

QUESTIONS AND ANSWERS ARCELORMITTAL SOUTH AFRICA AGM 20 MAY 2021



INTRODUCTION

At the ArcelorMittal South Africa Limited (ArcelorMittal) AGM held on 20 May 2021 there was unfortunately not sufficient time to deal with all guestions raised.

In the interests of transparency and to ensure effective engagement with all its stakeholders, ArcelorMittal agreed that responses to the questions raised would be prepared and placed on its website.

In addition, due to the number of environmental issues raised, the Chairman indicated that a specific engagement would be arranged with interested and affected stakeholders on environmental, social and governance (ESG) issues.

For the sake of convenience and to avoid repetition, certain similar questions have been grouped together and a comprehensive single response has been provided.

We trust that all stakeholders find this document useful.

This document deals with responses regarding the following issues raised at the AGM:

- Business performance
- VEJA protest action
- Climate change and emission reduction targets
- Reporting
- Green Steel
- Information
- Stakeholder engagement
- Carbon tax
- Remuneration
- ERM process and environmental performance
- Safety incidents

BUSINESS PERFORMANCE

- Considering the improvement in steel prices please can we get an update on current trading conditions
- What steps are being taken to make production more efficient at Arcelormittal South Africa, specifically regarding plant automation and advanced digitalisation so that it meets global peers with regards to production efficiency and cost?

RESPONSE

Kindly refer to the investor presentation dated 26 May 2021 for an update on trading conditions. The presentation can be accessed through the following link:

https://www.arcelormittalsa.com/Portals/0/20210526%20-

20ArcelorMittal%20South%20Africa%20RenCap%20Investor%20Conference.pdf

The Business Transformation Programme (BTP) benchmarks every notable ArcelorMittal South Africa plant and operational process against a twin in the ArcelorMittal group to assess its cost competitiveness (variable and fixed). Performance gaps are identified and used to decide the specific BTP initiatives and breakthrough actions needed to address these gaps in a methodical and structured manner.



As part of the implementation of the company's new *OneOrganisation* (*OneOrg*) operating model, a Business Analytics department was created from January 2021. Having created a cloud-based platform and harmonised a large element of the companies reporting protocols, the next phase of the process will involve the deployment of deep data analytics in a suitable manner. This will in turn inform the company's fourth industrial revolution (4IR) strategy.

In parallel to this, risk-based assessments have been successful deployed into many administrative functions.

Finally, the end-to-end sales and operational planning functions in the company are being standardised and modernised. This includes the adoption of artificial intelligence (AI)I in the planning and scheduling environment at an individual plant level.

VAAL ENVIRONMENT JUSTICE ALLIANCE (VEJA) PROTEST ACTION

- We understand that communities are protesting outside AMSA's Vanderbijlpark works. The protest is in relation to this AGM. Are members of the Board, shareholders and the executive committee aware of the protest and community demands? Please indicate if the Board will consider and respond to the memorandum of demands which will be presented to an AMSA representative?
- Morning Chair. Why is AMSA refusing communities their right to protest as happened yesterday
- AMSA sent two people to a Section 4 meeting yesterday and they claimed they did not have powers. Why
 were they in the Section 4 meeting, who sent them. All applications were followed as per Gatherings Act.

RESPONSE

ArcelorMittal has always been and remains willing to engage with stakeholders, and respects the rights of stakeholders to protest. In this instance, when approached for a contact person to accept a memorandum from VEJA, ArcelorMittal indicated that the company needed confirmation that the protest had been approved by the relevant authorities and that the necessary Covid-19 safety and health protocols would be in place. This information was not furnished, however, company representatives attended the meeting convened by the local SAPS to obtain the necessary information.

We were later informed the required permission for the protest was not provided by SAPS and which means that VEJA embarked on unlawful protest action. Notwithstanding, in this instance and in a show of good faith, ArcelorMittal accommodated the VEJA protest on company property and sent a representative to collect the memorandum. The company has cautioned that this should not set a precedent for future conduct and any future protest action must comply with the law.

CLIMATE CHANGE AND EMISSION REDUCTION TARGETS

- Good morning. AMSA's 2020 Integrated Annual Report mentions its enterprise risk management (ERM)
 process. Does AMSA regard risks that are related to climate change as part of this ERM process, and how
 is that reflected in the responsibilities of AMSA's Board?
- Morning Chair. As part of ArcelorMittal Group's commitment to net-zero emissions for its global operations by 2050, the Group committed to reducing European emissions by 30% by 2030. Will AMSA commit to similar emission reductions in South Africa? If so, how does AMSA intend to reach such a target? If not, is there is any plan to commit to such a target?
- Chair, with respect, we have been hearing about AMSA's "greening steel" plans for years. We need timeframes, details of discussions with the ArcelorMittal Group and finance initiatives. We are concerned about the targets and commitments for South African operations, not the group or in Europe.



- What is AMSA doing to manage climate crisis, to sustain jobs and support the South African economy, realise value for its shareholders and part of global reality?
- The ArcelorMittal Group has made a group-wide commitment to being carbon neutral by 2050. Please explain, in practical terms, how AMSA is planning to implement the ArcelorMittal Group-wide commitment to being carbon neutral by 2050. Does AMSA have a plan for meeting the 2050 ambition? Why hasn't AMSA publicly announced its 2050 net zero plans?
- Has AMSA sought financing to meet the 2050 net zero target? Will the ArcelorMittal Group provide financial support for AMSA to meet its 2050 climate ambition? Please provide the details of AMSA's engagement with the ArcelorMittal Group in this regard.
- "OneOrg" Programme and Climate Risk: Having regard to the 'Outlook' on p13 of the Integrated Annual Report 2020, it seems to be implied that climate-related risks will be included in the enterprise risk management (ERM) process in future as risks are reassessed as part of the implementation ArcelorMittal's OneOrg programme. Is this correct? If so, how will climate adaptation and climate-related risk identification, assessment, and management be incorporated within the streamlined processes proposed in the organisational restructuring?
- What are Amsa's climate goals? Does Amsa use or plan to use science-based targets to set their goals?

RESPONSE

As a responsible corporate citizen, ArcelorMittal South Africa is always mindful of conducting our business in a responsible and ethical manner - and this includes respecting the rights and interests of our stakeholders – and in compliance with the law. A part of this responsibility is to also recognise the risk that climate change presents and to consider a realistic and achievable response to that risk.

It is now public knowledge that the ArcelorMittal Group has set a global carbon reduction target to be carbon neutral by 2050. The group is also working on a 2030 target and this will incorporate the targets of all its business units across the globe, including ArcelorMittal South Africa. It is to be expected that some areas/regions are ahead of others and that is why each business unit is developing its own plan and targets.

It is also important to note that the technologies which are expected to help us achieve these ambitious goals are still being tested and are not yet fully developed.

The decarbonisation journey requires a collaborative effort that needs government support, access to cost effective renewable energy, funding and the appropriate regulatory environment. While we will be guided by the group target - and are fortunate to be able to learn from the group's efforts to produce low-emissions and ultimately carbon-neutral steel - we need to consider the local context before finalising a realistic transition path.

This is an exciting journey for ArcelorMittal South Africa, but we need to set realistic targets. Our plans will also need to dovetail with longer-term infrastructure replacement plans and capex availability.

The future availability of abundant and affordable renewable energy and potentially green hydrogen could be game changers for our industry, but time is required to determine a way forward through all these options that may or may not become available. Will natural gas be available as an interim solution for improvements? Various academic and/or other institutions have now also occupied themselves with our hard-to-abate sector and we welcome the participation of all stakeholders in such sessions.

The abatement costs for the steel sector are currently ranging between 200 and 400 Euros per ton of CO₂eq and funding is obviously also still a major uncertainty. However, we are pleased to see that stakeholders are engaging in these discussions.



In summary:

- Iron and steel are considered "hard to abate" sectors, but reliance on carbon is envisaged to reduce over the longer term.
- The ArcelorMittal carbon neutrality roadmap will depend on national targets, to be set by the South African government, and the collaborative involvement and support of various stakeholders, including government.
- The steel industry has an important role to play in producing products that can assist to implement adaptation (reduction) measures. We encourage all stakeholders to participate in debates about achieving "net zero" emissions for our country and our sector, taking cognisance of the 'Just Transition' principles.

REPORTING

- CDP Reporting and Emissions Data: It is misleading to state that "since 2018 ArcelorMittal South Africa's operations and emissions have been included in the group's submission to the CDP" as the details on ArcelorMittal South Africa's operations and emissions are minimal. It is, therefore, further misleading to infer that ArcelorMittal South Africa is considered within the top 10% of the world's steel industry.
- The Group's Climate Change 2020 CDP submission does not detail the South African operations' greenhouse gas emissions with any measure of specificity. It further does not disclose ArcelorMittal South Africa's risks and opportunities and how these risks and opportunities influence the organisation's strategy for the South African operations. This information is also not reported in your Integrated Annual Report. What was ArcelorMittal South Africa's absolute scope 1 and 2 GHG emissions for the 2020 year of assessment?
- Why is ArcelorMittal South Africa unable to file its own CDP report, with full information on emissions, how
 risks and opportunities are identified and assessed, and climate adaptation and mitigation plans with
 detailed metrics and targets? Will this information be made available to shareholders?

RESPONSE

ArcelorMittal's representations in the Integrated Annual Report are an honest and truthful reflection of where we are and at this stage there are several uncertainties with exciting but not yet proven technologies seeing the light.

ArcelorMittal's emissions were only represented in specific terms in the Integrated Annual Report but by multiplying the factor with liquid steel production tonnages, the absolute terms can be determined. Absolute figures were referenced in the past and ArcelorMittal will consider the way it is reported in the company's next Integrated Annual Report.

Regarding ArcelorMittal filing its own CDP report, this will continue to be done at Group level to avoid the double accounting of emissions but every effort will be made to address concerns raised by stakeholders regarding adequate disclosure. With the ArcelorMittal Group now clearly setting carbon reduction targets, this will have an influence on ArcelorMittal's reporting and targets. We anticipate and expect meaningful dialogue with stakeholders to build an understanding of our challenges to achieve our common goal of decarbonising the iron and steel industry.

GREEN STEEL

• In 2020, the ArcelorMittal Group announced that it had begun producing green steel involving the use of hydrogen and smart carbon technology, also with hydrogen. ArcelorMittal Europe has sought funding from the EU's Innovation Fund to support the development of these projects.



- Given that a number of these ArcelorMittal Group projects have moved beyond the research and development phase, please indicate when ArcelorMittal South Africa will adopt an approach that is aligned with the ArcelorMittal Group's approach. Please provide exact timeframes.
- Has AMSA sought funding to implement such projects in South Africa? Please indicate whether development finance institutions have been approached to fund such projects?
- Does the ArcelorMittal Group play a role in financing and advancing AMSA's carbon reduction and climate change ambitions? If so, please explain in detail how the ArcelorMittal Group is supporting AMSA in addressing its significant climate risk?
- ArcelorMittal Group is running several pilot and demonstration projects across multiple steelmaking sites in France and Europe, using technology that includes carbon capture and storage, hydrogen direct reduction and electrowinning. Is there a realistic plan and timeline to bring those technologies to AMSA?
- The latest market trends reveal a strong recovery for steel demand in South Africa and highlight the extent of steel shortages. Is there a plan to revive the mothballed Saldanha Steel plant? And further, what would it take for AMSA to repurpose the Saldanha Steel plant into a green H2 (green hydrogen) direct reduced iron electric arc furnace (DRI-EAF) facility?
- Other steel companies like Tata Steel, SSAB and others are testing the use of green hydrogen in steelmaking in a number of full-scale and demonstration projects. Moreover, there is now growing enthusiasm for the South African Hydrogen Economy, with the IDC and bilateral donors looking for investment opportunities to fast-track the development of green hydrogen. As a one key off-taker of hydrogen, what plans does AMSA (and the steel industry overall) have to take up these opportunities?
- Support from the ArcelorMittal Group: Each year, the company's Investment Allocation Committee (IAC) approves a number of capital investments that will bring significant energy and carbon efficiency improvements, enabling the company to meet its medium-term emissions reduction targets. In 2020, the IAC allocated a total of \$248 million in capital expenditures to 20 projects with energy and/or carbon benefits to be spent in the coming years. Why hasn't the IAC approved projects for operations in South Africa?

RESPONSE

In the immediate past, ArcelorMittal's engagement with government has focused on issues of short-term survival. However, there has also been engagement with government through organised business on a decarbonisation strategy for South Africa and ArcelorMittal has been involved in these discussions. We will continue to engage further with government on options to develop a sensible transition path for the South African steel industry. These options will require support in terms of funding and will depend on the availability of renewable energy and this will be addressed with government.

Importantly, some of these issues are already recognised in the Steel Master Plan recently signed by government and steel industry stakeholders.

New group CO2 reduction targets for 2030 and 2035 are to be published in the ArcelorMittal Group's second Climate Action Report in the early part of Q3 2021. At group level, there has been progress on the sale of XCarb™ green steel certificates and XCarb™ recycled and renewably produced steel. Promising technologies to reduce greenhouse gas emissions are currently being researched and evaluated, with several industrial scale pilot projects underway across Europe. There are also developments in decarbonisation technology pathways and an announcement of concept plans in France and Germany for innovative direct reduced iron (DRI) projects will benefit ArcelorMittal. As a part of the ArcelorMittal Group, ArcelorMittal will have access to research and technologies that are being developed globally.

Despite severe financial constraints, the company continues to invest in projects to mitigate environmental impacts and to maintain or improve compliance levels. As a responsible corporate citizen, ArcelorMittal remains completely committed to focusing on and improving its social, financial and environmental performance to



ensure a sustainable organisation. While the company strives towards achieving these objectives, there will always be room for improvement and the company has acknowledged that there are challenges that must be addressed.

Having access to the ArcelorMittal Group's world-class research and development capabilities will allow ArcelorMittal South Africa to benefit from the group's low-emission steelmaking technologies, several of which are now under construction for testing at commercial scale. However, given the structurally higher cost of low-emission steelmaking technologies and the investment needed in creating the clean energy infrastructure to support these technologies for their widescale commercial rollout to become a reality, a supportive policy environment and access to sustainable finance is imperative.

To achieve the 'Green Steel' vision in South Africa will require a comprehensive and collaborative approach with government and other stakeholders. Constraints that need to be addressed in the South African context include:

- o Funding for investment in R&D, new technologies and plants to achieve low-emission steel
- o Stimulating a local steel industry that is sustainable and can be the foundation for further technological advancement
- o Affordable energy and logistics pricing the potential for renewable energy needs to result in affordable pricing and this is not yet the case in South Africa and green steel solutions may be energy intensive
- o Ensuring a level playing field, especially against imports
- o Assistance in ensuring carbon reductions across the value chain, including raw materials.

Addressing these constraints means we still have a long way to go in South Africa to realise 'Green Steel' production. However, there has been some progress with greener technologies, although these are not achieving the required scale of GHG reductions.

INFORMATION

• Good morning. We have previously requested information in relation to discharge of polluted water from the AMSA Vanderbijlpark plant, and transparency around it. AMSA claims that its Vanderbijlpark plant is a zero effluent discharge (ZED) operation yet polluted water is being discharged regularly, and has been for many years, which means that this plant is not ZED. Why is the bi-annual external audit report in terms of its water use licence (WUL) not being made publicly available – public has a right to know? Why is AMSA not complying with legal obligations in terms of its WUL? This is not an isolated incident but an ongoing issue for many decades.

RESPONSE

It is important to be transparent and, in principle, we have committed to sharing appropriate information with stakeholders. However, as a listed company we are subject to certain regulatory requirements that may require appropriate mechanisms to facilitate the sharing of information, and we also need to be mindful of commercially sensitive information. This is the reason we have stated that requests for information will be considered on a case-by-case basis. Further, public reports submitted to government are available.

Despite ongoing and concerted efforts to prevent process water discharge in terms of the Vanderbijlpark plant's WUL, sporadic releases in 2020 were unavoidable due to the shutting down of treatment plants during the hard lockdown period. The effects of the actions implemented consequent to the lockdown, together with various operational upset conditions in the months that followed, contributed to the pressure still being experienced on the water balance of the Works and water treatment infrastructure. These incidents were reported to the relevant authorities in terms of our WUL.



At Vereeniging Works, the authorities were notified of the occasional exceedance of certain prescribed water quality standards, again due to circumstances beyond our control.

Newcastle Works maintained its ZED status in 2020

STAKEHOLDER ENGAGEMENT

- ArcelorMittal has not engaged with communities about their environmental pollution as promised in 2019
 AGM
- There has not been any stakeholder consultation with communities in the Vaal especially with VEJA

RESPONSE

ArcelorMittal South Africa has been proactive in trying to engage with the Vaal Environmental Justice Alliance (VEJA) since the commitment made in 2019 as we believe finding lasting solutions to these challenges requires a collaborative approach. The company remains willing to meet and discuss stakeholder concerns.

Further, there are several established and recognised forums in which VEJA and ArcelorMittal South Africa participate and these provide an opportunity to address any environmental and other concerns. These forums are:

- The quarterly Rietspruit Forum Water related
- The quarterly Industrial Technical Team Forum Air quality related
- The biannual Vaal Triangle Priority Forum Air quality related
- The biannual Source Apportionment Forum Air quality related

At the most recent AGM, the Chairman also indicated that an engagement will be arranged with all interested stakeholders on issues related to ESG and invitations have been extended to the various parties.

CARBON TAX

• Import restrictions/tariffs: We understand the European Union to be the second largest export destination for South African crude steel - almost 18%. In March 2021, the European Parliament passed a resolution to support the introduction of a carbon border adjustment mechanism (or CBAM) to impose a carbon price on imports from "less climate-ambitious countries". What steps is AMSA taking to mitigate the risk that such a mechanism would pose to its European exports? Has it disclosed this risk to shareholders? Has AMSA engaged with the SA government to communicate that a lack of adequate climate ambition (such as contained in the proposed draft updated Nationally Determined Contributions published in March 2021) may negatively impact on a major export market for South African crude steel?

RESPONSE

We will continue to engage with government regarding the risks presented by an import tax in other jurisdictions for the steel industry in South Africa.

ArcelorMittal is not against the Carbon Tax Act but has called for a level playing field globally in terms of the treatment of companies in this regard, particularly where it relates to imports and other competitive factors. Currently, the pricing of carbon emissions is quite distorted when taking a global view. Border tax adjustments, which are currently being investigated in the EU, could perhaps be a future consideration for South Africa.



The main objective of the Carbon Tax, which is primarily to change behaviour, cannot be achieved over the short-term by ArcelorMittal South Africa as alternative climate friendly steelmaking technologies are not fully developed or readily available. Alternative technologies that will reduce emissions by percentages called for by climatologists are in their early developmental stages. Thus, the company has stated that the impact of the tax is high, and punitive for that matter, considering the mitigation potential that can be achieved right now.

REMUNERATION

• ArcelorMittal claims to be strong proponent of the King IV Report in relation to remuneration, however its remuneration report deviates from the approach of King IV. The remuneration report does not set out clear performance measures linked to the 'triple context' as recommended by King IV and also states that performance-based remuneration remains a cornerstone of ArcelorMittal's remuneration policy. In respect of executive remuneration, King IV also recommends that an account be provided of the performance measures and targets used as a basis for awarding of variable remuneration. Is the performance-based remuneration of directors and managers linked to the management of environmental compliance and climate-related risks within the triple context referred to under King IV? If so, what are the measures and targets used to determine the awarding of such remuneration?

RESPONSE

The remuneration of ArcelorMittal executives is based on performance in terms of the triple context as set out in the King IV report. For example, safety performance is a specific KPI and impacts the remuneration of executives and employees. In addition, the short-term and long-term incentive schemes include various broader indicators, over and above financial performance. At the moment the appropriate ESG KPIs for the long-term incentive scheme are being finalised.

ERM PROCESS AND ENVIRONMENTAL COMPLIANCE

- The enterprise risk management (ERM) process identifies environmental performance as a material issue, and environmental compliance as significant risk. According to the 2020 integrated report, the strategic residual risk of environmental compliance may have a major impact (estimated between USD50m and USD200m) with a 30-50% likelihood of occurring at least once in the next 12 months. Do environmental compliance risks include further non-compliance with environmental laws and regulations? And do they include the physical and transitional risks associated with climate change? Please provide a detailed indication of what the strategic residual risk of environmental compliance entails and how the impact and likelihood was determined.
- When will corporations take responsibility for their actions? Carbon intensive companies around the world
 are contending with financial reputation and physical risk due to the urgent need to respond to climate
 change.
- Chair, community members and activists have previously raised issues around Amsa 's environmental
 compliance, only to be told that there are a number of "legacy issues". This is of little comfort to
 communities who have been affected by Amsa's pollution for a decade of more. What will their response be
 today?"
- What is AMSA budget for rehabilitation of the pollution on the northern site and west of the operation?
- AMSA's land at its Vanderbijlpark plant was found to be contaminated, and a remediation order was issued
 by the Department of Forestry, Fisheries and the Environment on 1 November 2018 under the Waste Act,
 with a directive to commence with the remediation, and also to produce a bi-annual progress report. Was
 this specifically reported to the shareholders in this year's annual report, and why is the remediation bi-



- annual progress report in terms of the remediation order not made public? When will the remediation be completed, and what is the progress? When will AMSA make the remediation report publicly available?
- AMSA was fined and criminally prosecuted for its air emissions exceeding the acceptable standard, and yet, the H2S standards are still non-compliant. The plea and sentence agreement promised a new gas plant to be constructed at June 2020 – however commissioning has stalled. What is the progress, the finalisation date and why are the emissions non-compliant?

RESPONSE

Environmental compliance risks are to a large extent based on compliance to legislation and associated environmental authorisations, permits and licences. As would be expected, safeguards have been identified and implemented to mitigate the respective risks. Regrettably, in the absence of robust environmental legislation at the time of the establishment of the Vanderbijlpark Works, certain legacy issues remain. However, ArcelorMittal is confident that these legacy areas are adequately regulated via the licences and remediation orders which are in place today. Although most of these legacy areas have been rehabilitated, ArcelorMittal is still in the process of completing the remaining areas.

With regards to the H2S emission standard prescribed for the coke ovens, a postponement was granted by the authority but is currently suspended due to an appeal which is still pending. There has been a delay with the construction of the gas plant due to the impact of the Covid-19 pandemic and associated restrictions, as well as certain other factors, and ArcelorMittal has engaged with GDARD in this regard.

ArcelorMittal South Africa's ERM process is the company's formal response to corporate risk and is aligned with world best practices, the King IV code, the ISO 31000 and ISO 22301 standards and the ArcelorMittal Group's risk management policies and practices. Through the application of this process, the company identifies its top strategic risks and determines the actions taken to mitigate against these risks.

Environmental performance, including financial information, and climate change are reported in the company's integrated annual report (IAR) which can be found on the company's website.

As stated by one shareholder, "...in the face of extreme volatility, risk-based decision-making is not only a management process but an absolute necessity if the company is to achieve it desired strategic outcomes..." As our business is exposed to pandemic impacts as well as other factors such as extreme weather conditions and energy supply disruptions, our contingency plans will develop and grow in importance. With the implementation of our 'OneOrg' operating model, risks will be reassessed and contingency plans updated to ensure alignment, including focus on longer-term risks, among them climate change." - p13 IR 2020

The board is mindful of its responsibility in this regard and we are confident that everything within the company's ability is being done to address these challenges.

While steelmaking, at least in its present form, has an undeniable impact on natural capital, environmental compliance is listed among the company's top 10 risks and is included in the list of most material issues. The key sustainability indicators are set out in the IR: greenhouse gases, atmospheric emissions, and water use.

INCIDENTS

- Can AMSA explained how many explosions happened in Vanderbijlpark Works in 2020?
- AMSA has experienced at least three emergency incidents in the past 12 months, with explosions resulting
 in employee deaths these constitute "incidents" under s30 of NEMA. Has AMSA complied with section 30
 and 30A of NEMA in relation to these incidents? When will all reports filed under section 30 and/or 30A be



made publicly available? How have the findings and steps taken described in these reports been communicated to communities and people affected?

RESPONSE

Two noteworthy incidents occurred during 2020 which were reported to local authorities in terms of AEL requirements even though they did not constitute 'an incident' as defined under Section 30 of the NEMA.

The one incident entailed the collapse of two gas pipelines conveying coke oven gas and blast furnace gas respectively, in the vicinity of the coke batteries. The second incident was associated with the rupture of a blast furnace gas pipeline in the vicinity of the blast furnace/sinter area. Despite a fair amount of infrastructure damage, only one minor injury was incurred in the first incident. No significant emissions or environmental damage resulted from either of these incidents, and the public were in no way affected.

The tragic fatal incident which occurred on 17 February 2021 when three employees lost their lives following the collapse of the battery 4 stack onto the control room was reported in terms of Section 30 of NEMA however, the investigation has not yet been finalised.