



Building the future with **Green Steel**

Sustainability Report
2022

AZA
Acero Sostenible®

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Vision of the Chairman of the Board

A more sustainable future

At AZA, we have been working for many years for a more sustainable future, and the results confirm that we are on the right path. We are Chile's largest recycler of ferrous scrap and its largest producer of green steel; our products have the lowest carbon footprint in the Chilean industry and one of the lowest worldwide (0.22 tonnes of CO₂ per tonne of steel produced); we soon expect to recover 90% of our waste and we are leaders in the circular economy, reducing the carbon footprint of other industries and activities through our green steel and eco-aggregates.

Moreover, there is something of which we are particularly proud: we have a work climate characterized by a high level of commitment and well-being (81% job satisfaction) in an environment that fosters diversity, inclusion and multiculturalism. In addition, our network of scrap recyclers – over 10,000 in 2022 – is the largest in the country, and we pay them within 24 hours.

Thanks to the strength of our Sustainability Model, which addresses economic, environmental and social challenges and guides us in acting responsibly towards our stakeholders and creating value with them, we were able to address and overcome the great challenges we faced in 2022.

Domestic steel consumption in Chile fell by over 25%, its second largest drop in three decades, amid the consequences of the Russian invasion of Ukraine, growing global tensions, deglobalization, climate change and economic, social and political crises.

To strengthen our production capacity and the job sources of our employees and grassroots recyclers, we created a Foreign Trade area, which reports to the New Business area. Thanks to this, we were able to open new overseas markets and achieved green steel exports of close to US\$20 million. In addition, we have continued working to be the strategic partner of the manufacturing and construction industries, contributing to their growth and productivity.

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To date, we have invested US\$74 million and expect to invest an additional US\$86 million by 2026 to increase our green steel output to 620,000 tonnes whilst continuing to meet our environmental targets, increasing our digitalization and use of artificial intelligence and achieving improvements in safety and energy efficiency.

AZA at a glance

We will be a net zero company before 2050. We are the first steel company in Chile and only the second in Latin America to make this commitment, validated by the Science Based Targets initiative (SBTi).

Sustainability Model

We have obtained green financing with an ESG structure for almost 80,000 million Chilean pesos, resources that are tied to the fulfillment of targets in terms of emissions reduction and production efficiency. These results and perspectives are a true testimony to the capacity, dedication and perseverance of each of the people who make up this company.

A circular, regenerative and net zero economy

In 2023, we will continue working for a more sustainable future.

Sustainable people and communities

Chile's economic recovery is closely linked to the momentum provided by companies like AZA. Our leadership on green steel, the circular economy and sustainability, as well as our alliance with and commitment to our employees, recyclers and communities, mark the path of technological and cultural transformations that, today, are imperative in any activity committed to sustainability.

Business excellence

We believe in and support public-private collaboration as a fundamental element for recovering minimum levels of cooperation, safety and a good national climate.

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The above reflects an effort which confirms that all the progress we have made is due to the leadership and conviction of our teams in meeting the goals we have set for ourselves.

We are all AZA.

Jorge Matetic Riestra
Chairman of the Board, AZA

AZA in first person:

A conversation about what makes us a leader on sustainability

In a lively exchange over a coffee, Sustainability Manager Paola Grandela talks to Hermann von Mühlenbrock, General Manager of AZA, about the company's principal milestones in 2022 and the foundations that underpin its medium and long-term goals.



PG

Hermann, I've seen you very enthusiastic over the last few days as we've been reviewing our performance in 2022.

HvM

It's impossible not to be enthusiastic, Paola, because I'm proud of the role we play in Chile's steel industry. No one would guess that a small country in the south of the planet has a steel industry with one of the world's lowest carbon footprints. This story, which began to be written seven decades ago with the production of roof hooks, hot rolled steel plate and horseshoes, is rich in important sustainability milestones.

PG

Perhaps many people do not know but we have always been pioneers. We installed Latin America's second continuous casting machine and, years later, the first smoke filter in the Santiago Metropolitan Region. Having that level of leadership is a huge responsibility and you, who have been with the company for over half its life, are part of that history.

HvM

True! I have devoted much of my life to AZA and it never fails to impress me. Although market conditions and the economic downturn have been challenging, we have, as always, been

tremendously resilient, adapting to what has come our way. We were able to react quickly and, for example, create the Foreign Trade area, which enabled us to export to Latin American and Caribbean countries – something unthinkable in other circumstances – and, in that way, project our business. This is reflected in sales of over 325,000 million pesos and an output of close to 450,000 tonnes of steel in 2022. That allows us to face 2023 with tremendous peace of mind.

PG

Quite right. Thanks to those decisions, we were able to provide stability for our employees and suppliers. Not only did we maintain the operation; we also doubled the amount of scrap we bought from grassroots recyclers, because they are very important to us. We continued to support them by paying them within 24 hours and through management tools to enable them to grow their businesses sustainably.

HvM

We also have a great executive team that is aligned with the company's strategy, speaks the same language of leadership and knows how to reach agreements. In addition, all our employees show permanent enthusiasm and commitment in the awareness that, through their work, they are making a positive contribution to society.

PG

A very good example of our spirit is the AZA Somos Todos, program through which we seek to eliminate barriers that divide us, focusing on those points that

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unite us. In 2022, we continued to promote diversity, inclusion and multiculturalism, and this has also been reflected in a greater presence of women in our operational areas, where they now account for 7.4% of the workforce.

HvM

That is a challenge on which we must continue to work. Personally, I was also very proud that the government awarded us the Migrant Commitment recognition. It positions us as one of the few Chilean companies that stand out on inclusion, an intercultural approach and non-discrimination in their internal composition, management and relationship with the external context.

PG

And not only that! It is worth noting that this year we once again obtained 81% of positive responses in our work climate survey, confirming that we are on the right track. Although it was a complex year, we were able to maintain a pleasant environment, with committed people who enjoy their work.

HvM

You can see that there is a virtuous circle between the three vectors of our Sustainability Model: business excellence; a circular, regenerative and net zero economy; and people and sustainable communities.

PG

Precisely. I believe we have managed to incorporate sustainability variables into everything we do, our day-to-day activities and, what's more, our business strategy! We have consolidated a roadmap for becoming an even more solid

company in terms of care for the environment, the creation of social value and transparency. Indeed, the indicators presented in this Report were verified and assured by Deloitte.

HvM

Of no less importance is the way we are incorporating new technologies into our business, supported by the Transformation and Innovation area. This has been accompanied by an interesting level of investment. In 2022, we implemented projects worth more than US\$12 million that we know will move us towards the AZA of 2030.

PG

This has been a very interesting conversation. Continually marking up achievements that contribute to the industry is an inspiration to keep up the intensity of our work.

HvM

Absolutely. I am certain that, in 2023, we will consolidate our projects, continue to deepen our relations with clients, suppliers and recyclers and – without a doubt – be one step closer to fulfilling all our public undertakings. In addition, we cannot forget that we will celebrate 70 years of history contributing to the construction of a more sustainable Chile.

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“Green steel for building a more sustainable Chile together: that is our purpose, which is ever more closely embedded in our business in order to continue our process of transformation with a view to 2030.”

Juan Andrés Barrientos
Transformation and Innovation
Manager

The sustainable value of our steel

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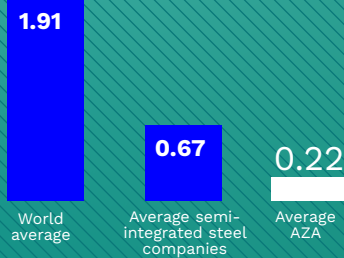


Steel that contributes to protection of the environment



Steel that contributes to progress and social well-being

CO₂ intensity (tonnes of CO₂/tonne of steel)



Our products have the lowest carbon footprint in the Chilean steel industry and one of the lowest in the world, implying a series of environmental benefits for the projects in which they are used.



We invite our clients and suppliers to be part of our model by providing them with a **Declaration of Circular Value, setting out the environmental benefits of recycling** with us and/or using our products.



We are the country's scrap largest recycler. During our history, we have recycled over **8 million tonnes**.



We recover slag (the most common waste generated by the steel-making process) through our **subsidiary EcoAZA, which is emerging as an important actor in the manufacture of eco-products.**



The company's work climate is characterized by high levels of commitment and well-being, in an environment that fosters diversity, inclusion and multiculturalism.



We have the country's largest network of scrap recyclers. In 2022, we received scrap from 10,808 suppliers, including 10,204 grassroots recyclers for whom this activity is their main livelihood and whom we support in their development.



We play a fundamental role in society by recovering scrap in every corner of Chile, contributing to the cleanliness of these environments and the well-being of their inhabitants.



Our products contribute to sustainable construction in Chile and to clients' LEED, CES and CVS certification.

1. Who are we and what do we do?

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WHY DO WE EXIST?

Our purpose

Green steel for building a more sustainable Chile together.

WHAT GUIDES US?

Our values

- We care for life.
- We connect as a team.
- We create value for our clients.
- We innovate.
- We live excellence.
- We are sustainable.
- We act with integrity.
- We make things happen.

What do we do?

Since 1953, we have been Chile's leading manufacturer of steel products from the recycling of ferrous scrap. With our installed capacity, we can produce 520,000 tonnes of steel a year from some 600,000 tonnes of scrap.

Our products comply with the highest quality standards. This enables professionals in the civil construction, metalworking and mining sectors to design and implement their projects in line with the Chilean standards in force.

Carlos Jiménez
Shears operator



Our steel is used in the country's major construction and infrastructure projects, contributing to a sustainable future for Chile by offering the industry's lowest carbon footprint.

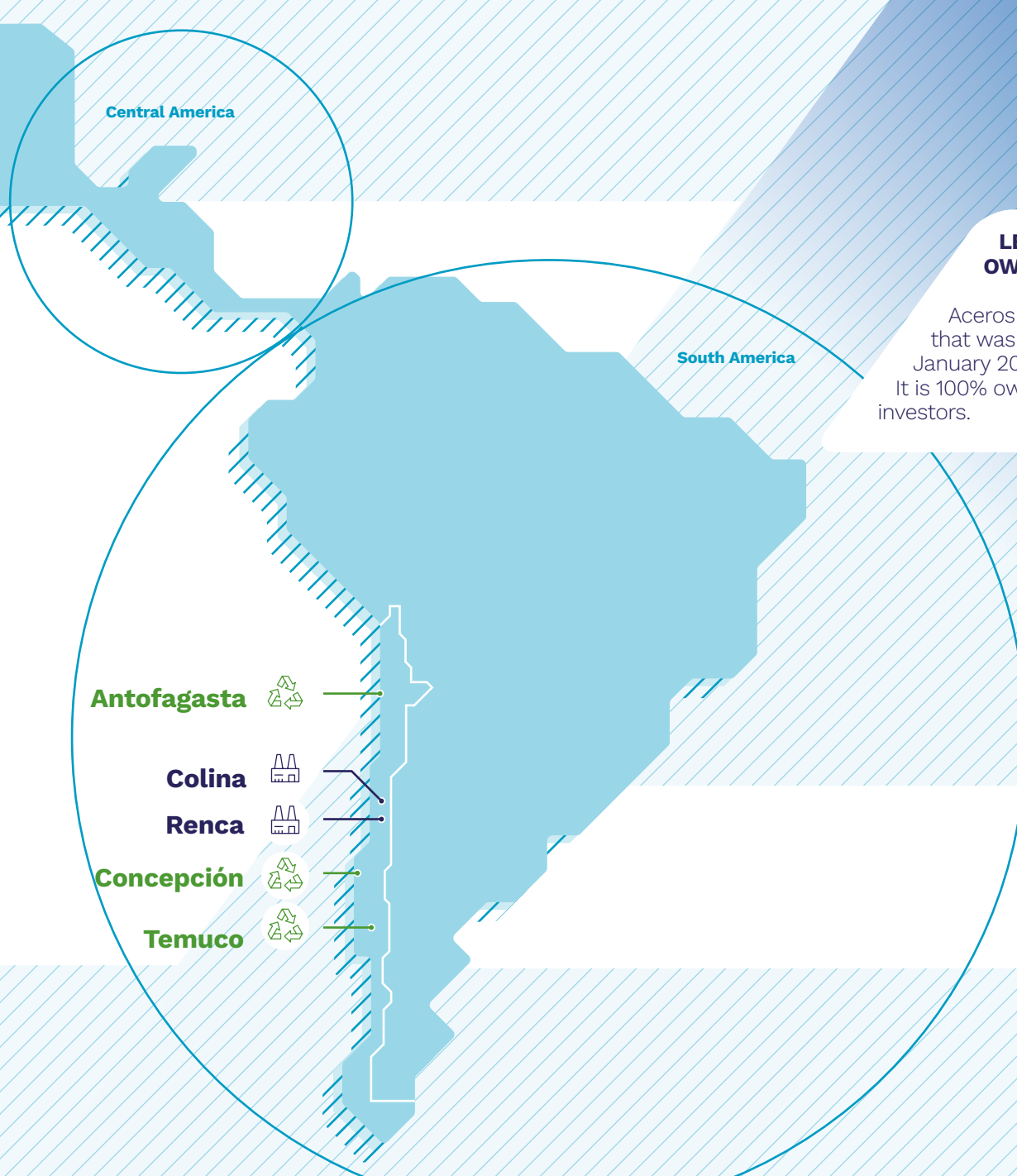
(0,22 tonnes CO₂e/tonne of steel produced)

Our facilities and geographic presence

We sell mainly to the domestic market but, in 2022, expanded to new overseas markets.

We have three ferrous scrap recycling and processing centers in the cities of Antofagasta, Concepción and Temuco, where we receive scrap from all over the country. We also collect scrap directly from manufacturing and mining companies and our 540 containers located at manufacturing and construction sites and other points around Chile.

The scrap is transported to our modern plant in Santiago's Colina district where it is smelted in an electric furnace to transform it into billets. These are then hot-rolled at the Colina and Renca plants to make long steel products.



LEGAL FORM AND OWNERSHIP

Aceros AZA is a closed corporation that was modified by public deed of 31 January 2019. It is 100% owned by a group of Chilean investors.

Symbology

Recycling center 

Production plant 

2. A sustainable road

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2000

National Quality Prize, ISO 9001 and 14001 and OHSAS 18001 certification

Inauguration of Colina Plant, with environmental mitigation and control that represented 15% of the total investment

2002

Ibero-American Quality Prize

Start of continuous noise monitoring at the steel mill

2003

Award of ProPyme seal

2004

Educational guide on recycling steel entitled ¡A Reciclar Chatarra!

2006

Approval of Declaration of Environmental Impact for Colina Plant and increase in installed capacity to 520,000 tonnes of liquid steel per year

First scrap supplier development program

2007

Opening of Recycling Centers in Antofagasta and Temuco

Carlos Vial Espantoso Prize for best labor relations

2009

First steel company in Chile to measure its carbon footprint

Signing of recycling agreement in Rapa Nui

2011

Expansion of dust collection system

2012

First collection of scrap from the Antarctic and Juan Fernández Island

2013

Prize for Excellence in Sustainability (World Steel Association)

First Chilean steel company to analyze and report the life cycle of products

Top place in PROhumana Social Responsibility Ranking and Platino Seal

2014

Top place in MERCO Corporate Reputation Ranking

2017

Prize for Preventive Management (ACHS)

Formalization of Innovation area

2018

100% of company acquired by Chilean investors

Creation of AZA risk management and governance system

2019

Online connection for continuous emissions monitoring

2020

Creation of EcoAZA

AZA Contigo program for grassroots recyclers

2021

New Purpose and Sustainability Model

Gold Seal of Energy Efficiency and I-REC certification for use of renewable energies

2022

First steel company in Chile and second in Latin America to have its commitment to carbon neutrality validated by the Science Based Targets initiative (SBTi)

AZA achieves one of the industry's lowest carbon footprints internationally

New lines of ESG-structured financing that account for 43% of total borrowing approved

Launch of Diversity and Inclusion Policy and AZA Senior program and Award of Compromiso Migrante recognition

Launch of Steel Volunteers program and AZA Vecino program

3. Principal Milestones and Results 2022

A CIRCULAR, REGENERATIVE AND NET ZERO ECONOMY

Climate change

We were the first Chilean steel producer and only the second in Latin America to enter into a commitment to carbon neutrality validated by the Science Based Targets initiative (SBTi).¹

Intensity of CO₂ emissions

0.22 tonnes of CO₂e per tonne of steel produced



Circular economy

497,581

tonnes of scrap converted into green steel

21%

recovery of the waste generated by our production process

PEOPLE AND SUSTAINABLE COMMUNITIES

Employees

589

employees

15%

women in total workforce

7.4%

women operators

81%

job satisfaction

Workplace safety

0

fatalities

5.5

frequency rate²



Network of recyclers

10,808

scrap suppliers of whom 10,204 are grassroots recyclers³

12%

of scrap acquired from grassroots recyclers

BUSINESS EXCELLENCE

Sales and production

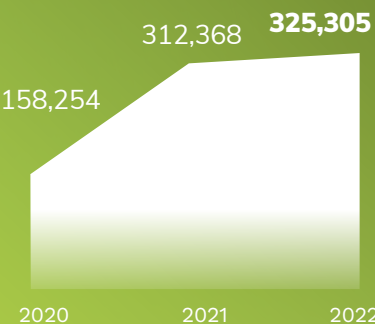
\$ 325,305

million pesos in sales

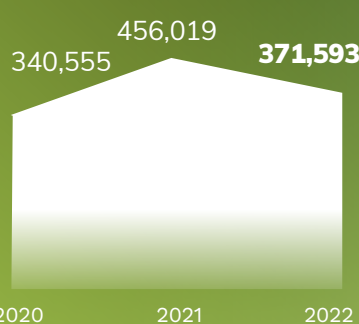
371,593

tonnes of rolled steel products

Sales (mill. pesos)



Rolled steel products (tonnes)



Financing

\$ 79,600

million pesos in new ESG-structured financing;⁴ accounts for 43% of lines of credit approved.



Scrap suppliers' invoices by payment period

98%

Within 24 hours



2%

Between 24 and 48 hours

¹ <https://sciencebasedtargets.org/>.

² Number of injuries (lost time injuries plus fatalities) per million hours worked.

³ Recyclers with average monthly sales to AZA of up to 20 tonnes.

⁴ Lines of financing with an interest rate tied to AZA's compliance with ESG indicators.

SASB Indicators/ Iron and steel producers

Activity metrics

Code	Accounting metric	Answer
EM-IS-000.A	Raw steel production (tonnes)	449,812 tonnes
	Percentage produced by:	
	(1) Basic oxygen furnace processes	0 %
	(2) Electric arc furnace processes	100 %
EM-IS-000.B	Total iron ore production (tonnes)	Not applicable. AZA does not make steel from iron ore, only from recycled ferrous scrap.
EM-IS-000.C	Total production of coking coal (tonnes)	Not applicable. AZA does not use coking coal as an input. Our electric arc furnace process uses electricity from renewable sources while the billet reheat furnace uses natural gas.



4. Prizes and Recognitions

CIRCULAR, REGENERATIVE AND NET ZERO ECONOMY

→ SBTi approves Aceros AZA's environmental commitment to the international "Business Ambition for 1.5°C" campaign

Our company has undertaken to reduce its Scope 1 and 2 GHG emissions by 50% by 2030 and to achieve carbon neutrality before 2050. This commitment was analyzed by the Science Based Targets initiative (SBTi), which ratified that it is in line with the objective of limiting the increase in the global temperature to 1.5°C.

→ Climate Action Data Provider, World Steel Association

WorldSteel, the organization that brings together the world's main steel companies, awarded us its Climate Action Data Provider recognition for our constant support in sending information about the company's climate action. In addition, the results of the study confirm that, at 0.22 tonnes of CO₂ per tonne of steel produced, our carbon footprint is one of the lowest in the world.

→ Companies with the best performance on management of climate change mitigation

A study by the Santiago Climate Exchange (SCX) and Deloitte⁵ found that, out of the 100 Chilean companies with the highest sales, AZA was in the top ten on management of climate change mitigation. The study was presented at the COP27 Climate Summit in Egypt in November 2022.

PEOPLE AND SUSTAINABLE COMMUNITIES

→ Migrant Commitment recognition

The National Migration Service recognized AZA's work on inclusion, an intercultural approach and non-discrimination, awarding us its 2021 Compromiso Migrante (Migrant Commitment) seal. The state of Chile awards this recognition to institutions, companies and associations that contribute to the promotion of good labor practices in this field.

The recognition reflects our implementation of a strategy that allows us to be interconnected with people of 11 different nationalities who contribute important knowledge of the steel industry through the experience they acquired in their countries of origin. At the end of 2022, employees from other countries accounted for 14% of our workforce.

→ Global Compact Conecta Awards

The application of our AZA Contigo (AZA with You) program to grassroots recyclers was the best valued in the Interconnection category of the 2022 Conecta Business Awards of Global Compact Chile. The initiative, which seeks to support those entrepreneur families whose main livelihood is the sale of scrap metal, stood out for its relevance to the targets of SDGs 10, 11 and 12.

BUSINESS EXCELLENCE

→ SOFOFA ESG Ranking

We participated in the ESG ranking of Chile's Manufacturers' Association (SOFOFA). This instrument measures companies' performance in six strategic dimensions of sustainability and is based on General Standard 461 of Chile's Financial Market Commission (CMF). Fifty companies participated in the measurement where we obtained a general compliance level of 91%. The dimensions on which we obtained 100% were clients, communities and the environment. Our other scores were 91% on corporate governance, 83% on employees and 72% on suppliers.

→ SelloPro

The Chilean Chamber of Construction (CChC) awarded us its SelloPro (ProSeal), which recognizes those companies that stand out in the industry on the CChC's Pillars of Sustainability: community relations, mitigation of environmental impact, employees' quality of life, safety and occupational health, responsible management of the value chain and the incorporation of innovation models.

→ ALACERO recognition

The Latin American Steel Association (ALACERO) recognized us for our role in the development of its sustainability indicators. The certificate and seal were awarded to us for our collaboration and transparency in data collection throughout 2022.

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“We have designed a Sustainability Model that considers the economic, environmental and social challenges that guide us in complying with our objective of acting responsibly towards our stakeholders and creating value with them.”

Daniela González
Head of Sustainability

1. Sustainability strategy and public undertakings

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Sustainability model

As part of our permanent innovation and transformation process, we updated our Purpose in late 2021 and early 2022. We also defined a roadmap for its achievement, integrating environmental, social and governance (ESG) aspects with the business focuses established in our strategic planning.

Our Sustainability Strategy is anchored around three core vectors: business excellence, a circular, regenerative and net zero economy, and people and sustainable communities. For each vector, we have defined priority issues, with the corresponding implementation plan and KPIs for monitoring our progress.

Why do we exist?

Purpose

Green steel for building a more sustainable Chile together

What guides us?

Values

- We care for life
- We live excellence
- We add value for our clients
- We are sustainable and act with integrity
- We innovate
- We connect as a team
- We make things happen

How will we fulfill our Purpose?

Sustainable Strategy



Public undertakings

We have established ten public undertakings to be achieved in 2025-2050 in priority areas where we have the greatest impact on our surroundings. These undertakings challenge, inspire and mobilize us to advance more quickly in our positive impact on society.

Priority issue	Our progress in 2022	Our undertaking by 2025	2030	2050
Circular economy	21% waste recovery	100% waste recovery		
Response to climate change	69% reduction		50% reduction in CO ₂ emissions (Scopes 1 and 2), compared to 2019	Net zero before 2050
Water	12% reduction		20% reduction in water consumption per tonne of steel produced, compared to 2019	
Energy	7% reduction	5% reduction compared to 2019		
Safety and occupational health	1 severe injury	Zero severe injuries or permanent occupational illnesses in our own and third-party employees at the company's operations by 2025		
Diversity, inclusion and equity	2% women operators	20% women operators		
Building a network of scrap recyclers and sustainable communities	12% of scrap acquired from grassroots recyclers 6 alliances established	20% of scrap acquired from grassroots recyclers 5 alliances established to support the development and sustainability of neighboring communities		
Sustainable products and commitment to clients	69% reduction in CO ₂ emissions, which contributes directly to the target established 88.6% client satisfaction, the highest ever achieved		To be a strategic partner for the manufacturing and construction sectors, contributing to their growth and productivity by 2030.	100% of products made by AZA in Chile to be net zero before 2050

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Deployment of the model within the organization

In 2022, we addressed the components of the cultural change required to embed our Purpose, Sustainability Strategy and Values in decision-making and employees' day-to-day activities. These components are dissemination, training, leadership, governance and monitoring.

Dissemination and training

In April 2022, we launched our Purpose and Sustainability Strategy in a workshop with internal leaders and, in July, invited all the organization to a mass event characterized by re-encounter, music and participation. In addition, as part of our permanent dissemination plan, internal and external communications regularly refer to the Sustainability Model, its progress and key related initiatives.

Training sessions were also held for different areas of the company in which each employee reflected on their contribution to the Sustainability Strategy and its associated undertakings. Key initiatives on environmental, social and governance issues were presented during these sessions.

For information on how we are integrating the Model into our governance, monitoring ESG aspects and incorporating them into decision-making, see pages 88 and 89.



Event to deploy the Purpose and Sustainability Strategy

2. ADHERENCE TO EXTERNAL GUIDELINES

In our bid to advance in our practices and contribute to the development of sustainable businesses and societies, we adhere not only to our own internal guidelines but also to external guidelines and initiatives.

GLOBAL COMPACT AND SUSTAINABLE DEVELOPMENT GOALS (SDGs)

We adhere to the ten principles of the UN Global Compact and are aligned with the Sustainability Development Goals (SDGs)⁶. The SDGs are humanity's roadmap for 2030 to which countries, companies and civil society are committed. They specify the goals and specific targets we must achieve so our planet and its inhabitants can look ahead to the future.

Since 2010, we have participated in Global Compact Chile⁷ and, since 2020, our General Manager, Hermann von Mühlenbrock, has chaired its Executive Committee, being re-elected in 2022 for a further two years. In addition, we participate in the following initiatives and working groups, created to support companies' contribution to achievement of the 2030 Agenda through a better understanding of the SDGs, their targets and indicators.

• Climate Ambition Accelerator.

This initiative seeks to equip businesses with the knowledge and skills they need to accelerate progress towards setting science-based targets aligned with the 1.5°C pathway. It also seeks to contribute to the creation of a clear road for addressing a company's transition to carbon neutrality.

• **Conecta Platform.** This online system seeks to accelerate business impact on the 17 SDGs, remotely helping companies to identify, according to their sector and business model, each of the goals, their targets and the associated indicators.

• SDG 4 - Quality education.

We participate in the working group on this SDG in the framework of which a study was conducted to identify needs, gaps and actions as well as good company practices to ensure inclusive and equitable high-quality education.

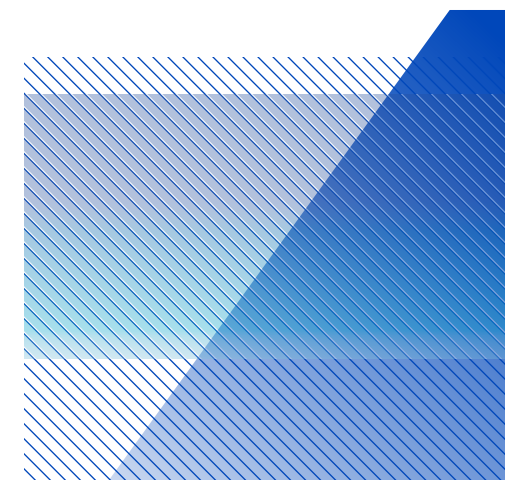
• SDG 6 - Clean water and sanitation.

We participate in the Leading Companies for SDG 6 initiative, which seeks to promote the calculation of indicators for the management and measurement of water use. In this framework, we applied for the Clean Production Agreement Blue Certificate Level 1 Advanced in 2021. It establishes that each company must apply ISO 14046, the international standard for Water Footprint Assessment. In 2022, we validated the measurement and advanced towards third-party certification, which we expect to obtain in the first half of 2023.

• SDG 8 - Decent work and economic growth.

We participate in the working group on this SDG, which addresses aging and the employability of older adults. This topic is also of great relevance in the context of the problems surrounding pensions and the impact on the elderly.

In addition, in 2022, we participated in a study of what companies are doing for children and adolescents at the regional level.



⁶ <https://www.un.org/sustainabledevelopment/es/objetivos-de-desarrollo-sostenible/>.
⁷ <https://pactoglobal.cl>.

NET ZERO OF SCIENCE BASED TARGETS⁸

The Science Based Targets initiative (SBTi) fosters ambitious climate action on the part of the private sector by encouraging the establishment of science-based emissions reduction targets to limit global warming to 1.5°C.

Since 2020, we have adhered to the carbon neutrality and net zero commitment promoted by this organization. In 2021, we submitted our Climate Action Plan and its associated targets for SBTi validation, which we obtained in April 2022, becoming the first Chilean steel company and only the second in Latin America to do so.

WORLD STEEL ASSOCIATION⁹

We are one of the 39 steel companies that signed the World Steel Association's Sustainability Charter in 2022, reaffirming our commitment to updating the nine principles under which companies undertake to play a leadership role on environmental, social and governance matters.

In addition, we are participating in the organization's Climate Action initiative to quantify and analyze the steel industry's emissions and participate in its commemoration of Steel Safety Day. We also submit data for the Association's annual report on sustainability indicators.

ACCIÓN EMPRESAS¹⁰

In 2022, we adhered to the Five Key Criteria for sustainability promoted by the Acción Empresas organization in line with the proposal of the World Business Council for Sustainable Development (WBCSD) and its Vision 2050. This proposal consists in a strategic transformation agenda of concrete measures for a world in which over 9,000 million people are able to live well, within planetary boundaries, by 2050. The criteria are carbon neutrality, biodiversity, human rights and due diligence, inclusion and diversity, and transparency and reportability. Our Sustainability Manager, Paola Grandela, was elected a director of Acción Empresas for 2023-2024.

In addition, we participate in various working groups and initiatives of Acción Empresas. They include the Corporate Sustainability Diagnosis and the Clean Production Agreement on Transition to a Circular Economy (see page 26).

We participate actively in a range of instances, rankings and studies related to sustainable construction, energy efficiency, the circular economy, diversity and inclusion, innovation and sustainable development in general. The organizations involved include:

- Chile Green Building Council
- ALACERO
- Agencia de Sostenibilidad Energética
- SOFOFA
- ETHOS
- PROhumana

For further information about the organizations and other bodies in which we participate, see page 118.

A circular, regenerative and *net zero* economy

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“At 0.22 tonnes of CO₂ per tonne of steel produced, our carbon footprint is one of the lowest in the industry internationally. When we say our steel is green, that is a reality.”

Rodrigo Sepúlveda
Head of Energy Development

1. Circular economy

WE ARE CHILE'S LARGEST RECYCLING COMPANY

Over our company's history, we have recycled more than **8 million tonnes of ferrous scrap, transforming it into green steel for the construction of a more sustainable Chile.**

Through our EcoAZA subsidiary, we recover the steel slag that makes up **70% of the waste we generate, converting it into eco-aggregates® for the construction sector.**

A. WHY IS IT IMPORTANT?

Since the Industrial Revolution, we have been taking the resources provided by the planet, using them to make products and, finally, discarding them as waste. This linear process does not work in the long term because these resources are finite.

The current problems of climate change, loss of biodiversity, scarcity of natural resources and pollution oblige us, as humanity, to move towards a model of circularity. In this way, waste from one process becomes a resource for another, creating a regenerative system.

The circular economy system is at the heart of our business model because, to manufacture steel, we recycle ferrous scrap collected from around the country. Steel is a metal with an invaluable attribute: it can be reconverted an infinite number of times without losing its properties.

In the so-called "Decade of Action", Chile has set itself ambitious circular goals that include the Roadmap for a Circular Chile by 2040¹¹ and the Extended Producer Responsibility Law (REP Law)¹² under which the public and private sectors have arrived at a shared vision of a future with new forms of production and consumption. At AZA, we have always been aligned with this objective and participate actively in different collaborative initiatives to promote this model.

[Watch the video ▶](#)

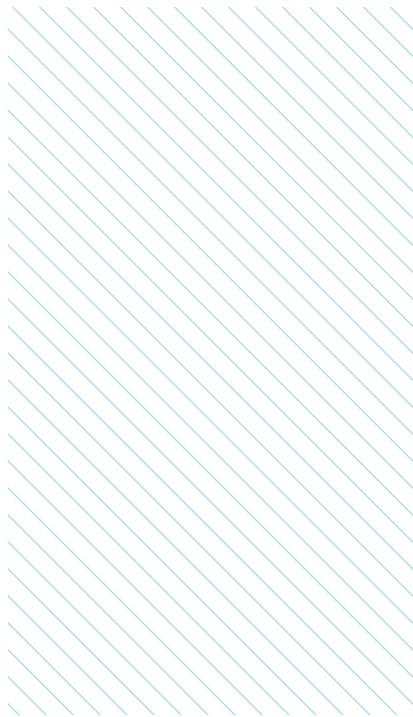


¹¹ <https://ellenmacarthurfoundation.org/hoja-de-ruta-para-un-chile-circular-espanol>.
¹² <https://economiecircular.mma.gob.cl/ley-rep/>.

B. HOW DO WE MANAGE THIS ISSUE?

Our undertaking

100% waste recovery by 2025.



Our approach

We have always used recycling to produce steel, but have evolved towards the approach proposed by the Ellen MacArthur Foundation. It is based on three principles:

The Ellen McArthur Foundation Approach



Based on these principles:

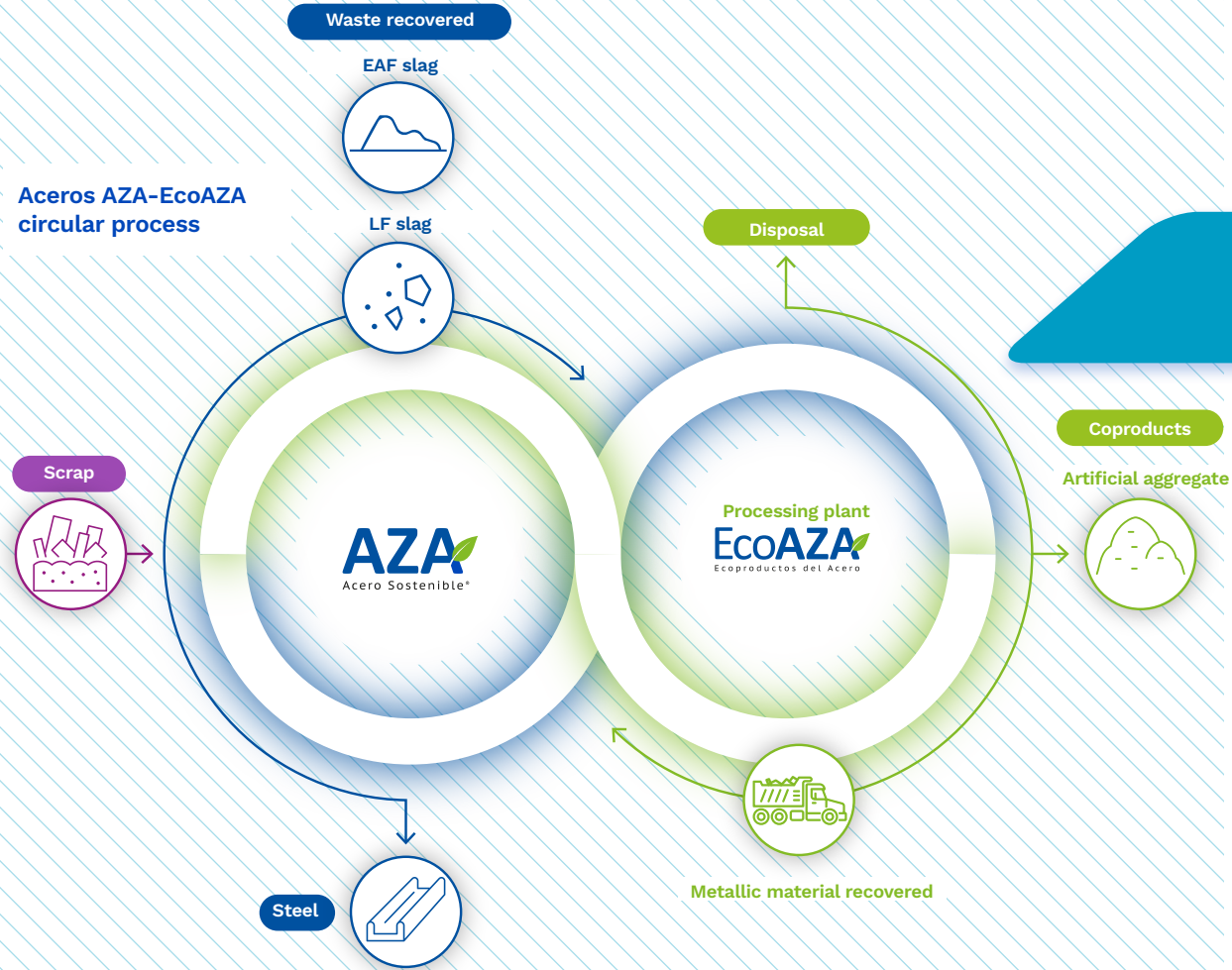
- We produce steel from ferrous scrap.
- We recover our industrial waste: lamellae, steel slag, waste with heating capacity, cardboard, wood and other non-ferrous waste.
- We reduce energy and water consumption and emissions of CO₂, particulate matter and NO_x.
- We recirculate process water.
- We maintain equipment and infrastructure to prolong its life.
- We reuse materials and repair equipment and infrastructure.

Advances and key initiatives

Aceros AZA-EcoAZA circular process

Our EcoAZA subsidiary, established in 2020, completes Aceros AZA's circular economy process by processing steel slag and recovering metals to produce two types of eco-aggregates® with different applications. They can be used instead of traditional aggregates, reducing dependence on this natural resource while, at the same time, reusing waste from the steelmaking process.

The steel slag generated in the electric furnace accounts for 70% of AZA's industrial waste and, in 2022, EcoAZA recirculated over 5,000 tonnes to produce eco-aggregates® for use in, for example, roads.



In 2022, EcoAZA recovered over 5,000 tonnes of eco-aggregates for Aceros AZA.

Milestones 2022



- EcoAZA provides a valuable solution for the recovery of Aceros AZA's steel slag and promotes the use of industrial by-products in Chile through its production of eco-aggregates®.
- We increased the recovery of waste from our plants to 21%.
- We signed the Clean Production Agreement on Transition to a Circular Economy and the Strategy for Promotion of Circularity.

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To position itself as an important player and increase sales of eco-aggregates® in Chile, EcoAZA has implemented various initiatives for the recovery of steel slag. They range from the promotion of regulation to enable the use of coproducts to the implementation of pilot tests of the use of eco-aggregates®. In 2022, the initiatives included:

- An increase in the value proposition of products with lines of pre-manufacture in concrete with eco-aggregates that, moreover, use solar energy generated by the photovoltaic solar plant installed in 2022.
- Maintenance and promotion of the group formed to support the “Strategy for promotion of circularity by fostering the use of industrial and mining by-products in Chile”, signed by the members of Chile’s Manufacturers’ Association (SOFOFA) and the government in early 2022. This public-private initiative seeks to develop instruments to enable the use of 8.6 million tonnes of waste that currently goes to final disposal sites. According to SOFOFA’s projections, the initiative will lay the foundations for a waste recovery market that would reach an annual value of US\$400 million, up from US\$20 million at present.
- EcoAZA is implementing a pilot slag recovery project with the KDM Loma Los Colorados landfill for the use of eco-aggregates® in roads. This initiative is expected to contribute to obtaining final disposal authorization in early 2023.
- Ongoing development tests on the use of slag in concrete have produced satisfactory results with a view to its recognition as a product for the construction sector.
- A series of pilot projects were implemented to evaluate the use of eco-aggregates® in roads and buildings. They included a real-scale installation in a rest area at the Colina Plant that used eco-aggregates® for landscaping, drawing attention to both the aesthetic and technical aspects of the product’s application. We also implemented a project for the use of monolayer and bilayer pallets to improve the performance of bifacial solar panels.
- In 2022, three undergraduate thesis students worked with EcoAZA on projects that included the use of eco-aggregates for ocean remediation and the absorption of electric furnace slag for sulfates in bioreactor tailings.



Collaboration with universities

In a bid to position itself as a reference among new professionals and technicians in Chile, Aceros AZA has collaborated with local universities on a number of initiatives.

We have framework technical cooperation agreements with the Federico Santa María, Concepción, Del Desarrollo, Adolfo Ibáñez and La Frontera Universities. These agreements seek to promote collaboration and applied research for the technical development of solutions in materials, coproducts and other substances used and/or generated by our operation.

We participated in the IV Chilean Conference on Life Cycle Analysis, organized by the Valparaíso, La Frontera, Andrés Bello, Bío-Bío and Talca Universities, together with the Chilean Life Cycle Network. At this event, we offered a presentation on the carbon footprint of the steel industry and the recovery of coproducts. We also gave a talk on “Global Sustainability, the circular economy and vision 2050” at the Del Desarrollo University.

Shredder, sustainable productivity

The scrap shredder and separator, which represented an investment of US\$21 million, will enable us to process, clean and densify scrap for the Colina Plant’s electric arc furnace. When it starts operation in 2024, it will optimize the steelmaking process, increasing energy efficiency, improving product quality and reducing the furnace’s emissions of particulate matter and gases and the generation of waste (slag and steel dust).

It will also contribute to implementation of the REP Law because it will permit the reduction and recovery of ferrous and non-ferrous material from different elements such as household appliances and vehicles.

Circularity in mining

Mining generates large amounts of scrap that is difficult to manage for its disposal. We have developed a ferrous scrap recovery model for its use to produce new steel, such as the SAFEROCK® reinforcement bars and bolts used to stabilize mining tunnels and slopes (see page 70).

Clean Production Agreement on Transition to a Circular Economy

This is the second Clean Production Agreement led by the Acción Empresas organization and Chile’s Sustainability and Climate Change Agency (ASCC), along with the Environment and Health Ministries. We are one of the 26 companies participating in this public-private program, which has a duration of two years. It establishes specific targets, actions and undertakings and also has tools to guide and train organizations on the road to circularity, including Circular Transition Indicators (CTIs), a methodology devised by the World Business Council for Sustainable Development (WBCSD) and KPMG to help businesses develop a circularity baseline to accelerate sustainable actions.

In 2022, we used CTIs to evaluate the circularity of our Colina and Renca plants. Their scores of 82.4% and 80.5%, respectively, position us at an outstanding level.

Did you know?

Steel is one of the materials most widely used in the construction industry. One of its properties is that it is 100% recyclable, making it a great option for projects with a sustainable approach.

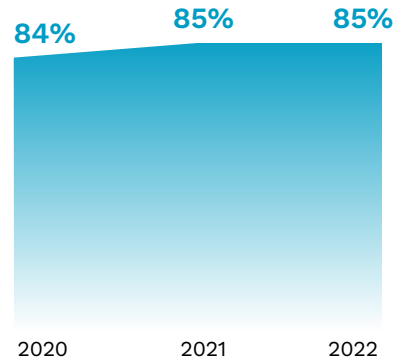
One recent project to use this green material was the Américo Vespucio Oriente (AVO) highway in Santiago. It employed 28,300 tonnes of recycled steel, avoiding the emission of 41,318 tonnes of CO₂ and saving the equivalent of the energy consumption of 15,775 households and a year's drinking water supply for 780 people.

C. INDICATORS

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Efficient use of materials

Materials converted into products and coproducts as percentage of total steel produced

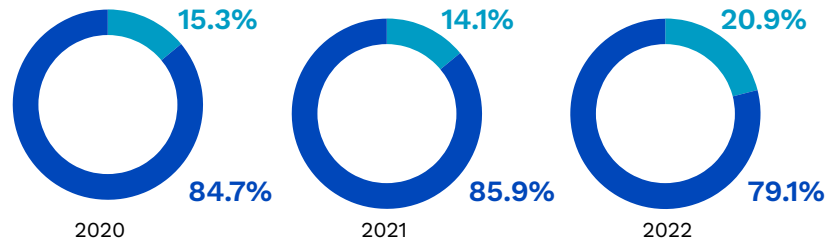


Recovery of waste generated by plants

Percentage of solid waste recovered and sent for final disposal

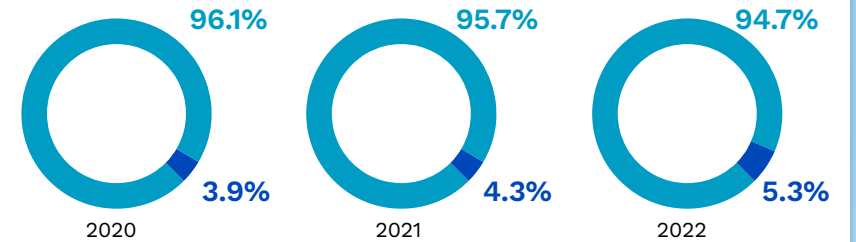
● Recovered ● Disposal

Colina Plant



Colina Plant: Progress was explained principally by recovery of slag from the electric furnace. This waste, when processed, can be transformed into an eco-aggregate for use in stabilizing or improving roads.

Renca Plant



Renca Plant: The percentage of waste recovery dropped due to an increase in building work at the plant. This generated a greater volume of rubble, which is not recycled.

Characterization of waste

■ Hazardous solid waste generated (tonnes) ■ Non-hazardous solid waste (tonnes)



The variation in the amount of solid waste generated is due to the drop in steel production in 2022.

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D. CHALLENGES AND FUTURE FOCUS

One of the great challenges we face is to continue incorporating elements or coproducts to replace non-renewable materials. To progress in this field, we plan to maintain our work on the action plan of the Clean Production Agreement on Transition to a Circular Economy at our Colina and Renca operations which, in the evaluation carried out in 2022, achieved a circularity of 82.4% and 80.5%, respectively.

We also plan to expand the types and amount of waste currently sent for final disposal, incorporating it into new recovery chains using specialized segregation. We will continue to develop prefabricated concrete products using the eco-aggregates produced by EcoAZA, our subsidiary for processing steel slag, and to develop new applications for road improvement.

In 2023, we will launch a program to recover all the organic food waste generated by the Colina Plant's canteen. In addition, we will continue to explore alternatives for recovering effluent from the industrial water treatment plant.

2. Energy and response to climate change

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Our green steel has one of the lowest carbon footprints internationally. This is the fruit of decades of effort and constant investment and improvement and reflects our commitment to future generations.

A. WHY IS IT IMPORTANT?

The steel industry accounts for 8% of global emissions of greenhouse gases (GHG).¹⁵ It is, therefore, vital to reinvent production processes, moving towards steel that is more sustainable. This is particularly so because markets like the European Union are already considering mechanisms to levy a carbon tax on imports, equivalent to the price paid by local producers.

Although steelmakers that use scrap as an input have lower GHG emissions per tonne of steel produced than companies that use iron ore, they are still intensive in the use of energy. For over 20 years, we have, therefore, implemented plans and strategies to increase our energy efficiency and reduce our carbon footprint.

B. HOW DO WE MANAGE THIS ISSUE?

Our undertakings

50% reduction in CO₂ emissions by 2030, compared to 2019, and net zero before 2050.

5% reduction in energy consumption by 2025, compared to 2019.



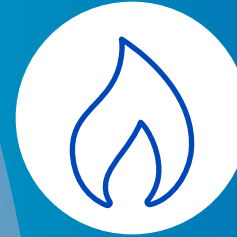
Our approach

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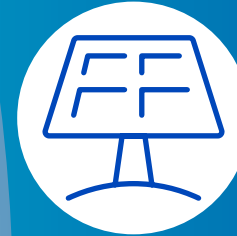
We have established a roadmap in line with humanity's goal of limiting global warming to 1.5°C, undertaking to reduce our Scope 1 and 2 emissions by 50% by 2030 and to become net zero before 2050. Our targets were validated by the Science Based Targets initiative (SBTi)¹⁶ in April 2022, positioning us as the first steel company in Chile and only the second in Latin America to assume this responsibility.

Under our roadmap, we aim to reduce energy consumption and move towards net zero through a plan to raise the energy efficiency of our processes and to incorporate heat recovery and cogeneration, switch to renewable and green energies, such as green hydrogen, and deploy electromobility.

Pillars of our 2020-2024 roadmap to reduce energy consumption and advance towards net zero.



Energy efficiency
Heat recovery and
cogeneration



Renewable energies
Solar energy



Electromobility



Green hydrogen

We have been measuring and managing our carbon footprint for over ten years. As a result, we have been systematically recognized by Chilean programs such as the HuellaChile program for carbon footprint quantification and reduction and the Sustainability and Climate Change Agency (ASCC) from which we received the Gold Seal of Energy Excellence in 2021. We are also part of the Climate Action programs of the World Steel Association, among other initiatives.

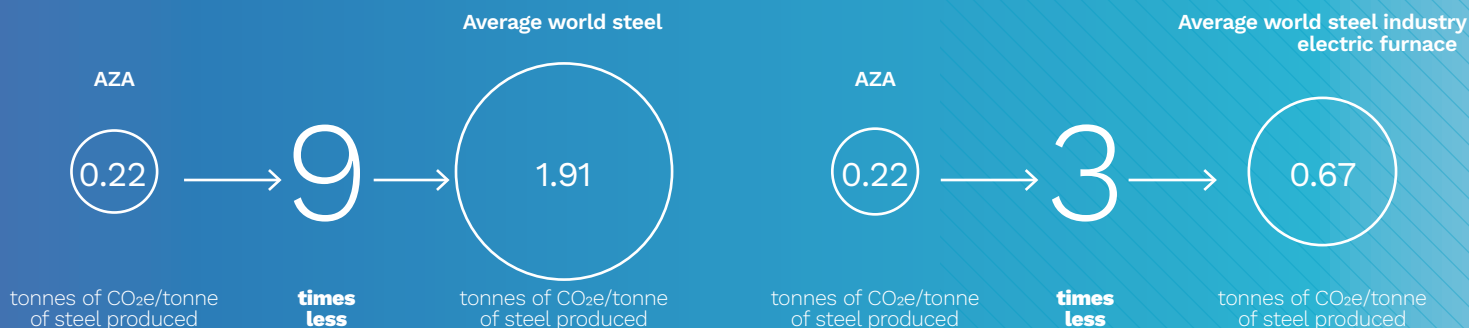
Our energy management system is certified under ISO 50001. This standard is a framework that enables organizations to manage energy use and continuously improve their energy performance and emissions.

In addition to the innovations we have introduced in our production process, we switched 100% of the electricity used at our Colina and Renca plants to renewable sources in 2021. As a result, we generated 0.22 tonnes of CO₂e per tonne of steel produced in 2022. This is nine times less than the average for the steel industry internationally (1.91 tonnes of CO₂e/tonne of steel) and three times less if we only consider electric steelmaking processes like ours (0.67 tonnes of CO₂e/tonne of steel).

100% of the electricity we use is from renewable sources. As a result, we have already achieved the environmental targets we had set for 2030.

We have I-REC* certification that 100% of the electricity we consume comes from renewable sources. Clients who opt to use our products are, therefore, reducing the carbon footprint of the corresponding projects.

WE ARE ONE OF THE STEEL COMPANIES WITH THE LOWEST CARBON FOOTPRINT IN THE WORLD.¹⁸



¹⁷ International Renewable Energy Certificates (I-REC) are the seal provided by Enel Generación indicating that 100% of the electricity consumed was injected into Chile's National Electricity System (SEN) from renewable sources.

¹⁸ Sustainability Indicators 2022 Report, World Steel Association.

Milestones 2022

- We have achieved a 69% reduction in our Scope 1 and 2 GHG emissions compared to 2019, implying that we reached our target for 2030 at the end of 2021.
- We reduced our energy consumption by 7%, compared to the 2019 base year, achieving in 2022 the target we had set for 2025.
- The Science Based Targets initiative (SBTi) validated our undertaking to reduce our emissions of Scope 1 and 2 GHG emissions by 50% by 2030 and achieve carbon neutrality by 2050.
- We began work on a technical study for equipping three recycling centers with solar energy.
- We started technical tests on the use of green hydrogen, instead of natural gas, in the steel billet reheat furnace.
- We continued to work on our roadmap for the incorporation of electromobility into our operations.

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Advances and key initiatives

Energy efficiency, heat recovery and cogeneration

We are implementing an ambitious energy efficiency agenda that, in 2022, focused on improving energy performance and achieved a decrease of over 7% in AZA's total energy consumption, compared to its baseline. Over the next few years, we will also be looking to take advantage of cogeneration and heat recovery opportunities.

International best practices and technological prospection

In drawing up our energy and net zero roadmap, we have received expert advice from German steelmaker Badische Stahlwerke (BSW). In 2022, a group of our employees underwent high-performance training at this company to learn about best international practices in operational excellence and energy efficiency.

In addition, employees participated in steel industry seminars and technical visits to companies in Germany (Siemens) and Italy (Polytec-Borgo Chiese) to see their best practices and evaluate technologies.

Investments (Capex)

We are implementing an investment plan to achieve greater operational and energy efficiency. The investments include the shredder which, when it starts operation in the first half of 2024, will optimize the steelmaking process of the electric furnace and improve energy intensity (see page 26); a pre-feasibility study for the recovery of heat from the dust collection system; and projects using data science to model gas and electricity consumption at the Colina rolling mill.

Green and renewable energies

Solar generation at recycling centers and plants

In 2022, we began work on a technical study for solar generation from photovoltaic stations with an on-grid system at the direct scrap purchase centers in the cities of Copiapó and Iquique and Santiago's Pudahuel district.

At the end of 2022, a photovoltaic solar system began operation at EcoAZA, supplying all its electricity consumption (70,000 kWh) and injecting the surplus into the grid. We also approved a project to install solar panels on the roofs of the Colina Plant's canteen and locker rooms.

Green hydrogen

In recent years, green hydrogen has emerged internationally as an energy alternative that, because it is produced using renewable energies, serves to reduce CO₂ emissions. Moreover, Chile has unique characteristics in terms of its wealth of clean energies (solar and wind) and their low generation costs that position it to become a major green hydrogen producer.

One stakeholder in the hydrogen economy is the steel industry, which uses large amounts of energy to smelt iron ore or recycled steel. In 2022, we began work on a technical-economic evaluation of the local production of green hydrogen, which we would use, instead of natural gas, in a furnace for reheating recycled steel billets.

For tests of its use in the reheat furnace, we are being advised by one of the world's leading engineering and industrial gas companies while thesis students from the Federico Santa María University are assisting with the implementation of pilot tests.

Electromobility

We have drawn up a roadmap through to 2025 for the gradual adoption of electromobility at our operations, starting with the incorporation of electric vehicles and pilot tests of a 100% electric truck for transporting heavy loads at the Colina and Renca plants. In 2022, we also incorporated our first electric forklift, with a capacity of 3.5 tonnes, at the Steel Mill warehouse. Our aim is to adopt electromobility as one of the technologies to replace diesel and LPG.

We are one of the ten companies that, since 2021, have been participating in the Electromobility Accelerator, an initiative launched by the Energy Sustainability Agency, a Chilean foundation. Its objective is to foster the incorporation of transition technologies – or strategies – in national electric mobility systems.

We are signatories of the Public-Private Commitment to Electromobility 2022 through which public and private actors, together with the Energy, Transport and Telecommunications, and Environment Ministries, seek to share information about their initiatives and achieve collaborative and coordinated progress in this field. By joining this initiative, AZA reiterated and ratified its commitment to promoting electromobility in its production processes and all the logistics chain of its commercial operations, including its network of scrap suppliers and distributors of end products.

Towards Net Zero, our Climate Action Plan

SASB EM-IS-110a.2

In 2022, we became only the second steelmaker in Latin America and the first in Chile to commit to carbon neutrality before the Science Based Targets initiative (see Box).

In so doing, we committed to the most challenging and ambitious alternative of aligning ourselves with the goal of limiting global warming to 1.5°C. Our undertaking is to reduce our Scope 1 and 2 GHG emissions by 50% by 2030 and to become net zero by 2050.

For the eighth consecutive year, we received the greenhouse gas quantification seal issued by the Environment Ministry's Climate Change Office. Since 2019, we have also participated actively in Impacta Positivo (Positive Impact), an initiative led by the Acción Empresas organization that promotes the management of GHG emissions in line with Chile's commitment to carbon neutrality by 2050. Since 2020, we have also been part of the group of companies for Climate Action of the World Steel Association, contributing annually to quantification of the industry's GHG emissions.

We are the first steel company in Chile and only the second in Latin America to enter into these undertakings.



SCIENCE
BASED
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DRIVING AMBITIOUS CORPORATE CLIMATE ACTION





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Approved science-based target

The Science Based Targets initiative has validated that the corporate greenhouse gas emissions reduction target(s) submitted by

Aceros AZA S.A.

have been deemed to be in conformance with the SBTi Criteria and Recommendations (version 4.2). The SBTi's Target Validation Team has classified your company's scope 1 and 2 target ambition and has determined that it is in line with a 1.5°C trajectory.

The official target wording is:

Aceros AZA S.A. commits to reduce absolute scope 1 and 2 GHG emissions 50% by 2030 from a 2019 base year.

Date of issue: Apr, 2022

Certificate Number: ACER-CHI-001-OFF

An initiative by








AZA is one of Chile's top ten companies on management of climate mitigation

According to a study by the Santiago Climate Exchange (SCX) and Deloitte of the 100 Chilean companies with the highest sales, AZA is one of the 10 companies with the best performance on climate mitigation management since it complies with carbon footprint standards that have been verified in all scopes and is compatible with progress towards net zero. The study was presented at the COP27 Climate Summit in Egypt in 2022.

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Adaptation to the effects of climate change at AZA

Since 2021, we have been part of the Sustainable Future program of Acción Empresas, which encourages companies to identify and manage the risks and opportunities that climate change implies for their business and to strengthen their policies and practices in this field. In the framework of this program, we carried out a diagnosis to identify the climate threats we face and then design adaptation plans. The greatest threat is the lack of water, due to the drought that Chile is suffering. As an input for the diagnosis, we conducted an electronic survey in which some 10% of the organization participated.

In 2022, we continued to implement a redesign of some of our green areas in order to reduce the water required for their maintenance. This included a project that reduced water consumption by 92% in an area of 500 m². In 2023, we plan to optimize the utilities system, improving the quality of treated water and increasing its recirculation cycles.

Carbon footprint

We have measured our carbon footprint¹⁹ since 2009 and take measures to reduce it. In 2022, our GHG emissions totaled 97,703 tonnes of CO₂e, down by 54% on the previous year. This drop was explained principally by the adoption of renewable energies at the Colina and Renca plants. Direct (Scope 1) emissions accounted for 48% of total emissions, indirect (Scope 2) emissions for 0% and other indirect (Scope 3) emissions for 52%. The latter were generated principally by land transport of inputs (27.7% of total emissions of the three scopes). In response, we have established a Roadmap 2022-2030 to incorporate electromobility in forklift trucks, loading systems, trucks, buses and other vehicles that provide services for the operation (see page 34).

In addition to reporting our carbon footprint, we measure emissions of ozone depleting substances (ODSs) expressed in CFC-11 equivalent (trichlorofluoromethane). In 2022, fugitive emissions totaled 23.64 kg of CFC-11 equivalent, generated by the recharging and operation of air conditioning equipment. In 2021, we approved investments to change air conditioners that use the R-22 refrigerant in order to reduce our ODS emissions and, in 2022, replaced 25 air conditioners.

We also began validation tests on the new online GHG sensors installed in the chimney of the Colina Plant's Steel Mill. As a result, our sources of CO₂ emissions are being monitored with equipment that will be validated by Environmental Inspection Technical Bodies (ETFAs) in line with current regulation.

¹⁹ These calculations are based on the GHG Protocol methodology, according to the World Steel Association standard. Emission factors and values for the potential for global warming were obtained from the IPCC, the UK's Department for Environment, Food and Rural Affairs (DEFRA) and the Chilean Energy Ministry's National Energy System. For all three scopes, an internal emissions calculator, verified by a third party, was used.

C. INDICATORS

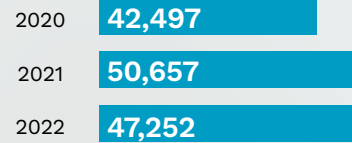
AZA moves towards Net Zero

CO₂ emissions by scope

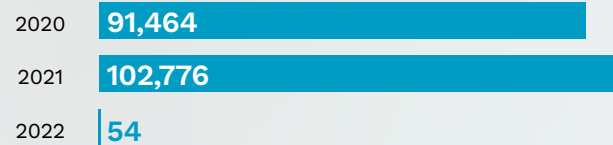
ton CO₂ e

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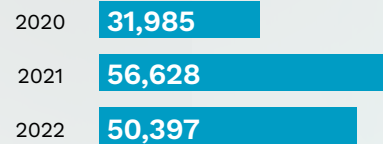
Scope 1



Scope 2



Scope 3

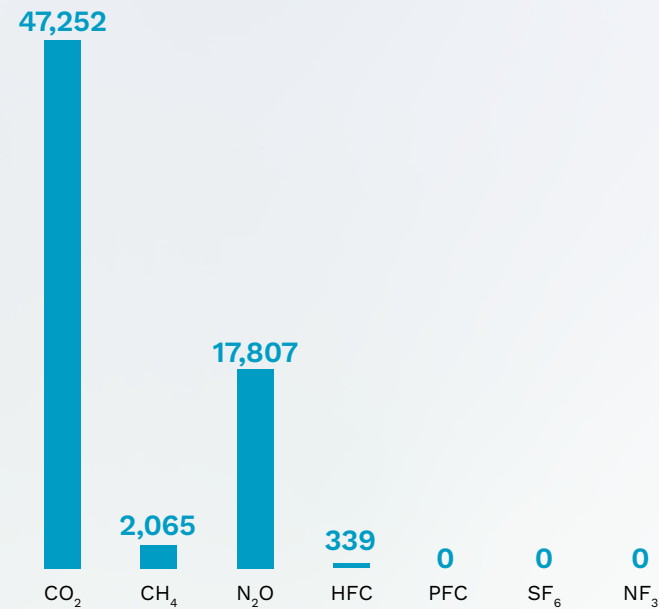


In the case of Scopes 1 and 3, emissions were down on 2021 because steel production also dropped, reducing fuel consumption and the transport of inputs, end products and other items. In the case of Scope 2, the drop on 2021 reflected the signing at the end of 2021 of an agreement with the Enel generator for the supply of electricity from renewable sources.

Scope 1 emissions by type of gas (2022)

Tonnes of CO₂ e

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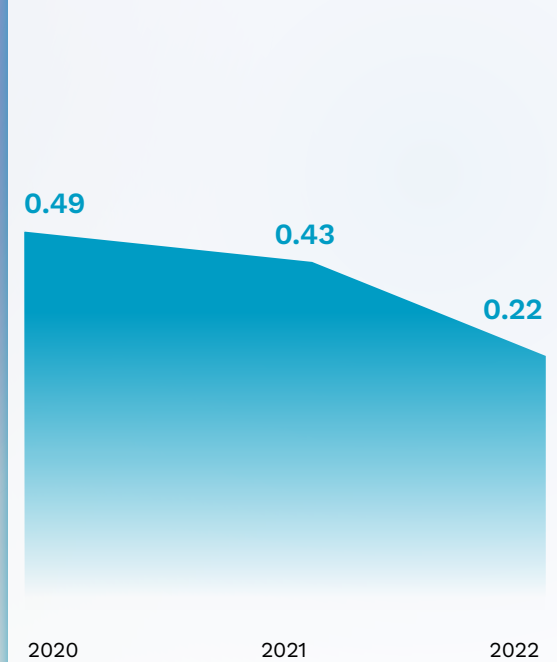


Percentage of emissions subject to regulation or emissions-limitation programs = 0%*

* No regulation of this type is in operation in Chile.

CO₂ emissions intensity

Tonnes of CO₂e per tonne of steel produced



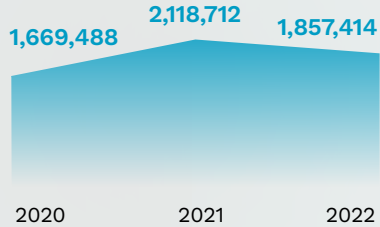
In 2022, the intensity of CO₂ emission was down by 50% due principally to the use throughout the year of electricity from renewable sources at the Colina and Renca plants.

Energy efficiency and renewable energies

Energy consumption

Total Total energy consumed from external sources and generated internally (GJ).

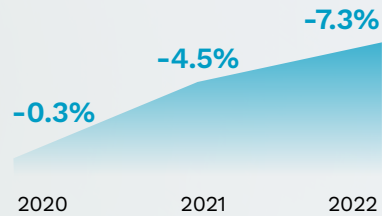
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Lower energy consumption in 2022 was explained largely by lower steel output compared to 2021 and the implementation of operational projects that improved the performance of the process.

Reduction in energy consumption

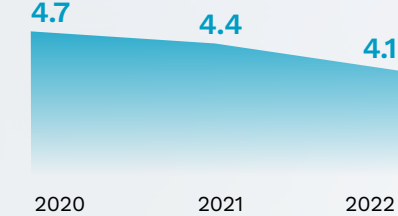
Reduction in energy consumption compared to the 2019 baseline



The reduction in our operations' specific consumption was due principally to an improvement in the consumption of the main Steel Mill process and its complementary energies.

Energy intensity ²⁰

Gigajoules per tonne of steel produced

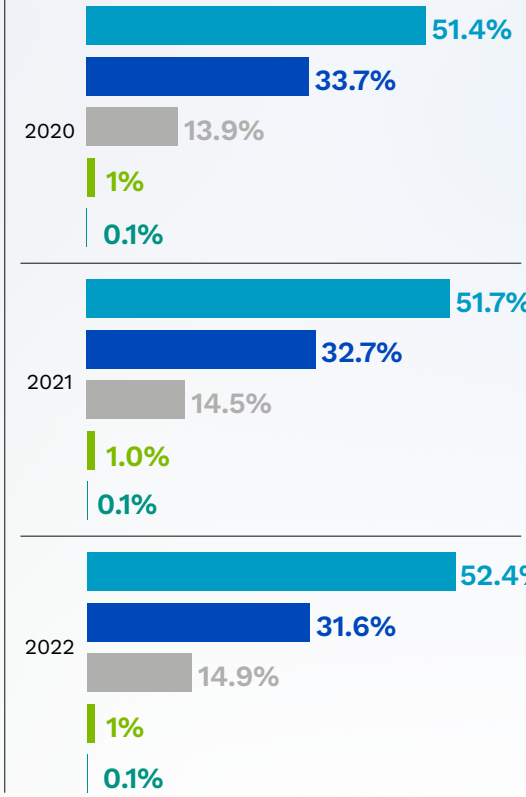


As in the case of the reduction of consumption, the drop in energy intensity was mainly a result of energy efficiency projects.

Energy consumed by source

Porcentaje respecto del total

SASB EM-IS-110a.1



Percentage of energy from renewable sources (2022)

52.5%

The main type of energy consumed is electricity, followed by natural gas, which together account for 84% of the energy used by our operations.

- Electricity grid
- Natural gas
- From metals
- Diesel
- Liquefied gas

²⁰ Includes electricity, natural gas, liquefied gas, diesel and electric furnace chemical energy (coke, scrap, pig iron).

D. CHALLENGES AND FUTURE FOCUS

We have developed a roadmap to focus our efforts on the three pillars of our Energy and Net Zero Strategy.

In 2022, we achieved over a 7% reduction in energy consumption compared to our baseline. This was thanks to projects implemented in the operational areas that have resulted in record specific consumption values. We are also making investments to improve our energy performance and key employees are visiting world-class companies with the best practices in energy efficiency as, for example, in Germany.

During the year, we reviewed our Energy and Net Zero Roadmap, which sets out clear guidelines and objectives for upcoming projects. This includes the study and use of hydrogen in our processes, the development of initiatives and the search for incentives for progress on tests and evaluations of hydrogen production and consumption.

On electromobility, we have already incorporated electrical transport and charging infrastructure as part of our goal to achieve carbon neutrality by 2050.

In the coming years, we will incorporate other electric vehicles and machinery in the operation of our production plants, expand our internal charging network and develop a plan with our transport contractors to promote their acquisition of electric trucks. We are committed to developing and implementing a strategy to encourage the acquisition and use of electric vehicles by our employees, who already benefit from the charging infrastructure installed at our production plants. In the short term, we are also evaluating electromobility for the transport of personnel, the leasing of vans for heads of area and the trucks used to transport material from the Colina Plant to clients in the Santiago, Metropolitan Region.

All these measures are conducive to lower specific consumption to the benefit of our use of energy resources and raw materials.

We will continue to focus on energy efficiency, electromobility, renewable energies, green hydrogen and AZA Net Zero. In the case of the latter, we will continue our search for cogeneration and heat recovery projects and the replacement of inputs with products that are neutral or have lower CO₂ emissions.

3. Water, air, and land

For over 20 years, we have monitored and managed our impact on the air, water and land through a model of management of excellence and the use of state-of-the-art technology.

A. WHY IS IT IMPORTANT?

The availability of fresh water is one of the principal threats facing humanity as a result of climate change and, in central Chile, is becoming critical. Given that our plants are located in areas where water is scarce, its efficient use is vital not only for operational and economic reasons, but also from a social standpoint. It is important to contribute to care for this resource so that everyone can have access to it.

Over the past two decades, we have also been implementing mechanisms to monitor, control and mitigate our main air emissions: particulate matter (PM) and nitrogen oxides (NOx).

B. HOW DO WE MANAGE THESE ISSUES?

Our environmental management system, which is certified under ISO 14001:2015, enables us to manage the environmental aspects of our processes, controlling and reducing potential impacts.

We have management, control and measurement systems for water, air emissions and noise. We also have a world-class ionizing source detection system for the timely identification of orphan sources.

Environmental sanctions: In 2022, we received no environmental sanctions.



B.1 WATER

Our undertaking

20% reduction in water consumption per tonne of steel by 2030, compared to 2019.

Our approach

[SASB EM-IS-110a.1](#)

Water management is a strategic issue for AZA and, in 2020, we conducted our first water footprint study using the ISO 14046 methodology. It examined the specific water balance of the Colina and Renca plants and, based on its results, we established reduction targets, an efficiency plan and control parameters.

Milestones 2022



WATER

- We achieved a 12% reduction in water
- We validated measurement of our water footprint with a view to obtaining Chilean Blue Certification, Level 1.

AIR

- We installed new continuous monitoring systems for emissions of carbon monoxide (CO) and carbon dioxide (CO₂) at the Colina Plant.

LAND

- We further strengthened our control platforms, implementing new points for the detection of ionizing sources.

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Water efficiency

Our commitment to reducing water consumption is in line with national concern about efficient use of this resource, particularly in areas like Colina, in the Santiago Metropolitan Region, which has been declared a water scarcity zone due to the lack of rainfall and the capacity of the area's water courses.

In this context, we have developed a tool to estimate our water balance, have defined strategic consumption indicators for our plants and conducted audits of our industrial water systems in order to identify opportunities to reduce energy and water consumption. The measures taken have enabled us to achieve a 12% reduction in water consumption per tonne of steel produced, compared to 2019, taking us closer to our target of a 20% reduction by 2030 and making a contribution to addressing this social problem.

Clean Production Agreement Blue Certificate Level 1 Advanced

In 2021, we signed the Clean Production Agreement Certified Blue Level 1. The first step in this undertaking was to evaluate our water footprint under ISO 14046. In this, we considered direct water consumption (internal production), indirect consumption (supply chain) and the possible effects of production on human health and ecosystems (impact indicators). In 2022, we validated the measurement and are moving towards third-party certification. After obtaining Blue Level 1 certification, we want to implement reductions in our processes (Level 2) and subsequently link these benefits with our communities (Level 3).

Data science and machine learning

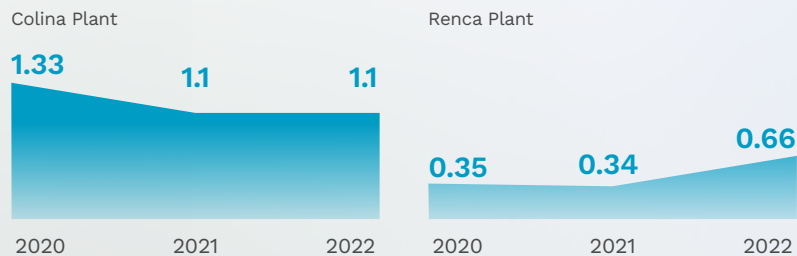
The opportunities for advanced analytics and mathematical modeling to solve challenges are growing every day. We use machine learning to simulate information about effluent quality and recommend feed flows of soft water and systems' purge for compliance with internal regulation.

Reconversion of irrigated areas

We have continued to implement a plan for transforming our green areas with vegetation that requires less water. Thanks to this, we have reduced consumption for the watering of these areas by 90% since we introduced the plan in 2021.

Water efficiency by plant

m³ of water consumed per tonne of steel produced

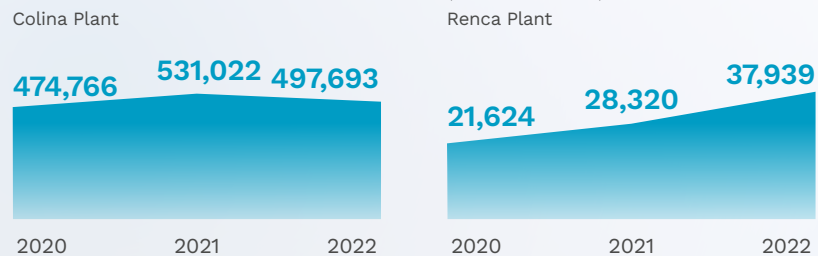


The Colina Plant maintained its water efficiency in 2022 compared to 2021 while the Renca Plant's efficiency dropped due to an increase in water consumption for domestic uses which, in turn, reflected the end of the pandemic.

Fresh water withdrawals

SASB EM-IS-140a.1

Total water withdrawn from fresh water sources (thousands of m³)



Colina Plant: The drop in fresh water consumption was a result of a decrease in steel production compared to 2021 as well as changes in approximately 800 m² of gardens to plants requiring less water and the optimization of watering (reduction of 90%).

Renca Plant: Water consumption for domestic uses increased due principally to the end of the pandemic.

Direct consumption water balance

SASB EM-IS-140a.1

Percentage of water **withdrawn** that is returned to natural system

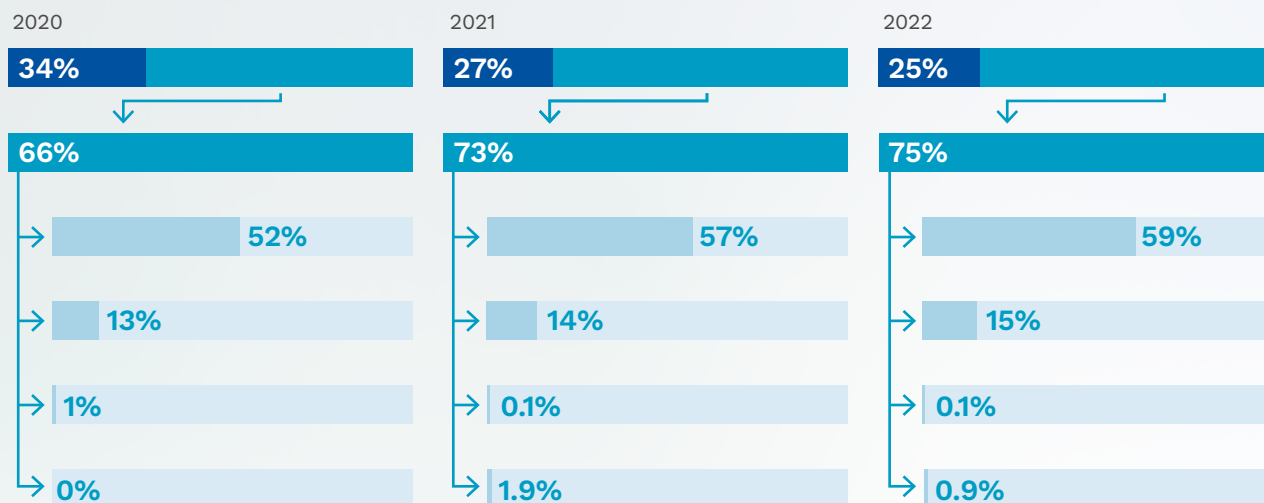
Percentage of water **withdrawn** that was **used**

Percentage of water **used** that evaporated in industrial processes

Percentage of water **used** that evaporated and evapotranspired in the slag cooling process

Percentage of water **used** devoted to fire network and other minor processes

Other percentages of water **used**



Although there is no definitive explanation for the increase in evaporation and the drop in water returned, it could be due to changes in weather (colder winters) since 2020. Exposure to lower temperatures leads to an increase in vapor, reducing the amount of water available in the system, which could also explain the drop in water returned to the natural system.

Percentage of water withdrawn by zone of water stress²¹

SASB EM-IS-140a.1

Withdrawn from places with high baseline water stress (40-80%)

0%

Activities that withdraw and consume water from places with a high baseline water stress (40-80%) or extremely high level (>80%): Colina Plant and Renca Plant.

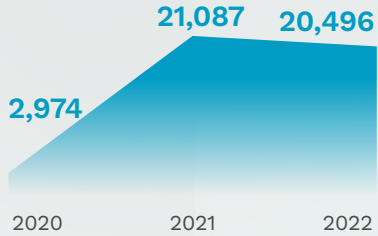
Withdrawn from places with extremely high baseline water stress (>80%)

100%

Volume of effluent by plant

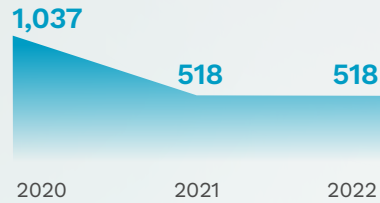
m³ of liquid industrial waste

Colina Plant



In the case of the Colina Plant, the variation in the volume of liquid industrial waste is explained by the drop in steel production in 2022.

Renca Plant



In the case of the Renca plant, the discharge of liquid industrial waste is controlled and there was, therefore, no change on the previous year.

²¹ According to the classification of the Aqueduct Water Risk Atlas of the World Resources Institute (WRI).



Our approach

For more than two decades, we have had mechanisms in place to monitor, control and mitigate our air and noise emissions. Our good results on air emissions mean that we are not among the companies that must halt operations when an air quality pre-emergency or emergency is declared in the Santiago Metropolitan Region.

We also have a monitoring system with a network of cameras using artificial intelligence to detect activities that involve undesirable exposure of the environment. To comply with the new standards for reporting environmental variables in real time established by the Superintendency for the Environment (Resolution 608/2021), we adjusted the online connection systems of our continuous emissions monitoring stations (CEMSs) at the steel mill and rolling mill in Colina.

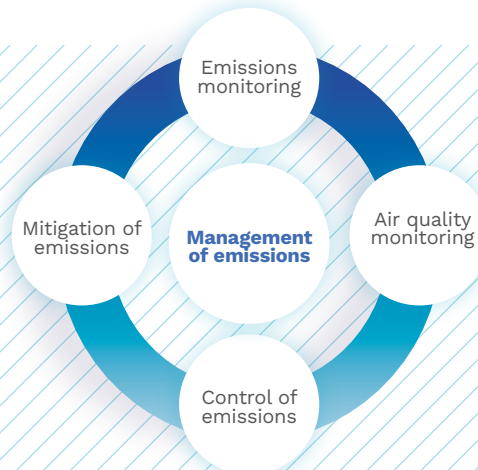
Advances and key initiatives

Emissions of particulate matter (PM) and NOx

The most important emissions from our production process are particulate matter (PM) and nitrogen oxides (NOx). They are both generated by the electric arc furnaces and the reheat furnaces at the Colina and Renca rolling mills.

In 2022, as part of our technology upgrade plan, in 2022, we installed new continuous monitoring systems (CEMSs) with second-generation technologies for carbon monoxide (CO) at the Colina rolling mill and for carbon dioxide (CO₂) at the steel mill. We also implemented an online connection with the Superintendency for the Environment to report the emissions variables measured at the CEMSs and the Renca rolling mill's reheat furnace.

In 2021, the Regional Ministerial Secretariat approved our NOx emissions reduction plan to comply with the requirements of the Prevention and Decontamination Plan for Santiago (Supreme Decree 31/2017) and we began its implementation in 2022.



Indicators

Air emissions

Tonnes

SASB EM-IS-120a.1

	2020	2021	2022
Particulate matter (PM10)			
Steel mill	13.1	21.6	10.0
Colina rolling mill	2.6	1.6	1.9
Renca rolling mill	0.6	0.8	0.9
Emissions NO_x			
Steel mill	37.7	49.1	48.2
Colina rolling mill	18.5	29.6	24.9
Renca rolling mill	10.6	19.6	20.5
Emissions CO			
Steel mill	1,080.6	1,005.4	958.5
Colina rolling mill	0.12	0.06	0.01
Renca rolling mill	0.06	0.1	0.1

The sources do not exceed the permitted annual emissions on any of their parameters. The most significant variation is in particulate matter, which was 12 tonnes down on the previous year. This reflected principally good management of maintenance of the dust collection system.

Given the nature of its production process, AZA does not emit SO₃, MnO, CAP or SO_x.

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B.3 NOISE

In recent years, we have implemented different measures to control and mitigate noise emissions at critical points and, in this way, protect the health of our employees, comply with regulation and maintain good relations with the communities located near the Colina Plant.

These measures include the installation of an acoustic tunnel in the bucket preparation yard, acoustic barriers in the press sector and a continuous noise monitoring system. We have also updated the technology of the noise event triangulation system and provided our neighbors with information about the method for reporting any noise nuisance.

In 2022, we carried out a study to replace the existing current sound level meters and add two new ones for the shredder project. This project, which represents an investment of close to US\$ 100,000, will permit continuous monitoring of this environmental aspect. We are also preparing a technical study to extend the current acoustic wall in the scrap unloading area at the Colina Plant.

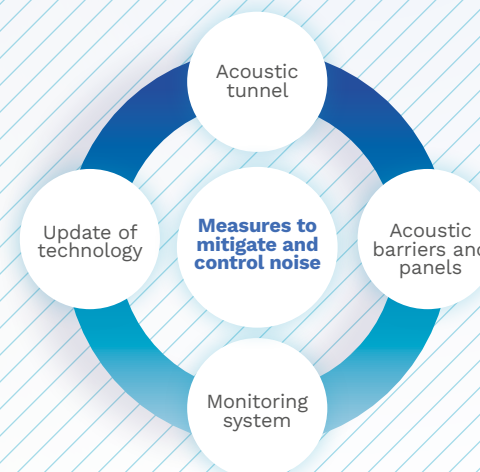
Indicators

Level of noise (Colina Plant)
dBA

	2020	2021	2022
Day	44	46	54
Night	45	45	44

The level of noise does not exceed regulatory limits.

The increase in noise emissions was explained mainly by increases in industrial activity in the zone.



B.3 LAND

Our approach

Opportune detection of ionizing sources

In Chile, there are an estimated 30,000 orphan sources that are not controlled and are disposed of illegally. We have, therefore, invested in state-of-the-art technology that has positioned us as a benchmark in Chile for the identification and control of sources of this type.

We carry out regular training with experts and strengthen our control platforms, implementing new points of detection. In addition, we are in permanent contact with the local authorities and international bodies in order to collaborate with them and incorporate best practices into our system.

Biodiversity

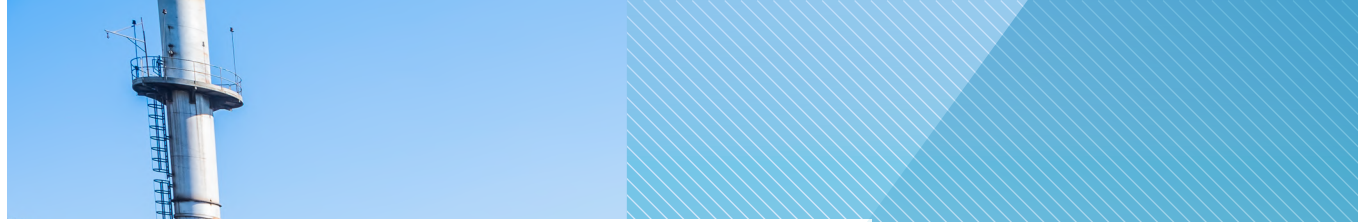
Our production plants are located in industrial belts in the urban zone of Santiago. As a result, we have little impact on biodiversity, which is, therefore, not considered material for the purposes of this Report.

However, it is important to note that we implement scrap collection campaigns in different parts of the country, including areas that are remote and of high biodiversity value, such as Rapa Nui, Hualaihué and Cochamó, helping to keep them clean of metallic waste.

C. CHALLENGES AND FUTURE FOCUS

It is estimated that, by 2030, the world's water supply will be able to meet only 60% of average global demand. In Chile, this is already a reality in places that include Colina, in the Santiago Metropolitan Region, which has been declared a water stress zone, due to the lack of rainfall and water courses. In this context, our commitment to efficient water management in the framework of Sustainable Development Goal (SDG) 6 is particularly important. We are aware that we have an important role to play as a company in the area and as a neighbor, so we will continue to implement water control and management initiatives at our facilities and seek new ways to reduce consumption or recycle.

Technological systems, machine learning and artificial intelligence will play an important role in the management of water resources, as well as in monitoring air quality and environmental and acoustic emissions as we seek to meet our targets in these fields. We will, therefore, continue to implement new projects under our technological roadmap and carry out studies to deepen our understanding of these impacts and how to resolve them.



People and sustainable communities

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“We are an organization that promotes diversity, equity and inclusion. Today, we have employees of 11 different nationalities who, with their experience and origins, enrich our culture.”

Paola Bascuñán
Head of Organizational Development and Culture

Human capital and diversity

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In 2022, we deployed our Purpose and advanced on the implementation of initiatives to fulfill the public undertakings on labor matters that we have entered into under our Sustainability Strategy. In addition, we continued to foster the growth of our employees to address the challenges ahead and we strengthened our position on diversity, equity and inclusion by formalizing a policy that provides us with the guidelines for building a more inclusive organization.

A. WHY IS IT IMPORTANT?

The challenges we face call for new skills, different types of leadership and permanent collaboration. Our goal is to offer employees a high-quality work experience. We want each person to develop their capabilities to the maximum and fulfill their expectations of personal and professional growth, harnessing their skills and talents to the company's strategic goals. We, therefore, foster teamwork, collaborative relationships and participation. In addition, we promote open conversations, diversity and the generation of good ideas.

In 2022, we consolidated our sustainability principles by publicly launching our Purpose and implementing a series of activities that sought to materialize our commitments under the AZA Somos Todos (We are all AZA) program. To leverage these advances and lead the organization on its path to excellence, we have worked to develop an executive body with a common seal and leadership language, strengthen interpersonal and technical skills and promote and protect diversity and inclusion so that each and every one of our employees is able to contribute from their position to the achievement of our strategic objectives.

Milestones 2022

- Deployment of AZA's Purpose
- Launch of AZA Somos Todos program.
- Launch of Diversity and Inclusion Policy
- Creation of Corporate Volunteer Program
- Launch of AZA Senior program
- Award of Migrant Commitment recognition.



B. HOW DO WE MANAGE THESE ISSUES?

At AZA, we have human resources management policies, procedures and regulations as well as a platform for the effective and efficient management of processes related to training, compensation, remuneration and vacations. In addition, we use an intranet to facilitate communication with employees and regular meetings take place between union leaders, the General Manager and employees in order to maintain fluid conversations.

OUR TEAM AT A GLANCE

Employees

589
Employees



89
women

Training

568
Employees trained

87.3

Average annual hours of training per employee

Job satisfaction

81%

positive response in work climate survey

How is our diversity reflected?

7.4%

Women in positions in the operational area²³

2%

Women operators

28%

of total workforce are women in leadership positions

43%

of employees are millennials (25-40 years)

11

nationalities at AZA



Paublmar López Álvarez
Head of Dispatch, Colina

²³ Includes women operators, administrative personnel, heads of area, advisors and professionals in the Operations area, formed by the Renca and Colina Rolling Mill areas and the Steel Mill and Logistics areas.

B.1 DEVELOPMENT OF HUMAN CAPITAL

Our approach

In the case of employee development, we work on two main vectors. The first is to attract and retain talent through a consistent and solid offer of benefits and incentives that foster a balance between employees' personal and working life. The second is to develop their talents, promoting their growth through experiences that range from the provision of technical knowledge to the possibility of exchanges abroad.

Advances and key initiatives

Leadership School

In 2019, we created a Leadership School to better equip heads of area and managers with decision-making tools. In 2021, we expanded the program to include young leaders and incorporated the NeuroTrainingLab methodology, which seeks to develop leadership skills through neurological evaluation during concrete experiences. In four years, 151 people have participated in this program. In addition, in 2022, we continued to hold workshops on skills and knowledge related to change and transformation management, neuroleadership and people management. Through these workshops, 64 leaders received a total of 678 hours of training.

Training Program

Training is a key element for the development of employees' fundamental skills since it contributes to the continuous improvement of their performance, increased commitment on their part and personal development. AZA's training curriculum and the AZA Capacita platform are essential for the achievement of these objectives because they strengthen knowledge, skills and attitudes in line with our strategic pillars. This curriculum is tailored to each position and enables us to offer employees courses through which to manage their knowledge and provide and/or improve skills.

In 2022, 96% of employees participated in some type of training activity (568 people), totaling 51,179 hours of training. The topics addressed included the Ethics and Compliance Model, regulatory and complementary aspects of safety and occupational health, operational excellence and quality, technical training for operations (such as machinery handling, hydraulics, mechanics and metrology), customer service and people management skills, sustainability, leadership, team building and office automation.

In addition, we organized on-site internships for 23 managers and 18 operators at the facilities of the German steel company Badische Stahlwerke (BSW) to enable them to learn about best practices in operations, productivity, energy efficiency, quality and the environment for their application at our plants in Chile.

51,179
hours of training

Includes in-person workshops, e-learning, capsules, remote training, self-learning, educational talks and inductions.

568
employees trained

96% of the workforce participated in at least one training initiative during the year.

Training

	2020	2021	2022
Total number of employees trained	259	246	568
Average annual hours of training (Total hours of training/total employees)	46	59	87,3

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Succession and retention plans

Because the steel industry requires in-depth knowledge, it is essential to prepare employees to take on different roles in the coming decades. Since 2021, we have, therefore, been working on strengthening our leadership through a structured succession process and have mapped critical positions in order to ensure that AZA remains a company of excellence. In addition, we have a Compensation Policy that ensures external competitiveness and internal equity according to the contribution of each position. We also offer a series of benefits so that employees have a satisfactory experience.

Vive Valores Program

Through the Vive Valores (Live Values) program, we seek to recognize employees who have stood out as a true reflection of AZA's values through behavior that serves as an inspiration and example for all the company. In 2022, we presented 371 awards, aligned mainly with the values "We connect as a team" and "We make things happen". In this area, the participation of the Operations and Administration and Finance areas was particularly important.

Corporate Volunteer Program

We have been volunteering and supporting the community for several decades but, in 2022, opted to formalize these activities through Voluntarios de Acero (Steel Volunteers), a program that includes our subsidiaries and was co-designed with our employees through a participatory process. During the year, we carried out activities to help homeless people, promoted environmental education, accompanied senior citizens and provided Christmas gifts for economically vulnerable children. As from 2023, we hope to expand our volunteer work to all the regions where we are present.

Programa Voluntarios de Acero



In 2022, we obtained an 81% positive response rate in the work climate survey

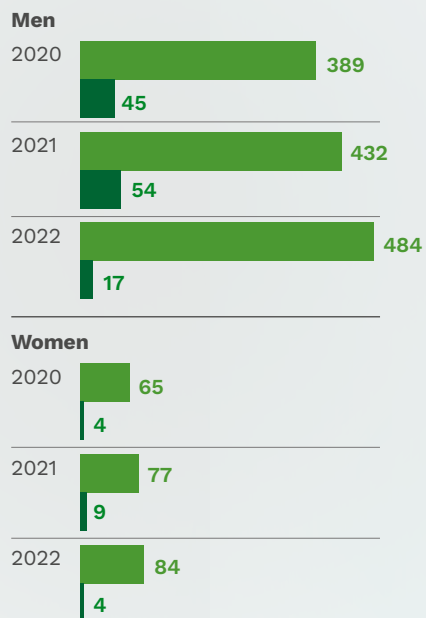
One of the tools we use to align the initiatives we implement with our values, culture and our employees' expectations is the Work Climate Survey. In 2022, we obtained an 81% positive response rate for the second consecutive year.

As in 2021, we asked about diversity, equity and inclusion and also incorporated sustainability issues. On whether AZA is an inclusive company, 93% responded positively while 92% identified it as a sustainable company that generates well-being and prosperity for its stakeholders.

Labor overview

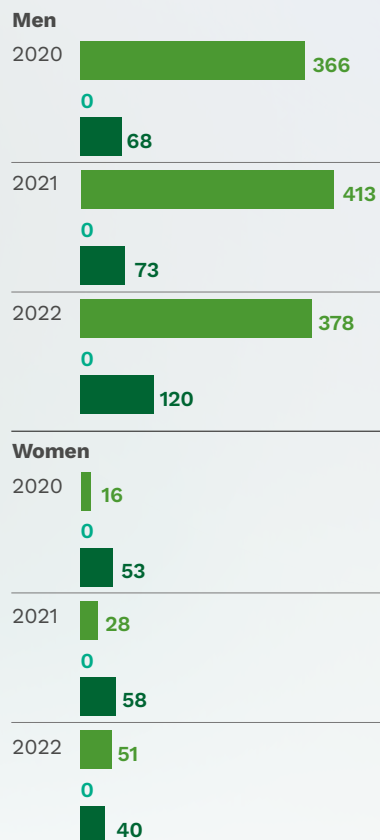
Formality

- Number of employees with indefinite contract
- Number of employees with fixed-term contract



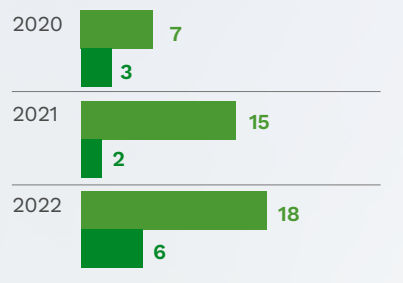
Flexibility

- Number of employees with ordinary working day
- Number of part-time employees
- Number of employees with flexibility/remote work agreements



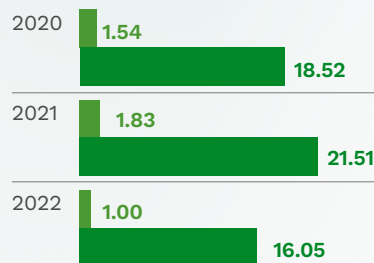
Postnatal leave

- Number of men taking postnatal leave
- Number of women taking postnatal leave



Turnover

- Average monthly turnover
- Annual turnover

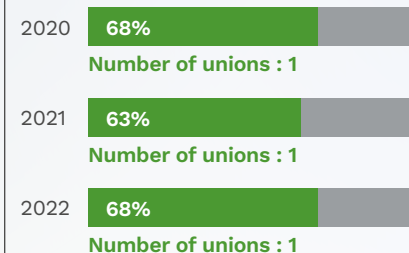


Union relations

In 2022, relations with union leaders continued to strengthen, ratifying a style of communication and dialogue based on trust and joint work between union leaders and the administration. Regular meetings with the operations area and support areas were incorporated as part of the routine during the year.

Unionization

- Unionization rate

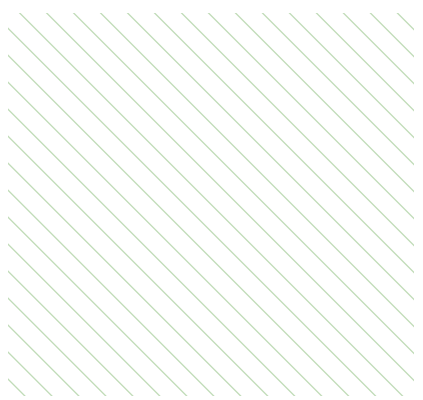




B.2 DIVERSITY, EQUITY AND INCLUSION

Our undertaking

20% of women operators by 2025.



Our approach

We believe that diversity of thought, culture, age, gender and any other difference allows organizations to face challenges more agilely and creatively. At AZA, the numbers speak for themselves and we have an abundance of strengths in this field: 11 nationalities, more than 28% of women in leadership and executive positions and recognitions for our performance in this field.

On gender, our undertaking to increase the percentage of women operators from 2% to 20% in four years is really challenging because, from its beginnings, AZA has been a company formed by men. Executive and heads of area positions have been held indistinctly by women but, in the operational area, the situation has been different. It was not until 2017 that the first woman, Carolina Aguilera, became a logistics administration operator, a position she still holds. Since then, we have striven to attract more women to Operations.

This goal implies significant efforts: first, because of a lack of women operators in the labor market and, second, because it means an internal transformation of learning, growth and adaptation that not only involves hiring, training and culture, but also requires changes in the company's infrastructure. Achieving this goal will, therefore, imply important challenges that will encourage us to continue being creative and innovative.

Advances and key initiatives

In 2022, we strengthened our culture through the launch of the AZA Somos Todos program. In its framework, we formalized our Diversity, Equity and Inclusion Policy. We also worked to update our Domestic Violence Protocol and Sexual-Workplace Harassment Protocol and on the preparation of a Gender Transition Protocol.

Diversity

589

Employees

→ **506**
Chile

→ **63**
Venezuela

→ **7**
Colombia

→ **4**
Perú

→ **4**
Brasil

→ **1**
1 person from each country:
Cuba, Argentina, Dominican Republic, Haiti and India

83

From other countries

→ **8**
Executives

→ **43**
Mechanical and electronic operators

→ **32**
Administrative and professional personnel



Gender diversity

In 2022, we celebrated Women's Month with a breakfast at home for women employees working remotely and in the Colina gymnasium for those working in-person. In addition, we organized a Let's Talk about Co-responsibility workshop, taught by AHA Inclusion, and launched the Mujeres de Acero Sostenible (Women of Sustainable Steel) program through which we highlight our women employees in the media and social networks. We also improved the women's locker rooms at the Colina Plant, increasing the number of showers, completely renovating the toilets and incorporating a disabled toilet.

Age diversity

In 2022 we launched AZA Senior, a program to support and train employees who are beginning their retirement process, equipping them with the tools to achieve a proper transition from active working life. We help them in their adaptation, offering strategies and tools for this purpose.

AZA Senior
Herramientas para mejorar tu futuro



Héctor Norambuena
Rolling mill furnace,
Renca

Sebastián Leiva
Line inspector

Onofre Díaz
Master operator

Óscar Muñoz
Rolling mill operator

Cultural diversity

As a result of the responses on interculturality, diversity, equity and inclusion we received in our 2021 work climate survey, we celebrated Chile's Independence Day in 2022 in a more inclusive way, with typical dances from Chile, Brazil, Colombia and Venezuela. In 2022, we also received the Migrant Commitment seal of the National Migration Service in recognition of our work and concrete actions in this sphere (see Box).

Disabilities

In this sphere, our challenge is for people with disabilities to account for 2% of the workforce by 2025. To this end, we continued to generate alliances with foundations to obtain advice on this issue. In 2022, we also detected opportunities for improvement in our physical facilities and worked with our Engineering area on accessibility and with Occupational Health on the evaluation of the workstations of six employees with disabilities in the Rolling Mill sector. We also mapped people with disabilities and their current and future requirements in order to draw up a mitigation plan for ergonomic situations and health risks.

PROhumana indexes

In 2022, we participated for the first time in the PROhumana organization's Gender Equity Index and Diversity and Inclusion Index, which provide an opportunity for collaborative learning. The study highlighted AZA's work in the areas of diversity, inclusion and gender equity, underscoring the participation of the Board of Directors in the review of these issues and related decision-making. It concluded that this shows "the robustness of AZA's coherent and consistent stance and actions in relation to these key challenges for the country".

Training

We believe that, as well as creating and implementing initiatives, it is vital to strengthen organizational attitudes and culture with a view to greater tolerance and diversity. In line with this, we launched a cycle of continuous training talks to raise awareness of the concepts of diversity, equity and inclusion, the advantages of managing them within the company, the regulatory framework and unconscious bias.



Aída Soto
People Manager

Juan Pablo Gutiérrez
Director of Territories and Inclusion
National Migration Service



Migrant Commitment Seal

Thanks to all the initiatives we have implemented on diversity, inclusion and multiculturalism in the framework of the AZA Somos Todos program, we were awarded the Migrant Commitment Seal. This recognition seeks to contribute to an inclusive and intercultural Chile without discrimination by promoting best practices in the employment of Chileans and people from other countries by organizations around the country.

Juan Pablo Gutiérrez, the National Migration Service's Director of Territories and Inclusion, highlighted AZA's work, noting that "there are few companies in Chile with the seal".

This recognition is awarded by the state of Chile jointly with the National Migration Service and the Directorate of Labor to organizations that stand out for their inclusivity and multicultural approach in their internal composition.

Watch video:

Gender diversity

Number of women



Percentage of women/total employees



Percentage of women in operations/total workforce of operations area



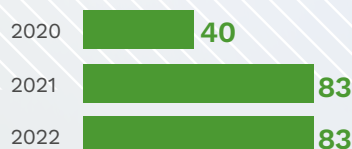
Percentage of women operators/total number of operators



Diversity at AZA

By nationality

Number of employees from other countries

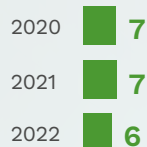


Percentage of employees from other countries



With disabilities

Number of employees with disabilities

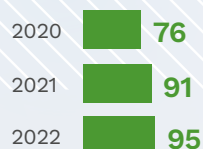


Percentage of employees with disabilities



By age range

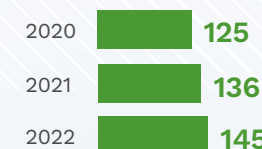
Number of employees under 30



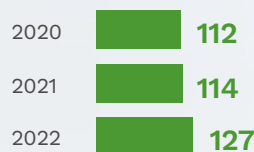
Number of employees between 31 and 40



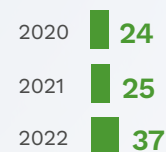
Number of employees between 41 and 50



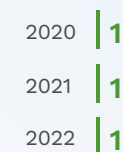
Number of employees between 51 and 60



Number of employees between 61 and 70

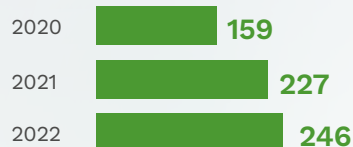


Number of employees over 70

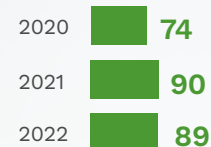


By length of service

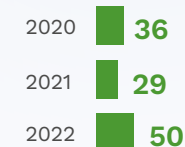
Number of employees with less than 3 years of service



Number of employees with between 3 and 6 years of service



Number of employees with between 6 and 9 years of service



Number of employees with between 9 and 12 years of service



Number of employees with over 12 years of service



C. CHALLENGES AND FUTURE FOCUS

In 2023, we will continue to work to provide our employees with all the tools they require to address the challenges ahead. We will also deepen our commitment to initiatives related to diversity, equity and inclusion. To this end, we are providing greater support for our employees' migration and installation processes; we will strengthen our leaders so they become promoters of diversity, equity and inclusion; and we will continue to think and innovate to attract more women to Operations.



2. Safety and occupational health

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Safety has always been our priority at Aceros AZA. However, in 2022, it acquired special significance and was more important than ever because current and future challenges call for behavioral transformations that position us as a company of excellence that gives priority to care for its people above all else.

A. WHY IS IT IMPORTANT ?

One of our values is care for life. We believe that no operational or economic target should take precedence over the well-being of our employees. The safety and health of each of the persons that make up Aceros AZA is, therefore, a permanent concern and must be managed by the organization and ensured by work as a team and self-care.



Julio Franzani García
Manager of Safety and Occupational Health



Rodrigo Águila Flores
Engineer in improvement management

Milestones 2022

- Modification of our public undertakings to include occupational health
- Launch of AZA aZero safety and occupational health program
- Relaunch of policies on Halting Work, Alcohol and Drugs, and Recognitions and Sanctions and of the Integrated Quality, Safety and Environment Policy
- Implementation of the Safe Summer Campaign which, through a systemic approach, strengthened the concept of safety during plant maintenance, culminating with an event entitled aZero Families
- Completion of pilot of initiatives using artificial intelligence
- Commemoration of World Safety Day with a focus on work at height
- Successful completion of second Tobacco Addiction Treatment Program
- Flu vaccination and COVID-19 booster program.



Our undertaking

Zero serious injuries or permanent occupational illnesses in our own and third-party employees at the company's operations by 2025.

B. HOW DO WE MANAGE THESE ISSUES?

At AZA, we have a Safety and Occupational Health Management System that is subject to regular audits and seeks to prevent injuries and workplace illnesses, protecting employees' physical and mental well-being. In addition, we promote a culture of safety based on the Three Barriers Loss Prevention Model – physical, systemic and behavioral – and implement safety protocols based on best international practices such as ISO 45001 under which we obtained certification in 2021 when the norm was updated from ISO 18001.

Our approach

In 2022, we strengthened the work of the Safety and Occupational Health area, led by a new manager with extensive experience. In addition, we incorporated a safety and health professional in the Engineering area in order to ensure a permanent focus on prevention in investment projects.

We also intensified our work on the design and development of a new safety model focusing on critical risks. To this end, we looked in greater depth at the management of action plans that improve and increase controls, for both our own

and contractors' employees, giving a new seal to our safety culture. The premise of this model, referred to as AZA aZero, is that all accidents and occupational illnesses must be prevented. It seeks to position AZA as an industry benchmark on safety and occupational health.

We also intensified the work associated with 5S, which seeks to facilitate our work routine, making it more productive, while contributing to reduce losses and create a culture of self-discipline, standardization and continuous improvement. In this context, we

improved the infrastructure of the Rolling Mill and Steel Mill areas and the operation's environmental conditions in order to reduce our employees' exposure to heat.

Along with this, we have developed and implemented a number of other safety improvements in processes, such as the installation of optical sensors with anchors to stop equipment when people are exposed, anti-collision sensors on bridges, automatic displacement alarms and physical barriers in sectors with high exposure to hazards.

We also strengthened the digitalization of incident reporting processes to provide online information that facilitates monitoring, recording, treatment and feedback. In the case of artificial intelligence, the AZAlert behavior management and deviation detection pilot projects were particularly important ([see page 60](#)).

Advances and key initiatives

Update of policies

In 2022, we reviewed, updated and relaunched the policies that serve as the framework for our safety and occupational health activities, adapting them to external and internal changes and the requirements of our strategic objectives for 2030. The policies involved were:

- Policy on Halting Work
- Policy on Alcohol and Drugs
- Policy on Recognitions and Sanctions.

Use of artificial intelligence

Artificial intelligence (AI) includes fields such as robotics, language translation, computer recognition and the learning of behaviors or words. The use of AI enables us to reproduce and even predict behavior, with benefits that include a reduction of the risks entailed by human manipulation in hazardous areas, improvements in the performance of newer employees and the possibility of assessing whether employees are in an adequate state of mind to perform their work.

Since we implemented the artificial intelligence pilot in the Steel Mill area of the Colina Plant to identify the precursors of serious and fatal injuries, we have gradually eliminated critical risk factors due to exposure through analysis and reports as well as ideas put forward by employees themselves.

We have also developed AZAlert, a prototype test of the level of concentration of employees, particularly those performing high-risk tasks. In 2022, we made all the theoretical preparations and concrete improvements for its scale-up (see Box).



AZAlert pilot

Given the importance of behavioral variables, we piloted a prototype concentration test with employees in the Steel Mill, Scrap Yard, Furnaces and Continuous Casting areas. This innovation, known as AZAlert, is based on the gamification methodology and detects the level of attention paid to different tasks, particularly those that entail a higher level of risk.

In 2021, we began with bridge crane operators in the Steel Mill area where all the heads of process received training and general alignment. In 2022, we carried out 388 evaluations on 19 employees before they started their shift, standardizing preventive measures to detect employees at risk. We also developed metrics, made adjustments to the software, presented the results of the pilot and, finally, carried out the technical survey and improvements for the pilot's scale-up at the Renca plant and Rolling Mill area in Colina.

Behavior management

In 2022, we continued with our behavior management processes, which are designed to ensure that each action is executed consciously and safely. We reinforced the reporting and self-management of incidents and substandard conditions and actions as well as the monthly meetings that take place with contractors and the cross-safety hours (periodic visits by leaders to different areas to detect opportunities for improvement). This reflects the importance of safe attitudes in reducing workplace accidents and of their constant reinforcement.

A key activity in 2022 was the start of the Safe Summer Campaign. This consisted in the implementation of measures to prevent accidents during maintenance at the Renca Plant and the Colina Rolling Mill and Steel Mill. We also intensified cross-inspections of critical risks in which the heads and manager of different areas are constantly involved, using their findings to propose improvements to the process.

Following the incorporation of new members of the company's Joint Health and Safety Committees (CPHSs), dialogues were organized to familiarize them with their role and responsibility for safe actions, inspections and observations in the field. In order to emphasize the systemic aspects of safety as including all spheres of employee action, two competitions were organized: a drawing competition for children and a safety slogan competition for employees. The results and awards were presented during the aZero Families event.



World Safety Day

As in previous years, Aceros AZA followed the World Steel Association in marking World Steel Safety Day. In 2022, the company opted to focus on work at height as a critical risk and implemented an activity with the leaders of the two plants to assess exposure to this risk and identify and verify the necessary controls. We also carried out inspections that took into account variables that included employees' physical aptitude, training, regulatory documentation and physical workplace conditions. This permitted the definition of an action plan to improve these risk conditions.

Rodrigo Padilla
Head of Industrial Safety

Occupational health

At AZA, occupational health management is structured around four pillars:

Health promotion: We regularly implement campaigns to provide information and increase awareness on matters such as protection from the sun, ergonomics, healthy eating, overcoming addictions and COVID-19. In 2022, we developed several occupational health training capsules and preventive campaigns through the AZA Capacita (AZA Trains) platform. They included prevention of exposure to UV radiation, techniques for monitoring psychosocial risks at work and self-care tools to prevent stress at work.

In 2022, we implemented the second version of the Tobacco Addiction Treatment Program, offering psychological and medical support. Seven employees joined the nine who graduated from the previous version. At the end of the program, four of the seven employees had quit smoking, marking a positive step forward in terms of health promotion.

Prevention of occupational and non-occupational illnesses: Epidemiological surveillance is a fundamental part of the management of occupational hygiene, enabling us to monitor the health of employees exposed to risk agents. In one of our main longstanding initiatives, we implement vaccination campaigns to prevent respiratory diseases during the winter to which we have now added COVID-19 prevention (see Box) for our own and contractors' employees. In the 2022 influenza campaign, 531 employees were vaccinated, supporting the national vaccination plan to prevent mortality and serious morbidity caused by the influenza virus.

Support for sick and/or injured people: The Safety and Occupational Health area provides permanent support for employees who are off work due to lost time accidents or occupational illnesses, guiding and helping them with attendance at check-ups to ensure the continuity and completion of their treatment.

Return to work: We have a polyclinic with qualified technical and professional personnel to provide first aid to our own and third-party employees in the event of an accident and/or an occupational or general illness. The polyclinic also carries out a medical assessment of the state of health of employees returning to work after time off due to an accident or occupational or general illness.

COVID-19

All the company's work in the framework of the COVID-19 pandemic took into account the four pillars of Occupational Health. The number of cases has decreased and we have flexibilized protective measures, but remain vigilant.

Promotion: From the start of the pandemic, we implemented an informative and preventive process to avoid or reduce contagion. As well as complying with the preventive measures proposed by Chile's health authorities, we adapted the best international practices of the World Steel Association and the Latin American Steel Association. We also strengthened protocols, trained all our people and audited our protection system with the participation of the company's Joint Health and Safety Committees and senior management. As a result, we registered no workplace COVID infections in 2022.

Prevention: Thanks to an unprecedented strategic alliance between the Health Ministry, AZA and Chile's Association of Metallurgical and Metalworking Industries (ASIMET), we achieved early implementation of the COVID-19 vaccination process at our facilities and, by the end of the year, 82% of our people had received four doses. We also continued to implement active case search (ACS) in operational areas to guard against possible outbreaks of contagion. In 2022, 2,153 employees were tested over the course of 13 ACS days, which were scheduled mainly after the winter vacations and long weekends. In addition, we developed the COVID AFORO AZA platform, which enabled us to define the aforo (maximum number of people per square meter) of offices, setting quotas for in-person work in such a way as to avoid crowding or exceed the aforos defined by the health authorities. We also implemented the COVID Passport to provide daily and shift-by-shift information on the health situation of all employees before starting work. In this way, we were able to detect COVID-related symptoms and coordinate immediate medical attention to treat the symptoms and rule out or confirm the employee's contagion.

Support for sick people: During the pandemic, we remotely accompanied sick employees through weekly telemedicine follow-up in order to know about their state of health and contribute to their recovery through guidance and recommendations.

Return to work: Once the conditions were in place for high-risk employees to return to in-person work, they each underwent a preventive medical check-up to assess their health situation at the time of their return. In this way, we sought to ensure that underlying pathologies were being treated and duly controlled to enable them to start the process of a safe return to work, following all the company's self-care and COVID prevention requirements.

In 2021, the Asociación Chilena de Seguridad (ACHS), a workplace health and safety insurer, awarded the Colina and Renca plants its COVID-19 Seal for 100% compliance with preventive measures to avoid contagion.

C. INDICATORS

SASB EM-IS-320a1

Indicator 2022

	Employees	Contractors' employees	Total
Total recordable incident rate (TRIR) (N° cases with lost time + N° cases without lost time + N° Occupational illnesses) * million / man-hours	582	6,094	6,676

Fatality rate (N° fatalities * million / man-hours)	0	0	0
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Near miss frequency rate (NMFR) Full-time employees	257	159	416
(N° cases with lost time * million / man-hours)			

The rates are calculated as: (statistical count x 1,000,000) / hours worked.

Safety



Fatalities

	2020	2021	2022
Fatalities	0	0	0



Frequency rate

Number of lost time incidents + fatalities / million hours worked

Frequency rate	5.9	8.6	5.5
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Accidentability rate

Number of accidents / number of employees * 100 (Calculated taking the average monthly number of employees)

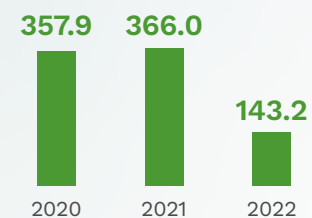
Accidentability rate	1.0	1.8	1.8
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Rate of occupational illnesses

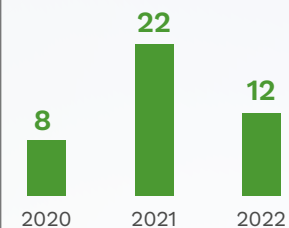
Number of occupational illnesses / number of employees *100 (Calculated taking the average monthly number of employees)

Rate of occupational illnesses	0	0	0.46
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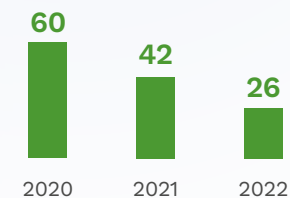
Severity rate

Number of days lost plus days attributed to work-related accidents calculated as lost time cases / million hours worked



Lost time accidents

Total number of lost time accidents in the period



Average days lost due to accidents

Number of days lost due to accidents / number of workplace accidents

D. CHALLENGES AND FUTURE FOCUS

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The last few years have shown us the importance of having work teams that are highly committed to safety. The design and implementation of prevention, mitigation and safe return to work plans have, therefore, gained importance, along with investment in improvements. These must, moreover, be accompanied by integrated safety and occupational health, quality and environment policies and policies on halting work, alcohol and drugs, and recognitions and sanctions as well as the promotion of self-care and mutual care.

In the case of safety, the incorporation of artificial intelligence systems has focused attention on positions where risky behavior associated with infrastructure, environmental conditions or work stations tends to recur. This has underscored the importance of rethinking processes and incorporating engineering controls, segregating or eliminating hazards through the incorporation of new technologies. In response, we have taken measures to avoid exposing employees to critical tasks. The next step will be to link the company's initiatives and policies to provide integral support for the needs identified, for example, in the AZAlert project.

In 2023, we plan to certify our Joint Health and Safety Committees and work with the evacuation and emergency brigades to update their protocols and involve their families. As part of the AZA aZero project, we will review, update and deploy a mix of risk prevention tools and indicators such as general and specific inspections, observation of behavior and task planning. In addition, we will carry out personalized preventive routines focusing on the precursors of serious accidents or occupational illnesses. This will be accompanied by a review of processes and the updating and simplification of procedures, as well as the incorporation of the bowtie risk assessment method for the updating of preventive and mitigating controls. Training for both the operations and the safety and occupational health teams will also be provided to continue advancing in an integrated, interdependent and high-performance safety culture.



Scrap Yard team. Colina Plant

3. Building a network of scrap recyclers

We have Chile's largest network of scrap recyclers. It comprises over 10,000 grassroots recyclers with whom we promote circularity nationally. We also play a fundamental role in society by recovering scrap from all corners of the country.

A. WHY IS IT IMPORTANT?

In Chile, 40% of landfills are at 80% of their capacity or on the verge of collapse. In response to this situation, the COP27 goals and the international agreements signed by Chile, the government has defined clear policies and programs, particularly as regards reducing the generation of household and industrial waste and the promotion of circularity, putting people's well-being at the center. In 2019, the Ministry of the Environment published a Roadmap for a Circular Chile by 2040, which seeks to achieve this goal through a participatory, inclusive process in which all sectors have been considered.

For the past 70 years, AZA has collaborated with recycling through a circular model that has recovered some 600,000 tonnes of ferrous scrap each year and is currently providing green steel for the construction of a more sustainable Chile.

B. HOW DO WE MANAGE THESE ISSUES?

For the implementation of our circular model, we have a network of end suppliers, comprising medium-sized recyclers, manufacturers, construction companies, mining companies and other sectors that generate the ferrous scrap that serves as our raw material.

In addition, we have an important network of grassroots or retail recyclers, who are fundamental to our circularity model and, due to their role in recovering scrap, for achievement of the country's sustainable development goals. Their work means that, according to the National Association of Recycling Industries (ANIR), scrap metal is the waste with the second highest recovery rate in Chile, after cardboard.

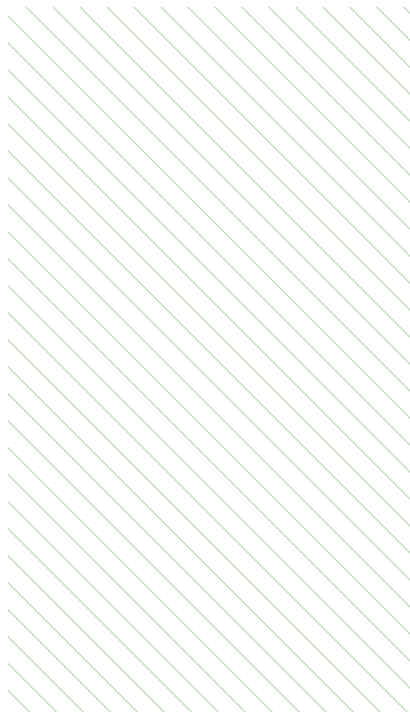
The management of both groups is crucial for the ongoing production of green steel as well as for AZA's ability to respond to its clients' needs. Consequently, we have implemented initiatives to strengthen our relations with end suppliers and the network of grassroots recyclers. In particular, we offer the latter financial support, management tools to grow their businesses sustainably and a transparent relationship that responds effectively to their needs.

Complementing this, we have designed and implemented other ways of obtaining ferrous scrap that, at the same time, add value to society and the environment. For over a decade, we have supported instances of collaboration between the community and public-private entities that benefit remote areas of Chile by removing, treating and recycling the scrap metal they produce ([see pages 75 and 76](#)).

B.1 NETWORK OF GRASSROOTS RECYCLERS

Our undertaking

20% of the scrap acquired to come from grassroots recyclers by 2025.



Our approach

Grassroots recyclers collect ferrous scrap around Chile, mainly from households, and sell it to end suppliers, who carry out initial separation and processing before delivering it to our facilities.

They are mostly entrepreneur families, whose economic livelihood depends exclusively on the sale of scrap metal. For some, access to credit and banking services is difficult and a number of them lack space to store the material they collect and must, therefore, sell it each day. Their work benefits the local economy and their own quality of life and avoids the scrap's disposal in landfills. Due to their importance, we have a permanent program to support them, seeking to strengthen their capabilities and promote inclusive recycling in social groups without access as direct suppliers. In this way, we help to broaden the country's social and economic base.

This program includes various economic and social benefits, such as payment in cash within 24 hours of the sale of the scrap and access to the AZA Contigo (AZA with You) program, which coordinates and systematizes the provision of information on issues relevant to the recyclers (see overleaf).

In this way, the grassroots collectors become micro-entrepreneurs who improve their income by selling scrap directly, rather than through intermediaries. In addition, direct contact with our ecosystem gives them access to hygiene and safety practices in line with our corporate standards and to training programs that accompany them in their growth and formalization. In 2022, we remained focused on achieving our public undertaking that, by 2025, 20% of the scrap we acquire will come from grassroots recyclers. Within this framework, we received 62,811 tonnes of scrap from them in 2022, equivalent to 12% of the total received, almost doubling both the number of grassroots recyclers and the percentage of scrap purchased from them in 2021.

We pay our scrap recyclers **within 24 hours.**



Raúl Rojo
Grassroots recycler, Colina.

Advances and key initiatives

AZA Contigo program

Since 2016, we have implemented the AZA Contigo program to support grassroots suppliers. During the pandemic, we strengthened the program and, between 2019 and 2021, it coordinated and systematized the provision of information on issues relevant to these suppliers, including about public and private subsidies, the financial and social support available for their businesses and economic recovery plans. Over the three years, the initiative's success meant that, in addition to recyclers in Colina, Temuco and Puerto Montt, we incorporated recyclers in the towns of Iquique, Coquimbo, Quilpué and Valdivia and the Maipú, Pudahuel, Puente Alto and San Ramón districts of Santiago.

In 2022, we also took concrete steps to implement the Value Proposition developed with them in 2021, defining three main areas of work:

- Maintain monthly orientation campaigns for recyclers and their families to support them and raise their awareness of safety and environmental issues
- Implement the Entrepreneur Program to visibilize recyclers and connect them with new business opportunities in line with AZA's commercial strategy and to contribute to their digitalization and business development. To this end, our plan will consist in the provision of accounting, finance and formalization tools, as well as spaces where they can generate more business.
- Maintain and increase the direct or 2.0 model, whose objective is to offer high-level attention, services and basic facilities at the delivery points of the AZA ecosystem. In 2022, we improved the standard of the ecosystem's infrastructure and strengthened the information available to the recycler.



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535,520

tonnes collected by the network of scrap end suppliers²³

62,811

tonnes collected by grassroots recyclers

Scrap acquired from grassroots suppliers as percentage of total scrap acquired



²³ Includes end and grassroots recyclers.

Conecta Prize 2022 - AZA Contigo Program

We have implemented the AZA Contigo (AZA with You) program since 2016 and, in 2020, strengthened it through the creation of a platform with the same name. This platform coordinates and systematizes the provision of information to all the scrap metal retail supply chain¹ and was particularly important during the pandemic. Its purpose is to give recyclers rapid access to public and private support for their families and businesses, teach them how to use key tools for the development of their business and connect them with AZA and a support ecosystem.

In 2022, we registered 10,204 grassroots suppliers, up by 4,648 on 2021, who together contributed 62,811 tonnes of scrap. We paid 99% of suppliers within 24 hours, a milestone for the sector. The program seeks to transform grassroots collectors into micro-entrepreneurs, who can improve their income by selling scrap directly.

AZA's generation of value in its network of scrap suppliers is significant for Chile's development. Approximately 6% of the company's annual spending on the purchase of scrap went to the network of grassroots recyclers, indirectly benefiting 10,410 families.

As part of the Global Compact's Conecta 2022 Business Awards, AZA Contigo received the Conecta Prize in the Global Interconnection category for its contribution to SDGs 10, 11 and 12. In 2021, we had already received the Conecta Prize in the Planet category for our circular economy program in mining ([see page 73](#)).



Our approach

Our network of end suppliers comprises small and mid-sized enterprises (SMEs) and companies in the construction, mining and manufacturing sectors that generate scrap. In 2022, 604 companies accounted for 88% of the scrap we purchased, equivalent to 472,710 tonnes. Due to their importance, we constantly strive to offer these suppliers a high-quality service, with differentiating experiences that add value to their business.

One example of this is the implementation of an efficient system for the collection and recycling of large volumes of ferrous scrap waste such as milling balls, metal structures, machinery, shovels, hoppers and cut-offs from the mining industry and other similar items. We transform this waste into green steel, which eventually makes its way back to the same industry. We also evaluate ways to improve services for reception of the scrap. We have seven industrial-capacity mobile presses that process the light material stockpiled by the companies. By reducing the volume of scrap, this optimizes transport loads, mitigating our Scope 3 greenhouse gas emissions. In addition, we have 540 containers controlled by a logistics team, which optimizes their management in reaching all the country.

Surplus metal from the mining and manufacturing sectors accounts for 18% of the scrap we acquire from end suppliers. With them, we have developed initiatives or products that help to guarantee circularity. This is the case, for example, of the SAFEROCK® bolt that we produce from scrap and is used at mining sites to fortify and reinforce rocks, slopes and the ground, maintaining the integrity of rock subjected to stress. In addition, our services include the processing of surplus material from work sites, plants and recycling centers, the removal of surplus material from operations, the provision of final waste disposal certificates and the traceability of all the material received.

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Scrap suppliers



Scrap suppliers

	2020	2021	2022
Total number of scrap suppliers	3,291	6,163	10,808

	2020	2021	2022
Amount paid to the network of scrap suppliers (millions of pesos)	49,775	146,685	138,304

Collection by network of scrap suppliers

	2020	2021	2022
Total tonnes collected by AZA's network of suppliers	344,789	561,852	535,520

	2020	2021	2022
Tonnes collected by AZA's network of end suppliers	326,413	526,648	472,710

	2020	2021	2022
Tonnes collected by AZA's network of grassroots suppliers	18,376	35,304	62,811

Grassroots recyclers

	2020	2021	2022
Total number of scrap recyclers who are grassroots suppliers ²⁶	2,740	5,556	10,204

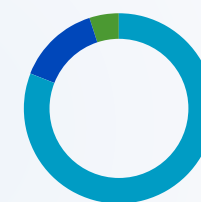
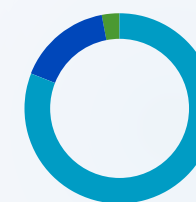
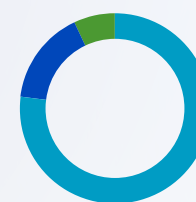
	2020	2021	2022
Tonnes of scrap acquired from grassroots recyclers/total scrap acquired	5%	6%	12%

	2020	2021	2022
Amount paid to grassroots recyclers (millions of pesos)	2,526	8,350	14,371

Origin of scrap



	2020	2021	2022
Scrap recycled (tonnes)	344,789	561,852	535,520



Percentage of scrap from residential and construction sectors

77%

81%

81%



Percentage of scrap from manufacturing sector

16%

16%

14%



Percentage of scrap from mining processes

6%

4%

5%

²⁶ Grassroots recyclers = maximum average monthly sales to AZA of 20 tonnes.

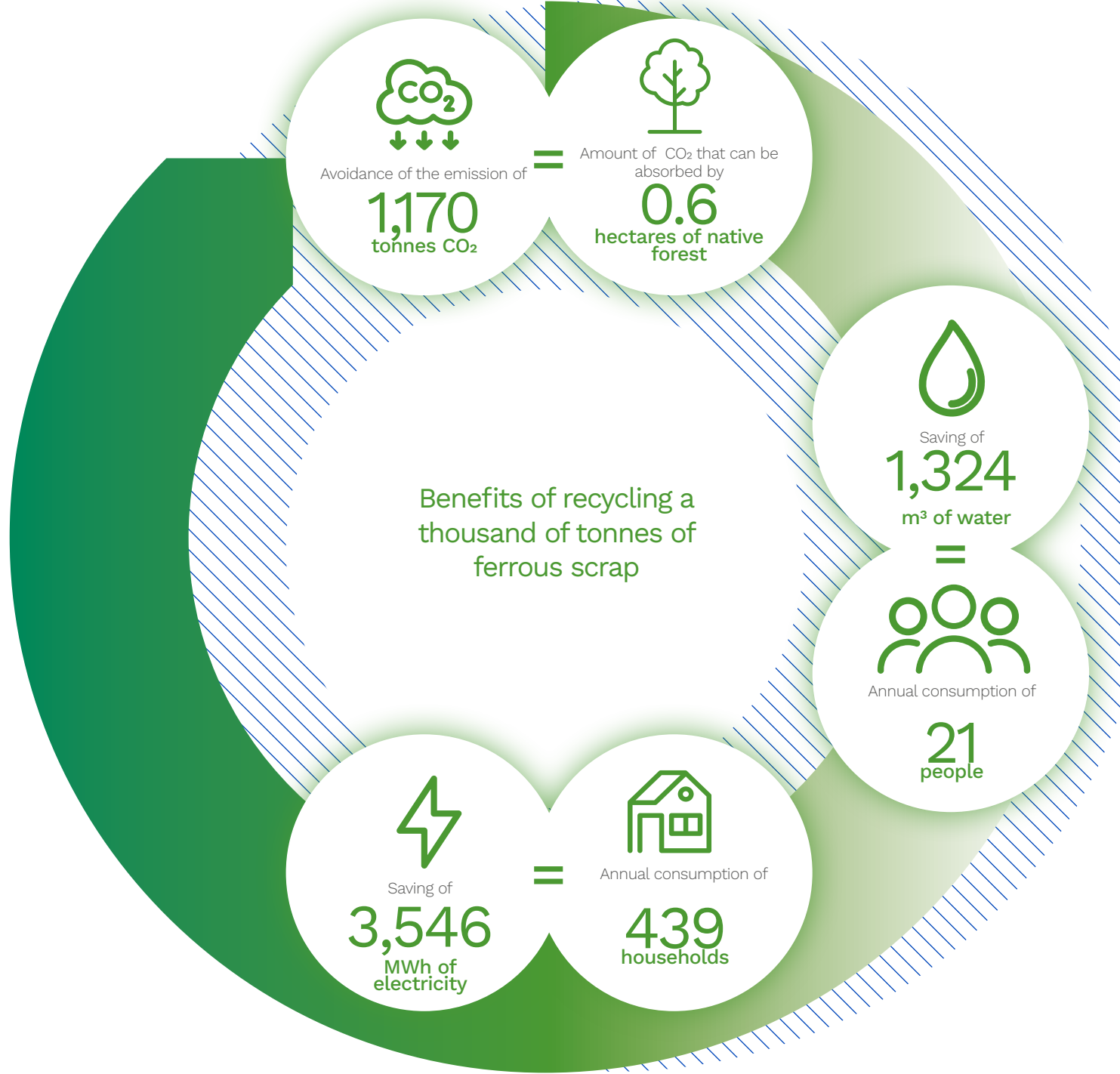
Advances and key initiatives

Declaration of Circular Value

In 2021, we began to provide a Declaration of Circular to companies that recycle their scrap with us. It certifies that they are part of our circular model and quantifies the environmental benefits generated by the scrap's recycling in terms of the reduction in CO₂ emissions and water and energy consumption.

In 2022, together with Bioscience Consultants, the consultancy company that developed the calculator for the Declaration of Circular Value, we quantified how recycling benefits the environment by reducing greenhouse gas emissions and saving water and energy. The calculator compares the intensity of greenhouse gas emissions and water consumption using the ISO water footprint methodology and, in the case of energy resources, their use at AZA compared to that reported by the other members of the World Steel Association.

During the year, Deloitte began the process of external assurance of the methodology for calculating the environmental benefits described in the Declaration of Circular Value. This was successfully completed in early 2023.



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Our role in mining

Mining companies have special characteristics and high environmental and safety standards to which their suppliers must adhere. At AZA, we have worked during the past five years to achieve standards and levels of service that, both technically and structurally, equip us to work directly with the mining industry as part of their processes for managing and recovering ferrous waste and surpluses.

Therefore, we offer high environmental standards and a low environmental footprint as well as our Declaration of Circular Value testifying to companies' commitment to care for the environment and the contribution they make by reducing their energy and water consumption and CO₂ emissions. We also provide sanitary solutions for stockpiling and processing yards as well as the transportation of recyclables. In addition, our value proposition includes other benefits, ranging from economic benefits, such as transparency and traceability in our purchasing processes to variables of excellence. Regarding this latter aspect, we have international quality, environmental and safety certifications and teams with extensive experience in scrap yard management and processing in state and private mining companies as well as accredited professionals with the standards required by each mining operation.

To promote a circular economy model for the mining sector, we strengthened the production of green steel in 2022, recovering and recycling 27,500 tons of waste. Activities included the elimination of environmental liabilities (scrap balls) and the wrecking of obsolete assets.

Our challenge is to increase our presence in ferrous waste management and its recovery in the mining industry throughout the country.

Our approach

In 2022, we continued to reinforce our relationship with various organizations in order to establish alliances that enable us to collect ferrous scrap from remote areas of the country. As well as bringing us closer to new stakeholders, this benefits the communities through the proper management of scrap collection, generating positive environmental impacts.

Advances and key initiatives

Recycling of disused cars in Punta Arenas

In 2022, there were 70,000 cars in the city of Punta Arenas, according to the Municipal Traffic Department. This represented an annual increase of 7,500 vehicles. When these cars reach the end of their useful life, they are left in landfills or abandoned on the streets or in municipal pounds, with the resulting environmental and public health problems.

To address this situation, local scrap metal collectors spent some three years searching for abandoned cars, collecting some 1,200 vehicles. To remove them from Punta Arenas, we organized a collaborative process with local suppliers. The transformation of this scrap will permit the production of 850 tonnes of green steel, helping to save 3,831 MWh of electricity and 1,456 m³ of water and avoiding the emission of 1,241 tonnes of CO₂e.



Firefighter rescue practices

The rescue of people involved in vehicle accidents is one of the tasks that requires the most concentration and professionalism on the part of firefighters and causes them the most stress. Unfortunately, to conduct training exercises, they have to pay for vehicles and their transport to a fire station. Consequently, these exercises can take place only two or three times a year and use only one vehicle.

When we became aware of this situation, we decided to help Chile's Fire Service by offering our facilities, car bodies collected as scrap and the necessary space for training exercises. In 2022, two exercises took place: one by the First Company of Colina and the second by the Fifth Company of Maipú. We provided areas in the recycling centers of these two municipal districts, without charge, and a total of nine vehicles. At the beginning of 2023, we organized a third exercise with the First Company of Maipú.

Given the success of this initiative, we are planning to extend it to other centers in the Santiago Metropolitan Region and even to other regions.

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Transformation of guns into green steel

For 18 consecutive years, we have participated in the destruction of firearms confiscated in police operations or voluntarily surrendered to the General Directorate of National Mobilization. In 2022, we received 17,590 weapons, 29% more than in 2021. In this way, we are able to collaborate with Chile's National Policy against Organized Crime by removing weapons from circulation and preventing their reuse. In almost 20 years, we have destroyed more than 225,000 firearms.

In 2022, 10 tonnes of firearms were converted into green steel, preventing the emission of 12 tonnes of CO₂e and saving 14 m³ of water and 36 MWh of electricity.

Agreement with Santiago Metropolitan Park

One of Santiago's most important green areas is the city's Metropolitan Park which, in recent years, had accumulated some 36 tonnes of scrap. In response, we signed a collaboration agreement with the park in 2021, undertaking to formulate, develop and implement environmental protection projects, remove all metal material from the park for recycling and subsequently provide it with steel products to enhance its Pedro de Valdivia garden. The scrap metal was removed in March 2022 and, over the rest of the year, we produced railings for a 150-meter path. We expect to complete the project in May 2023.

Removal of scrap from Rapa Nui

A collaborative relationship with Rapa Nui, formed 13 years ago, has enabled us to eliminate close to 300 tonnes of scrap from the island, contributing to care for the environment and local cleanliness. This initiative is the result of an agreement signed between the Rapa Nui Municipal Government and Aceros AZA, which is supported by SASIPA, a subsidiary of the government's Economic Development Agency (CORFO) and the shipping companies that transport the scrap from the island to the port of Valparaíso. In 2022, we received 16 tonnes, which we will convert into 14 tonnes of green steel.

In 2021, as part of our support for Rapa Nui, we began work on the publication of a book on recycling for the island's secondary school students. Its aim is to raise awareness among young people so they become ambassadors for the protection of the island's ecosystems. The book is currently being edited and designed by the Tierra Viva Foundation.



Close of the scrap removal campaign in Hualaihué

Removal of scrap from Hualaihué

Some 30 tonnes of scrap metal from the town of Hualaihué in southern Chile's Los Lagos Region have been recycled. This followed extensive preparation and coordination during 2022 between the local authorities, Karün, Aceros AZA and J y V, the municipal district's recycling company. In January 2023, refrigerators, washing machines and other disused items were removed from homes in the town and other light and heavy scrap metal was collected. This material would otherwise have ended up in clandestine dumps or the municipal landfill.

This initiative marked a new milestone in the collaborative work that Karün and Aceros AZA have been leading for the past two years. In 2021, a similar clean-up took place in the town of Cochamó, leading to the recycling of over 20 tonnes of material. This was used to make spectacles and green steel, which each of the companies produces under a circular economy model in which recycling plays a fundamental role.

C. CHALLENGES AND FUTURE FOCUS

Our focus over the next few years will be on continuing to support grassroots recyclers and materialize the value proposition designed with them with the aim that, by 2025, they will supply 20% of the scrap we acquire, improving their financial base and providing them with constant information and new business opportunities in line with AZA's commercial strategy. In the case of end suppliers, we hope to expand coverage of the Declaration of Circular Value. In addition, we are working to provide a better ferrous waste management and recovery service for the mining industry throughout the country, positioning our circular economy model.

Over the next few years, we will also continue to build relationships of trust and collaborative work that enable us to continue creating social value, both in areas where we are present and in those parts of the country that face difficulties in the management and disposal of solid waste, either due to their territorial dispersion, low frequency of collection, lack of resources or the high costs of ensuring adequate final disposal.

4. Contribution and commitment to communities

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Residents of Camino Coquimbo Street in Colina and AZA volunteers.

Our undertaking

To implement FIVE alliances to support the development of neighboring communities by 2025.

In 2022, we reinforced our commitment to the communities close to our operations, implementing projects for their social support. We also continued to promote the creation of public-private alliances that directly benefit our neighbors.

A. WHY IS IT IMPORTANT?

We believe that all companies' actions have an impact on the community, economically, socially and environmentally. Companies must, therefore, be present in a way that adds value to community development and helps solve challenges such as a lack of infrastructure, safety and environmental improvement.

Although our facilities are located in industrial belts, we want to be a relevant player in the areas where we are present and contribute to their social development and, particularly, our neighbors' quality of life. To this end, one of our sustainability undertakings was, therefore, to implement five alliances through which to contribute to the development of the areas where we are located by 2025; however, given the systematic work undertaken in 2022, we have already surpassed our goal for the creation of these networks (see page 17).

B. HOW DO WE MANAGE THIS ISSUE?

We seek to put ourselves at the service of a collaborative process that enables us to promote behavioral changes, particularly in matters related to the circular economy, in order to build an environmentally sustainable and resilient society. In 2022, we devoted 55 million pesos to programs for social integration and the eradication of poverty and to support education in schools near our operations.

Our approach

We want to implement long-term programs, aligned with our Sustainability Strategy and with the needs expressed by communities. To this end, we believe it is essential to develop public-private alliances that contribute to the quest for joint, collaborative solutions through which we can improve social, environmental and economic conditions in the areas where we carry out our interventions.

In 2022, we continued to support education, fostered the training of communities' recycling agents and developed a program with the Camino Coquimbo Street community in Colina. In addition, with the Ganémosle a la Calle Foundation, we promoted sports activities for children. We also formalized our corporate volunteering with activities aligned with our Sustainability Strategy.



Collaborative work with residents of Camino Coquimbo Street.

Milestones 2022

- We carried out a citizen participation process with neighbors on Camino Coquimbo Street in Colina to gather information about their socioeconomic characteristics and priority needs.
- We implemented a second version of the Primero Lee (First Read) reading program, benefiting 100 children between nursery and first-year primary level at the Esmeralda School in Colina.
- We successfully completed the selection process for a citizen project to eradicate micro-waste dumps in Renca. This activity took place in the framework of the municipal district's Environmental Working Group.
- We made a commitment to the Ganémosle a la Calle Foundation.

Advances and key initiatives

AZA Vecino program

One of AZA's commitments is to become a key player in the development and transformation of its areas of influence, designing initiatives through which to build social value in collaboration with the community itself. In line with this, as part of the AZA Vecino program, we tapped into the experience of the Do! Smart City Foundation to carry out a citizen participation process in Camino Coquimbo Street, adjacent to our Colina Plant. This initiative gathered information from official social records about the community's socioeconomic characteristics and surveyed the residents' concerns and dreams as well as identifying new opportunities for joint work and proposing concrete improvements.

Socioeconomic characterization of the residents of Camino Coquimbo Street in Colina



Neighbor

40%

of women look after the home or are unemployed



Family

40%

of households include a person with disabilities (an estimated 11 people with disabilities).

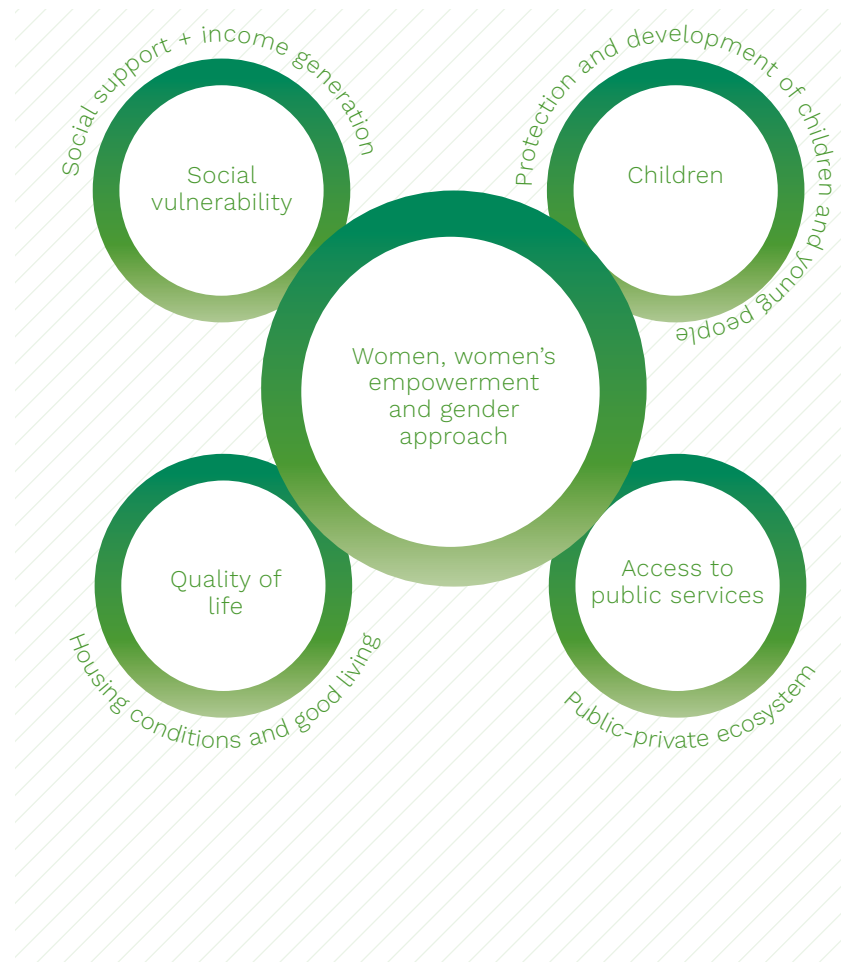


Socioeconomic characterization

92%

of residents have an income below the national monthly average of 681,039 pesos.

Needs / Lines of action Camino Coquimbo Street community



During the fieldwork, we were able to meet with 43 neighbors. As a result of this approach, we identified 11 main needs that we grouped into different initiatives to be implemented in 2023. They include the creation of a public-private roundtable that incorporates local actors; the provision of school scholarships consisting of financial support, school supplies and technological tools; a winter voucher for heating homes; and the implementation of a sports school to promote physical activity among children.



[Watch the video ▶](#)



Primero Lee program

In 2022, we continued to provide support for the Primero Lee (First Read) project launched at the Liceo Polivalente Esmeralda school in Colina in 2021. As in the previous year, we worked with the Crecer con Todos Educational Foundation. This initiative seeks to consolidate the process of learning to read and write in children between the ages of four and seven and, in 2022, was extended from nursery to first-year primary level, continuing to provide all the material prepared, such as a classroom library, teacher planning, student guide, didactic support material and evaluations.

In addition, e-learning workshops for teachers were held on listening comprehension tools and strategies to help them support the children's development. Meetings were also organized for school management teams and a program coordinator continued to provide support, working periodically with the school staff.

In 2022, we doubled the number of children benefited (from 52 to 100) and supported two nursery teachers and one primary teacher. As a result of the intervention, the percentage of students with a low performance decreased from 72% to 24%.

Community project to eliminate micro-waste dumps in Renca

The existence of micro-waste dumps and illegal landfills is one of the social problems detected in the Renca municipal district, specifically in the Pepper-Lo Ruiz macro zone. In 2021, the municipal government convened three public-private working groups to address this and other problems.

The Environmental Working Group, comprising 12 companies operating in the area as well as the La Fábrica de Renca Corporation and the Do! Smart City Foundation, identified 142 points in the district used as micro-dumps or illegal landfills from which the municipal government removes an average of 26,500 tonnes of waste each year at an average annual cost of 550 million pesos.

To contribute to resolving this problem, a competition was organized in 2022 for the presentation of ideas. Some 50 ideas were submitted by local residents, students and entrepreneurs from the Arica, Valparaíso, O'Higgins and Santiago Metropolitan Regions. This was followed by a 10-hour session of collaborative work in the Renca Innovation Center, where participants were accompanied by mentors and experts to deepen their understanding of the problem, improve their ideas and prepare a presentation to a jury. The jury selected the best solution for intervening some 100 small illegal landfills, awarding 5 million pesos for the project's implementation. The winning initiative, entitled Recupera (Re-cover), consists in the creation of an online platform that facilitates the reception of disused electronic devices and household appliances from the district's residents to prevent them from being disposed of illegally.



In the competition for the elimination of micro-waste dumps, the winning team, named Les Mojojo, was formed by Gabriela Poblete, Yessenia Soto and Julio Zúñiga.

Ganémosle a la Calle

In 2022, we began to work with the Ganémosle a la Calle Foundation, which seeks to offer opportunities through free sports workshops in vulnerable sectors. It supports around 700 children in six centers in four municipal districts. They include Renca, hence our interest in long-term collaboration with this foundation as a means of offering the district's children and young people a healthy opportunity.

We also organized a sports day in conjunction with the AZA Basketball School. Our employees visited the Ganémosle a la Calle center in Renca, offering technical support and playing a game against young people from the foundation.

In 2023, we hope to incorporate this initiative into the AZA Vecino program in order to offer these same sports opportunities to children and young people living on Camino Coquimbo Street in Colina.

C. CHALLENGES AND FUTURE FOCUS

We seek to put ourselves at the service of a collaborative process that allows us to foster changes in conduct, particularly as regards the circular economy, and build an environmentally sustainable and resilient society. In 2023, we plan to increase the budget for programs whose objective is to contribute to social integration and the eradication of poverty and to support education in schools near our operations.



Match between the AZA Basketball Club School and young people from the Ganémosle a la Calle Foundation.

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“We are Chile’s main producer of green steel and its largest recycler of ferrous scrap. As such, we have been preparing to grow and continue to be the country’s leading company in steel for construction.”

Alejandro Lifschitz
Commercial Development Manager

1. Excellence and innovation

The Transformation and Innovation area continued to pursue its mission of reinforcing and aligning the public undertakings of our Sustainability Strategy for achieving the targets of the strategic plan to become the world's best steel company by 2030.

A. WHY IS IT IMPORTANT?

Our goal for 2030 is to be a leader in excellence, competitiveness and sustainability. To this end, we are laying the foundations to obtain in the short term the first results of the mathematical modeling, predictive maintenance and systems upgrades that will provide us with online information with which to better manage our environmental, social and economic performance. These advances, as well as their integrated and coordinated management, will help us to create an AZA aligned with the new times, through ideas and technologies that will make us more competitive.

B. HOW DO WE MANAGE THESE ISSUES?

Our approach

In 2020, we began work on the design of a technological roadmap, with the support of the PwC consultancy company. This task mobilized all areas of the company to seek opportunities for improvement and was consolidated in 2022. We also designed a cultural change strategy for the company's digital transformation, standardized processes in the support areas and continued to implement our investment plan looking ahead to 2025.

In 2022, we also consolidated the Transformation and Innovation area, created a year earlier. It has prioritized the technological roadmap projects that create most value for the company and focused on aligning our public undertakings for achieving our strategic targets.

Our quality, environmental and safety management systems have allowed us to define clear targets, objectives and strategies for permanent and systematic improvement in these areas. In other words, both our undertakings and the way we manage these variables have contributed to position us as a national benchmark in terms of obtaining ESG (environmental, social and governance) financing.

Milestones 2022

- Consolidation of the Transformation and Innovation area
- Ongoing implementation of projects to optimize our operation and improve processes
- 20% increase on 2021 in participation in the Ideas Program and the Problem Solving Group
- Approval of 59 investment projects for a total of over US\$ 12.9 million.
- Signing with three banks of financing associated with ESG variables for a total of 79,600 million pesos, four times more than in 2021, positioning us as one of Chile's leading companies in the use of financing of this type.

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Recognition of employees at the Improvement Meeting.

Advances and key initiatives

Innovation

Technological roadmap: We continued to work on improving supply chain processes through the integrated management of suppliers, procurement and contracts as well as on the integration of sales channels with clients and the coordination of planning between the supply area and the plant. We also consolidated the use of artificial intelligence in production processes and implemented new equipment and methodologies to increase energy efficiency.

Participative ideas: For over a decade, we have been promoting initiatives proposed by our employees through the Ideas Program and the Problem Solving Group (PSG). These two initiatives enable employees to put forward solutions to complex situations in a manner that is collaborative and conducive to continuous improvement. Both programs were relaunched in 2022 and participation, which had dropped in recent years, increased from 3% in 2020 to 16% in 2022. In October 2022, we organized an Improvement Meeting to recognize the participation of employees and the most active areas in both Ideas and the PSG.

AZA certifications

2015:



2018:



Investment plan

Our 2020-2026 investment plan, worth US\$186 million, seeks to ensure our competitiveness, increase our production capacity to 620,000 tonnes and continue to foster the use of technology that helps us to produce even more sustainably. In 2022, an investment of US\$12.9 million was approved for the implementation of 59 projects in different areas, including the digitalization process in the Steel Mill's scrap yard, which represented the greatest internal advance, and an upgrade of the main equipment at the Colina Rolling Mill and the injectors and post-combustion modules of the Steel Mill's electric furnace, which will help to improve the facilities' productivity and ensure workplace safety. To date, the company has invested constantly with minimal variations despite contingencies. We are also implementing other projects that will increase our excellence in different spheres. They include:

- The Colina Plant Noise System Upgrade to improve and increase the existing operational noise control system in the scrap yard and maintain compliance with our Resolution of Environmental Approval (RCA)
- The use of artificial intelligence to improve the scrap sorting process, optimize the work of the sorters and improve their safety conditions
- The use of robotics to detect hot spots in the steel ladles that are transported from the ladle furnace to the continuous casting process with thermographic cameras that measure the temperature and provide automatic warning to prevent the molten steel from perforating the ladle
- Standardization of the offices of the Renca and Colina Rolling Mills and the Engineering area
- Installation around Chile of new collection and recycling points that have enabled AZA to increase purchases of scrap from retail suppliers in different parts of the country
- Installation of 540 containers at manufacturing and mining companies that generate scrap to facilitate its handling and reduce scrap transport costs.



Sustainable financing

In 2022, we raised 79,600 million pesos in new short and medium-term financing lines with an ESG (environmental, social and governance) structure. This was almost four times the amount raised in 2021 and positioned us as one of the leaders in this field in Chile. The loans are tied to the achievement of three strategic indicators with targets for 2025, related to the reduction of CO₂ emissions, an increase in the amount of scrap purchased from grassroots recyclers and an increase in the efficiency of our materials through a circular economy model.

Banco Santander invited us to participate in forums as an industry benchmark in obtaining financing of this type. In 2022, 43% of the lines of financing approved and 30% of real financing were structured under the ESG format.



C. CHALLENGES AND FUTURE FOCUS

Our principal challenge is to implement adaptation processes to enable the organization to assimilate future changes, assume new roles and build collaboration across all areas of the company in order to generate a cultural transformation that contributes to the achievement of our strategic plan and responds to the new needs of our clients.

Within the next few years, we expect to see the first results of the work carried out under the technological roadmap with artificial intelligence, machine learning and the update of systems and processes.

Both the cultural change and the use of new, more modern technology, processes and systems will lead us towards the AZA of 2030, transforming us into a steel company that balances the benefits of technology with the development of its stakeholders.

2. Governance

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To ensure AZA's sustainable future in the medium and long term, we have established a corporate governance system that defines strategies and priorities, establishes effective management structures and controls our performance and the efficient use of resources.

A. WHY IS IT IMPORTANT?

We continued to implement a profound transformation to guarantee compliance with our purpose of “Green steel for building a more sustainable Chile together” and to ensure that AZA remains a leader in the sustainable steel industry in the coming decades. It is essential that the corporate governance structure and senior management are committed to this process of transformation.

B. HOW DO WE MANAGE THIS ISSUE?

Our approach

At AZA, we have worked systematically to perfect our corporate governance practices and processes in order to ensure the company's efficient, sustainable and transparent management. Since 2018, our Board of Directors has led the company's transformation and strengthened and consolidated the senior management team in order to achieve the strategic goals we have set ourselves.



Milestones 2022



- For the first time, we audited the principal KPIs related to the vectors of our Sustainability Model. The audit was carried out by Deloitte.
- An update of our performance on the three vectors of our Sustainability Model was included in all Board and Executive Committee meetings.

Advances and key initiatives

Board of Directors and governance framework

The Board of Directors has seven members who lead the company within a framework of responsibility, assuming different business challenges and sustainably conserving the business's economic profitability.

The Board delegates the company's management and administration to the General Manager, who is responsible for all the company's operations and to whom all the business and support areas report

Monitoring of ESG aspects and their incorporation into decision-making

Our Board of Directors monitors the implementation of ESG guidelines and provides senior management with recommendations to ensure that ethical, economic, environmental and social factors are considered in their decisions.

Strategic planning, targets and KPIs: Annual strategic planning constitutes our roadmap where we define guidelines, targets, projects/initiatives and their associated KPIs in all areas, including ESG aspects. The evolution of these indicators and the status of the projects and initiatives defined are presented at each monthly Board meeting.

Committees: Committees are a key management mechanism for monitoring the deployment of the company's strategy and promoting transversal communication and decision-making. The Board has a Finance Committee and a Commercial Committee while, at the executive level, there are committees specialized in processes and the management of human resources.



Auditing ESG indicators

We are committed to auditing our sustainability indicators with the same rigor as our financial indicators. We took an important, innovative step in 2022 when KPIs associated with the vectors of our Sustainability Model that impact our public undertakings were included in the audit carried out by Deloitte.

The company's main senior management body is the Executive Committee. It analyzes KPIs, their deviations and the status of projects, leading the company on fundamental matters. The Extended Executive Committee analyzes the business from a general standpoint, encourages collaboration between areas and empowers intermediate leadership, among other functions. The Sustainability Committee leads and monitors general aspects in this field while other committees, charged with continuous improvement on specific ESG issues, include the Environment, Strategic Energy, Strategic Operations, Health and Safety, People Development, Ethics and Compliance, and Investment and Commercial Committees.

Sustainability Committee: In operation since 2019, this Committee has the following functions:

- Review the Sustainability Strategy and its deployment
- Monitor related projects and indicators
- Make strategic decisions on projects
- Analyze the risks and requirements associated with compliance with the Sustainability Strategy and the company's public undertakings.

The Committee is formed by the General Manager and the managers of the Human Resources, Metal Procurement, Operations, Business, Commercial Development, Transformation and Innovation, Administration and Finance, Safety and Occupational Health, and Sustainability areas. It meets twice yearly.

Complementing this, progress on relevant ESG matters and projects is reported monthly to the executive committees.

KPIS REPORTED TO THE BOARD

The monthly meetings of the Board and the executive committees start with an update on the performance of the three vectors of the Sustainability Model.

We report the evolution of these KPIs and the implementation of related projects and strategic initiatives to the Board.

Board



Jorge Matetic Riestra
Chairman of the Board

Juan José del Río Silva
Director

Andrés Matetic Hastard
Director

**Juan Pablo Casanegra
Rodríguez**
Director

**Iñaki Otegui
Minteguía**
Director

**Juan Nicolás Uauy
Valdivia**
Director

**Hermann von
Mühlenbrock Soto**
Director

Senior management



Hermann von Mühlenbrock Soto
General Manager

Aída Soto Silva
Human Resources Manager

Italo Ozzano Cabezón
Business Manager

Paola Grandela Murasso
Sustainability Manager

Domingo Corvalán Díaz
Administration and Finance Manager

Julio Franzani García
Industrial Safety Manager



Carlos Ferrer Pinto
Shredder Project Manager

Alejandro Lifschitz Pérez
Commercial Development Manager

Luciano Ramos Marques
Operations Manager

Juan Greibe Kohn
Metal Procurement Manager

Juan Osses Moreno
Profile Sales Manager

Juan Andrés Barrientos Rivas
Transformation and Innovation Manager

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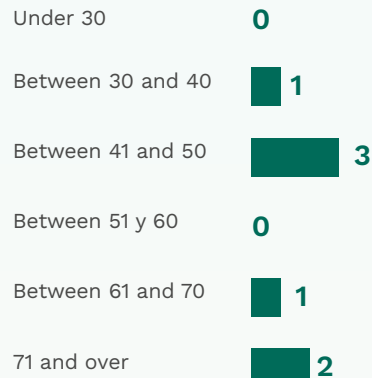
Gender



Nationality



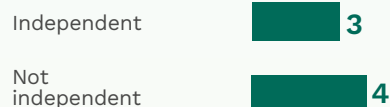
Age



Length of service



Independence



D. CHALLENGES AND FUTURE FOCUS

The increasing integration of the Sustainability Model into our day-to-day decisions and practices is a constant challenge, and we are preparing for this. We have made progress in raising awareness of the Model throughout the organization, defining priorities and public undertakings, developing a KPI dashboard for the Board and senior management and strengthening governance, including executive committees.

In the short term, our focus as regards governance will be on continuing to roll out our Sustainability Model to employees for its integration into day-to-day decisions and increasing client and employee satisfaction while, at the same time, strengthening our Compliance Program to ensure adherence not only to the laws and regulation that apply to us, but also to AZA's high standards.

Robust governance will guide our transformation process with a view to strengthening our competitiveness and sustainability. Our goal is to be a leading company in the segment and, to this end, we will continue to increase our productivity, seek new markets and develop innovative green steel solutions. We will also be seeking to strengthen green financing and promote the company's technological and cultural transformation. We will not compromise on matters related to the health, safety and well-being of our people, and we will continue to seek new ways to strengthen our network of scrap recyclers, particularly small grassroots recyclers.

3. Integrity and risk management

Our Compliance Program seeks to strengthen a culture based on integrity. It is supported by an integral risk management system that enables us to achieve our short, medium and long-term objectives.

A. WHY IS IT IMPORTANT?

Excellence and integrity in the management of our business are the foundation for increasing our competitiveness, building relations of trust with our stakeholders and ensuring AZA's long-term sustainability. These are, therefore, two of our eight corporate values.

We have a robust risk management system through which to anticipate challenges and prepare to address them opportunely, resiliently and efficiently, ensuring compliance with our strategic objectives and the Chilean and international guidelines that apply to us and to which we have voluntarily adhered.

B. HOW DO WE MANAGE THESE ISSUES?

Our approach

Compliance Program

Our Compliance Program is a systematic method for creating and constantly strengthening an organizational culture based on integrity and ethics at all levels of the organization. It promotes respect for human rights and compliance with high standards of conduct based on corporate principles and values. It comprises our Code of Ethics, Crime Prevention Model, Free Competition Model and Reporting Line, which serve to guide the organization and establish a proper environment of control.

Compliance Program



Code of Ethics



Crime Prevention Model



Free Competition Model



Reporting Line

Milestones 2022

- We completed the update of our Matrix of Strategic Risks.
- We updated our Crime Prevention Model, incorporating cybercrimes, people trafficking and arms control.
- We launched a Platform for Declarations of Conflict of Interest.
- We launched a Protocol for Relations with Clients and Distributors.
- We migrated our SAP ERP system to the cloud to strengthen security levels and operational continuity.



Risk management

The Board of Directors is responsible for risk identification and management. It delegates supervision and coordination of the identification and assessment of risks, including sustainability risks, and the review of compliance with the action plans to mitigate or eliminate these risks to the Internal Control and Compliance area.

This area undertakes risk assessments to plan auditing and regulatory compliance. An autonomous body with the necessary powers to carry out its work, it is led by a Compliance Officer and a Crime Prevention Officer and reports to the Board of Directors every six months and, extraordinarily, whenever necessary.

We implement an annual audit program, which is reported to the Board of Directors, in order to integrate risk management and internal control into our activities and guard against situations of conflict of interest or corruption. In addition, external audits, which we carry out with recognized companies in the market, meet high standards. We also foster use of our Reporting Line for legal and ethical issues and constantly train our employees in the use of these models and platforms.

Advances and key initiatives

Code of Ethics: This clearly and transparently sets out the conduct expected of all our shareholders, directors, executives and employees. It also reinforces the company's commitments and behavior of responsibility and integrity towards clients, suppliers, employees and communities. In 2022, we continued to provide in-person and online training for employees on some of the matters addressed in the Code ([see the section on Awareness and Training](#)).

Crime Prevention Model (CPM): This was updated in 2022 to incorporate cybercrimes, people trafficking and arms control. The Board of Directors, together with the Compliance Officer and the Crime Prevention Officer, are responsible for implementing, maintaining and supervising the CPM.

Free Competition Model: This comprises two instruments: the Manual on Compliance with Free Competition Legislation and the Protocol of Conduct in Business Associations. Through preventive, corrective or prohibitive measures, it safeguards consumer welfare and market efficiency.

Conflicts of interest: The Code of Ethics includes guidelines on conflicts of interest and, in 2022, was complemented by the introduction of a new platform for declarations of conflict of interest. Developed with the support of Generación Empresarial, a foundation, this platform is designed to prevent and manage any violation of our internal policies and procedures regarding conflicts of interest, donations, gifts and/or hospitality and relations with public officials. We have identified the areas in which, given their functions and positions, the submission of declarations of conflict of interest is mandatory. This requirement is complemented with the corresponding training.

We participate in the Compliance Circle of the Chilean-German Chamber and are members of Acción Empresas, where we share best business practices on compliance and integrity.

Protocol for Relations with Clients and Distributors:

Approved by the Board of Directors and launched in 2022, this Protocol establishes guidelines and defines forms of conduct for both formal and informal interaction with clients and distributors. It complements the Manual on Compliance with Free Competition Legislation.

This new document reflects the commitment of the leaders of Aceros AZA and its subsidiaries to compliance with regulation on free competition and includes activities designed to prevent conduct contrary to antitrust regulation. In addition, training was provided for the Board of Directors, senior management and personnel who deal with clients and distributors.

Strategic risks

In 2022, we completed an update of our Matrix of Strategic Risks, which includes ESG aspects. The updated version was presented to the Risk Committee. In 2023, we will implement the corresponding mitigation and control plans.

The strategic risks include market, competition, cybersecurity and environmental, workplace safety and social risks.

Ethics and Compliance Committee: Among its other functions, the Ethics and Compliance Committee promotes the values and conduct set out in the Code of Ethics and reviews complaints to which it proposes solutions as well as updates and corrections to the Code of Ethics to ensure its consistency over time. It is formed by the General Manager and the managers of the Human Resources, Sustainability, and Administration and Finance areas and the Compliance Officer. In 2022, the Committee regularly reviewed the complaints received through the Reporting Line, monitored the status and results of the investigations undertaken and defined and/or confirmed the courses of action taken with respect to these complaints and the persons involved. It also managed the status of declarations in the Corporate Declarations Channel, which include issues related to conflicts of interest, donations, gifts, hospitality, relations with public officials and matters related to the annual disclosure plan of our Ethics and Compliance Program, the Crime Prevention Model, the Free Competition Model and the Code of Ethics.

Awareness and training: At AZA, we take a number of measures to ensure that employees are familiar with our Code of Ethics, all internal protocols and guidelines and the Reporting Line. We have also implemented a training program that includes an e-learning course, videos and in-person talks. In 2022, we made training videos available to employees on crime prevention, free competition, workplace and sexual harassment, discrimination and the Code of Ethics.

Reporting Line: This anonymous and confidential tool can be used by any person directly or indirectly related to AZA to report any type of non-compliance with the company's values and standards, the Code of Ethics or internal regulation and procedures. Complaints and inquiries are received by the Compliance Officer and the Crime Prevention Officer through a number of platforms: the website, a toll-free telephone line or direct or email contact. Complaints are reported in the accounts presented by the Compliance Officer to the Board of Directors and in quarterly reports. In 2022, eight complaints were received, all of which were resolved within the year.



Watch the video ▶



Cybersecurity

According to the latest Global Risks report issued by the World Economic Forum in January 2023, widespread cybercrime and cyber insecurity are the eighth main risk facing companies and organizations worldwide. At AZA, we are not exempt from this phenomenon, the impact of which increases as we move forward in our digital transformation.

In response, we have designed a Cybersecurity Plan that includes tools to permit earlier detection of cybersecurity-related incidents, improvements to information backup systems and training for employees, particularly those whose role implies greater exposure to attacks. The latter is particularly important given that we receive some 1,800,000 emails a month of which 80% are malicious.

We have also migrated our SAP ERP system to the cloud in order to strengthen security and operational continuity and minimize the impact in the event of a cyber attack. In addition, we have implemented monitoring tools to detect unauthorized intrusions and external attacks on AZA's systems. At the microcomputer level, we apply blocking mechanisms and protection measures for removable information devices (pen drives and external storage disks) to prevent information leakage or virus contamination through these media. We have platforms to guard against and mitigate attacks on the services we use (internet and email), infrastructure (desktops, notebooks and servers), web applications (websites) and core applications (SAP S/4).

We participate actively, along with other companies and institutions, in the Chilean government's IT Security Incidents Response Team (CSIRT) where we share information and experiences.

C. INDICATORS

8

complaints to the Reporting Line; 100% resolved within the year



0

complaints about discrimination



Cybersecurity



	2020	2021	2022
Number of cybersecurity incidents	1	1	0
Average time required to detect the incident (hours)	12	4	0
Average time required to address/resolve the breach (days)	6	9	0

D. CHALLENGES AND FUTURE FOCUS

AZA is committed to strengthening its compliance model and internal control processes. In line with this, it permanently updates its Crime Prevention Manual and implements manuals and protocols on relations with clients and competitors, taking measures to ensure that employees are familiar with these tools. We have recently updated our Matrix of Strategic Risks and

our priority in the near future will be to implement a management system for the risks identified and prioritized according to their criticality.

On cybersecurity, our main challenge for the coming years will be to continue with the implementation of our protection and prevention plan and strategy.

These cover different fronts such as the cultural transformation of our organization, the strengthening of current and future systems, support for internal teams in their digital transformation and the implementation of policies and procedures.



4. Sustainable products and commitment to clients

Our products have one of the lowest carbon footprints in the industry internationally and are, therefore, a key input for sustainable construction in Chile. Both this characteristic and the products' technical specifications have positioned AZA as an important market actor in Chile.

A. WHY IS IT IMPORTANT?

Chile has defined a series of measures and public-private programs to promote economic growth aligned with protection of the environment and social equity. The aim is to modify current consumption and production patterns in such a way as to decouple the country's growth and development from environmental degradation.

These initiatives seek both to reduce the construction sector's carbon footprint and improve construction systems in order to offer new standards of thermal insulation in buildings, guarantee the traceability of construction and demolition waste and achieve net zero energy standards. The goal is to establish strategies to reduce the sector's demand for energy, implement circular economy initiatives and use sustainable materials to reduce the carbon footprint of buildings with a view to meeting the Sustainable Development Goals by 2030. In this context, AZA's green steel has great competitive value.



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A circular, regenerative and net zero economy

Sustainable people and communities

Business excellence

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We have established a roadmap in line with the goal of limiting global warming to 1.5°C. Through this, we have reduced our energy consumption and, through the energy efficiency of processes and the use of renewable energies, are advancing towards net zero. In 2022, our targets were validated by the Science Based Targets initiative (SBTi), positioning us as leaders in Latin America in this field (see page 35). We are also seeking mechanisms through which to constantly tighten ties with our clients in order to understand and respond to their needs (see page 102).

One of our milestones in 2022 was the creation of a Foreign Trade area, reporting to the New Business area. It has a scrap and steel trading structure that will maximize use of productive capacity, optimizing costs and inventory levels.

Our undertakings

100% of products manufactured by AZA in Chile will be net zero before 2050.

To be a strategic partner for the manufacturing and construction sectors, contributing to their growth and productivity by 2030.

With business excellence in mind, we also launched a collaborative project between different areas of the company, seeking to develop a new value proposition for the different actors with whom we interact in the domestic and international markets. In this, we are supported by tools that enable us to communicate with the industry in a broader and more agile manner, incorporating new communications and relationship channels. All this is, in turn, supported by the digital transformation of our processes and the efficient management of information for the operation.

This new value proposition for clients focuses on putting them at the center of all our decisions, developing even closer ties with key actors in the construction, mining and metalworking industries, promoting innovation and collaboratively developing solutions and products through the co-creation of innovative and efficient solutions.

Milestones 2022

- We implemented a new value proposition through an inter-area corporate project that incorporates tools for better communication with clients.
- We launched the Profiles World project to improve our tailoring to clients' needs.
- We continued to strengthen the training and advisory service we offer distribution channels and construction companies.
- We made over 50 visits to our clients' work sites.
- We achieved an historic 88.6% score for client satisfaction.
- We strengthened the structure and management of our Commercial area.
- We launched a project to provide products with integrated logistics.
- We published an updated version of the Manual on Concrete Reinforcement Structures.
- Through the multidisciplinary AceroLAB team, we participated in the MODhabitar challenge, taking first place with a sustainable housing proposal.

AZA's green attributes

Aceros AZA supplies the market with products characterized by a known carbon footprint that we are reducing over time; a water footprint that is evaluated to develop reduction strategies; life-cycle analysis of products to provide clients with information about their environmental impacts through eco-labeling; efficient energy consumption that incorporates renewable energies; and the recovery of the coproducts generated by our process.

By advancing in this direction, we will become net zero by 2050.

Our products are manufactured considering:



- A Quality Control System based on ISO 9001:2015 that forms part of our Integrated Quality, Safety and Environmental Management System
- Chilean technical standards NCh204 and NCh3.334 for concrete reinforcement bars and coils
- NCh203 and ASTM standards for structural profiles
- The SAE J403 standard for all hot-rolled steel products.

All our projects contribute to:



- LEED certification of building sustainability
- Sustainable Building Certification (CES) used to validate the environmental performance of public buildings in Chile
- Chilean Sustainable Housing Certification (CVS) of the implementation of good design and construction practices.

All our products have:



- International Renewable Energy (I-REC) certification, confirming that our energy supply comes only from renewable sources, which has meant a 50% reduction in our carbon footprint
- Type III labeling containing full traceability, as well as a test report and certificate of conformity with the reference standard available in the AZA Quality Certificates Consultation System
- A QR code downloadable from the AZA Certificates application
- An environmental product declaration (EPD), prepared in accordance with ISO 14025
- Certifications from specialized external technical bodies
- Support of the AZA metallography laboratory for research work and product development and improvement.

We recognize the promotion of circularity:



- To pass on the environmental value of using our products, we provide clients with a Declaration of Circular Value, reflecting the benefits of using a product with a low carbon footprint in their construction projects.

Products

For further information, see www.aza.cl



Profiles

Include hot-rolled bars with different cross-sections or geometries, such as structural profiles, angles and round, smooth and flat bars, as well as non-structural profiles such as those with a star-shaped cross-section and square and hexagonal bars.

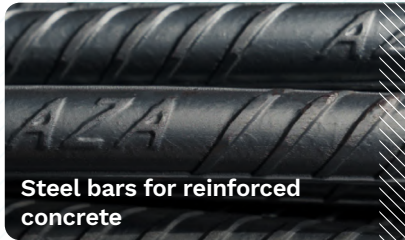
Use: In the manufacture of industrial structures for mining, warehouses, pylons, safety railings, fences and perimeter fortification systems and electrical hardware.



SAFEROCK® Helical Bars

Hot-rolled bars with projections inclined with respect to their longitudinal axis.

Use: To receive a bolt for the reinforcement of, for example, rock massifs as well as in the expansion of fortifications and the reinforcement of tunnels and slopes.



Steel bars for reinforced concrete

Product with a circular cross-section and longitudinal ribs at an angle to the axis that complies with the NCh204:2020 standard.

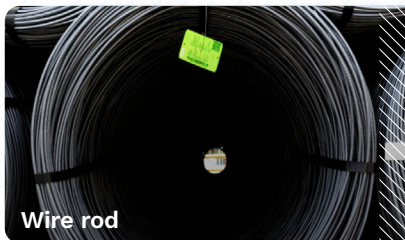
Use: In reinforced concrete structural elements in projects such as high-rise buildings, hospitals, wind farms, dams, roads and airport paving.



Joistec®

A solution for the requirements of projects with a large surface and no intermediate vertical supports.

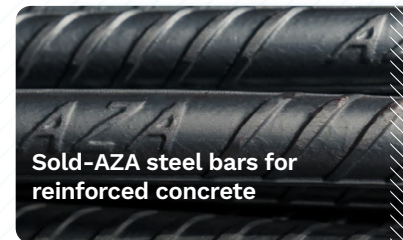
Use: Comprises three elements, Joistec®, Gorders and supports or Bridging, which form an open, very light construction system with numerous uses and applications that require large free spaces.



Wire rod

Hot-rolled steel product with a circular cross-section in coil format.

Use: Raw material for the manufacture of electro-welded products, such as wire mesh, ladders, chains and pillars as well as for the drawing of nails, wires and the manufacture of woven wire mesh.



Sold-AZA steel bars for reinforced concrete

A product developed with guaranteed weldability under rigorous quality standards that comply with the NCh3334:2014 standard.

Use: In structural reinforced concrete elements that require industrialization, such as reticulated structures for mining, road and subway tunnels, piles for civil works and pre-reinforced structures for different types of work.

Advances and key initiatives

- **Relations with clients:** The Profiles World project was launched at the Renca Plant to tighten ties with clients, improve service and products and tailor production planning to their needs ([see page 103](#)).
- **Product delivery with integrated logistics:** The purpose of this project is to generate loyalty among our distributors and end clients by integrating logistics into their orders, guaranteeing the level of service through an attractive value proposition that improves their experience with AZA. The project envisages two phases: digitalization of the logistics process through a route optimization system, order tracking and the digital signature and, second, the construction of a robust delivery process flow through technology that simplifies it, offering clients and end users visualization of the complete order cycle.
- **Improvements in commercial processes:** To improve stock availability and timely delivery to clients, we have strengthened the information we have about the projects where we are present and our monitoring of their state of advance. In this way, we can estimate product consumption based on the projects' real needs and adapt our production programs accordingly.
- **Proactive training and advisory services by the After-sales and Technical Assistance areas:** In 2022, we sought to support all the companies marketing and using our products, particularly distribution channels and construction companies. The exercise focused on the correct application of the NCh211 standard for bars for use in reinforced concrete and the applications of hot-rolled profiles for metal structures according to the NCh203 standard on steel for structural use. Together with the Product Development team and the Operations area, we also provided technical advisory services at plants that transform products such as wire rod and improved-weldability reinforcing bars (SOLDA-AZA).
- **Visits to clients' work sites:** In a bid to establish closer relations with clients and respond to their needs, we visited over 50 client work sites in 2022, an increase on 2021. We also reinforced the training of personnel at work sites in the regions and extended these courses to include the sales forces of distributors, smaller workshops and locksmiths around the country. We also implemented a process of adaptation to the NCh204 standard and AZA's sustainable reinforcing bars.
- **In-plant fleet control project:** The objective of this initiative is to control and monitor the fleet inside the plant in order to optimize resources and space using radio frequency identification (RFID) technology. This will provide us with a panel of indicators of the time vehicles spend in the different areas and, for example, real-time information about fleet availability.

Profiles World

Mundo Perfiles (Profiles World) is a multidisciplinary initiative at the Renca Plant where we produce hot-rolled profiles. It seeks principally to achieve operational and productivity improvements, developing new product uses and applications, carrying out a program of two-way visits with clients and users and implementing processes that provide clear, reliable information for production planning.

At present, eight sub-projects are underway, with targets, performance indicators, identification of the persons responsible and leaders with multidisciplinary teams formed by areas that include Operations, Logistics and Transport, Production Planning, Sales and After-sales and Product Development. One of the project's key results is a 20% improvement in the Renca rolling mill's productivity indicator in the past year. Through the initiative, the Operations and Commercial areas are able to offer coordinated responses as a business and meet clients' needs.

Collaboration with the ecosystem

We believe in collaboration and co-creation. We are, therefore, constantly forming alliances and participating in public-private instances that allow us to exchange ideas and experiences and to learn about changes and innovations in production and customer service. In this way, we can grow, share and face the challenges of the future from a collaborative standpoint.

In 2022, we undertook various collaborative activities with our ecosystem:

→ **Relations with the industry.** In this field, we undertake activities of two types. The first consists of visits to clients' operations to learn about how they transform and market our products, develop points of contact in their operations and help them improve their processes through product development. The second is a program of visits to the Colina and Renca plants to show clients how green steel is produced and its attributes and advantages. Both types of activity allow us to exchange valuable information for tailoring our production to clients' needs.

→ **Launch of the updated Manual on Concrete Reinforcement Structures.**

In a ceremony held at the headquarters of Chile's Engineers' Association, we presented the fourth edition of the Manual de Armaduras para Refuerzo de Hormigón (Manual on Concrete Reinforcement Structures). This academic manual provides practical advice on matters related to the application of bars to reinforce concrete in construction. It also includes the updates of the NCh204 standard for reinforcement bars, the NCh3334 standard for weldable reinforcement bars and those on galvanized bars and the installation of reinforcement bars. We also organized seminars and roundtables for the construction industry on these regulatory updates in a bid to serve as an important actor in the creation of technical knowledge.

→ **Participation in trade fairs of the construction, manufacturing and mining sectors.**

We participated in the Expo Edifica, Exponor, International Summit and Construye Sostenible events. The latter took place in two stages, ConstruyeCircular and ContruyeZero, led by Chile GBC.

→ **Regulatory issues.**

We participated actively in the development of design, product and construction standards, sharing with the industry AZA's experience in the manufacture of sustainable products of excellence with reinforced concrete in metallic and concrete structures, as well as the seismic performance of buildings.

AceroLAB – MODhabitar challenge

AceroLAB, the Steel Innovation Center, established by the Chilean Steel Institute (ICHA) and the Faculty of Architecture of the University of Chile, formed a multidisciplinary team to participate in the MODhabitar challenge. Launched by the Technological Center for Innovation in Construction (CTeC), the challenge aims to develop sustainable, industrialized, replicable, innovative and cost-effective housing models that help to raise standards of habitability and environmental comfort in the Antofagasta Region, as well as mitigating Chile’s housing deficit.

In the framework of this initiative, AceroLAB developed a project for social housing built using steel with a modular, fast, dry and efficient construction system with growth spaces and outdoor areas suited to the climate in the city of Antofagasta. In 2022, Aceros AZA participated in the development of its engineering and conceptual architecture, providing products manufactured with green steel and construction solutions such as Joistec, Fencing and Railings, making the end product sustainable.

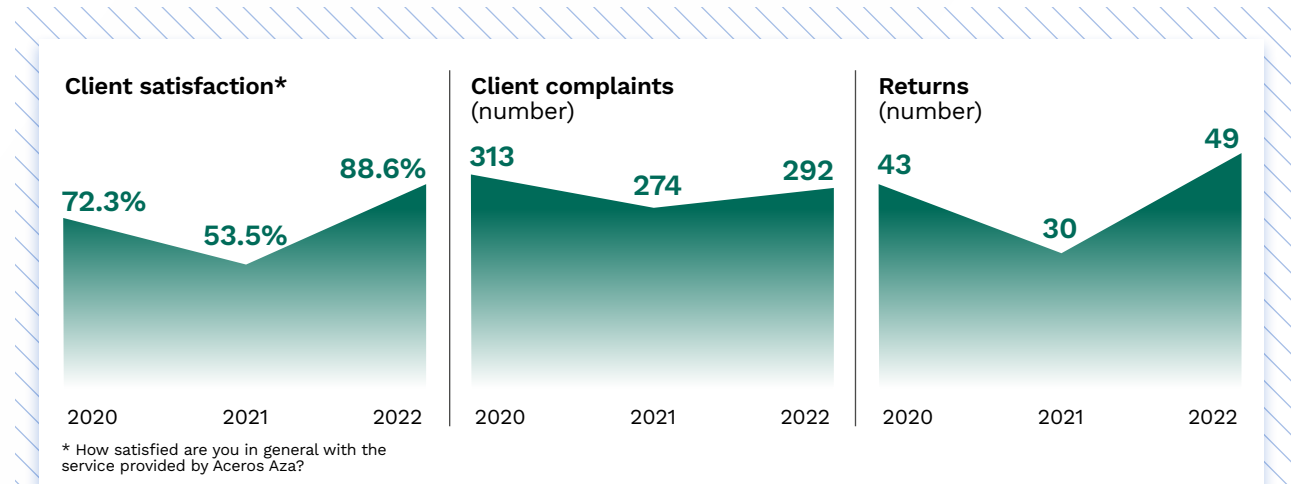
With this solution, AceroLAB took first place in the challenge. The team was formed by the Architecture Faculty of the University of Chile, Empresas Cintac, Volcán, the Tomás Villalón architectural office and Aceros AZA.

Client satisfaction

AZA applies an annual Client Satisfaction Survey to review client journey processes. In 2022, two evaluations took place, surveying the opinions of a total of 92 clients.

The latest survey found that:

- The level of satisfaction with service maintained its upward trend and, at 88.6%, was the highest since 2020.
- The purchasing process exceeded its best previous performance in 2020, principally as regards attention (speed of response), service (good responses) and the client service unit.
- The rate of problems continued to drop and was the lowest since 2020.
- AZA was identified as a company that is “serious/reliable”, “sustainable” and a “leader on recycling”. In the case of “innovation”, the attribute that had been considered less important in previous surveys, there was a significant increase in its score.



Emblematic projects

In 2022, we supplied over 170,000 tonnes of steel for emblematic construction projects that will be important for Chile's development. They include:



Region de Antofagasta
Telescopio Cerro Armazones
1,800 ton



Region de Valparaíso
Nogales- Puchuncaví Road,
Segment II í
5,500 ton



Region de O'Higgins
Edificio Plaza El Cobre
1,942 ton



Region del Maule
Hospital Linares
9,028 ton



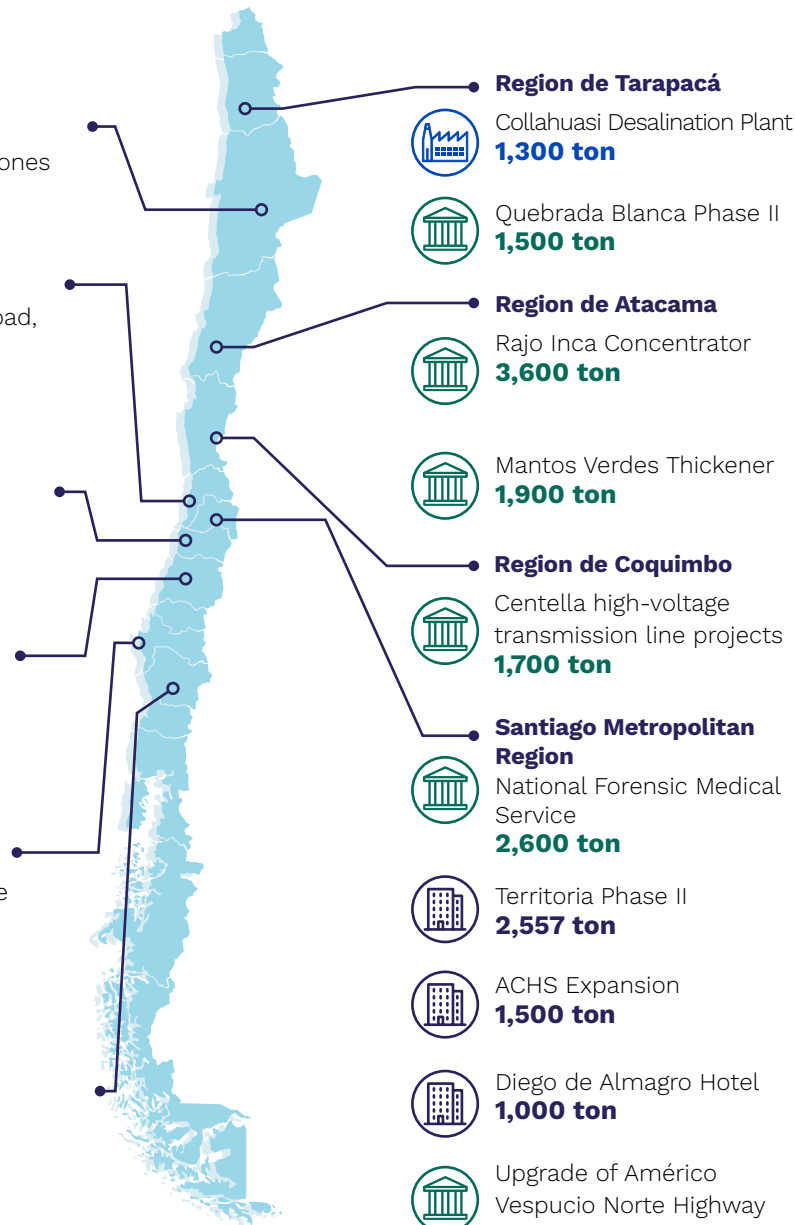
Region del Biobío
Coronel Industrial Bridge
7,000 ton



Las Higueras Hospital
4,829 ton



Region de la Araucanía
La Cabaña Wind Farm
2,890 ton



Region de Tarapacá
Collahuasi Desalination Plant
1,300 ton



Quebrada Blanca Phase II
1,500 ton



Region de Atacama
Rajo Inca Concentrator
3,600 ton



Mantos Verdes Thickener
1,900 ton



Region de Coquimbo
Centella high-voltage
transmission line projects
1,700 ton



Santiago Metropolitan Region
National Forensic Medical
Service
2,600 ton



Territoria Phase II
2,557 ton



ACHS Expansion
1,500 ton



Diego de Almagro Hotel
1,000 ton



Upgrade of Américo
Vespucio Norte Highway
2,500 ton

Simbología



Public infrastructure: IP



Infrastructure: I



Building: E

Américo Vespucio Oriente Highway (AVO I)

AZA supplied over 28,300 tonnes of green steel for construction of the new Américo Vespucio Oriente urban highway (AVO I) in Santiago.

This is one of the most important road construction projects in Chile in recent years. It involved a two-level tunnel construction method, a milestone for Chile and Latin America, and links the city's Recoleta, Huechuraba, Vitacura, Las Condes and La Reina districts. An estimated 80% of the capital's traffic will use this underground highway, helping to relieve congestion on the surface and reduce environmental and noise pollution.

The project, which was inaugurated in July 2022, provides state-of-the-art infrastructure with the highest road safety standards. It applied innovation in its construction and sustainable technology in its implementation and operation.

The use of green steel in its construction had environmental benefits, avoiding the emission of 41,318 tons of CO₂ and saving energy equivalent to the annual consumption of 15,775 households and drinking water for 780 people. This is reflected in its Declaration of Circular Value, which was audited by Deloitte.

D. CHALLENGES AND FUTURE FOCUS

We will continue to achieve progress, leading and surprising in our quest to become net zero. We have already taken significant steps in Chile and internationally in this field by, for example, validating our targets with the Science Based Targets initiative (SBTi) and obtaining international I-REC certification, which guarantees that all energy we use comes from renewable sources. These advances are fundamental for the achievement of the strategic goals we have set ourselves for 2050 and show that our public undertakings are anchored in our focus on excellence. Nonetheless,

we must continue to seek options that contribute to further improving our production and environmental performance.

We expect to see results from the progress achieved in 2022. This is the case of the new inter-area value proposition to strengthen our relations with clients through new contact tools; the Renca Plant's Profiles World project for collaboration between the internal (industrial) and external (commercial) aspects of the business; and the measures adopted in terms of integrated logistics and the improvement of

product delivery and post-sales management.

Along with this, we will be seeking to boost our presence in the market through the implementation of a new philosophy that we have termed Fidelis, an integrated model that will transform our service to clients and their experience through a solid value proposition, the promotion of a culture that gives them central place, more direct contact with key industry actors and the creation of new business opportunities in other countries.

5. Responsible supply chain management

Our suppliers play a fundamental role for our aim of being a sustainable company of excellence. We are, therefore, working with them to achieve mutually beneficial results, reduce risks, satisfy clients' needs and increase our competitiveness.

A. WHY IS IT IMPORTANT?

For over 20 years, we have been committed to the implementation and promotion of a responsible and sustainable business management model. To achieve this, we have not only worked on our own internal practices, but have also incorporated our supply chain because it has an impact on our creation of economic, social and environmental value.

Our suppliers' particular characteristics, their state of maturity on ESG issues and the dynamism of the sustainability context in which we operate mean that the incorporation of our supply chain into our strategy calls for flexibility and persistence.



B. HOW DO WE MANAGE THIS ISSUE?

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the quality of our products, operational continuity and supply stability. Our suppliers' environmental footprint has an impact on our own footprint.

It is important, therefore, to understand the conditions and standards under which our suppliers operate in order to collaborate in progressing towards sustainable, efficient and competitive management that enables us to anticipate possible risks and take advantage of opportunities for improvement and synergies.

Our supply chain comprises 10,808 scrap suppliers and 636 suppliers of other inputs, products and services.

AZA supply chain

Scrap suppliers



10,204
grassroots recyclers

(small recyclers with average monthly sales to AZA of up to 20 tonnes)



604
end suppliers

(SMEs and construction, mining and manufacturing companies that generate scrap)



Suppliers of inputs, products and services

636
suppliers

(Machinery and spares, equipment and technology, building and assembly work, services from contractors and other specialized services)

Information about initiatives for scrap suppliers can be found in the section on Construction of Network of Scrap Recyclers (page 66).

Out of our suppliers of inputs, products and services, 88% were Chilean and accounted for 77% of the total value of procurement. We use overseas suppliers mostly for inputs and raw materials that are not available in Chile. They accounted for 23% of total spending on suppliers, which reached US\$13,654,564 in 2022.

Milestones 2022

- We designed a model for the centralized management and organization of procurement.
- We started work on the design of a new responsible supply program, undertaking a preliminary diagnosis of our suppliers' ESG management

Advances and key initiatives

New procurement management operational model

In 2022, we worked on the design of a model for the centralized management and organization of procurement. Intended for use over the coming decades, it established strategic and operational guidelines for these processes. It will include tools, defined processes and effective and timely information to meet the needs of each business unit in a flexible and scalable manner.

Responsible sourcing program

For a number of years, we have been incorporating requirements for suppliers on labor matters, safety and occupational health, crime prevention and some environmental aspects. In 2022, we continued to progress in the construction of a sustainable supply chain, with a view to extending our own good ESG practices to key suppliers.

As a first step, we carried out a diagnosis that focused on suppliers of inputs, products and services, identifying the key ESG issues to be monitored and characterizing suppliers according to the risk of impact on the environment and AZA's business. We also defined the scope of a new responsible supply program and conducted a survey to assess suppliers' state of progress on key ESG issues. In 2023, we will move on to drafting an AZA Responsible Supply Policy, accompanied by ESG requirements for our suppliers and a definition of the governance and processes associated with management of this issue.



Patricio Arévalo, warehouse and input supplier

Timely payment

The complex situation created first by the COVID-19 pandemic and then by Chile's economic slowdown prompted us to develop a set of measures to support our suppliers and, particularly, our network of grassroots recyclers (see page. 67). One of the most important efforts we made was to accelerate payment ahead of the requirements of Chile's Timely Payment Law. As well as guaranteeing payment within 30 days for all our suppliers, we continued to pay scrap recyclers within 24 hours. In the case of suppliers of inputs, products and services acquired from small and mid-sized enterprises (SMEs), the payment period is 15 days, depending on the supplier's condition.

Prompt payment

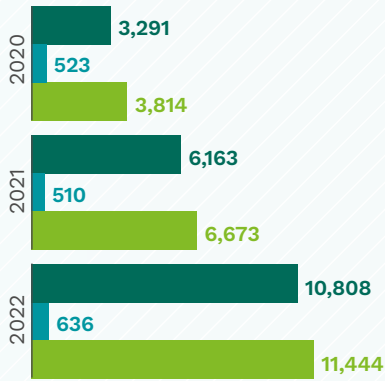
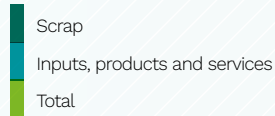
- Payment of scrap recyclers within within 24 hours.
- Payment of SMEs 15 days and other local suppliers within 30 days.

C. INDICATORS

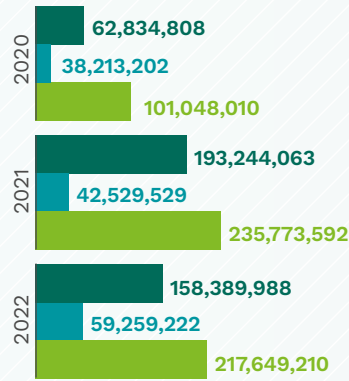
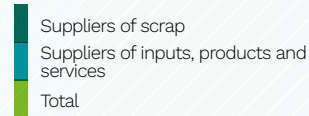


Number of suppliers

Number of suppliers



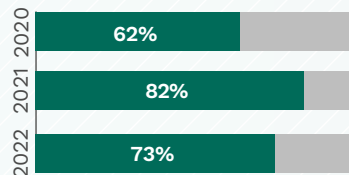
Amount paid (US\$) to:



Amount paid to Chilean suppliers as a percentage of the total paid to suppliers (scrap and others)



Amount paid to scrap suppliers as a percentage of the total paid to suppliers (scrap and others)



US\$ 217.6 mill.

in payments to suppliers

94%

of total payments to suppliers corresponds to suppliers in Chile²⁷

²⁷ Includes scrap suppliers

D. CHALLENGES AND FUTURE FOCUS

We will continue to strengthen relations with our suppliers in order to be in a position to respond to market requirements opportunely. In the coming years, we will further expand our pool of suppliers, seeking to align them with our corporate values and standards of excellence. We seek a long-term associative relationship with our suppliers and, in line with this, are preparing new procurement guidelines, standardizing the process and including protocols and the gradual incorporation of new ESG requirements.

In 2023, we will be working on the preparation of a new AZA Responsible Supply Policy and the definition of ESG requirements for our suppliers. The process will include the design of the associated

governance and processes in a bid to help suppliers enhance their sustainability performance.

We believe that a robust relationship with our suppliers enables us to identify strengths and weaknesses, not only in them, but also internally, and, on this basis, develop new ways of working that reinforce strengths and mitigate weaknesses in both directions. In line with this, one of our challenges is to standardize procedures for managing suppliers' conduct and improving their evaluations, narrowing gaps and improving our own processes. In addition, we are using ever more and better IT systems to obtain information and ensure friendly and reliable traceability processes that allow us to optimize this relationship

in a bidirectional manner so as to manage orders, delivery dates and payment processes in a way that benefits and enhances both suppliers' processes and our own.

Complementary information

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A circular, regenerative
and net zero economy

Sustainable
people and
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**Complementary
information**



1. About this Report and material issues

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This is our 19th consecutive annual report on our strategy, priorities and performance regarding the business's material environmental, social and governance (ESG) issues. As in previous years, the Report has been prepared according to the standards of the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) for the iron and steel producers sector.

The Report covers the company's performance in 2022. For the sake of comparison, it also includes data for previous years, as well as major events occurring at the date of its publication. The Report refers to all the operations of Aceros AZA.

A team drawn from across the company's different areas participated in the Report's preparation and was advised by external experts. The team sought to ensure compliance with GRI principles and was responsible for collecting and validating the information reported.

Material issues

In the second half of 2021, we initiated a process to update our roadmap, integrating environmental, social and governance (ESG) aspects with the priorities established in our strategic planning. This process culminated in the first quarter of 2022 with a sustainability strategy looking ahead to 2030.

As part of this process, we conducted a double materiality analysis to determine the most important issues to be taken into account in defining a sustainable strategy. We analyzed trends in ESG aspects and changes in the context at the global and national levels as well as in the steel sector. We also considered the priorities established under our company's strategic planning as well as the path we have built and our current and projected position.

The issues that emerged were subjected to a double materiality assessment, considering the following perspectives:

- AZA's impact on its context
- The impact of the company's context on its creation of financial value.

This assessment was carried out with the participation of all AZA's management team and was then reviewed and approved by the Board of Directors.

The material topics presented in this Report are those that comprise our Sustainability Model (see page 16). At the end of 2022, we carried out an update of relevant aspects that had recently arisen in AZA's internal and external context, enriching and refreshing the emphasis and priorities presented in each material topic. Working meetings were held with AZA executives to address each of these material issues and define the management approach and the central aspects, key initiatives and indicators to be reported.

2. Assurance statement



INDEPENDENT REVISION LETTER OF ACEROS AZA S.A.

March, 2023
Sirs of Aceros AZA S.A.
From our consideration:

We have carried out the review of the following aspects of the Sustainability Management Indicators 2022 of Aceros AZA S.A.

Scope

Limited assurance review of the adaptation of the contents and indicators of the Sustainability Management Indicators 2022, with the provisions of the Global Reporting Initiative (GRI) Standards regarding the profile of the organization and material indicators arising from the materiality process carried out by the company around the criteria established by said standard, related to the Economic, Social and Environmental dimensions.

Standards and verification processes

We have carried out our work in accordance with the International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000), issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accounts (IFAC).

Our review work has consisted of asking questions to various units and management of Aceros AZA S.A. who have been involved in the process of performing this report, as well as in the application of analytical procedures and review tests described below.

- Meeting with the team that led the process of preparing the Sustainability Management Indicators 2022.
- Request for requirements and review of evidence, for the indicators referenced in this letter as a result of the materiality process, with the participating areas of the preparation of the Sustainability Management Indicators 2022.
- Analysis of the adaptation of the contents of the Sustainability Management Indicators 2022 to those recommended by the GRI Standard and verification that the indicators referenced in this letter are based on the protocols established by this guide and the non-applicable or non-material indicators are justified.
- Verification by means of review tests of the quantitative and qualitative information, corresponding to the indicators of the GRI Standard included in the Sustainability Management Indicators 2022, and its adequate compilation from the data provided by the sources of information of Aceros AZA S.A.

Conclusions

The verification process was carried out based on the indicators declared from the materiality process carried out by the company. Once identified, prioritized, and validated, the indicators were included in the report. The reported indicators subject to verification are indicated in the following table:

CO2 intensity [ton CO2eq/ton steel produced]	Severity rate
Energy intensity	Frequency rate
Waste recovery	Accident rate
Specific water consumption	Training Hours
Material efficiency	Number of women in the operation
MP Steelworks Emissions	Percentage of women in leadership
NOx Steelworks emissions	Percentage of women in the organization
MP Lamination Emissions	Percentage of men in the organization
NOx Lamination Emissions	Number of Foreign Collaborators
Emissiones de NOx Laminación	Number of Employees with Disabilities
Total number of scrap metal recyclers who are grassroots recyclers	Number of customer returns
Climate Survey	Number of customer complaints
Total number of scrap suppliers	Customer Satisfaction Percentage
Tons collected by AZA supplier network	Social investment
Tons collected by the network of grassroots recyclers AZA	Distributed economic value
Percentage of scrap from residential and construction sectors	Compliance Payment to Metal Suppliers
Percentage of scrap from industry	Compliance Payment to General Suppliers
Percentage of scrap from mining processes	

Regarding the verified indicators, we can affirm that no aspect has been revealed that makes us believe that these indicators incorporated in the Sustainability Management Indicators 2022 of Aceros AZA S.A., has not been developed in accordance with the GRI Standard in the aspects and indicators indicated in the scope.

Responsibilities of Aceros AZA S.A. and Deloitte

- The preparation of the Sustainability Management Indicators 2022, as well as the content of the same is the responsibility of Aceros AZA S.A., which is also responsible for defining, adapting, and maintaining the management and internal control systems from which the information is obtained.
- Our responsibility is to issue an independent verification letter, based on the procedures applied in our review.
- This report has been prepared exclusively in the interest of Aceros AZA S.A., in accordance with the terms established in the commercial conditions of the service proposal.
- We have conducted our work in accordance with the standards of independence required by the IFAC Code of Ethics.
- The verification conclusions made by Deloitte are valid for the latest version of the Sustainability Management Indicators 2022 in our possession, received on March 17th, 2023.
- The scope of a limited safety review is substantially less than that of a reasonable safety audit or review, so we do not provide an audit opinion on the Sustainability Management Indicators of Aceros AZA S.A.

Sincerely,

David Falcón
Partner

Contribution to SDGs

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We have participated in Global Compact Chile since 2010 and, since 2020, our General Manager, Hermann von Mühlenbrock, has chaired its Executive Committee. We adhere to the UN Sustainable Development Goals (SDGs), which represent an opportunity for the business community to contribute to a more sustainable future for society through the development and implementation of solutions and technologies. Adherence to the SDGs implies having strategic guidelines for our contribution on economic, social and environmental matters.



• **Public undertaking: 20% of scrap acquired from grassroots recyclers by 2025.**

- AZA Contigo program for grassroots recyclers
- Financial stability for grassroots recyclers, management tools to allow them to grow their businesses sustainably, and transparent and opportune relations to respond effectively to their needs, helping to strengthen their chain (family); implies an impact on the lives of more than 22,000 people
- Payment of all our scrap suppliers within 24 hours
- Training program for recyclers
- Scrap collection program in communities, reducing local contamination and environmental liabilities
- Launch of AZA Vecino program.



- Primero Lee program supporting the Crecer con Todos Educational Foundation
- AZA Training Program
- Program of scholarships for employees and their children



• **Public undertaking: 20% of operators to be women by 2025.**

- Launch of Diversity, Equity and Inclusion Policy
- Launch of AZA Somos Todos program.



• **Public undertaking: 20% reduction in water consumption per tonne of steel by 2030.**

- Validation of measurement of our water footprint with a view to obtaining Blue Certificate Level 1
- Ongoing plan of transformation of green areas with vegetation that requires less water.



• **Public undertaking: 5% reduction in energy consumption by 2025.**

- Award of Gold Seal of Energy Excellence
- Certification of energy management system under ISO 50001
- I-REC certification verifying that 100% of the electricity used at our Colina and Renca plants comes from renewable sources, which has enabled us to achieve the environmental targets we had set for 2030
- Start of technical study to equip three recycling centers with solar energy
- Start of technical tests for use of green hydrogen, instead of natural gas, in the steel billet reheat furnace
- Ongoing work on roadmap to incorporate electromobility into our operations.



• **Public undertakings: Zero serious injuries or permanent occupational illnesses in own and third-party employees at our operations by 2025; 20% of scrap acquired from grassroots recyclers by 2025; 20% of operators to be women by 2025.**

- Start of implementation of AZA aZero safety and occupational health project
- Update of Halting Work, Alcohol and Drugs, and Recognitions and Sanctions Policies
- Pilot of AZAlert prototype concentration test
- Launch of AZA Somos Todos program
- Strengthening of work to accelerate processes of transformation and excellence by the Transformation and Innovation area created in 2021
- Ongoing progress on various initiatives to promote a circular economy and the efficient use of resources, both within AZA and in communities
- Launch of Diversity, Equity and Inclusion Policy
- Launch of Steel Volunteer Program.



• **Public undertakings: 100% of products manufactured by AZA in Chile to be net zero before 2050; to be a strategic partner for the manufacturing and construction sectors, contributing to their growth and productivity by 2030.**

- Use of our green steel in the construction of emblematic projects in the country
- Our products' compliance with all the regulations and certifications required by our company and construction companies for their certification under LEED, CES and CVS standards
- Use of artificial intelligence to predict demand and make decisions based on customer needs; identification of extent to which external and personal factors affect employees' concentration; identification of operational risk factors, among others.



• **Public undertaking: 20% of scrap acquired from grassroots recyclers by 2025; 20% of operators to be women by 2025.**

- AZA Contigo program for grassroots recyclers
- Launch of Diversity, Equity and Inclusion Policy and AZA Senior program
- 14% of employees from other countries
- Award of Compromiso Migrante recognition.



• **Public undertakings: 100% of waste recovery by 2025; 100% of products manufactured by AZA in Chile to be net zero before 2050; to be a strategic partner for the manufacturing and construction sectors, contributing to their growth and productivity by 2030.**



- We are Chile's largest recycling company and, during our history, have recycled more than 8 million tonnes of scrap, transforming it into green steel for the construction of a more sustainable Chile.
- Use of our green steel in the construction of emblematic projects in the country
- Our products' compliance with all the regulations and certifications required by our company and construction companies for their certification under LEED, CES and CVS standards
- Recovery of close to 21% of our own waste and soon also the steel slag that accounts for 70% of our waste through EcoAZA, which uses it to produce eco-aggregates®
- Signing of Clean Production Agreement on Transition to a Circular Economy and the Strategy for Promotion of Circularity
- Award of Global Compact's Conecta prize for AZA Contigo program's collaboration with grassroots recyclers
- Incorporation of artificial intelligence for automatic scrap sorting
- AZA Contigo program for grassroots recyclers
- Scrap collection program in communities, reducing local contamination and environmental liabilities (Cochemó, Chiloé, Punta Arenas, Rapa Nui and Hualaihué)
- Alliances with Santiago Metropolitan Park and the General Directorate of National Mobilization for scrap metal recycling
- Different initiatives to recover scrap from our network of end suppliers, comprising SMEs and construction, mining and manufacturing companies that generate scrap
- Ongoing provision to end suppliers of Declaration of Circular Value, quantifying the environmental benefits of recycling ferrous scrap in terms of CO₂ emissions and water and energy consumption; in 2022, start of external assurance of these environmental benefits by Deloitte.



- **Public undertaking: 50% reduction in CO2 emissions by 2030 compared to 2019 and net zero before 2050; 20% reduction in water consumption per tonne of steel by 2030.**
- We are the first Chilean and second Latin American steel producer to receive approval of its Climate Action Plan for carbon neutrality from the Science Based Targets initiative.
- We have established a roadmap to reduce energy consumption and move towards net zero through energy efficiency, renewable energies, electromobility and green hydrogen.
- We have a diagnosis of the risks and opportunities of climate change for our operations and have established a related roadmap.
- For the 8th consecutive year, we received the GHG quantification seal issued by the Climate Change Office of the Environment Ministry.
- Since 2019, we have actively participated in Impacta Positivo, an initiative of the Acción Empresas organization to promote management of GHG emissions, contributing to Chile's commitment to carbon neutrality by 2050.
- Since 2020, we have been part of the group of companies for Climate Action of the World Steel Association, contributing annually to the quantification of the industry's GHG emissions.
- Since 2021, we have been part of the Sustainable Future program of Acción Empresas, which encourages companies to identify and manage the risks and opportunities of climate change.
- We have validated our water footprint measurement with a view to obtaining the Blue Certificate Level 1.
- We continue to transform our plants' green areas, using vegetation that requires less water.



- We implement different initiatives to collect and remove scrap from different parts of the country to help protect land ecosystems.



- We have rolled out our Purpose and Sustainability Strategy throughout the organization.
- We have a Compliance Program that includes the Ethics Management System, the Crime Prevention Model, the Free Competition Model and the Reporting Line.
- For 18 years, we have collaborated with the General Directorate of National Mobilization on the firearms recycling program.



- **Public undertaking: Five alliances to be established by 2025 to support the development and sustainability of neighboring communities.**
- We participate in different alliances related to construction and the sustainable development of the industry and the country. In addition, we participate in business associations and specialized organizations.
- To position Aceros AZA as a reference among new professionals and technicians in Chile, we collaborate with different universities on a series of initiatives.
- In 2022, we continued to strengthen relations with municipal governments and different public and private organizations to generate alliances for the collection of ferrous scrap from remote parts of the country, including Punta Arenas, Rapa Nui and Hualaihué.
- We have alliances with the Santiago Metropolitan Park and the General Directorate of National Mobilization for scrap recycling.
- We participate in different national and international climate action initiatives.

4. Complementary ESG information

A. Economic value generated and distributed

MM\$

	2019	2020	2021	2022
Net sales	179,600.3	158,253.5	312,369.7	325,305.1
Income from financial investments	967.0	102.9	107.0	936.8
Income from sale of physical and intangible assets	52.0	2.5	0.0	181.5
Economic value generated	180,619.3	158,358.9	312,476.7	326,423.4
Operating costs	154,092.8	144,193.2	237,966.5	248,427.8
Payments to providers of capital	3,992.4	4,800.6	6,481.3	7,888.9
Wages and benefits	14,774.3	13,626.2	12,703.5	15,797.7
Taxes	2,881.0	84.7	14,959.6	11,820.1
Investment in community	35.2	184.4	30.9	69.3
Economic value distributed	175,775.7	162,889.1	272,141.8	284,003.8
Economic value retained	4,843.6	-4,530.2	40,334.9	42,419.6
Taxes paid (millions of pesos)	2019	2020	2021	2022
Income tax	2,881.0	84.7	14,959.6	11,820.1

The figures reported in this table correspond to Aceros AZA S.A. and do not include income, costs or benefits related to subsidiary companies.

B. Relations with stakeholders

We identify our main stakeholders and map the priority issues of each of them in their relationship with the company. This is the basis on which we establish how we relate with them and also serves as an input for improving management of those issues where we impact them, either positively or negatively. At the same time, it enables us to create better ways of addressing and responding to their requirements and of improving relations to transform them into collaborative and mutually beneficial processes.

We update our stakeholder map every two years and last did so in 2021 when we applied this process to the Colina Plant. On this occasion, we conducted a survey of all stakeholders in the surrounding area, identifying our impacts and ways to create value for them.

Stakeholder	How we relate
Shareholders	Board meetings
Authorities	Participation in working groups Individual and business association meetings Industry events Ceremonies
Clients and end users	Permanent contact with clients Field visits Industry events Invitations to visit AZA's facilities Surveys of satisfaction
Employees and union	Planned meetings with union Performance evaluation Strategic planning process Work climate survey Professional development programs Meetings with General Manager under the Vive Valores (Live our Values) program
Schools and universities	Visits to plants
Media	Interviews Information meetings with press Invitations to AZA events
Municipal governments and neighboring communities	Meetings
NGOs and industry bodies	Participation in meetings Participation in committees related to social, environmental, economic or technical matters of interest
Scrap suppliers	Digital and written communication Training Celebrations Initiatives such as AZA Contigo development programs
Suppliers of inputs and services	Regular coordination meetings Safety and environmental training

C. Organizations and external bodies in which we participate

We are members of different associations and organizations that promote sustainability, good practices and business progress in areas such as climate change, energy efficiency, human resources management, supply chain management and social development. We believe that only by working together can we address the challenges we face as a country and an industry and we, therefore, participate actively in all these groups, sometimes leading working groups or committees and even assuming executive positions.

Organization	Description of the organization's work	AZA's participation
Sustainability		
Global Compact	UN initiative involving companies from around the world that are committed to integrating sustainability principles into their corporate strategy.	We adhere to the principles of the Global Compact, we participate in the working groups led by the Secretariat in Chile and, since 2020, our General Manager, Hermann von Mühlenbrock, has chaired its Executive Committee, being re-elected in 2022 for a further two years.
Science Based Targets initiative (STBI)	Collaboration between the Carbon Disclosure Project (CDP), the Global Compact, the World Resources Institute (WRI) and the World Wildlife Fund (WWF). It aims to provide a defined pathway for companies to reduce greenhouse gas emissions, helping to prevent the impacts of climate change and prepare business growth for the future.	We were the first Chilean, second Latin American steel producer to receive approval of its Climate Action Plan for carbon neutrality from Science Based Targets. We submitted the Plan in 2021 and obtained its approval in April 2022.
Acción Empresas	Representative of the World Business Council for Sustainable Development (WBCSD). It has different working groups to share experiences and good practices.	<p>We are members of the Climate Change and Circular Economy Roundtable and also participate in different working groups and initiatives of this organization. They include the Business Sustainability Diagnosis and the Clean Production Agreement on Transition to a Circular Economy as well as the Active Participation and Responsible Ties programs.</p> <p>In 2022, we adhered to the organization's Five Key Criteria on sustainability, which are aligned with the proposal of the World Business Council for Sustainable Development (WBCSD) and its Vision 2050.</p> <p>AZA's Sustainability Manager was elected to the organization's Board for the 2023-2024 term.</p>
Ethos Institute	A non-profit organization whose mission is to raise awareness in companies and mobilize and help them conduct their business in a socially responsible manner, becoming partners in building a just and sustainable society.	We form part of the Managing Council that will support the reformulation of the Ethos Indicators for Sustainable and Responsible Businesses. This body is made up of 21 organizations, eight of them representing Latin American companies of which one of the two Chilean companies is Aceros AZA.
Prohumana		In 2022, we were one of the 11 companies to use the indexes of Equity of Diversity and Inclusion and of Equity, measurements that we will use in our process of continuous improvement.
Chile Green Building Council (Chile GBC)	IA non-profit organization founded in 2010 and an established member of the World Green Building Council.	As a member of the Board of Chile GBC, we have worked on public-private initiatives such as the drafting of the National Carbon Footprint Strategy for the Construction Sector through to 2050.
Agencia de Sostenibilidad Energética	Electromobility Accelerator	We participate in this initiative which seeks to accelerate the incorporation of transition technologies - or strategies - in national electric transport systems.

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Organization	Description of the organization's work	AZA's participation
Steel industry		
World Steel Association	An international association of steel producers, industry associations and related research institutes.	We report annually on the sustainability indicators requested, contributing to reportability through the Climate Action initiative. In addition, we are one of the 39 steel companies that signed the World Steel Association's Sustainability Charter in 2022, reaffirming our commitment to updating the nine principles under which companies undertake to assume leadership on environmental, social and governance matters.
Asociación Latinoamericana del Acero (ALACERO)	Association that brings together the Latin American steel value chain.	We report annually on the sustainability indicators requested, contributing to reportability. In addition, our General Manager is a member ALACERO's Executive Committee and different company executives participate in other committees.
Instituto Chileno del Acero (ICHA)	Benchmark in the definition of technical norms and standards for the steel industry in Chile.	AZA executives participate in a number of the Institute's committees.
Strategic markets		
Cámara Chilena de la Construcción (CChC)	Industry association that promotes the development of the construction sector.	AZA's Business Manager is an institutional councilor and other executives participate in committees and relate with the organization's Technological Development Center. AZA's sales executives participate in the Suppliers Committees of the Antofagasta, Valparaíso and Biobío Regions.
Asociación de Industrias Metalúrgicas y Metalmecánicas (ASIMET AG)	Industry association that promotes relations among businesses in the sector and provides them with specialized support.	The Administration and Finance Manager is a member of the Board and other company executives participate in the International Trade Committee and the Biobío Region Committee. AZA sponsors ASIMET's annual activities.
Instituto del Cemento y del Hormigón de Chile (ICH)	A non-profit organization that promotes innovation and new, greater and better uses of cement and concrete in their different applications.	AZA is a member of the Board and company executives participate actively in the committees on standards, products and sustainability.
Business community		
Círculo de Industrias Panamericana Norte (CIRPAN)	An organization of companies in the northern part of the Santiago Metropolitan Region.	AZA's Sustainability Manager is a member of the Board.
Sociedad de Fomento Fabril (SOFOPA)	A business association that promotes the development of manufacturing in Chile. In 2021, Chile became the second country in the world to join the Scale360° program, promoted in the country by SOFOFA and the World Economic Forum to accelerate the transition to a circular economy.	We are part of SOFOFA's Environment and Energy Center. We also participate in its ESG ranking, an instrument with 16 questions grouped in six strategic dimensions (corporate governance, employees, clients, suppliers, communities and the environment) based on General Norm 461 of Chile's Financial Market Commission (CMF). In 2022, we participated in the "Strategy to promote circularity by fostering the use of manufacturing and mining by-products in Chile", an initiative launched by the Environment Ministry and SOFOFA.
Trade		
Cámara de Comercio de Santiago (CCS)	A business federation of companies and associations from the commerce, services and tourism sectors around Chile.	We participate in a number of committees.
Cámara Chileno- Norteamericana (AMCHAM)	A leading business association for economic integration between Chile and the United States.	We participate in a number of committees.
Cámara Chileno-Alemana de Comercio e Industrias (AHK)	A business association that promotes trade between Chile and Germany.	AZA executives participate in the organization's Innovation and Energy Circle.

D. Additional information about human resources

Benefits and undertakings

We offer workplaces that not only seek to foster our employees' professional development, but also to give them opportunities to improve their quality of life through benefits and activities that enhance their personal growth. We are constantly reviewing the health, economic and social benefits we offer. In 2022, we consolidated the benefits relaunched in 2021 through new sports, social and health options for all employees.

Since 2021, we have implemented the Social Welfare program of the foundation of the Chilean Chamber of Construction (CChC), which offers private and specialized attention on social matters. It is designed to support employees and their families through access to advice on housing, health, training, pensions and support programs.

Health, economic and social benefits



Health benefits: Complementary health insurance, collective dental care insurance, life insurance, annual preventive medical tests, agreements with health institutions, healthy diet for pregnant women, active breaks during working hours and programs to finance treatment of addictions, among other benefits.



Economic benefits: Loans for healthcare (medical and dental), emergency loans (death, accidents, unforeseen expenses due to serious causes), loans for education, loans for first house and training courses on borrowing and personal finances.



Social benefits: Bonuses for the birth of a child, nursery school, schooling, marriage, death of a parent or child, Independence Day, Christmas, vacations, recognition of years of service, important dates, Christmas gift for employees' children, time off for birthday, moving house, the serious illness or accident of a direct family member and death of spouse, civil partner or a child.

Club AZA

Employees have access to a program to promote sports and culture called Club AZA, in which employees, their families and direct beneficiaries can participate through a membership co-payment. Club AZA has facilities at the Colina and Renca plants, such as professional soccer fields, a tennis court, multi-gym, pool room, gym machine rooms and a music workshop-school. The program also coordinates a series of recreational activities, which are defined by the Sports Committee formed by managers and heads of area.

Scholarship Program

In order to contribute to our employees' learning and create a culture of excellence and recognition, we offer scholarships for employees and their children.

In the case of employees, this benefit is valid for technical courses and diploma programs in an in-person, remote or mixed format. They must be relevant and related to the company's strategic objectives and the area where the employee works. This is a voluntary training opportunity and a recognition of work performance, contributing to the learning, advance and professional growth of our employees.

In addition, we support the studies of employees and their families through an annual incentive for those who demonstrate having children or a spouse or civil partner undertaking regular studies.



5. SASB content index

Sustainability accounting standards for the iron and steel producer sector (October 2018 version)

Topic	Accounting metric	Code	Location/answer
Greenhouse gas emissions	Gross global Scope 1 emissions	EM-IS-110a.1	37
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets and an analysis of performance against those targets	EM-IS-110a.2	31-35
Air emissions	Air emissions of the following pollutants: (1) CO, (2) NOx (excluding N2O), (3) SOx, (4) particulate matter (PM10), (5) manganese oxide (MnO), (6) lead (Pb), (7) volatile organic compounds (VOCs) and (8) polycyclic aromatic hydrocarbons (PAHs)	EM-IS-120a.1	44
Energy management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewables	EM-IS-130a.1	38
	(1) Total fuel consumed, (2) percentage coal, (3) percentage natural gas, (4) percentage renewable	EM-IS-130a.2	38
Water management	(1) Total fresh water withdrawn, (2) percentage recycled, (3) percentage in regions with a high or extremely high baseline water stress	EM-IS-140a.1	42, 43
Waste management	Amount of waste generated, percentage hazardous, percentage recycled	EM-IS-150a.1	28
Workforce health and safety	(1) Total recordable incident rate (TRIR), (2) fatality rate and (3) near miss frequency rate (NMFR) for (a) full-time employees and (b) contract employees	EM-IS-320a.1	58-65
Supply chain management	Discussion of the process for managing iron ore and/or coking coal sourcing risks arising from environmental and social issues	EM-IS-430a.1	AZA produces steel from ferrous scrap, using an electric arc furnace process. Therefore, it does not use iron ore or coking coal.
Activity metrics	Raw steel production, percentage from: (1) basic oxygen furnace processes, (2) electric arc furnace processes	EM-IS-000.A	13

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Statement of use	Aceros AZA has reported the information cited in this GRI content index for the period 1 January to 31 December 2022 with reference to the GRI standards.
GRI 1 used	GRI 1: Foundation 2021



GRI standard	Disclosure	Location	
General disclosures			
GRI 2: General Disclosures 2021	1. The organization and its reporting practices		
	2-1 Organizational details	10	
	2-2 Entities included in the organization's sustainability reporting	This Report refers to the operations of Aceros AZA S.A.; it does not include subsidiaries which are, however, included in the Annual Report.	
	2-3 Reporting period, frequency and contact point	112, 126	
	2-4 Restatements of information	The effect of any update or restatement of information with respect to the previous report and the reasons for such restatement, together with changes in scope, are specified as footnotes to the respective indicators in which this has occurred.	
	2-5 External assurance	113	
	2. Activities and workers		
	2-6 Activities, value chain and other business relationships	9, 101, 107	
	2-7 Employees	12, 48-65, 120, 121	

GRI standard	Disclosure	Location	
General disclosures			
GRI 2: General Disclosures 2021	3. Governance		
	2-9 Governance structure and composition	88-91	
	2-11 Chair of the highest governance body	The chair of the Board does not hold executive positions in the company.	
	2-12 Role of the highest governance body in overseeing the management of impacts	88, 89	
	2-13 Delegation of responsibility for managing impacts	88, 89	
	2-15 Conflicts of interest	94	
	4. Strategy, policies and practices		
	2-22 Statement on sustainable development strategy	3, 4	
	2-23 Policy commitments	16, 17, 19, 20	
	2-24 Embedding policy commitments	16, 18, 88, 89	
	2-25 Processes to remediate negative impacts	18, 96	
	2-26 Mechanisms for seeking advice and raising concerns	96	
	2-27 Compliance with laws and regulation	95	
	2-28 Membership of associations	118, 119	
	5. Shareholder engagement		
2-29 Approach to shareholder engagement	117		
2-30 Collective bargaining agreements	No collective bargaining processes took place in 2022.		

GRI standard	Disclosure	Location
Material topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	112
	3-2 List of material topics	16
Circularity		
GRI 3: Material Topics 2021	3-3 Management of material topics	23-27
GRI 306: Waste 2020	306-1 Waste generation and impacts	22, 23
	306-2 Management of waste-related impacts	22, 23
	306-3 Waste generated	28
	306-4 Waste diverted from disposal	28
	306-5 Waste directed to disposal	28
	Efficiency in the use of materials	28
Energy and response to climate change		
GRI 3: Material Topics 2021	3-3 Management of material topics	30-36
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	37
	305-2 Indirect (Scope 2) GHG emissions	37
	305-3 Indirect (Scope 3) GHG emissions	37
	305-4 GHG emissions intensity	37
	305-5 Reduction of GHG emissions	35-37
GRI 302: Energy 2016	302-1 Energy consumption within the organization	38
	302-3 Energy intensity	38
	302-4 Reduction of energy consumption	33, 38
	Energy consumption by source	38

GRI standard	Disclosure	Location
Material topics		
Water, air and land		
GRI 3: Material Topics 2021	3-3 Management of material topics	40, 41, 44-46
GRI 303: Water and effluents 2018	303-3 Water withdrawal	42
	303-4 Water discharge	43
	303-5 Water consumption	42
	Water balance of direct consumption	42
GRI 305: Emissions 2016	305-7 Emissions of NOx and other emissions	44
	Noise level	45
Safety, occupational health and operational excellence		
GRI 3: Material Topics 2021	3-3 Management of material topics	58, 59
GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management system	59
	403-2 Management of safety risks and incidents	59-61
	403-3 Occupational health services	62, 63
	403-7 Prevention and mitigation of occupation health and safety impacts directly linked by business relationships	58-63
	403-9 Work-related accidents	64
	403-10 Work-related ill health	64
Development of human capital, well-being and engagement		
GRI 3: Material Topics 2021	3-3 Management of material topics	48
GRI 401: Employment 2016	401-3 Parental leave	52
	401-1 Employee turnover	52
GRI 404: Training 2016	404-1 Average hours of training and amount invested	50
	404-2 Programs for upgrading employee skills and transition assistance programs	50
	404-3 Employees trained	50
	404-3 Average hours of training per year	50
	404-3 Favorability of work climate survey	51

GRI standard	Disclosure	Location
Material topics		
Diversity, inclusion and equity		
GRI 3: Material Topics 2021	3-3 Management of material topics	48, 53
GRI 405: Diversity and equal opportunity 2016	405-1 Diversity in the organization	52, 54, 56, 92
Building a network of scrap recyclers and sustainable communities		
GRI 3: Material Topics 2021	3-3 Management of material topics	77
GRI 413: Local communities	413-1 Alliances signed	17
	413-1 Social investment	78
	Initiatives with the community	74-77, 79-81
Rights of people		
GRI 3: Material Topics 2021	3-3 Management of material topics	16, 30, 40, 48, 53
	Protection of the environment	16, 17, 30, 31, 32, 40, 44-46
	Protection of human capital	48, 49, 93, 94
	Protection of diversity, equity and equality	53-56
Excellence, innovation and governance		
GRI 3: Material Topics 2021	3-3 Management of material topics	83
	Innovations	84
	Investment Plan	85
GRI 405: Diversity and equal opportunity 2016	405-1 Diversidad en el Directorio	92
GRI 201: Desempeño económico 2016	405-1 Diversity in the Board of Directors	117
	Sales	12
	Production	12

GRI standard	Disclosure	Location
Material topics		
Integrity, compliance and risk management		
GRI 3: Material Topics 2021	3-3 Management of material topics	93-96
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination	97
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations (number and amount of environmental fines; incidents with environmental impact)	40
	Percentage of employees covered by Code of Ethics	The Code of Ethics applies to 100% of the employees of Aceros AZA.
	Number of cases received through the Reporting Line	96
	Number of cases resolved within the reporting period as percentage of total cases	96
Sustainable products and commitment to clients		
GRI 3: Material Topics 2021	3-3 Management of material topics	98, 99
	Client satisfaction	104
	Complaints from clients	104
	Returns	104
	Contribution to emblematic projects in Chile	105
Sustainable supply chain		
GRI 3: Material Topics 2021	3-3 Management of material topics	107, 108
	Opportune payment of suppliers (payment period)	109
Cybersecurity		
GRI 3: Material Topics 2021	3-3 Management of material topics	96
	Number of cybersecurity incidents	97
	Average time required to detect incident (hours)	97
	Average time required to respond to/resolve breach (days)	97
	Initiatives to strengthen cybersecurity	97

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