

Anti-Corruption & Money Laundering Policy

Introduction by CEO and CFO



Dear Colleagues,

We are pleased to inform you that we are bringing our Compliance programme to the next stage with the release of the new Anti-Corruption & Money Laundering Policy. This new policy is the result of the merging of three previous policies covering anti-corruption and bribery, anti-money laundering, counter-terrorism financing and conflicts of interests.



Aperam aims to conduct its business in line with the strictest Ethics. Therefore, we have adopted a 'zero tolerance' approach concerning corruption and bribery and other unethical and fraudulent conduct.

Aperam strictly forbids any employee, business partners, agents, contractors and other third parties any kind of practice or scheme involving or allowing active or passive corruption, traffic of influence, extortion of facilitation payment, money laundering and any such activity that may violate our policy.

Thank you for your continued commitment to protect Aperam's reputation and shareholder interest. A well defined Compliance programme provides a structure that works for the benefit of everyone. It ensures that Aperam adheres to accepted ethical standards and best practices in all areas it operates in.

Sincerely,

Timoteo di Maulo
Chief Executive Officer

Sudhakar Sivaji
Chief Financial Officer

Anti-Corruption & Money Laundering Policy

Approved by Leadership team on 2014/07/17, updated on 2022/10/06

Note: This policy is released in English. In case of divergence between the English version and other translated versions, the English version will prevail.

Scope: This policy is relevant to all staff including Management and Directors of Aperam and all of its subsidiaries It is also relevant to any third party (Agent, Consultant) commissioned to represent Aperam and/or its subsidiaries, including any joint venture.

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DEFINITIONS


Corruption & Bribery

Aperam considers corruption and bribery by taking as a basis the United Nations' Convention against Corruption. In practice, the words "bribery" and "corruption" are generally used interchangeably*. Bribery consists in offering (active corruption) or receiving (passive corruption), directly or indirectly, any undue advantage, to your own benefit or those of relatives, or even to that of your employer, in exchange of services or favors.

As corruption raises serious moral and political concerns, undermines good governance and economic development, bribery in the public sector is forbidden by law in most of the jurisdictions and since it also distorts free competition, corruption and bribery within the private sector are often also punishable by law.

In Aperam, corruption is forbidden in all its forms, in the private as in the public sector.

In practice, corruption can take many different forms, including acting or refraining from acting in the exercise of one's duties, abuse one's real or supposed influence, misappropriate or intentionally divert any property or value.

 For an Aperam employee, corruption, traffic of influence and bribery could materialize when he or she acts intentionally as follows, either for his or her own interest or even to the (supposed) benefits of Aperam:

- *solicit or accept gifts, entertainments, kick-back or favors from an Aperam partner.*
- *accept to nominate, promote or hire anyone in Aperam with no objective reasons.*
- *select or reject an Aperam supplier on the grounds of its connexions and not on the objective criteria of its proposal compared to its competitors'.*
- *proposes gifts, entertainments, kick-back or favours to an Aperam business partner with the aim to obtain confidential information (for a tender, for R&D purposes, etc.), to secure a commercial contract or to arrange a rebate on a purchase.*
- *promise or give anything of value, including very small payment, in order to gain an improper advantage or to encourage an employee of any government or anyone acting in an official capacity to do her or his job (often referred to as "facilitation payments").*

Money-Laundering

Money laundering is a criminal action, by which somebody gives the semblance of legality to goods or benefits arising from criminal actions such as:

- Participation in an organized criminal group and racketeering (including drugs & narcotics)
- Trafficking in human beings and migrant smuggling
- Sexual exploitation
- Fraud and swindling (including fraudulent bankruptcy)
- Counterfeiting and piracy of products
- Environmental crimes and offenses



◀ The term "Traffic of influence" (also "Trading in influence") can also be used

◀ Undue advantages can cover a variety of forms including money, valuables, rebates, gifts and entertainment, authorizations of all kinds.

◀ Legal framework includes in particular USA's Foreign Corrupt Practices Act (FCPA) in force since 1977, UK Bribery Act, Brazil Clean Company Act (Law n° 12.846/2013), French Sapin 2 Law (Law n° 2016-1691 Dec 9th 2016).

References

◀ United Nations Convention against Corruption



For more, see [Aperam policies](#)

- ▶ Code of Business Conduct
- ▶ Gift and Entertainment Policy

Money Laundering is a criminal offense in many jurisdictions. In Brazil, the criminal liability related to money laundering is also established for natural persons and can lead to penalty of imprisonment and heavy fines. Administrative fines can also be applied to the corporation, together with the suspension of certain privileges. In the European Union, the 4th directive defines a series of measures implemented in National laws to combat money laundering.

In addition, in many countries, all or major economic actors of all sectors are expected to participate in the fight against money laundering by running due diligence verifications over their business partners and alerting the authorities in case of suspicion of money laundering.

Terrorist Financing (TF)

Terrorism financing refers to the act of supplying or gathering by any means funds, values, or other assets of any kind, knowing that they will be used by terrorist groups or to participate to infractions such as terrorist attacks (incl. cyberattacks) or hostage taking. Such funds and assets are identified as a vehicle for terrorism financing even if they have not been effectively used for these infractions or if they are not linked to specific terrorism acts.


Conflicts of interest

Aperam recognises that we all have our own individual interests and encourages their development, especially where they are beneficial to the community at large. However, a conflict of interest may arise when an individual is involved in social roles that have diverging interests from Aperam's. Situations of "potential conflict of interests" describe any situation where an individual's interest:

- could conflict with his or her professional obligations toward his or her employer (or country, in the case of a Civil servant), or
- could have a negative impact on the performance of his or her professional duties.

As a result, in Aperam, we consider that outside activities must be strictly separated from someone's main employment and must not harm job performance. They are fully acceptable when they do not conflict with Aperam's interests, are transparently reported and performed outside paid working hours.

In particular, Aperam employees must not work for or receive payments for services from any of its customer, competitor, regulator or business partner without prior written approval.

 For an Aperam employee, the conflict could materialize and be possibly categorized as a corrupt practice when he or she (or any third party he or she matters about i.e. family, close friends):

- *is using the time owed to Aperam for other purposes: outside employment, political activities, etc.*
- *is using Company assets for external activities without proper authorization*
- *is influencing an Aperam decision to get direct or indirect benefits*

For more guidelines on this topic ➤



◀ In France, for instance, the regulation in force is the loi Sapin II and applies to corporations of more than 500 employees with possible sanctions including fines of up to 10% of the turnover.



For more, see [Aperam policies](#)

- ▶ Code of Conduct
- ▶ Instructions for Declaration of Conflicts of Interest (internal)
- ▶ Illustration of what is a potential Conflict Of Interest (internal)

Politically Exposed Person (PEP) and State-Owned Companies (SOE)

PEPs are primarily physical persons entrusted with public functions (on national level), such as heads of states, national executive, legislative or jurisdiction, high ranking political parties leaders, senior public servants, magistrates or military officers as well as direct family members and persons closely related to PEP.

In light of the anti-Corruption regulations in force, and due to their capacity to influence key decisions, having a PEP involved in a deal or holding responsibilities in a private company can be considered as a possible factor of risk of corruption, bribery, traffic of influence or conflicts of interest and should be dealt with with the most extreme care.

The same standards should be enforced for State-Owned Companies and companies with a major(ity) or significant stake from a State.

By extension, any influencing person (like a very well-known Executive with various Board memberships) would also very often be referred to as a PEP and considered the same way.

PREVENTING CORRUPT PRACTICES IN APERAM

Impact of “corruption”, “bribery” or “money-laundering”

If Aperam was involved in a corruption and bribery situation, not only Aperam, but also the Management and/or any other staff involved could be held liable and consequences may include:

- **Significant negative impact for the company’s reputation**
- Criminal fines for the company, which could reach tremendous amounts
- Members of staff could face very important fines and/or prison sentences
- Prohibition to enter into business transactions with Government, State-Owned companies and companies with a major(ity) or significant stake from a State

Failure to comply with anti money laundering regulations may also lead to potential loss of export privileges.

Basic prevention principles

Shared vigilance

All employees together with the management of Aperam are expected to be vigilant and to play an active part in the Anti-corruption and anti Money Laundering activities. To have a high level of awareness among staff with regards to anti-corruption, bribery, money laundering and export control, Aperam will ensure specific and regular training of the most concerned staff.

Because breach of this policy would be likely to be also a breach of regulations, **any doubt, question or concern about a possible case should be reported immediately and adequately:**

- questions to the Legal department or the Compliance organization.
- dilemmas through the usual organizational lines: hierarchical manager, internal audit, Human Resources or as a last resort via our Aperam Whistleblowing procedure.



◀ No contractual clause, whatever the wording, can limit the criminal responsibility of Aperam, its Management and its staff.

Any breach to this policy, which is also a breach to the spirit of our Code of Conduct, will be sanctioned by Aperam with the utmost severity, in compliance with all applicable laws.



Risk-based procedures

Aperam has organized its Anti-Fraud, Anti-Corruption, Economic Sanctions and anti-Money Laundering (and Terrorist financing) procedures according to a risk-based approach applying the following key general principles:

- The internal risks are tackled thanks to strict internal guidelines, including our Code of Conduct and this policy and associated procedures (such as the annual declarations of potential conflicts of interests, see hereafter), and regular awareness-raising actions targeting various groups of employees.
- The external risks will be primarily monitored thanks to a close analysis of Aperam's business partners both before we enter into a business relationship and during the relationship. This analysis will lead to a risk rating and appropriately adjusted risk monitoring procedures, depending on that rating:
 - The external risk assessment should be considered at all times and regularly updated at relevant levels of the organization.
 - It is a complementary analysis and should not be confused with the one related to Credit Risk.

For more guidelines on this topic ➤

Roles & responsibilities

Aperam's Management will ensure that all necessary support, tools and processes are in place in order to assist the company and its staff in understanding their obligations with respect to anti-corruption, conflicts of interest, money laundering or export control and be in a position to analyze the situation and take the most appropriate course of action.

In particular, it relies on the Group Compliance Officer to:

- ensure that APERAM has appropriate policies, procedures and controls in place;
- serve as main contact within APERAM and to the competent authorities;
- be in charge of training relevant employees and management;
- define the necessary resources and the organization in charge of implementing the necessary controls;
- update the Compliance Committee and Aperam's Board Audit and Risk Committee accordingly.

The Group Compliance Officer fulfills his/her task independently and has a right to audit (and request audits) and assess all matters with regards to anti-corruption, conflicts of interest, money laundering or export control.

The Group Compliance Officer can delegate some of her or his responsibilities to local Compliance Officers and/or local Compliance Committee, if approved by the Group Compliance Committee and provided it is duly formalized in a mandate specifying the scope of the tasks led locally and the reporting to be made centrally. Such delegations can cover the analysis of identified potential conflicts of interest and the approval of gifts and donations, amongst other topics. However, in no way can the delegation concern topics, companies or people that have or had close links to the local Management and/members of the local Compliance Committee.



For more, see
[Aperam policies](#)

- ▶ Code of Conduct
- ▶ Prevention of misconduct and whistleblowing Policy
- ▶ Economic Sanctions policy (internal)
- ▶ Instructions for Declaration of Conflicts of Interest (internal)
- ▶ Responsible Purchasing Policy

Specific internal procedures

Procurement and Bidding procedures

It is important that Aperam is able to demonstrate that procurement decisions are taken based on merit or reasonable technical grounds and not by exerting improper influence on government officials or private institutions.

Public procurement regulations usually include specific rules about the timing of, and process for, securing bid information and documents. Aperam employees should act in conformance with those rules and never seek non-public inside information in violation of such regulations.

❖ Commissions, kickbacks or other forms of gratifications are likely to constitute both a breach of our Code of Business Conduct and a criminal offense with regard to anti-Corruption regulations. Any such external proposal should be refused, and immediately disclosed to one's management and the Legal/Compliance teams.

Policies related to Gifts, entertainment, travel and donations

The Aperam Code of Business Conduct prohibits accepting as well as offering gifts or favors outside the ordinary course of business. Specifically, to avoid any semblance of influencing, no gifts and gratuities should be offered to government officials. More generally, gifts should not be offered without the prior review of:

- the local anti-corruption law,
- the recipient's (or initiator's) ethical code,
- and this Anti-corruption and money laundering policy, including our Gift and Entertainment policy, or local internal procedures, which provides detailed guidance regarding acceptable gifts and invitations within Aperam.

❖ For anyone working for Aperam, gratuities should be refused in general. Accepting any advantage should be exceptional, properly reported and in line with our official guidelines:

- *based on maximum monetary values either converted locally based on a Purchasing Parity Principle or on more restrictive guidelines fixed by the local internal procedures,*
- *in times and frequency that cannot lead to any suspicion of undue influence,*
- *properly recorded and communicated to the Group Compliance Officer.*

Aperam's donations and its participation to charity events shall be only channeled to associations and causes that are consistent to Aperam's value and policies, that enjoy a positive reputation, are properly validated according to the Group's procedure and duly recorded.

No contributions of any sort to public officials

Aperam and its Management team strictly forbids contributions of money or services on behalf of Aperam to:

- Any public official or assimilates, in particular:
- Any trade union or union member,
- Any entity controlled by a trade union,
- Any political parties, members of political parties, and
- Candidates for a public office.

For more, see [Aperam policies](#)

- ▶ Code of Conduct
- ▶ Prevention of misconduct and whistleblowing Policy
- ▶ Responsible Purchasing Policy



- ▶ Gift and Entertainment policy
- ▶ Guidelines on Charitable contributions appended to the Gift and Entertainment policy

Anticipating Conflicts of Interest

Reporting annually potential conflicts of interest

Aperam employees must not nourish any interest (financial or any other type) or participate in any activity that could deprive the Company of the time or the scrupulous attention they owe to their job. This is particularly true for decision makers, in particular, people with signatory rights.

To preempt or address any situation where personal interests could conflict or be considered to conflict with his/her obligations toward the Company, **all Aperam's exempts, at a minimum, are required to fill out an annual declaration (hereafter "Declaration") listing any actual or potential conflicts of interests.**

The extension of this procedure may be organized according to local needs.

The purpose of this Declaration is to ensure transparency and to prevent Conflicts of Interest within Aperam, and in the event such conflict arises, to handle it effectively and in a timely manner in line with the decision taken by management.

Dealing with potential conflicts of interest

When a (potential) conflict of Interests is declared, the Group Compliance Officer or any member of the Group Compliance Committee will acknowledge the information received, analyze it and decide on the steps to be taken.

The decision-making process will consider the significance of the conflict, the possible impact on Aperam as well as the need to manage the situation in the best interest of the employee. The analysis and decision may involve the hierarchical managers of the person concerned and will be conducted in compliance with our internal policies and procedures (including possible investigations by Global Assurance upon request from the Group Compliance Officer).

Possible mitigation measures may include (but are not limited to) requesting the employee to refrain from getting involved in certain matters or with specific third parties.

The decision will be communicated to the person concerned, and possibly to the hierarchical manager, should he or she be informed of particular measures to be taken.

Typical types of conflicts of interest and guidance

Outside activities

Employees must not work for or receive payments for services from any customers, competitors, regulators or business partners of Aperam without prior written management approval. On top of all identified situations that could generate conflicts of interests, it is recommended to disclose outside roles within each annual Declaration of Conflicts of Interest, with a particular care about:

- Board memberships or similar Corporate positions outside Aperam - they require advance approval,
- Any mandate or elected position - they must also be reported appropriately,
- Any other regular remunerated activity.

❓ Particular attention needs to be paid to prevent confusion between the statements made as an Aperam employee or in the person's own personal capacity, as a member of a political party or non-governmental organization, with a specific point of attention to statements, declarations issued via social networks.

For more guidelines on this topic ➤



For more, see
[Aperam policies](#)

► [Instructions for Declaration of Conflicts of Interest \(internal\)](#)

► [Illustration of what is a potential Conflict Of Interest \(internal\)](#)

► [Communication policy](#)

► [Social Media Procedure](#)

Investments & Ownership-related conflicts

In general, employees should avoid holding personal financial investments that diverge from Aperam’s interests, as well as investments that influence or appear to influence our independent judgment on behalf of Aperam. Particular attention is to be given to *significant* investments in a company that would be a customer, competitor or business partner of Aperam - and any company over whom Aperam can have a business impact.

 The typical conflicts of interest an Aperam employee can face are listed below:

<ul style="list-style-type: none"> • <i>Weighing on a decision inside Aperam as a return of favour for personal services granted</i> • <i>Negotiating a personal advantage for concluding an agreement on behalf of Aperam</i> • <i>Having an outside employment with interest diverging from Aperam’s (during paid time)</i> 	<p>FORBIDDEN</p>
<ul style="list-style-type: none"> • <i>Accepting occasional hospitality from an Aperam customer / supplier</i> • <i>Having <u>significant</u> stakes in a company that could benefit from a deal with Aperam on which you will be consulted</i> 	<p>Not recommended & to be reported</p>
<ul style="list-style-type: none"> • <i>Submitting a sponsorship file for a cause the employee is supporting personally</i> • <i>Having a close relative that works at an Aperam’s supplier or sub-contractor</i> • <i>Being a member of the Board of an outside company</i> • <i>Holding significant stakes within a company that is or can become an Aperam partner</i> • <i>Running for / Holding local elected responsibilities (mayor, etc.)</i> • <i>Having a close relative that works at a Competitor’s</i> • <i>Recommending a close relative to Aperam’s Human Resources for a vacancy</i> 	<p>Fully acceptable provided the situation is duly reported</p>
<ul style="list-style-type: none"> • <i>Holding occasionally some shares of publicly listed companies (that are/can become Aperam partners) and marginal shareholding’s rights in a pension fund, diversified portfolio, etc.</i> 	<p>No need to report</p>

Protection of the Personal Data provided within the Declarations

All details of the declarations of (potential) Conflicts of Interest will be considered as confidential information, managed as such and kept only in a secured environment. Only the Corporate Compliance organization and other Group Compliance Committee members will have access to the entire database, for auditing or monitoring purposes.

When analyzing a situation of potential conflicts of interest self-disclosed by an employee or by someone else, details about the aforementioned situation can be shared with the employee’s manager to better assess the risks. Investigations can also be led internally, possibly via our Global Assurance Department, and the information collected will also be shared with the Group Compliance Committee (or Local Compliance Committee, when a delegation is granted), with Legal department, together with the reporting line of the concerned employee to come to a final conclusion on the materiality of the situation and the actions to be taken.



For more, see [Aperam policies](#)

- ▶ Human Resources Privacy Policy (internal policy)
- ▶ IT & End User Policy (internal policy)
- ▶ Privacy Policy for third party

In line with Data Privacy regulations, the information from these declarations will be kept for a period of five (5) years and used solely for the purposes of dealing with Aperam's employees' (potential) conflicts of interests and related party transactions.

Any collection, retention, use or communication to third parties of personal information in the Declaration will be carried out in a manner that is respectful of the individual and in compliance with the Data Privacy laws at all times. In particular, they may be disclosed to external third parties only where such disclosure (i) has been authorized by the individual concerned, (ii) in order to prevent fraud, (iii) to protect rights and (iv) when required by law.

DOING BUSINESS WITH AUTHORIZED PARTNERS

Assessing and managing our Third-Party risks

Based on regulatory frameworks and leading practices, our approach focuses on **making sure that Aperam does not do business with partners that put us at too high risk** in legal, financial and reputational terms and deploys control measures based on regular risk assessments.

As a result, and on top of the financial/credit risk analysis, Aperam needs to classify its **business partner portfolio** with regards to risks pertaining to Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CTF), Corruption, Economic Sanctions and other Ethics & Compliance risks.

- This requires significant research to be organized by or on behalf of the Risk Owners ie Sales & Marketing, Purchasing/Sourcing...
- This means asking questions that some partners may feel intruding.
- This may require specific letters of comfort or due diligence questionnaires to be filled by the partners to deal with some higher-risk potential partners.

This may also make us lose some opportunities and refrain from dealing with Third-Parties because the risk level is considered (too) high.

The Know-your-Counterpart (KYC) Principles at APERAM

Every third party has to be regularly screened and rated on a three-level scale with regards to non-financial Ethics & Compliance risks, independently from its financial risks (credit risk, etc.) and before Aperam enters into a business relationship.

- Potential Business Partners rated as being at "High Risk" shall only be onboarded with the Group Compliance Officer's prior approval.
- Suspicious elements and red flags about our existing partners in business will be discussed within the Group Compliance Committee.

In addition, Aperam will always fully cooperate with the responsible authorities in the field of anti-money laundering, counter-terrorism, export control and anti-corruption, and notify them when applicable.

Continuous monitoring

This KYC process or screening shall be based on background information collected on public sources and/or from the partner directly as well as based on critical information collected from specific tools and databases.



For more, see [Aperam policies](#)

- ▶ Economic Sanctions policy (internal)
- ▶ Prevention of misconduct and whistleblowing Policy
- ▶ Responsible Purchasing Policy
- ▶ Privacy Policy for third party

◀ During the business relationship but particularly before the initiation, it is essential to check for potential red flags of money laundering involving the respective business partner. A list of red flags is provided on the next pages.

- The Onboarding KYC is mandatory for all potential business partners and should be arranged prior to onboarding
- After onboarding, the frequency and intensity of the KYC updates shall depend on its risk classification but shall be renewed at least every 3 years. In addition, public information about High-risk partners will be followed up thanks to continuous monitoring. In the course of such continuous monitoring, all information collected at onboarding (identification & verification, purpose of relationship, source of funds) shall be checked and re-confirmed, including the proposed final risk rating.

Overview of the mandatory Due Diligence Controls

Control of the economic activities of the legal entity:

The reality of the business, the local context (to assess the country-risk, in particular), the source of the funds used, the purpose of the relationship the business partner wants to establish with APERAM and the scheme of the future transactions must be analyzed.

Identification of the physical persons in command:

- The managers (or persons acting with any power of attorney for the business partner) and,
- The business partner's Ultimate Beneficial Owner(s) (UBO) having a stake of more than 25% of shares or control; they shall be identified, either from the articles of incorporation, from public sources, from specific tools and databases or from direct questioning to the entity.

Validation:

In case any red flag is identified or for High Risks partners (specific countries, etc.), enhanced due diligence shall be organized by the Compliance Officer who will analyze the file and possibly validate (or escalate further to the Compliance Committee).

- In any case, the validation of a High Risk counterpart shall be recorded with any stipulated conditions for documentation purposes.
- When the Ethics & Compliance risks are assessed as Low or Medium, the Counterpart is considered as having passed the Ethics & Compliance (onboarding) verifications: no further step is required until the periodical review or until a different information triggers a new full review.

Red flags which trigger escalation

 The following elements need to be analyzed with great care:

- *Any link with sanctioned entities or individuals, be it at the level of the entity, mother company, subsidiary, managers, shareholders or UBOs,*
- *Sector-specific and country-specific risks: high-risk countries, non-cooperative jurisdictions, corruption level, money-laundering, economic sanctions, dual use goods,*
- *Insufficient, inconsistent or suspicious information: shielding the entity of beneficial partners/owners, multiple tax identifications, recently created legal entity, only little or no information on business partner available*
- *Business Partner requests specific payment conditions:*
 - *Cash payments (Generally, no cash payments to business partners shall be made)*
 - *Third Party Payments (no third party payments shall be made, unless exceptionally approved by the Leadership Team of Aperam in advance)*
 - *Payments to bank accounts held in countries with low Money Laundering standards and offshore financial places*



◀ Except for all entities listed on a public stock exchange, legal entities shall be identified based on their documents of incorporation with the aim to obtain: full name, headquarters' address, legal form, date of incorporation.

◀ The standard "Contact person" is usually not the person that we are interested in: we have to understand who are the people in command, to be able to identify PEP and possible links with Economic Sanctions, Money-Laundering, Terrorist Financing, public scandals of corruption.

- *Prepayment (For the purchase of scrap by Aperam Recycling, prepayment thresholds have been defined. Pre-Payments exceeding the thresholds need to be approved by the Leadership Team of Aperam in advance. All respective transactions need to be recorded exhaustively and transparently and properly settled by accounting)*
- *Payments to a bank account held in a country other than the suppliers' origin*
- *Payment to a bank account held in a country other than the origin of the goods.*
- *Presence or requests of credit card transactions and multiple accounts, or frequent change of bank accounts,*
- *Business Partner requests Secrecy/anonymity*
- *Transaction patterns significantly different than those of similar companies or changing frequently, use of intermediaries, complicated framework with shell-companies justified by so-called tax optimisation reasons, unreasonable prices,*
- *Delivery address not matching the customer's sites,*
- *Goods at stake are outside the usual scope of the business partner*
- *Frequent rebranding, change of management, or relocation by same individuals*
- *Doubts about authenticity of documents submitted (invoices, bank confirmations, commercial register extracts etc.)*
- *Emergency: Very urgent requests and lack of interest on the details of the transaction (price, terms),*
- *Reputation: Dubious media reports, local reputation or online activism.*

Enhanced Due Diligence

In case of High-Risk Counterpart (or sudden red flag), enhanced Ethics & Compliance verifications shall be organized and they include the following aspects:

Complementary verifications on the counterpart

The verifications to be run may include

- Verification of powers of attorney,
- Identification of the physical persons involved based on reliable information such as IDs, passports or a confirmation from a third party,
- Other specific verifications depending on the countries

The complementary verification may include the request to the business partner to fill in appropriate documentation such as:

- The End User certificate in case of high risk transaction with regard to the respect of Economic sanction rules by the counterpart
- The Due diligence questionnaire and/or the comfort letter in case of red flags with respect to our Anti-corruption and money laundering policy and to our Code of Business conduct in general.
- For the purchase of scrap, as a minimum requirement, Aperam Recycling entities must use the internal Know your Supplier (KYS) questionnaire. Before entering into a business relationship with a (potential) supplier, the internal KYS Questionnaire must be completed. In addition to the internal KYS, an External KYS Questionnaire is strongly recommended. Those documents include a detailed guidance on the scope of the supplier assessment, the procedure in case of Red Flags, the approval requirements and the review schedule.

For more guidelines on this topic ➤

◀ The mere existence of red flags does not necessarily hinder entering or maintaining a business relationship with the concerned business partner. However, red flags need to be critically assessed, fully cleared, and properly documented before entering or maintaining a business relationship.



◀ High Risk Counterpart:

Is located in a country subject to economic sanction programmes, non cooperative jurisdiction or high risk country according to the Corruption perception index

Or, meets one or multiple red flags from the list above that cannot be cleared or justified by legitimate reasons

▶ All documents required for complementary verification are available in the Compliance Intranet page.

Complementary information on the deal

The additional information needed will serve to assess the risk and the business criticality of the deal at the level of the Group Compliance Officer or Compliance Committee. They should comprise:

- Size of deal in question and future prospects in terms of volume, price and margins;
- Customer references, alternatives for buy-side deals and usual suppliers for sell-side deals;
- Credit Risk rating, payment terms and specifics of delivery (Incoterm, address) and full Bank details

Decision making

If the Enhanced Due Diligence process concludes that the counterpart triggers significant level of risk for Aperam, the Group Compliance officer can decide to bring the case to the attention of the Aperam Compliance Committee for review of the case and final decision based on the details of the complementary verifications on the counterpart and complementary information on the deal .

Transaction monitoring (TAM)

Although Aperam will always strive to fully understand the economic background and the legality of any transaction performed with a client or any third party, transactions with counterpart rated as Medium or Low risk fall outside the scope of strict transaction monitoring unless a red flag or dubious transaction triggers a specific TAM:

- Firstly, Aperam identifies the purpose of the business relation and the pattern (nature, size and frequency) of planned transactions and documents them.
- Then, the consistency of each transaction shall be systematically compared to this general framework: if the purpose or the specifics of a transaction falls outside the expected transaction pattern:
 - a red flag is raised and documented in the TAM/KYC,
 - The Compliance Officer is alerted,
 - the transaction suspended until the transactions are properly justified and/or authorization granted by the Compliance Officer.
- In this case, the Group Compliance Officer shall decide with the Compliance Committee whether or not the responsible authorities shall be informed on the suspicious transaction.

For any question on this policy and its application, please contact Aperam Group Compliance Officer.



◀ All significant changes must also be documented within the file during the business relationship with the partner.