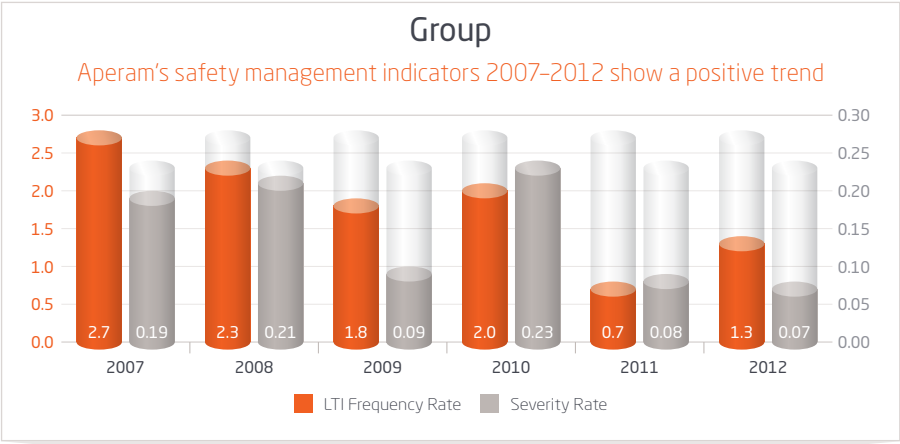
In April, employees and executives from all plants, service centres and sales offices took part in our annual Health & Safety Day. The focus was: ‘stop, think and act safely’. It was an opportunity to collaborate with contractors, temporary workers, trade union leaders and members of the community on Aperam’s most important health and safety issues. Topics included occupational diseases, emergency responses, wellbeing and contractor safety.

1. Absenteeism data cover significant sites only, BioEnergia is included. Data exclude absence resulting from lost time accidents and illness longer than six months. The absenteeism rate for 2011 was reported last year as 2.8%, we restate it this year as 2.6% owing to improvements in data systems.

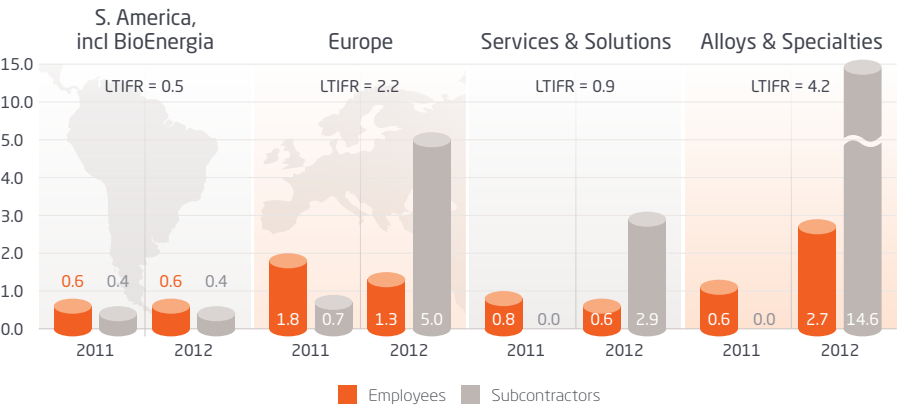


Health and Safety in three acts

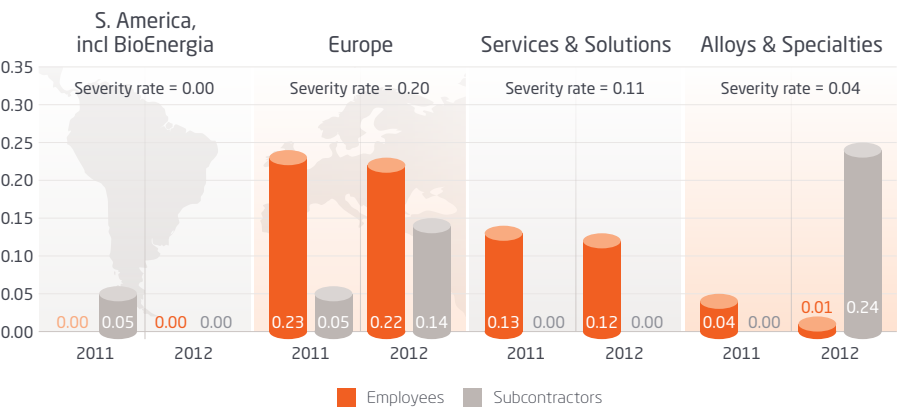
Safety performance, group level and by region¹



Combined Lost Time Injury Frequency Rate (LTIFR)



Severity rate



1. Number of injuries, including first-aid level injuries, resulting in lost time per million working hours

Where are we going?

- 1 Maintain target-beating LTIFR with constant vigilance for further improvement
- 2 Implement Fair Play Policy group wide, reinforce Leadership by Example
- 3 Improve quality of root cause analyses of all accidents, attack the ‘base of the pyramid’
- 4 Improve contractor safety, best practice sharing, manage by project

Sharing good practice every day

During our monthly Health & Safety Committee meetings we work to promote improved vigilance with better visible leadership, more training, a focus on contractor safety, better safety reporting and best practice sharing. We know there is work to do, for example on improving root cause analyses of accidents and reporting.

Safety Flash – Aperam Stainless Europe also releases a monthly bulletin on security and safety at each plant. Also, Services & Solutions in Luxembourg installed three canteen screens to send out ‘express safety messages’, reminding us all to reflect on safety at work, on the road and at home.

Working at height – To maintain a good record on working at height Aperam Imphy provided additional mandatory training for 20 contractors on site.

Carefully does it – In Duisburg Aperam has made the unloading of scrap and waste safer. Forklifts have been adapted to grab their loads from above, making its extraction easier and safer.

“We have the ambition to be the safest company in stainless, electrical steel and specialities: both for contractors and for our own personnel. In safety we have only one shared objective: no accident”

Jean-Paul Rouffiac, Chief Operating Officer, Aperam Stainless Europe

10%

of Aperam executives’ performance incentive is linked to safety performance







People at the heart of Aperam

Every day the initiative, agility and responsiveness of our people enable us to develop cutting-edge products, build great customer relationships and adapt to our environment, for example, with new ways of communicating, ‘cloud-based’ working practices, and reorganising how we trade or sell.

We listen to our employees, they are a key stakeholder group. We support them so that they are equipped to develop themselves and deliver innovative, high quality products on time.

Our colleagues value their training so we are reinforcing competency development and putting safety objectives in each manager’s annual performance plan. We are also seeing women take more positions at senior levels, and we are emphasising the total reward packages available here.

We have transformed into a leaner, more agile Aperam. And whilst we know this has presented challenges for our people, we have actively responded to their concerns and experienced positive dialogue throughout.

Indicator	We said	We did	We will
Annual training plans	Training plans in 93% of plants	 84% of employees followed a training plan in 2012	90% of employees by 2014
Regular career development reviews	Apply GEDP for 100% of managers and 95% of exempts	 Achieved	Maintain GEDP for 100% of managers, achieve it for 97% of exempts
Employee development and engagement	Launch new Employee Value Proposition initiative	 Achieved	Fully implement the Employee Value Proposition in 2014
Succession plans in place for management	Succession plans for 80% of senior managers and 90% of middle managers	 Achieved	Succession plan to fully cover Aperam management

Stainless | Unmatched



Precision specialists

Stainless steel can be made at gauges of 0.3mm or less! Such ultra-thin products (<0.3mm – 2.5mm) can also be annealed in different profile shapes, widths and tolerances. For more than 100 years, two of our French mills have been dedicated to cold rolling of special steels: this experience has enabled us to become a specialist in ultra-thin stainless steel serving highly complex customer demands. Our teams at our production sites react quickly to provide products and samples; so if you have an ultra-thin design in mind, pick up the phone and call our experts!



How we work



Agility

Composed, productive, light on our feet: our people adapt and respond to changes in the commercial environment, to workplace incidents, and to a collective effort to do better. Aperam has to react, but our people see the direction and help us get there. This is an excellent example of respect and working relationships in action.



Our people approach

In the pursuit of excellence and continuous improvement, we continue to deliver the objectives of our Human Resources Policy which aims to ensure employee retention, equal opportunities, safety and career development.

Crucially, we want our colleagues to have skills that are 'made for life', which help us meet the needs of our business and our customers.

We have strengthened our commitment to employees with the new Competency Framework which encourages strategic thinking and decision-making competencies as well as skills to help manage through change. Other focus areas include teamwork and stakeholder engagement, effective communications, as well as learning and development. Additionally, our Global Training Policy aims to develop the skills and performance required of employees.

We have a new Leadership Development Policy and Annual Performance Review Guidelines. Guided by local employment laws where we operate, these policies will help improve performance and equip managers with the right skills to talk through and plan improvements with employees.

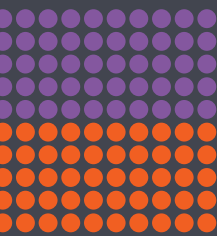
Whilst all employees receive information on labour rights, health and safety procedures and employment law, they must all comply with our Code of Business Conduct and Anti-Corruption Guidelines. Going deeper, we strive to engage our employees through our Continuous Improvement Challenge, employee surveys and other internal communications. We have established a forum for engaging with employees and unions through the European Works Council.

We provide extensive benefits to our employees including medical, disability and death insurance as well as stress management counselling and travel insurance. We provide private pension facilities to 99.9% of employees.

TOP 20



In 2012 Aperam South America was again voted one of the top 150 companies to work for and was voted one of the top 20 most sustainable companies in Brazil.



50%

of our Independent Board Members are women

What happened in 2012?

2012 was a year of transformation. Commercial change naturally impacts on people, their jobs and their opinions. We track what they think. These focus areas are guided by the outcomes of our 2011 Leadership Survey. Our Engagement and Motivation Survey of employees in 2012 highlighted the most important issues to be safety, pay and work-life balance. As a result we focused on four priorities in 2012:

A strategic view

To attract and retain the best employees we have developed a people strategy known as the Employee Value Proposition, an outcome of the Leadership Survey. It focuses on compensation and benefits, work-life balance, future career opportunities, health and safety culture, and skills development.

Safety at the core

Our Health & Safety Roadmap aims to ensure that senior managers (10% of us) lead on constantly embedding the health and safety culture.

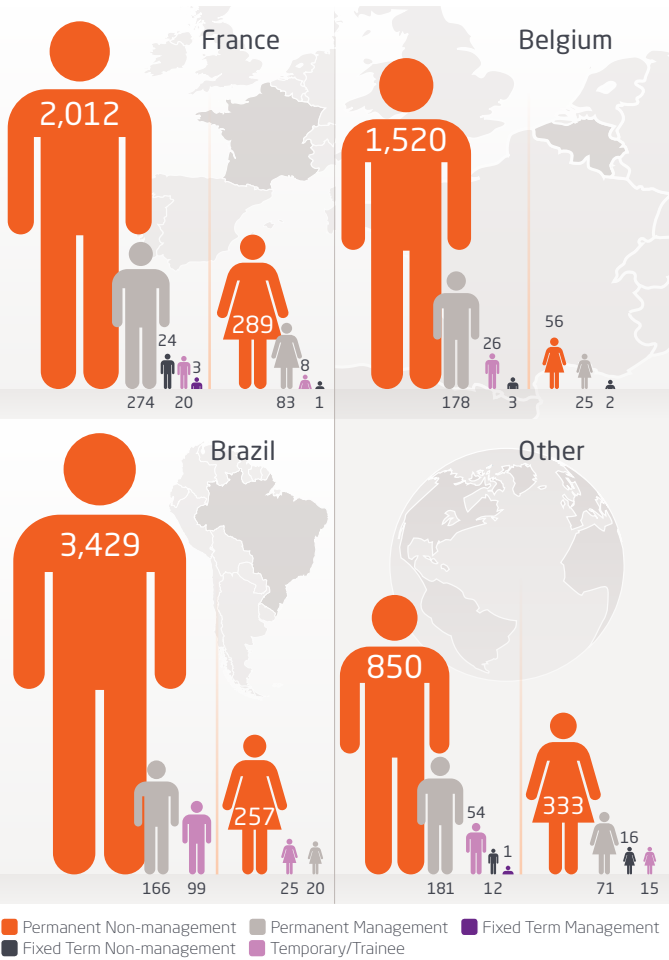
Reinforcing skills for the future

Our training investment is maintained. Professional committees help to identify skills needed for our future, through workforce planning and skills gap analysis.

Adaptation for competitiveness

We increased productivity of employees in the recently challenging commercial environment, and maintained excellent dialogue too. We had to reduce our workforce in 2012 but throughout the process good quality relationships with employees and trade unions were maintained. We commit to reporting revised data next year on the percentage of the workforce covered by collective bargaining agreements.

The Aperam Family in 2012¹



In 2012, Aperam (including BioEnergia) directly employed 9,745* people with permanent contracts and 62 people with fixed-term contracts. We also employed 452 trainees and temporary workers worldwide. Our headquarters are in Luxembourg however 40% of us are located in Brazil. Our overall permanent employee turnover was 8.7%, an increase of 0.7% on 2011. Overall we saw 859 employees leave Aperam, but welcomed 220 new hires. The turnover is mainly the result of our reduced headcount in Europe and South America. The closure of the Paris office and São Paulo Distribution Centre led to 133 redundancies.

2012 Group Turnover was 8.7%			
Turnover		Leavers	Joiners
Region	Brazil	557	110
	France	165	54
	Belgium	75	2
	Other	62	54
Gender	Male	782	179
	Female	77	41
Age	< 30	103	122
	30 - 50	333	81
	> 50	287	3
	Unknown	136	14
Total		859	220

Diversity at Aperam

Out of our 1,002 directly employed people responsible for achieving performance objectives (known as 'exempts'), 198 are women. Overall, 86% of Aperam's workforce is male. Whilst we know this is an area on which we need to continue to work, we offered to our talented female colleagues a Women in Leadership course. In total, 61% of Aperam employees are between 30 and 50 years old.

Making for life

Our new Alloys Production School aims to train over 100 production operators over the next five years. Three production lines will be used to train participants on melting, hot and cold rolling, safety and operational culture. The school will provide over 500 hours of training through two sets of 12 trainees per year. It will be an excellent opportunity for the 'old hands' to share their skills through the company. The first session took place in October 2012.

Trainees will receive an industry-recognised diploma upon completion of the training.

1 Figures include people on 'third parties' payroll working for Aperam and exclude people invoiced to external entities. We were unable to obtain gender information for 206 temporary workers (140 in France and 66 in countries other than France, Belgium and Brazil). Last year, we reported number of contractors as well, in 2012 we have not included contractors in our employee figures. Figures are in FTE.

(we+do)

"The success of Aperam relies on both individual and collective contribution"

Johanna Van Sevenant, Head of Human Resources

Recent employee engagement is coupled with a new concept to articulate the reciprocity, closeness, respect and engagement between employee and company. Known as (we+do), the aims are to increase motivation and engagement of employees, retain key people, attract the best candidates and strengthen employer branding.

The (we+do) logo is increasingly visible at Aperam to remind us during challenging times. The first (we+do) newsletter was published in September 2012.

A continued focus on training

In 2012 we achieved our target of establishing annual training plans for 84% of our employees. We maintained our investment of €7 million in training, while delivering 321,207 hours of employee training. Of all training delivered, technical and safety (including environmental) are the top topics (32% and 29% respectively) followed by quality (16%) and personal development (10%).

By the end of 2012, 100% of our managers (100 people) and 95% of exempts completed the GEDP talent development programme. Through this, at the annual appraisal, a manager assesses whether or not an individual has achieved agreed goals and expectations in their career plan. By measuring an individual's performance annually, the manager and the employee can formally evaluate performance against the plan. Of our 100 managers, 95% have a career progression plan, exceeding our target of 90%.

Overall, in 2012, our employees received an average of 39.1 hours training		
	Male	Female
Operations	38.5	34.4
White collar	41.8	37.0
Total	39.4	36.5

Our 8th Continuous Improvement Challenge

This is an innovative programme that enables us to recognise the skills and values of our employees. It also leads to best practice learning across our operations. We were pleased to see how strong collaboration and innovation have resulted in the reduction of customer complaints on bright annealing. This was due to fewer defects and a reduction of rework and follow-up inspections. In the same time, this project contributed to safer operations. Congratulations to Genk SKP1 team!

"For Aperam this event reveals the intensity of what we do to reach excellence in our processes, to work safely, to succeed in our Leadership Journey and to keep an eye on our customers. It's in line with our strategy to create value."

Philippe Darmayan, Aperam CEO



The people in our communities

We understand our place in the lives of those around us. 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 and donations through our Aperam Acesita Foundation.

How we manage this

Our approach to community relations is guided by our values and by frameworks such as the UN Global Compact. The approach is rooted firmly at grass-roots levels with the Aperam Acesita Foundation which runs an impressive breadth of community, education and cultural programmes. We work in partnerships with colleges, schools, youth groups and cultural centres, for example. Where we operate in Brazil, Aperam is an important element in local town life. In Europe, we continue to focus on specific partnerships and relationships on more of an ad-hoc basis.

Indicator	We said	We did	We will
Maintain licence to operate by monitoring community risks (Brazil)	Monitoring risks that affect licence to operate	On track	Review our approach to these risks by 2014
Good quality community engagement (Brazil)	Review our community stakeholder engagement programmes	Achieved	Maintain level of activity and engagement
Local supply chain engagement	Review local supply chain engagement in Brazil	On track	Report in 2014 on local supplier engagement in Europe and South America

Safer communities: encouraging watchfulness

We encourage the promotion of safety practices into all walks of life outside including the ‘factory gate’. For example, Aperam BioEnergia has nine observation towers, eight tankers and 48 watchmen working in three shifts; the site each year gathers together employees, contractors and communities to learn about fire prevention and safety. All employees are involved.

“Our focus is to educate and empower people to avoid possible fires”

Daniel Coelho,
Manager of Forestry

In 2012 the event featured evacuation simulations and fire-fighting skills. Fostering excellent community relations makes business sense. Our neighbours are very important partners in this work, they are always alert to any movement in the forest, or the slightest hint of smoke.



What happened in 2012?

In short, since 2011, we have intensified our support to the communities and supply chains where we operate.

In 2012, we indirectly distributed US\$5,345m to the economy worldwide through tax payments, wages, salaries, contracts, community investments and research and development spending.

We adopt procedures that allow us to favour local suppliers. They can be assessed on safety, quality, cost, technical efficiency and delivery term in order to optimise the supply management performance and the long-term relationship. Our Production Sites and Service Centres have not only a direct impact on the local economy by providing direct jobs but support local business in the supply chain and support services. This positive local economic impact helps ensure continuous supply to Aperam entities and a stable economy anchored to the local community.

Aperam considers its suppliers sustainable partners and therefore strives to maintain a good dialogue on a regular basis to establish sustainable performance and improvement actions to the benefit of both parties. Aperam General Purchasing Conditions require our partners to respect quality, environmental, safety and labour practice regulations. The different subcontractors that perform services on Aperam sites have to comply with the ‘General Consigns of Health & Safety’ to ensure that suppliers meet our self imposed high level safety standards.

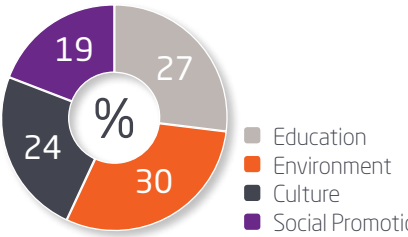
At our four significant European sites, active local suppliers (Belgian suppliers for Genk and Châtelet. French suppliers for Isbergues and Gueugnon) of non-raw materials represent 83% from the total number of active suppliers in 2012. Moreover, more than 60% of the total purchasing value in 2012 for the same perimeter was purchased from local or domestic suppliers. In some specific cases Aperam also helped suppliers to safeguard their business continuity model so that a sustainable relationship in a difficult economical market could be maintained.

The Aperam Acesita Foundation

In order to promote sustainability in its host locales, Aperam South America operates the Aperam Acesita Foundation with projects in culture, education, environment and social promotion. The foundation has helped integrate us deeply into the history of Timóteo.

The Aperam Acesita Foundation

Contribution by theme
(Total: R\$4.29m/US\$2.10m)



Fast facts: the Foundation

Mission: Improve the quality of life in the community through local development

Focus areas: culture, education, environment and social promotion



Location: Cultural Centre – Timóteo

Project geography: Steel Valley and Jequitinhonha Valley

Founded: 1994

Partners: government (federal, state and city), international independent agencies, government and non-governmental organisations, foundations and institutes.

www.aperam.com/brazil/ing/fundacao/index.asp

“It is very rewarding to know that I’m doing something that will help others”

Maria de Souza Lima, employee volunteer on the organising committee of Arraiá

Volunteerism examples in 2012

- Volunteerism commitments:** volunteerism continued to strengthen community relations, a key example was the **Social QCC Programme**, where employees share quality management skills from work to improve the quality of life for employees and community.
- The Arraiá d’Ajuda (Help Group)** convened various partners to support four organisations working on childcare, alternative medicine and human rights.
- On corporate volunteering, over 350 of our Brazilian colleagues gave 3,820 hours (400 hours in 2011) of their time to help develop and improve 34 local charities.

Education and social promotion

In 2012, the value of community educational investment was R\$1.16m (US\$0.57m); while social promotion investment was R\$0.82m (US\$0.40m).

We help schools in various areas, including administration, course development and partnerships. Since 2004, the Aperam Acesita Foundation has been working with projects in five cities of Jequitinhonha Valley. Examples include:

- The Reference School**, to improve school administration and the attainment of students
- The Estudar Project**, mainly for employees’ technical education but the results were so good that it was also extended to BioEnergia and some contractors
- The Educational Program for Resistance to Drugs and Traffiland**, for traffic safety education, both in partnership with police agencies of Timóteo City and the Acesita Rotary Club. The anti-drugs programme is mainly for Timóteo’s fifth grade elementary school children. In 2012 (H1) 1,300 students participated.
- When it comes to vocational training, we want to prepare the next generation of skilled workers in stainless steel.
- The Institute of Stainless** promotes professional qualifications for youth in the community and in other companies. It helps new business start-ups and promotes stainless steel applications. www.institutodoinox.com.br
- The Professional Training Centre** – for employees, contractors and other apprentices – is dedicated to mechanics, quality and safety. The trainees can research and train in very appealing surroundings. The centre has 20 training rooms, laboratories and workshops.

Youth development is also promoted through the Municipal Network for Work and Income project in Timóteo, and projects with RedEAmérica (an inter-American foundations network) on social inclusion and poverty reduction, for example, Project ‘Vale Cidadania’ (Citizenship Valley), to promote citizenship education in the Steel Valley.

Impeccable environmental programmes

The value of environmental programmes investment in 2012 was R\$1.2m (US\$0.63m).

Environmental responsibility is part of how we do business in South America, so through the Foundation, we deliver an extensive environmental education programme in Timóteo and the ‘Steel Valley’. We run this from our Environmental Education Centre (Oikós) in a 989ha forest reserve. It is open to the public and teaches alternative technologies such as water treatment, bio-digestion, beekeeping, composting and watershed management. The Oikós programmes look after 2,504ha of green spaces belonging to Aperam in the city of Timóteo, and make sustainability accessible for all.





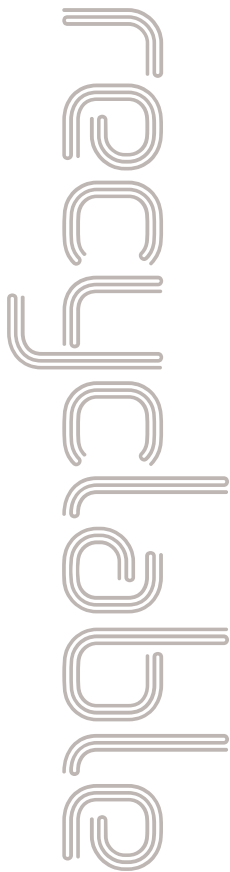
Driving environmental improvement

Our products include recycled inputs and are 100% recyclable so it makes perfect sense to produce them responsibly. Our metals are highly durable, an attribute to which we subscribe as a company.

So we promote environmental excellence in our operations. We work hard to be fully compliant with regulations, and to meet the expectations of our customers and other stakeholders.

We continue to invest to reduce our environmental impact. We have expanded our eucalyptus charcoal supply to meet 100% of our blast furnace fuel requirements in Brazil, and we installed a high-efficiency production line at Gueugnon in France.

We continue to rely on the dedication and competence of our employees in working towards environmental improvements. Each gesture counts, from the shop floor to the forest and from the training centre to the boardroom.



Indicator	We said	We did	We will
Environmental management and targets	Revise our environmental targets	 Achieved	Review progress through monitoring. Establish energy action plans at significant production sites
Environmental data	Improve local emissions data collection and reporting	 On track	Achieve a sound environmental data collection system .
Clean Technology	Complete clean technology expansion at our flagship Gueugnon plant in France	 Achieved	Start the new line in 2013 (following fire damage December 2012)
Compliance	Complete compliance with EU Reach regulations. Review environmental compliance of our arc furnaces	 Achieved	Maintain compliance. Complete actions relating to arc furnaces by 2016

Stainless | Unmatched

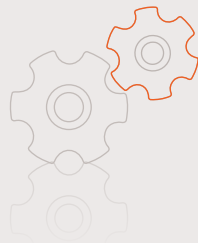


Landfill-free?

Stainless steel products last an extremely long time. And even once their service life is over, stainless steel items should never enter the waste stream. They are 100% recyclable with no loss of original properties; on average, in Europe, a stainless steel item comprises approximately 60% recycled input. It is also straightforward to separate and re-use its raw materials, such as chromium and nickel, and scrap is used in high quality products!



How we work



Ingenuity

Most pollution reduction systems in vehicles use liquid urea injection which can lead to corrosion so our R&D team found a technical and cost-effective solution for the automotive industry.



How we manage this

We seek to ensure environmental compliance across all operations. Our Environmental Policy commits us to a long-term approach to resource efficiency and sustainability so we strive for continuous improvement in environmental performance, while constantly seeking to add value to Aperam.

In 2012 we established an Energy Policy which covers all Aperam sites and operations and aims to push through new efficiency programmes. We continue to work with our suppliers and customers to maximise the inherent energy efficient properties of our steel products, notably specialty products used in diverse industrial energy efficient applications.

Our two principal targets are¹:

- A 5% reduction in total energy consumption by 2020 (baseline 2012)²
- A 35% reduction in carbon intensity of our current sites by 2020 (baseline 2007).²

What happened in 2012?

Energy consumption and efficiency

We find and implement energy conservation measures to cut costs and protect both our customers and ourselves from price and supply volatilities. In 2012, we consumed 18.5m GJ* of direct energy and 7.5m GJ of indirect energy³. This equates to 13.5 GJ/tonnes of crude steel, down 4.3% from 2011. Globally, we reduced our total energy consumption by 3.8% from the previous year⁴.

This reduction comes from switching from LPG to natural gas, and from coke to charcoal as well as shutting down old equipment at Timóteo, where 50% of our energy is from biomass renewable sources. Also, at Gueugnon we replaced two older lines with one new one, so reducing natural gas and electricity consumption there by 45% and 27% respectively; also at this site we set a new commitment to certify the energy

management system to ISO50001. At Genk we began operating a new steam generator to recapture lost heat from the pickling line leading to primary energy savings.

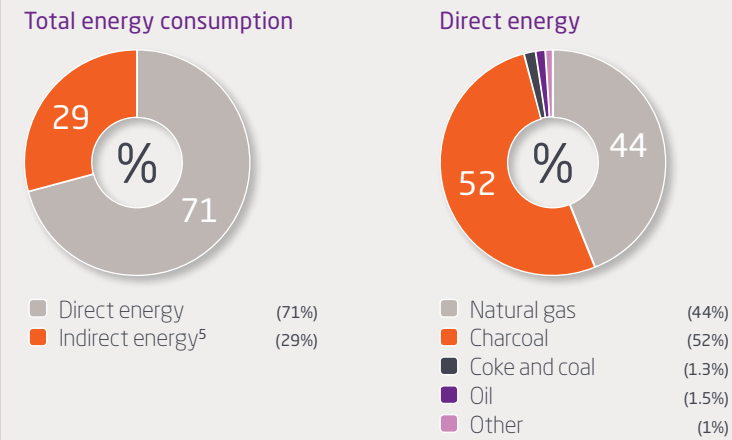
Carbon dioxide emissions

In 2012 we emitted 971ktonnes of CO₂ equivalent (tCO₂e); 672ktCO₂e* direct emissions and 299ktCO₂e indirect emissions. This reflects an 18% reduction from 2011, and a 33% reduction from our 2007 baseline. Our 2012 emissions equate to 0.51 tCO₂e per tonne of crude steel.

The reduction in emissions during 2012 resulted principally from switching to charcoal from coke in our furnaces at Timóteo. We have made good progress, but we recognise the need to go further and we are identifying opportunities to help meet our new 2020 reduction target: a 35% cut in carbon intensity (existing sites, 2007 baseline).

- 1 The data cover all of our main plants, Service Centres, transformation plants and Corporate Offices. Exclusions are noted in footnotes and on p28.
- 2 Based on our current operations and sites.
- 3 Direct energy refers to primary energy (wood, LPG, natural gas, fuel, coal, coke, charcoal) consumed by Aperam and our products and services. Indirect energy is electricity consumed by Aperam and our products and services.
- 4 Following improvements to our data collection processes, we have recalculated our total energy consumption for 2011 to be 27.1m GJ (19.1m GJ direct and 7.9m GJ indirect).
- 5 Indirect energy comprises purchased electricity.

Energy consumption



Aperam BioEnergia, Brazil

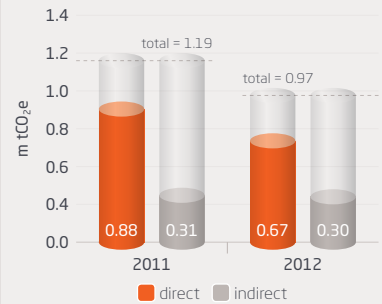
Aperam BioEnergia produces charcoal (biomass) from cultivated eucalyptus. It is a substitute for coke at our two blast furnaces at Timóteo, enabling more efficient and sustainable production. In 2012 we produced 429ktons of charcoal (318ktons in 2011).

We achieved a key milestone in 2012, both furnaces are now fired using 100% charcoal. Timóteo steel is therefore a lower-carbon product, comparable to production achieved by electrical arc furnace or by standard blast furnace.



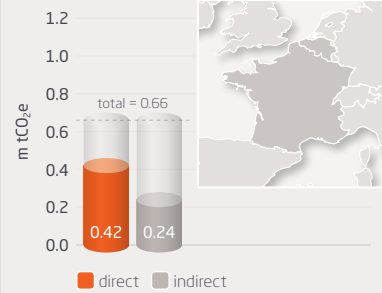
Becoming lower-carbon

Carbon dioxide emissions

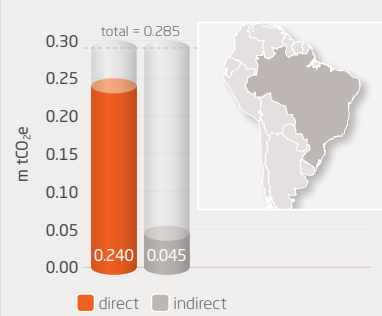


Emissions by location

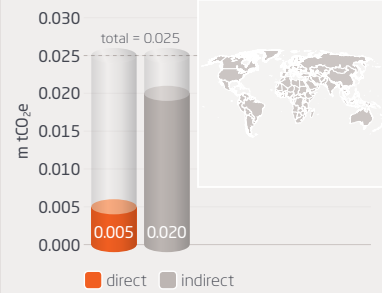
Main industrial plants in France and Belgium



Main industrial plants in Brazil



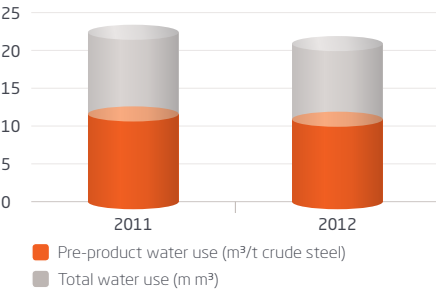
Services and Transformations Centres (worldwide)



Water: clear reductions

In 2012 we continued to reduce our total water use. Around 90% of our water is sourced from local rivers or canals. In 2012, we used 10.9 m³ per tonne of crude steel. The total amount consumed in our manufacturing processes was 20.9 million m³, a 6.7% decrease from 2011^A (15% less than 2008). This was achieved in various ways, including new water treatment stations at Imphy and Gueugnon, and the replacement of an old annealing unit at Gueugnon.

Water: using 6.7% less since 2011



Material and resource use

We used a total of 4.4m³ tonnes of materials in 2012. This comprised stainless steel and carbon steel scrap recycled from end of life, post-industrial and internal sources (29%), wood (21%), iron ore (19%), ferro-alloys (11%) and other material or gases (20%). Having revised our material use data from 2011, this represents an increase of 94ktonnes of material. We used less iron ore, gas and coke but more wood in the switch to charcoal in Brazil, representing 21% of our materials used.

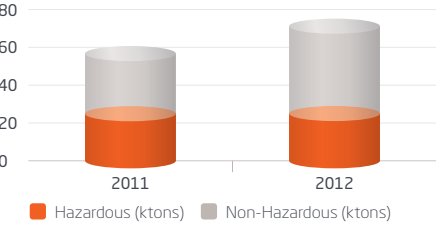
Local air emissions

We seek to manage the effects of our air emissions, with a focus on dust. At our Timóteo site, the switch to charcoal has resulted in increased dust emissions in 2012 and we are currently working to reduce them. At Timóteo and Châtelet, for example, we reduced Melt Shop dust emissions over the last 12 months by 34% and 43% respectively. At Genk we have cut dust emissions by 60% since 2007 owing to better stack monitoring, maintenance, slag treatment, and by-product handling, for example. In Belgium we have achieved a very low level of emissions: an excellent result for our neighbours too.

Waste and waste water

In 2012, we sent 98.6ktonnes of waste for disposal, 25ktonnes of which were hazardous. The increase, of 16.6ktonnes from 2011, comprises mainly non-hazardous waste; hazardous waste volumes were stable. Non-hazardous waste is mainly composed of sludge (75%) and dust (14%). The increase is principally the result of the closure of a furnace at Timóteo in late 2011 which resulted in the landfilling of sludge that previously would have been reused. At Isbergues, we diverted 3kt of hazardous dust residues to a zinc recovery company, so cutting the hazardous waste at the plant by 70%.

Tracking waste



In 2012 we discharged 12.7m m³ of waste water (6.6m³/t crude steel), a decrease of 2.9m³/t crude steel from 2011. We met all regulatory and legal limits for water quality in 2012, and recorded lower chemical oxygen demand, total suspended solids, chromium and nickel content (on a tonne/tonne product basis).

A Data under revision. Imphy includes other industrial sites on the same location. Timóteo's figure is also based on estimated value.
B Material data from Timóteo contain some estimated data. The calculation methodology has changed and natural gas has been excluded compared to 2011.

Efficiency gains through line improvements

At Gueugnon we invested in a new high-efficiency production line. It would result in significant energy and emissions improvements – consuming 45% less gas and 27% less electricity with equivalent reductions in CO₂ and NO_x emissions, as well as noise. A closed loop water cooling system will also minimise water consumption and production leaks, further increasing the efficiency of the process. The project will be restarted in 2013 following a fire at the site in late 2012 which disrupted the commissioning.

Enhancing vehicle anti-pollution systems

Regulators worldwide are seeking to reduce nitrogen oxide (NO_x) and particulate matter (PM) emissions to relieve potential health impacts. Most NO_x reduction systems in buses, trucks and diesel cars will use liquid urea injection processes. This method can lead to corrosion issues not previously experienced. Our Aperam R&D team has worked to understand the problem and find a technical and cost-effective solution which can be readily adopted by the automotive industry.



About this report

The scope of the information and data in this report principally covers operations in Europe and South America, from January to December 2012. Safety data cover other sites relating to our Services & Solutions and Alloys & Specialty operations, as well as contractors on site; people data exclude contractors however. Our environmental data system has improved since 2011. Subject to the exclusions indicated below, environmental data cover all main industrial sites, service centre operations and corporate offices. Environmental information is compiled locally, and then aggregated centrally. In our greenhouse gas emissions calculation we apply the standards of ISO14404-1 and ISO14404-2, which state that biomass is considered to be carbon neutral. The CO₂ emissions data relate to Scope 1 and 2. The following exclusions apply to the environmental data: (1) Raw material data exclude packaging and miscellaneous parts; (2) we do not currently account for Scope 3 indirect emissions within our methodology. CO₂ and absenteeism data are restated following improvements in data systems, with no material effect on comparability or timeliness.

The report is guided by the principles of report content and quality from the Global Reporting Initiative (GRI) Sustainable Development Reporting Guidelines (version 3.1). The report represents our Communication on Progress relating to UNGC membership. The report does not cover any joint venture operations or activities of partner organisations. We sought external independent assurance for this report.

Independent assurance report on the sustainability report of Aperam S.A. for the year ended 31 December 2012

To the Management of Aperam S.A.

Objectives and scope of work performed

This report has been prepared in accordance with the terms of our engagement letter dated 29 January 2013 to provide limited assurance on the Sustainability Report (the "Report") of APERAM S.A. ("the Company") for the year ended 31 December 2012 on the following subject matters (the "Subject Matters"):

- adherence to the Global Reporting Initiative 3.1. guidelines (the "GRI" or "GRI Guidelines") with respect to the Principles of Materiality, Stakeholder Inclusiveness, Sustainability Context and Completeness;
- appropriateness of the GRI Application Level disclosed in the Report and the GRI Index on page 29 of the report and ;
- fair presentation in all material aspects in accordance with GRI Guidelines, of selected performance data, marked with a "✱" in the Report, which are: results of customer satisfaction surveys (page 10), lost time frequency incident rate(page16),number of employees (page 21), consumption of direct energy(page 26), direct CO₂ emissions (page 26).

Responsibility of the Management of the Company

The Management of the Company is responsible for the preparation of the Report in accordance with GRI and for the information and statements contained within it. The Management is responsible for determining the Company's sustainability objectives and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.

Responsibility of the Réviseur d'entreprises agréé

Our responsibility is to conduct a limited assurance engagement on the Company's Sustainability Report and draw conclusions on the Subject Matters based on the work we performed.

We carried out our procedures on the Subject Matters in accordance with the International Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("ISAE 3000"). In order to draw our conclusions on the Report, we undertook the following procedures:

- analysing and testing, by sampling, of the processes related to stakeholder inclusiveness;
- assessing the suitability of the reporting criteria and their consistent application ;
- interviewing Management, corporate sustainability team, data owners and those with operational responsibility at the Company's head office;
- visiting selected operational sites ;
- understanding through inquiries, analytical reviews, observation and other applicable evidence gathering procedures, by sampling, the key structures, systems, processes, procedures and internal controls relating to the collation, aggregation, validation and reporting of the key performance indicators presented in the Report;
- checking that the GRI Index contains the relevant indicators for each of the standard disclosures required by GRI for an Application Level C report, and
- reviewing the content of the Report against the findings resulting from our procedures.

Limitations

The accuracy and completeness of the information disclosed in the Report are subject to inherent limitations given their nature and the methods for determining, calculating or estimating such information. Our independent assurance report should therefore be read in connection with the GRI as well as with the Company's definitions and basis of reporting of the indicators as described in the Report.

We have not performed any analysis, testing or review of prior year performance information included within the Report.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our work conducted as above, nothing has come to our attention that causes us to believe that:

- the Report of APERAM S.A. for the year ended 31 December 2012, does not adhere to GRI Guidelines with respect to the Principles of Materiality, Stakeholder Inclusiveness, Sustainability Context and Completeness;
- the GRI Application Level C+ and the GRI Index as presented on page 29 of the Report are not appropriate in the circumstances;
- the selected performance data marked with a "✱" on pages 10, 16, 21 and 26 of the Report and enumerated above are not presented fairly, in all material aspects, in accordance with GRI Guidelines.

Limitation on use

Our report is intended solely for the use of the Company, in connection with the Report and should not be used for any other purpose. To the fullest extent permitted by law, we do not accept, or assume responsibility to anyone else, except to the Company for our work, for this report, or for the conclusions that we have reached.

For Deloitte Audit, Société à responsabilité limitée

Cabinet de révision agréé



Nicolas Hennebert, Réviseur d'entreprises agréé
Partner
19 April 2013

560, rue de Neudorf
L-2220 Luxembourg



GRI - Application Level C +

To facilitate stakeholders in understanding and benchmarking our corporate responsibility performance, our reporting follows the Global Reporting Initiative G3.1 disclosure framework, which is an internationally recognised set of indicators for economic, environmental and social aspects of business performance. GRI guidelines help companies in selecting material content and key performance indicators.

For more on GRI, please see www.globalreporting.org

● Fully reported ● Partially reported

Index according to GRI (G3.1)		Reported	Page reference (or direct response)
1	Vision and Strategy		
1.1	Statement from the CEO	●	1
2	Organisational Profile		
2.1-2.6	Name, HQ location, ownership, legal form, structure, countries of operation, primary brands and services	●	1, 2, 3, 9, 28, Back cover, Annual Report
2.7	Markets	●	12, Annual Report (6,7)
2.8	Scale of the company	●	2, 3, 21
2.9	Significant changes during report period	●	29, Annual Report (42)
2.10	Awards received in the report period	●	Front cover
3	Reporting Parameters		
3.1-3.5	Reporting period, reporting cycle, contact point, content selection process	●	Front cover, 1, 4, 5, 29
3.6-3.8	Boundary of the report, any specific limitations	●	29, Annual Report (6,7)
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	●	16, 20, 26, 27, 29
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied	●	29
3.12	Table identifying the location of Standard Disclosures	●	29
3.13	Policy and current practice with rgard to seeking external assurance for the report	●	28 Assurance Report
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4.2	Independence of the Supervisory Board Chairman	●	5
4.3	Governance body and/or independent members of management	●	5
4.4	Mechanisms to provide recommendations to highest governance body	●	3
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	●	26, 28
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EN3	Direct energy consumption by primary energy source	●	26
EN4	Indirect energy consumption by primary source	●	26, 27
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EN8	Total water withdrawal by source	●	27
EN16	Total direct/indirect GhGs emissions by weight	●	26
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	●	26
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LA2	Total number and rate of new employee hires and turnover by age group, gender, and region	●	21
LA4	Percentage of employees covered by collective bargaining agreements [Future commitment]	●	16
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	●	16
LA7	Injuries, absentee rates and work-related fatalities	●	16, 17
LA10	Average hours of training per year per employee by gender, and by employee category	●	21
LA12	Percentage of employees receiving regular performance and career development reviews	●	21
LA13	(i) Composition of governance bodies and (ii) breakdown of employees per employee category, according to gender, age group, minority group membership, and other indicators of diversity	●	5
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PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, percentage of significant products and services categories subject to such procedures	●	10
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	●	10



For our complete GRI Index, please see aperam.com/sustainability

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Disclaimer - Forward Looking Statements

In this Sustainability Report, Aperam has made certain forward-looking statements with respect to, among other topics, its financial position, business strategy, projected costs, projected savings, and the plans and objectives of our management.

Such statements are identified by the use of forward-looking verbs such as 'anticipate', 'intend', 'expect', 'plan', 'believe', or 'estimate', or words or phrases with similar meanings. Aperam's actual results may differ materially from those implied by such forward-looking statements due to the known and unknown risks and uncertainties to which it is exposed, including, without limitation, the risks described in the Annual Report. Aperam does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved. Please refer to the 'Summary of risks and uncertainties' section of the Annual Report page 35 as well as 'Risks related to the company and the stainless and specialty steel industry' page 142. Such forward-looking statements represent, in each case, only one of many possible scenarios and should not necessarily be viewed as the most likely to occur or standard scenario. Aperam undertakes no obligation to publicly update its forward-looking statements, whether as a result of new information, future events or otherwise.

Unless indicated otherwise or the context otherwise requires, references in this Sustainability Report to 'Aperam', the 'Group' and the 'Company' or similar terms refer to Aperam, 'société anonyme', having its registered office at 12C, Rue Guillaume Kroll, L-1882 Luxembourg, Grand Duchy of Luxembourg, and to its consolidated subsidiaries.