

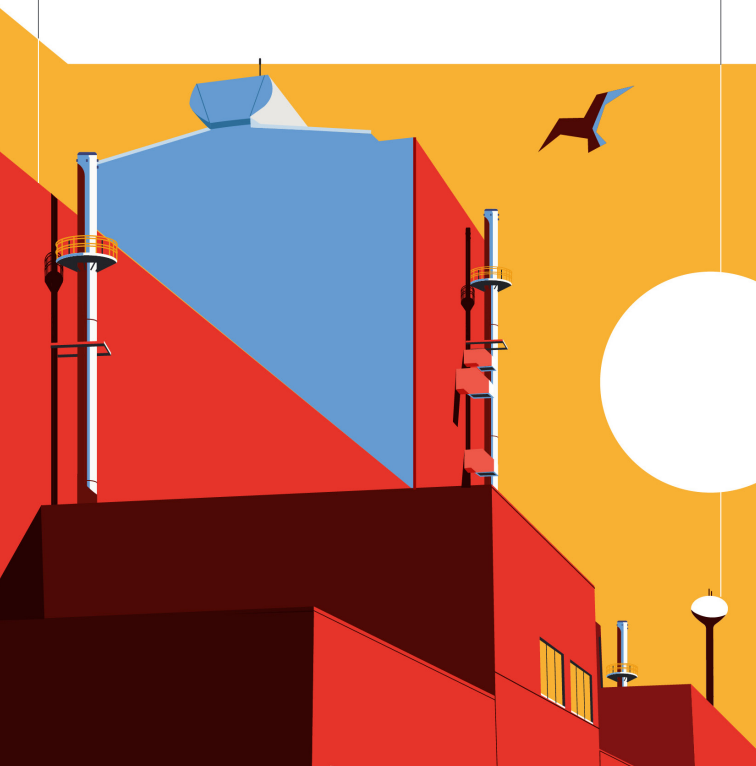
Capsule
edition

2018



SUSTAINABILITY

WHAT MAKES US ACCOUNTABLE



Steel for sustainable development

For the second consecutive year, Ternium has published its Sustainability Report, a document that summarizes the company's commitment to sustainable development through a series of key indicators that assess our performance in regards to Safety, Health, Environment, Human Resources, Innovation, Community Relationships, Value Chain, Corporate Governance and Economic Performance.

This report offers a comprehensive view of the actions that the company is implementing in order to improve its sustainability in the long term. It also offers a useful perspective by comparing current results with those recorded on previous years.

Intended to reach a broader audience, this booklet offers instead a summarized, more graphical version of 2018 report, highlighting the main facts and figures that render testimony of Ternium's accountability for its sustainable development goals.

The company

Ternium is Latin America's leading flat steel producer. We manage a large network of manufacturing facilities, service centers and distribution centers in Mexico, Brazil, Argentina, Colombia, Southern United States and Central America, serving customers multiple industries.

Creating value for the Americas

The company's industrial system fully integrates all the different elements of the steelmaking process, from the mining of iron ore to the manufacturing of high value-added end products.

Ternium's innovative culture, industrial expertise and long-term view, allows for the company to constantly reach new horizons in its already outstanding industrial excellence, competitiveness and customer service.



About Ternium

Ternium is strongly committed to the environment, to its high health and safety standards and to the integrity of its corporate governance. Through its deep ties with the local communities, the company promotes the adoption of a solid steel industry value chain in the countries where it operates.

Our broad range of high value-added steel products and advanced customer-integration systems enables us to differentiate ourselves from our competitors through the supply of state-of-the-art products and services. We operate with a broad and long-term perspective, always seeking to improve the quality of life of our employees, their families and the local communities where we operate.

In 2018, shipments in the Mexican market stood at 6.5 million tons, representing 51% of Ternium's total steel shipments. The Southern Region accounted for 18% while Other Markets encompassed 32% of the company's total shipments for that year.

Where we operate:

- ▶ United States
- ▶ Mexico
- ▶ Guatemala
- ▶ El Salvador
- ▶ Nicaragua
- ▶ Costa Rica
- ▶ Colombia
- ▶ Brazil
- ▶ Argentina

12.4

Million tons annual
production capacity
of crude steel



Innovation

In our quest for excellence and continuous improvement, we promote and reward revolutionary initiatives that transform our industrial system.

We foster innovation throughout our organization. A fresh approach to old as well as new challenges, along with the use of state-of-the-art technologies, is essential for achieving visible changes in our activities.

Research & Development

Ternium has implemented an average of 100 product-development projects per year in partnership with its industrial customers in addition to 40 research projects involving researchers and students from international universities.



SMART factory

Standing as an acronym for Social, Mobile, Analytics, Robotics and (internet of) Things, its implementation ensures a permanent flow of data that helps make our facilities more efficient and productive.

More drones, less risks

Drone technology replaces the need for human inspection at heights, greatly minimizing the safety risks inherent to this type of task.

Ternium innovates

This program encourages our employees to team up to develop new ideas to help the company post improvements in four key areas: quality, workplace climate, productivity and safety.

Virtual & augmented reality

Ternium has developed virtual reality software used in training to enhance employees' risk perception while using augmented reality so experts can provide remote assistance to operators.



Innovation in numbers

WebService

Approximately 80% of Ternium's customers use this inhouse tool to interact with the company through 75 different functionalities that cover the all potential interactions in our relationships with customers.

ISO 20,000

In 2017 Ternium certified its system under this standard, thus guaranteeing the adoption of best practices in the management of IT processes and services.

RFID technology

Radio frequency identification technology (RFID) enables automated handling of steel products in the yards, speeding up logistic operations while strengthening overall safety.

New laboratory

In 2018 we inaugurated a new laboratory in Pesquería, Mexico, aimed at strengthening the company's research capabilities for high-end industrial requirements.

Academic liansons

Over 50 universities and research laboratories from both the public and private sectors collaborate with us to support an agenda aimed at producing better and more sustainable steel.

100

product development
projects per year.

40

research projects
per year.

80%

of our customers
use WebService.

50

universities and
laboratories are part of
our research programs.

Health and safety

All of our business practices and processes embrace a proactive approach to risk assessment and the management of health and safety based on the industry's best practices.

In order to achieve excellence in occupational health and safety, we continue to invest in modernizing our facilities. We implement the most rigorous international standards to improve risk awareness and align employees' safety-related behaviour patterns.



Safety First

This program features initiatives to foster the adoption of a more comprehensive safety culture to prevent incidents and accidents.

Training for safety

In 2018, the company delivered 564,341 safety-related hours of training to 18,609 employees and contractors.

Safety Hour

Three times a week, middle and senior managers tour our facilities' operating areas and work with employees to detect and correct deviations in the working environments.

Safety Day

Since 2014, every July 22 Ternium carries out a series of intensive meetings and discussions with all employees to specifically review previous year's safety-related performance and agree on concrete actions to be implemented in order to improve safety standards across our entire industrial system.



Ten life-saving rules

This is a brief list of the main principles guiding Ternium's safety agenda: a series of basic and concrete actions that all employees must follow in order to protect their own lives as well as that of their colleagues.

OHSAS 18001

Ternium has been certified under the Occupational Health and Safety Assessment Series 18001 standard for high quality management systems in Mexico, Argentina, Colombia and Guatemala.

Video analytics

Cameras track the industrial operations performed at our Argentine and Mexican facilities. We use video analytics for the development and implementation of an early alarm and accident-prevention systems.

On the right path

Ternium's safety indicators have improved over the course of the years, outperforming the industry's international standards.

564,341

Hours of safety training.

18,609

Employees and contractors received training.

Environment

In Ternium we care about our footprint's impact.

How?

We do so by adopting the best available technologies while striving for the continuous improvement of our industrial performance. We periodically audit and certify our systems and procedures in order to not only identify improvement opportunities but also to update our environmental management processes, making sure we are permanently complying with the industry's highest standards.



Air quality

We have invested more than USD \$90 million over the past four years to improve the capture and treatment of air emissions at our mills.

Less CO₂ emissions

Our average emissions of carbon dioxide per ton of liquid steel was 1.7 tons in 2018, below the industry's global average.

Water management

We have implemented zero-discharge treatment plants, treatment plants for sewage water and runoff capturing systems for our raw material yards.

Mix Rock®

This innovative product developed by Ternium in Mexico is obtained through the processing of our steel shops' dust and slag. It transforms 100% of our EAF dust into a valuable raw material for the cement industry.



Environment in numbers

International certifications

Our environmental management system is certified under ISO 14001 and we are currently implementing an integrated energy management system under ISO 50001, and certifying it in our main operations. We are part of worldsteel's Climate Action Recognition Program, Sustainability Reporting Program and Signatories of its sustainability policy.

Energy-saving solutions

Since 2014 we have implemented 265 energy-savings solutions that have reduced our yearly carbon dioxide emissions by 123,000 tons.

Material efficiency

In 2018, we recycled 2 million tons of steel scrap. By maximizing the use of co-products and reducing the production of waste, we have achieved a material efficiency rate of 99.7%.

Biodiversity care

Through different initiatives, we are committed to protecting and maintaining the fauna and flora of the regions where we operate.

1.7

tons of CO₂ emissions
per ton of liquid steel
on average in 2018.

90

USD million invested
to improve the air
emissions since 2014.

2

million tons
of steel scrap
recycled in 2018.

99.7%

material efficiency
in 2018.

210,000

tons of emissions saved yearly
by recycling CO₂.

Human Resources

We rely on development and training to bring out the best of our increasingly diverse and talented employee base.

The professionalism and determination of our people are at the core of one of Ternium's main strengths: a team made of 20,500 innovative, highly qualified individuals from different 31 nationalities. Together, we are the leading flat steel producer in the Americas.



A multicultural, diverse staff

Ternium is an equal opportunity employer that embraces diversity in its different forms. The coexistence of diverse perspectives and angles helps our teams achieve perceptive solutions to the challenges we face.

Work climate

Innovative programs, such as having the possibility of working remotely from different locations, along with our monthly flexible day program, all contribute to improve the work experience of our people.

Performance management

The individual performance of each salaried employee is evaluated on an annual basis through a formal assessment process based on a measurable set of objectives defined in advance. Being a relevant aspect of our Human Resources Policy, it aims at improving our employees' working experience as they grow along their career while strengthening personal and professional ties with their supervisors.



Human Resources in numbers

Ongoing training

Over the last five years, each salaried employee has received an average of 44 hours per year of training while each hourly employee has received an average of 108 hours.

Leaders' Development Program

Approximately half of the company's mid-level managers have taken part in this training scheme designed to enhance overall leadership skills among the company's current and future managers.

Coaching supervisors

Our program for supervisors has been completed by 1,100 collaborators since 2015, and it has received the Excellence in Practice Award from the Association for Talent Development.

Proud to belong

According to the 2018 survey, 97% of our hourly employees and 95% of our salaried employees stated that they feel proud of working at Ternium.

20,500 **31**
Employees Nationalities

Hours of training per year

108 **44**
Training hours per Training hours per
hourly employees salaried employees

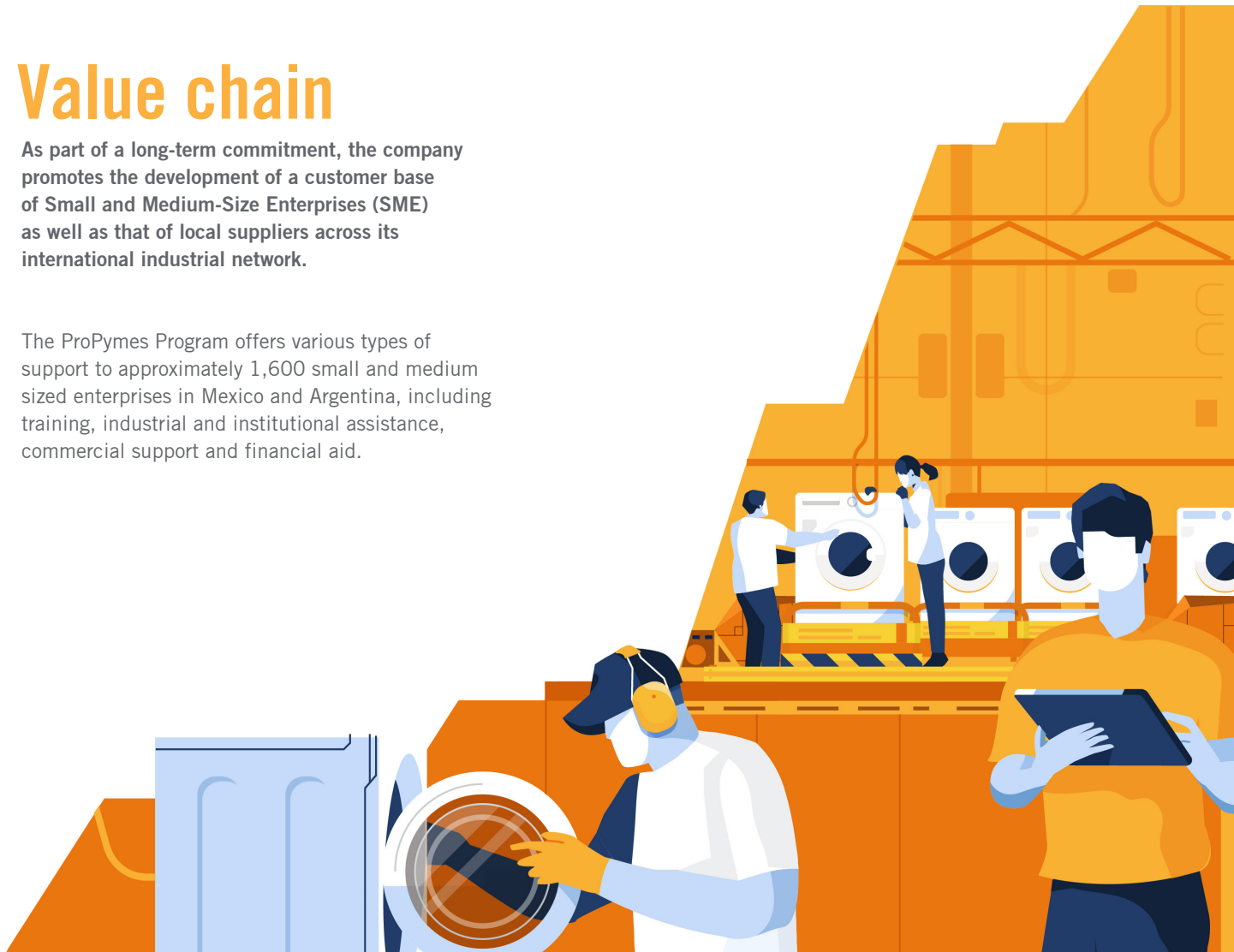
Feel proud of working at Ternium

97% **95%**
Hourly Salaried
employees employees

Value chain

As part of a long-term commitment, the company promotes the development of a customer base of **Small and Medium-Size Enterprises (SME)** as well as that of local suppliers across its international industrial network.

The ProPymes Program offers various types of support to approximately 1,600 small and medium sized enterprises in Mexico and Argentina, including training, industrial and institutional assistance, commercial support and financial aid.



Financial assistance

Since its creation, the program has financed investment projects to enhance productivity and increase the installed capacity of Ternium's customers for more than USD\$ 100 million.

Commercial support

We promote initiatives to help SMEs become suppliers to large companies such as ours while fostering business ties with potential customers in the automotive sector and other industries.

Institutional assistance

We implement a series of different strategies aimed at ensuring a fair playing field in the local market, including the establishment of local and regional industry chambers, the adoption of technical standards for products and institutional initiatives to improve their competitiveness.

ProPymes

Throughout 2018, the ProPymes initiative has sponsored training courses for approximately 4,700 participants, who spent a total of 92,000 hours in class. It also gave support to 408 industrial projects.



ProPymes in numbers

Wide impact

The ProPyme's initiative promotes, among among other initiatives, the use of automation technology and the optimization their production facilities, as well as the development of environment, health and safety protocols and human resources management.

Seminars

Several major events organized by the company bring together SMEs' representatives, government officials, economists and journalists to analyze and discuss the sector's economic context and outlook.

Technical Gene

This educational initiative launched by Ternium was incorporated to ProPymes in 2013. Since then, SMEs and their local communities having been working hand-in-hand to improve technical educational institutes while also training teachers and students.

1,600

SMEs supported.

408

Industrial projects
sponsored in 2018.

4,700

Participants to
training courses.

92,000

Training hours.

Communities

Working hand in hand with local institutions, we carry out a broad range of initiatives that emphasize education as a mean to promote personal and social development.

In this context, Ternium supports several programs aimed at improving the quality of life and fostering the technical education and welfare of the communities where it operates. We develop and carry out programs in the following areas:

- ▶ **Education**
- ▶ **Arts and culture**
- ▶ **Health and sports**
- ▶ **Social integration**



Health initiatives

Health fairs, clinical examinations and disease and addiction prevention campaigns are tools we promote in order to increase community awareness on prevention and healthcare.

Arts & culture

We support and organize a number of initiatives aimed at fostering the company's rich diversity while reinforcing the identity of the different communities that make part of our industrial universe. Every year, large audiences enjoy opera, ballet, concerts and movie festivals organized by Ternium in cooperation with local institutions.

Volunteer spirit

Every year, employees and their families get together to offer their time and efforts to help improve local educational infrastructures. In 2018, 1,644 volunteers contributed in renovating 9 schools. So far, 29 schools have been revamped in Mexico, Argentina, Brazil, Colombia and Guatemala.

10K Ternium

In 2018 the 10K Ternium local races that took place in Colima and Monterrey (Mexico) and in San Nicolás (Argentina), were joined by a total of 11,500 runners.



Focus on education

In 2018, our educational programs accounted for 65% of our total community investment.

ETRR in México

The Roberto Rocca Technical School in Pesquería offers specializations in mechatronics and electro-mechanics for +350 students, many of them assisted by different types of scholarships made available in accordance to their needs.

Tools for the future

Designed to support technical education, the Technical Gene program trained 152 teachers and benefited 1,426 students in 2018. The Afterschool initiative, meanwhile, has helped in achieving a substantial increase in student enrollment and academic performance.

Merit Award scholarships

Aimed at promoting academic excellence for high-school students, the program awarded scholarships to 712 students in 2018.

Roberto Rocca Education Program

In 2018 this program awarded 276 fellowships and scholarships to promote the study of engineering and applied sciences at undergraduate and graduate level.

Communities in numbers

60

USD millions invested
in community programs
since 2014.

11,500

10K runners
in 2018.

1,644

Volunteers
in 2018.

9

Schools enovated
in 2018.

374

ETRR students in
México by 2018.

712

Students received
the Merit Award
scholarship.

Governance

A culture of transparency and integrity is essential for the long-term sustainability of our company.

We continuously work on fostering greater commitment towards ethical behaviors and a strict observance to local laws and regulations among our employees and other stakeholders.



It clearly defines the guidelines and standards of integrity and transparency that apply to all directors, officers and employees of Ternium.

Since 2006, Ternium's shares are listed in the New York Stock Exchange.

Reporting to the Chairman of the Board of Directors and to the Audit Committee, the internal audit area evaluates and ensures the effectiveness and adherence to internal control processes, risk management and principles of corporate governance.



Compliance line

Ternium has a dedicated web-based anonymous compliance line for reporting situations contrary to the Code of Conduct. It operates according to the procedures designed by the company's internal audit area.

Business Conduct Program

Ternium's Business Conduct Compliance program is aligned with the requirements set by all applicable national and international laws against corruption and bribery.

Norms for suppliers

Our Code of Conduct for Suppliers covers ethical behaviour, compliance with law, health and safety, and environmental stewardship.

Ternium policies

As part of its corporate governance, Ternium has adopted a Code of Ethics for Senior Financial Officers, a Transparency Policy governing relationships with third parties, an Antifraud Policy, a Policy on Securities Trading, a Human Rights Policy and a Policy on Diversity and Work Environment Free of Harassment.

Commitment to integrity

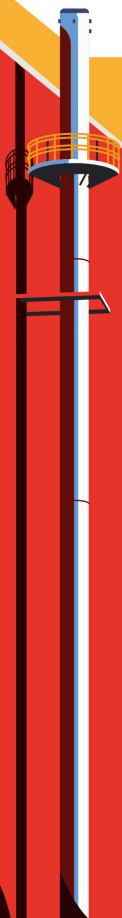
Ternium evaluates and ensures the effectiveness of its compliance processes through the implementation of a solid corporate governance structure.

- ▶ Audit committee (three independent directors)
- ▶ Internal Audit Department reporting to the Chairman and the Audit Committee.
- ▶ Business Conduct Compliance Officer reporting to the CEO.
- ▶ Compliance department that oversees SOX certifications and related party transactions.
- ▶ Employee accountability and training to ensure transparent behaviour.
- ▶ Confidential channels for reporting noncompliant behaviour.

All the information included in this booklet
is based on facts and figures presented in
Ternium's 2018 Sustainability Report.

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