

Sustainability
Report

2018



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Chairman
ENG. RICARDO CILLÓNIZ CHAMPÍN



CEO
ENG. TULIO A. SILGADO CONSIGLIERI

Letter from the Chief Executive Officer

(102-14)

To our stakeholders,

Corporación Aceros Arequipa is pleased to present a new edition of our sustainability report, corresponding to year 2018, in accordance with the Global Reporting Initiative Standards, Core option. We describe therein our progress and opportunities for improvement in the most relevant topics for our company, such as the efficiency of our operations, care for the environment, good relations with our neighbors and zero tolerance of corruption. In short, our contribution to Peruvian society.

In 2018, we continued consolidating our process towards sustainability, focusing on providing better products to our clients, meeting their needs and ensuring optimal management of our waste and materials used. Thus, in addition to having donated 6000 tons of ecogravilla (steel slag) to our neighbors for their new roads, today we have also created, from our waste, construction blocks that serve to improve the storage and safety conditions of our products and facilities. We

have also begun to expand our steel complex at the Pisco plant, which will allow us to be more efficient in the use of resources, reduce our impact on the environment, improve our value chain and reduce our level of imports.

Our commitment has already been recognized, since in 2018, in addition to having our Integrated Management System certified, we received the Socially Responsible Company Distinction - DESR granted by Perú 2021 and Cemefi. Also, for the third consecutive year we were winners of the National 5S Award, obtaining the Gold Medal; and we obtained the Silver Award in the Leaders of Excellence International Quality Competition - 2018 carried out by the Institute for Quality of the PUCP in collaboration with the American Society for Quality with our improvement project "Optimize the control system of the electric arc furnace with Eccentric Bottom Tap System (EBT)". With this same project, we were winners of "Recognition to improvement projects" organized by the Industrial Development Center of the National Society of Industries.

All this would not be possible without the participation of our collaborators by means of a number of continuous improvement projects receiving in 2018, 530 suggestions of which 50% were implemented. Also, we continued with our

quality circles participating in that same year, 128 collaborators composing 38 teams, of which 14 completed their projects. Aware of the importance of the fight against corruption in the public and private spheres of our country, we have strengthened our Anti-Corruption Program with more awareness activities for our workers, clarifying the roles that we must fulfill before our stakeholders, prohibiting this type of conduct in our relations.

Finally, as it is part of our philosophy, we work hand in hand with our neighbors within the area of influence of our main operations, seeking alliances that allow us to develop projects with the active participation of the population and our strategic allies. The actions we carry out are framed within our institutional objectives and lines of action, prioritizing education, health prevention, culture and infrastructure improvement. We work so that more people have access to a better quality of life.

We hope that this exercise in transparency, which we consider relevant for our company, will contain information of interest to you. We also trust that it will encourage us to continue working hard to contribute to a better Peru.



01

Who are we?



01. Who are we?

(102-1; 102-2; 102-3; 102-4; 102-5; 102-6; 102-7)

Corporación Aceros Arequipa S.A. (hereinafter, CAASA) is an iron and steel company with Peruvian capital and 1,067 Peruvian collaborators, mainly engaged in the production and commercialization of steel products, from the metal transformation process to the end products, including:

- Stranded wire rod
- Construction bars
- Smooth bars and profiles
- Bars for mill balls
- Galvanized steel corrugated sheets
- Nails and wires
- Corrugated stirrups
- Tools
- Hardware items
- Bolts for rock support
- Plates
- Coils
- Pipes

And these, along with their respective by-products.

Our main clients are in the sectors of construction, metal-mechanics, mining, metallurgy, real estate, Peruvian State, small and medium distributors. We export our products to:



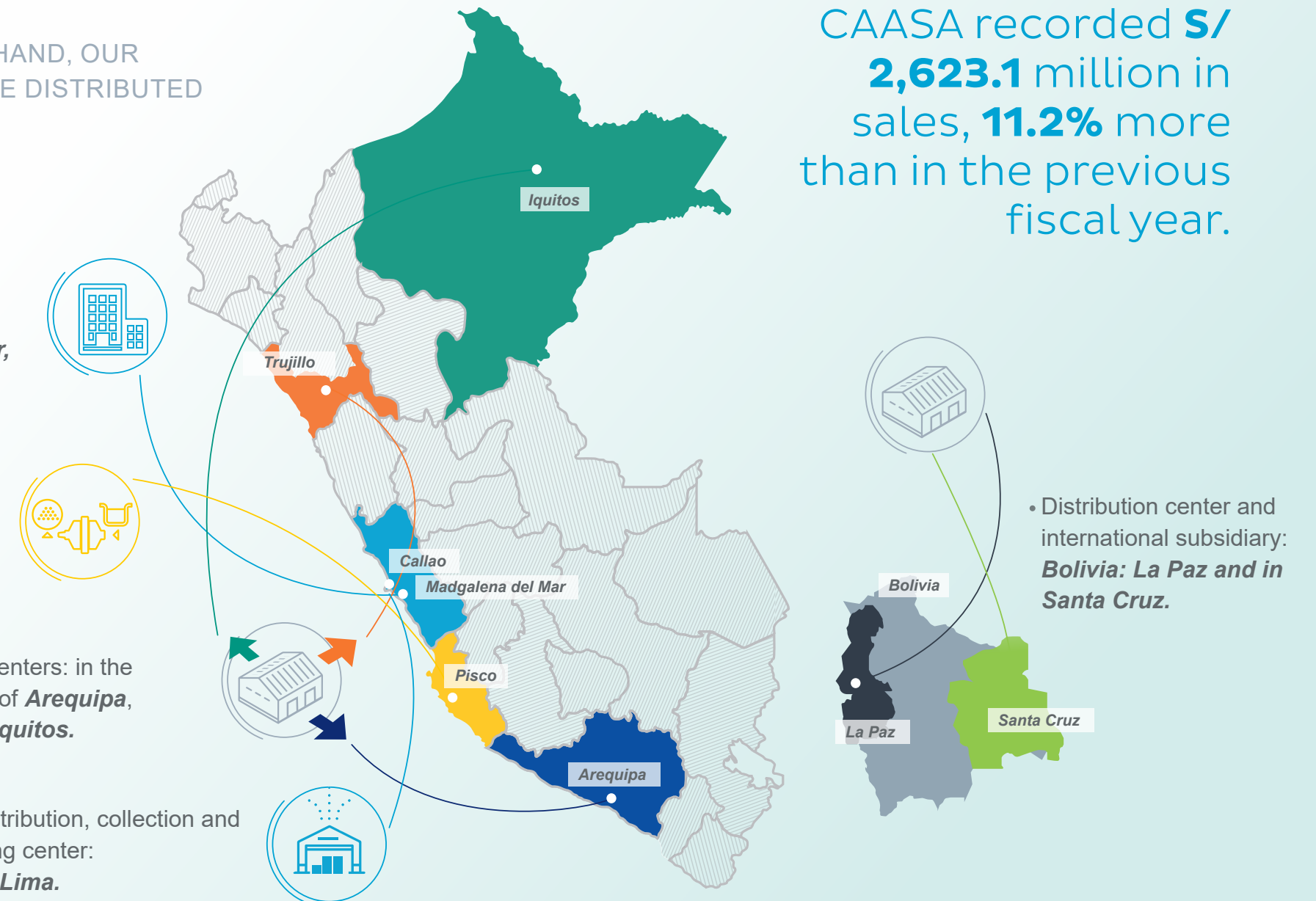
ON THE OTHER HAND, OUR OPERATIONS ARE DISTRIBUTED AS FOLLOWS:

• Head office:
Magdalena del Mar, Lima.

• Production plant:
Pisco, department of Ica.

• Distribution centers: in the departments of **Arequipa, Trujillo** and **Iquitos**.

• Scrap distribution, collection and processing center:
Callao – Lima.



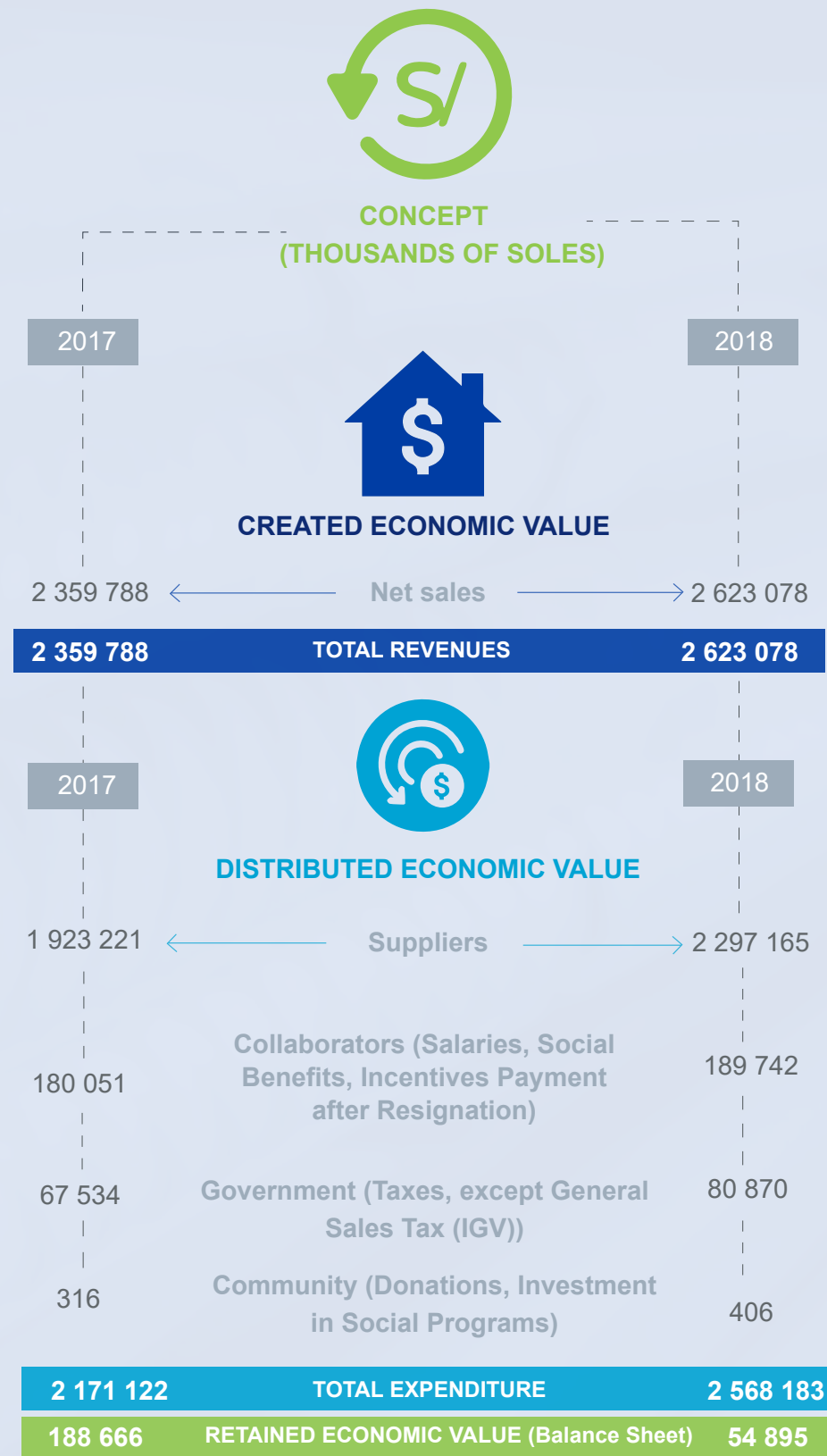
At the end of 2018, CAASA recorded **S/ 2,623.1** million in sales, **11.2%** more than in the previous fiscal year.

Generated and distributed economic value

(103-1, 103-2, 103-3) (201-1)



We contribute to the **socioeconomic** development of our country by providing jobs, **so our best investments** are in our **collaborators and suppliers.**



Our financial debt as of December 2018 was S/ 867,1 million, the shareholders' equity was S/ 1,959 million.

Mission and Vision

(102-16)

✓ Our **Vision** is to be leader of the Peruvian steel market, ranked among the most profitable in the region with an active presence in the international market.

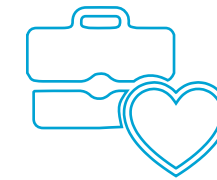
✓ Our **Mission** is to offer steel solutions to our clients, through innovation, continuous improvement and human development, contributing to the growth of the country and increasing the value for our shareholders

Organizational Values and Competencies

(102-16)

We promote a sense of belonging to our organization through three values and four organizational competencies:

Values



We have passion for work



We focus on what is relevant



We work as a team

Competencies



I propose innovations



I act with leadership



I work with commitment



I invest in relationships

Business Ethics

(102-16)

Executive Summary

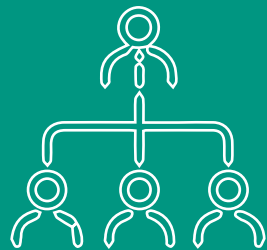


With our Shareholders

- ✔ We treat all our shareholders equally, with no preferences of any kind, and keep them informed about our performance in a timely and transparent manner.

Among the Collaborators

- ✔ We work in a safe environment, based on respect and free from discrimination, violence or intimidating actions.
- ✔ We guarantee equal opportunities and are committed to providing the means to help the collaborators in their professional and personal development.
- ✔ We respect, maintain and adequately protect the privacy and/or confidentiality of information of our colleagues, suppliers, clients and ours as a company.
- ✔ We do not commit criminal acts, such as paying or receiving bribes; money laundering or terrorism financing; or the improper use or sale of our assets.
- ✔ We act fairly and always separate our personal interests from our business interests in business relations.



With our Clients and Suppliers

- ✔ We demand from our suppliers the knowledge and acceptance of our ethical principles and the strict compliance with all the current legislation.
- ✔ We do not give or accept gifts, presents, courses or invitations from clients, competitors or suppliers of goods or services that are intended to influence our business decisions.
- ✔ We undertake to keep confidential any information of our clients or suppliers, except that which must be provided by law or court order.
- ✔ We know the identity of the clients and suppliers with whom we do business and adhere to applicable anti-money laundering and anti-terrorist financing regulations.
- ✔ We are committed to ensuring and keeping quality standards for our products and to maintaining an attitude of service that is reflected in the delivery of our products as agreed, on time and taking into account the needs of our clients

With the State

- ✔ We comply with all the laws, rules and regulations in force in the country, respecting the authorities of the legal system of Peru and the country where our subsidiaries operate.



With Society

- ✔ We maintain a respectful behavior and an attitude of dialogue with society, especially with the communities located around our operations. We conduct all our operations within a framework of respect for and promotion of human rights recognized by national legislation and global initiatives.



With the Environment

- ✔ In accordance with the nature of the iron and steel business in which CAASA operates, we respect and abide by the rules, laws and provisions on environmental matters that make up the legal system in force in Peru and in each country where we are present; the relevant conventions, agreements and treaties and any voluntary commitments that we may enter into.
- ✔ We are committed to the promotion of environmental policies based on sustainable development, reconciling economic, natural resources and society well-being.



Corporate Governance

(102-18)

Investment Policy

The growth of CAASA's operations demands an increasingly rigorous and comprehensive analysis of the investment decisions to be made. Our commitment to the company's shareholders requires us to be explicit in the criteria under which we analyze, evaluate, decide on and monitor our investments, so that they are profitable, generate value, contribute to the optimal use of resources and are managed transparently.

Thus, CAASA's Investment Policy helps the rational and optimal allocation of the organization's resources, defining guidelines for managing our portfolio of projects, each associated with a productive stage, with established controls, so that each of them contributes to our strategy as a corporation.

Anti-Corruption Policy

(103-1, 103-2, 103-3) (205-1, 205-2, 205-3)

The recent national situation has highlighted the fight against corruption in all social spheres. At CAASA, we are aware of this, so we have established clear and express policies rejecting corrupt acts, and we work permanently to ensure that relations with our collaborators, suppliers and clients are within a framework of ethics and legality.

In 2018, we modified the Code against Acts of Fraud and Corruption, including policies against Extortion, Bribery and Corruption; policies related to Conflict of Interest; Donations; Prevention of Money Laundering and Terrorism Financing; Third Parties or Intermediaries; Gifts, Hospitality, Travel and Entertainment; Reorganizations, Acquisitions and Associative Contracts; and Contributions to political campaigns. In addition, in compliance with the Prevention Model stipulated in the Prevention of Money Laundering, Fraud and Corruption Act, the Board of Directors appointed the Manager of Strategic Management Control as Prevention Officer.

Management in this area involves including in commercial agreements with our suppliers a clause of knowledge and compliance with our Codes of Ethics and against Acts of Fraud.

Failure to comply with both regulations is sanctioned by the termination of the contract.

Dissemination

In terms of dissemination of and training in our anti-corruption policies and procedures, we must report that all members of our Board of Directors (12 people) and Senior Management (11 people), and 84% of the company's collaborators are aware of the Corporate Code of Ethics, the Code against Acts of Fraud, as well as the Ethical Line mechanism for reporting corrupt acts.

Any member of CAASA has direct access to both Codes from the corporate intranet, and we regularly reinforce knowledge on the subject through e-mails.



COLLABORATORS REPORTED ON ANTI-CORRUPTION POLICIES, BY CATEGORY AND HEADQUARTERS, 2018



Furthermore, since June 2017, all contracts entered into with suppliers of goods and services contain a clause of compliance with the Code of Ethics and Anti-Fraud, requiring knowledge of and commitment to comply with the Code of Ethics and report any non-compliance. Failure to do so is sanctioned by the termination of the contract.

It should also be noted that, by virtue of the entry into force of Law 30424 and Legislative Decree 1352 related to the implementation of a system for the prevention of fraud, corruption, money laundering and terrorism financing, all members of CAASA's Board of Directors have been trained in anti-corruption matters, reinforcing the procedures and policies approved by them.

Confirmed Cases

We must report the identification of cases of collusion fraud in 2018, between collaborators and suppliers, and between collaborators and clients. In all cases, the collaborators involved were

separated from the company, while we commercially disassociated ourselves from clients and suppliers as part of the practice. The review of the cases also allowed us to identify improvements in processes and controls in order to minimize the occurrence of improper acts. Due to confidentiality issues for the parties involved, we are unable to provide explicit figures in this regard.

In 2018, as part of the ongoing training campaign on fraud and corruption, we disseminated to all our collaborators teaching comic strips with examples of daily activities that may be an act of fraud and corruption. This content asks that, in case a situation similar to the one described is identified, it be reported to our Ethical Line.

It is important to reiterate that our Ethical Line is available to all our stakeholders, allowing the reporting of any act that goes against the provisions of our Code of Ethics.

Complaints are dealt with by the Ethics Committee and reported to the Audit and Risk Committee, following up on the status of each case, which may be under investigation or closed.



Management of Legal Disputes

Unfair Competition

(103-1, 103-2, 103-3) (206-1)

CAASA is respectful of free competition in the market in which it operates, and is aware of the benefit it generates in the economy as a whole, by promoting innovation, efficiency, and continuous improvement of products. In this regard, we state within Section VI of our Code of Ethics the importance of maintaining honest, constructive and suitable relationships with our competitors. We have not received complaints or claims of unfair competition practices.

Notwithstanding the foregoing, we ensure the protection of our interests as a company that is part of the Peruvian industry. Therefore, in 2017, we initiated two proceedings before the National Institute for the Defense of Competition and Intellectual Property (Indecopi) against dumping practices derived from the import of steel bars from China, Mexico, Brazil and Turkey.

Compliance with Socioeconomic Regulations

(103-1, 103-2, 103-3) (419-1)

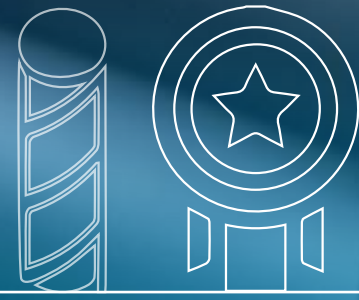
In 2018, CAASA has not received any judicial sanction with respect to breaches of Peruvian regulations in civil, criminal or labor matters.

Nevertheless, we must state that, at the end of 2018, there were 166 labor proceedings and 17 civil proceedings in progress in which we are the claimant or respondent. We monitor and control each case on a quarterly basis in order to correctly defend the company's interests before the court, which includes assessing the progress and strategy in each of them.



02

Our Steel: A Quality Product



02. Our Steel: A Quality Product

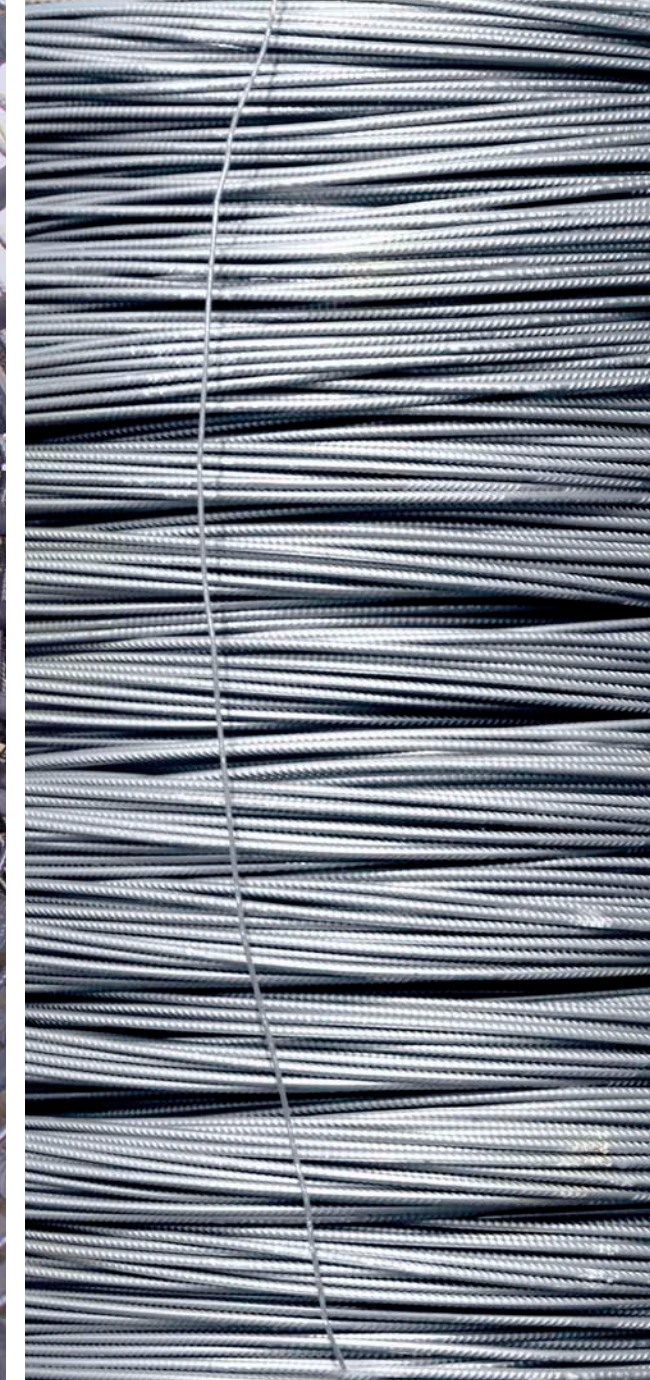
(102-12)

CAASA's steel is used in small projects, as well as in large construction works and in industrial processes that make it possible for us to have tools and elements for daily use. In all cases, our clients expect a quality product, which handling is safe and its life span is long.

To achieve this, we have an Integrated Management System that allows us to obtain a reliable steel, which category is certifiable by independent institutions. Thus, the certifying company ABS Quality Evaluations evaluated our processes and gave us the conformity of the fulfillment of the requirements of standards ISO 9001 for quality management, ISO 14001 for environmental management, and OHSAS 18001 for occupational health and safety.

On the other hand, the export of our product needed audits by companies in Brazil and Colombia, ABNT and ICONTEC, respectively. The conformity given by them for our product has allowed the entry of CAASA's steel to international markets.

Our continuous improvement efforts to offer a reliable and safe steel have also been recognized in Peru. An example of this is the accreditation of a testing laboratory under ISO 17025 international standard, which establishes the requirements to be met by testing and calibration laboratories. Thus, this laboratory can provide reliable test results of proven technical competence, allowing us to issue reliable quality certificates to our clients in a timely manner.



(103-1, 103-2, 103-3) (416-1, 417-1)

In addition to quality, we care about the safety and integrity of the consumers that handle our products. Therefore, we place warning labels in those products which improper handling can be dangerous. We also promote the internet portal "Building Safely", where we offer advice from specialists.

Other relevant information provided on labels of our products are their description, measurement, standard, internal code, handling unit (HU, name of the package in the warehouse), production order, casting, weight, pieces per package, and batch. In addition, we provide sufficient information on the technical specifications of the products on our website, such as material safety data sheets, quality certificates, laboratory results, catalogues and training elements in the use of the product. All the information provided is in accordance with international standards (ASTM).

As a sign of a higher level of confidence and a tool for the traceability of our products commercialized in the market, CAASA issues quality certificates for each invoice generated. These documents include creep, strength or tensile tests in accordance with the current technical standard. The chemical composition of the merchandise is also mentioned.



Parque Internacional de la Industria y Comercio - Lima y Callao - Av. Enrique Meiggs 297 (0051)(1)517-1800 Fax (0051)(1)452-0059

CERTIFICADO DE CALIDAD

N° M-0FE65-5170820109-90051-1_1

PRODUCTO : TUBO NEGRO MEC. RED. NORMA TÉCNICA : ASTM A500
PROCEDECENCIA : SEDE LIMA NORMA DE ENSAYO : ASTM E415 / ASTM E8
CLIENTE : ELECTROMECÁNICA EL DETALLE SRL FACTURA N° : 0FE65-0178770

DIMENSIONES	N° DE COLADA	PROPIEDADES MECÁNICAS			COMPOSICIÓN QUÍMICA EN LA CUCHARA (%)				
		FLUENCIA (MPA)	RESIST. TRACCIÓN (MPA)	EN 50.0mm, %	C	Mn	P	S	Cu
3.0MMX1.1/2"X6.4M RE	7227DE1796	377	509	30	0.21	0.22	0.014	0.007	0.00
3.0MMX1.1/2"X6.4M RE	7228AE0031	321	454	27	0.19	0.21	0.012	0.005	0.01

21/09/2017

CORPORACIÓN ACEROS AREQUIPA


ING. Yoni Abrigo Iparraguirre
SUPERINTENDENTE DE METALURGIA

Promoting Continuous Improvement

Programa de Sugerencias

Suggestions Program. We encourage the participation of our collaborators who, with their experience and creativity, can generate ideas to make improvements that continuously optimize our processes, products and/or services oriented to reduce and/or eliminate waitings, excess inventories, unnecessary motions, overproduction, over-processing and defects.

In 2018, we received 530 suggestions, 50% of which were implemented. 58 suggestions were evaluated as having an important economic impact for the company. As incentives, we shared a percentage of that impact with the collaborator who submitted the suggestion, and we rewarded the collaborator with the highest record of suggestions in the year.

“58 suggestions were evaluated as having a significant economic impact on the company.”



WANTED
INNOVATIVE TEAMS

WE HAVE ALREADY STARTED THE CALL FOR IMPROVEMENT PROJECTS 2018

Participate in the improvement of CAASA and be part of a brilliant future.

Make up your team of 3 to 8 members.

Registration closes on February 28.

Those who make up a CC, GP or EAD already add up **POINTS CAASA**

TOWARDS A BRILLIANT FUTURE

CC GP EAD
Círculos de Calidad y Grupos de Progreso

ACEROS AREQUIPA



TORBELLINO DE IDEAS

Porque en CAASA estamos comprometidos en crecer día a día, **despierta tu creatividad**, captura el valor de tus ideas y contribuye a las mejoras de productividad mediante la eliminación de las siguientes **ineficiencias o desperdicios**:

- ESPERA
- TRANSPORTE
- INVENTARIO
- MOVIMIENTO
- SOBRE PRODUCCIÓN
- SOBRE PROCESAMIENTO
- DEFECTOS

AL EQUIPO GANADOR SE LE OTORGARÁ **800 PUNTOS CAASA**

Puedes participar en las categorías: **Producción / Almacenes y Servicios.**

Cierre de inscripción de equipos: 19 DE OCTUBRE

Solicita las bases y acta de inscripción en Gestión de Calidad (anexos 2501, 2504 y 2505).

PROGRAMA DE SUGERENCIAS
¡MIS IDEAS SUMAN!

ACEROS AREQUIPA

Quality Circles

For 26 years, we have started continuous improvement projects with the purpose of increasing productivity and process efficiency through teamwork among our collaborators. In this period, we have developed 956 projects, with significant benefits for the company.

Each year we promote competition in two categories, according to methodology: Problem Solving (Kaizen) and Lean Six Sigma¹ (DMAIC)². Each project is evaluated by a jury throughout the year, which verifies and qualifies each project according to the correct use of the methodology, its implementation and the achievement of objectives and planned results. At the end of the year, the improvement team that achieves the highest score with its project is awarded in a special event.

In 2018, 120 collaborators participated in the Quality Circles program, gathered in 38 teams, 14 of which successfully completed their projects, which are distributed by category as follows:



“In 2018, **120 collaborators** participated in the **Quality Circles** program, gathered in **38 teams**”.

As can be seen, in addition to the criteria of efficiency and innovation, there is the reduction of energy and water use, thus being environmentally friendly.

High performance teams

Teams made up of workers from operational areas with the aim of developing good working practices with Lean methodologies and tools that allow them to manage and improve their processes continuously and autonomously. In 2018, 191 collaborators formed 25 High Performance teams that reached an intermediate maturity level.

¹Methodology for the improvement of processes, with the purpose of increasing their profitability and productivity.

²English word acronyms: define, measure, analyze, improve and control.

³Lean manufacturing ('lean production', 'lean manufacturing', 'clean production' or 'production without waste').

Lean production is a management model that focuses on minimizing losses from manufacturing systems while maximizing value creation for the end client. It uses the minimum quantity of resources, i.e., those strictly necessary for growth.

Kaizen Methodology (5S)

We incorporate into our management the 5S methodology, based on the Kaizen philosophy of Japanese origin, which aims to achieve better organized workplaces, more orderly and cleaner on a permanent basis, so that higher levels of productivity and welfare of the working environment are obtained.

All our collaborators are involved in its application, through the organization of 160 areas in five categories: Shops, plant, warehouses, laboratories and electric/electronic rooms. For each one of them, standards of applicability of the methodology are defined according to the needs of each process.

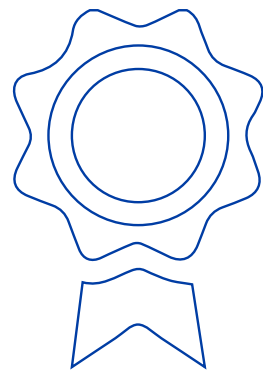
In March, July and October 2018, the audit plan for the 160 areas described was executed, which allowed us to validate the practices implemented in the daily routines.



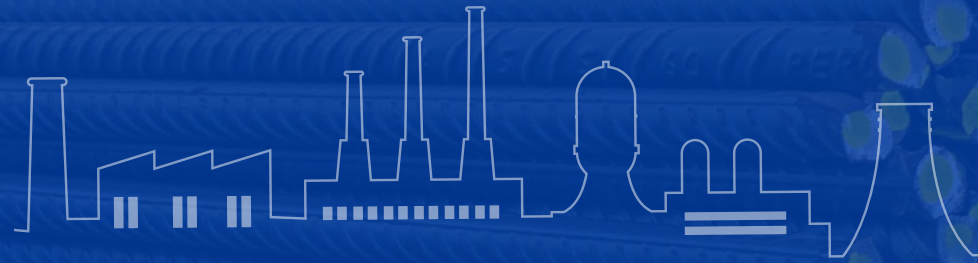
Poster promoting the 5S methodology



Poster promoting the first 5S audit



“The implementation of the 5S methodology has earned us recognition as **winners, for the third consecutive year,** of the **“National 5S Award”** granted by the Embassy of Japan, the Japanese Peruvian Association (APJ), the Japan International Cooperation Agency (JICA), the Japanese Peruvian Chamber of Commerce and Industry (CCIPJ), and the Kenshu Kiokay Association of Peru (AOTS), receiving the **“Gold Medal” distinction”**.



We are an example of **industry** and **improvement**

(102-12)

Our continuous improvement activities have earned us recognition in the industry, business and national academia. For example, we received the Silver award as winners of the “Leaders of Excellence International Quality Competition – 2018” conducted by the Institute for Quality of the Pontificia Universidad Católica del Perú (PUCP) in collaboration with the American Society for Quality (ASQ), with our improvement project “Optimize the control system of the electric arc furnace with Eccentric Bottom Tap System (EBT)”, carried out by the high performance team “PID”.

We were also winners with the same project in the “Production Company” category in the 2018 edition of the Recognition of Improvement Projects, organized by the Industrial Development Center of the National Society of Industries.





Socially Responsible Company Distinction

The ESR – Socially Responsible Company Distinction is a self-evaluation tool supported by evidence that aims to strengthen the culture of Corporate Social Responsibility in the companies of the country. It was launched in 2000 by the Mexican Center for Philanthropy - CEMEFI, and implemented in 2010 in Peru by the organization Perú 2021.

In 2018, CAASA was recognized with this distinction, by virtue of the continuous improvement of our actions in social, environmental and economic sustainability management, which were evaluated in three key central themes: Values and organizational culture, which evaluates the company's commitment to its stakeholders through factors such as business ethics and working conditions; environmental development, which focuses on indicators related to the responsible value chain and commitment to the communities with which it relates; and risk and impact management, which evaluates the company's practices and policies to prevent the impact and risks of its operation.

“Receiving this Socially Responsible Company Distinction (DESR®) is a way of recognizing the constant commitment that Corporación Aceros Arequipa has with its stakeholders and with the communities where we achieve an impact. This award encourages us to improve CAASA's organizational culture year after year. We are proud to have been recognized for good management and we accept the challenge of improving every year,” said Tulio Silgado, General Manager of our company upon receiving the award.



(Right to left)
Eng. Ricardo Cillóniz Rey, Project, Mining and Social Responsibility Manager, Mr. José Castañeda Inclán, Social Responsibility Deputy Manager, Eng. Ricardo Cillóniz Champín, Chairman of the Board of Directors, Eng. Tulio Silgado Consiglieri, General Manager.



New Products for our Consumers

From 2018, we added to our product portfolio, piles, concrete elements and steel for the foundation of underground constructions, which work in the form of framework.

Usually, these piles are manufactured in situ and manually; however, our company has started their industrialization and commercialization according to the specific needs of our clients. In this way, we contribute to reduce their workload in the process of steel installation, and reduce the amount of metallic waste both on site and in our internal production processes.

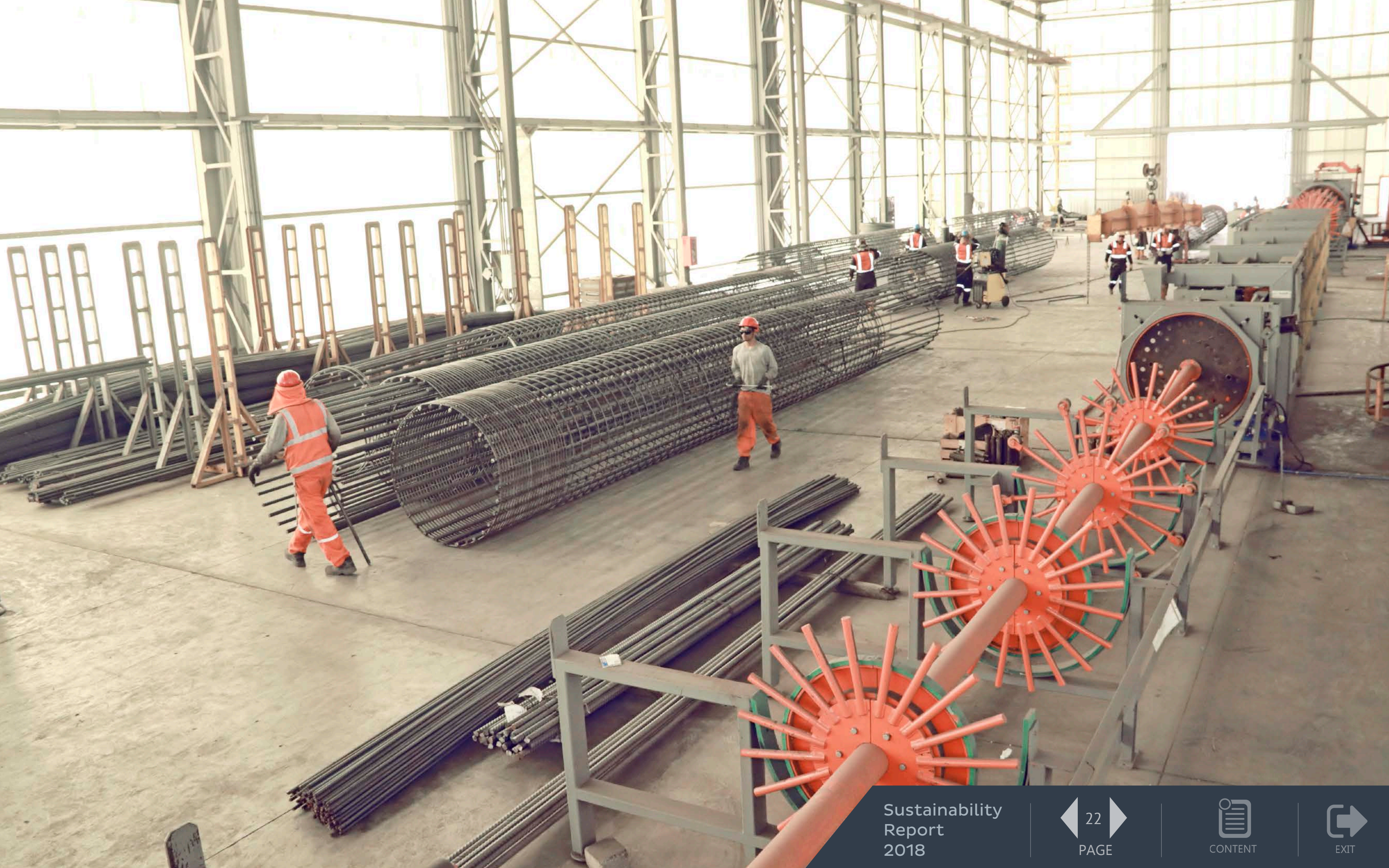




INDUSTRIALIZATION AND COMMERCIALIZATION OF PILES

“We have started the industrialization and commercialization of piles according to the specific needs of our clients, thus reducing the workload in the process of steel installation, as well as the amount of metallic waste.”





Plant Expansion: Steel Mill 2020

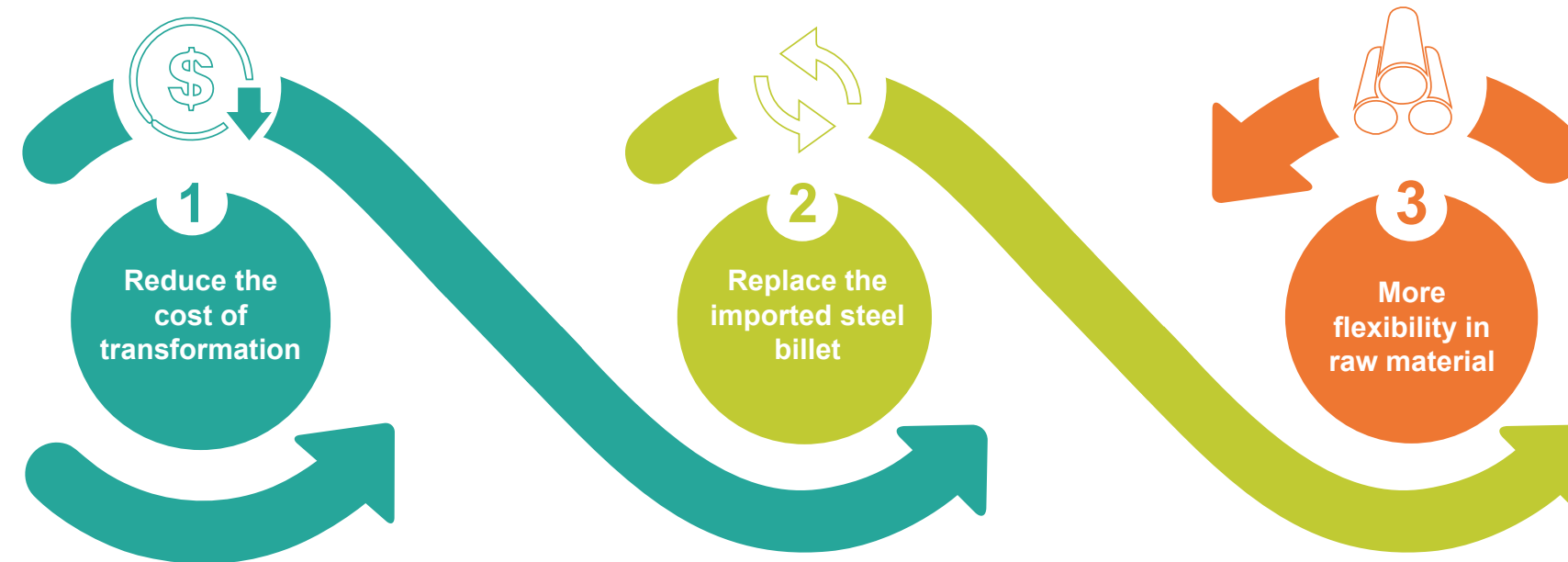
In January 2018, our Board of Directors approved an investment of US\$ 180 million to expand the steel complex at our Pisco plant, with a capacity to process 1,250,000 tons of liquid steel annually, becoming one of the largest iron and steel complexes in South America.

This project, which represents CAASA's commitment to the growth of the Peruvian and regional markets, is being executed with the most modern technology, and will increase the capacity of our current steel mill by 50%. This fact will allow us to be more efficient in the use of resources, reduce our impact on the environment, improve our value chain and replace the import of up to 500,000 tons of intermediate products per year.

The new steel mill is built with state-of-the-art Swiss - Italian technology and supporting infrastructure, such as a park for the reception and processing of metals, an electric furnace with a capacity of 200 tons per hour of liquid steel, modern regulation systems and tools that allow the production of special steels.

In addition, the complex will include eco-friendly and efficient solutions, such as a new automated material handling system, a treatment plant that guarantees the capture and retention of fumes to ensure care for

OBJECTIVES OF THE PROJECT



the environment, a water treatment plant and a cooling system with state-of-the-art air condensers that will reduce water consumption by 40%.

In this way, we commit ourselves to the development of the industry in the country through this project that will allow us to have more than 2 million tons of steel capacity per year, and replace the import of approximately 500,000 tons per year of steel billet, which will now be manufactured in the country using local labor and dynamizing the value chain. At the time of release of this

Report, the project is at the civil works stage. Construction is expected to be completed next year.

Furthermore, the hiring of Peruvian suppliers and labor from local communities has been prioritized; in particular, in the case of civil works, the builder provides technical training to professionals from local communities in order to employ them in the development of the project. It should also be noted that the project has all the approved environmental instruments through which environmental impacts have been identified and currently mitigated.

“This project has all the approved environmental instruments through which environmental impacts have been identified and currently mitigated.”

PLANT EXPANSION: STEEL MILL 2020

The hiring of labor from local communities has been prioritized; in particular, in the case of civil works, the builder provides technical training to professionals from local communities in order to employ them in the development of the project.





03

Committed to the Environment



03. Committed to the environment

Non-conventional Risk Assessment

(102-11; 102-15; 201-2)

Aware of the importance of the environmental care, as well as of the possible weather phenomena derived from the change of the Earth's temperature, among other risks linked to our operations that may affect the value of our business, we have a Policy and Methodology of Comprehensive Risks and Opportunities Management.

The risks identified by CAASA are classified into four categories: Strategic, operational, information and reporting, and compliance;

while their impacts can be classified into economic loss, impact on operations and systems, impact on reputation and image, regulatory and legal impact, environmental impact, and impact on occupational health and safety.

The joint evaluation of impact and probability of occurrence determines severity, which may be High, Significant, Moderate or Low; there are employees in charge of assessing both factors on a monthly basis.

Electric power saving		Saving due to less consumption of anthracite (chemical energy)		Power contribution by pig iron (chemical energy) iron and coal		Net saving		EQUIVALENT TO
38 117 140,09	2016	149 439 791,43	2016	50 018 297,62	2016	118 517 958,60	426 664 650 982,08	
39 187 426,97	2017	135 842 449,90	2017	201 287 274,67	2017	131 844 938,72	474 641 779 382,65	
50 018 297,62	2018	201 287 274,67	2018	55 093 544,42	2018	196 212 027,87	706 363 300 343,93	

Energy

(103-1, 103-2, 103-3) (302-1; 302-2; 302-4)

Our production process includes the use of pig iron (a mixture of iron and coal) and anthracite, components which calorific power optimizes the operation of the furnace and, consequently, reduces power consumption, resulting in an electric power saving of 48.8% higher than the previous year. The following table breaks down the power saving by component.⁴



"In 2018 we saved more than

48,8%

of electric power than the previous year".

⁴Baseline for the calculation of savings for 2016. In addition, it considers historical data of consumption of each material, valuing its contribution in terms of power.

During 2018,
CAASA consumed a total of
1 820 449,14

gigajoules in fuels from non-renewable sources in all its operations.

As far as electricity is concerned, in the same period we consumed a total of

611,685,805.00 KWh
(kilowatt-hours)

supplied by company Electroperú, which generates power by means of hydroelectric power plants⁵.

The energy intensity ratio resulting from our operations at the Pisco plant is

320,39 KWh/Ton. This figure considers the production in tons of our Pisco Plant, with the processes of Rolling, Direct Reduction and Steelworks.

By 2021, we have projected the commissioning of a **new steel** mill, an element of our plant that will optimize the production processes and promote power consumption in a sustainable manner.

Emissions

(103-1, 103-2, 103-3)

We try to ensure that our production process does not affect air quality and, therefore, the population living in the area of influence of the Pisco plant. Such concern is also part of the fulfillment of the environmental commitments assumed by the company before the corresponding governmental authorities, and of the commitment voluntarily assumed through the ISO 14001 standard. For this purpose, we have implemented internal procedures for the management of environmental monitoring that provide us with parameter measurements on a quarterly basis, which are reported to the supervising authorities every six months.

(305-1)

In 2018, our production process produced direct emissions of carbon dioxide equivalent (CO₂eq) for a gross volume of 60,194.13 tons, 5.2% less than that recorded in 2017, of 63,489.79 tons. Such figure was estimated considering the monitoring of emissions and the operating hours of the four furnaces at our Pisco operation throughout the year. We do not measure the emissions of other greenhouse gases because the environmental instrument applicable to our operations does not establish it as an obligation for our industry, nor are they generated by it⁶.

It is important to point out that we have not calculated the biogenic CO₂ emissions for the current year⁷ and that the aforementioned figure of emissions is based on operational control. Our operations are mainly supplied with natural gas, which generates a lower impact of emissions and direct measurements. The measurement considers steel mill 1, rolling mills 1 and 2, and direct reduction plant in our Pisco headquarters.

⁵The conversion from diesel gallons to joules used the value of 1 [US] gallon of diesel = 146 520 000 joules, while for the conversion from standard cubic meter (sm³) to GJ, the equivalence 1 sm³ = 0.03985459 GJ was used.

⁶Update of the Environmental Management Plan of the Environmental Adjustment and Management Program (PAMA) of Headquarters No. 02 - Pisco of CAASA, approved by D.R. No. 308-2016-PRODUE/DVMYPE-I/DIGGAM on 07/04/2016, by the Ministry of Production.

⁷Biogenic emission: CO₂ emission resulting from the combustion or biodegradation of biomass.

(305-7)

In 2018, the nitrogen oxides (NOx) and sulfur (SO2) emissions reached 63.64 and 16.38 tons, respectively.

We do not currently measure persistent organic pollutants, volatile organic compounds, or hazardous air pollutants. In the case of particulate (PM), in 2018 we recorded the emission of 45.24 tons; while in other air emissions identified in relevant regulations, we recorded iron (Fe) emissions for 3.51 tons and lead (Pb) for 0.22 tons. The measurements are direct, as no specific carbon footprint studies have been carried out yet.

SIGNIFICANT GAS EMISSIONS RESULTING FROM THE PISCO PLANT OPERATIONS

Tons

Gases	2017	2018	Var. %
Nitrogen oxide (NO _x)	79,49	63,64	-19,9%
Sulfur Oxide (SO ₂)	0,8	16,38	1947,5%
Particulate (PM)	15,45	45,24	192,8%
Iron (Fe)	1,12	3,51	213,4%
Lead (Pb)	0,11	0,22	100,0%

Water

(103-1, 103-2, 103-3)

CAASA is seeking to reduce water consumption by increasing the percentage of reused water, through advanced separation technologies, and through the use of cooling equipment that allows the reduction of water consumption by evaporation. **The objective is to recover 200,000 m3 per year**, for which we have specific procedures such as Instruction on Water Supply and Treatment and Plant Water Reuse.

In order for these procedures to be applied correctly, we often train the personnel involved.



(303-1, 303-2)

In 2018, we extracted 1,424,849 m³ of groundwater, this being the sole source of extraction of the resource. This measurement was made by analog and digital meters and flowmeters. Our Pisco plant has 17 groundwater wells, each with its own extraction license. All of them are located in a water restriction area, that is to say, drilling of new wells is forbidden.

(303-3)

On the other hand, this year we recycled a total of 377,025 m³, 26.5% of the total water extracted during the year. The detail of the total water consumed and reused each month is shown in the following graph.

Environmental Compliance

(103-1, 103-2, 103-3) (307-1)

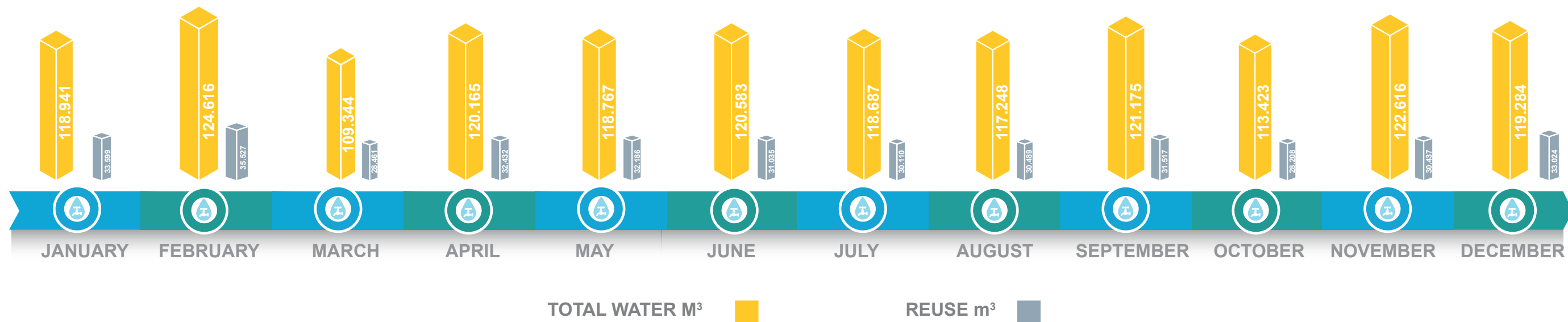
Our integrated management system, as well as the ISO 14001 standard, commit us to comply with the environmental legislation established by the authorities at the national level, as well as with other international reference guidelines.

We are aware that non-compliance may have very negative consequences for the environment, as well as for our stakeholders.

We monitor the mandatorily and voluntarily assumed environmental commitments through the management system, so we are pleased to state that, in 2018, we have not incurred any resulting non-compliance, fine or significant sanction.



WATER CONSUMED AND REUSED IN CAASA'S PRODUCTION PROCESS, 2018
(Cubic meters (m³))



Environmental Commitment: Materials and Waste Use

The company has an Integrated Management System Policy, based on the ISO 14001:2015 standard, where it establishes its commitment to prevent, control and mitigate environmental pollution, as well as comply with current legal regulations and/or commitments assumed voluntarily by the company. All CAASA's operations are subject to supervision in accordance with the Environmental Management Instruments approved by the corresponding government authorities.

Specifically, we have fumes treatment systems and we monitor emissions and air quality to evaluate the proper functioning of these systems.

Our results are below the maximum permissible limits and Environmental Quality standards.

We also have an industrial effluent treatment system, as well as a lagoon and two activated sludge plants for the treatment of domestic effluents, reusing the treated water from the latter two for the irrigation of green areas, while the industrial effluent is recirculated, which reduces our water consumption.

In addition to this, our environmental efforts are mainly based on the constant search for alternatives to take advantage of the by-products resulting from our production process, which allows us to reduce the consumption of resources and to contribute to the solution of development problems.

For example, we developed a concrete prototype manufacture project, in which 100% of conventional aggregate material (sand and stone) is replaced by ecogravilla grain-size distribution. Using this material, quarries would no longer be exploited, reducing the environmental impact on soils.



MATERIALS

(103-1, 103-2, 103-3, 301-1, 301-2)

The manufacture of steel involves the use of recycled materials, such as scrap, which is not only profitable in economic terms, but also convenient for our processes. The possibility that most of the products manufactured can be re-entered into the process represents a positive circle of use, as they are “renewable” products, with a beneficial impact on the environment.

Along these lines, we report that one of our strategic objectives is to increase the collection of local scrap, in order to reduce the level of imports and dynamize the corresponding local market.

During 2018, we implemented strategies to meet the annual collection target of 410,000 tons.

Raw material, inputs and semi-finished products that we purchase as inputs are mostly in bulk. These include scrap (local, regional and imported), pig iron, strategic inputs and steel billets (semi-finished products). More specifically, ferrous scrap is catalogued as a material resulting from recycling, because it is composed of materials that, after fulfilling their life cycle, are used again as raw material. Nevertheless, the materials used in our process are qualified as non-renewable.

In 2018, 66% of the total material used in the production of steel carried out by CAASA is the result of a previous recycling process; while the remaining 34% is non-recycled material.



Environmental Criteria applicable to our Suppliers

(103-1, 103-2, 103-3) (308-1)

We evaluate our suppliers under environmental criteria in order to mitigate the risks of impacts that could be generated by the use of materials and/or inputs that do not meet the established criteria of quality, occupational health and safety and environment.

Through this evaluation we comply with ISO 14001 standard, and we can timely detect any deviation in the performance of our business partners and correct it quickly.

Since the majority of our strategic suppliers are suppliers of ferrous scrap, we pay special attention to ensure that the material meets the environmental criteria and regulations in force imposed at the level of the company and the corresponding authority. We annually evaluate their performance, together with that of other suppliers, under these and other management parameters.

For the specific case of steel billet and end product suppliers, the company requires them to go through a homologation process, in which environmental conformance certifications are requested, as well as ISO 14001 or similar certification. Although not having this certification does not exclude them from establishing a business relationship with us, we encourage them to obtain it.

Waste

(103-1, 103-2, 103-3)

CAASA prioritizes the valuation of waste generated in the steel production process, rather than its final disposal. In this respect, we have a Solid Waste Management Plan and a Waste Management Procedure, which set the guidelines for waste segregation. We also measure the reuse of waste on a monthly basis and report its generation annually to the relevant government authorities.

Our management in this area has earned us recognition from the Ministry of the Environment, which motivates us to continue contributing to society and the environment by providing quality steel, which environmental impact is increasingly lower.

(306-2, 306-4)

In 2018, CAASA recycled 43.71 tons of hazardous waste, comprised entirely of disused burnt oil generated by maintenance operations and shops. The proper disposal of these wastes was the responsibility of a Solid Waste Operating Company (EO-RS). On the other hand, 155.99 tons of hazardous waste were disposed of through dumps, which were transferred to authorized safety landfills due to their null recovery value.⁸

As far as non-hazardous waste is concerned, 46.4 tons of disused wood were reused, which were finally donated to collaborators and public and private institutions, who reuse them in: fencing of houses,

construction of modules, firewood, handicrafts, etc. We have planned to execute an agreement with a company that can value this type of waste and reuse wood, as well as develop a project to produce chips to be used in the rotary furnace as fuel, or to produce organic mulch (wood layer) to be used in green areas.



⁸Process carried out pursuant to the provisions in S.D. 014-2017 MINAM

WEIGHT OF THE MATERIAL USED IN THE PRODUCTION PROCESS, ACCORDING TO TYPE

Metric tons

TIPO	2018		2017	
	TM	%	TM	%
Recycled	820 252	66 %	799 425	72 %
Not Recycled	423 693	34 %	310 842	28 %
TOTAL	1 243 945	100 %	1 110 267	100 %

About Recycled Inputs

The main raw material of our steel production is iron and steel scrap, which is, in its entirety, recycled from materials that both externally and internally are no longer used. In addition, we use in the process industrial by-products as inputs, such as recovered coal (char concentrate) to replace fine anthracite (coal), limestone fines to replace thermal powders in the electric steel furnace, and electric furnace slag, as follows:



Recovered coal:

7 771 ton



Limestone fines:

874 ton



Electric furnace slag:

9 920 ton

Total:

18 565 ton

Recycling ferrous scrap allows reducing the impact caused by mining to obtain iron ore, which must be pre-reduced to be subsequently consumed as raw material in the electric furnace that produces a greater environmental impact. In addition, the incorporation of ferrous scrap allows these elements not to be disposed of in sanitary landfills, without adequate handling and with a very high possibility of impact on ecosystems.

CAASA has planned to develop multiple initiatives in this area, such as strengthen and attract and retain scrap suppliers at national level through visits and good relations, supply scrap compacting machines to suppliers who need them, raise awareness about the quality of the scrap supplied so that it does not contain non-metallic or hazardous material, optimize the logistic availability for scrap collection and transfer among warehouses, among others.



Construction Eco Block

“We believe in the circular economy as a possibility for growth.”



MANAGING BY-PRODUCTS OF OUR INDUSTRY: ECOGRAVILLA (STEEL SLAG)

As a result of the constant search for innovation in all phases of our operating process, we were able to obtain by-products such as ecogravilla, which can be used to replace materials such as sand and stone in the production of concrete. In this way, we use it to build construction blocks, plates and dividers, which are used to improve the storage and safety conditions of the scrap present in our facilities.

Externally, we donated 6,000 tons of ecogravilla to La Calera for the construction of access roads to its facilities, similar to the donation registered in 2017 for the Chincha - Ica road and the construction of the San Andres Road Interchange.

We consider that the ecogravilla is a technological development, and we are in the process of registering it as such before the National Council for Science, Technology and Technological Innovation (CONCYTEC).

ECOGRAVILLA ARRANGEMENT PROCESS AND PROCESSING OF BLOCKS, PLATES AND DIVIDERS

Construction plates

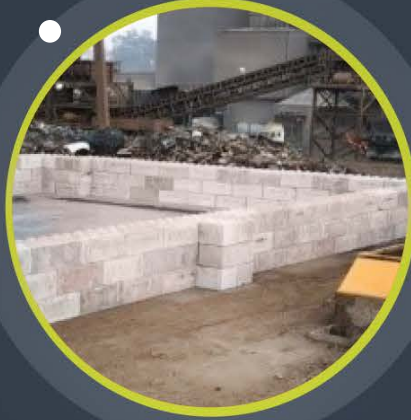


Molding for ecogravilla precast products



Material compacting

Construction eco blocks



Compilation of ecogravilla



Separators



Ecogravilla arranged in access road to the facilities of company La Calera



As far as other materials are concerned, we perform the following actions:

✓ We donated 13 tons of paper, 24 tons of cardboard and 3 tons of plastic to the NGO Ciudad Saludable, which is equivalent to stopping felling **615 trees**, consuming **958,430 liters of water** and **41,605 kWh of electric power**, emitting **119 tons of CO2** into the atmosphere and using **227 m3 of sanitary landfill**. In addition, this donation has saved **20,252 liters of oil**.

✓ We traded **49.24** tons of copper materials with an authorized EO-RS.

✓ We carried out composting of **175** tons of organic waste generated in the canteens.

✓ **We segregated the organic waste in containers**, so that it can later be taken to Eco silos implemented in our vegetable gardens. This allows the **degradation of organic** matter with microorganisms present in the soil, allowing trees and plants to take advantage of the resources.

✓ We disposed of **860.44** tons at dump level, in compliance with applicable environmental legislation, through a waste disposal contractor, who places them in a safety landfill.

All of the above figures were estimated based on the direct measurement of the waste, which the company carried out together with calibrated scales for weighing.



04

Hand in Hand with our Neighbors



04. Hand in Hand with our Neighbors

(102-12)

As noted in the previous chapters of this report, our commitment to society goes beyond providing quality steel, promoting decent employment and boosting the economy of the areas where we operate. It also includes exercising responsible corporate citizenship, with actions that contribute to the creation of sustainable value for all our stakeholders. Within this framework, CAASA has executed social-environmental development programs in the areas where our operations have influence, and promotes work on shared responsibilities in the community, government, companies and social organizations, with the purpose of generating processes of social change in the preservation of the environment and natural resources. Examples are the strategic alliances for sustainability established with Perú 2021, by the private sector, and the “Responsible Peru” Program of the Ministry of Labor and Employment Promotion, by the public sector, to mention the most important ones.

CAASA holds a constant liaison with the actors in the area of influence of our main operation, the Pischo plant, from the local government to the students of the schools located there. Thus, the surrounding communities are one of the main stakeholders with whom we historically worked training programs in environmental care, health prevention and care, education and technology through scholarships and virtual libraries, improvement of urban beautification and green areas, waste management, investment in technology and infrastructure, and Works for Taxes.



We look for **strategic alliances** that allow us to **develop projects** with the active participation of the population.



Our projects are framed
in 4 focal points
**Education, Culture, Health Prevention
and Infrastructure Improvement**

Social Activities and Initiatives

(102-12; 102-13)

In addition to donations of ecogravilla and other waste generated as well as employment generation in our area of influence, CAASA is interested in working in coordination with organizations that promote shared development in the economic, social and environmental spheres. Along these lines, we are part of the Non-Profit Organization of Perú 2021 and the World Steel Association that promotes the Climate Action initiative to reduce the impact of steel production on the environment.

(103-1, 103-2, 103-3) (203-1, 203-2, 413-1)

Health Prevention and Care



Dental Program

We responded to the concerns and needs of dental health of the population adjacent to our operation through dental campaigns in the human settlements of Del Pilar, Los Paracas, San Tadeo and Murga, in the city of Pisco, in the month of July.

Dental care was provided such as evaluation, odontogram, fluoridation, treatments and extractions, in coordination with the San Juan de Dios Hospital of Pisco and Los Paracas Health Center, in addition to the support of a dental service company hired for this purpose.

The health personnel treated the population at Los Paracas Health Center, and also the pre-school and elementary level students of the San Tadeo School at Los Paracas. A total of 1,005 treatments were given to 335 people, and 235 dental care packages were delivered.

Another similar activity was carried out at C.E.I. 210 “Angelitos de Dios”, located in the district of Santa Cruz, province of Pisco, in the month of November. On this occasion, 260 children and adults were treated, providing 1,776 treatments; also, students and teachers were trained in good care of teeth and toothbrushing techniques. It should be noted that the children were treated with the prior authorization of their parents.





We promote dental health of our neighbors of Pisco and Paracas in alliance with the San Juan de Dios Hospital of Pisco and Los Paracas Health Center.



Education and Technology

Virtual Libraries

We implement virtual libraries as teaching tools that contribute to optimize the students' learning process. The libraries reinforce the knowledge obtained in the classrooms.



We promote Youth Entrepreneurship

We participate in the Company of the Year - Americas Region, an event run by Junior Achievement that encourages entrepreneurship among the students of the last years of secondary school, along with recognized companies and institutions.



Metalwork Workshops

Together with Sodelxa, we carried out multiple metalwork workshops during 2018, with the aim of generating a culture of steel use.



Investment in Infrastructure

Donation of land for construction of the new Municipality of Pisco

Strengthening our commitment to the development of the city of Pisco, we donated a 17,000 m² land to the province of Pisco for the construction of its new municipal premises. We also donated 4,000 m² of land to the NGO COPRODELI for the construction of basic housing modules for the benefit of inhabitants of the same province.



Inauguration of the new premises of the Provincial Municipality of Pisco, built on land donated by CAASA.

Donation of land for the construction of the dream of homeownership

We donated 4,000 square meters of land to Coprodeli, a space where the aforementioned association has been building houses and managing title deeds for Pisco families, always with the support of CAASA and allowances from the Ministry of Housing through the My Housing Fund. The lands where the houses have been built, the Coprodeli school and the “Virgen del Pilar” church were donated by CAASA to

the Coprodeli organization as part of the application and management of the Social Responsibility Policy to improve the quality of life of Pisco families.

The relationship between CAASA and Coprodeli dates back more than nine years and began with the delivery of the land where today the school that accommodates more than 800 students is located.





Our **“Steel Volunteers”** cleaned the El Chaco beach in the province of Pisco, as an expression of human commitment to the social development of the community, and in commemoration of the World Water Day.

CAASA’s corporate volunteering program recognizes and promotes the social initiatives that collaborators carry out or want to carry out, both in Lima and Pisco. The company provides logistic support for their implementation and assesses their impact on the well-being of the participants.

Volunteering

Environmental Care

Water Care Brigade Members

In 2018, we continued the execution of the “Water Care Brigade Members” project, in agreement with the National Water Authority and the Local Water Authority of Ica. The direct beneficiaries of the project were students, teachers, administrators and directors of 10 educational institutions in the area, as well as parents. The methods and techniques of the program were intended to serve as a basis for teachers to fulfill their responsibilities and for parents to apply them to their families and local environment.

The project discussed topics such as the duties of the National Water Authority, the Water Resources Act, the New Water Culture, the Water Footprint and the Blue Certificate, suggestions for water care at school and at home, as well as other environmental care issues.

In a complementary manner, we worked with the National Council for Science, Technology and Technological Innovation (CONCYTEC) the traveling exhibition “Water you are not going to drink, use it to learn”, developed at the Carlos Noriega Jiménez School, in Santa Cruz, Paracas, within 720 people’s reach.

The importance of this project is closely linked to the water stress situation suffered by a large part of the department of Ica. CAASA is not unaware of this social and environmental concern, so in addition to making its processes more efficient in the use of water, it fosters a culture of water among Ica families.



Save the Hummingbirds

On the other hand, in September we executed the project “Save the Hummingbirds” at the José de la Torre Ugarte School in Pisco, with the support of the institution Grupo Aves del Perú. This activity consisted in talks addressed to teachers and brigade members of the Ecological Police of the mentioned school about the importance of the care of local fauna and the improvement of gardens with the sowing of ornamental plants.



05

Working Together



24. Working Together

(103-1, 103-2, 103-3) (102-8)

At the end of 2018, CAASA had 1,067 collaborators, 5.9% less than the number recorded in 2017. Of the total number of collaborators, 6.9% are women, while 88.5% are under a permanent hiring regime, and 73.1% of them works in our operations in Pisco.

It should be noted that CAASA does not have part-time collaborators. Likewise, we must inform that part of our operations (in the areas of Warehouse, End Products, Product Finishes and Sized Steel) is carried out by third party contractors. The information of all personnel, directly

or indirectly linked to CAASA, is managed through an ERP SAP system.

(103-1, 103-2, 103-3) (202-2)

488 of our collaborators come from the province of Pisco, where our production site is located. This figure represents 45.7% of the total staff of our company. At the level of senior executives, 7 of the 37 managers, main managers, deputy managers, heads and superintendents come from the department of Ica, 18.9% of the total. These indicators reflect CAASA's commitment to boost the

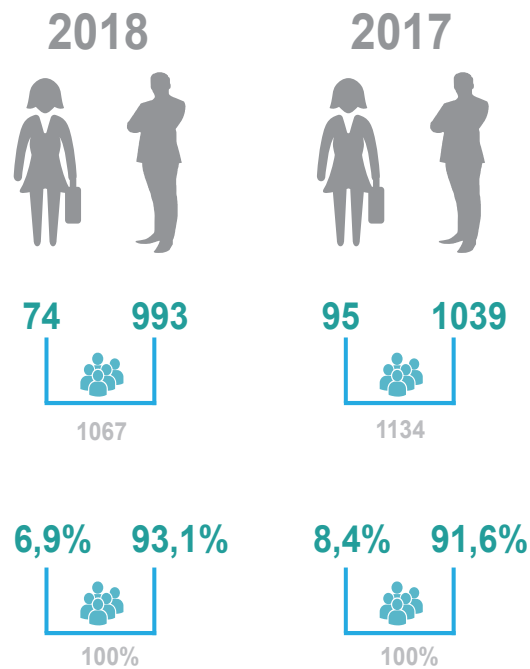
development of human capital in the locality where we develop our production processes.

(103-1, 103-2, 103-3) (102-41; 407-1)

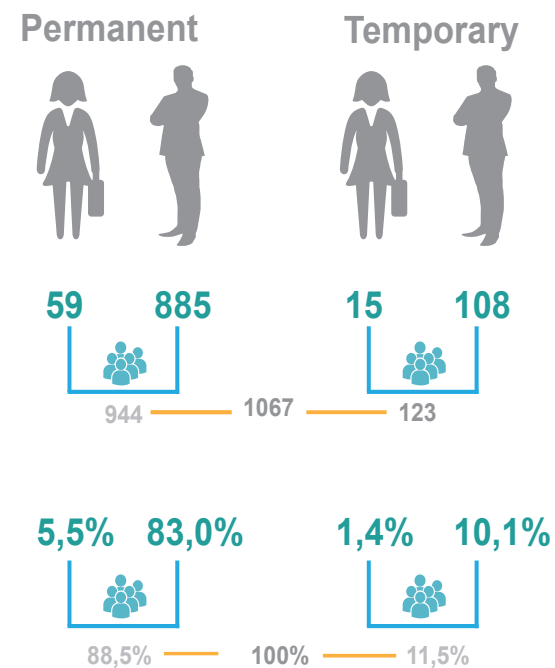
With respect to the union rights of our workers, and as a sign that we facilitate free association, we report that 421 of our collaborators, 39.5% of the total, are members of 2 trade unions. In this way, there would be no risk of violation of the right to unionization in our company.

73.1% of them are located in our **Pisco** operations.

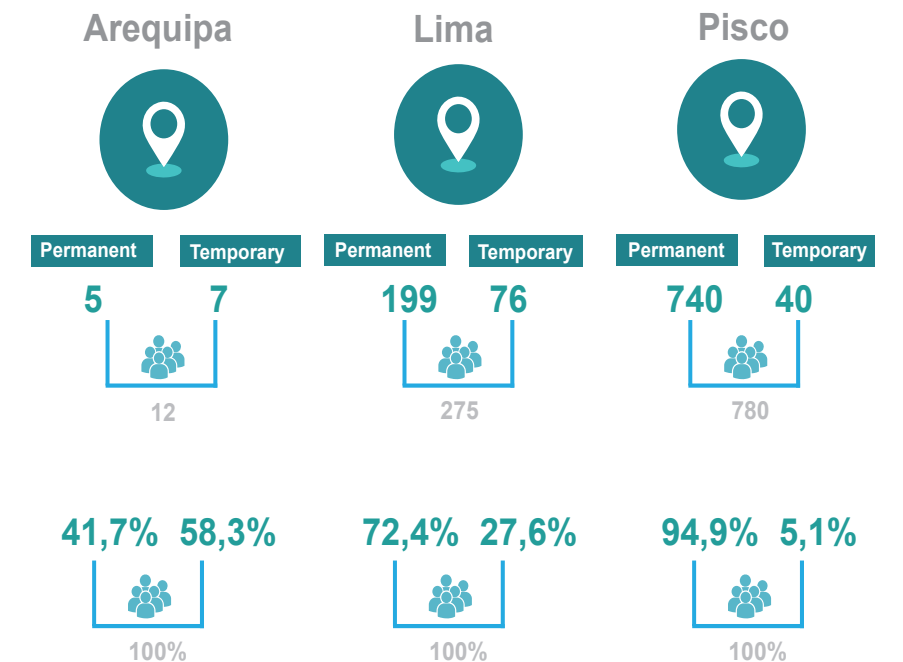
COLLABORATORS, BY GENDER



COLLABORATORS, BY TYPE OF CONTRACT AND GENDER



COLLABORATORS, BY TYPE OF CONTRACT AND LOCATION



Talent Attraction and Retention

(103-1, 103-2, 103-3) (401-1)

Offering a quality product would not be possible without our Steel People, the men and women who, with determination and will towards continuous improvement, implement and manage all the processes in our organization. CAASA's commitment to each and every one of them goes beyond the economic aspect, providing them with opportunities for professional growth, friendly environments and work insurances, based on the values we promote.

This is recognized by our collaborators, who have indicated in measurements of the working environment, levels of satisfaction around 80%. Our processes of personnel incorporation

consider factors of diversity and conditions of vulnerability. In response to them, we offer conditions such as flexible hours, loans and emergency leave, additional vacation benefits, family welfare programs, sports infrastructure, partial Health Service Provider (EPS) allowance and food, among other benefits.

Turnover processes are, in turn, accompanied by support for the early retirement process, when applicable, and payments above those required by law.

In 2018, 60 people joined the CAASA family, while 48 others left.

INCORPORATIONS AND TURNOVER, BY GENDER

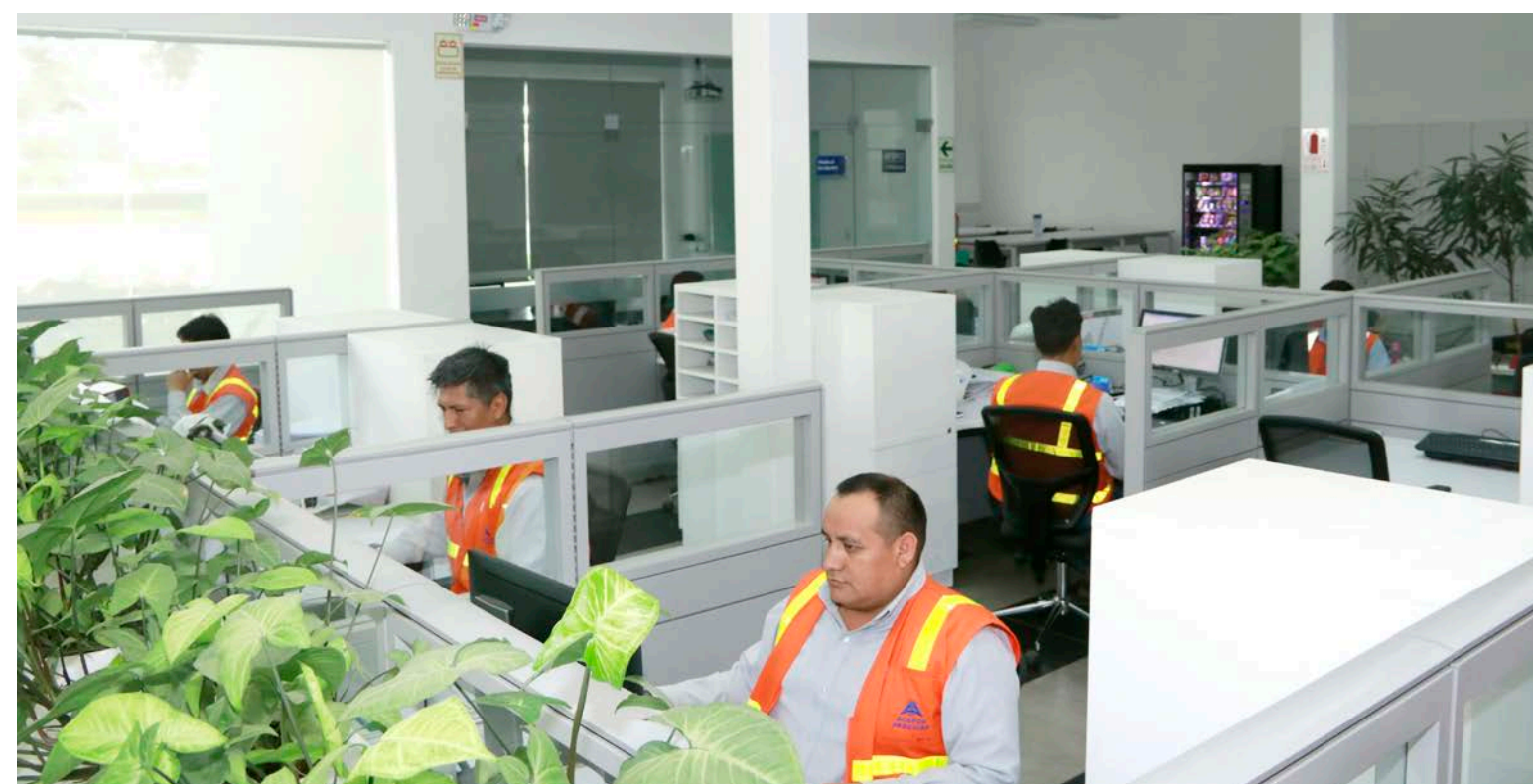
GENDER	INCORPORATIONS		TURNOVERS	
	Number	% del Total	Number	% del Total
Men	51	4,8 %	33	3,1
Women	9	0,8 %	15	1,4
TOTAL	60	5,6 %	48	4,5 %

INCORPORATIONS AND RESIGNATIONS, BY REGION

GENDER	INCORPORATIONS		TURNOVERS	
	Number	% del Total	Number	% del Total
Lima	50	4,7	26	2,4
Pisco	10	0,9	22	2,0
TOTAL	60	5,6 %	48	4,4 %

INCORPORATIONS AND RESIGNATIONS, BY AGE GROUP

GENDER	INCORPORATIONS		TURNOVERS	
	Number	% del Total	Number	% del Total
Under 30 years old	22	2,1	4	0,3
From 31 to 50 years old	37	3,5	38	3,6
From 51 to more	1	0,01	6	0,5
TOTAL	60	5,6 %	48	4,4 %

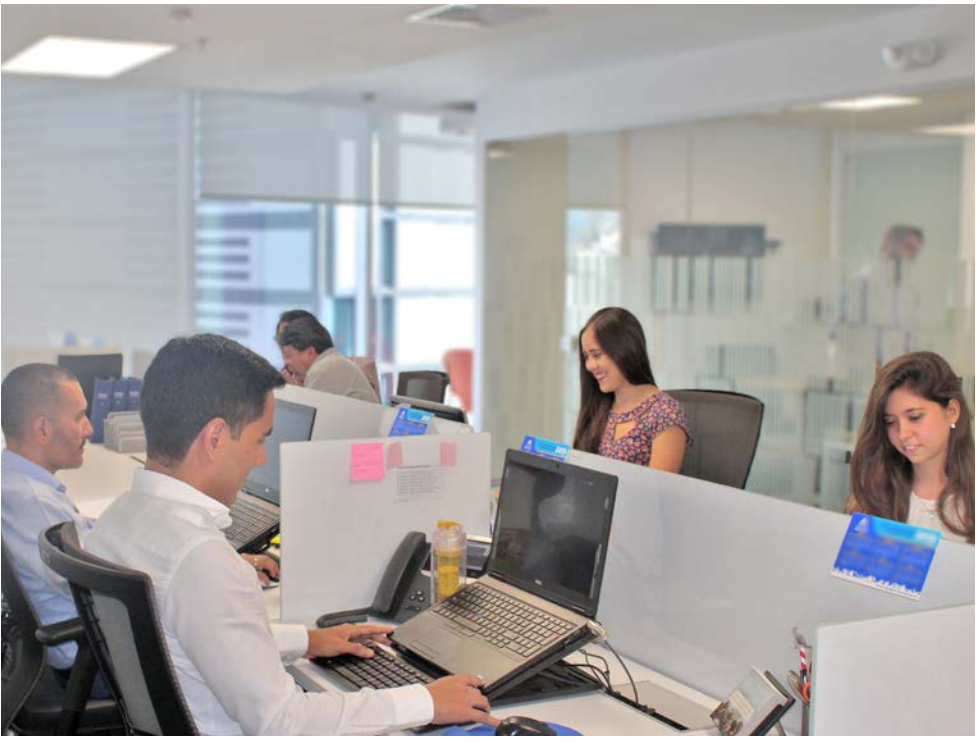


Promoting Gender Equality

(103-1, 103-2, 103-3) (405-1)

Aware of the historical predominance of male employees in the steel industry, CAASA has set out to promote the employment of women in operational and strategic leadership positions. Thus, at the end of 2018, 6.1% of general supervisory positions, 11.5% of leadership positions, and 7.7% of positions of officials are held by women. On the other hand, in middle and senior-level management (managers, heads and general supervisors) women fill in 9.8% of the positions, having presence in the Management Committee. As far as possible, we ensure that the promotion line includes the possibility of hiring women, while in the case of resignations, we ensure that another woman fills in the position of a manager.

As far as salary scales are concerned, CAASA promotes equal remuneration between men and women, distinguishing the benefit payment exclusively on the basis of the requirements of the position.



Benefits for our Collaborators

(401-2)

In order to give a value proposal that meets the needs of our Steel People, we offer the following benefits, according to category:

In addition, we have created the CAASA Points program, which promotes and rewards the participation of our collaborators in the Continuous Improvement and Environment programs. Those who have an outstanding participation in them accumulate points that can be exchanged for the different items detailed in a Catalogue with the categories home, technology, sports and outdoors.



Occupational Health and Safety

(103-1, 103-2, 103-3) (403-1)

In the same way that our product provides safety to the constructions of millions of families nationwide, we are concerned that the members of our company can carry out their work in a safe environment and at the lowest possible risk. To this end, we have Occupational Health and Safety (OHS) committees in two of our operations:

OHS Committee in Pisco:

- ✓ Chairman, representative of the company: Main Production Manager.
- ✓ Secretary: Deputy Manager of Occupational Health and Safety
- ✓ 04 full members representing the company, and 06 workers' representatives.

OHS Committee in Lima:

- ✓ Chairman, representative of the company: Warehouse and Distribution Centers Manager.
- ✓ Secretary: Deputy Manager of Occupational Health and Safety.
- ✓ 01 full member representing the company, and 03 workers' representatives.

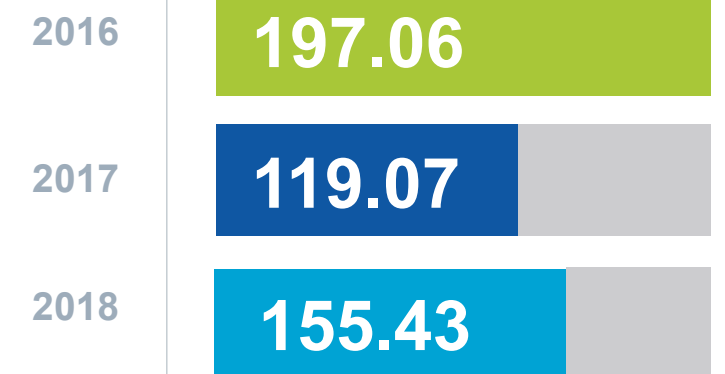
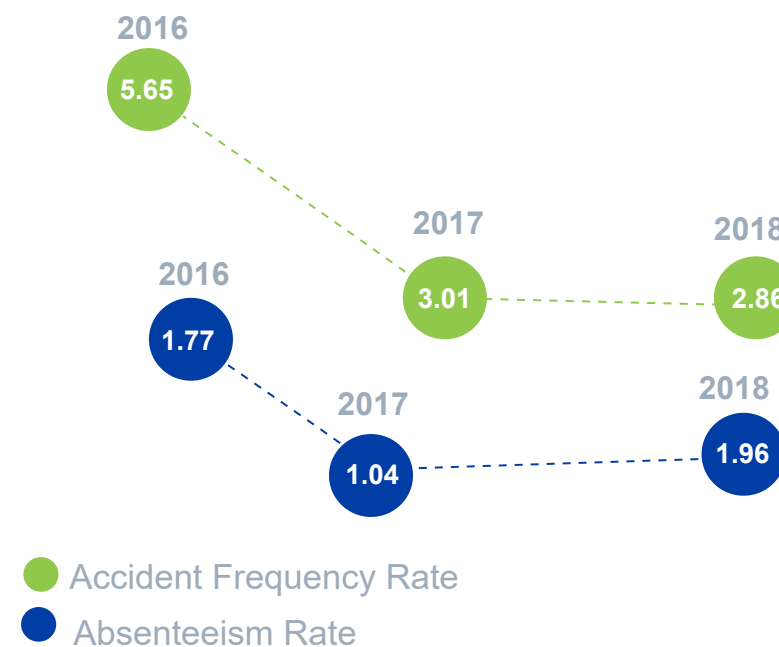
(403-2)

Both committees represent 100% of CAASA's workers, as they are elected by universal suffrage.

Their work is essential to prevent accidents and occupational diseases during the working life of all members of our company, within the framework of our Integrated Management System and Business Policy on Occupational Health and Safety.



Outstanding indicators of **CAASA's** performance in **Occupational Health and Safety**



OCCUPATIONAL HEALTH AND SAFETY INDICATORS, BY GENDER

INDICATOR	CAASA'S WORKERS		CONTRACTORS	
	Men	Women	Men	Women
Accident Frequency Rate	3,1	0,0	6,2	0,0
Incidence Rate of Occupational Diseases	0	0	0	0
Lost Days Rate	116,7	0,0	188,1	0,0
Mortality	0	0	0	0

Note: The accident statistics do not include minor accidents, only disabling ones.

OCCUPATIONAL HEALTH AND SAFETY INDICATORS, BY ORIGIN

INDICATOR	CAASA'S WORKERS		CONTRACTORS	
	Local	National	Local	National
Accident Frequency Rate	2,9	2,9	6,2	6,2
Incidence Rate of Occupational Diseases	0	0	0	0
Lost Days Rate	155,5	155,5	186,7	186,7
Mortality	0	0	0	0

Notas:

- We do not have foreign staff.
- The accident statistics do not include minor accidents, only disabling ones.

In response to the accidents reported during the year, the Occupational Health and Safety Management reinforced the knowledge of collaborators about the People-Based Safety Program (SBP), and implemented improvement projects in this field.

(403-3)

We must point out that the most frequent accidents take place in the areas of Rolling and Steelworks, being the most recurrent type of accident related to manual and semi-manual activities.

In this respect, it is planned to automate manual activities in the Project to improve the Production Line of the Roller Train 1, which is expected to be ready in 2019. Another important risk is the presence of particulate in the steel mill shop, so the Fumes Plant has been improved and a new Steel Mill Shop is being built, and will be operating in 2020.



Training and Evaluation

(103-1, 103-2, 103-3) (404-1)

Growing with our Team

To contribute to the development of our company, Steel People are trained to perform their daily tasks with greater efficiency and effectiveness. Thus, in 2018, 3,434 hours of training for officials and 9,889 hours for employees were recorded, with average training hours of 25.8 and 26.6, respectively. On the other hand, the average hours of training by gender are 26.4 for male collaborators and 23.8 for female collaborators.

(404-3)

Performance Assessment

Every year, Area Managers assess the performance of their teams, providing guidance and recommendations in order to achieve their strategic objectives. Area members also have the opportunity to provide feedback to their leader on this process so that it can be improved. From 2019, this process will incorporate a mandatory mid-year review.



In 2018, **424** employees were evaluated, of whom 366 were men (86.3%) and 58 were women (13.7%).

At the labor category level, **401** were employees and **23** were officials.

Diversity and Equal Opportunities

(405-1, 405-2)

Historically, the steel industry has been considered as demanding hard and risky work, more appropriate for men. In recent years, however, this idea has been challenged in multiple companies in the steel industry worldwide, and CAASA has been included in this trend. Thus, we clearly state in our Code of Ethics the importance of equal treatment between men and women within our organization.

At the close of 2018, **92%** of our Board of Directors is made up of men.



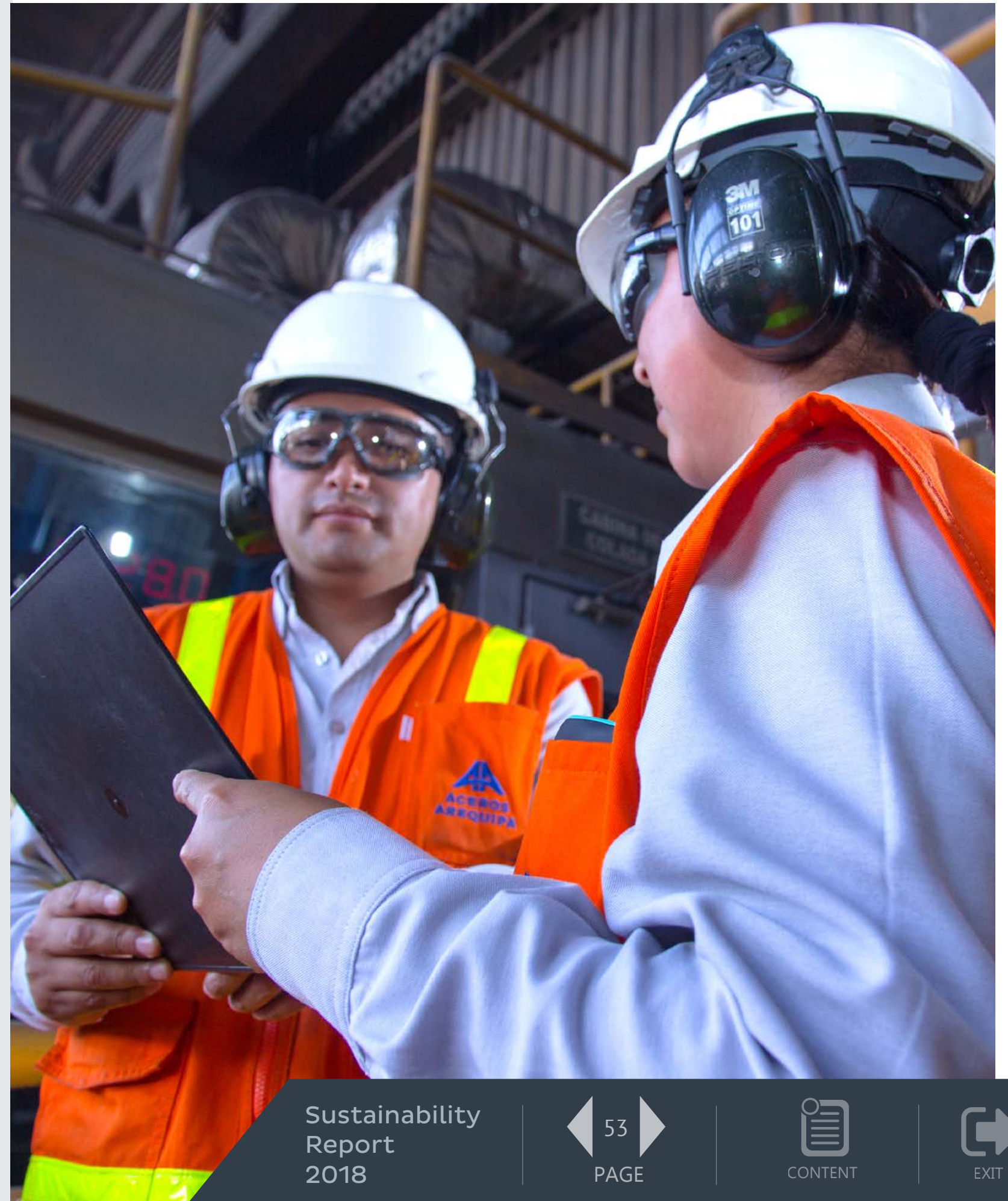
93,1% of our personnel is made up of men.



6.9% of our personnel is made up of women.

In addition to gender, other diversity factors are considered for analysis, such as age group. Thus, 75% of the Board of Directors is made up of people over 50 years old, while the remaining 25% is between 30 and 50 years old. In terms of personnel, 10% of employees are under 30, 67% are between 30 and 50, and the remaining 23% are over 50.

Our compensation policy is strictly based on job responsibilities, performance and experience. In this regard, there is no discrimination or selection by gender. The estimation of a ratio by salary category would provide an inappropriate result, since variations are found due to the aforementioned factors.





06

Suppliers: Allies of our Services



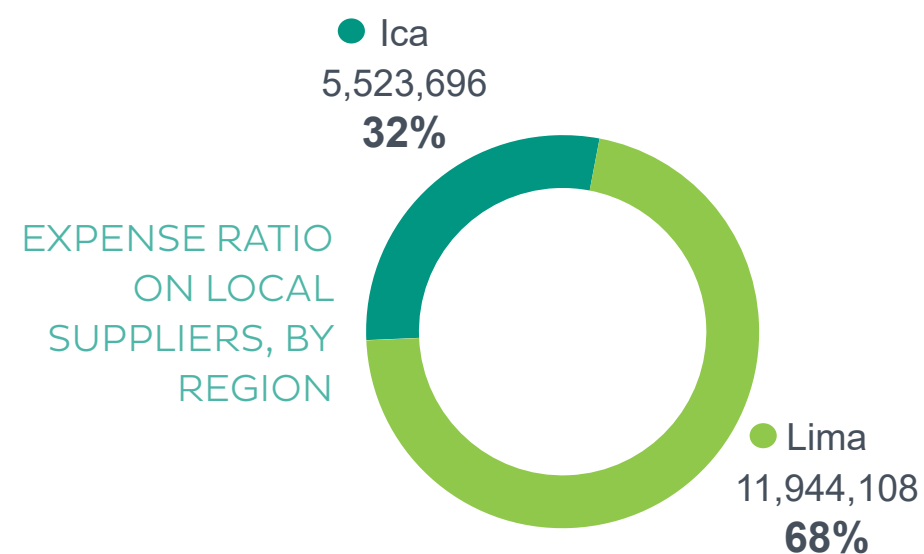
06. Suppliers: Allies of our Services

(103-1, 103-2, 103-3) (102-9; 102-10; 204-1)

Suppliers: Allies of our services. In addition to the work of environmental care of suppliers in 2018 (environmental commitment), in that same year, our supply chain recorded multiple significant changes as far as warehouses and distribution centers are concerned, outsourcing our Warehouse in Pisco, incorporating two Distribution Centers (Callao and Cajamarquilla, Lima) thanks to the purchase of company COMASA, and opening a new one in the city of Trujillo. In terms of management, we reduced the work shifts in the Distribution Center of Arequipa and optimized all the processes in a comprehensive manner, which implied a 12% reduction in the hiring of personnel necessary for this work.

At the end of the fourth quarter of 2018, we began implementing the Distribution Centers in La Paz and Santa Cruz, Bolivia, as part of our international expansion.

In relation to our expense ratio on local suppliers, specifically with respect to third party service contracts, we reported that, by 2018, 32% or US\$5,523,696 correspond to companies located in the department of Ica. In that year, our domestic purchases totaled US\$17,467,804.



With respect to Human Rights

(103-1, 103-2, 103-3) (412-3)

In line with our commitment to promote the ethical behavior of our entire value chain, as stipulated in Section VI of our Code of Ethics, we included a contractual clause in which our suppliers undertake to respect human rights, and are subject to the possibility that our Ethical Line may receive complaints against them, in the event of non-compliance with said Code.

(103-1, 103-2, 103-3) (414-1)

The environmental assessment of suppliers is detailed in chapter 3 of this report.

During 2018, we signed **289 contracts** under these conditions, **33.7% of the contracts** signed by CAASA at year-end. Seven of these contracts have a committed value of more than one million soles.



07

About this Report



About this Report

(102-50; 102-51; 102-52, 102-54, 102-56)

This sustainability report has been prepared in accordance with the Global Reporting Initiative - GRI Standards, “Core” option, and provides information for 2018, not having been verified by an external auditor. The previous edition corresponded to 2017 and was published in 2018. The periodicity of this document is annual.

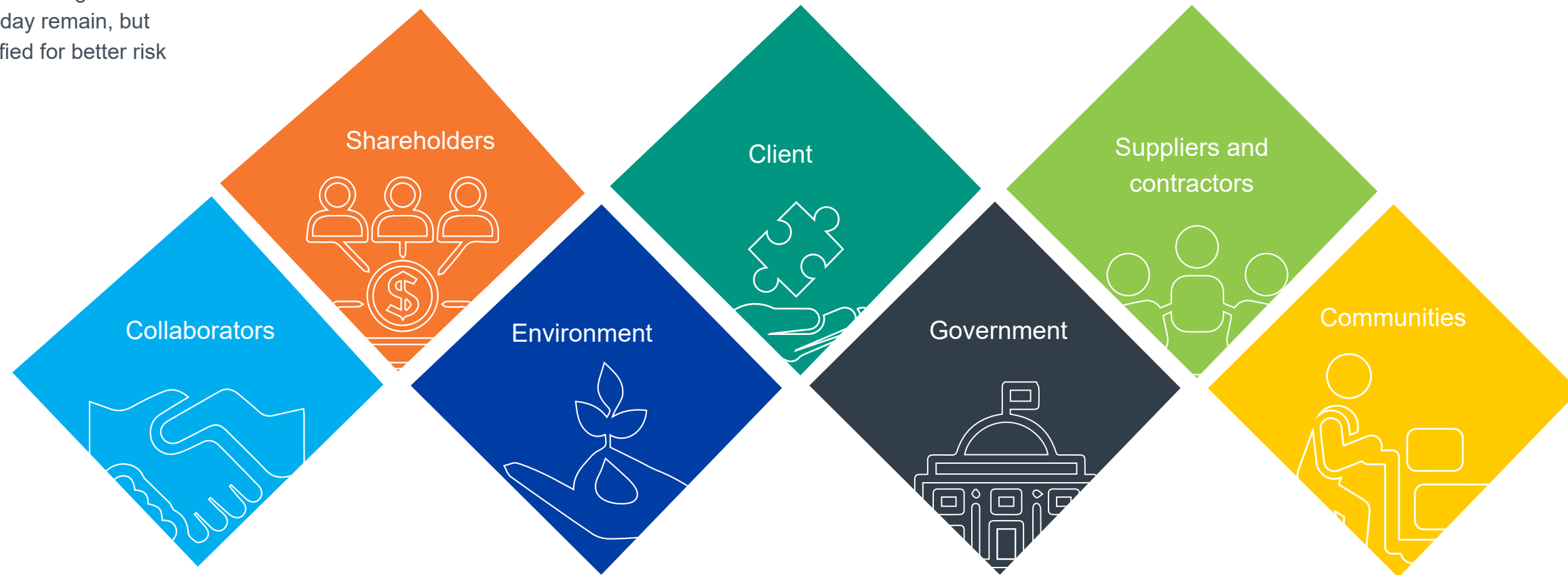
Our Stakeholders

(102-40; 102-42; 102-43; 102-44)

Until last year, CAASA had been working with the following stakeholders, which today remain, but have been prioritized and classified for better risk analysis.

The methodology used was that of Mitchell, Agle & Woods, better known as “power-legitimacy-urgency”, through which the main non-conventional risks (social and environmental) are identified.

In August 2018, meetings were held with representatives of each area of the company, both at the Pisco plant and at the Lima offices, identifying and classifying each CAASA’s stakeholder and then assigning the respective scores according to the level of power, legitimacy and urgency of each stakeholder identified.



The results were as follows:

Prioritized Stakeholders



As can be seen in the graph above, the Government occupies the most important place, stressing environmental regulators and local authorities (Environmental Assessment and Control Agency (OEFA), National Superintendency of Labor Inspection (Sunafil), Ministry of Labor, Union leadership).

It is important to point out that the results reflect the situation of the company at the time of carrying out the analysis of stakeholders. For this reason, trade unions are appointed instead of workers since it is in 2018 that for the first time the trade union's list of claims was closed for the next 2 years (and not just for one as previously carried out).

The water authorities occupy a third place, representing, in a certain way, the environment, and this input is also significant for CAASA's operations and scarce in the region of Ica.

The fact that clients and communities occupy the last places does not mean that they are not important; on the contrary, they are appointed, however, at present, there is no risk with them.

It should be noted that suppliers do not appear, so CAASA considers that it manages the issues related to these stakeholders in an optimal way, as do the shareholders

COMMUNICATION AND LIAISON MATRIX (102-43)



Shareholders

General objective: To offer transparency and information for financial and production decision making that allow the continuity (sustainability) of the company.

Relationship Mechanism	Quantity	Frequency	Specific objective
Gente de Acero Magazine	1	Quarterly	Report management achievements
Bulletin	1	Monthly	Report continuous progress
Aceros Arequipa Ethical Line	-	Permanent	Complaints for unlawful acts
Annual Shareholders' Meeting	1	Monthly	Approval of reports
Website	-	Permanent	Transparency and information

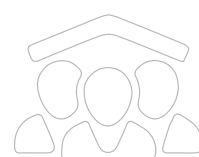
General objective: To allow the capitalization of our human resources in conditions that allow them to exercise human rights.



Workers

Relationship Mechanism	Quantity	Frequency	Specific objective
Gente de Acero Magazine	1	Quarterly	Report management achievements
Training	-	Permanent	Retain human capital and reduce operational risks
Aceros Arequipa Ethical Line	-	Permanent	Complaints for unlawful acts
Website	-	Permanent	Transparency and information

General objective: To participate in the improvement of our environment with the awareness that this culture improves the performance of society in general and improves our environment.



Communities

Relationship Mechanism	Quantity	Frequency	Specific objective
Media press releases	1	Monthly	Information
Gente de Acero Magazine	1	Quarterly	Report management achievements
Face-to-face meetings with communities	1	Weekly	Develop a space for coexistence and communication
Aceros Arequipa Ethical Line	-	Permanent	Complaints for unlawful acts
Website	-	Permanent	Transparency and information



Government

General objective: To communicate about our growth, contributions to society and report on regulatory compliance.

Relationship Mechanism	Quantity	Frequency	Specific objective
Meetings with local governments	2	Monthly	Establish alliances and communication
Gente de Acero Magazine	1	Quarterly	Report management achievements
Bulletin	1	Monthly	Report continuous progress
Aceros Arequipa Ethical Line	-	Permanent	Complaints for unlawful acts
Website	-	Permanent	Transparency and information

General objective: To communicate about the needs and innovations required to improve the product cycle.



Suppliers

Relationship Mechanism	Quantity	Frequency	Specific objective
Meetings according to needs or requirements	-	Permanent	Develop improvements to meet requirements efficiently
Website	-	Permanent	Transparency and information
Aceros Arequipa Ethical Line	-	Permanent	Complaints for unlawful acts

General objective: To report on our responsible performance and to have an open channel for complaints explicitly fighting corruption.



Society

Relationship Mechanism	Quantity	Frequency	Specific objective
Media press releases	1	Monthly	Information
Gente de Acero Magazine	1	Quarterly	Report management achievements
Bulletin	1	Monthly	Report continuous progress
Aceros Arequipa Ethical Line	-	Permanent	Complaints for unlawful acts
Website	-	Permanent	Transparency and information



Clients

General objective: We seek to be communicated to the satisfaction of our clients.

Relationship Mechanism	Quantity	Frequency	Specific objective
Theoretical-practical training for users	1	Monthly	To reduce the risk in the handling of our products, to inform on the properties of the products and to improve their conservation.
Theoretical-practical training for sales channels	1	Monthly	To reduce the risk in the handling of our products, to inform on the properties of the products and to improve their conservation.
Client satisfaction survey	1	Annual	To measure and assess improvements, adapt our.
Aceros Arequipa Ethical Line	-	Permanent	Complaints for unlawful acts.
Website	-	Permanent	Transparency and information

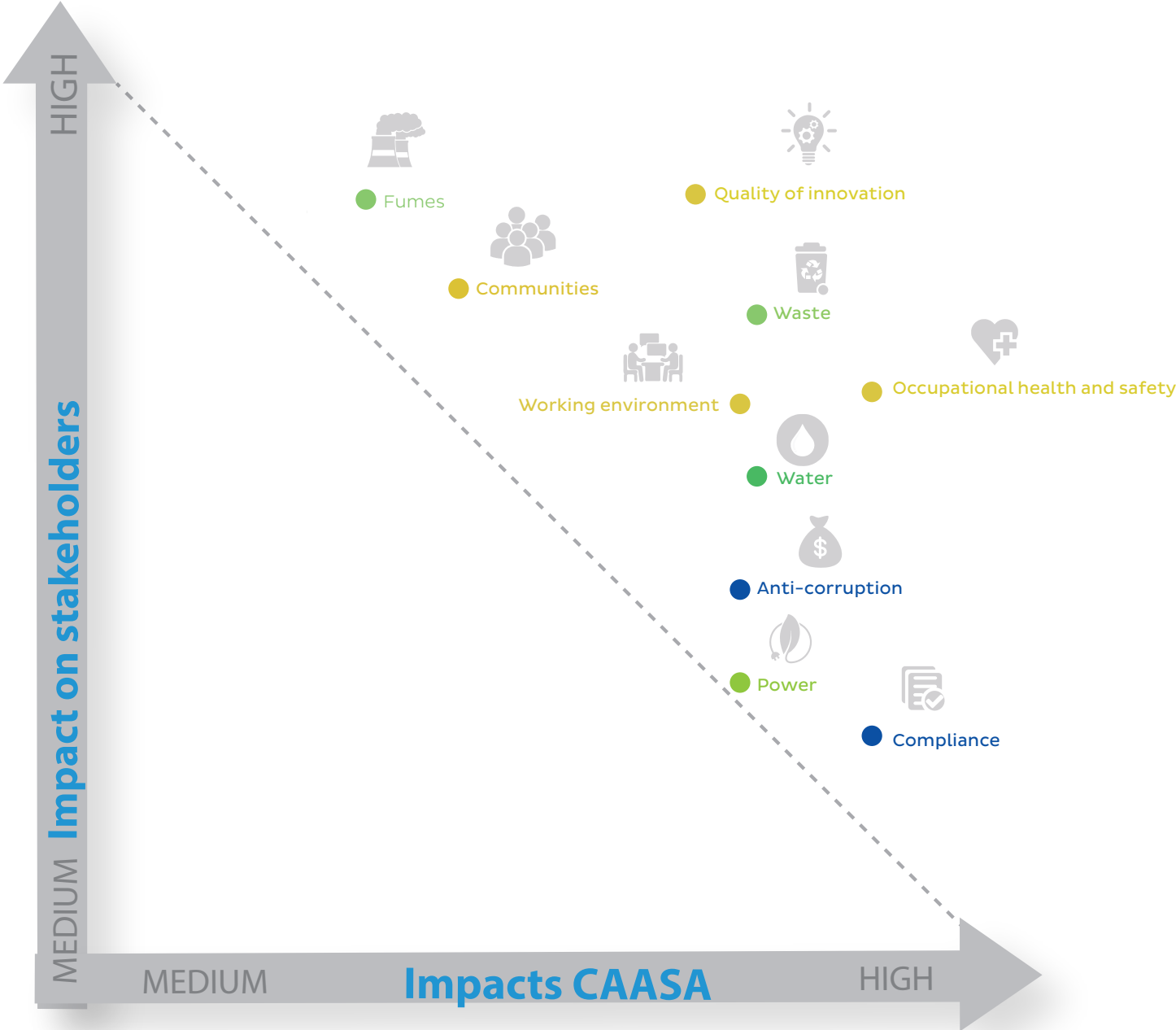
Our material topics

(102-46, 102-47)

The material topics are maintained from one year to the next, thus managing to measure the evolution of these topics.

List of material topics

- Quality of innovation
- Waste
- Fumes
- Communities
- Occupational health and safety
- Working environment
- Water
- Anti-corruption
- Power
- Compliance



GRI ratio

(102-55)

GRI standard	Content	Page(s)
General Content		
GRI 102: General Content 2016	102-1 Name of the organization	5
	102-2 Activities, brands, products and services	5
	102-3 Location of headquarters	5
	102-4 Location of operations	5
	102-5 Ownership and legal form	5
	102-6 Markets served	5
	102-7 Size of the organization	5
	102-8 Information about employees and other workers	46
	102-9 Supply chain	55
	102-10 Significant changes in the organization and its supply chain	55
	102-11 Precautionary principle or approach	26
	102-12 External initiatives	13, 18, 38, 39
	102-13 Membership in associations	39
	102-14 Statement by senior executives in charge of decision-making	3
	102-15 Main impacts, risks and opportunities	26
	102-16 Values, principles, standards and rules of conduct	7, 8
	102-18 Governance structure	9
	102-40 List of stakeholders	57
	102-41 Collective bargaining agreements	46
	102-42 Identification and selection of stakeholders	57
102-43 Approach to stakeholder engagement	57	
102-44 Key issues and concerns mentioned	57	
102-46 Definition of the contents of the reports and the coverages of the topic	62	

GRI standard	Content	Page(s)
General Content		
	102-47 List of material topics	62
	102-50 Reporting period	57
	102-51 Date of last report	57
	102-52 Reporting cycle	57
	102-53 Contact point for questions about the report	70
	102-54 Statement of preparation of report in accordance with GRI standards	57
	102-55 GRI table of contents	63 - 69
	102-56 External verification	57
Material Topics		
Economic Performance		
GRI 201: Economic Performance 2016	103-1 Explanation of the material topic and its coverage	6
	103-2 Management approach and its components	6
	103-3 Assessment of the management approach	6
	201-1 Direct economic value generated and distributed	6
	201-2 Financial implications and other risks and opportunities arising from climate change	26
Market Presence		
GRI 202: Market Presence 2016	103-1 Explanation of the material topic and its coverage	46
	103-2 Management approach and its components	46
	103-3 Assessment of the management approach	46
	202-2 Proportion of senior executives hired from the local community	46

Indirect Economic Impacts		
GRI 203: Indirect Economic Impacts 2016	103-1 Explanation of the material topic and its coverage	39
	103-2 Management approach and its components	39
	103-3 Assessment of the management approach	39
	203-1 Investments in infrastructure and supported services	39
	203-2 Significant indirect economic impacts	39
Acquisition Practices		
GRI 204: Acquisition Practices 2016	103-1 Explanation of the material topic and its coverage	55
	103-2 Management approach and its components	55
	103-3 Assessment of the management approach	55
	204-1 Expense ratio on local suppliers	55
Market Presence		
GRI 205: Anti-corruption 2016	103-1 Explanation of the material topic and its coverage	9
	103-2 Management approach and its components	9
	103-3 Assessment of the management approach	9
	205-1 Assessed operations for corruption-related risks	9
	205-2 Communication and training in anti-corruption policies and procedures	9
	205-3 Confirmed corruption cases and actions taken	9
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GRI 206: Competencia Desleal 2016	103-1 Explanation of the material topic and its coverage	11
	103-2 Management approach and its components	11
	103-3 Assessment of the management approach	11
	206-1 Legal actions related to unfair competition, monopolistic practices and against free competition	11

GRI 301: Materials 2016	103-1 Explanation of the material topic and its coverage	31
	103-2 Management approach and its components	31
	103-3 Assessment of the management approach	31
	301-1 Materials used by weight or volume	31
	301-2 Recycled inputs	31
GRI 302: Power 2016	103-1 Explanation of the material topic and its coverage	26
	103-2 Management approach and its components	26
	103-3 Assessment of the management approach	26
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GRI 303: Water 2016	103-1 Explanation of the material topic and its coverage	29
	103-2 Management approach and its components	29
	103-3 Assessment of the management approach	29
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	303-2 Water sources significantly affected by water extraction	29
	303-3 Recycled and reused water	29
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GRI 305: Emissions 2016	103-1 Explanation of the material topic and its coverage	27
	103-2 Management approach and its components	27
	103-3 Assessment of the management approach	27
	305-1 Direct GHG emissions (scope 1)	27
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	28

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GRI 306: Effluents and Waste 2016	103-1 Explanation of the material topic and its coverage	32
	103-2 Management approach and its components	32
	103-3 Assessment of the management approach	32
	306-2 Waste by type and method of disposal	32
	306-4 Transport of hazardous waste	32
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GRI 307: Environmental Compliance 2016	103-1 Explanation of the material topic and its coverage	29
	103-2 Management approach and its components	29
	103-3 Assessment of the management approach	29
	307-1 Non-compliance with environmental legislation and regulations	29
Environmental Assessment of Suppliers		
GRI 308: Environmental Assessment of Suppliers 2016	103-1 Explanation of the material topic and its coverage	32
	103-2 Management approach and its components	32
	103-3 Assessment of the management approach	32
	308-1 New suppliers that have passed evaluation and selection filters according to environmental criteria	32
Employment		
GRI 401: Employment 2016	103-1 Explanation of the material topic and its coverage	47
	103-2 Management approach and its components	47
	103-3 Assessment of the management approach	47
	401-1 New recruitments and staff turnover	48
	401-2 Benefits for full-time employees not given to part-time or temporary employees	48

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GRI 403: Occupational Health and Safety 2016	103-1 Explanation of the material topic and its coverage	50
	103-2 Management approach and its components	50
	103-3 Assessment of the management approach	50
	403-1 Representation of workers in formal worker-health and safety company committees	50
	403-2 Types of accidents and frequency rates of accidents, occupational diseases, days lost, absenteeism and number of deaths due to occupational accidents or diseases	50
	403-3 Workers with a high incidence or high risk of diseases related to their activities	51
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GRI 404: Training and Teaching 2016	103-1 Explanation of the material topic and its coverage	52
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	103-3 Assessment of the management approach	52
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GRI 405: Diversity and Equal Opportunities 2016	103-1 Explanation of the material topic and its coverage	48
	103-2 Management approach and its components	48
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	405-2 Ratio of base salary and remuneration of women compared to men	53
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GRI 407: Freedom of Association and Collective Bargaining	103-1 Explanation of the material topic and its coverage	46
	103-2 Management approach and its components	46
	103-3 Assessment of the management approach	46
	407-1 Operations and suppliers whose right to freedom of association and collective bargaining may be at risk	46

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GRI 412: Assessment of Human Rights 2016	103-1 Explanation of the material topic and its coverage	55
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	412-3 Significant investment agreements and contracts with human rights clauses or subject to human rights assessment	55
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GRI 413: Local Communities 2016	103-1 Explanation of the material topic and its coverage	39
	103-2 Management approach and its components	39
	103-3 Assessment of the management approach	39
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For comments, inquiries and suggestions regarding the content of this Report, please contact Mr. José Castañeda Inclán, Social Responsibility Deputy Manager, at jcastane@aasa.com.pe.

