



**2019
SUSTAINABILITY
REPORT**



**Committed to clean production,
our plants have the most high-end
technology as well as strict quality
control throughout the entire
production process.**

**2019
SUSTAINABILITY
REPORT**



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2019
SUSTAINABILITY
REPORT

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LETTER
FROM THE
MANAGER

LETTER TO OUR STAKEHOLDERS

(GRI 102-14)



DEAR FRIENDS,

I am pleased to present to you the fourth edition of our Sustainability Report, in compliance with Global Reporting Initiative Standards, which provides information on our social, environmental, and corporate governance performance for 2019. Over the course of the year, we were able to achieve our goals thanks to hard work, efficiency, and a firm commitment.

At Aceros Arequipa, we know that social responsibility is not just a trend or a fad. It means setting long-term objectives that will benefit the company and its stakeholders, promoting social development and economic growth, while preserving the environment. We are also well aware

◀
**TULIO
SILGADO
CONSIGLIERI
CEO**

that companies that live and practice social responsibility with a view to sustainable development are much more attractive places to work and invest in. They attract the best talent and enjoy relationships with their neighbors that are warmer, stronger, more lasting, and above all, more trusting, fostering continuity and more opportunities for mutual growth.

Innovation continues to be our guiding light., given that the goods and comprehensive services we offer allow us to apply new and better technologies in our processes, thus accompanying the country's development through its most important infrastructure works while contributing to better people's quality of life. With this in mind, we have continued to increase the reuse of waste. For example, our construction ecobloques are currently being used to improve the infrastructure and safety of our facilities. Meanwhile, ecogravilla gravel is now used on more roads than ever, connecting our neighbors living near our Pisco plant.

LETTER TO OUR STAKEHOLDERS

As an active member of the community, we continue to implement socioenvironmental development programs in the areas of influence of our operations, as well as promoting shared work and forging strategic alliances between the community, the government, private enterprise, and other organizations, with the goal of achieving social improvements while preserving the environment and its natural resources.

On the internal front, we continue to promote our corporate values in an effort to maintain the commitment of our employees. Their participation in our continuous improvement system resulted in 2,159 suggestions, of which 56% were implemented. We also continued with our quality circles, with the participation of 144 employees in 24 teams, of which 14 completed their projects. Additionally, we bolstered our corporate volunteering

program, through which we continued to recognize and promote social initiatives that our employees wish to carry out.

About our achievements, we are proud to have received, for the second year in a row, the Socially Responsible Company Seal (DESR) given out by “Perú 2021” and CEMEFI. For the third consecutive year, we also won the National 5Ss Award, receiving the Gold Medal; and we took home the Silver Prize in the “Líderes de la Excelencia” International Quality Contest organized by the PUCP Institute of Quality in collaboration with the American Society for Quality, with our improvement project for the optimization of the EBT electric arc furnace control system. This same project won us the “Improvement Projects Award” given out by the Center for Industrial Development (Centro de Desarrollo Industrial) of the Peruvian National Association of Industries (SNI). Last but not least, we were invited to participate

in the RobecoSAM Dow Jones Sustainability Index.

It is important to note that we continue with the expansion of our steel mill complex at the Pisco plant, which will help us to become more efficient in the use of resources, as well as reduce our environmental impact, improve our value chain, and reduce our level of imports, boosting the development of our national industry.

I proudly invite you to read through our new 2019 Sustainability Report.



TULLIO SILGADO CONSIGLIERI
CEO



ECOGRAVILLA GRAVEL IS NOW USED ON MORE ROADS THAN EVER, CONNECTING OUR NEIGHBORS LIVING NEAR OUR PISCO PLANT.



ABOUT US

(GRI 102-1, 102-2, 102-3, 102-4, 102-5)

We are Corporación Aceros Arequipa S.A. (CAASA), a steel company originally incorporated as Aceros Arequipa S.A. in 1964. We began our production processes in the city of Arequipa in 1966.

Our main activity is the manufacturing, preparation, commercialization, distribution, and sale of iron, steel, other metals, and their byproducts, in different forms and qualities. To achieve this, we have the following operations:

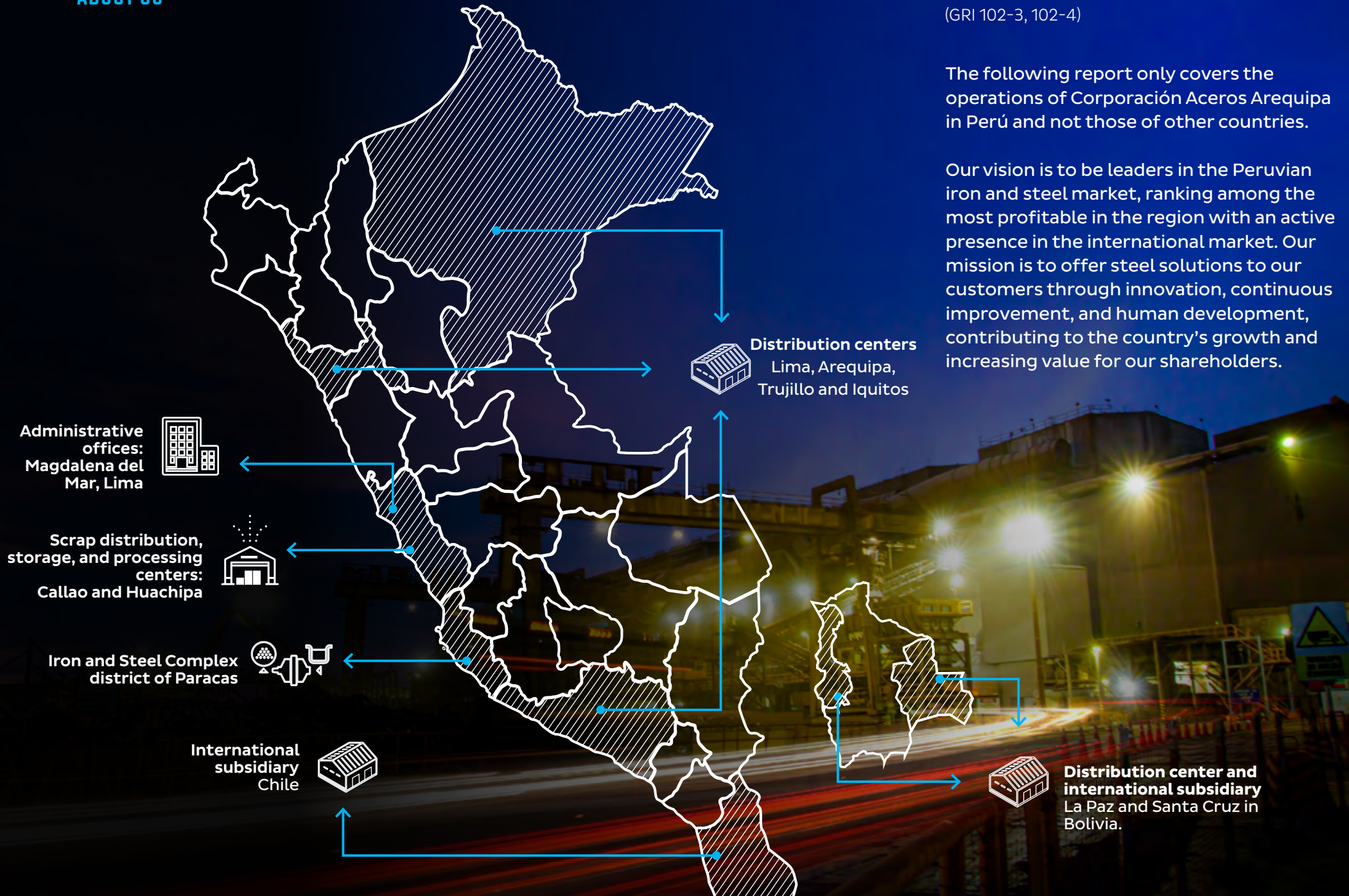
- Administrative offices: Magdalena del Mar, Lima.
- Iron and Steel Complex, which is located at kilometer 241 of the Panamericana Sur highway, in the district of Paracas, province of Pisco, region of Ica, and includes the following plants:

- Direct Reduction Plant.
- Steel Mill.
- Rolling Plant 1.
- Rolling Plant 2.
- Industrialization Plant.
- Dimensioned Steel Plant.

- Distribution centers in the departments of Lima, Arequipa, Trujillo, and Iquitos.
- Scrap distribution, storage, and processing centers in El Callao and Huachipa.
- Distribution center and international subsidiary: La Paz and Santa Cruz in Bolivia.
- International subsidiary: Chile.

“THE EXPANSION OF THE STEEL MILL IS SCHEDULED FOR COMPLETION IN 2020. IT WILL HAVE A PRODUCTION CAPACITY OF 1.35 MILLION TONS OF STEEL PER YEAR. WE INVESTED US\$ 208 MILLION IN IT, GENERATING A POSITIVE IMPACT IN LOCAL AND NATIONAL ECONOMY.”

ABOUT US



(GRI 102-3, 102-4)

The following report only covers the operations of Corporación Aceros Arequipa in Perú and not those of other countries.

Our vision is to be leaders in the Peruvian iron and steel market, ranking among the most profitable in the region with an active presence in the international market. Our mission is to offer steel solutions to our customers through innovation, continuous improvement, and human development, contributing to the country's growth and increasing value for our shareholders.

ORGANIZATIONAL VALUES AND COMPETENCIES

(GRI 102-16)

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

VALUES



We are passionate about our work



We focus on relevant aspects



We work as a team

ORGANIZATIONAL VALUES
AND COMPETENCIES

COMPETENCIES

(GRI 102-16)



**I propose
innovations**



**I act like
a leader**



**I work with
commitment**



**I invest in
relations**

STANDARDS AND RULES OF CONDUCT

(GRI 102-16)

In addition to our values and competencies, we have a number of codes, policies, regulations, and reference guidelines for all our team members and stakeholders. These documents are:



**Internal Work
Regulations**



**Occupational Health and
Safety Regulations**



**Goods and Services
Procurement Policy**



CORPORATE GOVERNANCE

(GRI 102-18)

Our board of directors is tasked with the mission of promoting the healthy development and growth of our organization on a sustained and consistent basis. From this, several committees are derived:

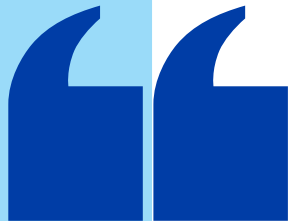
AUDIT AND RISK COMMITTEE

The main purpose of this committee is to assist the board of directors in performing its oversight responsibilities with regard to our corporation's internal control system. It meets at least four times a year, and consists of four board members.

The Chairman, the CEO, and the Internal Audit Manager attend committee meetings with the right to speak, but not to vote. The Internal Audit Manager acts as the committee's Technical Secretary. The External Auditor or other managers or team members from the corporation attend as guests when so requested.

APPOINTMENTS, COMPENSATION, AND HUMAN RESOURCES COMMITTEE

The main purpose of this committee is to guarantee that the company's human resources management complies with the corporate guidelines and the latest practices in human resources development. It is also responsible for ensuring an equitable and competitive compensation system that allows the organization to carry out its mission and achieve its strategic objectives.



OUR BOARD OF DIRECTORS IS
TASKED WITH THE MISSION
OF PROMOTING THE HEALTHY
DEVELOPMENT AND GROWTH
OF OUR ORGANIZATION

CORPORATE GOVERNANCE

OTHER COMMITTEES

ETHICS COMMITTEE

This committee is responsible for ensuring compliance with our code of ethics, along with the CEO. This committee is also tasked with other responsibilities, such as:

- Acting as an advisory body in case team members or third parties have concerns about events or circumstances that may have an impact on corporate ethics.
- Analyzing and ruling on disputes regarding possible conflicts of interest reported by team members.
- Freely and objectively analyzing situations involving potential ethics violations.

OCCUPATIONAL HEALTH AND SAFETY COMMITTEE

This committee is responsible for planning, organizing, running, and monitoring the company's Occupational Health and Safety Programs (see Chapter 4 for more details).

SEXUAL HARASSMENT PREVENTION COMMITTEE

The creation of this committee was proposed in 2019. In January 2020, elections will be held for committee members for the 2020–2021 period. The committee is formed in accordance with Law 27942 – the Act for the Prevention and Punishment of Sexual Harassment and its Regulations, with the goal of preventing and punishing sexual harassment in relations of authority



or dependence in public and private workplaces.

ENVIRONMENTAL COMMITTEE

As part of our good corporate governance and social responsibility practices, we created the Environmental Committee, which operates inside the Iron and Steel Complex. This committee is responsible for the operational planning of environmental management, as well as identifying environmental risks in the operational stage. It holds monthly meetings with a preestablished agenda.

OUR ANTICORRUPTION MANAGEMENT

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

Our objective is to strengthen our anticorruption management approach throughout the company, its subsidiaries, and suppliers, while promoting a culture of integrity, transparency, and zero tolerance for these matters. Our goal is for 100% of our key personnel to receive training on our Anti-Fraud and Corruption Code, and our Code of Ethics.

The documents on which this type of management is based are as follows:

- a) Corporate Policy on Internal Control and Integrated Risk Management.
- b) Code of Ethics.
- c) Ethics Hotline Response Protocol.
- d) Regulations of the Ethics Committee.
- e) Anti-Fraud and Corruption Code.

This anticorruption management approach is spearheaded by the Board of Directors and the Senior Management, in an effort to reach every location and level of the organization. Different areas of the organization are entrusted with responsibilities to guarantee adequate management, including:

- Board of Directors: Provide guidelines on administrative or control measures to be established for the adequate management of fraud, corruption, and illegal acts.
- Audit and Risk Committee: Verify that the evaluation of fraud and corruption risks is properly performed, in accordance with the characteristics of the business, and effective measures are implemented for prevention, detection, investigation, and response.
- Ethics Committee: Supervise compliance with the Code of Ethics and render accounts on ethics management.
- CEO: Supervise compliance with the Code of Ethics and this Anti-Fraud and Corruption Code and promote a culture of integrity inside the Company.
- Internal Auditor: Inform the Audit and Risk Committee of fraud and acts of corruption reported to the Ethics Committee.
- Head of Prevention: Lead and coordinate the design and implementation of the Company's Prevention Model.
- Strategic Control Management: Periodically validate the organizational and process risk



OUR GOAL IS FOR 100% OF OUR KEY PERSONNEL TO RECEIVE TRAINING ON OUR ANTI-FRAUD AND CORRUPTION CODE, AND OUR CODE OF ETHICS.

matrixes, working with users to identify risks of fraud, bribery, corruption, money laundering, and terrorist financing, and related controls.

As previously noted, we also have an Ethics Hotline, which is independently managed by Ernst & Young (EY). This is the channel we provide for the filing of grievances, and can be used online, by email, or by phone. Additionally, the Aceros Arequipa Crime Prevention Model is currently under implementation.

(GRI 205-1)

All our processes have been evaluated by taking samples of the activities, allowing us to identify 41 risks related to corruption. We also have a risk matrix that has enabled us to

OUR ANTICORRUPTION MANAGEMENT

identify the most significant risks, which are as follows:

- Economic and reputational damages due to establishing relations with customers involved in drug trafficking, money laundering, or corruption.
- Entering into contracts with a supplier who may have a history of corruption, money laundering, or terrorist financing.
- Favoritism toward a supplier or manipulation of processes to help a supplier obtain specific benefits.
- Hiring of personnel with a relevant or significant criminal record.

(GRI 205-2)

Our 12 directors have been informed of our anti-corruption policies and received training on the prevention model for crimes of corruption.

In 2019, we sent out communications on the codes and policies on this matter to the entire company. This includes the offices in Magdalena, the Pisco plant, and all warehouses. Training was also provided to team members at the Magdalena and Callao locations referring to the anti-corruption rules in place in the corporation, they represent 28% of our

total employees. The remaining 72% work at the Pisco plant, where training is scheduled for January 2020. In the meantime, we have been implementing a communications campaign called “Anticorruption Comics” aimed at all of our employees.

As for our suppliers, our anticorruption policies are available to them from the moment they sign their contracts. All of these contracts

include a clause establishing our zero-tolerance policy for any type of operation or transaction tied to corruption, bribery, money laundering, and terrorist financing.

(GRI 205-3)

During 2019, there were no confirmed cases involving corruption issues.



LEGAL DISPUTE MANAGEMENT

ANTICOMPETITIVE BEHAVIOR

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

As established in our Code of Ethics, we are committed to maintaining honest, constructive, and suitable relationships with our competitors. Among other commitments, this means the following:

- Competing fairly in the market, without engaging in any advertising that may be misleading or derogatory toward the competition or third parties.
- Ensuring that all information on the competition is obtained legally.
- Complying with rules and regulations for the defense of free competition, avoiding any conduct that constitutes or may constitute collusion, abuse, or restriction of competition.
- Making independent decisions on prices and marketing, independently, without cooperating or coordinating with other competitors.

- Not offering or soliciting undue payments in regards to the purchase of our goods or services or the sale of our products or services, nor engaging or aiding in obstruction or threats against particular customers.

Cases of anticompetitive behavior can be reported through our ethics hotline, which will take charge of conducting the respective investigation. During 2019, we received one complaint regarding disparaging advertising, which is currently being investigated by the competent authority, having no results before the publication of this document.

COMPLIANCE WITH SOCIOECONOMIC REGULATIONS

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

Our corporation complies with all tax regulations as part of our principles of corporate responsibility, applying

responsible fiscal policies. Not only do we pay significant direct contributions in the form of taxes, but we also make noteworthy contributions through the withholding of taxes from third parties generated as a consequence of our activities.

We manage our socioeconomic compliance by applying effective fiscal practices, managing and applying standards and laws, and keeping up to date with legislative changes. Our objective is to mitigate tax contingencies derived from our operations.

During 2019, the monetary value of the fines imposed on us was S/.150,000.00 (Peruvian Sol). These fines were established as a result of the income tax audit for fiscal years 2013 and 2014.

OUR ECONOMIC PERFORMANCE

(GRI 102-7, 102-10) (GRI 201, 103-1, 103-2, 103-3)

By ensuring a strong financial management, we are able to contribute to the country's socioeconomic development by providing job opportunities, procuring from domestic suppliers, offering high-quality products, and contributing to the development of our community.

At the close of 2019, our sales totaled S/ 2.73 million, an increase of 4% compared to the previous year thanks to the higher volume sold. Our earnings came to S/ 199 million, which was higher than the year before (S/ 163 million). This increase is due to the higher operating earnings reported in 2019, obtained from the sale of a piece of property.

As of December 2019, net assets in property, plant, and equipment totaled S/ 1.822 million, higher than that registered in December 2018 (S/ 1.435 million). As of the same date, intangibles totaled S/ 35 million. Investments in property, plant and equipment, and intangibles made by

the company in 2019 mainly consisted of the start of the New Steel Plant (financed through a leasing agreement), the acquisition of a piece of land in Lurín, the acquisition and commissioning of a pipe plant, and improvements to the Pisco plant.

The debt ratio (total liabilities less deferred taxes divided by net equity) rose compared to December 2018 (0.73), finishing the year at 0.80 due mainly to higher bank loans.



S/ 2,730
million

OUR SALES TOTALED
AT THE CLOSE OF 2019

4%

AN INCREASE OF COMPARED TO THE
PREVIOUS YEAR

S/ 1,822
million

NET ASSETS IN PROPERTY,
PLANT, AND EQUIPMENT

OUR ECONOMIC PERFORMANCE

It is also important to note that all of our financial information is included in our Annual Report, which is available on our website and on the platform of the Peruvian Securities and Exchange Commission (SMV).



(GRI 201-1)

CONCEPT (THOUSANDS OF SOLES)	2017	2018	2019
ECONOMIC VALUE CRATED			
Net Sales	2 359 788	2 623 078	2 729 515
Total Revenue	2 359 788	2 623 078	2 729 515
ECONOMIC VALUE DISTRIBUTED			
Suppliers	1 923 221	2 297 165	1 969 694
Employees (Salaries, Social Benefits, Retirement Incentives)	180 051	189 742	192 694
Government (Taxes, except VAT)	67 534	80 870	94 404
Community (Donations, Investment in Social Programs)	316	406	159
Total Expenditures	2 171 122	2 568 183	2 256 167
ECONOMIC VALUE RETAINED (Balance)	188 666	54 895	473 348



MENU

C.03—

OUR STEEL
QUALITY AND SAFETY

OUR STEEL QUALITY AND SAFETY

(GRI 102-2, 102-6, 102-7)

Our commitment is to provide all of our customers with a product with guaranteed quality and safety. To achieve this, we are constantly innovating to create products that meet our customers' needs. Our product portfolio currently features the following:

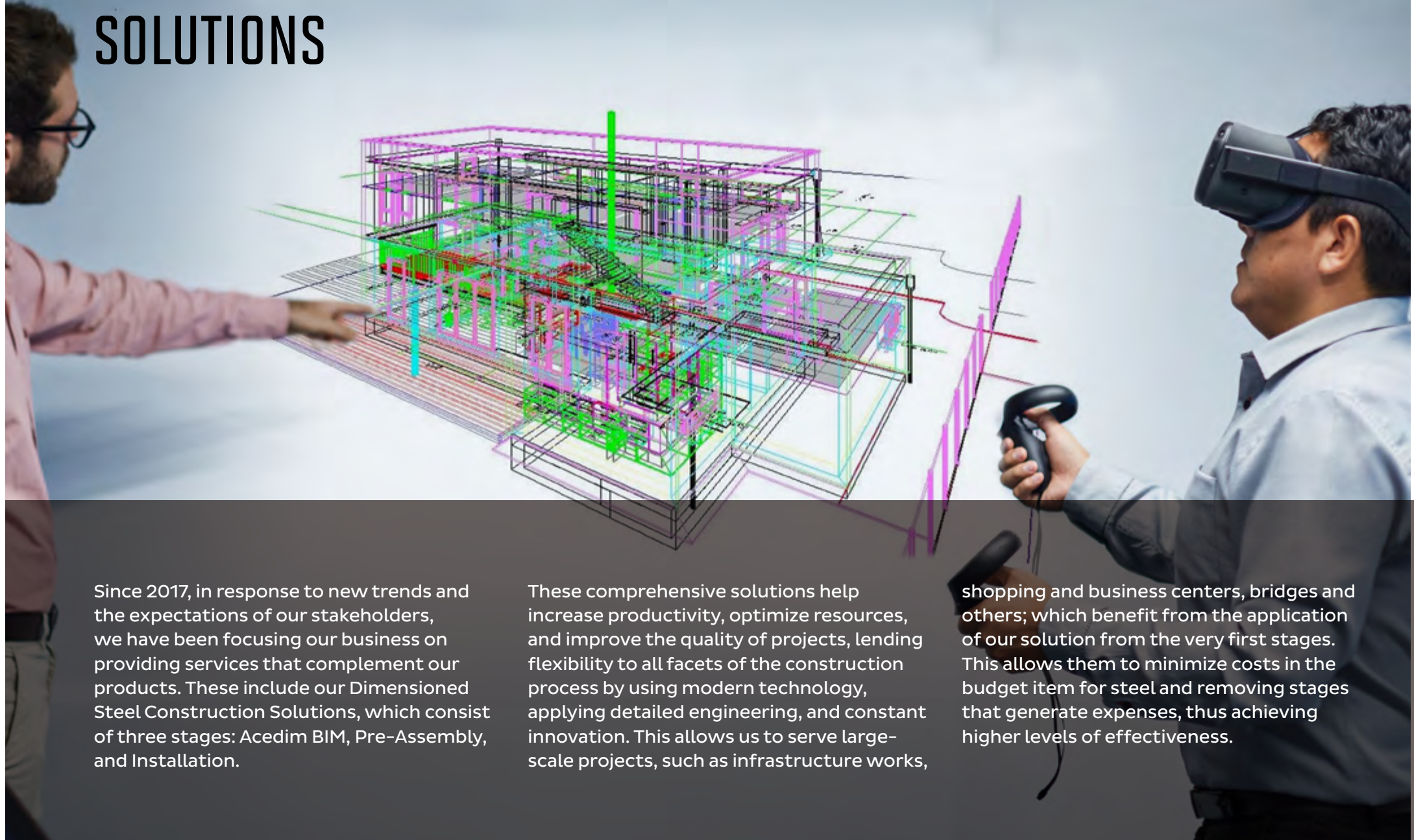
- Rebars
- Corrugated stirrups
- Steel nails
- Annealed black wire
- Wire rod for wire drawing
- Structural angles
- Platens
- Flat round bars
- Square bars
- Tees
- Double U channels
- Ball mill bars
- Hot-rolled sheets and coils
- Hot-rolled ribbed sheets
- Cold-rolled sheets and coils
- Zinc-plated sheets and coils

- Calaminas (corrugated zinc-plated sheets)
- ASTM hot-rolled Tubes
- ASTM cold-rolled Tubes
- Zinc-plated Tubes
- Threaded bars for rock support
- Anchor screws for threaded bars
- Anchor plate for threaded bars
- Universal adapter for threaded bar
- Connector for threaded bar for rock support
- Split-bolts for rock support
- Universal adapter for split-bolts
- Sawblades
- Measuring tapes
- Industrial brushes and hand brooms

Our main customers are companies from both public and private sectors in industries such as construction, metal machining, mining, metallurgy, and real estate, as well as small and medium-sized distributors. We also export our products to countries such as Bolivia, Ecuador, the United States, Brazil, Argentina, and Chile.



OUR COMPREHENSIVE SOLUTIONS



Since 2017, in response to new trends and the expectations of our stakeholders, we have been focusing our business on providing services that complement our products. These include our Dimensioned Steel Construction Solutions, which consist of three stages: Acedim BIM, Pre-Assembly, and Installation.

These comprehensive solutions help increase productivity, optimize resources, and improve the quality of projects, lending flexibility to all facets of the construction process by using modern technology, applying detailed engineering, and constant innovation. This allows us to serve large-scale projects, such as infrastructure works,

shopping and business centers, bridges and others; which benefit from the application of our solution from the very first stages. This allows them to minimize costs in the budget item for steel and removing stages that generate expenses, thus achieving higher levels of effectiveness.

OUR COMPREHENSIVE SOLUTIONS

1

ACEDIM BIM SERVICE

This service consists of the supply of cut and bent steel using a virtual Building Information Modeling (BIM) process. The BIM service supplements the Acero Dimensionado service, and involves the creating of BIM Virtual Models for rebar using the Virtual Design Construction (VDC) methodology to optimize management. The use of BIM as a tool for the correction of 2D CAD designs is widely accepted, this in itself offers significant improvements over traditional processes, and helps to ensure the compatibility of projects from the very start of construction. The use of the Last Planner System as a production control method is also standard process in the country's most important projects.

2

PRE-ASSEMBLY

This new line offers all types of typical steel structures within a construction project, such as: columns, piles, meshes. The pre-assembly is the quickest way to solve the assembly of steel rebar for concrete structures s any kind of project. One of the main advantages of this service is the savings in resources, by defining prefabricated structures for the project that eliminate specialized manual work at the worksite, thus helping to reduce material and labor costs, while also improving the productivity of processes.

3

INSTALLATION

Turnkey service that includes the supply of steel, preparation (cutting and bending), and installation by personnel specialized in handling rebar (rebar workers).

OUR COMPREHENSIVE SOLUTIONS

We also provide a service known as “Geo-support,” which includes geomechanical advisory for the design of support systems, a testing program to monitor the performance of our products, training programs for machinery operators and supervisors at the worksite, as well as training for personnel involved in the application of the support. It is important to note, that this is the Peruvian mining industry’s preferred service in virtue of our extensive operational experience. It also helps train technicians and professionals in both private and public institutions in the field of earth sciences.



WE ALSO PROVIDE A SERVICE KNOWN AS “GEO-SUPPORT,” WHICH INCLUDES GEOMECHANICAL ADVISORY FOR THE DESIGN OF SUPPORT SYSTEMS

QUALITY MANAGEMENT

(GRI 416-1, 103-1, 103-2, 103-3, 102-12, 102-13)

Our quality management is divided into two sub-processes: 1. the Integrated Management System, which comprises all of our accreditations. 2. The Continuous Improvement Program. All of our product categories are evaluated and covered under quality programs and the most rigorous standards.



INTEGRATED MANAGEMENT SYSTEM

We are committed to the quality of our products and processes. Proof of this is the recertification of our integrated management system under ISO 9001¹ and ISO 14001² standards, along with new certification under the ISO 45001³ standard in July 2019. Strengthening our management processes and practices.



(¹) The ISO 9001:2015 standard is the basis for quality management systems (QMS). It is an international standard focused on all aspects of quality management that a company needs to ensure an effective system that enables it to manage and improve the quality of its goods or services.

(²) ISO 14001 certification for environmental management systems (EMS) is an international standard that allows companies to demonstrate their commitment to protecting the environment by managing the environmental risks associated with their activities.

(³) ISO 45001 "Occupational Health and Safety Management Systems – Requirements and Guidance for Use" is an international standard that specifies the requirements for a health and safety management system and provides indications on its use, in order to help organizations provide safe and healthy jobs, prevent workplace accidents and health problems, and proactively improve health and safety at work.

QUALITY MANAGEMENT

(GRI 102-12, 102-13)

Furthermore, thanks to our growth in new markets, during 2019, our products were subject to the certification requirements of the Brazilian Association of Technical Standards (ABNT)⁴ and the Colombian Institute of Technical Standards (ICONTEC)⁵ for export to Brazil and Colombia, respectively.

Our laboratories are accredited under the ISO 17025⁶ standard by the National Institute of Quality (INACAL), thus demonstrating our rigor in obtaining reliable test results and technical competency. This accreditation allows us to issue reliable quality certificates to our customers on a timely basis.

THIS ACCREDITATION ALLOWS US TO ISSUE RELIABLE QUALITY CERTIFICATES TO OUR CUSTOMERS ON A TIMELY BASIS.

CONTINUOUS IMPROVEMENT PROGRAM

5S PROGRAM

During this period, we continued with our improvement program, which is based on the “5S” methodology.⁷ This has permitted us to optimize the operational controls of our three-standard integrated system through the self-management of areas and the integrated inspection system, as well as to lay the foundations for the continuous improvement of our processes. We have 170 5S zones company-wide, distributed into 5 categories—workshops, plant, warehouses, laboratories, and electrical/electronic rooms—each one with standards we have defined ourselves, based on the needs of each process.



⁽⁴⁾ The Brazilian Association of Technical Standards, or the Associação Brasileira de Normas Técnicas (ABNT), in Portuguese, is the regulatory body responsible for technical standards in Brazil, with the goal of promoting that country's technological development.

⁽⁵⁾ The Colombian Institute of Technical Standards, or Instituto Colombiano de Normas Técnicas y Certificación in Spanish, is Colombia's national standardization body. Its tasks include the reproduction of technical standards and the certification of quality standards for companies and professional activities.

⁽⁶⁾ The ISO 17025 standard establishes the necessary requirements to be met by testing and calibration laboratories, thus facilitating the uniformity of quality criteria. The main objective of the standard is to guarantee the technical competence and reliability of analytical results.

⁽⁷⁾ 5's is a basic quality management tool used in ISO9001 systems aimed at reducing waste, increasing productivity, and motivating employees.

QUALITY MANAGEMENT

(GRI 102-12, 102-13)

We were recognized for the third consecutive year as the winner of the “National 5S Award” given out by the Japanese Embassy, the Asociación Peruana Japonesa, the Japan International Cooperation Agency, the Japan Chamber of Commerce and Industry, and the Asociación Kenshu Kiokay of Peru.

In March, July, September, and December 2019, the audit plan was implemented for these 170 5S zones, helping to validate the practices implemented during daily routines.



WE WERE RECOGNIZED FOR THE THIRD CONSECUTIVE YEAR AS THE WINNER OF THE “NATIONAL 5S AWARD”



QUALITY MANAGEMENT

(GRI 102-12, 102-13)

SUGGESTIONS PROGRAM

None of this would be possible without the engagement of our team members, who submitted 2,159 suggestions throughout 2019, leading to 56% of them being implemented. Furthermore, 23 of these suggestions have the potential to achieve significant economic benefits for our organization equivalent to over US\$ 100,000.00. It is important to note that a percentage of this benefit is shared with the team member who submitted the suggestion. Additionally, at the Company Gathering, CAASA Points⁸ are also given out to the team member who implemented the greatest number of suggestions over the year.

(⁸) CAASA Points are a tool created to promote team members' engagement in our Continuous Improvement and Environmental Programs. Team members who display outstanding participation in these programs accumulate points that can be exchanged for the different items detailed in our catalogue.

QUALITY CIRCLES AND PROGRESS GROUPS

In 2019, the Quality Circles program included the participation of 144 team members in 24 teams, of which 14 finished their projects. These were presented at our 27th traditional Company Gathering, where we

share knowledge and exchange experiences, as well as recognizing the invaluable efforts of our team members who have stood out in the quality programs, for which they are rewarded with CAASA Points.



QUALITY MANAGEMENT

(GRI 102-12, 102-13)

Two of these projects also took part in business competitions, where they garnered recognition and awards. In the “quality week” organized by the Peruvian National

Society of Industries (SNI), we won first place with the Recognition of Improvement Project Management in the “Production” category. We also took home the Silver

Medal in the “2019 Leaders in Excellence Competition” held by the Quality Institute of the Pontificia Universidad Católica del Perú, in collaboration with the American Society for Quality (ASQ).

As a company, we are proud of our history and the commitment we have demonstrated to innovation and operational excellence. We set out on this path over thirty years ago, and today, it has made us a model to be followed throughout the country. It is thanks to this hard work that we were invited to participate in the Fifth International Quality Conference: “Quality Culture in a digital Global World.”



QUALITY MANAGEMENT

- 5'S DISCIPLINE
- 4'S STANDARDISATION
- 3'S CLEANING
- 2'S ORDER
- 1'S SELECTION



ACKNOWLEDGMENT OF
THE 2019
best 5S zone
AMONGST THE CATEGORIES
WORKSHOP, PLANT,
WAREHOUSE, AND
LABORATORY.



THE PARTICIPATING AREAS
WILL WIN
CAASA points

(GRI 102-12, 102-13)

HIGH-PERFORMANCE TEAMS

Our high-performance teams, unlike our quality circles, are formed by operational areas, with the goal of developing good work practices using Lean⁹ methodologies and tools to manage and continuously improve the areas' processes on an independent basis.

The level of autonomy achieved by the high-performance teams is measured annually, based on their understanding of their processes, the definition of objectives and targets aligned with the Company's priorities, and the results achieved. In 2019, a total of 210 team members took part in the program, in 30 high-performance teams, registering a medium level of maturity.

⁽⁹⁾ The Lean Methodology is a new way of managing the processes carried out by a company. Its basic objective is to strip away all those activities that contribute nothing, resulting in a final experience of quality for the customer.

MARKETING AND LABELING

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

As well as quality, we are also concerned with the safety and wellbeing of all our customers, especially those who handle our products. That is why each product we sell has its technical data sheet, with the following structure:

- **Product:** This includes the name of the product family (e.g., CONSTRUCTION REBAR), as well as an abbreviated denomination in parentheses (e.g., BACO ASTM A615-G60).
- **Description:** The product is described, indicating its form, its most notable characteristics, the manufacturing process, and the materials out of which it is made.
- **Uses:** Summary of the product's applications.
- **Technical Standard:** Indicates one or more technical standards to be met by the product, below which are the requirements and the range of acceptance to be applied to the product.
- **Chemical composition in the ladle.**
- **Mechanical properties.**
- **Nominal measurements and weights.**

To guarantee the reliability of each one of the technical data sheets, we have a document titled "Instructions for the Creation and Modification of Technical Data Sheets and Other Finished Product and Semi-Finished Product Specifications." This document contains the following guidelines:

- The creation of a technical data sheet or set of technical specifications is a cross-cutting activity that involves commercial, logistical, accounting, production, and other activities. This means that its management requires close coordination among all the areas involved.
- Products are released for use or sale only if they meet the quality requirements specified in the technical data sheets for the product or semi-product. These requirements are part of the master quality data of an item or product code.
- When creating a technical data sheet, use shall be made of the quality

characteristics already existing in the SAP system. If the creation of a new quality characteristic is required, this shall be done following the steps established in the Instructions for the Creation of Master Data.

We also provide additional information on the technical specifications of our products on our website, such as quality certificates, laboratory results, catalogues, and training materials on the use of the product.

To ensure the utmost confidence and provide a tool for the traceability of our products sold in the market, we issue quality certificates for each invoice received. These documents include creep, strength, or tensile tests, in accordance with the contents of the technical standards in force.

MARKETING AND LABELING

We also promote the “Construyendo Seguro” (“Building Safely”) web portal, where we provide advice from experts and organize a range of training events aimed at construction foreman and the general public.

Link for “Construyendo Seguro” (Building Safely) <http://www.construyendoseguro.com/#>

Link for “Aprende en línea” (Online learning) <http://www.acerosarequipa.com/aprende-en-linea.html>

(GRI 417-2, 417-3)

During 2019, we committed no infractions of any standards or voluntary codes pertaining to the information and labeling of goods and services. However, as we noted in section 206-1, there was one complaint regarding disparaging advertising that is currently under investigation.

TO ENSURE THE UTMOST CONFIDENCE AND PROVIDE A TOOL FOR THE TRACEABILITY OF OUR PRODUCTS SOLD IN THE MARKET, WE ISSUE QUALITY CERTIFICATES FOR EACH INVOICE RECEIVED.



 MENU

C.04—

ENVIRONMENTAL COMMITMENT



We are constantly in search of ways to use the byproducts from our quality production process, with the goal of reducing the consumption of natural resources and minimizing our environmental impact. Each one of these strategies includes objectives, targets, indicators, responsible parties, defined budgets and deadlines, and is periodically reviewed in Strategic Planning meetings.

In the environmental area, our primary objective is to guarantee an environmental management that contributes to the Company's sustained growth. We have an Environmental Management System, implemented and certified under the ISO 14001:2015¹⁰ standard, which takes into consideration the life cycle¹¹ of our product, from the obtaining of raw materials and the manufacturing process, right up through the recycling stage.

⁽¹⁰⁾ The ISO 14001 2015 standard captures the growing importance of environmental management in companies' business processes. According to the ISO 14001 2015 standard, leadership plays a fundamental role in ensuring the correct functioning of an environmental management system.

⁽¹¹⁾ A product's life cycle is the evolution of sales of an item during the time it remains in the market.



ACTIONS AND STRATEGIES IN THE FACE OF CLIMATE CHANGE

(GRI 102-11)

CLIMATE CHANGE IN PERU AND AROUND THE WORLD

Climate change is an undeniable global phenomenon, and its consequences affect everyone to one degree or another, including our livelihoods and our safety. Peru is highly vulnerable to these effects, due to structural factors exacerbated by poverty and the different social asymmetries that characterize the country, in addition to the particular vulnerability of our ecosystems such as the Amazon and the Andes.

According to the National Climate Change Strategy (ENCC), Peru possesses seven of the nine characteristics recognized by the United Nations Framework Convention on Climate Change (UNFCCC) as signs of countries particularly vulnerable to climate change:

- 1) Low-lying coastal areas.
- 2) Arid and semi-arid areas.
- 3) Areas prone to flooding, drought, and desertification.
- 4) Fragile mountainous ecosystems.
- 5) Areas prone to natural disasters.
- 6) Areas with high urban atmospheric pollution.
- 7) An economy that is highly dependent on income generated from the production and consumption of fossil fuels.



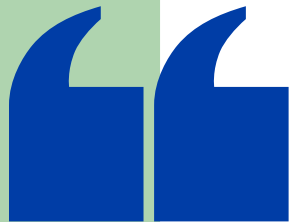
Peru is responsible

FOR LESS THAN 1% OF ALL
GREENHOUSE GASES (GHG)
EMITTED



ACTIONS AND STRATEGIES IN THE FACE OF CLIMATE CHANGE

Peru is responsible for less than 1% of all greenhouse gases (GHG) emitted. However, it is the third most vulnerable to climate risks. In the last thirty years, we have lost much of the surface area of our glaciers, which account for 71% of the tropical glaciers in the world. It is therefore extremely important to take measures for adaptation and mitigation.



AT CORPORACIÓN ACEROS AREQUIPA, WE ARE CONSCIOUS OF THE CONSEQUENCES OF CLIMATE CHANGE AND HAVE PROPOSED MEASURES TO DIMINISH OUR ORGANIZATION'S GREENHOUSE GAS EMISSIONS.



OBJECTIVE
Decrease the organization's greenhouse gas emissions



INDICATOR
Corporate carbon footprint (tCO₂e)



SHORT-TERM TARGET (2021)
3% of the baseline (2019)



MEDIUM-TERM TARGET (2025)
10% of the baseline (2019)



LONG-TERM TARGET (2030)
20% of the baseline (2019)

ACTIONS AND STRATEGIES IN THE FACE OF CLIMATE CHANGE

To achieve the objective of decreasing our organization's greenhouse gas (GHG) emissions, we have proposed to model our adaptation and mitigation measures

on those developed by the Temporary Multi-Sector Working Group in charge of compiling technical information to guide the implementation of Nationally Determined

Contributions (GTM - NTC), in accordance with Law 30754—the Framework Act on Climate Change and its Regulations, approved by Executive Order (Decreto Supremo) 013-2019-MINAM.

PRIORITIZED THEMATIC AREA

WATER



STRATEGY

Promote reduced consumption of source water through initiatives and projects for the use, reduction, and/or replacement of water

OBJECTIVE

- Reduce water consumption to 1.28 m³/t of finished product by 2030

FORESTS



STRATEGY

Foster the conservation of biodiversity in our area of influence

OBJECTIVE

- Implement actions that contribute to the conservation of flora and fauna in our area of influence

ENERGY



STRATEGY

Promote the responsible use of clean fuels and the consumption of electricity from renewable sources

OBJECTIVE

- Reduce electricity consumption to 620 kWh/t of finished product by 2030

ACTIONS AND STRATEGIES IN THE FACE OF CLIMATE CHANGE

ÁREA TEMÁTICA PRIORIZADA

PROCESSES, USE OF INPUTS AND RAW MATERIALS



STRATEGY

Prioritize the consumption of recycled material over virgin raw materials

OBJECTIVE

- Increase the consumption of metal waste (scrap) in the production of molten steel

INDUSTRIAL WASTE AND BYPRODUCTS



STRATEGY

Promote the use of industrial byproducts and waste generated

OBJECTIVE

- Use 60% of waste generated by 2030
- Use 50% of IBPs generated by 2030

EDUCATION



STRATEGY

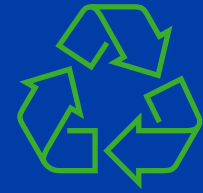
Emphasize the importance of environmental awareness through training activities, workshops, and campaigns aimed at our team members, as well as children from the schools in our area of influence

OBJECTIVE

- Engagement of 90% of team members in CAE Program by 2030
- Include 10 schools in the CAASA Environmental Education Program by 2030

MATERIALS

(GRI 102-9) (GRI 301-1, 301-2, 301-3, 103-1, 103-2, 103-3)



SCRAP

is the basic raw material for manufacturing steel in electric furnaces. All steel created in the last 150 years can be recycled and used in new products and applications. Because of its properties, steel can be recycled time and time again without losing its attributes and be used from one product to the next.

MATERIALS

The relevance of steel is why our company pays the maximum possible attention to the grade of quality it offers since this aspect directly affects our ability to obtain the right steel. This optimal “degree of quality” is achieved by searching out the most beneficial markets and maintaining strict control and supervision during the reception.



In 2019, we hit our
intake target of
325,000
tons of

SCRAP DOMESTICALLY

We know recycled steel by its technical name, “ferrous scrap,” which is the primary raw material used in the production process. We have established scrap intake targets as part of our strategic input and semi-finished product purchase plan, all of which are registered in our Balanced Score Card (BALSC) system. We also have a platform known as Goldenbelt, which records all processes and sub-processes, along with the persons responsible for them. As part of our procurement management system, we have a procedure for filing complaints with our strategic scrap suppliers. We participate in tenders for the dismantling of aircraft and ship structures. In 2019, we hit our intake target of 325,000 tons of scrap domestically.

We also have management indicators for compliance with our strategic input, semi-finished/finished product, and imported raw material (scrap, pig iron) purchase plan. The operations planning area sends the purchase plans for compliance with the requested quality and date. We also have domestic scrap purchase indicators, with monthly and cumulative annual intake targets.

Raw materials, inputs, and semi-finished products are mostly acquired in bulk. The total weight of acquired inputs came to 256,416 MT¹², and consists of the following



product categories: limestone, quicklime, anthracite, billet (semi-finished product), pig iron, electrodes, ferroalloys, and refracting materials.

Given that our most-used input is scrap, 77.5% of this will be recycled for steel production. Our final product is sold in bulk, which means that we do not use packaging materials.

⁽¹²⁾ MT: Metric tons.

WASTE AND OUR CIRCULAR ECONOMY

(GRI 306, 103-1, 103-2, 103-3)

CLIMATE CHANGE ADAPTATION STRATEGY



PRIORITIZE THE CONSUMPTION OF RECYCLED MATERIAL OVER VIRGIN RAW MATERIALS

OBJECTIVE

Increase the consumption of metal waste (scrap) in the production of molten steel

INITIATIVES AND PROJECTS

- Strategic planning for intake of raw materials by the Strategic Procurements area
- Implementation of Sustainable Procurements Program



PROMOTE THE USE OF INDUSTRIAL BYPRODUCTS AND WASTE GENERATED

OBJECTIVE

Use 60% of waste generated by 2030

INITIATIVES AND PROJECTS

- Comprehensive Solid Waste Management Program
- Project for the acquisition of a chipper to take advantage of wood that is no longer being used
- Project for the valorization of organic waste through compost production

Use 50% of IBPs generated by 2030

INITIATIVES AND PROJECTS

- Use of shredder in the manufacture of briquettes, using it as an alternative fuel in our rotary furnaces, thus enabling us to lower the percentage of bituminous coal use
- Use of char and dolochar through concentration
- Recuperation of metal iron from slag for recirculation of raw material in the Steel Mill
- Use of eco-gravel in the manufacture of "ecobloques"
- Project for the recuperation of zinc oxide from steel mill powder
- Project for the recuperation of non-ferrous metals from shredder waste

WASTE AND OUR CIRCULAR ECONOMY

The management of waste and industrial byproducts is key for our organization, since the circular economy forms part of our production process. The first step to guarantee a correct management is act consistently with the laws¹³ in force on solid waste, which promote the valorization of waste rather than its final disposal. That is why we promote and perform research into the use of the industrial byproducts we generate, so that we can use them as raw materials in our own production process or those of other industries, thus enabling us to decrease the consumption of resources and virgin raw materials in our production processes.

As mentioned above, through our BALSC, we establish indicators and initiatives to achieve our objectives and reach our targets for effluents and waste.

INDUSTRIAL BYPRODUCTS

Industrial byproducts are the materials generated in the production process that can currently be reprocessed as an input in the main process, used as a raw material in alternative plants at CAASA or in another industry, and can thus be sold, or whose use is currently being researched.

We used 49,076 tons of waste material in 2019, which is equal to 31% of the total generated, with “eco-gravel” (ecogravilla) being the most used.



WE USED

49,076

TONS OF WASTE MATERIAL
IN 2019

WHICH IS EQUAL TO

31%

OF THE TOTAL GENERATED, WITH
“ECO-GRAVEL” (ECOGRAVILLA) BEING
THE MOST USED.

⁽¹³⁾ Comprehensive Waste Management Act – Law 1278.

WASTE AND OUR CIRCULAR ECONOMY

We used:

- Eco-gravel: 27069 tons used in the manufacture of concrete “eco-blocks”. These are used in the construction of access roads for neighboring companies (Agropecuaria Mamatembo and Citrusco) and the construction of internal roads on our premises.
- Limestone Fines: 1550 tons used instead of thermal powder to reduce temperature loss when pouring of molten steel from the ladle furnace to the tundish, and as a covering at the end of casting to reduce the glare of molten steel.
- RD Baghouse Dust: 1156 tons used to replace part of the anthracite coal used in the quicklime manufacture process in the rotary furnaces.
- Scale: 118 tons sold for use in other industries.



WASTE AND OUR CIRCULAR ECONOMY

We also have alternative processes or satellite plants where waste material is reprocessed to obtain raw materials or inputs:

- **Char Concentrate:** 5 164 tons used as a replacement for coal in the Steel Mill process. This new input is recovered from other industrial byproducts such as classified intermediate, classified heavy, and mixtures of char/dolochar and coal cleaning fines mixtures).

5 164

TONS USED AS A
REPLACEMENT FOR COAL IN THE
STEEL MILL PROCESS

- **Recovered Iron Metal:** 11 061 tons recovered in the slag crushing process.

11 061

RECOVERED IN THE SLAG
CRUSHING PROCESS

- **CA Briquettes:** 3 087 tons processed from “non-metal shredder” material, which is then used as an alternative fuel in the quicklime manufacturing furnaces.

3 087

TONS PROCESSED FROM “NON-
METAL SHREDDER” MATERIAL

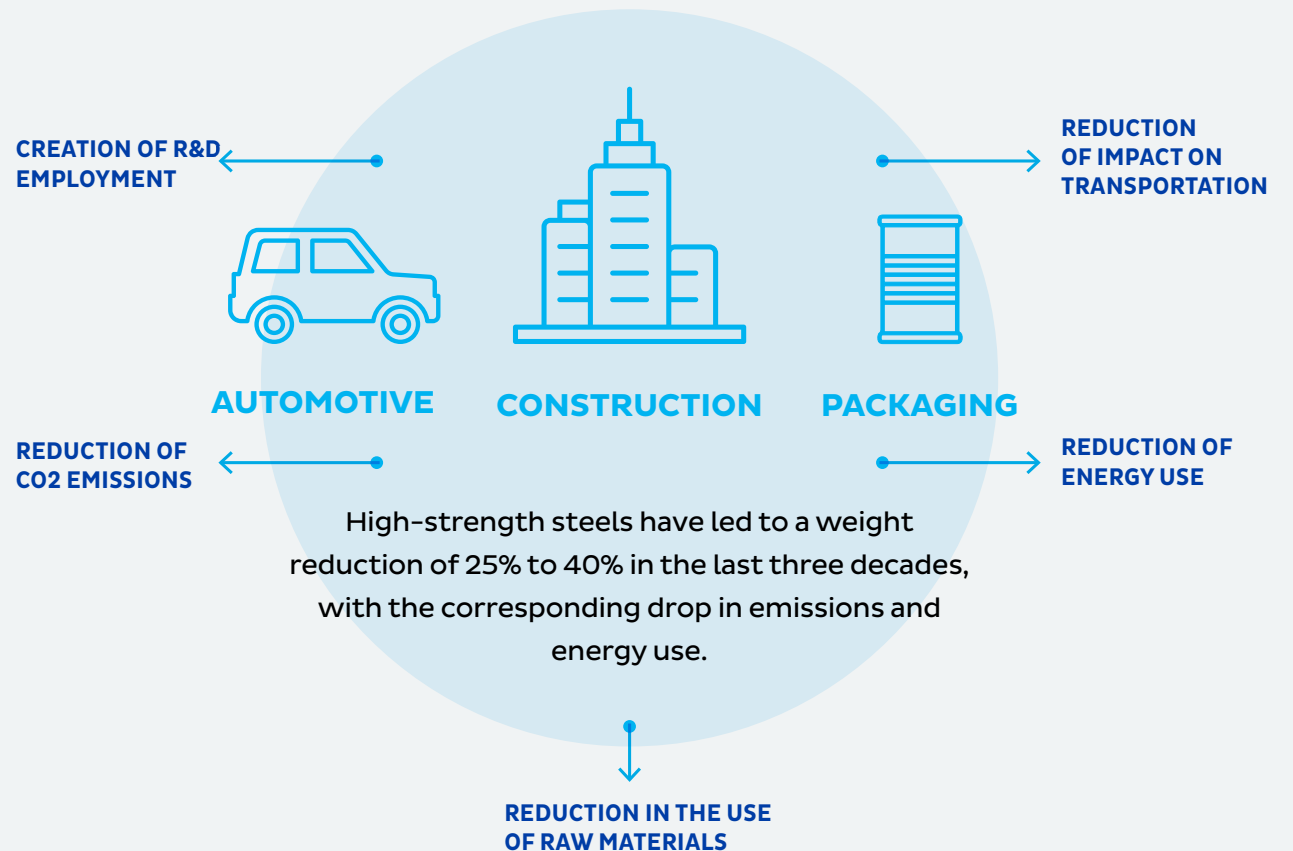
WASTE AND OUR CIRCULAR ECONOMY

On the other hand, the steel smelting and refining process produces particulate matter that is captured and processed by the bag filter fume treatment system.¹⁴ This byproduct is known as “steel powder,” which contains a considerable percentage of zinc as part of its chemical composition. We are currently evaluating the recovery of zinc oxide. During 2019, a total of 16 111 tons of steel powder was generated, but the current stock is 113 999 tons stored in situ. Steel powder, like all other industrial byproducts, has been dubbed a “discard material,” in accordance with the Comprehensive Solid Waste Management Regulations, approved by Executive Order 014-2017-MINAM, given that they are reinserted for use as an input in our process, sold to other industries, and used to obtain new products.

⁽¹⁴⁾ Bag filters are one of the most common pieces of equipment used to separate solid and gases using a porous medium. They are involved in all processes that require the elimination of solid particles from a gas current. They eliminate the solid particles dragged by a gas current by filtering it through a cloth.

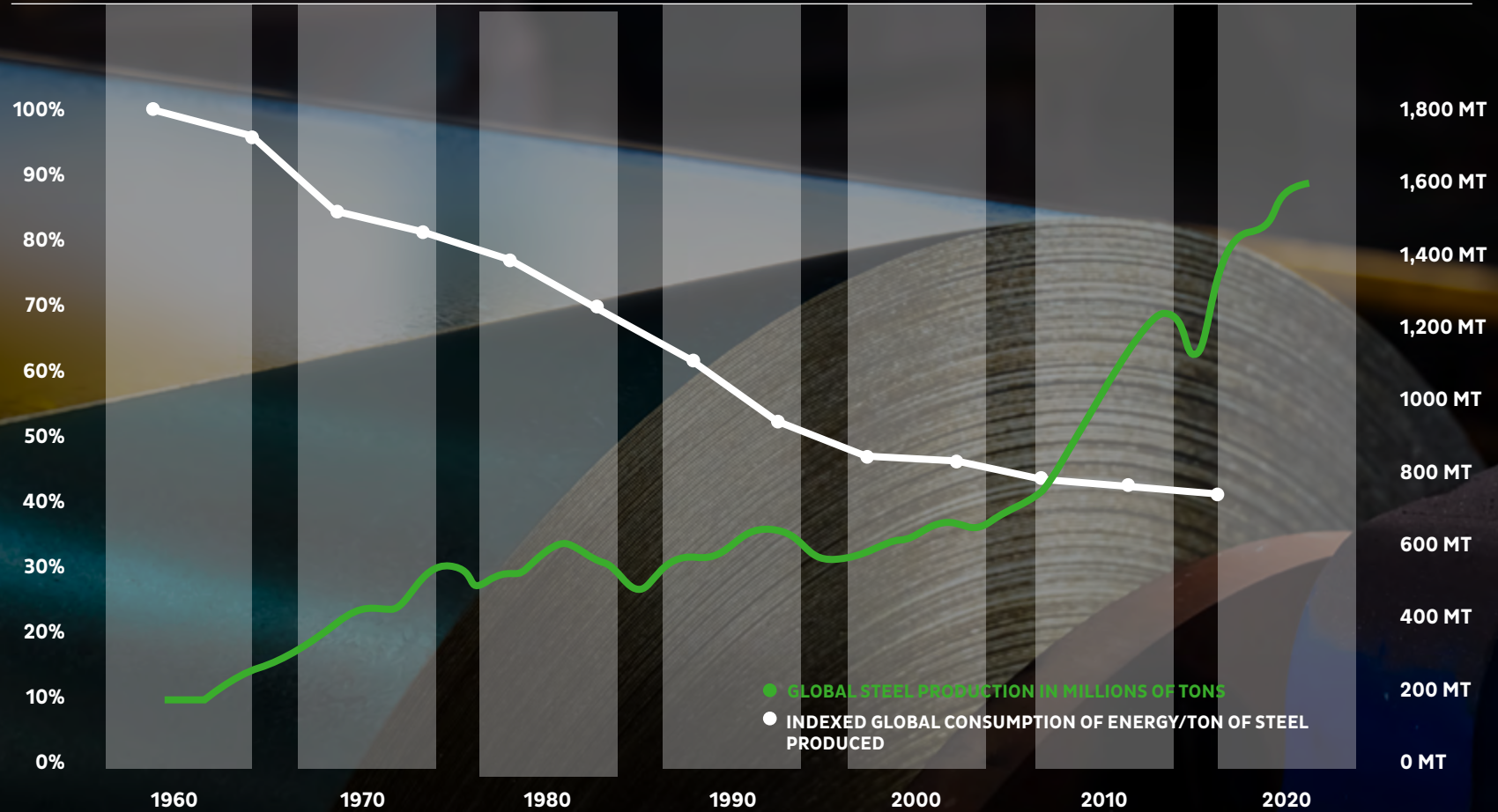
STEEL USAGE RESIDUES

BENEFITS OF WEIGHT REDUCTIONS



WASTE AND OUR CIRCULAR ECONOMY

REDUCTION DURING STEEL PRODUCTION



GLOBAL STEEL PRODUCTION HAS INCREASED NEARLY FIVE TIMES SINCE 1960
ENERGY CONSUMPTION HAS BEEN REDUCED BY 60% PER TON OF STEEL DURING THE SAME PERIOD

For each ton of steel produced today, we have nearly 24 GJ per ton compared to 1960. That is enough energy to drive an average passenger vehicle 17,380 km, equivalent to more than two round trips across the US and back.

Source: World Steel Association, 2016

WASTE AND OUR CIRCULAR ECONOMY

NON-HAZARDOUS WASTE

Our daily activities generate a range of non-hazardous waste, which is separated and stored in accordance with the environmental laws in force, to ensure that it is handled with an emphasis of valorizing all waste over final disposal:



IN LIMA
61.35 Tons
WERE GENERATED

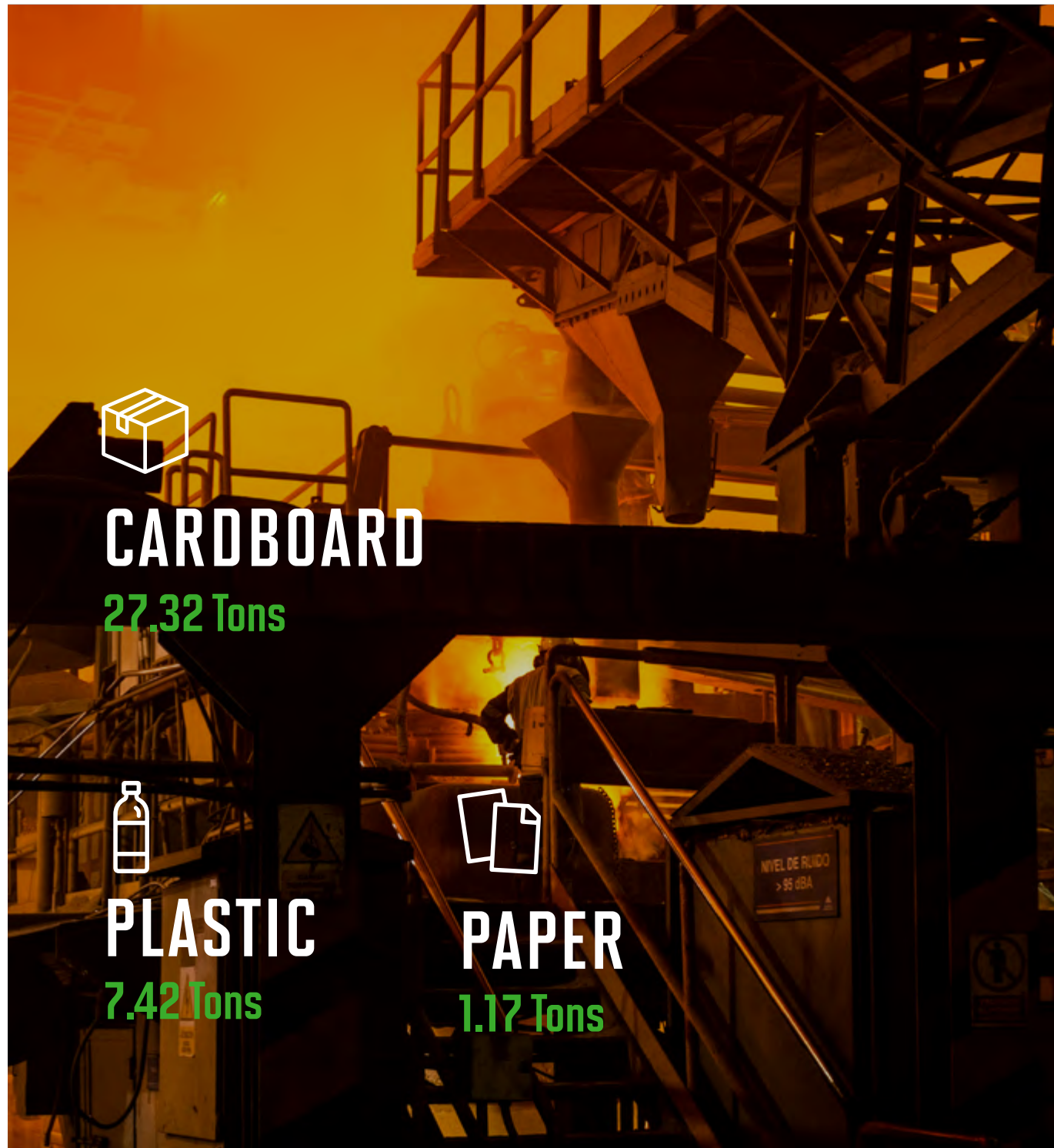
IN PISCO
1 412.47 Tons
WERE GENERATED



WASTE AND OUR CIRCULAR ECONOMY

In keeping with our commitment to sustainability, during 2019, we reused 29.74 tons of wood that was currently not being used in the construction of modules and fences for our team members' housing. We also reused 0.45 tons of metal tanks, which were fitted out as solid waste containers in the organization and in schools within the area of influence of the Pisco plant.

In Pisco, during 2019, we managed waste such as paper, cardboard, and plastic through the Ciudad Saludable NGO. The waste delivered is sold to companies that use it as raw materials in their processes:



CARDBOARD

27.32 Tons



PLASTIC

7.42 Tons



PAPER

1.17 Tons

WASTE AND OUR CIRCULAR ECONOMY

Additionally, as part of our internal cleaning and waste collection service, we have contributed to the process with 19.54 tons of scrap recovered at our plant in Pisco.

In Lima, we contributed to the “Reciclar para Ayudar” (“Recycling Helps”) program run by the NGO ANIQUEM, with:



SCRAP RECOVERED

19.54 Tons



CARDBOARD

11.71 Tons



PAPER

0.43 Tons



WASTE AND OUR CIRCULAR ECONOMY

As for our organic waste, we have an eco-silo system for the treatment of this waste generated in the dining areas of the Pisco plant. During 2019, 150.00 tons of organic waste was used. We also have plans to implement improvements in the treatment of this waste, in this regard, we performed pilot tests such as bed composting, anaerobic composting using efficient microorganisms

(EM)¹⁵, and anaerobic biodigester. This technology consists of the decomposition of organic waste produced by CAASA (kitchen waste, pruning, etc.) via the introduction of efficient microorganisms (EM), primarily lactic acid bacteria, yeast, and fungus, which accelerate the decomposition process, resulting in an organic fertilizer.

During 2019, in Pisco, we were able to recover other types of waste by selling to a Solid Waste Operating Company (EO-RS), thus resulting in economic revenue for the company:

⁽¹⁵⁾ Efficient microorganisms or EMs are a combination of naturally occurring beneficial microorganisms and a mixed culture of non-GMO, natural, beneficial microorganisms found in natural ecosystems, which are physiologically compatible with each other.



WASTE AND OUR CIRCULAR ECONOMY

In terms of final disposal, we have disposed of our non-hazardous waste in landfills authorized for such purpose:

IN PISCO

WE DISPOSED OF

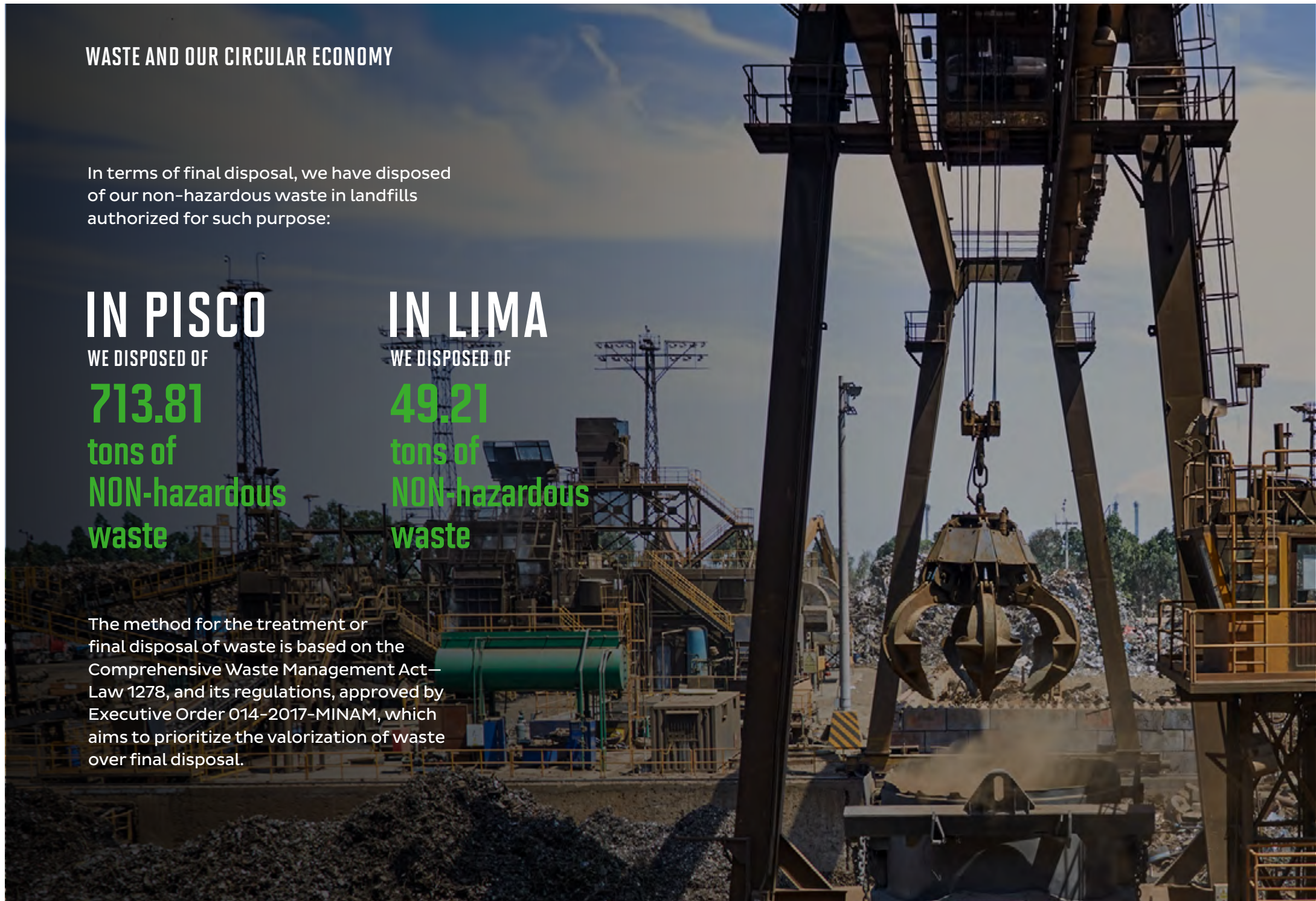
713.81
tons of
NON-hazardous
waste

The method for the treatment or final disposal of waste is based on the Comprehensive Waste Management Act—Law 1278, and its regulations, approved by Executive Order 014-2017-MINAM, which aims to prioritize the valorization of waste over final disposal.

IN LIMA

WE DISPOSED OF

49.21
tons of
NON-hazardous
waste



C.04

HOME MENU

BEGINNING OF CHAPTER

HAZARDOUS WASTE

(GRI 306-2, 306-4)

We generate certain hazardous wastes as a result of our equipment and facility maintenance activities, which are separated and stored in accordance with the environmental laws in force so that they can later be handled with an emphasis on their valorization over final disposal.

In terms of hazardous waste recycling, we sold residual oil and chemical product containers to Solid Waste Operating Companies (EO-RS) authorized by the MINAM, with the following results:

IN PISCO

245.26
tons of
hazardous
waste were
generated

IN LIMA

36.15
tons of
hazardous
waste were
generated

IN PISCO

WE RECYCLED

70.20
tons of
residual oil

4.76
tons of empty
chemical product
containers

IN LIMA

WE RECYCLED

3.64
tons of
residual oil

WASTE AND OUR CIRCULAR ECONOMY



PART OF THE HAZARDOUS WASTE
CONSISTED OF ELECTRICAL AND
ELECTRONIC WASTE

**5.81
Tons**

Part of the hazardous waste consisted of electrical and electronic waste, for a total of 5.81 tons. This waste was handled via an EO-RS for treatment, recycling, and final disposal. The specialized EO-RS disassembled and separated the hazardous and non-hazardous components for valorization.

Any waste that could not be recycled or sold was sent to an authorized safety landfill. In total, the following was disposed of:



WASTE AND OUR CIRCULAR ECONOMY

NEW ELECTRIC FURNACE IN THE EXPANSION OF OUR PISCO PLANT

The project will have cutting-edge technology and support infrastructure such as a park for the reception and processing of metals, an electric furnace with a capacity of 200 tons per hour of molten steel, modern regulation systems, and tools that allow for the manufacture of special steels.

The complex will also include ecofriendly solutions such as a new automated material handling system, a fume treatment plant to guarantee care for the environment, and a water treatment plant that will reduce water consumption by 40% per ton produced.



THE COMPLEX WILL ALSO INCLUDE ECOFRIENDLY SOLUTIONS SUCH AS A NEW AUTOMATED MATERIAL HANDLING SYSTEM, A FUME TREATMENT PLANT TO GUARANTEE CARE FOR THE ENVIRONMENT

ENERGY

(GRI 302-1, 302-2, 302-4)

Most of the organization's energy consumption occurs at the Pisco plant, which comes from the Mantaro Hydropower Plant.

	QUANTITY OF ENERGY	QUANTITY OF ENERGY IN GJ
Fuels		
Oil	490 632 gallons	3 348 567.00
Natural Gas	26 288 239 m3	1 054 893.15
Electricity		
Hydropower	654 788 469 kWh	2, 357, 238.49
Total		6 760 698.64



Pisco plant electricity substation.

ENERGY

ENERGY CONSUMPTION IN NON-RENEWABLE FUELS 2017-2018



2017 ● 1,820,202.28 GIGAJOULES
SPENT



2018 ● 1,820,449.14 GIGAJOULES
SPENT



2019 ● 4,403,460.15 GIGAJOULES
SPENT

ELECTRICITY CONSUMPTION IN KILOWATT-HOURS 2017-2019



2017 ● SERIES I 661,602,856.50
KILOWATT-HOURS



2018 ● SERIES I 611,685,805.00
KILOWATT-HOURS



2019 ● SERIES I 654,788,469.00
KILOWATT-HOURS

ENERGY

There is no energy consumption outside the organization. The energy intensity ratio resulting from our operations at the Pisco plant remained the same as last year, at 320,39 kilowatt-hours/ton.

ENERGY INTENSITY RATIO 2015 - 2019



ENERGY

CLIMATE CHANGE ADAPTATION STRATEGY

Promote the responsible use of clean fuels and consumption of electricity from renewable sources

OBJECTIVE

Reduce electricity consumption to 620 kWh/t of finished product by 2030

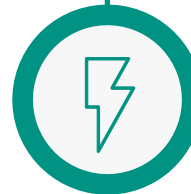
INITIATIVES AND PROJECTS



Consumption of natural gas in the process, instead of other fossil fuels.



Supply of electricity from the Mantaro Hydropower Plant.



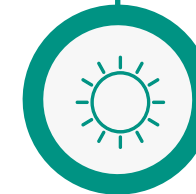
Electricity consumption system of the "Steel Mill Upgrade" project (higher energy efficiency from 415 kWh/t to 375 kWh/t, equivalent to -9.6%).



Project for rental of electric mobile cranes instead of diesel equipment.



Project for transportation of Pisco personnel using electric vehicles instead of diesel vehicles.



Project for the implementation of solar panels in the lighting system for the mains streets of the Pisco plant.

WATER MANAGEMENT

(GRI 303-1, 303-3, 303-5, 103-1, 103-2, 103-3)

We recognize the important place that water holds for us and our stakeholders. That is why we respect the laws in force in our management of this resource and undergoing audits by the Local Water Authority (ALA), to ensure compliance with the use prioritization procedure, as well as joint monitoring activities with the Río Seco Irrigation Users' Board (JUSH – Río Seco).



THE APPROPRIATE
MANAGEMENT OF WATER
CONSUMPTION AND EFFLUENT
TREATMENT ALSO HELPS US
CONSERVE THIS RESOURCE
AND PROMOTE THE GROWTH
OF GREEN AREAS; AVOID SOCIAL
CONFLICTS THAT MAY BE
TRIGGERED DUE TO THE MISUSE
OF THE RESOURCE

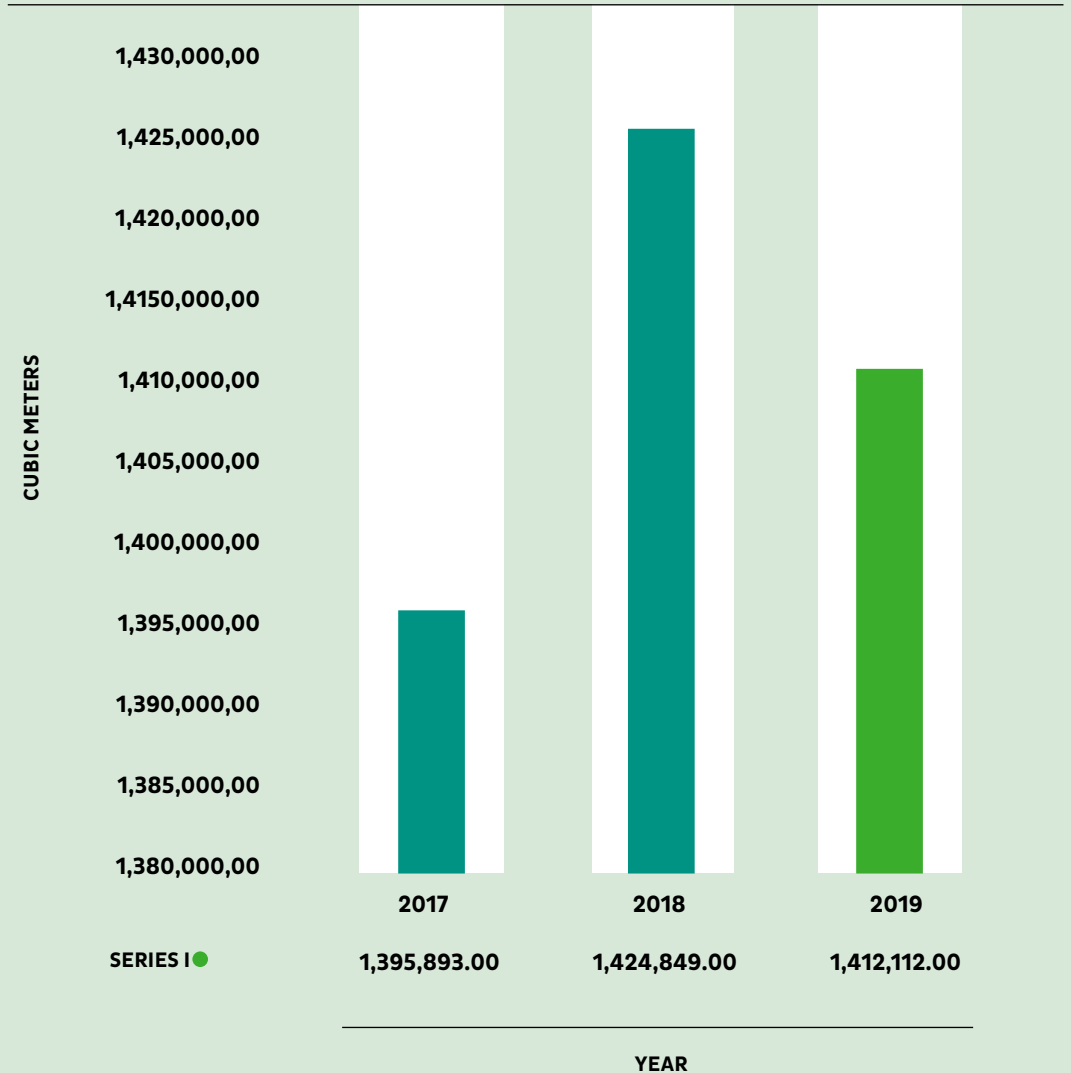
WATER MANAGEMENT

Our industrial plant is located in an area defined as subject to water stress. As such, it is critical for us to take care of and reuse water where possible. The appropriate management of water consumption and effluent treatment also helps us conserve this resource and promote the growth of green areas; avoid social conflicts that may be triggered due to the misuse of the resource; and thus ensure the continuity of our business based on a profitable production cost.

All of the water used at the Pisco plant comes from water wells, which are sources of groundwater. During 2019, a total of 1,412,112 m³ was extracted.

To calculate the volumes at our water plant, we have metering systems such as analog meters, digital meters, and flowmeters.

VOLUME OF GROUNDWATER EXTRACTED 2017 - 2019



WATER MANAGEMENT

CLIMATE CHANGE ADAPTATION STRATEGY

Promote the reduction of source water consumption through initiatives and projects for the use, reduction, and/or replacement of water

OBJECTIVE

Reduce water consumption to 1.28 m³/t of finished product by 2030

INITIATIVES AND PROJECTS



Treatment of water for supply and recirculation in processes.



Treatment of domestic wastewater for watering of green areas and unpaved areas.



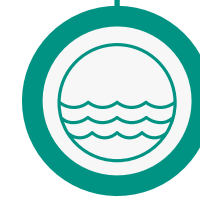
Change in cooling system technology to lower water use as part of the “Steel Mill Upgrade” project (3,578 m³/day to 2,878 m³/day, equivalent to -19.56%).



Project for recovery of rejected water through reverse osmosis.



Project for the improvement of the domestic wastewater treatment system to achieve Category 3 water quality.



Project for the improvement of the domestic wastewater treatment system to achieve Category 3 water quality.

EFFLUENTS

(GRI 306-1)

For us, it is important to treat our effluents so that they meet certain standards and can be used in other processes, thus reducing the organization's water consumption.

At Corporación Aceros Arequipa, we have two types of treatment systems for domestic wastewater:

- Two activated sludge plants¹⁶, which treat approximately 45 m³/day and 18 m³/day.

- A waste stabilization pond, which treats approximately 160 m³/day.

During 2019, we reused 63,332 m³ of treated domestic wastewater, and 339,068 m³ of industrial wastewater. In the area of direct and indirect influence of the Pisco plant, the domestic wastewater—after being treated—does not enter any receiving body. The treated water is used to water green areas (non-fruit trees and grass) and the living fence around the industrial plant (eucalyptus and aromo trees).



⁽¹⁶⁾ The activated sludge process is a biological process, also known as a bioprocess, that allows for a natural elimination in which microorganisms are able to return or purify contaminated water to its natural state.

EFFLUENTS

The quality of treated water is measured quarterly. Below are the details on the treatment quality results obtained by the waste stabilization ponds.



Parameters	UNITS	E-01				MPL ⁽¹⁾
		MAR 29, 2019	JUN 20, 2019	SEP 27, 2019	NOV 28, 2019	
Temperature	°C	30	22.8	27.4	26.2	40
pH	pH	7.81	7.46	7.12	7.49	6-9
Total Dissolved Solids	mg total dissolved solids/L	2540	2980	3155	2880	-
Total Suspended Solids	mg total suspended solids/L	11	8	39	7	50
Chemical Oxygen Demand	mg O ₂ /L	23.9	52.6	49.1	21	200
Biochemical Oxygen Demand	mg/L	<2.6	4.1	5.2	3.7	-
Oil and Grease	mg/L	<0.4	<0.4	<0.4	<0.4	30
Iron	mg/L	1.0209	0.9152	2.3753	0.2661	-
Color	CU	7.8	<1.0	<1.0	<1.0	-
Fecal Coliforms	MPN/100 ml	330	4.5	<1.8	4.5	-
Total Coliforms	MPN/100 ml	4900	1700	<1.8	23	-

E-01: Monitoring point to take water samples to test parameters such as temperature, PH, among others, to assess the quality of the water treatment.

EFFLUENTS

According to our approved Environmental Management Instrument, we have assumed the legal commitment to compare the treated water with the Maximum Permissible Limits established in Decree 33-95 “Provisions for Control of Contamination from the Discharge of Domestic, Industrial, and Agricultural Wastewater.” The analyses are performed by a laboratory accredited by INACAL according to ISO 17025 standards for all of the parameters analyzed. The analysis methodologies used in the monitoring are shown in the following table:



WE REUSED

63 332 m³
of treated domestic
wastewater

Parameter	REFERENCE METHOD
True Color	SMEWW-APHA-AWWA-WEF Part 2120-C, 23rd Ed: 2017. Color. Spectrophotometric-Single-Wavelength Method (Proposed).
Total Dissolved Solids	SMEWW-APHA-AWWA-WEF Part 2540-C, 23rd Ed: 2017. Solids: Total Dissolved Solids dried at 180° C.
Total Suspended Solids	SMEWW-APHA-AWWA-WEF Part 2540-D, 23rd Ed: 2017. Solids: Total Suspended Solids dried at 103-105° C.
Temperature	SMEWW-APHA-AWWA-WEF Part 2550-B, 22nd Ed: 2012. Temperature, Laboratory and Field Method.
Potential of Hydrogen	SMEWW-APHA-AWWA-WEF Part 4500-H+ B, 22nd Ed: 2012. pH Value. Electrometric Method.
Biochemical Oxygen Demand	SMEWW-APHA-AWWA-WEF Part 5210-B, 22nd Ed: 2012. Biochemical Oxygen Demand (BOD): 5-Day BOD Test.
Chemical Oxygen Demand	SMEWW-APHA-AWWA-WEF Part 5220-D, 23rd Ed: 2017. Chemical Oxygen Demand, Closed Reflux, Colorimetric Method.
Enumeration of Total Coliforms	SMEWW-APHA-AWWA-WEF Part 9221B, 22nd Ed: 2012. Multiple-Tube Fermentation Technique for Members of the Coliform Group. Standard Total Coliform Fermentation Technique.
Enumeration of Fecal or Thermotolerant Coliforms	SMEWW-APHA-AWWA-WEF Part 9221E.1, 22nd Ed: 2012. Multiple-Tube Fermentation Technique for Members of the Coliform Group. Fecal Coliform Procedure. Thermotolerant Coliform Test (EC Medium).
Oil and Grease	ASTM D3921 - 96 (Reapproved 2011). Standard Test Method for Oil and Grease and Petroleum Hydrocarbons in Water - (Validated) 2014.
Total Metals	EPA 200.8, Rev 5.4: 1994. Determination of Trace Elements in Waters and Wastes by Inductively Coupled Plasma - Mass Spectrometry.

SPILLS

(GRI 306-3)

As a preventive measure, we have identified “spill potential” as an environmental matter. Accordingly, we have an Environmental Emergency Response Plan and instructions for “Environmental Deviation Management” that establish the steps to be followed in case of the occurrence of an incident. As part of our improvements, we have implemented a specific environmental emergency response plan for each area. We also perform periodic drills.

During 2019, we did not have any significant or relevant spills.¹⁷

⁽¹⁷⁾ Significant spill: Spill that must be included in the organization’s financial statements, e.g., due to the resulting legal obligations, or that must be registered as a spill in the organization’s documents.

(GRI 306-5)

The water for the industrial process is used for cooling. It is treated using a hydrocyclone system that separates solids and water, sending the water to the water plant so that it is later in conditions for reuse in the production process.

Domestic wastewater is treated and used to water green areas (non-fruit trees and grass) and living fences (aromo and eucalyptus trees).

In view of the foregoing, we do not affect bodies of water or habitats due to dumping.



During 2019
we did not have
any significant or
relevant spills.

EMISSIONS

(GRI 305-1, 305-2, 305-3, 103-1, 103-2, 103-3)

Climate change is an issue of the highest importance, since this problem affects the whole world. Peru is the third most vulnerable country to these climatological effects. For this reason, we are committed to proposing initiatives and joining investment projects focused on adaptation to and mitigation of climate change.

The senior management and other managerial levels provide the resources necessary to implement, maintain, and improve the processes with the budgets allocated to each area. Our Balanced Score Card System establishes indicators and initiatives to reach these objectives and targets. For example, we have the “CAASA Climate Change Actions” proposal card.

We have calculated our carbon footprint for 2019 (baseline) so that we can propose adaptation and mitigation strategies with a view to reducing this footprint by 2030 (with short-, medium-, and long-term targets). At present, we are implementing projects that have resulted in a reduction of our carbon footprint, focused on savings in water and electricity consumption, the implementation of the living fence that runs around the perimeter of the industrial and reprocessible materials storage, and environmental education activities for employees and schoolchildren. Each one

of these strategies has its own indicators and targets, which are evaluated in the organization’s Strategic Planning Cycle. The implementation of these strategies will help reduce the organization’s carbon footprint for 2019.

We decided to use 2019 as a baseline, since the implementation of our major “Steel Mill Upgrade” project is scheduled to conclude in 2020. This project includes cutting-edge technology that will help us to be more efficient in our use of electricity and water. Additionally, we have plans for new investment projects and initiatives that are focused on diminishing greenhouse gases.

OUR MAJOR “STEEL MILL
UPGRADE” PROJECT INCLUDES
CUTTING-EDGE TECHNOLOGY
THAT WILL HELP US TO BE MORE
EFFICIENT IN OUR USE OF
ELECTRICITY AND WATER.

EMISSIONS

(GRI 305-2, 305-3)

SCOPE	CO2 [TCO2]	CH4 [TCH4]	N2O [TN2O]	HFC [THFC]	GHG EMISSIONS [TCO2E]	OVERALL SHARE [%]
Scope 1					27,984.59	19.86%
Electricity Generation	1.64	0.0001	0.0000	-	1.64	0.00%
Other Energy Generation	22,197.39	1.0715	0.14869	-	22,268.94	15.80%
Fixed Biogenic Sources	0.00	0.0001	0.00001	-	0.01	0.00%
Own Transportation	5,547.98	5.2221	0.0298	-	5,712.54	4.05%
Mobile Biogenic Sources	0.00	0.0003	0.00006	-	0.03	0.00%
Coolants	0.00	-	-	0.0011	1.43	0.00%
Fertilizer Use	0.00	-	0.00	-	0.00	0.00%
Cattle Raising	0.00	0.00	0.00	-	0.00	0.00%
SF6 Leaks	0.00	-	-	-	0.00	0.00%
PFC Leaks	0.00	-	-	-	0.00	0.00%
Other Sources	0.00	0.00	0.00	0.00	0.00	0.00%
Scope 2	0	-	-	-	110,657.07	78.51%
Electricity Consumption from the SEIN (in kWh)	110,432.67	3.65	0.434	-	110,657.07	78.51%
Scope 3	0	-	-	-	2,297.41	1.63%
House-Work Transportation	2,271.90	0.0868	0.0749	-	2,294.36	1.63%
Paper Consumption	0.00	0.00	0.00	-	0.86	0.00%
Consumption of Drinking Water from Public Network (in m3)	0.00	0.00	0.00	-	0.65	0.00%
Solid Waste Generation	0.00	0.0553	-	-	1.55	0.00%
TOTAL CARBON FOOTPRINT	140,451.59	10.08	0.69	0.00	140,939.07	100%

EMISSIONS

(GRI 305-2, 305-3)

Emission Factors Source: infoCarbono (MINAM, 2019), which is in turn based on IPCC 2006. Available at: <http://infocarbono.minam.gob.pe>

Emission Factors Source: AR5 - Assessment report 5 (IPCC, 2014). Available at: <https://www.ipcc.ch/assessment-report/ar5/>

In general, the whole carbon footprint (Scopes 1, 2, and 3) used ISO 14064-2018, GHG Protocol, and IPCC2006.

Calculation Level I was used for the estimates of Scope 1.

TONS OF CO₂ EMITTED
PER EMPLOYEE AT THE
ORGANIZATION IN 2019

63.84
tCO₂e/employee

The calculation of reductions has not yet been included, but foreseen to include CO₂, CH₄, and N₂O. Reductions are expected in

Scope 1, at a minimum and the IPCC 2006 Guidelines and certain CDM methodologies will be used.

Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant emissions into the air	The specific parameters (denominator) that were selected to calculate the ratio	Production of both rolling processes: 990,090 tons of finished product
	Particulates (PM)	Tons of particulate matter: 15.45
	Other categories of air emissions identified in relevant regulations	Lead: 0.11 tons Iron: 1.12 tons Sulfur dioxide: 0.80 tons Carbon Monoxide: 152.60 tons
	The source regarding the emission factors used	Direct measurement was performed
	The calculation standards, methodologies, assumptions, or tools used	Direct measurement with analyzers that comply with the following methodologies: - CTM-030 - EPA-5 - EPA-6

ENVIRONMENTAL COMPLIANCE

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

All of our operations are subject to oversight in accordance with the Environmental Management Instruments¹⁸ approved by the corresponding governmental authorities. Through the Strategic Planning area, we have established objectives and targets that are monitored using the BALSC resource, based on the Balanced Score Card methodology, which establishes the indicators and initiatives for achieving these objectives and targets.

Compliance with all environmental legal requirements is important to the organization, given our commitment to conduct our operations with care for the environment. The risks identified in connection with the failure to meet these requirements include sanctions and fines of up to 30,000 tax units (UITs), which would be highly detrimental to the company.

We manage environmental compliance by identifying the applicable legal requirements. If these requirements are new, a compliance strategy is designed, with deadlines and responsible parties. Compliance is evaluated based on scheduled inspections and audits of all legal requirements performed by a specialized law firm.

Additionally, our Integrated Management System includes an OHSE Legal Requirement Management sub-process, which is primarily responsible for providing legal advice in the identification of new laws applicable to the organization, as well as the annual scheduling of a legal compliance audit. The Environmental area also has an Environmental Obligation Monitoring and Control sub-process, which involves the supervision of each one of the organization's strategic processes in order to evaluate compliance with all applicable environmental laws.

⁽¹⁸⁾ Environmental Management Instrument: Public policy tool that establishes regulations, incentives, or mechanisms to encourage actors to take certain actions or adopt certain conducts that contribute to protecting the environment, as well as preventing, attenuating, or improving environmental problems.



Fume extractor hood, its function is to capture the fumes, product of the welding pipe plant, extract and purify them thus mitigating the environmental impact.

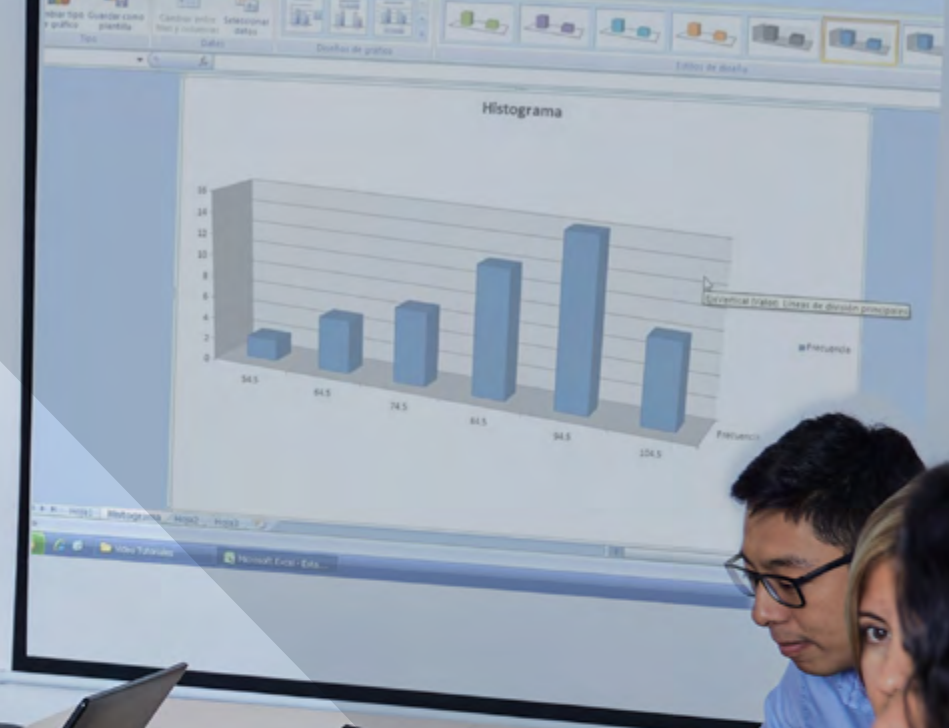
In 2019, we were not subject to any fines or sanctions due to failure to comply with environmental laws and standards.



MENU

C.05 —

OUR TEAM



TALENT ATTRACTION AND RETENTION

(GRI 102-8) (GRI 401-1,103-1, 103-2, 103-3) (GRI 405, 103-1, 103-2, 103-3)

Human talent is the core driver of our business performance. In view of this, we need guidelines to manage it, with the goal of providing the company and its team members with a reference framework to ensure that the actions and decisions taken during the performance of their activities are aligned with good human resources practices and comply with all labor laws in force. All of this is part of a unified organizational culture that strives to ensure a positive environment that generates value in each of its processes, helping the organization reach its objectives and hit its targets within a safe, respectful, and trust-based atmosphere.



TALENT ATTRACTION AND RETENTION

TEAM MEMBERS, BY GENDER

GENDER	2019		2018		2017	
	NUMBER	% OF TOTAL	NUMBER	% OF TOTAL	NUMBER	% OF TOTAL
Female	80	7.6%	74	6.9%	95	8.4%
Male	967	92.4%	993	93.1%	1039	91.6%
Total	1047	100.0%	1067	100.0%	1134	100.0%

TEAM MEMBERS, BY CONTRACT TYPE AND GENDER

CONTRACT TYPE	FEMALE		MALE		TOTAL	
	NUMBER	% OF TOTAL	NUMBER	% OF TOTAL	NUMBER	% OF TOTAL
Open-Ended	64	80%	873	90.3%	937	89.49%
Fixed Term	16	20%	94	9.7%	110	10.51%
TOTAL	80	100.0%	967	100.0%	1047	100.0%

TEAM MEMBERS, BY CONTRACT TYPE AND LOCATION

CONTRACT TYPE	AREQUIPA		LIMA		PISCO	
	NUMBER	% OF TOTAL	NUMBER	% OF TOTAL	NUMBER	% OF TOTAL
Open-Ended	6	60%	209	72.1%	722	96.7%
Fixed Term	4	40%	81	27.9%	25	3.3%
TOTAL	10	100%	290	100%	747	100%

TALENT ATTRACTION AND RETENTION

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

All employment relationships between team members and the company are defined in the Internal Work Regulations, in accordance with the laws currently in force. We also have a document titled “Instructions for Personnel Recruitment and Selection” that establishes all of the guidelines for the personnel recruitment and selection process.

When a vacancy arises, it may be due to the need for a replacement, or the approval of a new position. After the vacancy occurs, the job profile is aligned with the kind of professional sought to fill it. A job ad is then posted on different websites, resumes are screened, candidates are evaluated, and the finalists are called in for an interview with the person in charge of the position, and one of them is selected. The goal is to hire the best talent, in accordance with the needs of the company and the specific area. It is important to note that our mechanism for measuring our progress on this point is a performance review system known as SEVAD.

During 2019, the number and rate of new hires and turnover was as follows:

	HIRES			TURNOVER		
	EMPLOYEES	NUMBER OF NEW HIRES	RATE	NUMBER OF TURNOVERS	RATE	NUMBER OF EMPLOYEES
Gender	Male	125	11.9%	15	1.43%	967
	Female	32	3.1%	1	0.10%	80
Region	Arequipa	2	0.2%	0	0.00%	10
	Lima	98	9.4%	10	0.96%	290
	Pisco	57	5.4%	6	0.57%	747
Age Group	Under 30 years old	37	3.5%	2	0.19%	84
	30 to 50 years old	105	10.0%	14	1.34%	724
		15	1.4%	0	0.00%	239
Total		157	15.0%			1047

(GRI 202-2)

All of the senior executives hired came from the local community. Senior executives are those officers who report directly to the CEO. For us, the local community means the entire country of Peru. It is important to note that our major operations are located in the city

of Pisco, where our plant is situated; and Lima, where our administrative offices (headquarters) are found.

BENEFITS FOR OUR TEAM MEMBERS

(GRI 401-2)

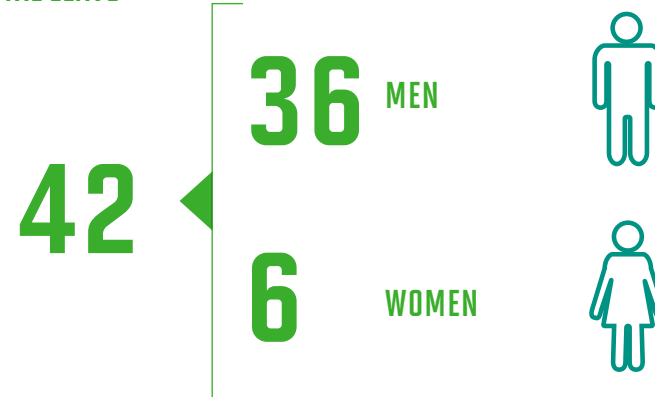
As established in our Internal Work Regulations, our team members have access to a range of benefits. These include those required by law, such as access to life insurance, health care, disability and invalidity coverage, parental leave, breastfeeding breaks, and others.

Additionally, we also offer other benefits that are not required by law, such as the advance payment of wages, emergency loans, agreements with different institutions at which team members can study languages and/or pursue graduate degrees, events for our team members' children, and more.

(GRI 401-3)

One of the benefits we provide in accordance with law is parental leave or paternity leave. The following table shows the number of team members who were eligible for this benefit, and how many of them used it:

TOTAL NUMBER OF
EMPLOYEES WHO
WERE ENTITLED TO
PARENTAL LEAVE



100%

RETURNED TO WORK AT THE
END OF THE PARENTAL LEAVE
AND WHO CONTINUED TO
WORK FOR THE COMPANY 12
MONTHS AFTER RETURNING
TO WORK

TRAINING AND EVALUATION

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

To ensure the sustainability of our operations, we need skilled personnel. Who will allow us to increase productivity, hence our profitability, and help prevent occupational accidents, and more.

We have an Annual Training Plan that contains all of the general training sessions to be held throughout the year. To put this plan together, we ask all of the organization's areas about their learning needs and then define priorities with the

senior management. A plan is drawn up and implemented, making adjustments as new needs arise. We also offer training activities that are requested through the External Training Request Log, which include specific or specialized training to be taken in reputable institutions.

We evaluate the development of this process using the records we keep on all of the training activities provided to our staff, as well as our compliance with the Annual Training Plan.



TRAINING AND EVALUATION

(GRI 404-1)

During 2019, the average number of training hours per employee, by job category, was as follows:

AVERAGE HOURS OF TRAINING

Managers



Supervisors



Employees



Interns



(GRI 404-2)

In 2019, a Learning Week was organized for Lima and Callao, with the goal of developing and strengthening our team members' soft skills through courses and workshops that offer diverse knowledge that assist their long-term employability. Some of them were: personal leadership and resilience, assertiveness and constructive communication for continuous improvement, meaning and cohesion of high-performance teams, time management, prioritization, and effective presentations.

(GRI 404-3)

PERFORMANCE REVIEW

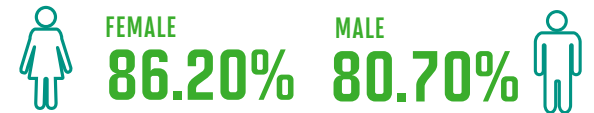
Managers



Supervisors



Employees



Interns



OCCUPATIONAL HEALTH AND SAFETY

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

At Corporación Aceros Arequipa, we assume responsibility for the occupational health and safety (OHS) of our employees, suppliers, contractors, and visitors. This responsibility includes the promotion and protection of their physical and mental health. The purpose of the OHS management system is to establish the guidelines, rules, and practices to be followed to manage OHS risks and opportunities, thus avoiding occupational accidents and diseases. This system encompasses all of our activities and offices: production, logistics, and administrative processes.

All of our employees are provided with an induction and training on their job position and the risks to which they are exposed. We provide them with the equipment, tools, and resources necessary to safely carry out their activities. It is important to us to ensure the quality of our employees' work environment and to make sure it does not affect their health. We also constantly monitor all actions that may lead to occupational diseases throughout the organization.

The OHS management system is implemented based on the ISO 45001 standard and Peruvian Law 29783—the Occupational Health and Safety Act, and its Regulations. The system is evaluated annually through internal and external audits, as well as any inspections performed by the Ministry of Labor. We also conduct constant monitoring using indicators.

We perform the following processes to ensure the proper evaluation of all risks in the workplace:

- Safe work analysis, checked daily.
- Daily revision of a Pre-use checklist.
- P.E.T.S.¹⁹ & M.G.I.R.²⁰, revised at least once a year or as needed.

The hierarchy of controls used to eliminate hazards and minimize risks is based on the criteria established in Law 29783 and ISO 45001.



- Elimination.
- Substitution.
- Engineering controls.
- Administrative controls.
- Personal protective equipment.

We are concerned with the competencies of the personnel responsible for guaranteeing the quality of our processes, accordingly we

⁽¹⁹⁾ Written Safe Work Procedures.

⁽²⁰⁾ Comprehensive Risk Management Matrix.

OCCUPATIONAL HEALTH AND SAFETY

are constantly reviewing and updating job profiles, as well as carrying out the following activities:

- Occupational checkups.
- Annual occupational health and safety



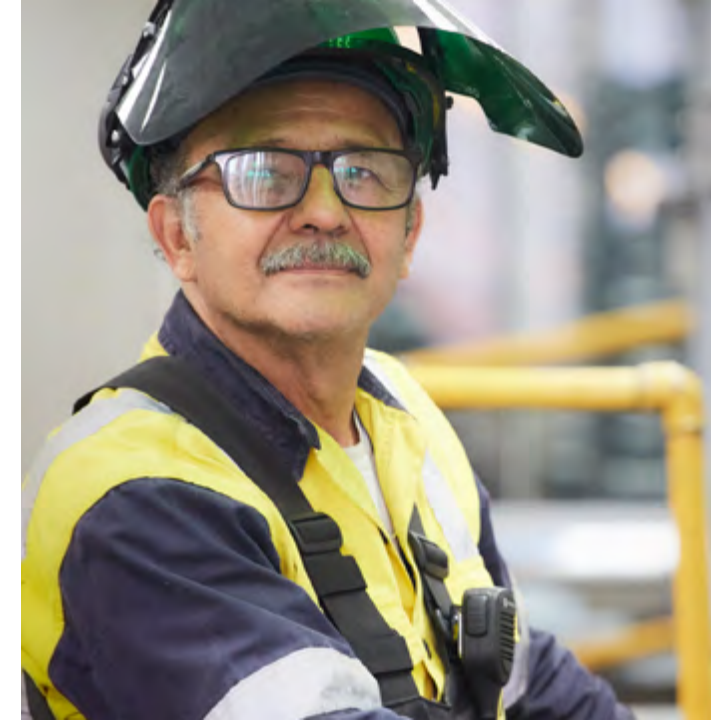
training sessions.

- Health surveillance.
- Workplace environment monitoring.

Management indicators are the input we use to evaluate results and foster continuous improvement. These indicators include:

- Training compliance.
- Accident rates.
- Person-centered safety.
- Hygiene program.
- Safe management index.
- Internal audit of legal requirements.

In the event that an employee detects hazards and/or hazardous situations, there is a set of instructions on incident management and safety management (inspection and incident report). In situations where an employee believes there is a risk to their health and they need to leave the area, they are required to follow the Instructions on Refusal to Work and the Internal OHS Regulations, which also cover and protect employees from retaliation.



The mechanisms and processes used to investigate risks, hazards, and incidents include instructions on incident management, medical care for work incidents, and participation in the Employer/Employee OHS Committee.

The processes we use to determine corrective actions are as follows:

- Record of occupational accidents, near accidents, and other incidents.
- Minutes of meetings with the participation of employees, the OHS Committee, and the persons responsible for each area where the event occurred.

OCCUPATIONAL HEALTH AND SAFETY

OCCUPATIONAL HEALTH

(403-3)

We have a first aid area, telemedicine, ambulance and first responder health services that allow for the identification, minimization, and elimination of risks. The first aid area is located in each plant and staffed 24 hours a day with paramedics, as well as an occupational physician present for 8 hours a day. All employees' privacy is respected when receiving care. Medical personnel meet all requirements established in Law 021-2016/MINSA.²¹

OCCUPATIONAL HEALTH AND SAFETY COMMITTEE

(403-4)

Employees are guaranteed representation on the Employer/Employee OHS Committee.

We have established a formal procedure for employee notification and participation, along with mechanisms to provide employees with all relevant OHS information and results. This is done to attend employees in these matters, through monthly OHS Committee meetings and occupational health and safety events with the persons in charge of the respective areas of the company.

The Committee's responsibilities involve ensuring its familiarity with all documents and reports on working conditions; approving the Internal Occupational Health and Safety Regulations, Annual OHS Program, and annual training plan; overseeing compliance with legal requirements; ensuring that employees are familiar with regulations, instructions, and technical specifications of the organization; promoting the commitment, cooperation, and active engagement of all employees; performing periodic inspections of the different areas; investigating the causes of all occupational incidents, accidents, and diseases; verifying compliance and effectiveness; analyzing and issuing statistical reports on incidents, accidents, and diseases; reporting to the employer's highest authorities; keeping track of compliance with agreements in the Minutes Book; and holding ordinary monthly meetings to analyze and evaluate the progress of objectives.

The OHS Committee meets on a monthly basis and performs the monitoring of the committee's resolutions weekly. Extraordinary meetings are also held when so requested. The committee's hierarchy, from highest to lowest, consists of a

chairman, a secretary, and the members of the OHS Committee- both workers' and employers' representatives.



⁽²¹⁾ Ministry of Health

OCCUPATIONAL HEALTH AND SAFETY

OHS TRAINING

(403-5)

We provide a safety induction upon entry to our facilities. Training is performed as scheduled during normal work shifts with competent personnel and evaluated through the observation of tasks and operational controls. The monitoring system is based on specific indicators. Some of the different topics addressed during training include the following:

- a) Hazard identification and risk assessment
- b) Personal protective equipment
- c) Accident and incident reports
- d) Contingency and emergency response plan
- e) Person-centered safety
- f) Work analysis and permits

PROMOTION OF EMPLOYEE HEALTH

(403-6)

We actively promote medical care through the first aid area, with ambulance services as needed. These measures cover all employees, visitors, and third parties.



The programs we promote include:

- Diabetes campaigns
- Hypertension campaigns
- Dental screening campaigns
- Dermatology campaigns
- Nutrition talks
- Agreements with gyms and pharmacies

We also provide access to health programs through our social wellbeing area.

OHS SYSTEM COVERAGE

(403-8)

Our operations at our different locations involve own employees, as well as contractors' employees. The system covers all workers, without exception or exclusion, who may be included in any audits of the system.

OCCUPATIONAL HEALTH AND SAFETY

INJURIES DUE TO OCCUPATIONAL ACCIDENTS

(403-9)

We perform constant monitoring of all people who fall within our control system, without exception. As such, the statistics contained in the table below include both our own personnel and all contractors' employees who perform activities at the company's facilities.

Despite complying with all of our occupational health and safety (OHS) processes and controls, we unfortunately lost one contractor's employee due to a work accident. After the investigation conducted by the regulatory body, we reinforced our control measures and personnel training programs to continue working hard to achieve our "zero accident" objective.

NUMBER OF INCIDENTS

	OWN EMPLOYEES	CONTRACTORS' EMPLOYEES
Total number of persons	1,047	1,200
Number of deaths due to occupational accidents	0	1
Number of hours worked	2,406,932	3,768,929
Death rate due to occupational accidents	0	0.2653
Number of injuries due to occupational accident with major consequences	0	1
Number of hours worked	2,406,932	3,768,929
Injury rate due to occupational accidents with major consequences	0	0.2653
Number of injuries due to reportable occupational accidents	10	11
Number of hours worked	2,406,932	3,768,929
Injury rate due to reportable occupational accidents	4.1547	2.9186

Rates calculated based on 1,000 hours worked.

OCCUPATIONAL HEALTH AND SAFETY

The hazards we have identified in connection with work that involve a risk of major injuries include:

- Hazardous power sources
- Critical hoisting
- Electricity
- Confined spaces
- Work at height
- Hot works
- Hazardous materials
- Excavations
- Vehicle traffic

The hazards we have identified that have caused injuries with significant repercussions during the reporting period include:

- Moving machinery
- Manual tasks
- Work at height

The actions we have taken for each risk of significant magnitude include:

- Elimination of the source of the hazard
- Improved controls for hazardous power sources
- Improvements in the monitoring of third-party management
- Reevaluation of sources of hazards

OCCUPATIONAL INJURIES AND DISEASES

(403-10)

We perform the constant monitoring of all people who fall within our control system, without exception. During the reporting period, there were no registerable deaths or cases of occupational disease, nor were any hazards detected that might cause disease during the period.

Occupational hazards that pose a risk of injury or disease were identified based on:

- Assessment of hazard sources by area
- Monitoring of work environments

The actions taken for each risk of significant magnitude include:

- Engineering controls
- Administrative controls
- Personal protective equipment

Additionally, to strengthen the aforementioned actions, we implemented the following:

- Work standards
- Job training
- Ergonomics workshops



DIVERSITY AND EQUAL OPPORTUNITY

(GRI 405, 103-1)

We believe in equal opportunity, without discrimination based on beliefs, race, or sex. We strive to provide opportunities for professional and personal development to all of our team members by providing them with constant training, in alignment with our Human Resources Management Policy and our Internal Work Regulations.

(GRI 405-1)



Board members by age range

BOARD MEMBERS	FEMALE	MALE	TOTAL
30 years old	0%	0%	0%
30 to 50 years old	5%	62%	68%
Over 50 years old		32%	32%

Team members by age range

		FEMALE	MALE	TOTAL
Employees only, by age range	30 years old	5%	9%	14%
	30 to 50 years old	9%	60%	69%
	Over 50 years old	0%	17%	17%

(GRI 405-2)

Basic salary and remuneration rate for women versus men

GENDER	FEMALE	MALE
Managers	96%	100%
Supervisors	86%	102%
Employees	95%	101%
Interns	97%	102%

RESPECT FOR HUMAN RIGHTS

(GRI 407-1, 103-1, 103-2, 103-3)

Our company is responsible for protecting human rights. All of our team members are entitled to freedom of association so that they can reach a consensus regarding all relevant issues or rights.

We provide all necessary support to workers' representatives so that they can conduct union activities and other related matters. To ensure the ease of operations, we coordinate on meeting scheduling in advance.

We do not currently have any operations or suppliers whose freedom of association and right to collective bargaining may be at risk.

WE DO NOT CURRENTLY
HAVE ANY OPERATIONS OR
SUPPLIERS WHOSE FREEDOM
OF ASSOCIATION AND RIGHT
TO COLLECTIVE BARGAINING
MAY BE AT RISK

COLLECTIVE BARGAINING AGREEMENTS

(GRI 102-41)

Our approach to our employees' right to unionize is apt proof of our respect for their freedom of association. Of our total employees, 421—or 39.5%—are members of two different union organizations. As such, there is no risk of violation of the right to unionize at our company.



OF OUR TOTAL EMPLOYEES,

421

are members of

TWO DIFFERENT UNION
ORGANIZATIONS.

C.06 —

SUPPLIERS



ENVIRONMENTAL CRITERIA APPLICABLE TO OUR SUPPLIERS

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

It is important to align our suppliers with our environmental compliance criteria to guarantee the sustainability of our value chain. Our organization is also ISO 14001 certified, thus reflecting our commitment to caring for the environment in all of the processes involved in the production of our steel.



At Corporación Aceros Arequipa, we divide our procurement management into two processes: Strategic Procurements and Corporate Procurements. The first covers the procurement of raw materials, inputs, and semi-finished products, these are a direct part of the company's value chain; while the second involves the procurement of certain strategic inputs, services, and supplies for all other operations of the company. To manage these processes, we have implemented our Corporate Procurements Policy

(GRI 204-1, 103-1, 103-2, 103-3)

As part of our commitment to sustainable development and social responsibility throughout Corporación Aceros Arequipa, we have established the objective of working with suppliers in each location. The process begins with tender processes for the procurement of services in situ, prioritizing local suppliers who meet the requirements established in our procurements policy.

In 2019, 10.47% of our budget was allocated for acquisitions in the Ica region, for US\$ 9.3 million out of a total of US\$ 89.5 million. The term "local suppliers" refers to those located in the Ica region.

We also work hard to ensure that our goods and services procurement management is flexible, timely, and efficient, with clear rules that guarantee competitiveness and respect for good faith, ethics, transparency, equity, responsibility, equal treatment, and economy. As part of these efforts, our Procurements Policy and Instructions define the criteria and framework for our actions in relation to our goods and services procurement management. We have indicators recorded in our BALSC, which are evaluated on a monthly basis, to help monitor, evaluate, and improve our management.

ASSESSMENTS

(GRI 308-1)

Our strategic inputs suppliers are currently subject to an annual assessment based on any incidents that may occur during the unloading of material at the Pisco plant, to validate their compliance with all applicable occupational safety, health, and environmental conditions in the shipment of their materials. Monthly assessments are also performed on goods suppliers in terms of prompt delivery and quality.

This process is based on our “Supplier Selection and Assessment Instructions,” which establish the assessment criteria that must be met by suppliers.

Most of the new suppliers registered are ferrous scrap suppliers, who do not undergo a specific assessment. These suppliers are involved in recycling processes, or recycle products generated in our different production processes. A total of 53 new suppliers were registered in 2019.

For their part, strategic input suppliers are asked to assign an affidavit swearing that they comply with the laws in force regarding exploitation, in accordance with law (which includes environmental matters). A total of seven new suppliers were assessed.

In the case of billet suppliers, they are additionally asked whether they have environmental certifications, although this is not mandatory. Two suppliers were assessed using the eligibility questionnaire, and another four submitted test lots.

In all, 10 out of 328 suppliers, or 3%, were assessed.

(GRI 308-2)

In January 2019, we conducted a supplier assessment for the 2018 period covering a total of fourteen suppliers (anthracites and limestones). Additionally, contracts were assessed for three critical suppliers who provide services in Pisco.

We do not currently rate suppliers based on negative environmental impacts. No criterion has been defined for such classifications.

OUR MAIN SUPPLIERS RELATE DIRECTLY TO OUR CIRCULAR ECONOMY FRAMEWORK.

C.07—

SOCIAL COMMITMENT





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

As we have seen throughout this report, our commitment to society goes beyond simply providing high-quality steel or promoting dignified employment and economic growth in the areas where we operate. It also means establishing solid and responsible relations with the community around us, through actions that contribute to sustainable value creation for all of our stakeholders.

We establish an ongoing rapport with actors in our areas of influence, ranging from the local government to students at the schools located within it. Our social programs are focused on three lines of action: education, preventative health and health care, and the environment, all aligned with our Social Responsibility Policy.

PREVENTATIVE HEALTH AND HEALTH CARE

“ZERO CAVITIES” DENTAL PROGRAM

Given the need for dental health in student communities, we implemented the “Zero Cavities” dental program at the Carlos Noriega Jimenez School, located in the town of Santa Cruz in the district of Paracas, province of Pisco. This program consists of training kindergarten, primary, and secondary school students in prevention, techniques, and the right way to brush their teeth.

Dentist appointments were also offered, including a complete dental chart, cleaning, fluoride treatment, fillings, and extractions for secondary school students.

The projects results were as follows:

- Medical charts: 389
- Sealants: 1,142
- Fluoride treatments: 357
- Fillings: 1,060
- Extractions: 77
- Attendance of training talks: 870
- Deliverables (bag, toothbrush, toothpaste, balloons, pamphlets): 500



1060
Fillings

870
Attendance of
training talks

ENVIRONMENT AND EDUCATION

WATER CARE CREWS

In 2019, we continued with the Water Care Crew project at a number of schools. At each school, we identified environmental leaders who had previously been involved in projects for the preservation of the environment. The total number of students from the schools involved in the project is as follows:

- Carlos Noriega Jiménez School: primary 438, secondary 328
Environmental Leaders: 45
- Fe y Alegría School: primary 368, kindergarten 149
Environmental Leaders: 46
- Juan Pablo Fernandini School: primary 733, secondary 581
Environmental Leaders: 80

To develop crew members' skills in caring for water, four 30-minute sessions will be held.

The purpose of this project is to encourage students, directors, teachers, and administrative staff to get involved, along with local community members, in caring for water as an essential resource for our lives. We raise awareness of the entire educational community through campaigns for the



TO DEVELOP CREW MEMBERS'
SKILLS IN CARING FOR WATER

four 30-minute sessions will be held



ENVIRONMENT AND EDUCATION

dissemination of posters and pamphlets on the responsible use and care of water in the schools and the community. It is important to promote care for water in schools, since children need to learn from an early age to foster a culture of care and preservation of water resources.

The project's direct beneficiaries include students, teachers, administrative staff, and directors, while indirect beneficiaries include parents. The methods and techniques can be used by teaching staff to comply with their responsibilities, while parents can apply it to their family environment and the surrounding community.



TYPE	TARGET	CHARACTERISTICS
Direct Beneficiaries	100 students 50 teachers 6 administrative staffers 3 directors	Students have a variety of characteristics. Focus on caring for the environment, with a willingness to make changes in their attitude and put into practice the new culture of caring for water.
Indirect Beneficiaries	300 parents	Willingness to make changes in their attitude and put into practice the new culture of caring for water .

ENVIRONMENT AND EDUCATION

SUSTAINABILITY MARATHON

As part of our commitment to protecting and caring for the environment, as well as instilling habits of order and cleanliness, we held our “Second Sustainability Marathon,” in coordination with the environmental, continuous improvement, and social responsibilities areas.

As part of this competition, training was provided on “Correct Waste Management” and the “5S Methodology” for students from schools in the districts of Villa Túpac Amaru, Santa Cruz, and Pisco. Afterwards, a recycling campaign was carried out, consisting of collecting paper, cardboard, plastic, glass, and metal waste for the NGO Ciudad Saludable, in turn helping to improve the quality of life of those local residents who make a living from informal recycling in the province of Pisco.

The República Argentina School won the competition, with 3,945 kg of reusable waste. In the 5S methodology, they achieved 95% implementation as of the first inspection, and 100% as of the second.

In all, 8,984 kg of waste was collected and delivered to the NGO Ciudad Saludable.

“SAVE THE HUMMINGBIRDS” PROJECT

For the second consecutive year, we worked on the “Salvemos a los Colibrís” (“Save the Hummingbirds”) project. These birds play a major role in pollination, helping certain plants to reproduce, as well as contributing to the control of insect populations by feeding on them.

Between May and December 2018, we set up a garden in the school’s green areas with flowers on which hummingbirds feed. The plants used included Chinese hibiscus, dwarf oleander, hortensia, fuchsia, and blue dawn flowers.

During the monitoring of the garden at the José de la Torres Ugarte School, where the flowers were planted, it was possible to observe the Amazilia amazilia, the hummingbird most commonly found in parks and green areas in Pisco. In our monitoring of the green areas neighboring the school, including the Parque de la

Bandera and the gardens around the Aceros Arequipa housing complex, we observed the species Myrtis fanny.

UTEC SCHOLARSHIP

In keeping with our Social Responsibility strategy, we partnered with the Universidad de Ingeniería y Tecnología (UTEC) to offer a university scholarship to one talented young person so that they will have access to a high-quality education.

The beneficiary has already experienced a positive change, and is focused on strengthening his soft skills to ensure that he is a well-prepared professional. He is majoring in civil engineering, and hopes to share his knowledge with our corporation in the future. The young student also receives full room and board, along with transportation.

ENVIRONMENT AND EDUCATION

“REAL LIFE EXPERIENCES” PROGRAM

We signed a cooperation agreement with the Universidad de Ingeniería y Tecnología (UPEC) to develop this program, which will allow the university’s students to observe us and work on a project aimed at resolving one of the problems faced in our processes.

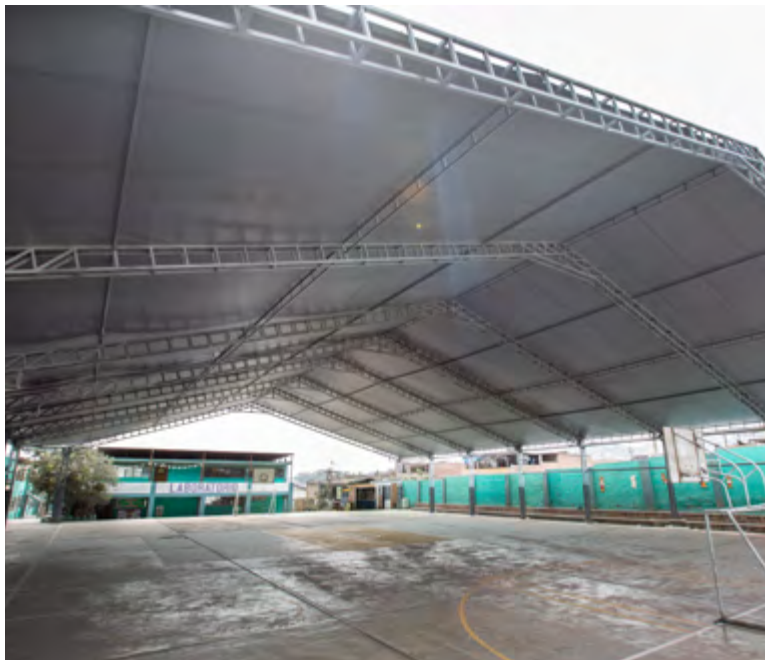
Two students formed part of our corporation for a period of sixteen weeks, so they could familiarize themselves and learn about our processes. They will be carrying out the project titled “Performance Optimization for Production Changes in

Rolling Machines” in the rolling area, under the supervision of their assigned bosses, who will monitor their performance and mentor them in this learning experience.

CONSTRUCTION OF THE ROOF OVER THE MAIN COURT AT A PAMPLONA ALTA SCHOOL

As part of our social program aimed at benefiting education, we donated the construction of a roof over the main court at the Colegio Ollantay 6038 school, which will benefit over 1,500 students.

This structure includes 16 tons of steel and covers an area of 1,100 m², requiring an investment of approximately S/. 106,000. The construction will allow students to engage in different recreational activities while remaining protected from the sun and high wind, in a safe environment.



Our corporation seeks to have a positive impact on children and teens from a school in an at-risk environment, by providing largescale infrastructure that will better their day-to-day life, while also participating in education and training on values through our volunteering program.



WILL BENEFIT OVER

1500
students.

REQUIRING AN INVESTMENT OF
APPROXIMATELY

S/. 106.000

“VOLUNTARIOS DE ACERO” CORPORATE VOLUNTEERING PROGRAM

During this period, we entered into a strategic partnership with the Institución Proa²² to develop experimental training strategies and spaces that will allow CAASA employees to acquire new knowledge, challenge their abilities, and embody our institutional values (teamwork, a passion for what you do, and a focus on relevant aspects).

The competitions held enabled the implementation of a social project that benefited the students of the Colegio Fe y Alegría No. 33 school in the Asentimiento Humano Mi Perú in the district of Ventanilla. This project, known as “Navidad como en CAASA” (“A Christmas Just Like at Home”), consisted of remodeling the campus’s dining area and the gardens around its main courtyard, with the participation of twenty-one volunteers from CAASA and their family members.

(²²) First corporate volunteering platform.





C.08 —

ABOUT THIS
REPORT



(GRI 102-48, 102-49, 102-50, 102-51, 102-52, 102-54, 102-56)

This sustainability report was prepared in accordance with the core option of the Global Reporting Initiative (GRI) standards, and provides information on the 2019 reporting period, as verified by an external auditor. The previous report was for the 2018 period, and was published in march 2019. This document is issued on an annual basis. This report covers all operations of Corporación Aceros Arequipa in Perú, but not its international subsidiaries.



THIS SUSTAINABILITY REPORT
WAS PREPARED IN ACCORDANCE
WITH THE CORE OPTION OF THE
GLOBAL REPORTING INITIATIVE
(GRI) STANDARDS



ENTITIES INCLUDED IN THE FINANCIAL STATEMENTS

(GRI 102-45)

The following companies, though part of the financial statements of Corporación Aceros Arequipa S.A., are not included in the present report.

COMPANY	STAKE	NACIONALIDAD
(%)	Country	Chilean
COMERCIAL DEL ACERO S. A.	99.99	Peruvian
TRANSPORTES BARCINO S. A.	99.92	Peruvian
ACERO INSTALADO S.A.C.	99.90	Peruvian
CORPORACION ACEROS AREQUIPA DE IQUITOS S.A.C.	99.90	Peruvian
TECNOLOGÍA Y SOLUCIONES CONSTRUCTIVAS S.A.C.	99.90	Peruvian
CORPORACION ACEROS DEL ALTIPLANO S.R.L.	99.00	Bolivian
INMOBILIARIA COMERCIAL DE ACERO ARGENTINA S.A.C.	33.65	Peruvian
INMOBILIARIA COMERCIAL DE ACERO CAJAMARQUILLA S.A.C.	33.65	Peruvian
COMPAÑÍA ELECTRICA EL PLATANAL S. A.	10.00	Peruvian

OUR STAKEHOLDERS

(GRI 102-40, 102-42, 102-43, 102-44, 102-46)

At the end of 2019, a review was performed regarding the stakeholders of Corporación Aceros Arequipa, with the following results:

- Government/State, environmental compliance institutions and regulators
- Workers
- Clients
- Communities
- Suppliers
- Shareholders
- Banks

In the following table you can see the mediums we use to maintain a constant relationship with our stakeholders as well as the respective frequencies.

STAKEHOLDER	RAPPOR MECHANISMS	FREQUENCY
Objective: Provide information on our growth, our contributions to society, and our regulatory compliance.		
Government	Meetings with local governments	Monthly
	“Gente de Acero” magazine	Quarterly
	News bulletin	Monthly
	Ethics Hotline	Continual
	Website	Continual
Objective: Allow for the capitalization of our human resources in conditions that allow for the exercise of human rights.		
Employees	“Gente de Acero” magazine	Quarterly
	Training	Continual
	Ethics Hotline	Continual
	Website	Continual
Objective: Provide information on needs and innovations required to improve product cycles		
Suppliers	Meetings as needed or requested	Continual
	Website	Continual
	Ethics Hotline	Continual
Objective: We strive to ensure communication to the satisfaction of our customers		
Customers	User training	Monthly
	Sales channel training	Monthly
	Customer satisfaction survey	Annual
	Ethics Hotline	Continual
	Website	Continual

OUR STAKEHOLDERS

G. I.	MECANISMO DE RELACIONAMIENTO	FRECUENCIA
Objective: Take part in improving our surroundings, in the awareness that this culture improves society's performance and betters our environment.		
Community	Press releases	Monthly
	"Gente de Acero" magazine	Quarterly
	Meetings with communities	Weekly
	Ethics Hotline	Continual
	Website	Continual
Objective: Offer transparency and information to help make financial and production decisions that enable the company's continuity (sustainability)		
Shareholders	"Gente de Acero" magazine	Quarterly
	News bulletin	Monthly
	Shareholders' Meeting	Monthly
	Ethics Hotline	Continual
	Website	Continual
Objective: Offer transparency and information to help make financial decisions.		
Banks	Website	Continual

OUR MATERIAL TOPICS

(GRI 102-47)

Also, at the end of 2019, two focus groups were held with representatives from different areas of the company, both in Lima and at the Pisco plant. Additionally, based on the stakeholders identified, meetings were held with specific stakeholder representatives, including suppliers, managers, and the Chair of the Pisco Irrigation Board. Visits were also made to the communities, and a review was made of public information and the company's plans for the coming years.

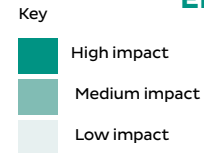
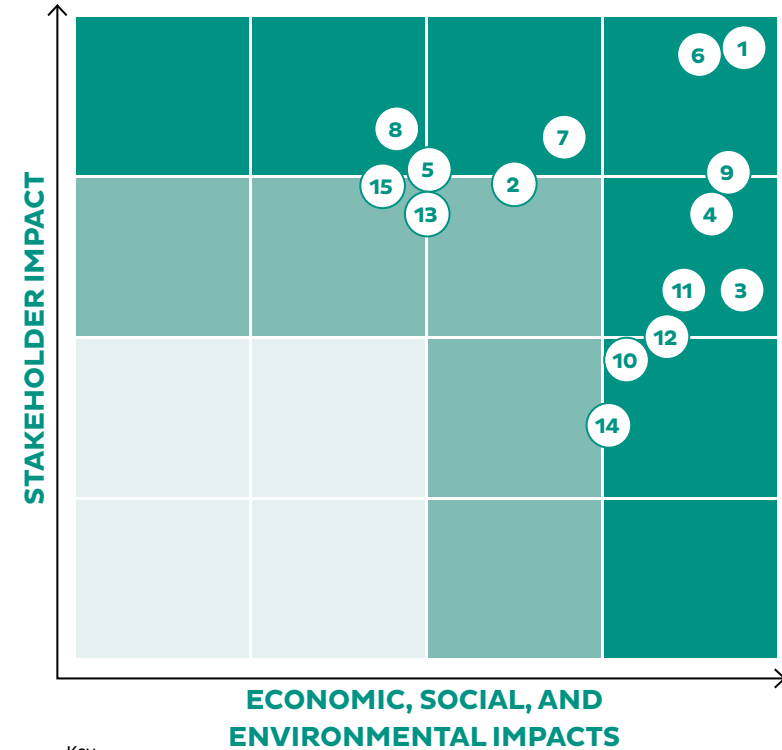
In the focus groups, a questionnaire was given out for the selection of material topics aligned with the company's strategy and the identified risks. The results were also used to provide greater reliability to the materiality matrix.

After this work was completed, the following materiality matrix was established.



CONSOLIDATED MATERIAL TOPICS

- 1) Occupational Health and Safety
- 2) Climate Change
- 3) Economic Performance
- 4) Anticorruption
- 5) Procurement Practices
- 6) Water
- 7) Social Impacts (communities, neighbors)
- 8) Turnover/Employer–Employee Relations
- 9) Environmental Compliance
- 10) Energy
- 11) Waste
- 12) Materials
- 13) Market Presence
- 14) Unfair Competition
- 15) Human Rights/Diversity



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(GRI 102-55)

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CONTACT POINT

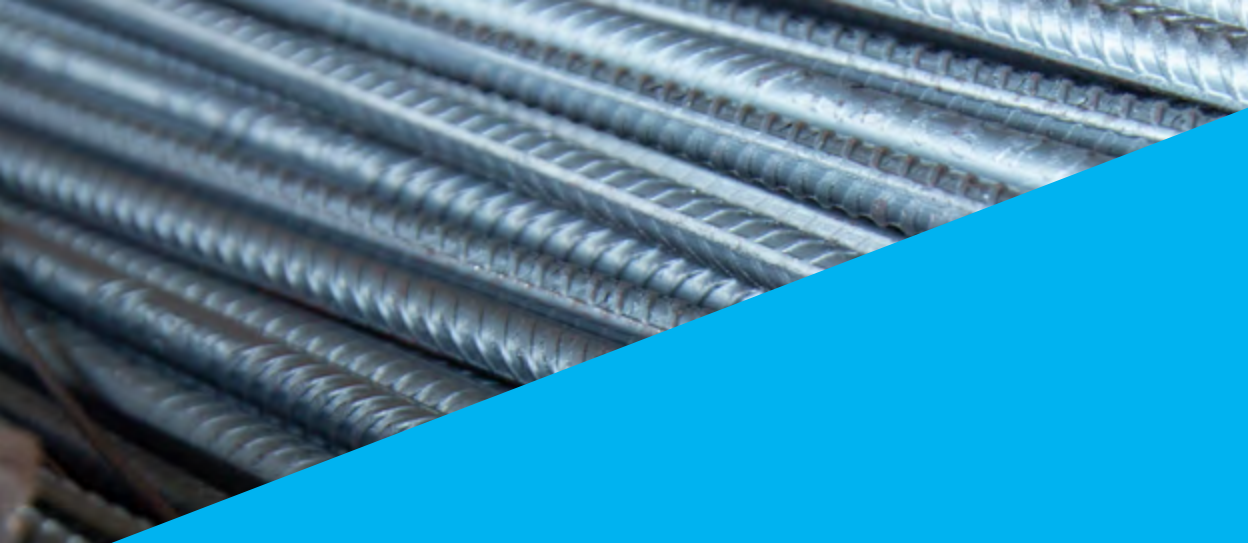
(GRI 102-53)

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2019 SUSTAINABILITY REPORT

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