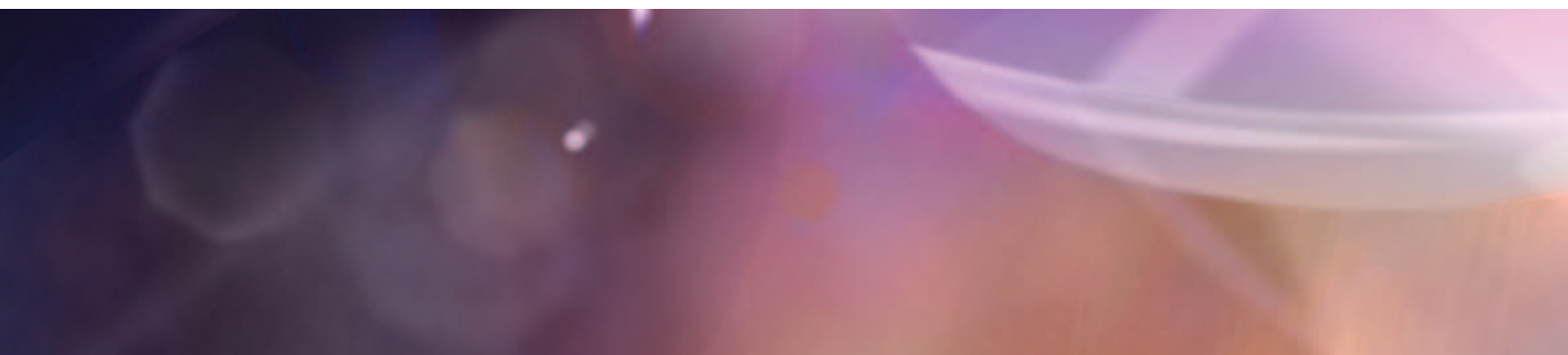




aperam

Sustainability Report 2012





---

## Contents

- 01 CEO's Message
- 02 Who are Aperam?
- 04 Our approach to sustainability
- 06 Safety at the core
- 10 People – the key to Aperam
- 14 People in our communities
- 16 Environmental stewardship in action
- 20 Customer experience
- 24 Innovating solutions
- 28 About this report
- 29 Summary of commitments

ISSF  
INTERNATIONAL  
STAINLESS STEEL  
FORUM



FTSE4Good  
Index Series



See more at [aperam.com/sustainability](http://aperam.com/sustainability)

---

## Our awards

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 second 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.

---



---

# A journey of leadership and safety

At Aperam, we have decades of experience in stainless steel and alloy production. And Aperam is already 18 months old, so I am delighted to be introducing this, our first, Sustainability Report.

As CEO since December 2011 I have seen the compelling passion in my colleagues to bring sustainability alive, from shop floor to boardroom, from forestry to distribution. And with it I witness at their core an unwavering focus on safety, the theme of this report.

Proud of our history, we now embark on a new course. We have a Leadership Journey ahead, but we now start our own sustainability journey. Why sustainability? Well, our values of leadership, ingenuity and agility support it. Customers expect it. Commercial value is at risk without it. Regulators constantly evolve related legislation. And it builds trust expected by employees, future employees and contractors.

I am proud to champion Aperam's sustainability programme. It aligns well with my close interest in air quality around our meltshops, in the value I see in our forestry operations and my chairmanship of the central environmental committee of MEDEF, the main business association in France. I hold in high regard my colleagues across the group who contribute to sustainability: from environmental, health & safety management, technical, engineering and sustainability, through to communications and marketing.

Our goal is to be the safest steel company in the world, and whilst our safety management indicators showed an overall improvement in 2011, it is with immense regret and sadness that we report two tragic fatalities involving employees at our Timóteo plant. In January 2011, Aperam's Head of Health & Safety was immediately on the scene to analyse what happened. In April 2012, I immediately flew to Brazil and spent three days at the plant assessing the causes and working on the details of our response. In memory of our colleagues,



Above: Our CEO takes part in a site visit in 2011

the best thing that we can do is raise our safety consciousness even higher; and I was reassured to see the Timóteo teams doing just that. I immediately asked the management team there to propose, within one month, an action plan for the whole plant.

Many people at Aperam achieved notable sustainability successes in 2011. I note progress in people management, alternative energy, water and the Continuous Improvement Challenge. As we move to the next stage of the journey we anticipate greater engagement with stakeholders, further process efficiencies, and new stories of achievement. This, our first, report accords with the principles of the United Nations Global Compact and GRI G3.1. Please do read it, I very much appreciate any feedback you may have.

**Philippe Darmayan**, Aperam CEO



Where did you see us last?

## Products that are part of our lives

Throughout this report we provide examples of our products in use. Without them industry, lifestyles, health, transport and infrastructure would be immeasurably compromised!

Stainless steel fits perfectly into our lives. We trust it, we don't question it; sometimes we don't even notice it. This is great testament to its properties, form and function. It has great strength and durability. So not only does it function brilliantly it literally lasts a lifetime. Actually, even longer than that.

# Who are Aperam?

We are a leading global stainless and specialty steel producer. We are a significant producer in Europe and the largest in South America with a market share in these regions of 25% and 65% respectively. We serve high-end mature and emerging markets. We have a clear focus on efficiency, resilience, vertical integration and responsible manufacturing.

Aperam, a Luxembourg public limited company, was created in January 2011 as a result of a spin-off from ArcelorMittal. For details on who owns Aperam, see p40 of our Annual Report 2011. In 2011, we recorded sales of US\$6.3bn (€4.8bn) and we shipped around 1.75 million tonnes. We operate six main plants in Belgium, Brazil and France and we employ 10,533 employees. We have two state-of-the-art melt shops in Belgium, we serve niche markets in electrical steels and special alloys and we are the only integrated producer of flat stainless and electrical steel in South America.

Our customers benefit from a global, integrated distribution network and on-site technical teams amounting to a clear focus on service, partnership and customer satisfaction.

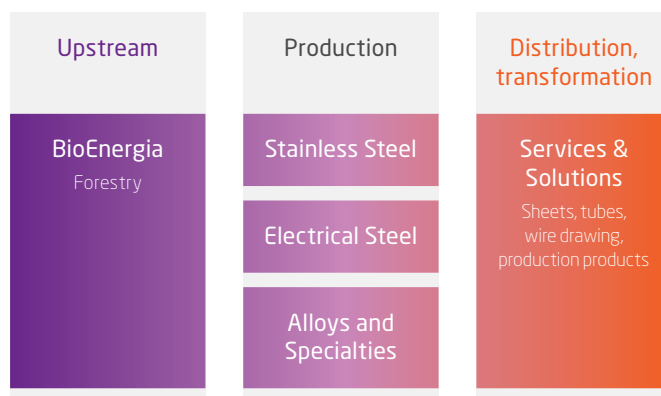
 **Flat stainless steel capacity in Europe and South America**  
**2.5mt**

Our distribution network is composed of 19 Service Centres, 10 transformation facilities and 33 sales offices. Aperam offers the widest stainless steel product range in the world and is a leader in ferritics, bright annealed and wide products. For details on our plant and equipment see p60 of our Annual Report.

Aperam employs 131 research and development (R&D) experts who provide leading edge innovation in, for example, ferritics, high-end GO/NGO, nickel alloys, special-carbon and duplex products. A major area of R&D work is the development of new, lower cost, energy-saving processes. We have strategic projects on alternative fuel for our Brazilian blast furnaces. Biomass (charcoal) production is to be doubled to serve 35% of Aperam's energy needs by the end of 2012.

Our Continuous Improvement programme ensures process efficiency, cost savings and a strong focus on health & safety, all of which are important to customers, and our customers' customers.

Stainless steel is a steel alloy with a minimum of 10.5% chromium content by mass and a combination of alloys and offers incredible properties for various applications.



US\$ million	2011	2010
Adjusted EBITDA	392	410
Number of employees	10,533	9,904
Employee wages and benefits	761	709
Payments to suppliers	5,265	4,535
Taxes paid to government	58	61
Community investments	2	2
Payments to providers of funds	132	178
Research & development	20	21
Economic value retained	203	171
Economic value generated	6,454	5,691

## Aperam Corporate Values

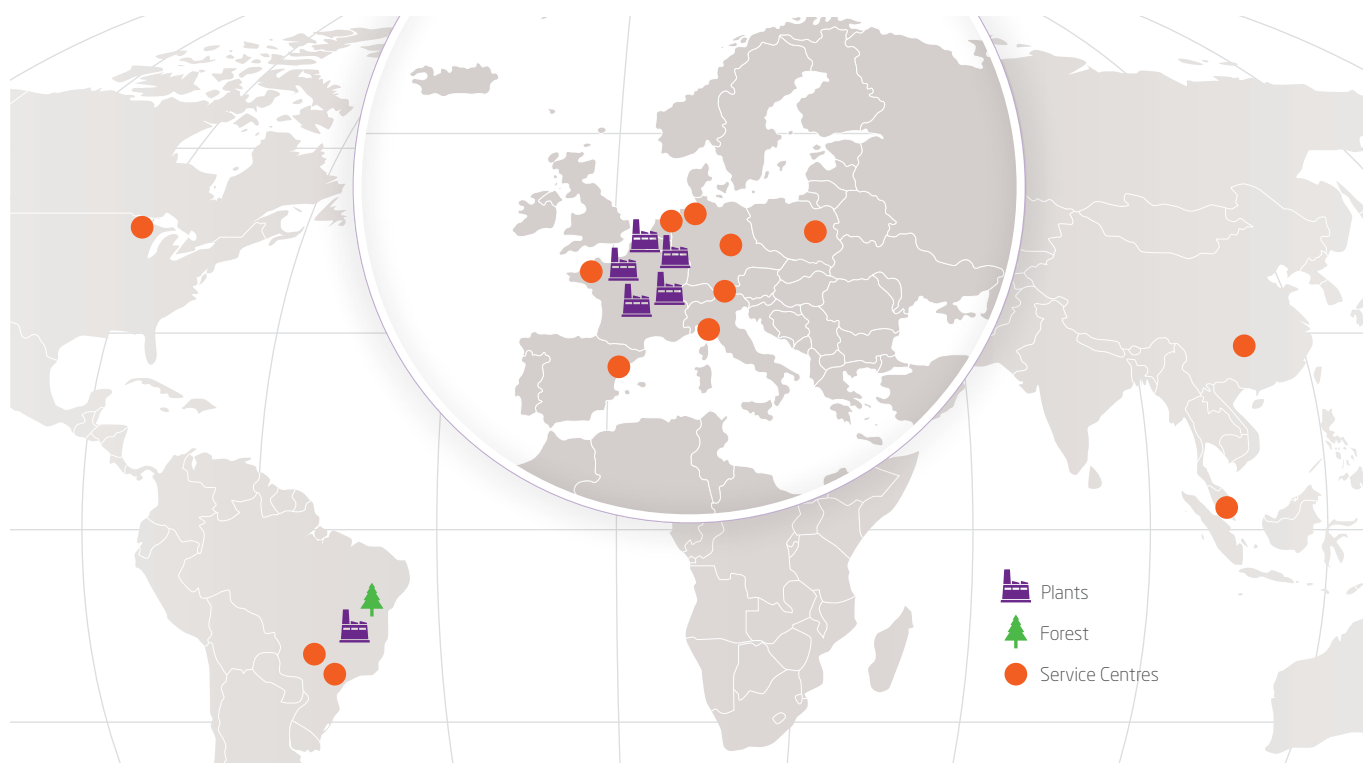


Aperam's corporate values are leadership, agility and ingenuity – they define how we do things. They lead us to work within our industry to set new standards, for example, and with our customers to deliver efficient solutions of top notch quality. In our approach to managing sustainability at Aperam we account for the three values, and we strive to support the core proposition behind our brand.



See our 'Made for Life' movie at [aperam.com/brand\\_video](http://aperam.com/brand_video)

## Aperam around the world


**Châtelet**  
Belgium


- Melt shop
- Hot-rolling

**Genk**  
Belgium


- Melt shop
- Cold-rolling mill

**Gueugnon**  
France


- Cold-rolling mill
- Finishing

**Isbergues**  
France


- Cold-rolling mill
- Finishing

**Timóteo**  
Brazil


- Melt shop
- Finishing

**Imphy**  
France


- Melt shop
- Finishing

**Production plants in Europe and South America**

Stainless and electrical steels represent 2.5% of total world steel market in volume. Its applications are many and various. Demand for stainless steel often comes later in the economic development cycle. Aperam is affected by wider world and market factors such as global economic conditions, production capacity, trends in raw material prices such as nickel and fluctuations in exchange rates. Risk factors relating to these have been assessed as part of our group risk analysis. For more information on our business portfolio, market analysis, financial review, risk review and corporate governance please refer to our Annual Report.



To see our Annual Report, please visit [aperam.com/who-are-we/investors-shareholders/aperam-reports](http://aperam.com/who-are-we/investors-shareholders/aperam-reports)

**Raw materials**

Whilst the raw materials we use derive mainly from finite resources, the materials we use are extensively composed of scrap stainless and carbon steel. In Europe almost 100% of our products are produced from post-industrial, recycled metal.

Stainless steel exhibits astonishing properties such as a high strength-to-weight ratio, heat tolerance, aesthetics and recycling. The primary raw materials that we use include stainless and carbon steel scrap, iron ore, nickel, ferrochrome, molybdenum and charcoal (biomass).

Prices strongly correlate with demand for all forms of steel and tend to fluctuate with supply and demand changes. We have been exposed to price volatility for most of these, for example, nickel, over the past few years. Our performance can be affected by perceived or real scarcity of reserves and the evolution of the pipeline of new exploration projects to replace depleted reserves.

Our products are produced in various grades. Specialist steels such as nickel alloys contain elements such as nickel, chromium, cobalt, molybdenum, niobium, and titanium. Such blends offer outstanding corrosion and mechanical resistance. Please see our Annual Report, p12, for more.



# Our approach to sustainability

Our vision is to be the company that constantly challenges the status quo in our sector in order to reshape the future of stainless steel and specialty steel products.

Sustainable development is an evolution. Our people have always sought to operate with environmental and ethical integrity. Since its incorporation in January 2011, Aperam moved quickly to begin formalising a strategic approach to sustainability. We want to create value from sustainability and align it with our core processes tracking risk, decision-making and performance.

Using our experts in-house we have assessed what our priority issues are, and who are Aperam's key stakeholders. This helps sustainability to gain traction at senior levels. We are now at the point of refining how sustainability fits with our long term commercial direction, and defining our ambition. It's clear that many parts of the business connect strongly with sustainability, for example through our annual Health & Safety Day, our switch to natural gas and biomass charcoal in Brazil, our carbon dioxide emissions performance and our products such as electrical steel or SolarStyl.

The pyramid below shows the most important aim for us is leadership, particularly in safety. Below the pyramid's peak are the issues under management, or being tracked. The diagram also shows the wider issues where we have some accountability and influence.

We recognise that, if not managed appropriately, some of our activities have the ability to present challenges from a sustainability perspective. An example might be future demand for water or land, amenity impacts on local communities, and greenhouse gas emissions from our operations.

Crucially, in parallel, it is important to acknowledge the contribution to society that stainless steel provides. This relates to the inherent trust in the product, its benefits such as cleanliness and the myriad applications in, for example, healthcare, infrastructure and lifestyle.

**Governance**  
Aperam's Board of Directors comprises seven members; four are independent. The Board of Directors has four committees as shown in the table. The Management Committee is entrusted with the day-to-day management of Aperam. Mr Philippe Darmayan is the Chief Executive Officer and a member of the Management Committee. The company monitors US, European Union and Luxembourg corporate governance requirements to ensure best practice is adopted, such as the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

**Sustainability, Performance and Strategy Committee**  
This committee is composed of three directors, its members are appointed by the Board of Directors annually and it takes decisions by a simple majority. The committee exists to regularly review our approach to sustainability and recommend how to implement the sustainability programmes in a way that creates and protects commercial reputation and value. During 2011, this committee met six times. The average attendance rate at meetings held in 2011 was 88.9%.

**Our Sustainability Steering Committee**  
Aperam's corporate sustainability team runs a Sustainability Steering Committee of nine senior people. At a day-to-day level it is responsible for driving and managing sustainability at Aperam and works on the strategic approach to material sustainability risks, stakeholder relationships, reporting, assurance and an overall sustainability vision. The Management Committee sets the long term ambition for this committee.

## Managing sustainability at Aperam



## 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 strive to be the leading industry catalyst in stainless steel and specialties

## Our most material issues



### Material issues at Aperam 2011-2012

We identified a range of issues that matter and that may influence the decisions, actions and performance of our stakeholders. The relative importance of these issues was then assessed internally (meeting business strategy) and externally (stakeholders' positions on the issues). Corporate risk was taken into consideration in this review. The grid above shows the material issues identified as a result of this work. This is a dynamic process that helps improve how issues should be managed.

The issues to the top right of the grid are the most important to both commercial success and stakeholder relationships. Those in the mid range of the grid are significant and a focus for our sustainability strategy and plans. The issues to the lower left are not generally included in our reporting, but are managed individually.

### Working with our stakeholders

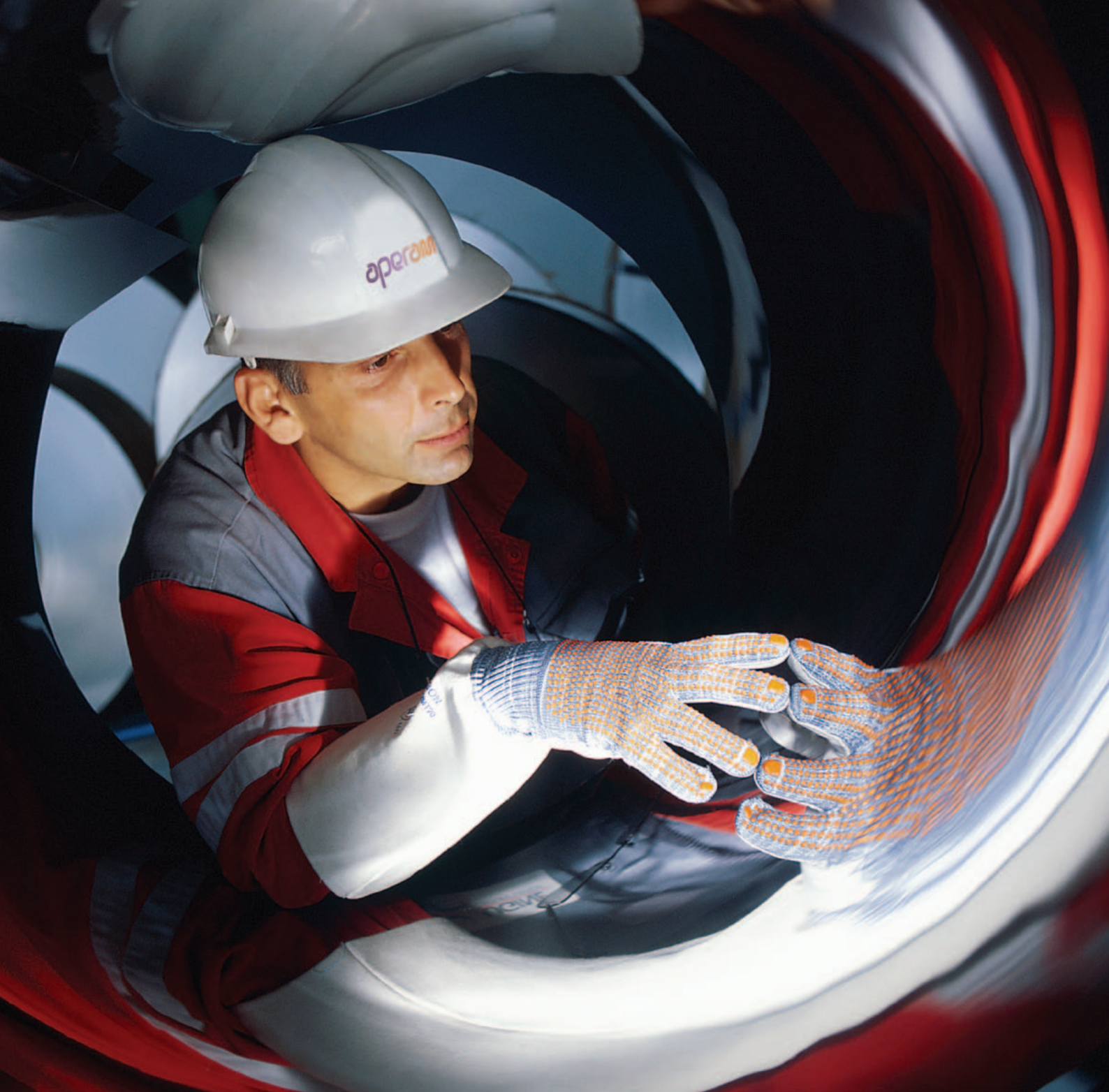
In line with our vision we are developing how we work with those parties affected by Aperam, and who affect us. We strive to develop a culture of trust and transparency through honest engagement with our stakeholders. What we learn is accounted for in our materiality assessment.

Our key stakeholders are employees, investors, customers, local communities and trade unions. Local communities are particularly relevant in South America, whilst trade union engagement is a focal area in Europe. We work with suppliers on local economic development around our South American operations. The mining and minerals sector – a key part of our raw materials supply chain – is intensely scrutinised by external stakeholders. Our general purchasing conditions cover safety and environmental requirements and will be expanded to cover human rights in future. Leadership and partnerships help us understand and manage challenges arising such as finding and retaining skilled people. So we shout loudly that we are an 'employer of choice' that focuses on safety, diversity and respect for the environment.

## Aperam's Board of Directors

Name	Position held in Aperam's Board of Directors	Status	Sustainability, Performance and Strategy Committee	Audit and Risk Committee	Remuneration, Nomination and Corporate Governance Committee	Transition Committee
Lakshmi Mittal	Chairman	Non-independent				
Aditya Mittal	Member	Non-independent				
Romain Bauch	Member	Independent		Member	Chairman	
David Burritt	Member	Independent		Chairman	Member	Member
Kathryn Matthews	Member	Independent	Member			Chairman
Laurence Muliez	Member	Independent	Member	Member		Member
Gonzalo Urquijo	Member	Non-Independent	Chairman			





# safe



---

## Safety at the core

Safety is central to our corporate responsibility. No accident is acceptable. Safety management must be a journey of vigilance. We capture this commitment in our 'Journey to Zero'.

We aspire to zero incidents. This is grounded in our practical approach to improvement. It is acknowledged that we work with serious, life-threatening risks; this intensifies our awareness of hazardous situations. Crucially, we are accountable for our own safety but also the safety of those around us. We must choose the safest option, every time.

Vigilance means a constant focus on the details: recognising that life and work are full of distractions. So our approach to safety is clear, straightforward and uncompromising. At the end of each shift, everyone is to return home healthy and safe.



### Leadership

Leaders set an example. Everyone has responsibility for health & safety, to learn from success and setback and transform concerns into action.



### Ingenuity

The ingenious know how to observe. Each situation requires careful assessment before acting. Risk analysis and planning will ensure work is performed in the safest possible way.



### Agility

Agility is knowing when to stop. We each must be alert to every risk. We must stop any activity that could represent a risk to ourselves or to others.



Where did you see us last?

### With your safety in mind

Safety, health and security are enhanced by the outstanding properties of stainless steel and alloys. The food and catering industries count on its cleanliness for food safety and taste. Medical sectors use it extensively for its hygiene and reliability, for example scissors, hypodermics and blades. Its mechanical strength and fire-resistance help reduce the severity of impacts when used in buildings or vehicles involved in accidents or other catastrophes. Its corrosion resistance renders it ideal for use to handle chemicals or transport gases, especially in extreme environments.

## How we manage this

Our first priority is the safety of employees and contractors. Any injury is unacceptable; we consider all incidents to be preventable. Our long-term goal is zero accidents and injuries: everyone must go home safe at the end of each shift. This commitment is codified in our 'Journey to Zero'. Our short-term targets guide our direction towards the long-term goal.

Our Health & Safety Policy presents our commitment to the health and safety of all employees both on and off the job, and is part of our 'Made for Life' brand promise. We study the relationships between at-risk behaviour and serious incidents. We promote a 'behavioural dimension' to safety where we all take responsibility, are all accountable, and where we practice what we preach.

On our journey to becoming the safest workplace in the industry, engagement with employees and contractors is vital. Engagement happens informally but also in a coordinated way. At its core are a zero accident culture and the sharing of best practices. We also work with trade unions: all of our unionised employees are covered by formal safety agreements between Aperam and the local trade unions. This commitment and engagement of the company, employees, trade unions and contractors was on display at Aperam's inaugural group-wide Health & Safety Day in 2011. Training complements general awareness-raising, communication and engagement. Our Health & Safety Policy commits us to provide everyone with effective safety behaviour guidance.



"To improve our results, the introduction of the behavioural dimension of safety is a major step forward."

Ilder Camargo, Group Head, Health & Safety

### Safety management

Safety is compromised when people are unaware of safe practice, are unclear on priorities, accept shortcuts, or do not feel comfortable calling a halt to unsafe practices. Therefore, our safety management focuses on three elements:

#### 1. Awareness:

Aperam's Golden Rules govern the ten most common health and safety risk areas for our employees. Every meeting must start with a safety-share. The Golden Rules guide a variety of activities from regular safety meetings, task briefings and contractor engagement as well as our Health and Safety Day. Other communication campaigns focus on falls, protective equipment and at-risk behaviour.

#### 2. Accountability:

Our 'Fair Play' Policy sets out the commitment of each and every employee to be accountable for their own safety and the safety of their colleagues. The policy clearly defines how to set an example through safe practice and the procedures to act on observed infringements of safe practice.

The ability to deliver safety is a prerequisite for being a leader at Aperam. Our executives are active proponents of safety: 20% of Aperam's executive pay is directly linked to safety performance. Our Head of Health and Safety is responsible for collecting performance information and disseminating learning, best practices, standards and awareness across the group.

#### 3. Shared vigilance:

Our final focus is on empowering every individual within Aperam to speak up and intervene when unsafe practices are observed. Whether it is the actions of managers or the recommendations from accident investigations, the responsibilities of Aperam employees to stop unsafe practices is highlighted throughout our safety management practices.

Proportion of Aperam executives' pay directly linked to safety performance

20%

### Aperam safety 'Golden Rules'

Aperam's Golden Rules cover the ten most common health and safety risk areas for our employees:



1. Working in a 'fit and able' condition



2. Fall protection/prevention



3. Lockout/isolation procedure



4. Confined space entry procedure



5. Load handling rules



6. Traffic rules



7. Rail priority



8. Hazardous gas areas



9. Safety devices



10. H&S rules and PPE

## What happened in 2011

The most significant event very early in 2011 was a tragic fatality of a colleague in Brazil. Please see our CEO's message on p1. Our CEO spent time on-site discussing detailed actions to prevent it happening again and what at-risk behaviour took place.

**"Sustainable competitiveness is not possible without good Health & Safety results."**

Philippe Darmayan, CEO

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 0.7 (that's 0.7 injuries resulting in lost time per million working hours), well below our target of 1.5. Our Brazilian operations include manufacturing and forestry so the overall risk profile differs; the LTIFR there was 0.3. We also saw an improvement in the relative severity of accidents achieving a severity rate of 0.08 against a target of 0.09. We have made progress in targeting the most dangerous risks.

Aperam's H&S Policy includes commitments to reduce the risk of occupational disease, such as exposure to harmful chemicals and work-related stress. Occupational disease and chronic health issues are built into our absenteeism tracking: absence can arise from incapacity of any kind, not just as the result of work-related injury or disease. Our absenteeism rate for the group is 2.8%.

Commercial competitiveness cannot be achieved without good health and safety results so our 2011 Continuous Improvement Challenge focused on health & safety issues too. See p12 for more.

## Aperam's group-wide Health and Safety Day



In 2011, the first Aperam Health and Safety Day involved almost 100% of employees. In some places we shut down production for it.

At the heart of the day is collaboration between colleagues, contractors, trade union leaders and community members. Sites focused on hazard identification and risk assessment as well as broader topics such as healthy lifestyles.

The Aperam Health and Safety Committee prepared a programme with mandatory actions and an 'H&S roadmap' for 2011. The day helps deliver the ambition of our H&S Policy.

CEO and senior management visits included safety audits and presentations of safety awards. Aperam 'Golden Rules' seminars focused on topics such as fatality prevention standards, working at height, driving, chemicals handling, emergencies, protective equipment, loading, nutrition, alcohol, stress, noise, blood pressure and safety reporting.

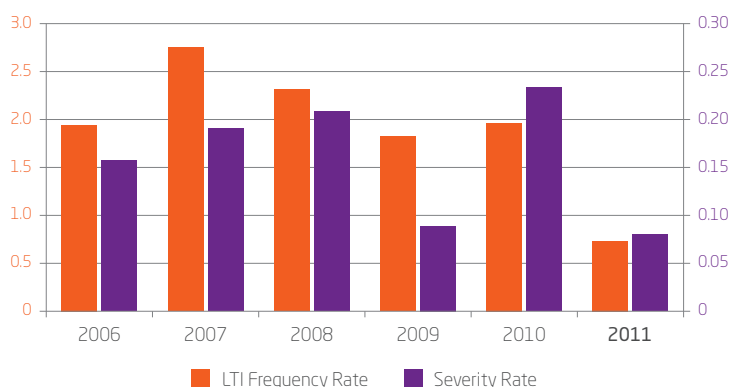
Right: Images of the Health and Safety Day that took place on 26 April 2012 across all of Aperam.

1. Timóteo – Brazil: shop floor audit
2. Changzhou – China: first aid rehearsal
3. Genk – Belgium: shop floor audit



See more at [aperam.com/sustainability](http://aperam.com/sustainability)

Aperam's safety management indicators 2006–2011 show a positive trend



## Where are we going?

- Maintain target-beating LTIFR with constant vigilance for further improvement
- Improve visible leadership, training, contractor safety, safety reporting and best practice sharing
- Implement Fair Play policy group wide
- Improve quality of root cause analyses of all accidents





open

---

## People – the key to Aperam

Our people represent the cornerstone of Aperam. The way people work at Aperam is the main way that the three corporate values of leadership, ingenuity and agility come alive.

In the same way that we listen to customers, we listen to our people: for us 2011 was the year of socially responsible dialogue. As a 'new' company there is tangible evidence of a 'family' atmosphere.

In line with our approach to sustainability, we support, motivate and reward our employees to help them realise their full potential, and we are committed to providing an environment that promotes respect and equal opportunities for every employee. Fortunately for us, underpinning all this is a true, distinguishing trait of colleagues here at Aperam: our passion for stainless steel.



### Leadership

Leadership is about being bold and audacious in our approach and is why we are adamant about having development plans in place for all.



### Ingenuity

Our employees are passionate and always keen to share knowledge and skills. We cherish and encourage a participative approach and continuous improvement.



### Agility

Each one of us is adapting fast to changing conditions and is ready to help out.



Where did you see us last?

### Wellbeing at home

Stainless steel is clever stuff. From our stainless and specialty products comes the stuff of your everyday life and wellbeing.

- Cutlery, utensils, tools
- Bacteria-resistant surfaces
- Scissors and other blades
- Medical implants
- Jewellery
- Bicycle cables
- Vehicle exhausts
- DIY power tools
- Potable water management systems

## How we manage this

Our employees are the key to our success. We strive to support them in their journey to excellence through career development, wellbeing and good pay. We focus on development and active social dialogue.

Our commitment to employees is codified in our Human Resources Policy series which aims to ensure wellbeing at work, career development and training and excellence through continuous improvement. Local employment laws govern how we implement the Policies. The diagram describes the policies (see right).

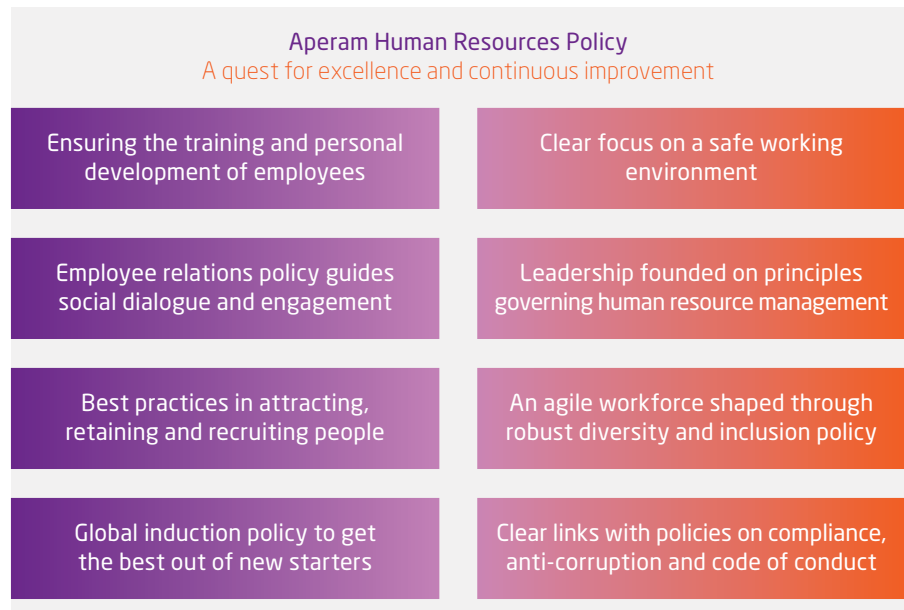
Our first year of operation was declared a year of 'socially responsible dialogue', managed locally, and complemented by channels of contact such as the intranet, site newsletters, Continuous Improvement Challenge updates and a biennial Leadership Survey of Aperam's commercial vision and strategy.

All employees must comply with our Code of Business Conduct and our Anti-corruption Guidelines. Our Diversity and Inclusion Policy guides Aperam to recruit regardless of ethnic origin, gender, age, disability and physical characteristics.

Our people are central to achieving long term goals such as the health & safety 'Journey to Zero', cost competitiveness, and the new the employee 'Value Proposition' programme.

### Wellbeing at work

We provide various benefits to employees such as access to private pensions, medical cover and travel insurance. We ensure that health and safety are covered in all of our formal agreements with trade unions; 100% of employees are represented by formal joint management-worker health and safety committees. Ensuring a safe work environment requires an active safety culture. See the Safety section for more.



### The right training

Training enables us to fill emerging skills gaps, improve job performance, prepare employees for new roles and ensure that employees follow our codes and policies. Our commitment to learning and development is codified in our Global Training Policy and includes training for contractors. We have in place procedures for identifying training needs, running initiatives and tracking attendance. Aperam offers seven training routes, via online channels and face-to-face:

1. Induction training for newcomers
2. On-the-job training
3. Leadership training
4. General management
5. Health and safety
6. Functional and technical
7. Language training

All employees receive information on labour rights, employment law, HR support and health and safety procedures.

### Shaping our future leaders, long-term

Our Leadership Development Policy aims to support our employees and new recruits to become leaders. The policy is implemented through our Global Development Programme for Exempts (GEDP), a management level initiative which focuses on four pillars: performance management, talent identification, development planning, and succession management. The aim is that each manager performs their function to the best of their ability, for them and for Aperam. Those participating in the GEDP receive regular feedback and coaching, training for leadership, and appraisals.

### Aperam's investment in employee training 2011

€7million

## The Aperam Continuous Improvement Challenge 2011

Our Continuous Improvement (CI) programme is an excellent platform for employee engagement. In 2012 a team from Gueugnon, France won first prize for their project on restarting a cold-rolling line. The project saves €750,000 annually and reduces safety risks by preventing contact with the strip and reducing fire hazards. The winning team can lead on sharing the practices: it's an innovative way to engage and train our employees across the group.



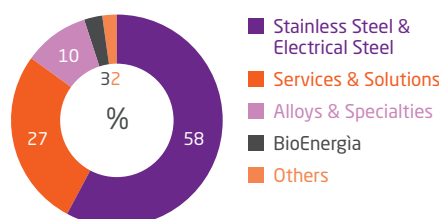
We take this Challenge seriously and invite external parties to audit the teams' findings in all CI Challenge projects. This year Toyota and ArcelorMittal sat on the judging panel. The jury's decision is guided by criteria relating to health and safety, cost, replicability, labour relations issues, and defined next steps. Pierre Gambardella, Technology Officer at Toyota Europe summed up the event:

Left: The winners of Challenge 2011, Gueugnon team, on their reward trip to Brazil.

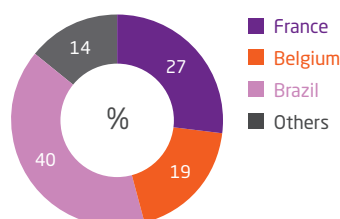


## What happened in 2011

Employees by operating segment



Employees by region



"At Aperam we believe that one of our most sustainable and competitive advantages is that, at all levels of the company, we learn faster than our competitors"

Johanna Van Sevenant, Head of Sustainability

### The Aperam family

In 2011 we directly employed 10,533 people, including corporate central offices, research & development teams, BioEnergia and 278 part time employees. We indirectly employ 1,754 contractors, trainees and temporary workers worldwide. Our headquarters are in Luxembourg and 40% of us are in Brazil. In 2011 we saw a reduction in headcount of 8% (excluding BioEnergia) due to early retirement and voluntary separation of employees, as we streamlined some of our sites. We will report group employee turnover data in our next report.

Aperam employees come from a wide variety of ethnicities and nationalities. The majority of our direct employees are male: 11% are female. We commit to improving our diversity. Aperam has seven directors, including two women (29%); above the average for our sector. Further, in France, we have promoted greater access to our training programmes for women.

We contributed to employee wellbeing in Europe and South America in 2011 by providing private pension facilities for 99.9% of our employees.

### Training and development

In 2011 we established annual training plans for 92% of our sites, against a target of 93%. We also invested €7m (US\$9.1m) in training our employees in 2011. In Brazil, we invested US\$2.9 million on 134,000 hours of training. We worked with the Brazilian National Service of Industrial Learning to provide technical training for professionals in our industry.

By the end of 2011, 94% of managers (known as 'exempts') completed the GEDP leadership programme. And 77% of all managers now have career progression plans in place, against a target of 80%.

### Conversations with employees

In 2011, via our Leadership Survey, 90% of managers ('exempts') agreed that we are a world leader in stainless steel and 85% understood how our vision 'Made For Life' related to their daily activities and to our products. The survey highlighted areas for improvement too: only 47% of exempts felt that we have a strong sense of direction and strategic vision. Since safety is a key theme, 95% felt they were well informed about our health and safety results but the results tell us that we need to improve communication internally.

### Working with unions

In 2011 we engaged in social dialogue with our employees in other ways too. For example, we entered into new collective bargaining agreements in Brazil, Belgium, and France. Since commercial pressures regularly affect engagement, 2011 saw some challenging conversations with trade unions and our employees in Brazil, France and Belgium regarding early retirement plans and voluntary separation. We respect the difficult decisions by many who volunteered for early retirement or separation. We are doing everything we can to help these employees transition to their next steps.

Number of Aperam exempts who feel they are well informed about health and safety results

95%

"It was very interesting to discover an insight into this business. I have been very impressed by the strong motivation, the teamwork and the professionalism of all. From my external point of view, I would like to highlight a very strong asset of your company: is your capability to share your innovations and replicate your best achievements."

We look forward to seeing who will win out of the ten teams competing in 2012.

"It was a true pleasure to see such strong ingenuity to find new solutions; the value of this Challenge is unquestionable."

Francies Diet, the main auditor of the 2011 challenge

### Where are we going?

By the end of 2012:

- Renew our training focus: training plans in 93% of plants
- Launch the Aperam Employee Value Proposition initiative
- Apply GEDP for 100% of senior management/directors and 95% of other management
- Succession plans for 80% of senior managers and 90% of middle managers
- Complete actions in response to our Leadership Survey

# People in our communities

Community involvement and neighbour relations are strongly linked to the commercial success of Aperam. Without community engagement we could miss an opportunity to help form the skilled people of tomorrow. In today's interconnected world, open dialogue with neighbours helps us manage risks that affect our social licence to operate.



## Leadership

Our Aperam Acesita Foundation is one of the most respected NGOs in South America.



## Ingenuity

We support educational and entrepreneur programmes in Brazil to develop the next generation of innovative ideas.



## Agility

We empower communities to develop themselves, especially through the education of youth enabling them to choose a variety of careers.

## How we manage this

From Brazil to Europe, we try to preserve a human scale in all relationships and go beyond the transactional relations often found in corporate risk management. Many local communities are dependent on our operations so we manage our approach openly, and with care. 'Community' can mean the wider populace in a region, or a close neighbour. Our approach to community relations is rooted firmly at grass-roots levels, guided by our own values, as well as other frameworks such as the UN Global Compact.

Community welfare and environmental health are key issues for Aperam. For example, we lead one of the most respected foundations in South America; and we monitor and manage pollutants and engage openly with those affected by our operations. Further, in line with our strong safety culture, we want all employees and contractors to go home safe – and keep the safety message alive when they get there.

Sponsorship and social investment should catalyse change, and we want to empower people to take ownership of opportunities to better themselves.

Our Aperam Acesita Foundation in Brazil is highly visible and accessible. Formally established in 1994, it sponsors education, culture, social empowerment and environmental programmes. The 'Acesita' name is well-known to communities and employees, and refers to a former sponsor company.

Our Brazilian operations have a Corporate Responsibility Committee monitoring community impacts. In Italy, France and Poland, for example, we work with local governments and others on education and infrastructure projects key to local economic growth and community health. In all cases, our corporate programmes target root causes of economic and social issues, so contributing to the economic growth of these regions and the ongoing business success of Aperam.

Above: Aperam BioEnergia employee, Graciano Vieira da Silva, on the eucalyptus seedling nursery, Brazil.

## What happened in 2011

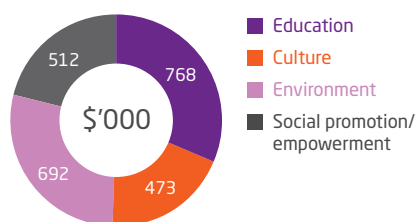
In 2011, we indirectly distributed US\$6,454 million to the economy worldwide through tax payments, wages and salaries, contracts, community infrastructure investments and research and development spending. We invested in the community through corporate volunteering: over 800 of our Brazilian colleagues gave 400 hours of their time to help develop and improve 28 local charities.

To introduce ourselves to the communities in our Brazilian operations, we established a Social Dialogue Programme in the Steel Valley (Timóteo and environs), comprising tours of our Timóteo plant and face-to-face meetings with employees' families, trade associations, customers, local leaders and the city council. The hard work has led to greater trust in Aperam and we share more and better information through publications, meetings and online.

### The Aperam Acesita Foundation

In 2011 we sponsored projects vital to the overall health, safety and wellbeing of the community, for lasting, positive local development. We run a small team on the ground, day-to-day, including colleagues who are skilled in stakeholder relations. In 2011, the foundation invested US\$2.4m (BRL\$4.4m), benefiting over 90,000 people.

The Aperam Acesita Foundation – contributions by theme



Our two Brazilian sites show a strong sense of interdependency with the 500,000 people in our host communities. In 2011 the Foundation met local leaders to explain what we do and Aperam's response to their concerns. The key workstreams are shown below.

### Meanwhile in Europe...

Activities in 2011 centred on partnerships with other industries, local government, and civil society to promote socioeconomic development in the region. In Italy, we hosted meetings with local government, civil society, and our employees to discuss the social welfare of the city of Podenzano and related corporate volunteering opportunities.



## Genk community relations

Open dialogue with local residents helps us manage noise, dust emissions and other issues. To control noise and dust emissions further at our Genk site in 2011, we tightened discipline in site equipment usage, added new monitoring arrangements (including audio-visual) and received strong cooperation by contractors. The work reduced dust emissions by around 50%. It is boosted by our Fair Play policy where every employee takes responsibility for performance. This can include active incident response or immediate maintenance of filters. The result? Stronger community relations.

## Isbergues local development

Like Genk, Isbergues is in an economically impoverished region. Best practice at Genk helped improve communications with locals on the sensitive topic of dust emissions that contain very fine particles of lead. In 2011 results show that our dust emissions contain 50% less than the legal allowable minimum. The work involved closely cooperating with the regional government departments with whom we are exploring economic development opportunities for the region. This result has been achieved by technical improvements and investments since 2009 and by continuous improvement on site. The result? Stronger community relations.

### The Aperam Acesita Foundation - Key workstreams

**Building a steel workforce** The foundation administers the Stainless Steel Institute, which aims to promote the economy of the Steel Valley by creating jobs in stainless steel. In 2011, 20,000 hours of training were offered, benefiting around 180 people in the community. The Vocational Training Centre, in partnership with the National Service of Industrial Learning, offered training in management, commerce and marketing. To date, around 5,700 students have completed it and in 2011, 54 apprentices were trained by Aperam.

**Next generation entrepreneurs** The foundation's entrepreneurship programme directly supports students in their second year of high school. The hands-on training looks at running a successful business and includes business planning, raising capital, marketing and finance.

**Local education on the rise** Partnership projects work on improving student attendance and teacher training. In 2011, through one programme, 950 teachers from 35 schools were trained in Timóteo alone. In another, 600 educators developed improvements in teaching in local schools.

**Environmental and safety education** Practical training is offered to improve water conservation, air pollution and biodiversity. Timóteo's Transitolândia Project sponsored 1,200 school students at 20 schools in a traffic safety course. The foundation also partnered with the Military Police of Minas Gerais, the Timóteo Town Hall and others to provide safe driving training.

**Better nutrition and health** We are proud to support initiatives on health such as the Sustainable Living programme educating adults on dietary health and household budgets. In 2011, the courses reached 178 community members and employees. Also in 2011 we ran educational courses for 38 young people recovering from alcohol or drug dependencies.

**Promoting local art and culture** With local artists and cultural organisations, we promote cultural heritage. In 2011, Aperam Acesita Foundation supported 170 cultural events, reaching 41,000 people.

## Where are we going?

- Monitoring community risks affecting licence to operate
- Review all community engagement initiatives by 2013
- Review local supply chain programmes in Brazil





# integrated

---

## Environmental stewardship in action

Stainless steel has many properties vital to modern lifestyle, medicine, industry and infrastructure. It contains recycled raw materials, is itself recyclable, and its supreme durability is a key attribute.

Environmental responsibility is core to our commercial innovations and our production processes. We work hard to ensure our house is in order, to comply with regulations and to meet the expectations of stakeholders. Our environmental management is well developed and we strive to include environmental risk in other programmes.

We like to think big and wide: we have changed our Brazilian fuel supply to include eucalyptus-based charcoal; electric arc furnaces in Europe provide production and resource efficiencies; we invest in cleaner technology. But also we are clear that performance improvements come from our colleagues' sheer hard work, collaborative continuous improvement initiatives, and stakeholder engagement.



### Leadership

We are recognised for the legacy of resource efficiency initiatives over recent decades.



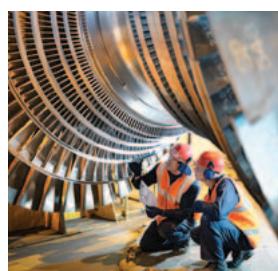
### Ingenuity

Environmental technology is found across the Aperam group, from the alternative charcoal fuel in Brazil to the new waste water treatment plant in France.



### Agility

The environment features highly in continuous improvement work, community projects, research and development, and the group's Health and Safety Day.



Where did you see us last?

### Supporting energy

Products made of stainless steel and related alloys help save energy, contribute to renewable energy systems and secure safe transmission of energy sources:

- High-speed rotating motors and drives
- Hydro-power turbines
- Wind turbines
- SolarStyl, for solar panels
- Undersea gas pipelines
- Components in street-level substations
- Parts for hybrid vehicles



## How we manage this

We operate strictly in compliance with regulations and our environmental stewardship adds value to the business.

Our Environmental Policy commits us to a long-term approach to resource efficiency and sustainability, and links clearly to quality assurance.

Responsibility for our Environmental Policy and programmes ultimately rests with our Chief Technical Officer. Each plant has an environmental coordinator responsible for delivery at the local level. They report to the head of the plant and ensure that the environmental management system complies with ISO 14001, day-to-day. Our main plants<sup>1</sup> are all certified to ISO 14001. Regular internal and external audits and monitoring ensure that Aperam's Environmental Policy is delivered.

Increasingly, our employees, customers, investors, communities, suppliers and others are seeing how hard we work on this. We adopt a long-term, pragmatic approach to managing issues, based on respect, engagement and local operating conditions. Our annual Continuous Improvement (CI) Challenge is a great example of such local engagement. For complex issues this approach comes into its own.



### Aperam BioEnergia

Aperam BioEnergia, the company that provides biomass in the form of charcoal from eucalyptus plants, is a wholly-owned subsidiary of Aperam<sup>4</sup>. In 2011, our Brazilian plant increased its consumption of charcoal to around 350,000t each year when Blast Furnace #2 was converted from coke firing to 100% charcoal. Aperam BioEnergia will provide an adequately stable supply of charcoal (biomass) to support the company's operations for the foreseeable future.

#### Environmental Policy

- Long-term view
- Precautionary approach
- Eco-efficiency as business value
- Product focus: durability and recycling
- Training and awareness
- Transparency

#### Key Issues

- Energy consumption and efficiency
- Water use and recycling
- Carbon dioxide (CO<sub>2</sub>) emissions
- Ozone-depleting emissions
- Local air emissions
- Materials used and recycled
- Solid waste, waste water

#### Key Indicators

- Production certified to ISO 14001 management standard
- Primary energy consumption (GJ) and intensity (GJ/tonne)
- Water use (m<sup>3</sup>) and intensity (m<sup>3</sup>/tonne)
- Carbon dioxide emissions (t) and intensity (t/tonne produced)
- Percentage of recycled material (pre- and post-consumer)
- Total environmental and energy capital expenditure (US\$)

## What happened in 2011

### Energy consumption and efficiency improved

After many years of managing our process efficiency, we continue to find ways to make savings. This cuts costs and helps protect us against price and supply volatilities. In 2011, we consumed 18.3m GJ of direct energy (Europe: 6.9m GJ, Brazil: 11.4m GJ) and 21.0m GJ of indirect energy (Europe: 12.7m GJ, Brazil: 7.6m GJ)<sup>2</sup>. In 2011, per tonne of product shipped, our direct and indirect energy use was 22.5GJ, and our energy-saving initiatives saved 2.4m GJ. The biggest wins, via our Continuous Improvement projects, relate to efficiencies in thermal tunnel burners, cooling systems, insulation of annealing furnaces and blast furnace gas management and re-use. Our Isbergues plant has sector-leading annealing and pickling process efficiency; in Brazil our coke-to-charcoal fuel switch saved 1.3m GJ in 2011; we also switched from LPG to piped-in natural gas at the same site.

### Carbon Dioxide (CO<sub>2</sub>) Emissions

In 2011 we emitted 2.0m tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e): 1.7m tCO<sub>2</sub>e being direct and 0.3m tCO<sub>2</sub>e being indirect emissions<sup>2</sup>. This equates to 1.15 tCO<sub>2</sub>e per tonne of product shipped. The 1.19m tons of 'carbon offset' provided in 2011 by our eucalyptus plantation, which supplies our charcoal fuel, is not included in our calculations<sup>3</sup>.

1. Châtelet, Genk, Gueugnon, Imphy, Isbergues, Timóteo, Jequitinhonha, Firminy and Pont de Roide.

2. Direct energy use is energy consumed by Aperam and our products and services. Indirect energy use is used for electricity and steam production. Regional split excludes 0.7 GJ for other operations.

3. Total emissions incorporating the offset from the eucalyptus plantation is 831,121 tCO<sub>2</sub>e and would result in 0.475 tCO<sub>2</sub>e/tonne shipped.

4. Please see p7 of the Aperam Annual Report 2011.

### Water Management

We systematically monitor and improve water efficiency. We aim to avoid risk relating to water supply disruption and cost. Whilst our recent focus has been on alternative fuels in Brazil, we are increasing our focus on water management. In 2011 at the group level, for each ton of product produced we used 4.01 m<sup>3</sup> of water. The total amount of water consumed in our manufacturing process was 22.6million m<sup>3</sup>, which is a slight decrease (2.5%) from the previous year (for an equivalent production). However, as water consumption varies greatly across regions, we adopt local water management strategies in our regions.

Ninety five per cent of our fresh water is sourced from canals, rivers, and reservoirs. The rest is drawn from groundwater, rainwater and reused 'grey' water. To date we have closed-loop water systems at all of our main production plants: our water recycling rate in 2011 was 93%. We are revising our water-related data collection approach.

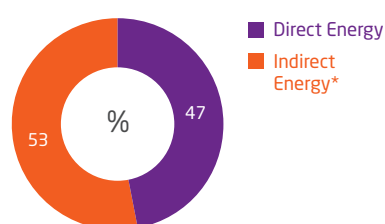
### Materials use

Living up to our value of 'ingenuity' drives our efforts to increase the efficiency of materials use. We used a total of 3.1m tonnes of materials in 2011, around 11% of which are on-site materials such as dust, slag, grindings and process scrap.

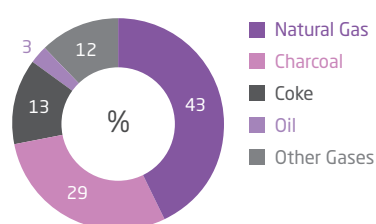
Around 40% of raw materials used are from recycled, post-industrial sources. In Europe where our steel production uses electric arc furnaces, the percentage is around 76%. A number of eco-efficiency projects saved other materials in 2011, such as paper in tool packaging.



## Total Energy Consumption 2011

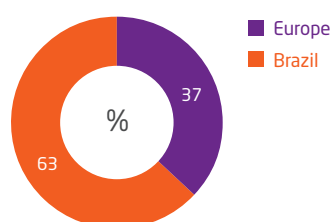


## Direct Energy Breakdown 2011

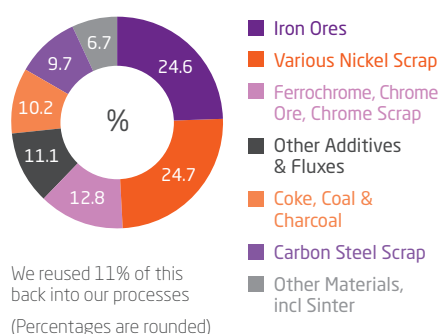


\*Note: Indirect energy source is 100% electrical. Indirect energy data include service centres and an estimate covering other sites and offices. Regional split excludes 0.7 GJ for other operations.

## We used 22.6m m³ of water in 2011



## We used 3.1m tonnes of materials in 2011



## Local air emissions

Managing the effects of air emissions on local communities is a primary focus for us. Doing so promotes healthy conditions for employees and local communities.

Air emissions 2011	Emissions (tonnes)	Intensity (t/t product shipped)
SOx (SO <sub>2</sub> )	410.0	0.23
NOx	1,694.3	0.97
Volatile Organic Compounds (VOC)	40.7	0.02
Dust (ducted)	328.9	0.19

\*The data on local emissions are best estimates and are not audited. Data cover all main production facilities except Jequitinhonha.

Since 2005 we have been working with stakeholders south of our Genk site on dust emissions that contain very fine particles of nickel and chromium, contributing to local air pollution. We work with residents and government departments, we offer 'open days', publish a residents' magazine and run daily briefings on site. These efforts led to a 40%-60% drop in emissions (per ton and in total) and strengthened community relations.

## Investing in clean technology at Imphy

A new water treatment unit was installed in 2011 to allow a closed loop system which reduces water use by 35% (from 2010). The investment saves a million cubic metres of water a year. Previously, the process water came from recaptured rainwater and grey water recycling; the remainder came from civil water sources.

## Agile with waste

Around 17kg of sludge arises per tonne of steel produced at our Brazilian plant. A sludge reuse project with the ceramic brick industry has strong commercial promise with the development of a new type of product. The sludge replaces clay, a finite natural resource. As well as complying with all relevant standards, the resulting bricks are around 50% stronger than traditional ones. Not bad for sludge.

## Waste and waste water

In 2011, waste sent for disposal amounted to 75.3 ktons, a third of which (23.4 ktons) was hazardous waste. Non-hazardous waste is mainly composed of sludge (36.2 ktons) and dust (12.4 ktons). If we include reused by-products arising in our processes in 2011, the total produced was 1,308.5 ktons (down 3% from 1,349.4 ktons in 2010).

In 2011 we discharged 18.6m m³ of waste water. We recorded a slight decrease of 3.2% due mainly to the new water treatment station at Imphy, saving 1.1m m³ and the temporary suspension of plant at Isbergues that saved 0.46m m³. We monitor water quality criteria such as chemical oxygen demand, total suspended solids and chromium content. The quality of waste water released met legal requirements across our sites.

## Protecting against ozone depletion

To accord with the Montreal Protocol to phase out CFCs and other ozone-depleters, we track our use of substances such as refrigerants and CO<sub>2</sub> gas at site level. The data are not yet centralised however.

## Biodiversity

Preserving biodiversity is part of Aperam's approach to environmental stewardship, for example wildlife conservation around our operations. In Brazil, our commitment to the preservation of biodiversity takes the shape of a Green Area Management programme which was launched in 2004 and has both preservation and environmental education aspects. We are committed to protecting the 2,500ha of forest near our Timóteo plant and have managed projects there since 2004. In the Jequitinhonha Valley we run local community environmental training projects, such as the new Forquilha Center (benefiting 76 families) and an urban apicultural project to stimulate local jobs and protect bee populations.

## Where are we going?

By the end of 2012:

- Revise environmental targets
- Improve local emissions data collection and reporting
- Complete compliance with the EU REACH regulations
- Review environmental compliance for our arc furnaces
- Complete clean technology expansion at flagship Gueugnon plant, France



# Focused

---

## Customer experience

In 2011, Aperam shipped its products to customers in 174 countries. Our customers benefit from a global, integrated distribution network and on-site technical teams amounting to a clear focus on service, partnership and customer satisfaction. The people at Aperam have always focused on authentic customer collaboration: an effort to create solid benefits from a way of working that values the relationship, responsibility, interaction, loyalty and hands-on technical service. For many years this has helped make us unique in the market.

We develop new products and we work with customers on bespoke, specialist products. Aperam's investments in research and development in 2011 amounted to US\$20m.

Our engagement with our automotive customers is a fine example of working together to improve product quality and commercial approach. Further, the case for investing in life-cycle management is important for the markets we serve. This expectation is driven by the development of process and product related regulations.



### Leadership

Unrivalled collaboration with customers on product design, from specialist seminar workshops to hands-on testing.



### Ingenuity

Customers benefit from robust technical support relating to specific properties of stainless steel and alloys.



### Agility

Widely renowned and highly responsive teams for customer service and distribution.



Where did you see us last?

### Travelling safely (and aesthetically)

Stainless steel has been the choice for transport over the years. It has advantages that make it the material of choice for many transportation technologies: durability, long service life, ease-of-maintenance. Wherever corrosion-resistance, design flexibility or mechanical tolerance play an important role, stainless steel fits the bill. Indeed, it has helped the pace of development in rail and bus technologies, as new grades help save cost and yet maintain high mechanical strength. You'll see our products in São Paulo's new subway station structures, façades, railings, furniture, elevators, bins, maps and, yes, trains. What versatility!



## Meeting customer requirements

### Amazing qualities

The most compelling message to customers is surely on the qualities of stainless steel and alloys. Various individual products are made out of stainless steel and they have their own properties, functions and life-cycles. But stainless steel itself has an astonishing array of qualities.

**Durability and resilience** – well-known corrosion and heat resistance, outstanding mechanical properties at high temperatures.

**Cleanliness** – no biofilm remains after cleaning a stainless surface.

**Environmental credibility** – it's endlessly recyclable. Scrap collection infrastructure is well developed.

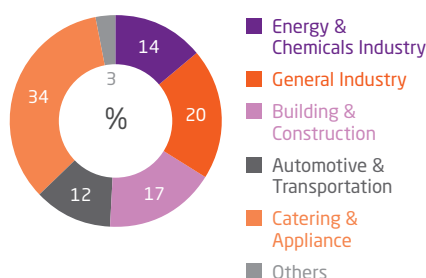
**Product safety** – it's not bad for you – no negative chemical or physical effects.

**Aesthetics** – often relevant to stainless steel lifestyle and industrial products as well as high-end architectural applications for example.

### Amazing products

Flat stainless steel products represent a significant part of our sales. We also offer specialist products such as stainless specialities, nickel alloys, magnetic and controlled expansion alloys, superalloys, corrosion alloys, electrical steel, special-carbon steel and specialty stainless grades. Our products are used in diverse industries, see the chart below.

Stainless steel consumption by end user



### How we work

We organise our sales and marketing function around a sales network in daily contact with customers. Aperam's central teams direct commercial policy and group marketing. In this way we understand daily customer demands and future market trends.

Naturally, customer relations and quality are of superior importance to Aperam. For existing, bespoke and new products, core to our quality management is our Continuous Improvement programme, ongoing defect detection training and quality audits. Aperam also holds a number of certifications such as ISO 9001, ISO 14001, ISO/TS 16949, certified by independent auditors. This guarantees the quality of our products.

Aperam aims to inspire confidence and comparability of products through life-cycle assessment (LCA). We share the policy positions of the International Stainless Steel Federation (ISSF). We regularly work with ISSF and other technical industry bodies. Our investments in research and development (US\$20m in 2011) lead us to work closely with customers on product development.

### Services & Solutions

Our customers rely on our international service and distribution network. Core to it are the direct sales network, the service centres, and the transformation assets such as tubists or precision processing. We offer integrated networks in South America and Europe via 33 sales offices, 19 Service Centres and 10 transformation plants and facilities.

### A focus on product safety

Product safety is comprehensively regulated in our industry. Our stainless steel is made in accordance with international standards developed under the direction of the ASTM, the UNS and the European Union. For example, the ASTM Standards are used in classifying, evaluating and specifying the material, chemical, mechanical and metallurgical properties of the different types of steels. We provide health and safety information on products and materials. Technical data sheets describe a product's chemical and mechanical properties. Occupational Exposure Limits for substances contained in stainless steel are available. Advice is also available on safety measures to be used when handling stainless steel, for example during welding.

### Alloys & Specialties

Specialist solutions and diversified products. The key facts:

- Second largest European nickel (Ni) alloys manufacturer
- Ni alloys and special stainless products in various forms and grades with specific properties
- World-leading products for specialist applications
- We work closely with our R&D, meltshop and logistics teams to provide the best solutions
- Comprehensive service and logistics operations.

### Electrical Steels

Electrical steel comprises specialist grades for customers seeking energy efficiency improvements. One form, 'grain oriented' steel, is used in the construction of static electrical machines or transformers. Its sister product, 'non-grain oriented' steel is used in rotating electrical machines such as hydrogenerators, electrical motors, hermetic motors, compressors for refrigerators, air conditioners, freezers, drills, household appliance transformers and energy meters. Such grades allow the high performance energy efficiency expected by customers.





## Continuous Improvement programme

We strive constantly to improve our service. A great example is the Management Committee-sponsored Commercial Excellence Project which aims to perfect customer service on R&D, production, technical and logistics matters. Independent auditors at our Pont de Roide plant were impressed by the teams delivering improvements on safety, customer satisfaction and quality. See p12 for more.

## Welcome to Aperam

We invite customers such as Toyota and ArcelorMittal to the Continuous Improvement (CI) Challenge each year. As part of our quality work, we invite customers from around the world to visit our plants. We supply Chinese automotive parts manufacturers who themselves are tier one suppliers to the major car makers: Chinese company Minth Group visited Gueugnon last year as part of a quality audit. In place in China we have a service centre located 130km from Shanghai. The expectations in terms of quality in China are now equal to those in the US.

### Great collaborations

Customers are key stakeholders. We work with them constantly on technical solutions, from shop-floor to executive suite. We know them, we understand their interests and risks, we track wider issues with them, we communicate openly and we respond to the outcomes of the engagement.

A standard approach to customer service is for an Aperam engineer to be on site regularly with a customer. Our engagement with our automotive customers is a fine example of engagement and has led to better delivery consistency, better flexibility on terms and eBusiness service options.

An example of our response to wider issues is the development of electrical steels. Evolving regulations, increased energy costs and a focus on energy efficiency have led to the development and refinement of this specialty product.

Another is our 'Stainless Academy'. To help customers work with our Kara range, we set up the Stainless Academy to share our expertise. Our Kara brand groups a range of stainless steel grades which are less dependent on the volatile prices of alloying elements. Kara grades are highly technical and share the characteristics and corrosion resistance of high nickel grades. Since 2008, technicians, operators, production line managers, engineers and quality professionals have joined our academy workshops in France. Topics include the detection of chlorides, ferrous pollution and major demonstrations in the welding hall. It's also perfect for visiting our industrial facilities too. In 2011 we ran 14 such events, each lasting 2.5 days. To date, 520 people have been trained, from 170 customer organisations throughout Europe. The 2012 schedule is underway with additional touring workshops going to Poland and Turkey.

Further, Aperam's laboratory at the Pont de Roide site assists customers in specific product development projects. It has specific tools such as an electronic microscope, spectrometer and microsound. The three sections of the laboratory include metallurgy trials and physical testing, dimensional metrology to finely calibrate measuring equipment and physical and chemical control and analysis.

### Customer satisfaction

Customer satisfaction is a key performance indicator which we survey annually in South America and every two years in Europe. The surveys are independently facilitated and based on interviews with customer contacts. Our 'Customer Score Card' tracks performance internally and each month the Board of Directors and the commercial managers assess the results. We evaluate product quality, order processing, customer service, complaints, technical assistance and logistics.

In 2011, on 'overall satisfaction' Aperam Europe score 7.1 out of ten (from 170 respondents); Aperam South America saw a strong increase from 2010 with scoring 8.2 (106 respondents). The results place us very competitively in international benchmarks.

Left: Aperam South America supplies stainless steel to rail and subway cars in Brazil. The wagons use cold rolled 301LN stainless steel, with different levels of resistance for several applications, such as structure, side panels and roofs. Above: We share our expertise with customers at our Stainless Academy.

## Superb result in automotive with VW

Following an audit in 2010 by Volkswagen, Aperam was selected to make the moulds used for the manufacture of exhaust pipes for brands such as Audi A3, Golf 7 and Skoda Octavia. We scored very highly in the audit and beat some serious competition to win the contract.

"The advantage of working with the automotive sector is that it is a springboard for further progress in an extremely demanding industry – they really challenge their suppliers" Xavier Gagey, Automotive Sales Director.

## Where are we going?

- Implement action plan in response to our customer survey by end 2012
- Launch second phase of Commercial Excellence Project in 2012, including common performance monitoring for the commercial teams





versatile



---

## Innovating solutions

We offer the most comprehensive and innovative range of stainless steel and alloys solutions in the market. We adapt to specialist customer needs with products that meet diverse needs in extreme environments.

Our unbeatable research and development facilities in Timóteo, Isbergues and Imphy are home to 131 developers of high-end applications. Whilst our product innovations aim to ensure profitability they also contribute wider societal benefits such as durability, recyclability and cleanliness.

Our primary developmental aim is to create steel solutions with our main customers. Our second major research and development activity is new, lower-cost energy-saving industrial products.



### Leadership

From its discovery early in the 20th century, stainless steel has become an integral part of our lives. Used primarily for its corrosion resistance – which sets it apart from all other forms of steel – stainless steel is also found in applications where strength, innovation, versatility and aesthetics are important.



### Ingenuity

Innovation opens a world of possibilities. Stainless steel does not require coating and is self-healing! If its surface is scratched or damaged, a passive layer, only a few atoms thick, instantaneously reforms.



### Agility

Aperam Innovation teams work constantly with our clients to bring the best options and possibilities to product and market development.



Where did you see us last?

## On buildings, sculptures, landscapes

Stainless steel is a compelling choice for diverse architecture. It allows creativity with a wide range of surface finishes. It provides long service life, attractiveness and versatility. Inventive building design that blends stainless steel allows natural light, giving users a feeling of comfort and wellbeing. Look for stainless steel in buildings, public spaces and the Olympic park. The Atomium near Brussels is a great example: sourced from our Genk plant, the stainless steel skin of the Atomium makes this 102 metre high building stand out in the Belgian landscape.

## Solutions and society: stainless and alloys at work

Our products contribute to society's diverse needs. The mechanical properties, cleanliness, corrosion resistance and durability enhance performance in healthcare, education, transport, energy efficiency, infrastructure and lifestyle. We list in this section how our products and innovations contribute.

Since people are central to our business, we ensure careful collaboration of research and development (R&D) teams, engineers on site, technical managers, industrial end users and leading research organisations. R&D expenditure in 2011 amounted to US\$20m (€15m).

We are proud of our sector-leading R&D capacity. Our legacy of expertise is recognised in the construction sector, the automotive industry and the 'white goods' and appliance industries.

### Our top innovations of late...

- Grade K45 ferritic steel** (20% chromium): for wide-ranging applications for superior corrosion resistance
- A new, two-phase microstructure duplex grade:** exceptional corrosion resistance and mechanical properties, mainly used in oil and gas processing, desalination, chemical production and water treatment
- SolarStyl:** used in photovoltaic panel arrays
- Iron, nickel and stainless steel alloys:** for generator technology, renewable energies and fuel cells



### Lifestyle: Energy

Aperam's products help the transition to a low carbon economy. For example, our electrical steels are seeing further innovations developed in our Timóteo Research Center. New production techniques allow our products to achieve even higher efficiencies (akin to 'high-magnetic permeability grain-oriented' electrical steel) in appliances. Aperam has invested to further improve grain oriented (GO) steels, and 2011 marked the beginning of a new generation of non grain-oriented (NGO) steels used, for example, in large-rotating motors and hybrid vehicle technologies.

Aperam Alloys has also patented SolarStyl, a ferritic stainless frame for fully-integrated photovoltaic panels on buildings. Alternatives such as aluminium tend to have limited warranties and less regard for mechanical and electrical safety. SolarStyl is cheaper and quicker (and safer) to install. Of course, it is durable, recyclable, fully guaranteed, weather resistant and aesthetically pleasing. To date more than 2,000 SolarStyl modules have been installed in France.

We produce magnetic components for inverters, metal/glass sealing alloys for solar power systems, iron nickel alloys for thin film photovoltaic solar cells and polymer-alloys for photovoltaic casings.

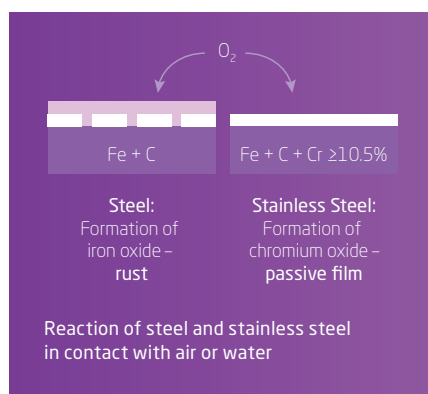


### Lifestyle: Health and home

The outstanding cleanliness of stainless steel means that no biofilm or bacterial residue can build up; neither does it change the taste or appearance of foodstuffs. It enables the catering industry to ensure food safety, and other sectors to be assured that our products meet the EU Restriction of Hazardous Substances Directive. The Alloys team at Imphy in France have even developed new magnetic materials for cooking utensils with built-in temperature controls, as a safety feature.

Stainless steel is a perfect material for everyday objects at home, and is popular in washing machines, cookware, refrigerators, microwaves and water boilers. Further, the discovery of Invar – an alloy not affected by expansion or contraction with temperature changes – has allowed innovations in bi-metallic products, common in household appliances such as irons, air conditioning systems, ovens and greenhouses.

This page above left: SolarStyl in use on a 3kw installation in an exposed location, France. Page 27, left: In the iconic ArcelorMittal Orbit structure in the UK, 25t of stainless steel are used, mainly for staircases and handrails.



## Combating corrosion

All metals, except the precious ones, in their natural state are extracted from ores and tend to revert to their stable state known as their 'oxide form'. Metal corrosion is an electro-chemical reaction at the interface between metal and its surrounding environment. Steel is an alloy of iron and carbon. Contrary to carbon steel, the presence of a minimum of 10.5% chromium in stainless steel provides corrosion resistance. On contact with oxygen, a chromium oxide layer is formed on the surface of the material; this passive layer protects it and has the particular ability to self repair. There are five main types of corrosion and we advise our clients on how to design their products to minimise attack!



### Infrastructure

Stainless steel functions in the most severe environments. It has a high physical and thermal shock resistance and is ranked A2s1d0 for fire resistance, with no toxic fume emissivity. Since it's infinitely recyclable and recycled, the cost-conscious construction sector, with its razor-thin margins, often sees recovery rates close to 100%. Cost levels of stainless steel transformation are comparable with traditional options, and stainless steel roofing gives an excellent quality versus price ratio. Choosing stainless steel offers a long-term guarantee.

Stainless steel also permits a freedom of creativity and architectural design second to none; it is also used for noise reduction shields and flood control gates.

Aperam's Foamglas® compact warm roofs are used in new build and renovation projects and go well in complex or shallow pitched stainless steel roofs. Foamglas® contributes to the energy efficiency and indoor comfort of a building: it has excellent thermal and acoustic insulation properties. It suits regions with climatic extremes, is completely weather-tight and is ideal for buildings with extremes of relative humidity.



### Transport

Our best known transport applications use Kara ferritic steel exhaust systems, body structure, decoration, bus and coaches and aerodynamics. Our exhaust systems are extremely resistant to high temperatures, have an excellent service life and meet stringent needs of the major brands and new environmental legislation. Since stainless steel can be rolled thin and is very ductile, it suits the 'lightweighting' goals in automotive design driven by high fuel prices and emissions regulations. Additional benefits include greater impact absorption and load bearing capacity and strength. We work with US and EU auto sectors on using austenitic stainless steel for body parts; Kara ferritic grades are aesthetically pleasing, easy to maintain, and resistant to corrosion: they are a top choice for the car industry mainly for cold and hot exhaust system compounds.

In the aeronautics sector our specialist AFK type Iron cobalt alloy allows light weight, heat resistant design options. It enables a new approach to energy distribution and has lower production costs. The high permeability of Imphy's magnetic alloys make them ideal for shielding against low frequency electromagnetic interference (EMI). EMI can affect health, safety and security. For example some medical sensors are so sensitive that they require protection from the Earth's magnetic field. If the source cannot be removed then shielding is needed.

## A 'cradle-to-grave' approach

Governments worldwide have begun to recognise the need for resource efficiency. In Europe, policy-makers have launched a wide-reaching policy programme to looking at ways to enhance EU programmes for eco-design, eco-labelling and green public procurement.

The case for investing in life-cycle management is becoming clearer. Process and product related regulation is evolving in our markets: examples include Integrated Pollution Prevention and Control (IPPC), Integrated Product Policy (IPP), End of Life Directives (such as End-of-Life-Vehicles) and Environmental Product Declarations (EPD).

Life-cycle assessment (LCA) helps integrate sustainable development into management systems and product development. Doing so help us to assess and compare the environmental credentials of products in a holistic way. Data from all production processes are collated so that a clear profile of the production route, and the contribution of each stage can be assessed. Automobile manufacturers have hundreds of component LCAs and several full vehicle LCAs and they use them in the decision-making process for the best environmental option of the vehicle. The construction industry, process industry and medical industry do the same.

A full cradle-to-grave study looks at the production from raw material (cradle), through the use phase, and end-of-life (grave). The ISSF has developed a life-cycle project on cradle-to-gate, analysing data from raw material extraction to the stainless steel product as it is at the factory gate. This allows the user to track what happens in the use phase.

The International Standards ISO 14040 series outlines the approach to take including the necessity for independent third party validation.

### Safer pipelines

Our experts developed a specialist alloy that's perfect for piping Liquefied Natural Gas through ultra-deep sea pipelines. We thus help to control the environmental and safety risks in offshore transport of substances with high H<sub>2</sub>S, SO<sub>2</sub>, sulphur, CO<sub>2</sub>, chlorides and acid gases. The product also improves fuel tanker haulage safety and life-cycle costs.

### Bus and coach safety

Transport providers face tightening rules on safety and fuel economy. The energy absorption properties of stainless steel help make travel safer. In a crash stainless steel absorbs greater impact forces and resists high temperatures in the event of fire. Benefits also include long service life, weight savings and load capacity.

### Where are we going?

- Promote the development and marketing of less expensive alloys
- Ramp up Aperam's business in oil and gas, water, desalination, photovoltaics, and sustainable construction
- Intensify collaborations with universities and utility companies



# About this report, and external reporting frameworks

The scope of information and data in this report covers operations in Europe and South America for the 2011 financial year. We have nine sites for which production data are collected (unless otherwise stated): Châtelet, Genk, Gueugnon, Isbergues, Timóteo, Imphy, Firminy, Pont de Roide, Jequitinhonha. Data come from our operational environmental reporting system, our human resources function, legal affairs and our finance reporting system. Water recycling calculations include estimates for Gueugnon, Imphy and Firminy. Local air emissions data exclude Jequitinhonha and Firminy. With the exception of electricity use data, our data do not currently cover Aperam's offices, Service & Solutions or Alloys & Specialities operations. Our CO<sub>2</sub> data derive from direct and indirect energy use, and account for our Brazilian offset: an asset that became wholly owned in July 2011; comparability from period to period is not affected as this is our first report. Our environmental data system is guided by ISO 14064, IPCC 2006, the WRI-WBCSD GHG Protocol and the World Steel Association. Diversity data exclude trainees. This report does not cover any joint venture operations or activities of partner organisations. The information in this report is subject to internal data management systems and audit.

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). In January 2012, Aperam joined, and presents report content in accordance with the principles of, the United Nations Global Compact, the world's largest corporate responsibility initiative with over 8,000 participants in 135 countries. We will review external independent assurance options for our next report.

## GRI Index guide

A complete GRI Index is found online at [aperam.com/sustainability](http://aperam.com/sustainability); this summary table serves to illustrate the extent of information available in it. We self-declare GRI G3.1 Application Level C.

GRI G3.1 aspects addressed in full, or in part	
Introduction, CEO's message, Who are Aperam?	pages 1-3
Strategy and Analysis, Statement from the most senior decision-maker 1.1, Description of key impacts, risks, and opportunities 1.2, Organisational profile 2.1-2.9, Report parameters 3.1-3.11, Economic performance, Market presence, Indirect economic impacts	
Approach to sustainability	pages 4-5
Governance, Commitments, and Engagement 4.1-4.4, 4.14-4.15, Description of key impacts, risks, and opportunities 1.2, Disclosures on Management Approach, Business Integrity	
Safety	pages 6-9
Disclosures on Management Approach Link between senior remuneration and sustainability KPIs 4.5	
Environment	pages 16-19
Disclosures on Management Approach Materials, Energy, Water, Biodiversity, Emissions, Effluents, and Waste, Products and Services (environmental benefits of products and services)	
People	pages 10-13
Disclosures on Management Approach: Labour Practices and Decent Work, Employment, Labour/Management Relations, Occupational Health and Safety, Training and Education, Diversity and Equal Opportunity, Human Rights, Business Integrity, Products and Services (social benefits of products and services)	
Community	pages 14-15
Disclosures on Management Approach: Society, Organisational profile 2.2	
Customers	pages 20-22
Customer satisfaction, Product responsibility: benefits, safety, labelling, compliance, Brands, products: Organisational profile 2.2	
Innovation	pages 24-26
Brands, products: Organisational profile 2.2, Products and Services (social benefits of products and services)	

## UN Global Compact Communication on Progress

The United Nations Global Compact (UNGC) is a framework to guide sustainable business policy and practices. It seeks to align operations and strategy with ten principles and to catalyse action. Aperam became a UNGC signatory in 2012. As part of our report, the table below shows our Communication on Progress, an annual membership requirement.

UNGC 10 Commitments	
Human Rights	
<b>Principles 1&amp;2</b> – Businesses should support and respect the protection of internationally proclaimed human rights and make sure that they are not complicit in human rights abuses.	
'Working with our stakeholders' page 5; People section 'How we manage this' page 10; Our approach to sustainability page 4, key material issues page 5	
Labour Standards	
<b>Principles 3-6</b> – Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; uphold the elimination of all forms of forced and compulsory labour, effective abolition of child labour and the elimination of discrimination in respect of employment and occupation.	
People section 'How we manage this' page 10; Community section 'How we manage this' page 14; the Acesita Foundation key programmes, page 15; Our approach to sustainability page 4	
Environment	
<b>Principles 7-9</b> – Businesses should support a precautionary approach to environmental challenges, undertake initiatives to promote greater environmental responsibility and encourage the development and diffusion of environmentally friendly technologies.	
Environment section 'How we manage this' and 'Aperam BioEnergia' profile, page 18; 'What happened in 2011' page 18-19; Imphy case study page 19; 'Agile with waste' case study page 19; 'Electrical steels' case study page 22; Customer section 'How we work' page 22; Society and solutions page 26; other aspects of our products page 27; 'Cradle to grave' approach page 27; Raw materials subsection page 3; Our approach to sustainability page 4, Key material issues page 5	
Anti-Corruption	
<b>Principle 10</b> – Businesses should work against corruption in all its forms, including extortion and bribery.	
Business integrity as a key material issue, page 5; People section, 'How we manage this' (Code of conduct, anti-corruption) page 12	



For our complete GRI Index, please see [aperam.com/sustainability](http://aperam.com/sustainability)



For more information about the UNGC, please see [unglobalcompact.org](http://unglobalcompact.org)

## Summary of commitments

A summary of the commitments, goals, plans and aspirations listed in the report for completion by the end of 2012
<b>Safety</b>
Maintain target-beating LTIFR with constant vigilance for improvement
Improve visible leadership, training, contractor safety, safety reporting and best practice sharing
Implement Fair Play policy group wide
Improve quality of root cause analyses of all accidents
<b>People</b>
Renew our training focus: training plans in 93% of plants
Launch the Aperam Employee Value Proposition initiative
Apply GEDP for 100% of senior management/directors and 95% of other management
Succession plans for 80% of senior managers and 90% of middle managers
Complete actions in response to our Leadership Survey
<b>Community</b>
Monitoring of community risks affecting our licence to operate
Review all community engagement initiatives
Review local supply chain programmes in Brazil
<b>Environment</b>
Revise environmental targets
Improve local emissions data collection and reporting
Complete our compliance with the EU REACH Regulations
Review our environmental compliance programme for our arc furnaces
Complete clean technology expansion at our flagship plant at Gueugnon in France
<b>Customers</b>
Implement action plan in response to our customer survey
Launch second phase of Commercial Excellence Project in 2012, including common performance monitoring for the commercial teams
<b>Innovation</b>
Promote the development and marketing of less expensive alloys
Ramp up Aperam's business in oil and gas, water, desalination, photovoltaics and sustainable construction sectors
Intensify collaborations with universities and utility companies

## Glossary of stainless steel

**Alloy** – A combination of two or more metals, or a metal and a non-metal. Alloys offer advantages that the pure metals cannot offer on their own.

**Annealing** – Annealing is a heat treatment process which reforms the steel's grain structure. This is typically done after cold working.

**Austenitic Stainless Steel** – High in nickel and chromium, austenitics provide a superior corrosion resistance; known for their ductility and weldability as well as for an ability to withstand extremely low temperatures.

**Chromium (Cr)** – Chromium is a hard, malleable, glossy, grey, chemical element with no odour or taste. It is used in alloys for corrosion resistance and shine. Chromium has the remarkable ability to form a layer on the surface of stainless steel and continually repair itself.

**Cold Working** – Hammering, rolling, or stretching (for example) at room temperature. Cold working increases the steel's hardness, strength and shape.

**Corrosion** – Corrosion is the destruction of steel caused by oxidation or another type of chemical reaction. Rust is a type of corrosion caused by oxidation.

**Ductility** – A metal that is ductile is malleable, and can be shaped without cracking.

**Duplex** – Duplex alloys are both ferritic and austenitic: they are stronger and more corrosion resistant than most austenitics and tougher than most ferritics.

**Hardening** – Stainless steel can be hardened either by thermal treatment or cold working.

**Heat Treatment** – Heat treatments such as annealing, precipitation strengthening, tempering and quenching are used to harden or soften stainless steel.

**Interstitial Alloy** – In this alloy, the atoms of the alloying materials are dissimilar in size; the smaller atoms slot neatly into the gaps – or interstices – between the larger atoms.

**Iron Ore** – Iron ore are rocks, minerals or meteorites that are viable sources of iron. Typically, the iron is in the form of iron oxide.

**Martensitic** – Martensitic stainless steels contain 11%-17% chromium. Because of their high carbon content (0.10% to 0.65%), martensitic stainless steels are hardened by quenching; good corrosion resistance and exceptional mechanical properties.

**Molybdenum (Mo)** – A soft, silvery-white, chemical element that is used as a hardening agent, but when used with chromium, it increases an alloy's corrosion resistance.

**Nickel (Ni)** – A hard, ductile, silvery-white, chemical element. Nickel is a transition metal which bears a high lustre. Due to corrosion resistance, it is frequently used in producing superalloys.

**Passivation Layer** – An invisible, adamantine, non-reactive film that forms on the surface of steel and other materials in a caustic environment. It is only a few atoms thick and helps prevent corrosion.

**Precipitation Hardening** – A method of heat treatment, the process is useful for strengthening malleable materials. For it to occur, the alloy must remain at a higher temperature for hours.

**Quenching** – Quenching is a heat treatment used to harden stainless steel.

**Stainless Steel** – Stainless steel is a ferrous alloy that resists staining, rusting and corrosion. Stainless steel has a chromium content that exceeds 10% and may contain varying amounts of other elements such as nickel, molybdenum, etc depending on the grade.

**Tempering** – A heat treatment process used to toughen metal.

#### Aperam

12C, rue Guillaume Kroll  
L-1882 Luxembourg  
Grand Duchy of Luxembourg

Tel: +352 27 36 27 00

Email: [contact@aperam.com](mailto:contact@aperam.com)

#### Aperam Investor Relations:

Michael Bennett: +352 27 36 27 36

#### Aperam Media contact:

Jean Lasar: +352 27 36 27 27

For all sustainability feedback:  
[sustainability@aperam.com](mailto:sustainability@aperam.com)



[www.facebook.com/aperam](http://www.facebook.com/aperam)



[@aperam](https://twitter.com/aperam)



See more at [aperam.com/sustainability](http://aperam.com/sustainability)