Sustainability Report

Contributing to a Future as Strong as Steel
Operating Responsibly

AK Steel strives to operate responsibly across all aspects of its business, with a commitment to a better future that is as strong as steel. The company’s approach to sustainability reinforces the ethical principles on which the corporation’s overall success is founded.

Sustainability Values

To help promote a sustainable future for generations to come, AK Steel is committed to:

- Strictly adhering to its Code of Business Conduct and Ethics;
- Actively fostering a culture of safety throughout the organization;
- Operating responsibly within the environment;
- Following sound corporate governance practices;
- Providing quality products that benefit society;
- Maintaining and enforcing its Corporate Policies;
- Making positive contributions to the communities in which the company operates; and
- Collaborating to develop new and enhanced ways that steel can benefit society.

Proud Past, Bright Future

AK Steel's heritage spans more than 100 years, beginning in 1899 when the company’s original predecessor, Armco, was incorporated in Southwest Ohio. Over the past century, the company has provided jobs to hundreds of thousands of people, given back to its communities and provided pensions and benefits to generations of retirees.

The company’s proud past represents much more than a century of steelmaking at AK Steel. It demonstrates the corporation’s success in maintaining a sustainable business that has adapted to more than 100 years of technological, regulatory and economic changes.
Safety Performance

Workplace safety is essential to the sustainability of any corporation, its workforce and the families that rely on its employees. At AK Steel, the company’s value proposition starts, first and foremost, with an unrelenting commitment to employee safety. With a total recordable injury rate of 0.26 for the full-year 2012, AK Steel’s safety performance was about five times better than the steel industry average, according to OSHA-required data provided to the American Iron and Steel Institute (AISI) by its reporting member companies.

Since receiving the inaugural Green Cross for Safety Medal from the National Safety Council in 2000, AK Steel has earned significant recognition from industry trade associations and government agencies for its safety performance throughout the years.

2012 Safety Highlights

- AK steel’s full-year 2012 safety performance was five times better than the steel industry average. While one injury is always one too many, taken as a whole, the year 2012 represented AK Steel’s second best annual safety performance in the history of the company.

- The employees at AK Steel’s Ashland, Rockport and Zanesville plants worked the entire year of 2012 without any OSHA recordable injuries.

- AK Steel’s Coshocton Works received Occupational Health and Safety Assessment Series 18001:2007 certification, becoming the first location within AK Steel to do so.

- AK Steel’s Coshocton Works and Zanesville Works in Ohio each received several safety awards from the Ohio Bureau of Workers’ Compensation Division of Safety and Hygiene.

- AK Tube in Walbridge, Ohio and Columbus, Indiana were recognized by the Fabricators & Manufacturers Association, International for their outstanding safety performance.
Governance and Ethics

AK Steel’s key values of safety, quality and productivity are the foundation of its business – while character and integrity are the pillars of its success. The corporation strives to hold itself to the highest ethical standards in order to serve the long-term best interests of all of its stakeholders.

The Board of Directors of AK Steel are guided by the company’s Corporate Governance Guidelines, which reflect best practices in governance. Examples of the Board’s commitment to good governance include the following:

- Nine of ten Directors are independent, as defined by the New York Stock Exchange Rules;
- Each Board committee is comprised entirely of independent Directors;
- Each member of the Board of Directors is elected annually;
- Each Director must be elected by a majority vote; and
- Each Director is subject to stock ownership guidelines.

These guidelines continue to position AK Steel among America’s most prominent corporations. In fact, AK Steel topped Directorship magazine’s 2010 list of the “Best Governed Companies” – recognition that speaks volumes about the commitment and leadership of the Board.

A key component of AK Steel's Corporate Governance Guidelines is its Code of Business Conduct and Ethics. This serves as a blueprint for making the right decisions in the best interests of the company, its customers and shareholders. Among other items, AK Steel’s Code of Business Conduct and Ethics addresses conflicts of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of company assets, compliance with laws, rules and regulations, insider trading and the reporting of any illegal or unethical behavior. As a requirement, all salaried employees of AK Steel must complete annual training and certification with respect to the company’s Code of Business Conduct and Ethics.

In accordance with SEC requirements, the company also maintains an additional Code of Ethics that provides specific guidance to AK Steel’s principal executive, financial and accounting officers in the performance of their duties, particularly with respect to:

- Full and accurate financial disclosure of material information concerning the company’s compliance with applicable laws, rules and regulations, and
- Maintaining the company's financial records in accordance with applicable accounting policies and generally accepted accounting principles.

Additional information regarding AK Steel’s corporate governance is available on the company’s website at www.aksteel.com.

**Environmental Stewardship**

American manufacturers contribute to both the sustainability of the economy and the environment. As a member of an industry that leads the global steel sector in voluntary emissions reductions and energy conservation, AK Steel focuses on operating in an environmentally responsible manner. The company takes a proactive approach to environmental management by following its comprehensive environmental policy.

**AK Steel’s Environmental Policy**

- Commit the necessary resources to comply with all applicable environmental laws, regulations, permits and agreements to which AK Steel subscribes;
- Reduce environmental risks through operating practices and emergency preparedness programs;
- Encourage recycling, recovery and reuse of residual materials, as well as the reduction and prevention of emissions and releases to the extent demonstrated feasible;
- Participate in efforts with respect to the development and implementation of environmental laws and regulations;
- Evaluate on a routine basis compliance with applicable environmental laws and regulations; and
- Strive for continual improvement in the effectiveness of its environmental management efforts.

In addition, all AK Steel plants have received ISO 14001 environmental management certification, and the company employs a full-time environmental staff to manage environmental compliance throughout the corporation.

The company also invests heavily in equipment to help meet its environmental objectives. For example, from 2003 through 2012, AK Steel spent approximately $85 million on environmental capital projects and approximately $1.16 billion to operate and maintain the company’s environmental controls.
Recycling

AK Steel recycles significant amounts of raw materials and steelmaking byproducts each year. In fact, the company recycles approximately 800,000 tons of scrap metal annually – keeping everything from vehicles to appliances out of the landfill. According to the American Iron and Steel Institute, steel is the most recycled material on the planet. At a recycling rate of 92 percent, more steel is recycled each year than aluminum, paper, glass and plastic combined. In addition, the company reuses millions of gallons of water each hour in closed loop systems within its plants, and recycles hundreds of tons of refractory bricks used in several types of steelmaking equipment.

Advanced Energy

Metallurgical coke is a critical raw material for steelmaking. Using state-of-the-art co-generation technology to produce coke, AK Steel’s coke supplier is able to convert waste heat into steam and electricity. Not only does this process provide the company with more than one-million tons of coke per year for its blast furnaces, it produces about 75 megawatts of electricity as well. That represents about 90 percent of AK Steel’s coke needs and 15 percent of its electricity requirements each year.

Conservation of Natural Resources

AK Steel has also taken action to conserve and protect natural resources. For example, in 2008, AK Steel’s plant in Coshocton, Ohio, began several initiatives designed to benefit the environment and local wildlife found on the company’s property. As a result of those efforts, the plant received Wildlife at Work Certification in 2009 from the Wildlife Habitat Council, a leading nonprofit organization dedicated to restoring and enhancing wildlife habitat. The company also received “Wildlife at Work Recertification” in 2011. Since the summer of 2008, AK Steel has restored more than 20 acres of plant property into native Ohio prairie land. The restored area includes several nesting boxes for bluebirds and purple martins, as well as native flowers and grasses. The company will maintain the restored area and plans to expand the prairie over time.

In recognition of its commitment to the conservation of natural resources at Coshocton Works, AK Steel received Honda’s “Green Factory Environmental Achievement Award” in 2010. The company also sponsors the Ohio River Valley Water Sanitation Commission’s “River Sweep” – a program designed to restore the Ohio River’s natural beauty – and was named a finalist for the 2011 Environmental Stewardship Award from American Metal Market (AMM), a leading metal industry publication.
In addition, in October of 2011, AK Steel formed Magnetation LLC, a joint venture with a private company, to produce iron ore feedstock and pellets from legacy reserves in Minnesota. The joint venture utilizes magnetic separation technology to recover iron ore from existing stockpiles of previously mined material. Utilizing these iron ore “tailings” eliminates the need for traditional drilling, blasting and excavating, and can result in the creation of new wetlands in an environmentally responsible manner.

**Greenhouse Gas Emissions**

Steel is fundamental to the sustainability of the global economy. It is used extensively to build and maintain electrical power and transportation infrastructures, urban centers and clean water supply systems. While greenhouse gas emissions are a natural byproduct of steel manufacturing today, AK Steel continues to take steps to increase energy efficiency while remaining competitive in the global steel marketplace.

For example, through the American Iron and Steel Institute (AISI), AK Steel participates in the U.S. Department of Energy’s Climate VISION agreement. This program assists domestic steelmakers in their continued efforts to lead the global steel sector in voluntary emissions reductions. In fact, since 1990, the U.S. steel industry has reduced the total amount of energy required to produce one ton of steel by 27 percent, and CO₂ emissions by 33 percent – significantly exceeding the reduction targets established under the Kyoto Protocol.

Furthermore, the U.S. Department of Energy has identified the U.S. steel industry as the world leader in achieving the lowest energy intensity per ton of steel produced as compared to steel industries in other nations, and the second-lowest in terms of CO₂ emissions per ton of steel produced, behind only South Korea.

In addition, the American steel industry is recognized for having the steepest decline of total air emissions among nine manufacturing sectors – making it the only significant industry in the U.S. to reduce its energy consumption while increasing its production from 1990 to 2005, according to the U.S. Environmental protection Agency’s 2008 Sector Strategies Performance Report.

AK Steel is also a member of the U.S. Government’s ENERGY STAR program, which identifies and promotes energy-efficient products to help reduce greenhouse gas emissions. ENERGY STAR is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy, helping businesses and consumers save money and protect the environment through energy efficient products and practices.
As a member of the American Iron and Steel Institute, AK Steel supports research into steelmaking technologies aimed at dramatically reducing CO₂ emissions in the future. Under the leadership of the AISI, the domestic steel industry is participating in several groundbreaking studies.

For example, researchers at the Massachusetts Institute of Technology are working to produce iron by molten oxide electrolysis – a technique that generates virtually zero CO₂ emissions. At the University of Utah, another project is underway to produce iron by hydrogen flash smelting – a process that replaces carbon fuel with hydrogen.

Although it will take years to develop and deploy such technologies, AK Steel’s support, through the AISI, represents another example of the company’s commitment to addressing greenhouse gas emissions and being part of an industry solution.

AK Steel also participates in the AISI’s Life Cycle Analysis program, which studies the total greenhouse gas emissions generated by the production, use and end-of-life (recycling or disposal) phases of a product. Steel remains a material of choice because of its strength, its ability to enhance the efficiency of end-use products and its high rate of recyclability.

**Community Involvement**

As a responsible corporate citizen, AK Steel contributes to every community in which the company operates. Through the AK Steel Foundation, the company is able to make a positive difference in the lives of others, spending more than $1 million in 2012 alone on programs, scholarships and grants.

In recognition of AK Steel’s impact on the community, the company received the 2010 Good Scout Award from the Boy Scouts of America, Dan Beard Council, and the 2009 Outstanding Child and Family Advocate Award from the Celebrating Families Committee in Butler County, Ohio.

In addition to providing direct support to nonprofits, the AK Steel Foundation offers a Matching Gift Program to help employees increase the value of their charitable contributions each year. Numerous organizations benefit from the program, including universities, museums and performing arts centers.
The AK Steel Foundation also awards college scholarships to children of company employees through its Sons and Daughters Scholarship Program.

The Middletown, Ohio Community Foundation independently selects each recipient based on academic achievement, leadership and community involvement.

From 2003 through 2012, the AK Steel Foundation awarded 200 Sons and Daughters Scholarships. Along with the Sons and Daughters Scholarship Program, the AK Steel Foundation underwrites the Louie F. Cox Scholarship Program, which benefits African American students in Warren and Butler Counties in Ohio. Similar to the Sons and Daughters Program, the Louie F. Cox scholarships are funded by the AK Steel Foundation and are worth a maximum $20,000 each.

Through the AK Steel Foundation, the corporation supports the United Way in every community in which the company operates. Over the years, the AK Steel Foundation has donated millions of dollars to the United Way – helping the organization support childhood education programs, improve the health and independence of people in the community and help families in need achieve financial stability.

In recognition of women who have overcome obstacles to make a difference in the lives of others, the AK Steel Foundation underwrites the Steel Magnolia Awards. The awards honor women who have faced personal adversity and shown exceptional strength, courage, compassion and leadership in the communities in which AK Steel operates. Twenty-eight Steel Magnolia Awards have been presented to inspirational women since the program’s inaugural year in 2009.
In recent years, the AK Steel Foundation has provided support to numerous nonprofit and charitable organizations, including, among many others:

- Abilities First
- American Cancer Society
- American Heart Association
- Anthony Muñoz Foundation
- Boy Scouts of America
- Children’s Home of Greater Cincinnati
- Downs Syndrome Association of Greater Cincinnati
- Juvenile Diabetes Research Foundation
- Good Samaritan Hospital
- Kidney Foundation of Greater Cincinnati
- Leukemia and Lymphoma Society
- Marvin Lewis Community Fund
- Middletown Senior Citizens Center
- National Underground Railroad Freedom Center
- Ohio Cancer Research Associates
- United Way

Quality Performance

The ability of a business to provide jobs, maintain its facilities and contribute to a sustainable future is fundamentally tied to the level of quality it delivers to its customers. In support of AK Steel’s quality objectives, the company’s official policy is to take a planned approach to continuous improvement of its products, processes and services in order to meet or exceed its customers’ expectations 100% of the time. To help meet that objective, all AK Steel plants have received ISO/TS 16949 and ISO 9001 Quality Management System certification.

By remaining focused on quality and continuous improvement, 2012 became one of the company’s best years ever in terms of quality. According to independent customer surveys conducted by Jacobson and Associates, AK Steel’s carbon and specialty steel customers rated the company Number One in quality, service and overall customer satisfaction for the full-year 2012. AK Steel received the "Metallic Supplier of the Year Award" from Chrysler Group LLC, as well as awards for quality from General Electric and Kenwal Steel in 2012. In addition, the company was recognized by Toyota for Supplier Diversity and Quality Performance achievement.

AK Steel was named “Steel Producer of the Year” by American Metal Market (AMM) in 2010, and the company received AMM’s award for “Best Operational Improvements” in 2011.
Products That Benefit Society

In addition to their high rate of recyclability, AK Steel’s products benefit society and promote environmental sustainability in several important ways. As a leading supplier of electrical steels used in power transmission and distribution equipment, the company’s products play an important role in both traditional and advanced energy projects around the world.

For example, AK Steel's non-oriented electrical steels can be found in wind generators, as well as the transformers that move renewable energy from the windmill to the electrical grid. The company’s grain-oriented electrical steels, meanwhile, are used in transformers that convert solar-collected DC current to AC current prior to sending the electricity to the grid. In this case, grain-oriented electrical steels are preferred because of the highly efficient way in which the material directs electrons in a specific direction.

The company’s electrical steels are also used in hydroelectric transmission and distribution equipment, helping to carry clean energy from the dam to electrical substations, and eventually to homes and business. AK Steel's products are even being used to support the latest hydrokinetic power transmission and distribution systems. This state-of-the-art technology uses river and ocean currents to generate renewable energy, which can be transferred to the power grid using equipment made with AK Steel’s highly efficient electrical steels.

AK Steel also offers advanced high strength steel, which helps automotive customers design lighter vehicles that maintain superior strength upon impact. The reduction in weight helps decrease fuel consumption and enhance vehicle performance without sacrificing occupant safety. In addition, as car engines have become more efficient, AK Steel’s specialty steel products have helped its customers design exhaust systems that accommodate the additional heat generated by high compression automotive power plants.

Conclusion

As a company with more than a century of heritage, AK Steel has a solid track record of adapting to significant technological and regulatory changes. By doing so, the company has been able to provide jobs to hundreds of thousands of people, give back to its communities and provided pensions and benefits to generations of retirees. Today, the company is building upon that legacy with a focus on continuous improvement and a commitment to operating responsibly across all aspects of its business. AK Steel believes that this is important because its commitment to a better future should always remain as strong as steel.