

Sustainability report **2020**

MEGASA GROUP

Table of contents

1. Institutional message	3
2. MEGASA is a well-established company with a long-term vision	5
2.1 About us	6
2.2 National and international connection	8
2.3 MEGASA: circular economy and decarbonisation	9
3. Most recent MEGASA milestones	14
4. Sustainability at MEGASA	16
4.1 Innovation as a key to the future	17
4.2 MEGASA's people, its main asset	19
4.3 Integration in the environment	24
4.3.1 Local roots in the community	24
4.3.2. Supply Chain	27
4.3.3. Environment	29
5. Governance model	37
5.1 Governing bodies	39
5.2 Composition and functioning of the governing bodies	40
5.3 Good Corporate Governance Practices	42
Annexes	44
Scope of the Sustainability Report	45
Materiality analysis	46
GRI table of contents	47
Disaggregated table of contents BES-6001	48
Input-Output Methodology	56

1. Institutional message

In an exercise of transparency, MEGASA publishes the Sustainability Report 2020, which has been prepared following the international GRI standards.

2020 has been extraordinarily complex at global level due to the extreme situation generated by the COVID-19 pandemic. However, despite all the adversities, MEGASA has managed to continue operations at all plants and maintain pre-crisis employment levels. All this without losing sight, of course, of the unwavering commitment to provide safe working conditions for all employees, an aspect that has always been a priority, but which has taken on a special dimension in 2020 due to the health situation.

One of the reasons that has allowed MEGASA to maintain the levels of activity has been its unswerving commitment to local suppliers, enabling us to mitigate the impacts in a year in which the distribution chains have been strongly affected by the pandemic. On the other hand, there is no doubt that this commitment to local suppliers has a positive knock-on effect on the local economy.

By the same token, MEGASA's commercial strategy, which for years has involved an increasing openness towards international markets, has made it easier to sell production in spite of the economic uncertainties in the market. This has also undoubtedly contributed to the commitment to provide a quality service to its customers, with whom there is ongoing dialogue, together with a search to provide value-added that stands us apart.

Nor has this complex setting proved an obstacle to continuing to make progress in the introduction of best practices in good governance, which in 2020 resulted in the approval of a new Code of Conduct that includes the set of principles and values that must be complied with by all members of the Organisation.

On the other hand, and in line with what has been MEGASA's strategy for years, the volume of investments carried out at our plants has not decreased either -in fact, it has increased-, and in 2020 amounted to around 50 million Euros, which is just one example of the Organisation's effort for innovating and for having the best-in-market technologies.





These investments not only translate into the achievement of improvements in productivity of the factories, but also in the implementation of equipment and technologies that guarantee the operation of our plants in an environmentally friendly way. In this regard, it merits attention that over 30% of the investments made in 2020 were of an environmental nature.

With regard to the contribution to the Circular Economy, in 2020 alone MEGASA recycled more than 3.2 million tonnes of waste (mainly ferrous scrap), more than 80 per cent of the steel it produces being made up of recycled materials, converting MEGASA into one of the main recycling companies in the Iberian Mainland.

This is possible because the production process used at all our factories, through the electric arc furnace technology, is characterised precisely by producing steel using scrap as the main raw material. This technology, as opposed to blast furnace technology - in which the main raw material used is iron ore - is far more environmentally friendly. This is because in addition to the benefits arising from the fact that production is carried out by means of a steel recycling process, the levels of atmospheric emissions are significantly lower. For every tonne of steel produced, MEGASA releases 20 times fewer greenhouse gases into the atmosphere than steel mills operating blast furnaces.

If we add to all of the above the fact that MEGASA's factories recover almost 100% of the waste they generate, we can see that the activity carried out by MEGASA is conceived as one of the best examples of the Circular Economy.

We may therefore conclude that, despite all the difficulties of a complex year such as 2020, MEGASA has been able to face them while maintaining the highest standards of quality, responsibility, rigour and sustainability, which would not have been possible without the effort and commitment of the entire team of MEGASA, to whom we take this opportunity to express our deepest gratitude and recognition.

José Enrique Freire
Chairman

2.

MEGASA is a well-established company with a long-term vision

2.1 About us	6
2.2 National and international connection	8
2.3 MEGASA: circular economy and decarbonisation	9



2.1 About us

MEGASA¹ is a family company with an extensive industrial vocation whose origins date back to the 1930s. Since then, its vision of the future has been articulated around growth and the strengthening of its position in the international arena, supported by the high qualification of its human and industrial teams and the collaboration with its customers for sustainable and innovative development of its activity.

MEGASA is a company in the iron and steel sector engaging in the production and distribution of long steel products. With an installed capacity exceeding three million tonnes per year, the company approaches its production process by means of electric arc furnaces that transform the scrap, used as raw material for production, into a wide range of steels that mainly comprises rebar, wire rod, commercial and structural profiles, as well as electrowelded fabric.

The steel manufacturing activity takes place at the companies located in Spain (Narón and Zaragoza factories) and Portugal (Maia and Seixal factories). This activity is complemented by other plants whose activity consists in the treatment and shredding of scrap metal - in Valencia and Seixal - and dedicated to the manufacture of electrowelded fabric - in Narón and Seixal-. In addition, MEGASA also has sales and distribution companies on the mainland that channel sales of all its steel products to customers worldwide.

Narón – Megasa Siderúrgica S.L.

It is located in Narón, in the northwest of the Iberian Mainland, in an area of strategic geographical position, 9 km from the port of Ferrol. It produces rebar and coil steel.

Narón – Megamalla S.L.

Its core activity is the manufacture of electrowelded steel fabric - standard and special - and spacers.

Maia – SN Maia Siderurgia Nacional, S.A.

Producer of rebar, it is located in Maia, near Oporto, 15 km from the port of Leixoes.

Seixal – SN Seixal Siderurgia Nacional, S. A.

This plant, close to Lisbon, specialises in the manufacture of wire rod, with a wide range of qualities and diameters. The flexibility of its industrial plant also allows it to offer a great diversity of rebar products in different presentations: bar, coil and spool.

Seixal – SN TRANSFORMADOS, S.A.

This plant engages in the manufacture of special and standard fabrics, both of cold rolled wire as well as of hot rolled ribbed coils.

Seixal – ECOMETAIS, S.A.

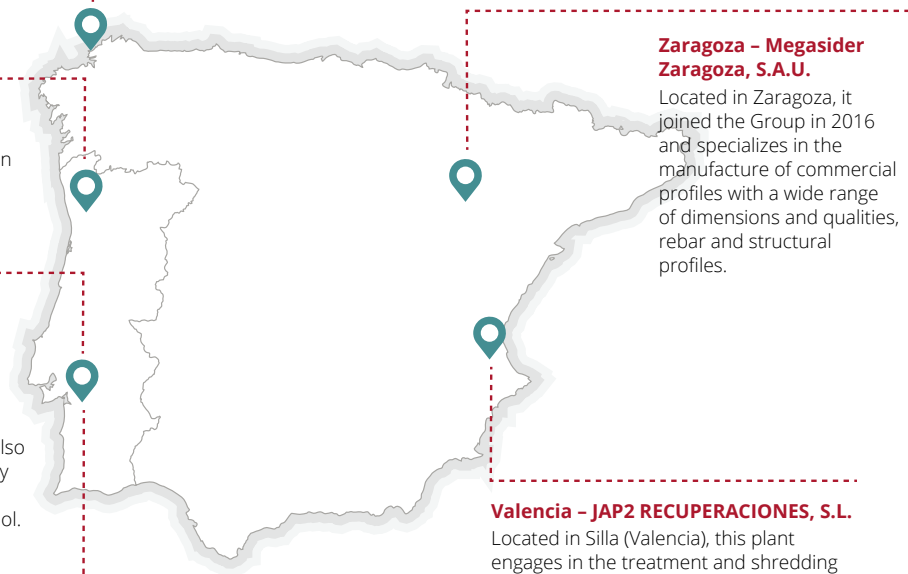
Located in Seixal, it is a plant dedicated to the production of shredded steel scrap, resulting from the recycling of light scrap and end-of-life vehicles.

Zaragoza – Megasider Zaragoza, S.A.U.

Located in Zaragoza, it joined the Group in 2016 and specializes in the manufacture of commercial profiles with a wide range of dimensions and qualities, rebar and structural profiles.

Valencia – JAP2 RECUPERACIONES, S.L.

Located in Silla (Valencia), this plant engages in the treatment and shredding of scrap metal.



1. It refers to MEGASA as the industrial group comprising the companies owned, directly or indirectly, by "BIPADOSA, S.L.". Most of the references in the report are understood to be made to the Group's 4 main steel plants: Megasa Siderúrgica, Megasider Zaragoza, SN Maia and SN Seixal.

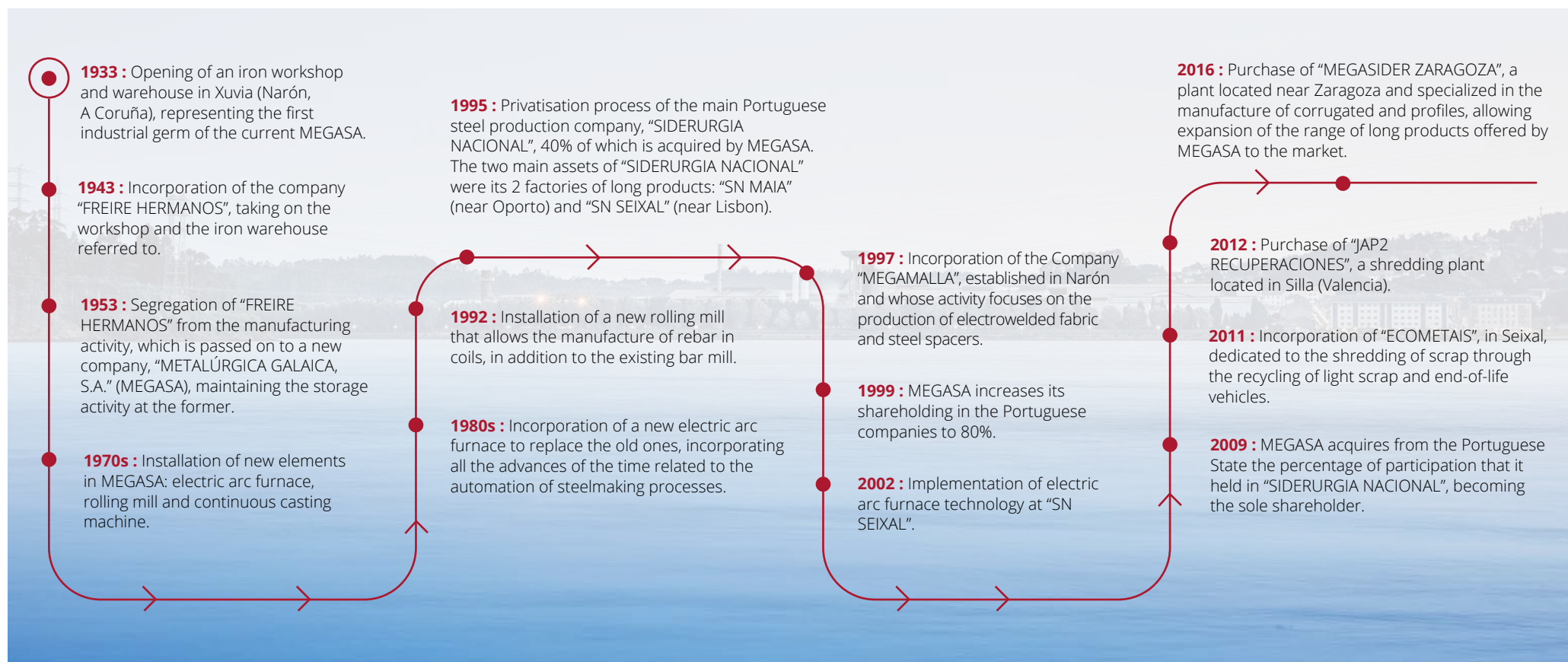
History of MEGASA

As a family business, the history of **MEGASA over the years** has been based on collaboration and the creation of strong work teams, coupled with the **vertical integration strategy** from the recycling of steel scrap to the commercial distribution of the product, the **balanced growth** in the value chain and **moderation in risk-taking**; attributes that were established as the keys to the **firm's growth**.

The elements that have characterised MEGASA have been a policy of reinvestment of a significant portion of the profits obtained, gaining competitiveness with levels of moderate

indebtedness -which has allowed us to successfully overcome periods of crisis-; its commitment to diversification, internationalisation and exports; the incorporation of the Portuguese factories, as well as the Zaragoza plant, highlighting the replacement of blast furnace technology in Seixal with electric furnace technology, which is more environmentally friendly.

These elements have helped make MEGASA one of the **most important Iberian iron and steel groups**.



2.2 National and international connection

Strategic location

MEGASA's factories maintain a direct connection to the national network of motorways and European roads, as well as having direct access to the international railway network and to the main ports of Spain and Portugal with inter-oceanic coverage, in order to optimise the logistics and distribution of its products worldwide.

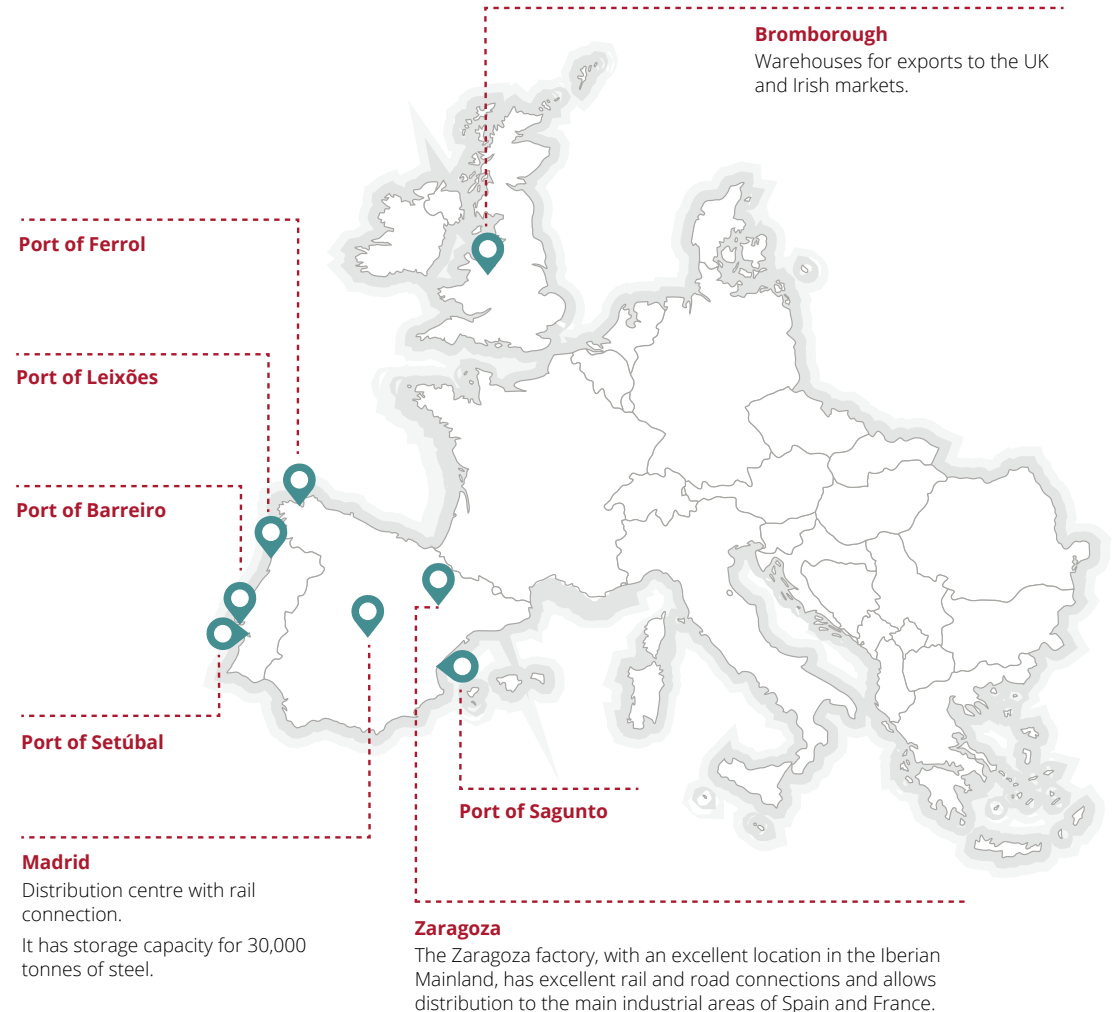
MEGASA's activity is mainly focused on the European market. Its range of steel products is competitive and highly diverse, which favours sales beyond the Iberian Mainland, with recurrent activity in markets such as the United Kingdom and Ireland or central and northern Europe. In addition, the company is also present in the North African and North American markets.

A new differential logistics model

MEGASA is firmly focused on customer satisfaction, which is instrumented in two aspects: the commitment to the quality of its products, and the flexibility and availability of these. With regard to the latter issue, in the last year we have introduced a new logistics model that seeks to improve the efficiency of the process, both internally and externally.

The model revolves around two main axes:

- **Load optimisation in factories** through the Storage Management System. This system maximises availability of standard items and evacuation of production to reduce crane movements and loading times, ensuring delivery as expeditiously as possible.
- **Optimisation of deliveries and information made available to customers.** Through the development of applications to inform, at the time of order confirmation, the date of availability of the product in the warehouses; and to plan the delivery according to the date agreed with the customer and the situation of the warehouses.



2.3 MEGASA: circular economy and decarbonisation

The transition to a sustainable economy provides MEGASA with a unique opportunity to position itself and showcase steel production - following sustainability benchmarks - as a key process to achieve environmental and climate goals.

Regulatory trends, as well as initiatives at national and supranational level and the global will to limit global warming, now place at the heart of the transition policies to achieve sustainable development towards de-carbonisation of economic activity and the need to define circular production models.

In this regard, the activity performed by MEGASA in the field of steel production is, by definition, a clear example of circular economy in which scrap is the main raw material used in the production process.

In this way, the company contributes to its recovery and reuse, while adding additional value to the resulting steel for its customers and maintaining the properties and characteristics required in terms of quality for use in construction and infrastructure activities. Likewise, the efficiencies achieved by MEGASA over the years have significantly minimised the generation of process-associated waste, with over 97% of the waste generated in the development of its activity being recovered. The case of Inert Iron and Steel Aggregates for Construction (ASIC in Spanish), a material that is obtained from

iron and steel slag and which provides high value-added, as its excellent properties allow it to be used in various areas of civil construction, thus avoiding the use of natural raw materials.

The melting of scrap is carried out in electric arc furnaces which, compared to the steel manufacturing processes in blast furnaces, maintains significantly lower levels of greenhouse gas emissions, given that production is based on the consumption of electrical energy. The manufacture of steel in electric arc furnaces is also highly modular and has a greater capacity to adapt to the needs of the electricity system, being able to interrupt the process at times of greater demand on the electricity system - and in which, as a general rule, there is greater consumption of fossil fuels. Likewise, to minimise the impact associated with energy consumption, the company is committed to steadily increasing the proportion of renewable energy sources used in its activity.

From the perspective of logistics and transport, both of raw materials and subsequently in the distribution of the product to customers, the organisation's priority is to continuously reduce the associated greenhouse gas emissions. To this

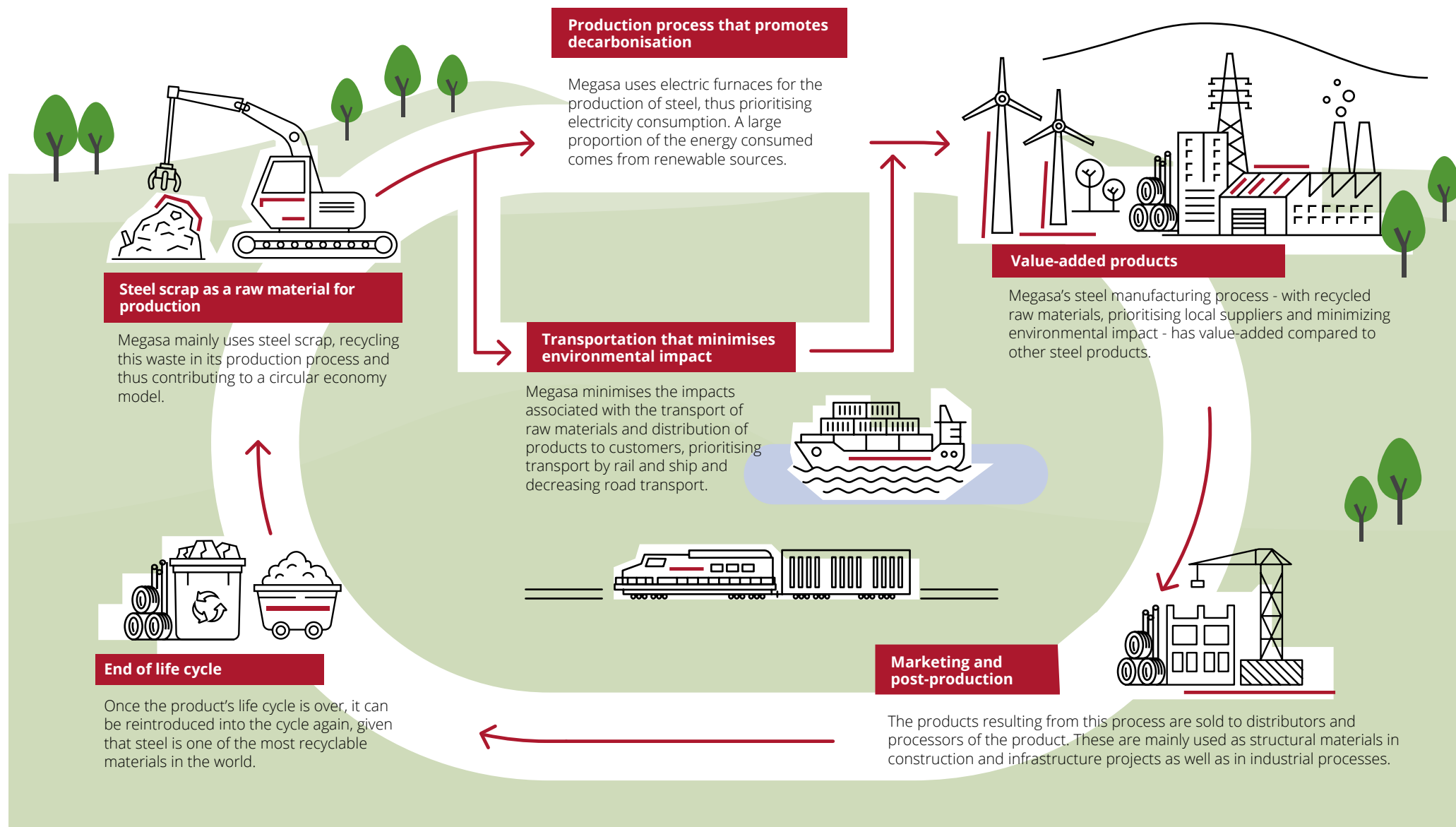
end, in addition to locating its production centres in strategic geographical locations - with access to the main transport networks - over the last few years the organisation has worked on developing a strategy that prioritises the use of rail and sea transport, as opposed to road transport.

The resulting steel products are mainly used in civil construction, infrastructure and for incorporation into other industrial processing. When the useful life of steel products comes to an end, they can be recovered and reintroduced into the production process, as steel is a highly recyclable material without altering its essential properties.

All these elements that make up the organisation's business model finally translate into sustainability in its essence -through the principles of the circular economy and activities to minimise its carbon footprint- is integrated into the daily life of the organisation and is transferred to the products it sells, maximising its value compared to other products in the industry.

The volume of more than 3.2 million tonnes of waste recycled each year by MEGASA makes it one of the main recyclers in the Iberian Mainland.

What is the MEGASA model like?



The certifications of the different management systems guarantee MEGASA's sustainable commitment

Currently all MEGASA factories have implemented an Environmental Management System certified pursuant to ISO 14001 that guarantees the correct deployment of the policies and procedures necessary to achieve the utmost efficiency in management of the environmental aspects in the performance of its activity around steel production.

Along the same lines, MEGASA has also certified its production plants with ISO 50001 certification, which guarantees the energy efficiency of the production process and the implementation of improvements to reduce the organisation's energy consumption.

This commitment to the environment and the development of the activity in a responsible way also extends to the scope of the purchases that MEGASA makes, through specific requirements to its suppliers and sub-suppliers, integrating them into its value chain and valuing those that show evidence of responsible management. The certifications of the standards of sustainable replenishment - BES 6001 and Eco-Reinforcement - as well as the certifications in the field of steel sustainability - AENOR Sustainable Steel, SustSteel seal - endorse the company's commitment to the establishment of a sustainable business model.

The organisation also integrates quality and occupational health and safety management systems, certified in accordance with ISO 9001 and ISO 45001 (formerly OHSAS 18001) respectively, into the overall management of the organisation.

MEGASA Certifications

Certification	Factory			
	MAIA	SEIXAL	NARÓN	ZARAGOZA
Product Quality Certifications	✓	✓	✓	✓
ISO 14001- Environmental Management System	✓	✓	✓	✓
ISO 9001- Quality Management System	✓	✓	✓	✓
ISO 45001 - Occupational Health and Safety Management System	✓	✓	✓	✓
ISO 50001- Energy Management System	Final implementation phase	✓	✓	✓
AENOR- Steel Sustainability	✓	✓	✓	✓
SUSTSTEEL- Sustainability for Steel Construction	✓	✓	✓	
BES 6001- Responsible Sourcing of Construction Products	✓	✓	✓	
Eco-reinforcement- Sustainable Procurement	✓	✓	✓	



Further information about MEGASA certifications on our website
<https://www.megasa.com/calidadSostenibilidad.php>

Partnerships and initiatives to boost the sector's competitiveness and sustainability

MEGASA participates in industrial and business associations, at local, national and European level, which promote competitiveness and quality in steel production, as well as the sustainable exercise of its activity.

Industry associations

Spain	
UNESID Union of Steel Companies	Association of Spanish steel and primary steel processing companies.
CALSIDER Steel Quality Association	It promotes the development of a common policy for quality management and certifications in the steel industry.
Portugal	
Conselho Empresarial para o Desenvolvimento Sustentável (Business Council for Sustainable Development)	In Portugal, the Maia and Seixal factories are members of this non-profit organisation that promotes the generation of a positive impact for stakeholders, society and the environment.
Europe	
EUROFER The European Steel Association	An association that includes the steel companies and national federations of the member countries of the European Union.

Sustainability initiatives

Pact for a Circular Economy promoted by UNESID

The Ministries of Agriculture and Fisheries, Food and Environment and Economy, Industry and Competitiveness have promoted the Pact for the Circular Economy in order to involve the main economic and social agents in Spain in the transition to a new economic model.

"Spanish Climate Neutral Steel, AECN 2050" project by UNESID

With this project the Spanish steel industry is committed to climate neutrality by 2050, a goal to which it aspires hand in hand with UNESID.

Promoting a sustainable industry

Within the framework of its alliance with EUROFER, MEGASA has recently participated in a European initiative spearheaded by the Spanish steel sector whose aim is to promote the SustSteel® seal that guarantees the sustainability of steel products.

This seal is awarded to those companies in the sector whose production processes comply with a set of previously defined economic, social and environmental requirements. The certification and awarding of the seal are carried out by an independent third party.

In Spain, the company has actively participated in defining a sustainability-related annex that will be part of the future royal decree approving the new Structural Code for the construction sector.

This annex, which a priori will be voluntary, sets out the bases relating to the sustainability of the structure and its management during its service phase (concrete, steel and mixed). Its aim will be to promote the objective measurement and monitoring of the quality and sustainability of structures in an objective way, also valuing the materials used in construction.



Further information about the SustSteel® seal can be found on the following website

<https://www.steel-sustainability.org/esust>



3.

Most recent MEGASA milestones



In 2020, Megasa began to implement the **criminal compliance system**, which has continued its implementation throughout 2021.



With the aim of bringing its practices closer to the standards of listed companies, in 2021 Megasa has

reinforced the Board of Directors

by introducing
Independent Directors



Megasa has reduced its **GHG emissions** by

12.92% of total emissions
19.26% of indirect emissions

The **recovered waste** made up

97.88% of the total



The Group has had a **total expenditure on suppliers** of

€1,364 M

62% of expenditure on **local suppliers**

The company has implemented a new logistics model



Progress has been made in establishing a sustainable procurement model



The **workforce** of Megasa comprises

1,249 employees



Megasa has undertaken investments worth more than

€47.8 M of which more than **30%** have **environmental** goals



4.

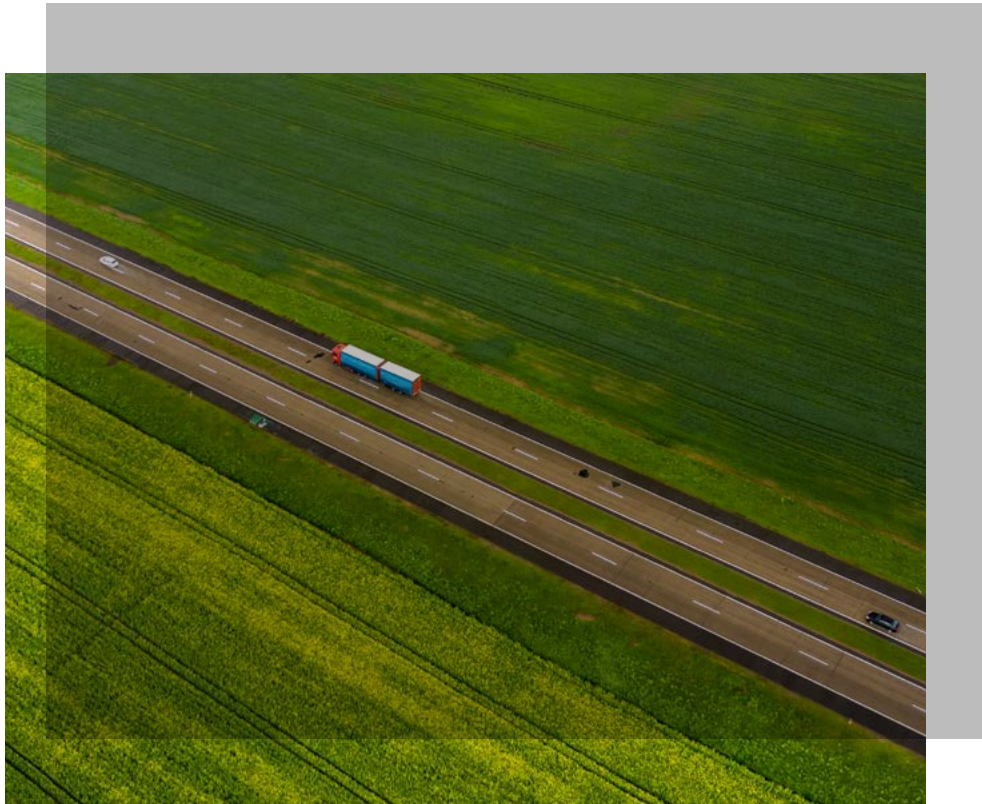
Sustainability at Megasa

4.1 Innovation as a key to the future	17
4.2 MEGASA's people, its main asset	19
4.3 Integration in the environment	24



4.1

Innovation as a key to the future



Innovation as a key to the future

Currently, expectations and requirements in terms of sustainability are growing progressively, and at a particularly high rate in the construction and infrastructure sectors. The steel industry and other related sectors, as suppliers of the materials used in such activities, are increasingly exposed to a constant need to adapt and anticipate, where innovation is the differential element to optimize the quality of their products and minimise the impact on the environment.

In this regard, MEGASA's innovation, research and development strategy is focused on the improvement and creation of new products and services with the aspiration to be increasingly efficient and competitive.

MEGASA's innovative activity

The company promotes a culture of innovation that contributes to the optimisation of processes and minimisation of their environmental impact around four objectives: quality and new products; process automation; production and energy efficiency; and minimisation of environmental impact.

Each of the factories undertakes projects that contribute to its achievement, taking into account the particularities of obtaining different products, the capacities and resources available. These projects are shared within the organisation in order to assess their implementation at a cross-cutting level.

Innovation objectives at MEGASA



**Process
automation**



**Quality and
new Products**



**Production
and energy
efficiency**



**Minimisation of
environmental
impact**

Main innovation projects at MEGASA in 2020

 Process automation	Welding machine and revamping of the rough mill. The aim of this project was to improve the efficiency of the rolling of billets through the introduction of a welding machine that increases productivity of the process and reduces losses, as well as obtaining an improvement in the energetic efficiency of the process and quality of the product. Speed meter for rolling. Project for the development and implementation of a system for measuring the speed in the rolling process that optimizes efficiency in the production process. Crane location system. Accurate, real-time location system, which eliminates the safety risk associated with crane collisions and allows for greater reliability and traceability of the process.
 Quality and new products	Medium and high carbon steels. The project allowed the development of new qualities of medium and high carbon steel, through the research of parameters related to steelmaking, to promote the increase of the quality of the different types of steel and prevent the appearance of defects in the final products. Sizing Block. Through this project, an innovative technical solution was implemented so that the Seixal factory could undertake the production of new products and improve manufacturing speeds, productivity and product quality.
 Production and energy efficiency	Automation of steelworks. The objective of this project was to replace manual tasks performed in the electric arc furnace - such as manual inspections, cleaning, or sample collection - with automated systems, reducing production times and costs, and also increasing the safety of the processes. Automation of internal transport. Through this project, a comprehensive analysis of alternative and autonomous loading and transport solutions - with positive consequences on both the operational and safety level - was carried out. It also increased the efficiency in the transport and movement of materials between the production units, viz., between the steel mill and the rolling mill. New operational methodologies. Project for the identification of processes with capacity for modernisation and that optimise the productive capacity
 Minimisation of environmental impact	Redevelopment and reforestation. Cleaning and decontamination of land adjacent to industrial plants and establishment of tree plantations. New Uses for ASIC (Aggregate Inert Steel for Construction). A circular economy project that substitutes the use of materials from natural resources for industrial waste in the processes. The project specifically focuses on the complete replacement of concrete aggregate with ASIC, researching and comparing the properties of both materials and their application to the processes.

4.2

MEGASA's people, its main asset



A highly qualified team

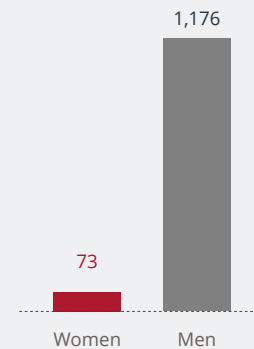
MEGASA is made up of employees with a high degree of qualification and specialisation; attributes that contribute to the excellent performance of the company and its sustainability in the long term.

MEGASA's workforce in figures

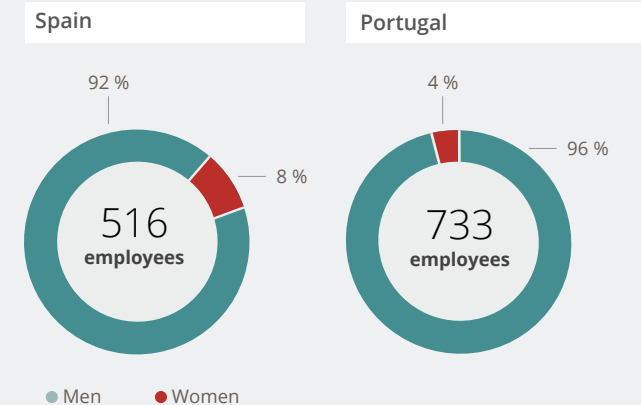
At the end of 2020, MEGASA had a total of **1,249 employees** distributed among its various production plants in Spain and Portugal.

Below is more detailed information regarding the workforce, broken down by professional category, gender and age range for 2020.

Distribution of total
workforce by gender

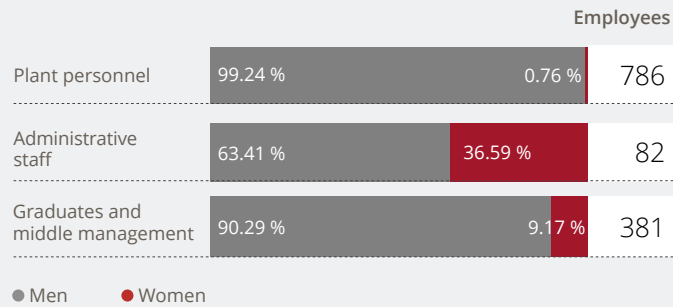


Distribution of workforce by gender and country

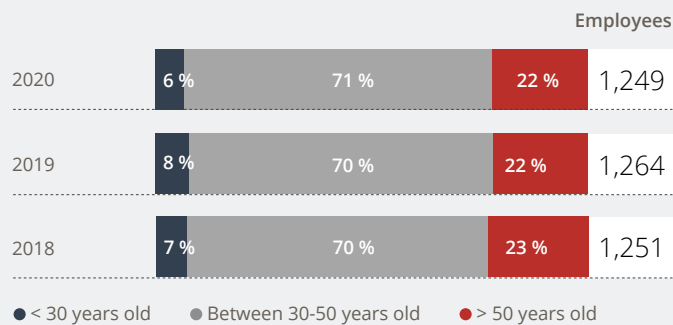


One of the company's goals is to offer quality jobs to its employees, a fact evidenced by a low turnover rate, which decreased significantly in 2020 compared to the previous year, standing at 9%. Likewise, 80% of MEGASA's contracts are permanent.

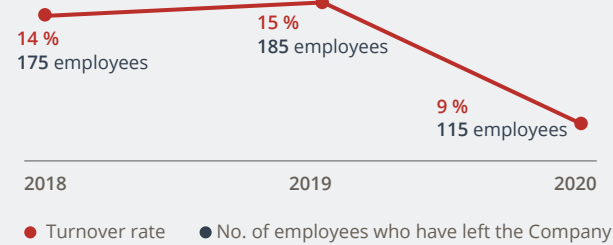
Distribution of the workforce by professional category



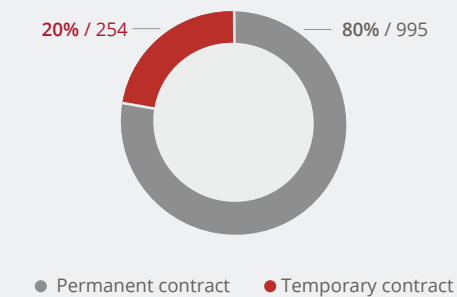
Distribution of the workforce by age range



Turnover rate



Permanent and temporary jobs



Diversity and inclusion

As set out in its Code of Conduct, one of MEGASA's principles is the **promotion of equality and non-discrimination** on grounds of age, race, nationality, gender, disability, religion, among others, in the exercise of all its activity. The organisation thus promotes an equality-based culture.

With regard to **salary remuneration**, the company is governed by the provisions of collective bargaining agreements and the applicable labour regulations, so that no distinctions are made on the basis of gender. The company's overall gender pay gap is currently 4.78%, which is lower than the pay gap in Spain (11.9%) and Portugal (10.6%), as well as the European Union average (14.1%)⁴.

At present, women in the workforce occupy positions mainly in the category of "Graduates and middle management". The presence of women in the organisation is increasingly relevant, especially in the field of innovation and change processes that it is carrying out.

Training and Development

The training is carried out as a tool for improving the degree of qualification of MEGASA's employees. Training courses are of diverse nature and characteristics: they may be in-house or external, and cover areas such as health and safety, environment, technical training and others such as leadership, technology and IT or energy management.

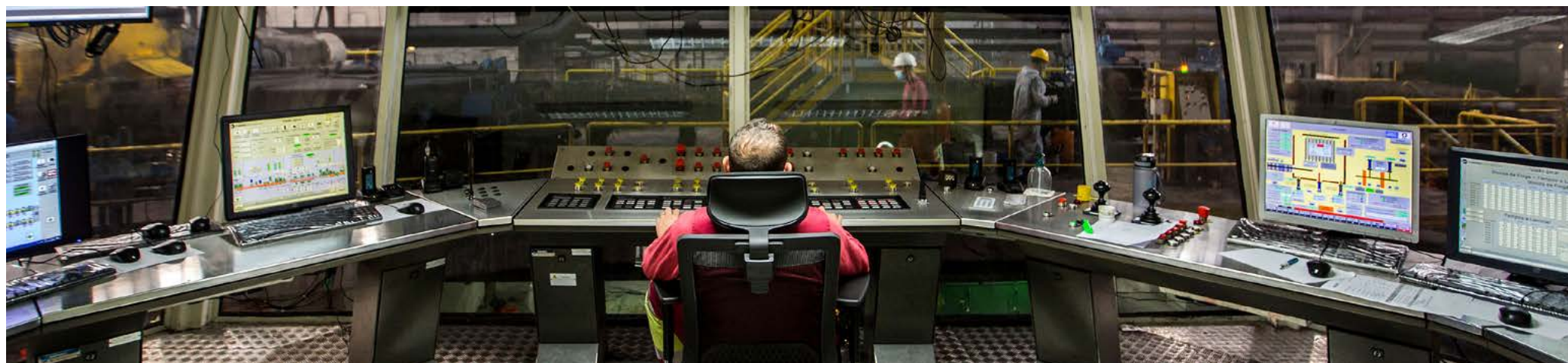
In this respect, MEGASA collaborates with training entities to carry out its training programmes.

A total of 15,411 hours of training were provided in 2020. This number has decreased compared to previous years due to the pandemic situation, which has had an impact on some of the scheduled training.

	2018	2019	2020
Hours of training (total)	18,193	18,558	15,411

Professional promotions

MEGASA wants its employees to have the opportunity to develop their career within the organisation, for which it supports training and promotion within the company.



⁴ EUROSTAT 2019

Health and safety

MEGASA promotes a safe and accident-free working environment based on training, prevention and management of occupational hazards. All work centres comply with the legal requirements and have an integrated and externally certified **occupational health and safety management system** ISO 45001 certificate that has been externally certified.

In all activities of the production process, diligence in the performance of the activity and compliance with the protocols for the prevention and minimisation of accidents remains a priority. The company addresses the prevention of occupational risks in the work environment by prioritising the identification of situations and conduct that entail a potential risk and develops the corresponding action plans to mitigate or eliminate these. Risk assessment is carried out on a regular basis and is continually updated in line with new risk factors that are identified as a result of changes in working conditions, equipment or employee-related situations.

In all work centres the **Health Surveillance Service** continuously ensures that workers' state of health is optimal in relation to their occupational risks. To this end, it prepares an annual Preventive Activities Plan, which includes the monitoring to be carried out for each employee depending on their job. This area also coordinates different initiatives and activities related to health care, wellbeing and the promotion of sporting activities.

It is important to note that training is key to promoting a safe working environment. MEGASA leads and promotes this system by encouraging the participation of workers and their representatives to maximize safety conditions in the work environment.

ISO 45001 Certification

All MEGASA factories have implemented an ISO 45001 management system, certified by AENOR.

This system establishes the processes and procedures on occupational health and safety management that the organisations must implement to effectively control the risks associated with performance of the activity.

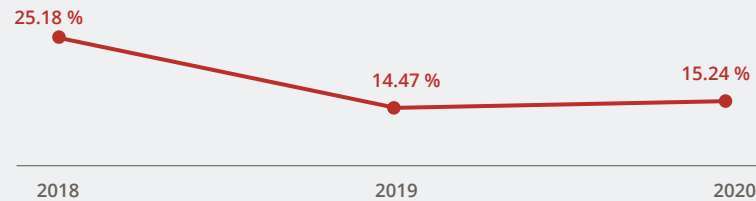
In addition to ensuring compliance with prevailing legislation on occupational risk prevention, the management system is aimed at identifying risks in the workplace, evaluating them and planning and controlling them in order to minimise exposure and accident levels within the organisation.



No fatal accidents have been recorded at MEGASA in recent years.

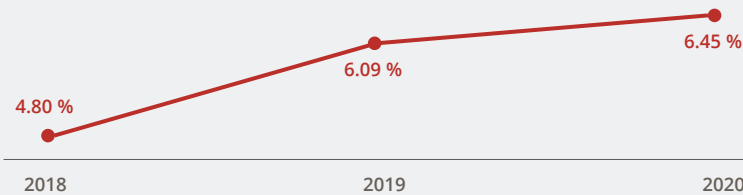
There has been a significant decrease in the number of accidents over the last three years, although the frequency rate has risen slightly during the year to 15.2% in 2020. These incidents have mainly been related to minor accidents or injuries, with the most common causes being those related to ergonomic issues, overexertion, blows or sprains.

Frequency rate



The absenteeism rate, which represents the time not worked due to temporary incapacity and unpaid absences, has increased slightly over the last two years.

Absenteeism rate



MEGASA's response to COVID-19

2020 has been marked by the pandemic caused by COVID-19, which has been a major challenge for the organisation.

This situation has meant the implementation and deployment of a series of measures by MEGASA with a twin perspective: to ensure the health and safety of its employees and to protect the activities of the business.

The main measures taken have been developed around the axis of occupational health and safety, where an exhaustive review of work procedures has been carried out, focusing on the establishment of preventive measures. The main aspect for control has been the implementation of a contingency plan against the virus, prioritising the ongoing monitoring and review of the preventive actions defined, to safeguard the health of employees and ensure the proper functioning and continuity of activities.

Another aspect that has been impacted by the situation has been related to information systems. In this regard, the company has made progress in the implementation of tools to facilitate the holding of non-presential meetings, audits and training, minimising the impact of limitations and restrictions on the performance and achievement of corporate objectives.

The deployment of these measures has allowed MEGASA to continue its activity with the stringency and commitment that has always characterised the organisation.

4.3

Integration in the environment



Local roots in the community

MEGASA maintains special relationships with the environments in which it operates. In the production centres, most employees are local, as well as some of its suppliers of raw materials and, in particular, of services.

For the organisation, the success of its activity depends largely on its **integration into the environment**. For this reason, the company encourages dialogue with the institutions of the communities in which it is present and establishes collaborative relationships with the corresponding local agents and authorities in the exercise of its activity. This also has repercussions from the perspective of its socio-economic contribution through the revitalisation of employment and the local economy in its areas of influence.

MEGASA is aware that its activity can also have impacts that affect the social environment. One of the organisation's objectives is to minimise these through actions that include, inter alia, the creation of tree barriers to reduce the visual impact and other measures to reduce the acoustic impact of the factories. In the area of logistics and transport, the company maintains a strategy to encourage a reduction in congestion of road networks, either through the creation of optimised networks for transport or the use of alternative means such as the train, which reduces GHG emissions into the atmosphere.

In this regard, for example, the organisation has reached an agreement with the authorities of Maia for the transfer of part of its land to be used for the construction of roads that will improve connectivity and traffic flow in the area, integrating all the land between the future road and the existing railway line as an industrial development area. In this agreement, the company also undertakes to implement its industrial development plans in a sustainable manner and minimise the environmental and social impacts associated with its activity.

In parallel to its activity, the company carries out initiatives with a marked social character that help to strengthen its relationship with the community. These initiatives include collaborations and donations to associations, agreements with institutions and universities, as well as participation in local sporting and social events.

MEGASA also promotes collaboration with different international educational centres to integrate people in the final stages of their courses and facilitate their access to the job market.

The organisation also carries out awareness campaigns in which experiences are shared on issues such as the circular economy, the importance of recycling and healthy lifestyle habits.



Case study:

the socio-economic impact of the Maia factory

In 2020, MEGASA sought to carry out a socio-economic impact case study to quantify the impact of its activity on the environment and to determine the contribution to economic activity and the boost to employment at local level in the region.

For this purpose, the analysis of the contribution takes as a reference for the contextualisation of the results the information from the national accounts published in the National Institute of Statistics for the northern region (NUTS II), as well as the company's own information regarding the main cash flows: salaries, purchases from suppliers and tax payments to the administration.

The operating environment

The factory is located in the municipality of Maia, near Oporto, in Portugal. The area has a total of 135,306 inhabitants within its municipal boundaries and has one of the largest industrial parks in the region.

Among the region's industries are the manufacture of wood products, paint and varnish manufacturing, food processing, and others such as textiles, mechanical and chemical equipment. Maia is also home to renowned educational institutions, as well as science parks and an automotive innovation centre.



Contribution of the Maia factory to the environment

The factory's direct impact on the local economy - that is, its contribution through salaries, social security payments and taxes - amounts to 43.8 million euros. However, its overall contribution, taking into account the indirect and induced impact associated with its activity, amounts to a total of 210.84 million euros.

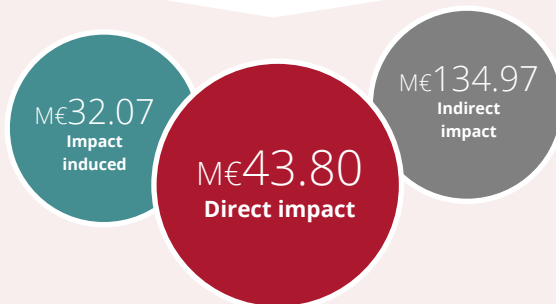
The direct contribution of the factory to employment is 296 jobs, and corresponds to the company's own employees. If we also consider those that the factory's activity generates through its impacted suppliers and third sectors, the total number of jobs revitalised amounts to 3,993.

The study of the economic and employment contribution from a sectoral perspective determines that the plant's activity contributes to a greater extent to activities related to wholesale trade, auxiliary services, construction and real estate, as well as transport.

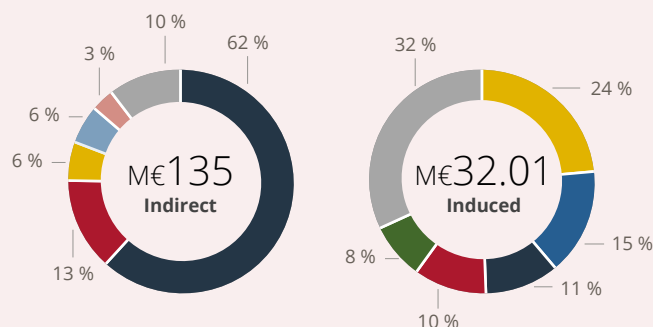
Contribution to the local economy



€M210.84
overall revitalisation



Impact by sectors



● Wholesale trade ● Retail trade ● Ancillary services ● Construction and real estate ● Transport
● Scientific and technological services ● Leisure and culture ● Food and beverages ● Other sectors

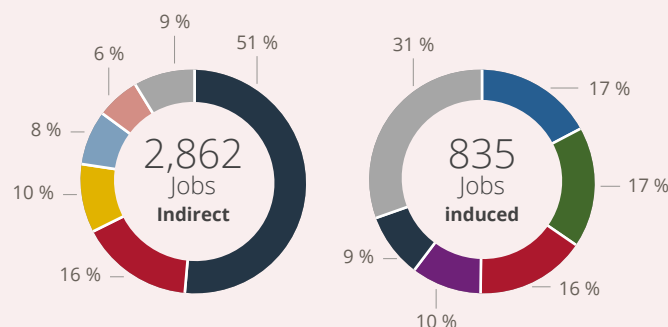
Contribution to revitalising jobs



3,993
Revitalised jobs



Impact by sectors



Supply chain

The supply chain is one of the fundamental pillars on which MEGASA's circular business model is based. To this end, the organisation works with the aim of contributing to the sustainable development of the economy and industry, continually optimising its procurement process.

MEGASA also manifests its commitment to the local environment by carrying out a large part of its **provision of services** through contracts with **suppliers located on the Iberian Mainland**.

For this purpose, MEGASA's factories have a system of approval for **suppliers of materials and services** based on the following requirements:

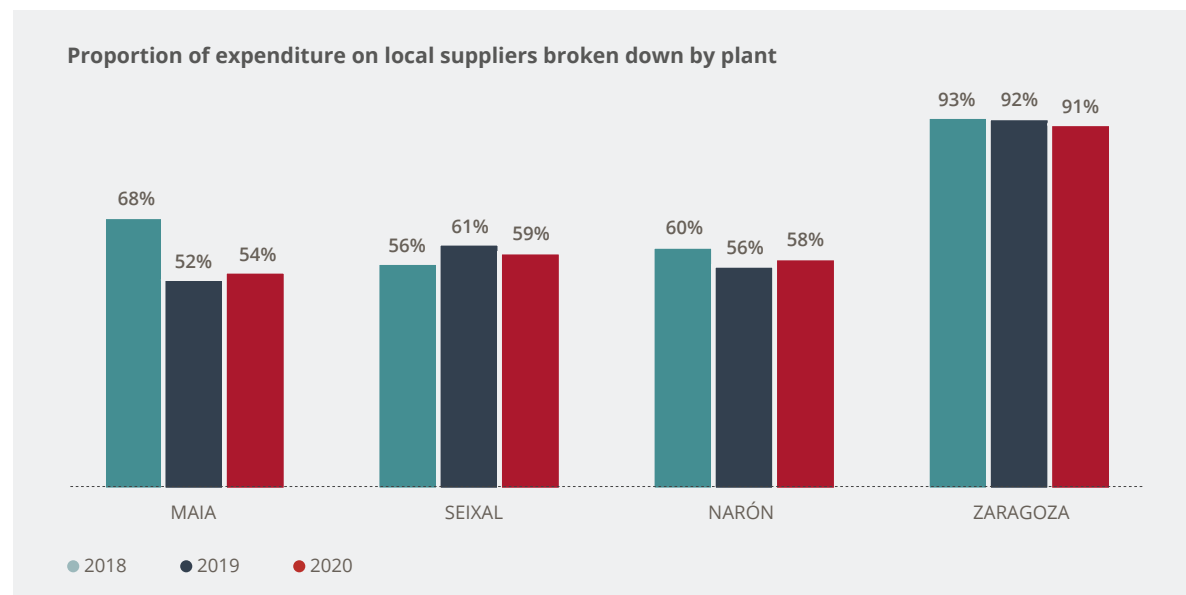
- Evaluation of supply applicable to products, materials and suppliers.
- Good references in the market and from other clients (preferential but not decisive factor).
- Certification of quality, environmental and / or safety management systems.

In addition, other elements that the organisation values in its suppliers are the quality of the product or service provided, compliance with delivery deadlines, and in particular the relationship established between both agents allowing mutual development.

Likewise, and in order to contribute to the **targets set by the European Union** to reduce greenhouse gas emissions, the company is committed to the use of **rail logistics** instead of road to transport raw materials. Thus, in 2020 the volume of raw materials supplied by train amounted to almost 150,000 tonnes.

Acquisition of raw material for steel manufacturing

In the area of raw materials consumed, the most relevant is **steel scrap** (used in manufacturing), which represents more than half of the organisation's expenditure on supplies. However, the large volumes of scrap required to perform its activity and its deficient supply on the Iberian Mainland make it necessary to import part of the scrap acquired, and in 2020 this amounted to 43% of the total.



Sustainable sourcing

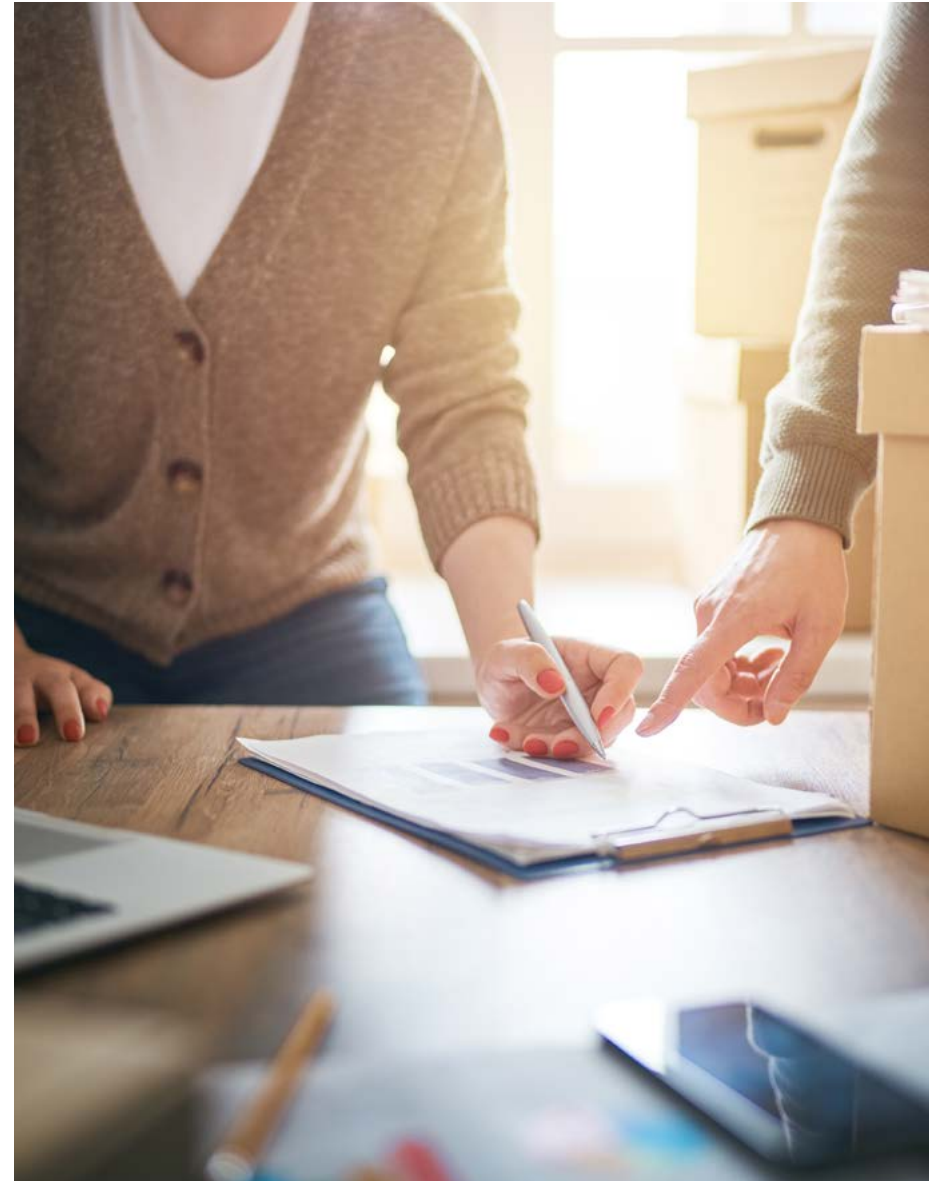
Reflecting its interest in contributing to the sustainability chain, MEGASA has introduced a set of standards - BES 6001 and Eco Reinforcement - related to responsible sourcing. The aim of these standards is to ensure that the products used are made from responsibly sourced materials. The implementation of these standards is duly certified by external agencies.

The management of service providers with a responsible approach

MEGASA is firmly committed to the sustainable performance of its activity, occupational safety, environmental protection and responsibility towards the environment. Accordingly, the same level of commitment is demanded from the suppliers who provide their services in each of the production plants.

To verify that service providers comply with the labour, safety and environmental conditions that MEGASA considers a priority, the organisation requires the presentation of certain documentation related to its sustainability management before starting the service. Specifically:

- Detailed description of the work to be carried out with its corresponding risk analysis, as well as control measures to be considered.
- Training and technical capability of the personnel providing the service.
- Documentation proving compliance with all legal requirements.
- Acceptance of the factory's Environmental Performance Standards (including a list of the waste that will be generated during execution of the works and its corresponding management).
- Acceptance of the factory's Sustainability Principles.
- Safety Accreditation of the Company, suppliers, providers and their workers.



Environment

The context of the climate transition

Efforts to **contain the advance of climate change** are translated into new initiatives and regulations by different bodies and institutions, among which the role of the European Union is particularly prominent.

The steel industry is one of the most energy-intensive sectors, requiring greater diligence in the development of its activity and the need to adapt to changes in the environment in order to contribute to compliance with emission reduction targets and other related regulations, as well as to maintain the industry's competitiveness.

The decarbonisation of the steel industry also requires the introduction of complex processes and procedures, the management of which requires the adoption of **new digital tools**. These tools have the potential to improve industrial processes and contribute to a more circular economy. However, this process is costly in terms of both investment and training.

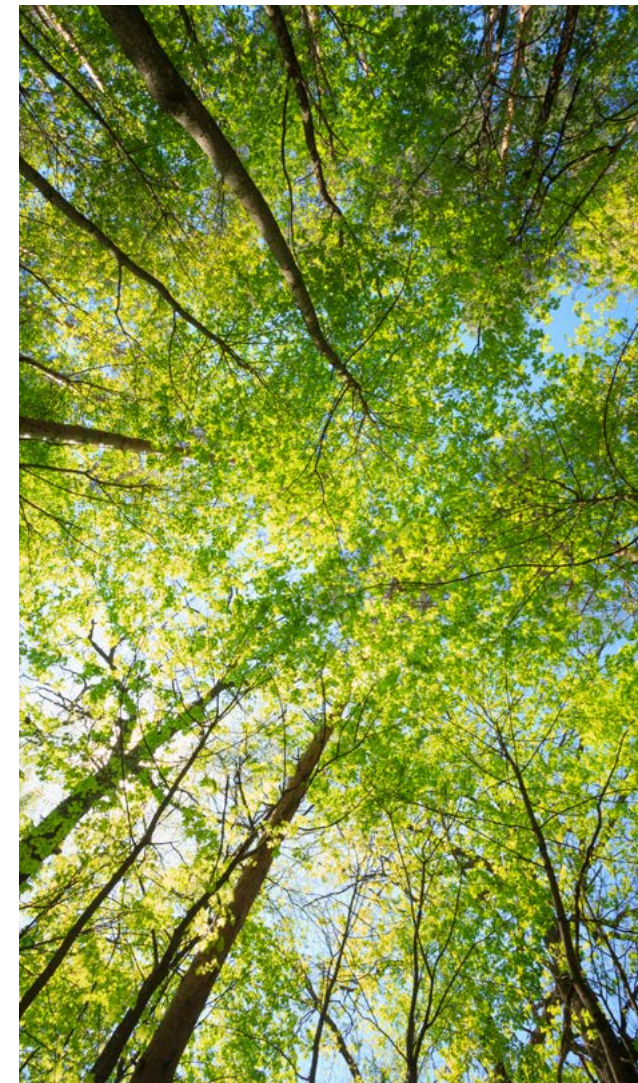
In this regard, the **deployment of measures and investment in energy efficiency** represents one of MEGASA's business priorities. In line with this, the company makes continuous efforts to implement projects that help reduce its energy consumption and the emission of gases into the atmosphere. This in turn results in indicators that are among the best in the sector in Europe, reinforcing its vision of a sustainable future and the need to meet its business objectives.

Integrated environmental management

The **Integrated Policy** of MEGASA lays down the principles and commitments in environmental matters and it is materialised in all its factories through the Environmental Management System **ISO 14001:2015**.

Among the principles of the Integrated Policy related to the environment, of particular note are the **assessment and minimisation of environmental impacts** associated with the activity of the factories; compliance with the **commitments made**, weighing up risks and opportunities, and the work for the **continuous improvement of production facilities** to be able to adequately manage its consumption, emissions, waste and discharges.

All factories have an **Integrated Environmental Authorisation**, setting out the legal compliance, the **preventive measures** required by the type of activity, the need to apply the **Best Available Techniques; waste minimisation and resource optimisation** and the conditions for monitoring, recording and reporting of environmental indicators.

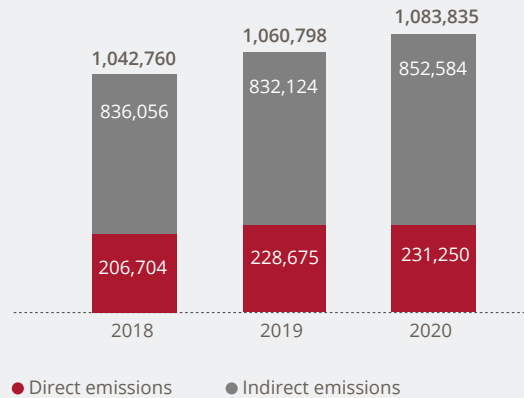


Emissions and energy

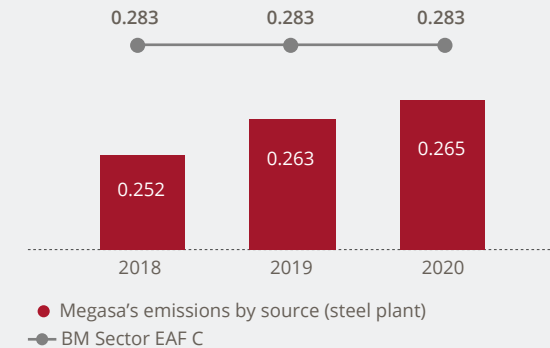
Steel mills are subject to the **GHG Emissions Trading**, so they are subject to exhaustive control of their emissions, which they must monitor, report and verify each year.

To achieve a reduction in energy consumption and, therefore, also in its emissions, MEGASA is working to introduce improvements in energy efficiency through optimisation of its processes and the development of innovative solutions; to increase the consumption of clean energies; to minimise the consumption of natural gas and to install equipment to reduce gas losses. The factories also have an Energy Management System in place in accordance with the **ISO 50001 standard**, which allows for constant monitoring and evaluation in this area in order to identify the most relevant measures to be developed in terms of energy efficiency.

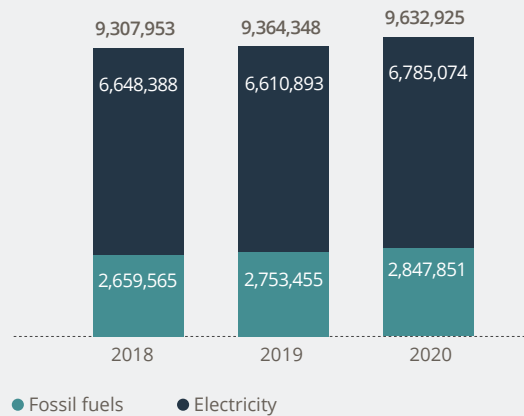
Megasa's emissions (t CO₂eq)



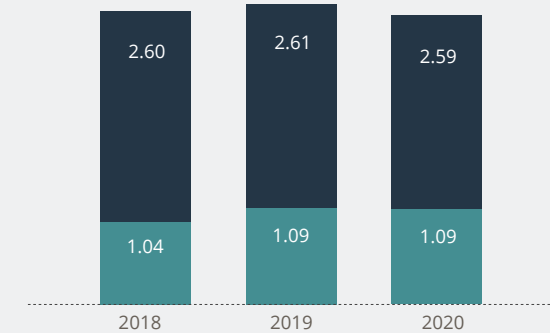
Emissions by source (steel plant) (Tm of CO₂eq/Tm steel)



Energy consumption of the organisation (GJ)



Energy consumption per product (GJ/Tm end product)



Renewable energy

One of the characteristics of the factories in the field of energy consumption is that being electric arc furnaces, they are **fully modular and can be adapted to take advantage of energy** during times of lower grid consumption. Therefore, the electricity received from the supplier has a large component of renewable production. Likewise, factories can be interrupted so they can stop consumption immediately when there is saturation of the electricity system, which usually coincides with a higher consumption of fossil fuels.

MEGASA has recently signed agreements for the purchase of renewable energy under a **PPA (Power Purchase Agreement)**, consisting of long-term contracts for the sale and purchase of energy with **renewable developers**. These agreements currently cover 20% of the company's energy consumption.

Lastly, MEGASA owns two mini hydroelectric plants: the Ferrerías plant and the Cercedo plant.



Other emissions

In addition to greenhouse gas emissions, the production processes emit **other pollutants**, mainly particulate matter. These emissions are controlled through continuous measurement equipment and/or official measurements carried out periodically by Authorised Control Bodies.

As elements to minimise emissions, MEGASA has the best available technologies installed in its steel mills, such as post-combustion chamber and fume cooling system, heat exchanger, systems for adding absorbent materials, cyclones and sleeve filters, which allow high efficiency in particle retention, as well as minimisation of the remaining emission parameters.

Finally, diffuse particulate emissions are caused by the handling of bulk materials and road traffic, for which the factories have implemented mitigation measures that are part of the operational control of the facility.

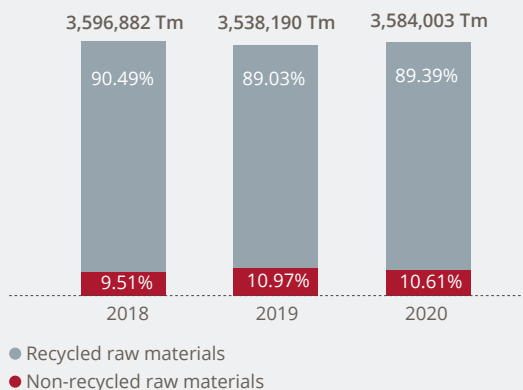
Use of raw materials

The steel produced by MEGASA has a high component of recycled raw material that represents between 80% and 100% of the end product.

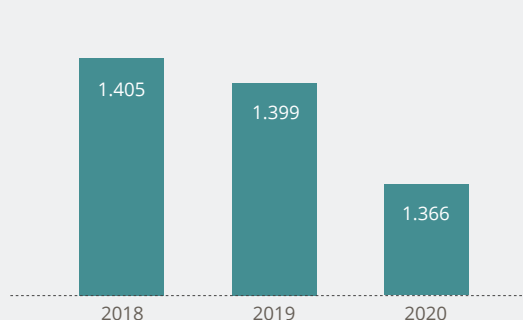
The **scrap** -the basic raw material needed in the steel industry- has a **high recycling capacity**. The scrap used in the production process has mainly two sources: pre-consumer, i.e., material diverted from the waste stream during processes in other industries; or post-consumer, which is waste generated in households, commercial or industrial facilities.

In addition to scrap, the company's activity requires the use of other **raw materials** such as: pig iron, pre-reduced products, ferroalloys, lime, coal and others associated with the maintenance process. The product resulting from the melting of the raw materials is the **billet**, which is in turn the raw material for the rolling process.

Materials used and proportion of recycled (Tm)



Materials used by product (Tm/Tm end product)



Life cycle assessment

The life cycle assessment of a product consists of evaluating all stages through which a product passes, from the beginning until its withdrawal. In some cases, as in the case of steel, the cycle is restarted again with its recycling and reintroduction into the process.

The development of tools for the **Life Cycle Assessment (LCA)** of products makes it possible to identify those phases of the cycle in which the environmental impact is greatest, in order to focus efforts on solutions to minimise these impacts. In addition, these tools allow the comparison of the impacts associated with different types of materials and represent an important tool for decision making at the time of design and conception of projects.

In this regard, MEGASA prepares the **Environmental Product Declarations (EPDs)**, to demonstrate the positive impacts of its products compared to other alternatives. This assessment is verified by third parties following international reference standards and methodologies.



Products for which the LCA has been performed

Long non-alloy steel products (rebars used as concrete reinforcement)

Long non-alloy steel products (wire rod)

Processed black slag or ASIC (Inert Steel Aggregate for Construction)

For the information required for the LCA study, production data from the steel plants have been provided, coupled with information on impacts.

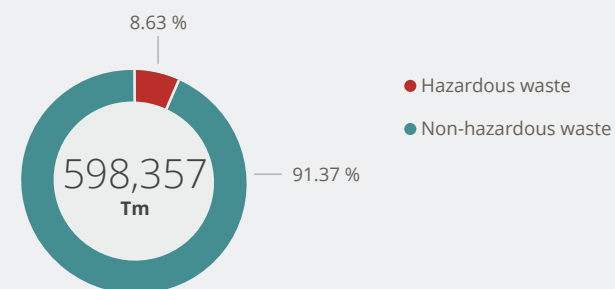
MEGASA has conducted this process based on the standards EN ISO 14025:2010, UNE 36904-1:2018, EN 15804:2012 and A1:2013 for rebars and wire rod; and EN ISO 14025, EN 15804 and EN 15942 for ASIC.

Waste management

The circular economy is one of the issues on which the company focuses by carrying out strategic investments and innovation projects. Proof of this is the high percentage of recovery of its waste – **97.88 %** –, which, at some of the plants, reaches 99.99%.

The factories manage the waste produced in accordance with the measures established in their management system and in compliance with prevailing regulations. They are equipped with appropriate storage facilities for **hazardous waste** - usually fats, oils or materials from the gas treatment system- and **non-hazardous waste** - such as scale and untreated slag, which is itself a by-product. The subsequent management and removal are carried out by authorised transporters and managers.

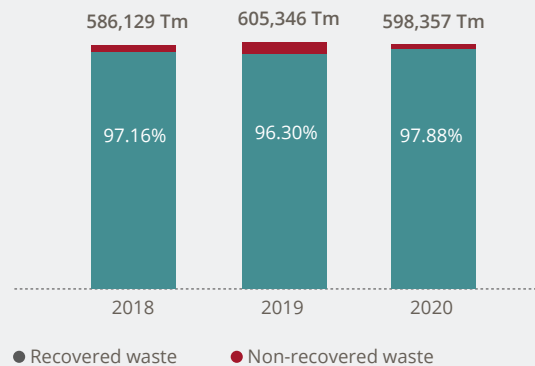
Waste generated (Tm)



Of the total waste generated, most is recovered - as shown in the figure.

The **measures to reduce waste generation** include the implementation of improvements in the maintenance and supervision of the plants, as well as innovative processes for reuse.

Waste generated and recovered (Tm)



Waste and by-product management - slag

The **black slag** is the main waste generated by factories on a volume basis. Once generated, it is possible to use it in a process of hydration and mechanical processing to transform it into **Inert Steel Aggregate for Construction (ASIC)**. Subsequently, this product is marketed or used as an artificial aggregate for different civil engineering works.

Likewise, studies have been conducted with different organisations to study in depth and explore to the maximum their technical and environmental characteristics, as well as the benefits of using them, to obtain the best possible use of this material; and we have carried out the

LCA to value the use of this product compared to other resources, especially for its ability to avoid the consumption of natural resources and the generation of waste, contributing to a **highly sustainable industry and circular economy**.

On the other hand, management of **white slag** is also important to minimise the generation of waste and to promote the use of resources. White slag is completely reused in the production process in place of other resources sourced naturally.

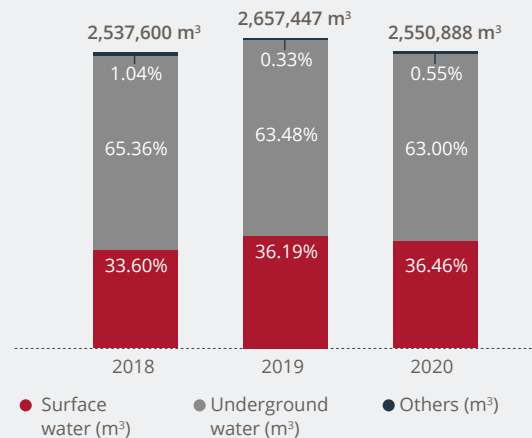


Efficiency in water management and consumption

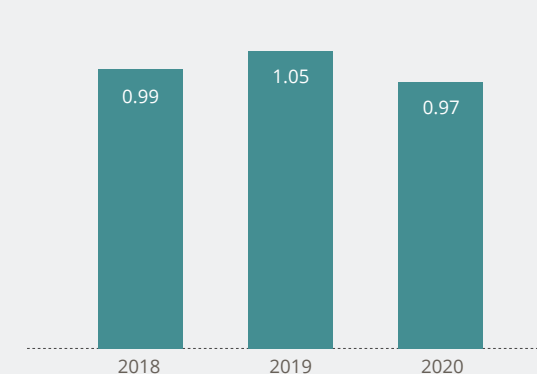
Steel production requires the use of large volumes of water. To manage this resource correctly, MEGASA has closed circuits for the use of water in its facilities, as well as operational control systems that allow consumption to be minimised and the quantities used to be controlled. Process water is treated to bring it up to the required quality levels that allow it to be reused, achieving greater efficiency in its use and minimising discharges.

At present, some of the company's factories are developing specific projects to promote the reuse of process water outside the production process, as well as rainwater, with the aim of continuing to optimise the company's consumption.

Water consumption (m³)



Water consumption per product (m³/Tm end product)



Environmental investments

In 2020, the organisation made investments worth more than **47 million euros**, of which more than **30% are environmental investments** focused on minimisation of impacts and prevention of environmental risks. The remaining investments are for process improvements and employee health and safety.

Target	Initiative
Reduction of diffuse emission	■ Renovation and extension of the coverage of storage areas, transfer and movement of powdery materials. ■ Improvement of the suction systems in the steelworks by increasing the suction capacity. ■ Installation of absorbent material injection systems. ■ Improvement of storage systems in silos and dust collection systems on conveyor belts. ■ Fixed and mobile means of particle reduction, such as foggers and water spraying systems. ■ Increased impermeable areas to minimise the generation of diffuse emissions associated with transport.
Optimisation of waste management	■ Optimisation of waste recovery through the construction and improvement of slag treatment plants (white and black). ■ Scientific research to increase the applicability of black slag in construction projects.

Target	Initiative	
Reducing the impact of noise emissions	■ Pre-design and execution of new projects to minimise environmental noise. ■ Revamping of productive areas for the installation of protection systems against acoustic emissions such as sound-absorbing panels, grids with acoustic attenuation, among others. ■ Implementation of acoustic barriers.	
Minimisation of resource consumption	Water	■ Reuse of process water and rainwater to minimise consumption and discharges.
	Energy	■ Optimisation of energy consumption in production facilities. ■ Optimisation of the maintenance carried out on the equipment. ■ Prioritisation of hot charging in the rolling mill to reduce natural gas consumption. ■ Reforms to the lighting control system and upgrades to LED technology. ■ Replacement of equipment for improved energy efficiency and lower consumption.

Cybersecurity projects

Companies today are facing an increasing digitalisation in all their internal processes, as well as in their relationship with their stakeholders. The increase of devices connected to the network, as well as the application of the “internet of things” (IoT) expose companies more and more to risks related to the security of their information and cyber-attacks, which have increased in recent years.

In the exercise of its activity, MEGASA considers cybersecurity a priority area. In this regard, the organisation carries out different projects and investments to avoid and/or minimise the impact that a cyber-attack could cause in the organisation and the development of the business.

MEGASA is currently immersed in the implementation and start-up of a Managed Detection and Response service for incidents of this type with one of the leading providers of this technology. This service has a security operations centre that continuously monitors the company's main assets - analysing the company's own network infrastructure, as well as off-site assets - to anticipate and communicate the detection of any incident to those in charge and take the appropriate measures in advance.



5.

Governance model

5.1 Governing bodies	39
5.2 Composition and operation of the governing bodies	40
5.3 Good Corporate Governance Practices	42

The following table lists, classified according to the nature of the activities carried out by each of them, the main companies of MEGASA.

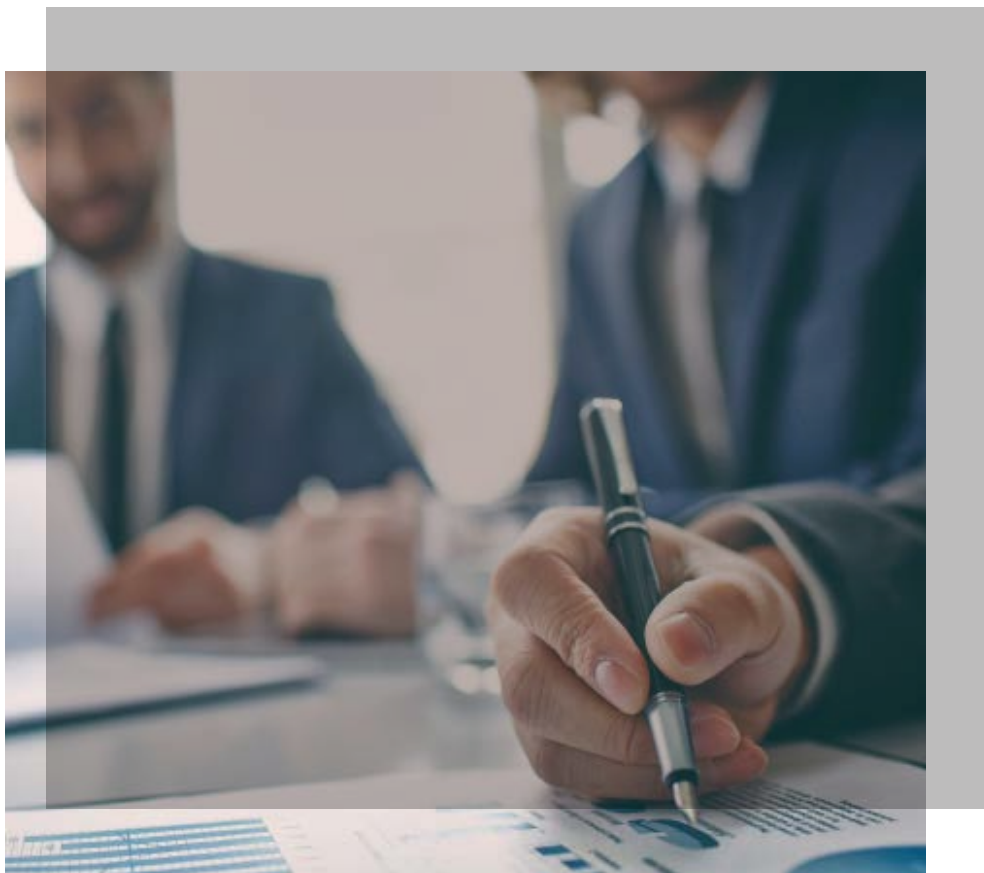
Main companies of MEGASA	
Activity	Company
Steel Plants	■ MEGASIDER ZARAGOZA, S.A.U. ■ MEGASA SIDERÚRGICA, S.L. ■ SN SEIXAL, SIDERURGIA NACIONAL, S.A. ■ SN MAIA, SIDERURGIA NACIONAL, S.A.
Shredders	■ JAP 2 RECUPERACIONES, S.L. ■ ECOMETAIS - SOCIEDADE DE TRATAMENTO E RECICLAGEM, S.A.
Transformers	■ MEGAMALLA, S.L. ■ SN TRANSFORMADOS, S.A.
Marketers	■ METALÚRGICA GALAICA, S.A. ■ MEGAÇO – PRODUTOS SIDERÚRGICOS, S.A. ■ FREIRE HERMANOS S.A.U.



5.1

Governing bodies

MEGASA's structure guarantees a diligent and responsible behaviour of the organisation's governing bodies while ensuring good performance and value creation for its shareholders, customers and other stakeholders.



Main functions of the governing bodies

Body	Functions
General Meeting of Shareholders	It has the powers provided for in the Law and the Articles of Association, as well as those which, due to their relevance or strategic nature, are considered essential.
Board of Directors	The main decision-making body of MEGASA's holding company and which ensures the achievement of the corporate purpose, the supervision and correct performance of the bodies or managers that it has appointed and the adoption of the main strategic decisions.
Audit and Control Committee	It supports the Board of Directors in its supervisory duties and is responsible for supervising the audit work on the financial statements and overseeing the internal control and risk management systems in place.
Steering Committee	Made up of MEGASA's senior managers, it analyses its performance in terms of industrial, investment, commercial, economic, human capital, quality and environmental management.
Boards of Directors of subsidiaries	Governing bodies of MEGASA's subsidiary companies in which the most relevant decisions concerning each company are adopted and the operation of the company is supervised, among other duties.

5.2

Composition and functioning of the governing bodies

Board of Directors of BIPADOSA



8
directors

37,5%
women

12,5%
independent directors

Matriz del Consejo

Position	Director			Committees
	Executive	Proprietary	Independent	Audit and Control Committee
Chairman	●			
Male Director		●		
Female Director		●		●
Female Director		●		
Female Director		●		●
Male Director		●		
Male Director	●			
Male Director			●	●

The **Board of Directors** exercises its functions with the aim of ensuring the achievement of the business objectives and its long-term sustainability. It is governed by the provisions of the Company's Articles of Association, as well as by the internal rules on the nomination and selection of directors.

In March 2021, new independent and executive directors joined the Board of Directors. These incorporations respond to a twin objective of the organisation:

- to make progress in adopting the governance standards established in the Good Governance recommendations of the National Securities Market Commission (CNMV with its Spanish initials);
- to incorporate profiles with experience in the sector and in governing bodies of similar entities, as well as with extensive knowledge of the company.

Accordingly, the Board of BIPADOSA comprises executive directors (25%); proprietary directors (62.25%) appointed by the shareholders; and independent directors (12.75%) whose appointment is made in accordance with their professional profile and experience in executive and governance functions that they may hold.

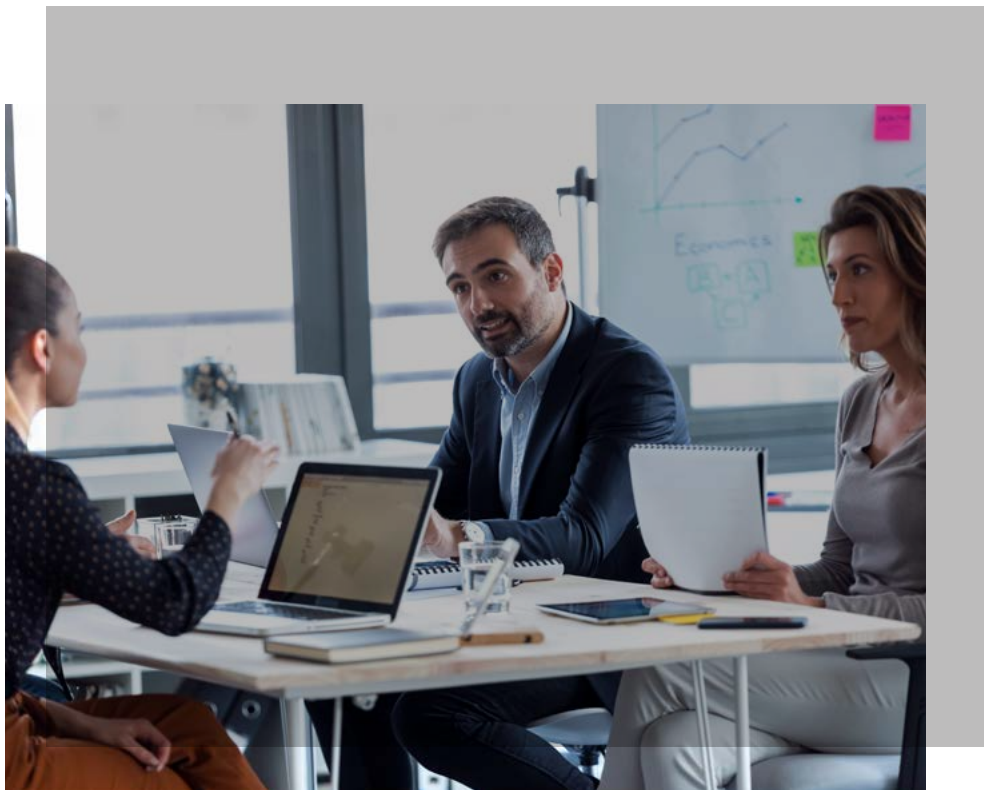
From a diversity perspective, 37.5% of the Board members are currently women, a percentage very close to the CNMV's gender diversity recommendation for 2022, set at 40%.

The **Steering Committee** is accountable to the Boards of Directors and comprises six members: the Chairman of the Board of Directors, the Managing Director for Spain, the Managing Director for Portugal, the Purchasing Director, the Commercial Director and the Technical Director. The business areas report directly to the Steering Committee, which in turn reports to the Boards of Directors.



5.3

Good Corporate Governance Practices



Ethics and compliance

In 2020, MEGASA has approved a system of Compliance, the implementation and deployment of which continues at the end of the year. This programme is the result of previous work carried out by the company with the advice of a third party and responds to the organisation's desire to continue advancing in the take up of best market practices that help minimise risks related to its administration and management.

Likewise, during 2020, the **Code of Conduct was updated**, in which Megasa reinforces its commitment and that of all its employees to carry out its activity in an integral, transparent and ethical manner and in compliance with prevailing regulations. Among the Code's principles are respect for human rights, equality and non-discrimination.

The assumption of these commitments is formalised through the company's policies, procedures and mechanisms designated for this purpose, which regulates the Compliance system. These include the **Anti-corruption, entertainment and gifts policy**; the **Market competition policy**; the **Criminal compliance policy**; the **financial investment policy**, and the **Policy on the operation of the whistleblowing channel**.

The body in charge of supervising and ensuring the proper implementation and effectiveness of this system is the Compliance Committee, also created during 2020.

Another of the year's milestones was the launch of a **whistleblowing channel**. The aim of this channel is to prevent and detect possible breaches of the law, the Code of Conduct or the company's internal regulations.

This channel is public and is available to employees, collaborators, suppliers or third parties, among other stakeholders. The complaints are received and managed by an independent entity, thus guaranteeing the anonymity of the complainant, as well as the impartiality and confidentiality of the processing process.

The whistleblowing channel is available through the following link:

<https://www.whistlerisk.com/megasa/canal-etico/>.

The organisation has also designed a training plan for all employees, the roll-out of which began in 2021. This training will provide MEGASA's staff with knowledge of the policies and procedures regarding compliance and the expected conduct in performance of its activity, as well as the mechanisms implemented in this respect for its management.

Risk management

MEGASA has a systematised procedure through which potential risks are identified and evaluated based on their likelihood and impact for the establishment of control and mitigation measures.

The effectiveness of the risk management system requires the involvement of different areas in monitoring and the

continuous follow-up of the main risks identified; the evaluation of control and mitigation measures; and the development, where appropriate, of action plans. The analysis considers all the internal processes of the organisation, such as strategic, operational and support, as well as external elements that may have an impact on it. The impacts that are taken into account are of an economic, social, environmental

and reputational nature; and it also considers the possibility of mitigation in the short, medium or long term.

The Audit and Control Committee reports to the Board of Directors on the process and results of the company's risk assessment.

The following is a summary of some of the main risks considered by the company:

Body	Functions	Mitigation measures
Market overcapacity	Risks related to global production overcapacity in the steel market.	■ Adequacy of production to market needs Analysis of entry into new markets to minimise its exposure to this risk.
Price volatility of raw material	Large price swings in a short period of time.	■ Continuous monitoring of the evolution of the markets in order to obtain the highest possible efficiency.
Supply chain	Vulnerability of supply chains in the context caused by COVID-19.	■ Measures for the adequate follow-up of purchases. ■ Flexibility of project deadlines to adapt to these circumstances. ■ Prioritisation of sourcing from local suppliers.
Economic cycles	Strong influence of the global economic situation on the steel market.	■ Analysis of the entry into new markets and prioritisation of the provision of quality customer service.
Competition	Trade barriers and geopolitical instability.	■ Analysis of the entry into new markets and reinforcement of the position in those in which it is already present.

Body	Functions	Mitigation measures
Regulatory	Compliance with internal and external regulatory standards.	■ Implementation of the compliance system and control measures.
Digitalisation	Requirement to adapt to technologies in a constantly changing environment.	■ Continuous monitoring and implementation of improvements in this area ■ Dedication of specific resources to the development of innovative projects.
Financial risks	Customer and supplier credit risk; and foreign exchange risk - especially relevant in crisis environments.	■ Credit risk analysis in order to have the appropriate insurance policies.
Environmental risks	Risks from the possible impact of the activity on the environment.	■ Action plans to optimise mitigation measures, ■ Investments for the adaptation to new BATs, within its continuous improvement cycle.
Health & safety	Heavy industry at risk of major accidents	■ Measures for the promotion of safe working environments and preventive culture.

6.

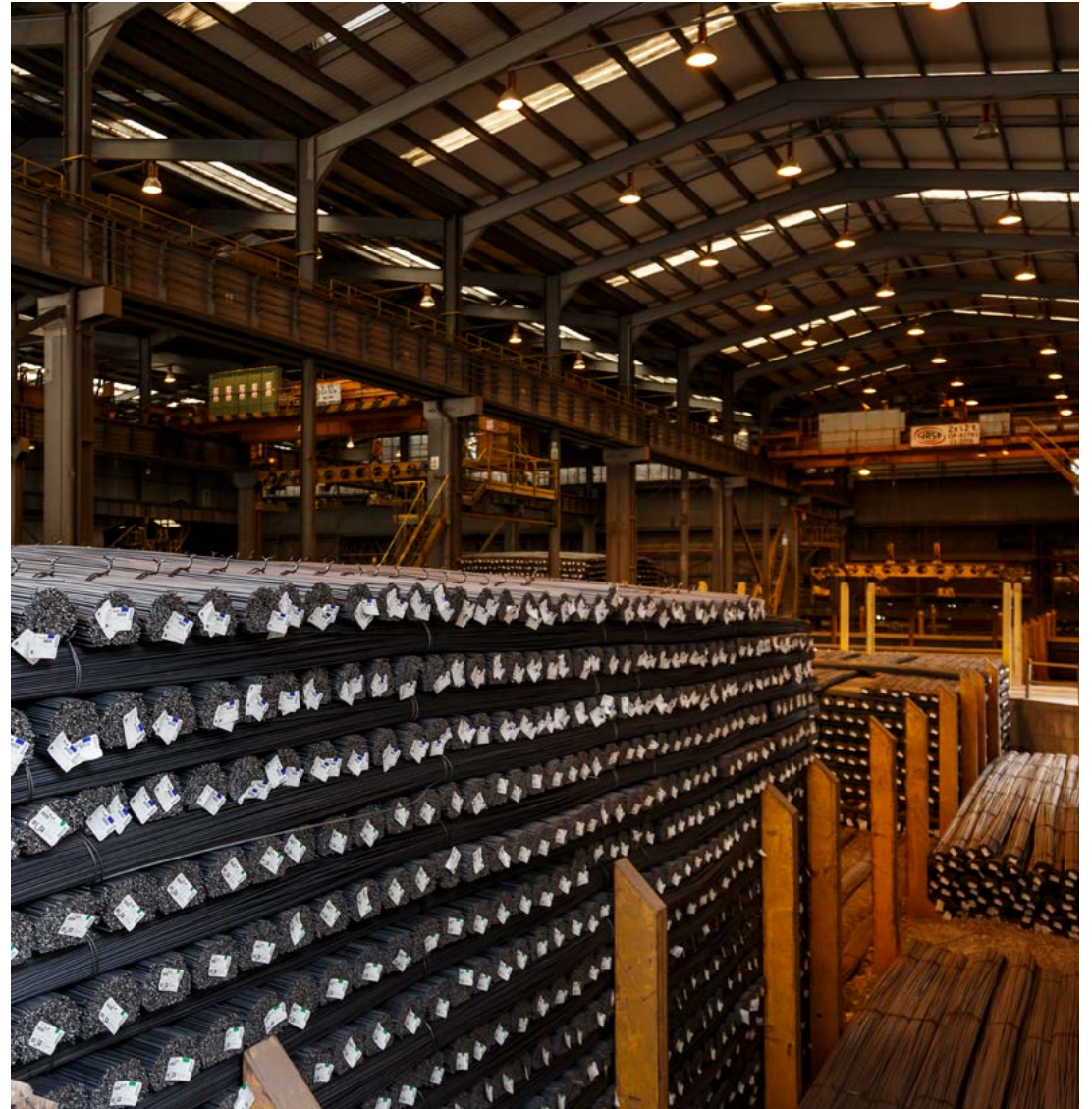
Annexes

Scope of the sustainability report	45
Stakeholders	46
Materiality analysis	47
GRI table of contents	48
Disaggregated table of contents BES-6001	53
Input-Output Methodology	56

Scope of the Sustainability Report

The scope of the report mainly covers the four steel production plants - Narón, Maia, Seixal and Zaragoza. The body of this report includes consolidated data on the main material aspects, while the annex includes individual data for each of the plants.

This report has been prepared in accordance with the **Global Reporting Initiative Standards** (GRI), in the **core** option, with the integration of strategic focus and future orientation, connectivity of information, responsiveness to stakeholders, materiality, conciseness, reliability, completeness, consistency and comparability.



Stakeholders

MEGASA identifies the stakeholders taking into account the activities performed and the particular casuistry of each plant, depending on whether they are directly or indirectly affected by the company's activity, or the repercussion that they may have on its operations.

MEGASA's stakeholders and dialogue activities			
Shareholders and owners 	MEGASA's shareholders are provided with information on performance, strengths, weaknesses and opportunities in a transparent and reliable way.	Local community 	The proper relationship of MEGASA's factories with the surrounding communities is essential for the smooth running of the activity. Employees are frequently part of this local community, so management of the relationship of both stakeholders is closely related.
Customers 	Customers are a key group on which MEGASA's success depends, so the company takes into account their level of satisfaction with the company and promotes the ongoing improvement of the quality of its product and service, while maintaining fluid communication with them.	Associations 	The company is a member of those associations that act on behalf of the industrial and iron and steel sector in the following areas when dealing with national and international public and private organisations. These partnerships are a vehicle of advancement for MEGASA.
Suppliers 	The organisation maintains a proactive relationship with its suppliers, which it manages through the procurement area.	Public administration 	The administration is a key stakeholder in the processing of permits that affect the industry in general, and the specific sites where the organisation performs its activity. It is also the institutional channel for relations between the local communities and the Company.
Employees 	MEGASA promotes an environment of dialogue and communication among the staff at all levels. Employees are the first to be involved in many of the company's decisions such as training or working conditions.	NGOs 	MEGASA collaborates with the third sector and other agents in the environment in which it operates for the development of environmental and/or social projects.
		Media 	The media acquire relevance for MEGASA in its relationship with the environment and with other stakeholders, mainly from a reputational perspective.

Materiality analysis

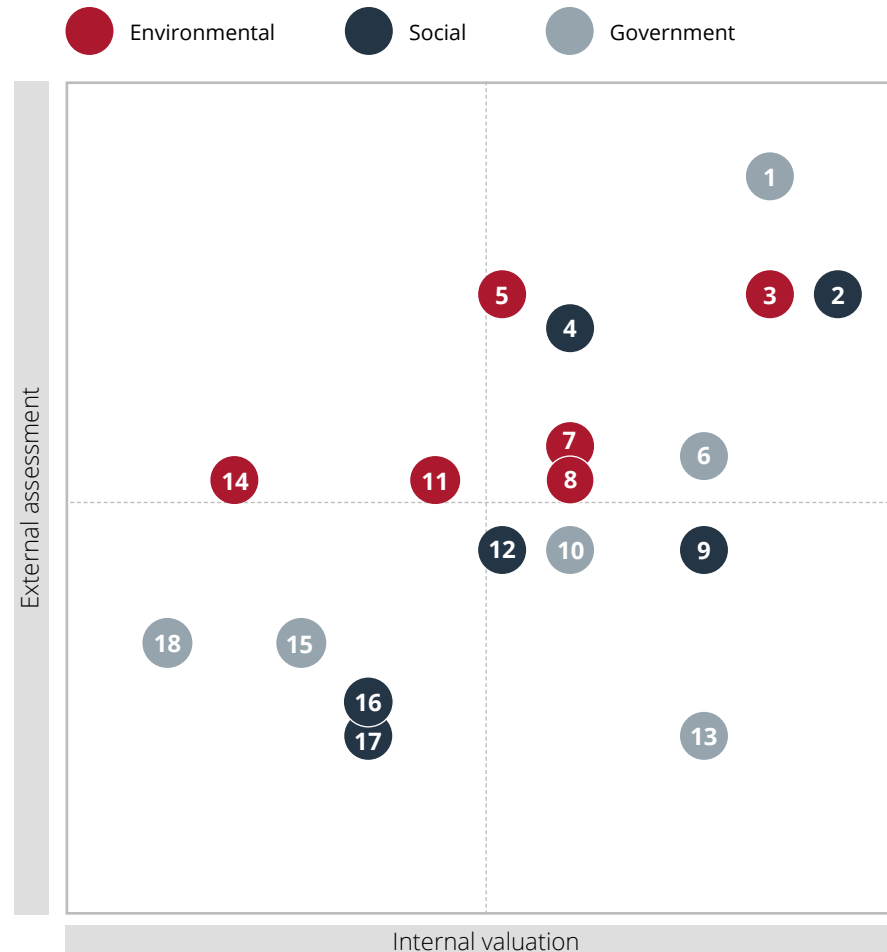
Analysis methodology

The identification of relevant issues has been carried out based on the latest materiality exercise carried out by the company, as well as on the analysis of prescribers, context and trends. In the process of prioritising the relevant issues for MEGASA, two perspectives have been taken into account:

- **Internal**, identifying the relevance of the issues for all area managers;
- **External**, allowing us to know the relevance of the issues according to the expectations of stakeholders, context and trends in our sector of activity.

Materiality matrix and list of relevant issues

The prioritisation of the most relevant issues has been represented in the following matrix, where the material issues for the company are those in the upper right quadrant, up to number eight of those listed on the right.



1. Ethics and Compliance
2. Occupational Health and Safety
3. Emissions and climate change
4. Relations with local communities
5. Use of raw materials
6. Risk management
7. Energy efficiency
8. Environmental impacts
9. Human and labour rights
10. Corporate Governance
11. Waste management
12. Talent development
13. Competitiveness
14. Water use
15. Innovation and development
16. Responsible supply chain
17. Diversity, equality and inclusion
18. Information security and privacy

GRI Content Index

GRI code	Indicator description	Reference / Response
GRI 101: Fundamentals 2016		
GRI 102: General Contents 2016		
Organisation profile		
102-1	Name of the organisation	MEGASA
102-2	Activities, brands, products and services	page 6 y 38
102-3	HQ location	Madrid (Spain)
102-4	Location of operations	Spain and Portugal
102-5	Nature of ownership and legal form	page 6 and 48
102-6	Markets served	page 6-8
102-7	Organisational dimension	page 6-8
102-8	Information about employees and other workers	page 19-23
102-9	Supply Chain	page 27
102-10	Significant changes to the organisation	page 27
102-11	Precautionary principle or approach	page 43
102-12	External initiatives	page 12-13
102-13	Membership of associations	page 12 and 46
Strategy		
102-14	Statement by senior executives decision-makers	page 3-4
102-15	Main impacts, risks and opportunities	page 43

GRI code	Indicator description	Reference / Response
Ethics and Integrity		
102-16	Values, principles, standards and norms of behaviour	page 42
102-17	Mechanisms for consultancy and ethical concerns	page 42
Governance		
102-18	Governance structure	page 39-41
102-19	Delegation of authority	page 39-41
102-20	Executive-level responsibility for economic, environmental and social issues.	page 39-41
102-22	Composition of the supreme governing body and its committees	page 39-41
102-23	Chairman of the highest governing body	page 39-41
102-24	Nomination and selection of supreme and its supply chain	page 39-41
102-25	Conflict of interests	page 39-42
102-26	The supreme governing body's role in the selection of purpose, values and strategy	page 39-41
102-27	Collective knowledge of the supreme governance body	page 40
102-28	Performance evaluation of the supreme governance body	page 39-41
102-29	Identification and management of economic, environmental and social impacts	page 29, 43

GRI code	Indicator description	Reference / Response
102-30	Effectiveness of risk management processes	page 43
102-31	Evaluation of economic, environmental and social issues	page 43
102-32	Role of the supreme governance body in the preparation of sustainability reports	page 39
Stakeholder engagement		
102-40	List of stakeholders	page 46
102-41	Collective bargaining agreements	In all of MEGASA's plants 100% of employees are covered by collective bargaining agreements, with works councils constituting the representatives of these.
102-42	Identification and selection of stakeholders	page 46
102-43	Approaches to Stakeholder Engagement	page 46-47
102-44	Key issues and concerns arising	page 46-47
102-45	Entities included in the consolidated financial statements	page 45
Reporting		
102-46	Definition and content of the report	page 45
102-47	List of material issues	page 47
102-48	Restatement of information	Not applicable
102-49	Changes in reporting	Not applicable
102-50	Reporting Period	1 January 2020 - 31 December 2020
102-51	Date of most recent report	Not applicable
102-52	Reporting Cycle	Annual

GRI code	Indicator description	Reference / Response
102-53	Contact point for questions and concerns about the report	www.megasa.com/contacto.php
102-54	GRI Standards compliance option	GRI Core
102-55	GRI table of contents	page 48-52
102-56	External verification	Not applicable
Material issues		
Emissions and climate change		
GRI 103: Management approach 2016		
103-1	Explanation of the material subject and its coverage	page 29-30
103-2	The management approach and its components	page 29-30
103-3	Evaluation of the management approach	page 29-30
GRI 305: Emissions		
305-1	Direct GHG emissions (Scope 1)	page 30
305-2	Indirect GHG emissions from power generation (Scope 2)	page 30
305-3	Other indirect (scope 3) GHG emissions	page 30
305-4	Intensity of GHG emissions	page 30
305-5	Reduction of GHG emissions	page 30-31
Energy efficiency		
GRI 103: Management approach 2016		
103-1	Explanation of the material subject and its coverage	page 29-30
103-2	The management approach and its components	page 29-30
103-3	Evaluation of the management approach	page 29-30

GRI code	Indicator description	Reference / Response
GRI 302: Energy		
302-1	Energy consumption within the organisation	page 30
302-2	Energy consumption outside the organisation	page 30
302-3	Energy intensity	page 30
302-4	Reduction of energy consumption	page 30
Use of raw materials		
GRI 103: Management approach 2016		
103-1	Explanation of the material subject and its coverage	page 31-32
103-2	The management approach and its components	page 31-32
103-3	Evaluation of the management approach	page 31-32
GRI 301: Materials		
301-1	Materials used by weight and volume	page 31-32
301-2	Recycled inputs	page 31-32
Risk Management		
GRI 103: Management approach 2016		
103-1	Explanation of the material subject and its coverage	page 43
103-2	The management approach and its components	page 43
103-3	Evaluation of the management approach	page 43
Ethics and Compliance		
GRI 103: Management approach 2016		
103-1	Explanation of the material subject and its coverage	page 42
103-2	The management approach and its components	page 42
103-3	Evaluation of the management approach	page 42

GRI code	Indicator description	Reference / Response
Occupational Health and Safety		
GRI 103: Management approach 2016		
103-1	Explanation of the material subject and its coverage	page 22-23
103-2	The management approach and its components	page 22-23
103-3	Evaluation of the management approach	page 22-23
GRI 403: Occupational health and safety 2018		
403-1	Management of occupational health & safety	page 22-23
403-2	Hazard identification, risk assessment and accident investigation	page 22-23
403-3	Occupational health services	page 22-23
403-5	Occupational health and safety training for workers	During 2020, training hours related to health and safety for all employees amounted to a total of 14,296.
403-6	Worker health promotion	page 22-23
403-8	Workers covered by an occupational health & safety scheme	page 22-23
403-9	Work-related injuries	page 23
Relations with local communities		
GRI 103: Management approach 2016		
103-1	Explanation of the material subject and its coverage	page 24-26
103-2	The management approach and its components	page 24-26
103-3	Evaluation of the management approach	page 24-26

GRI code	Indicator description	Reference / Response
GRI 201: Economic performance 2016		
201-1	Direct economic value generated and distributed	page 26
GRI 413: Local communities 2016		
413-1	Operations with participation of the local community, impact assessments, and development programmes	page 24-26
Other items		
Talent development		
GRI 103: Management approach 2016		
103-1	Explanation of the material subject and its coverage	page 21
103-2	The management approach and its components	page 21
103-3	Evaluation of the management approach	page 21
GRI 401: Employment 2016		
401-1	New employee hires and staff turnover	page 19-20
401-2	Benefits for full-time employees not given to part-time or temporary workers	page 19-20
GRI 404: Training and teaching 2016		
404-1	Average hours of training per year per employee	page 21
GRI 405: Diversity and equal opportunities 2016		
405-1	Diversity in governing bodies and employees	page 19-20

GRI code	Indicator description	Reference / Response												
405-2	Ratio of basic salary and remuneration of women versus men	The salary gap by professional category is shown below - plant personnel have not been included as the percentage of women is less than 1 per cent.. <table><tr><td></td><td>2018</td><td>2019</td><td>2020</td></tr><tr><td>Graduates and middle managers</td><td>29.0%</td><td>21.3%</td><td>24.3%</td></tr><tr><td>Administrative staff</td><td>19.7%</td><td>12.2%</td><td>10.0%</td></tr></table>		2018	2019	2020	Graduates and middle managers	29.0%	21.3%	24.3%	Administrative staff	19.7%	12.2%	10.0%
	2018	2019	2020											
Graduates and middle managers	29.0%	21.3%	24.3%											
Administrative staff	19.7%	12.2%	10.0%											
GRI 406: Non-discrimination														
406-1	Discrimination cases and actions corrective actions taken	page 42												
Responsible supply chain														
GRI 103: Management approach 2016														
103-1	Explanation of the material subject and its coverage	page 27-28												
103-2	The management approach and its components	page 27-28												
103-3	Evaluation of the management approach	page 27-28												
GRI 204: Procurement practices 2016														
204-1	Proportion of expenditure on local suppliers	page 27												
Water use														
GRI 303: Water and effluents 2018														
303-1	Interaction with water as a shared resource	page 34												
303-2	Management of impacts related to water discharges	page 34												

GRI code	Indicator description	Reference / Response
303-3	Water extraction	page 34
303-4	Water discharges	page 34
303-5	Water consumption	page 34
Waste management		
GRI 306: Waste management 2020		
306-1	Waste generation and significant waste-related impacts	page 32-33
306-2	Management of significant waste-related impacts	page 32-33
306-3	Waste generated	page 32-33
306-4	Waste not intended for disposal	page 32-33
306-5	Waste for disposal	page 32-33
Environmental Impacts		
GRI 103: Management approach 2016		
103-1	Explanation of the material subject and its coverage	page 29, 43
103-2	The management approach and its components	page 29, 43
103-3	Evaluation of the management approach	page 29, 43
GRI 307: General information		
307-1	Non-compliance with environmental laws and regulations	There are no cases of fines or sanctions for non-compliance with legal requirements related to environmental aspects in any of the factories.



Disaggregated Table of Contents BES-6001

MAIA	NARÓN	SEIXAL	ZARAGOZA
GRI 301-2 Percentage of recycled materials reused			
2018: 94.11%	2018: 92.89%	2018: 84.58%	2018: 95.37%
2019: 90.18%	2019: 93.71%	2019: 81.90%	2019: 95.76%
2020: 91.06%	2020: 93.85%	2020: 83.66%	2020: 95.35%
GRI 301-2: Total recycled materials used (Tm)			
2018: 1,135,031	2018: 432,878	2018: 1,165,230	2018: 521,830
2019: 1,069,276	2019: 441,067	2019: 958,066	2019: 681,706
2020: 1,155,792	2020: 403,792	2020: 1,093,054	2020: 551,041
GRI 302-1: Energy consumption (GJ)			
2018: 2,716,761	2018: 1,270,610	2018: 3,746,528	2018: 1,574,054
2019: 2,723,564	2019: 1,283,806	2019: 3,505,388	2019: 1,851,590
2020: 2,854,288	2020: 1,251,128	2020: 3,831,884	2020: 1,695,625
Energy consumption per product (GJ/Tm final product)			
2018: 2.99	2018: 3.44	2018: 3.91	2018: 4.83
2019: 3.09	2019: 3.71	2019: 3.89	2019: 4.61
2020: 3.06	2020: 3.60	2020: 4.10	2020: 4.16

MAIA	NARÓN	SEIXAL	ZARAGOZA
GRI 303-1 Water management			
- The water comes from the public network and twenty-four underground wells. - It is mainly used for cooling and sanitary water. - The industrial water purges are reused in the processes of hydration of slag and in the cooling of gases from the scrubbing system. - Domestic wastewater is discharged into the municipal sanitation services of Maia.	- The water comes from the Xubia River and the municipal water supply. It is used for cooling and as sanitary water. - Rainwater is used at the facility	- The water comes from the mains for consumption and from three underground wells. - Its uses are sanitary water and cooling. - Purges of industrial water are reused in slag hydration and electrode cooling processes. - Domestic wastewater is discharged at the Seixal WWTP.	- The water comes from the Imperial Canal of Aragón. - Its main uses are as cooling and sanitary water. Rainwater is discharged to the sewage system.
303-5 Water consumption in the industrial process (m³)			
2018: 761,970	2018: 262,730	2018: 1,099,550	2018: 413,360
2019: 713,580	2019: 275,770	2019: 1,114,720	2019: 553,380
2020: 770,434	2020: 243,184	2020: 1,016,240	2020: 521,028
303-5: Water consumption in the industrial process per product (m³/Tm final product)			
2018: 0.840	2018: 0.711	2018: 1.148	2018: 1.268
2019: 0.811	2019: 0.796	2019: 1.237	2019: 1.379
2020: 0.825	2020: 0.700	2020: 1.087	2020: 1.279
GRI 305-1: Direct emissions (Tm of CO ₂ eq)			
2018: 53,091	2018: 30,943	2018: 85,707	2018: 36,963
2019: 52,806	2019: 30,675	2019: 102,881	2019: 42,313
2020: 54,874	2020: 30,592	2020: 103,207	2020: 42,577

MAIA	NARÓN	SEIXAL	ZARAGOZA
GRI 305-2: Indirect CO ₂ emissions (Tm of CO ₂ eq) (factor 0.465 Tm/MWh)			
2018: 253,416	2018: 112,698	2018: 335,126	2018: 134,816
2019: 253,935	2019: 112,059	2019: 304,590	2019: 161,540
2020: 269,642	2020: 106,502	2020: 336,999	2020: 139,441
Total emissions by source (steel plant) (Tm of CO ₂ eq)			
2018: 241,750	2018: 105,826	2018: 303,917	2018: 127,095
2019: 244,068	2019: 105,333	2019: 296,087	2019: 158,729
2020: 259,674	2020: 99,534	2020: 321,319	2020: 135,214
Total emissions by source (steel plant) (Tm de CO ₂ eq/Tm steel)			
2018: 0.230	2018: 0.262	2018: 0.261	2018: 0.274
2019: 0.237	2019: 0.262	2019: 0.296	2019: 0.257
2020: 0.237	2020: 0.269	2020: 0.290	2020: 0.270
Total emissions by source (rolling mill) (Tm of CO ₂ eq)			
2018: 64,767	2018: 37,816	2018: 116,916	2018: 44,684
2019: 62,673	2019: 37,401	2019: 111,384	2019: 45,124
2020: 64,842	2020: 37,560	2020: 118,887	2020: 46,805
Total emissions by source (rolling mill) (Tm de CO ₂ eq/Tm final product)			
2018: 0.071	2018: 0.102	2018: 0.122	2018: 0.137
2019: 0.071	2019: 0.108	2019: 0.124	2019: 0.112
2020: 0.069	2020: 0.108	2020: 0.127	2020: 0.115
Total CO ₂ emissions (Tm of CO ₂ eq)			
2018: 306,507	2018: 143,641	2018: 420,833	2018: 171,779
2019: 306,741	2019: 142,734	2019: 407,471	2019: 203,853
2020: 324,516	2020: 137,094	2020: 440,206	2020: 182,019

MAIA	NARÓN	SEIXAL	ZARAGOZA
GRI 305-5: Reduction of CO ₂ emissions (Tm of CO ₂ eq)			
2018: -12,059	2018: -2,367	2018: -27,344	2018: 48,994
2019: -234	2019: 907	2019: 13,362	2019: -32,074
2020: -17,775	2020: 5,640	2020: -32,735	2020: 21,834
GRI 306-1: Waste produced (Tm)			
Produced (Tm)			
2018: 202,842	2018: 72,491	2018: 222,808	2018: 87,988
2019: 210,457	2019: 73,924	2019: 212,581	2019: 108,384
2020: 214,382	2020: 68,168	2020: 225,027	2020: 90,780
Produced by product (Tm/Tm final product)			
2018: 0.224	2018: 0.196	2018: 0.233	2018: 0.270
2019: 0.239	2019: 0.213	2019: 0.236	2019: 0.270
2020: 0.230	2020: 0.196	2020: 0.241	2020: 0.223
Recovered (Tm)			
2018: 202,769	2018: 70,055	2018: 222,019	2018: 74,625
2019: 210,430	2019: 71,608	2019: 204,381	2019: 96,503
2020: 214,358	2020: 65,822	2020: 219,113	2020: 86,370
Recovered by product (Tm/Tm final product)			
2018: 0.223	2018: 0.190	2018: 0.232	2018: 0.229
2019: 0.239	2019: 0.207	2019: 0.227	2019: 0.240
2020: 0.230	2020: 0.189	2020: 0.234	2020: 0.212
Percentage of waste recovered			
2018: 99.96%	2018: 96.64%	2018: 99.65%	2018: 84.81%
2019: 99.99%	2019: 96.87%	2019: 96.14%	2019: 89.04%
2020: 99.99%	2020: 96.56%	2020: 97.37%	2020: 95.14%

MAIA	NARÓN	SEIXAL	ZARAGOZA
GRI 401-1: Staff turnover			
2018: 11.71%	2018: 1.56%	2018: 14.56%	2018: 21.20%
2019: 11.19%	2019: 1.55%	2019: 19.14%	2019: 11.36%
2020: 11.30%	2020: 4.62%	2020: 14.82%	2020: 7.83%
GRI 404-1: Average hours of training per year per employee			
2018: 38.74	2018: 8.20	2018: 7.73	2018: 5.36
2019: 4.15	2019: 10.83	2019: 18.94	2019: 29.76
2020: 2.20	2020: 8.12	2020: 9.11	2020: 41.82
GRI 403-9: Work-related injuries			
2018: 6	2018: 7	2018: 13	2018: 15
2019: 3	2019: 2	2019: 10	2019: 4
2020: 3	2020: 6	2020: 13	2020: 7

MAIA	NARÓN	SEIXAL	ZARAGOZA
BES:6001. Transport			
Methodology for identifying significant environmental impacts associated with transport.			
Internal methodology that takes into account the frequency, likelihood and severity of impacts.			
Impacts associated with transport.			
■ Greenhouse gas emissions. ■ Fuel consumption. ■ Diffuse and sound emissions. ■ Oil spill.			
Significant environmental impacts identified by the organisation			
■ Emergency situations ■ Diffuse emissions ■ Noise emissions ■ Electricity consumption ■ Water consumption ■ Natural gas consumption			
Mitigation strategies			
■ Implementation of objectives ■ Control plans			
BES 6001: Life cycle assessment			
Environmental impacts detected in the LCA			
All factories have a life cycle assessment of their products, verified by accredited entities and available on the website.			

Input-Output Methodology

For the development of this report, we have used the **Input-Output methodology** developed by the Nobel Prize in Economics awardee Wassily Leontief. Based on the intersectoral tables of the Portuguese economy available in the *National Institute of Statistics* for the statistical region of the North (NUTSII), the driving force of the entities in the economy is estimated. This driving force is the reflection of the economic activity generated directly, indirectly and induced by corporate activity and the gearing effect it has on the economy. Thus, three types of impact are considered:

Type of impact	On whom it falls	Impact on employment	Impact on GDP
Direct impact	Company	Own employees.	Added by: 1. Wages and salaries and social contributions payable by employees. 2. Taxes. 3. Gross operating surplus.
Indirect impact	Purchasing from local suppliers	Employees associated with the supply chain.	Economic impact associated with the supply chain: purchases from local suppliers and following supply chains.
Impact induced	Consumption of own employees and suppliers from salaries	Jobs related to the consumption of own employees and their supply chain i.e., impact on sectors in which employees and employees of suppliers consume.	Economic impact related to the consumption of own employees: Analysing the sectors impacted by the consumption pattern of employees and employees of suppliers.





MEGASA

Ctra. de Castilla, 802-820 - 15570 Narón - Spain
T. +34 981 399 000
info@megasa.com

www.megasa.com