LEADERSHIP REPORT

2017

ArcelorMittal

Leadership

Overview

ArcelorMittal South Africa is a public company listed under the industrial – steel and other metals sector of the JSE Ltd (JSE). The company is subject to the JSE Listings Requirements and the Companies Act as well as other legislation applicable to companies in South Africa.

Ethical and effective leadership

The board of directors is the custodian and focal point of corporate governance at ArcelorMittal South Africa. The board is mindful of the outcomes it needs to achieve as set out in the King Code on Corporate Governance (King IV) and in doing so applies the code's principles, as well as its practices, as appropriate for the company. Directors acknowledge that their fundamental responsibility is to lead and direct the organisation in an ethical and effective manner.

The board, led by an independent non-executive director, accepts that it remains accountable to, and should report in a transparent and open manner, to all stakeholders regarding the performance of the company and how it has fulfilled its responsibilities as a board. As set out in King IV, the board appreciates that the company's core purpose, its risks and opportunities, strategy, business model and sustainable development are all inseparable elements of its value creation process. Board decisions need to be made in an integrated manner, taking into account the effects of strategy on all stakeholders and the social, economic and environmental context.

This integrated annual report is the board's most important single annual communication to stakeholders; it is authorised by, and issued in the name of, the board. Similarly, the board has issued the company's online annual value creation report and its full leadership report, including our King IV application statement and a comprehensive discussion of corporate governance and board and committee responsibilities and undertakings.

In 2017 an external assessment of the board's effectiveness found that the board had grown to become an effective board which was operating well under challenging conditions.

In the year the board met on seven occasions, a reflection of the seriousness with which directors take their responsibility to understand, engage with and give informed leadership on the fundamentally challenging issues facing the company and its sustainable ability to create value into the future. In addition to regular, scheduled meetings, on two occasions the board held special meetings to consider and give guidance on pressing matters bearing on the company's sustainability.

The board undertook an extensive internal and candid review – informed by the external review – of its effectiveness and that of its committees. The review was informed by the many pressing and fluid challenges facing the company and the imperative to provide timely and effective leadership. A key outcome of this review was that in May directors resolved to accept a proposal by the (then) nominations committee that the board's six committees be consolidated into four with their mandates, responsibilities and membership amended as follows:

- That the audit and risk, and health, safety and environment committees remain unchanged but that the following committees be constituted:
  - Human resources, remuneration and nominations committee
  - Transformation, social and ethics committee.

As a result of these changes, the B-BBEE, nominations and management share trust committees ceased to operate as separate committees, their responsibilities being subsumed by the consolidated committees.

The board strives for best practices that go beyond the legal minimum requirements, especially with regard to governance, compliance, ethics and social value creation.

Actions

In addition to making important structural changes to maximise its effectiveness, in 2017 the board discharged its responsibility to provide ethical, effective leadership by:

- Closely engaging (both at, and between, board and committee meetings) with management on restructuring proposals and initiatives and giving strategic direction on key projects including the Thabazimbi mine takeover, the Evraz Highveld Steel transaction, and the relationship with B-BBEE shareholder Likamva Resources
- Appointing a new CEO towards the end of 2017
- Considering the restructuring of the balance sheet and approving a borrowing-based facility
- On an ongoing basis, reviewing the sustainability of the organisation given the difficult trading conditions
- Approving and monitoring a cost-reduction and efficiency programme to ensure sustainability
- Holding management to account for safety and environmental performance, particularly contractor fatalities and preventable serious injuries, and the enforcement of safety disciplines and protocols
- Closely monitoring risk management, the company's responses to adverse trading conditions, liquidity challenges and the imperative to reduce fixed costs in a humane but effective manner (Section 189 process)

- Responding decisively and timeously to auditor findings and opinions
- Giving guidance and oversight on compliance (including environmental matters) and competition issues
- Overseeing execution on economic transformation imperatives, notably those relating to enterprise and supplier development, preferential procurement and socio-economic development
- Reviewing the quality of stakeholder engagements and delivery on stakeholders' expected outcomes
- Amending the remuneration policy in response to concerns and issues raised by shareholders and others
- Approving a revised delegation of authority
- Reviewing the conflict-of-interest policy
- Approving the integrated annual report and the disclosure of material information.

Policies and procedures

The board's governance policies and procedures are continually updated to ensure ongoing adherence to the JSE Listings Requirements, current legislation, international best practice and King IV.

In 2017 the board engaged with the company secretary, with management and independent experts on assessing the extent to which it applied the principles and recommended practices of King IV, and the extent to which this application resulted in the desired governance outcomes. This engagement concluded that the board and its governance practices were aligned with the requirements of King IV.

Structure and process

The board is governed by a formal board charter setting out its composition, processes and responsibilities. The primary responsibilities of the board are to:

- Retain full and effective control of the company
- Give strategic direction to the company
- Monitor management on implementing plans and strategies, as approved by the board
- Appoint the CEO and executive directors
- Identify and regularly monitor key risk areas and key performance indicators of the business
- Oversee the quality of stakeholder relationships and ensure that these relationships create broad-based value for the company, for society and for stakeholders
- Ensure that the company complies with relevant laws, regulations and codes of business practice
- Maintain oversight over succession planning and management
- Ensure that the company communicates with shareowners and all relevant stakeholders openly and promptly
- Monitor the company's integrated performance
- Establish a formal and transparent procedure for appointments to the board, as well as a formal orientation programme for incoming directors
- Regularly review processes and procedures to ensure the effectiveness of internal systems of control including information and technology management and accept responsibility for the total process of risk management
- Assess the performance of the board, its committees and its individual members on a regular basis.

A clear division of responsibility exists at board level, as captured in the board charter which provides evidence of the balance of power between the independent non-executive chairman, CEO and non-executive directors.

The board complies with King IV in terms of its composition. Whereas, in the previous year's integrated annual report, we reported an equal number of independent and non-independent non-executive directors, this best practice governance challenge was resolved in 2017. At the annual general meeting in May 2017 Mr Lumkile Mondi retired as a non-executive director after more than a decade of distinguished service to the company.

Also in the year Mr David Clarke retired as a non-executive director and was replaced by Mr Gert Gouws, also a non-executive. In June, Ms Monica Musonda was appointed as an independent non-executive director. Her appointment had the effect of restoring the board to having a majority of independent non-executive directors.

In terms of a board gender diversity policy adopted in 2016, the target of having at least one black female appointed to the board was met in both that year and in 2017 following the appointment of Ms Zee Cele in January 2016, Ms Noluthando Gosa in December 2016 and Ms Musonda in June 2017.

The board remains an effective board. The board matrix, which sets out the skills and expertise of the various directors, as well as feedback from regular board evaluations and the accepted need for diversity and transformation including diversity targets, informs the composition of the board, and assists in identifying any additional skills or areas of expertise needed to ensure a balanced and effective board.

Board membership and changes to directorate

For the year under review, the board consisted of 12 members: six independent non-executive directors, four non-executive directors and two executive directors.

Appointments to the board are made in a formal and transparent manner, with the assistance of the human resources, remuneration and nominations committee (until May 2017 the nominations committee).

Leadership continued

A clear division of responsibility exists at board level, as captured in the board charter which provides evidence of the balance of power between the independent non-executive chairman, CEO and non-executive directors.

The independent non-executive directors are considered by the board to be independent in mind, character and judgement.

Brief biographical details of board members at the date of this report and their membership, and attendance at meetings, of board committees, plus details of board changes in the year reported, are on 4 and 5 of this leadership report.

Expanded biographical details of directors and senior managers are available at https://www.arcelormittalsa.com/Whoweare/DirectorsManagementProfile.aspx

Retirement and re-election of directors

One-third of directors are subject, by rotation, to retirement and re-election at the annual general meeting in terms of the company's Memorandum of Incorporation.

The chairman

The chairman is an independent non-executive director and is free of any conflicts of interest. The chairman's role and functions are formalised and include:

- Setting the ethical tone for the board and the company
- Providing overall leadership to the board
- As chairman of the nominations committee, identifying and participating in selecting board members and overseeing a formal succession plan for the board, the CEO, the CFO and certain key management appointments
- Together with the company secretary, formulating a yearly board work plan
- Ensuring that the directors are aware of their fiduciary duties as directors of the board
- Ensuring that complete, timely, relevant, accurate and accessible information is placed before the board to enable it to reach an informed decision
- Ensuring that decisions by the board are executed
- Ensuring that good relations are maintained with the company's major shareholders and stakeholders.

CEO

The CEO is an executive director on the board and plays a critical role in the operations and success of the day-to-day business of the group. Board authority conferred on management is delegated through the CEO, in accordance with approved authority levels. The CEO's role and functions are formalised, and include:

- Appointing the executive team and ensuring proper succession planning and performance appraisals
- Developing the company strategy for consideration and approval by the board
- Developing, recommending and implementing the annual business plans and the budgets that support the company's short and long-term strategies
- Establishing an organisational structure for the company to enable execution of its strategic planning.

Company secretary

The company secretary advises the board on appropriate procedures for the management of meetings and the implementation of governance procedures. The company secretary provides the board collectively, and each director individually, with guidance on the discharge of their responsibilities in terms of legislation and regulatory requirements applicable to South Africa. On a quarterly basis, the board is informed of changes to legislation, regulation and best practice by means of a formal written update provided by the company secretary.

The company secretary and chairman of the board ensure that the affairs of the board are managed effectively. Appointment and removal of the company secretary are dealt with by the board. The company secretary monitors directors' dealings in shares, and ensures adherence to closed periods for share trading.

Following the resignation of Ms Nomonde Bam as company secretary with effect from 1 November 2017, the board commenced the process of identifying a suitable candidate to fill the position. To ensure compliance with the requirement of filling the vacancy within 60 business days as stipulated in the Companies Act 71 of 2008, the board appointed Premium Corporate Consulting Services as interim company secretary with effect from Friday, 26 January 2018.

Ethical business practices and human rights

Fair and ethical business practices are at the heart of our values.

These principles are entrenched in our code of business conduct and reinforced by specific policies and training programmes on issues such as anti-trust and anti-corruption behaviour. This year the transformation, social and ethics committee reviewed the code and anti-corruption guidelines and reported to the board that it believed these were adequate.

No specific human rights issues were raised at the board or senior executive levels.

The ArcelorMittal human rights policy complements and brings together the human rights aspects of other company policies and guidelines. These include our code of business conduct, health and safety, environment and human resources policies, and anti-corruption guidelines.

The anti-corruption guidelines establish procedures for handling concerns about possible corrupt practices and provide guidance on how to fight and prevent corruption. All senior executives and staff in relevant sections of the business are required to be trained in the application of these guidelines.

This year, following our settlement with the Competition Commission on past practices, we reported to the commission on our compliance with all terms of the agreement. In addition, independent external audits were conducted confirming our application of the pricing remedy forming part of the agreement with the commission.

Our global code for responsible sourcing was developed in collaboration with customers, suppliers, peer companies and NGOs. It outlines the minimum standards with which we expect suppliers to comply in the areas of health and safety, human rights, ethics and environmental responsibility. We encourage our suppliers to promote the requirements of the code within their own supply chains.

In line with our commitment to create and maintain supply chains that our customers trust, suppliers must acknowledge their adherence to the global ArcelorMittal code for responsible sourcing.

Over the past year, 68 ethics-related incidents were reported to forensic services (2016: 61). Of these, 66 were found to have been unsubstantiated or were referred back. There were no significant or forensic cases alleged or substantiated in 2017.

A fraud whistleblower line (0800 001 672) is operated by Global Compliance on behalf of the company. This service is tested monthly by representatives of Global Assurance.

This year no donations, either financial or in kind, were made to political parties. Such donations are strictly governed by an ArcelorMittal group policy which requires prior written approval by responsible office bearers and the regular maintenance of political donations registers and the signing of regular compliance certificates.

Human rights

In the year reviewed none of our operations was identified as having human rights violations, including violations of the right to exercise freedom of association and collective bargaining, or to have been at risk for child, forced and compulsory labour.

Our close relationship with suppliers provides an opportunity to positively influence their environmental and social conduct, and we see this as an important part of our responsibility as a good corporate citizen. This year no instances were identified where the possibility existed for suppliers to infringe human rights as defined by our human rights policy and internationally accepted covenants and declarations.

No specific human rights issues were raised at the board or senior executive levels.

The ArcelorMittal human rights policy complements and brings together the human rights aspects of other company policies and guidelines. These include our code of business conduct, health and safety, environment and human resources policies, and anti-corruption guidelines.

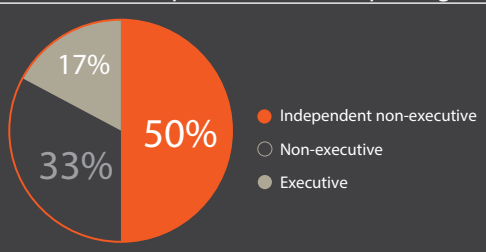
Board committees

While the board remains accountable and responsible for the performance and affairs of the company and the need to provide consistent, quality, ethical and effective leadership, it delegates to management and board committees certain functions to assist it in properly discharging its duties. In ensuring that its leadership is as effective as possible, as described above, in 2017 the board rationalised its committees.

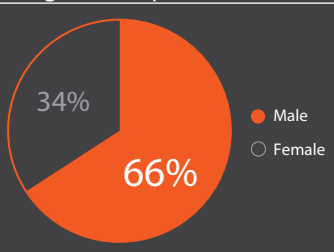
Each committee acts within approved written terms of reference under which authority is delegated by the board. The chairman of each committee reports at each scheduled meeting of the board and minutes of committee meetings are provided to the board.

Company leadership

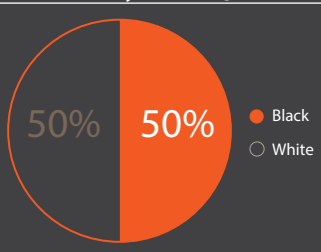
Board membership at the time of reporting



Board gender representation



Board diversity (including international directors)



In 2017 the board of directors held seven meetings including two special meetings. In May directors resolved to consolidate the board's six committees into four – to ensure greater effectiveness. On this page we give details of individual directors including their attendance at the meetings of the board and specific committees.

1. **Mr PM Makwana (Mpho)** (47)

BA (Hons)
Value added to the board:
Governance, stakeholder relations and transformation best practice

2. **Mr WA de Klerk (Wim)** (54)

BCom, BAcc, CA(SA)
Value added to the board:
Strategic leadership and financial insight

3. **Mr D Subramanian (Dean)** (45)

BCom, BCompt (Hons), CA(SA)
Value added to the board:
Experience in finance and steel industry management

4. **Mr HMA Blaffart (Henri)** (63)

Civil engineer, MA general management
Value added to the board:
Human resources, research and development

5. **Mr RK Kothari (Ramesh)** (45)

CA(India)
Value added to the board:
Experience in finance and steel industry management

6. **Mr DG Clarke (David)** (53)

PhD, MA Physics
Value added to the board:
Strategy and integration and operational improvement

7. **Ms KMM Musonda (Monica)** (43)

LLB, LLM
Value added to the board:
Knowledge of legal, entrepreneurial and African business

8. **Mr JRD Modise (Jacob)** (51)

BCom, BAcc, CA(SA), MBA, AMP
Value added to the board:
Governance and sustainability best practice

9. **Mr LP Mondi (Lumkile)** (56)

MA Economics, BCom (Hons) Economics
Value added to the board:
Macro-economic insight and governance

10. **Ms NP Gosa (Noluthando)** (55)

BA (Hons), MBA
Value added to the board:
Business administration and experience in investment banking

11. **Ms NP Mnxasana (Nomavuso)** (61)

BCom, BCompt (Hons), CA(SA)
Value added to the board:
Sustainability best practice, risk and finance management expertise

12. **Mr NF Nicolau (Neville)** (58)

BTech, MBA
Value added to the board:
High-level strategic and technical insight

13. **Ms LC Cele (Zee)** (65)

BCom, MAcc
Value added to the board:
Commercial and tax expertise

14. **Mr GS Gouws (Gert)** (59)

BCom (Law), BCom (Hons), CA(SA), FCMA CGMA
Value added to the board:
Strategic financial and organisational leadership

Directors' attendance

Director	Date of appointment	Changes	Category	Race	Gender	Board	ARC	SHE	B-BBEE	RSEC	Nom	HRN	TSEC	Ad hoc	CEO selection
							From 1 Jan – 2 May 2017					From 3 May – 31 Dec 2017			
PM Makwana	05/02/2013		Independent non-executive	Black	Male	7/7	2/2	*	1/1	*	2/2	3/3	2/2	2/2	2/2
JRD Modise	01/10/2013		Independent non-executive	Black	Male	7/7	7/7	*	1/1	3/3	2/2	3/3	2/2	2/2	1/2
NP Mnxasana	01/10/2013		Independent non-executive	Black	Female	7/7	7/7	3/3	1/1	3/3	2/2	3/3	2/2	*	2/2
NF Nicolau	10/09/2015		Independent non-executive	White	Male	7/7	*	3/3	*	3/3	*	3/3	2/2	*	2/2
LC Cele	04/01/2016		Independent non-executive	Black	Female	7/7	7/7	3/3	*	*	*	*	*	*	*
KMM Musonda	12/06/2017	Appointment	Independent non-executive	Black	Female	4/4	*	*	*	*	*	*	2/2	*	*
RK Kothari	11/06/2015		Non-executive	Indian	Male	7/7	7/7	*	1/1	2/3	2/2	2/3	2/2	2/2	*
HMA Blaffart	19/07/2016		Non-executive	White	Male	5/7	*	*	*	2/3	2/2	3/3	2/2	*	2/2
DG Clarke	19/07/2016	Resigned 01/11/2017	Non-executive	White	Male	4/6	3/7	0/3	1/1	*	*	*	*	*	*
NP Gosa	01/12/2016		Non-executive	Black	Female	7/7	*	*	1/1	*	*	*	2/2	*	*
LP Mondi	11/05/2007	Retired 24/05/2017	Non-executive	Black	Male	2/3	*	*	*	3/3	*	*	*	*	*
GS Gouws	01/11/2017	Appointment	Non-executive	White	Male	1/1	*	*	*	*	*	*	*	*	*
WA de Klerk	01/07/2016	Retired 31/01/2018	Executive	White	Male	7/7	7/7	3/3	1/1	3/3	2/2	3/3	2/2	2/2	*
D Subramanian	01/08/2015		Executive	Indian	Male	7/7	7/7	*	1/1	3/3	*	*	*	2/2	*

Keys

- Chair
- By invitation
- * Not a member/invitee

Ex-committee on 2 May 2017
- Remuneration, social and ethics committee (RSEC)
- Nominations committee (Nom)
- B-BBEE committee (B-BBEE)
- Management share trust committee

Committees from 3 May 2017
- Human resources, remuneration and nominations (HRN)
- Transformation, social and ethics committee (TSEC)

Committees that were unchanged
- Audit and risk committee (ARC)
- Safety, health and environment (SHE)

Message from the chairman

Mpho Makwana
Chairman

The year under review (2017) was, as these pages make clear, an extremely tough one for our company and, indeed, for our country.

Reason for optimism

In the first half of the year our financial performance was impacted by the triple challenges of extremely weak domestic steel demand, high raw material costs and a persistently strong and volatile rand. Only in the third quarter did we begin to see tangible, if very slight, evidence of an improvement in demand and the positive effects of safeguard duties. Subsequently, in the fourth quarter, our prospects improved further as we recorded gains in sales, market share and pricing while beginning to reap the benefits of a concerted focus on costs.

The net result was that, as we looked towards 2018, we could do so in the realistic expectation that the prospects of ArcelorMittal South Africa and those of the entire steel industry were more positive than they had been for several years.

Most unfortunately, I am not able to reflect on much progress on keeping our people safe. As we report on 28 (of the integrated report), three contractor employees died on our premises this year and our lost time injury frequency rate deteriorated. The board joins me in extending our heartfelt condolences to the families of Messrs Chikwen, Tyali and Gusha. The board is satisfied that management has taken appropriate measures to prevent, as far as possible, a repeat of these tragic occurrences and will continue to exercise the utmost vigilance while holding management at all levels strictly accountable for safety.

Putting partnerships to work

A key theme running through this report is that of partnerships. The solid progress of recent years, and especially that of 2017, was not achieved by the company acting in isolation but rather by the company working in tandem with a great many stakeholders, stakeholders with whom our interests have become increasingly integrated.

Chief among these partners is government which has taken to heart the industry perspective (consistently championed by ourselves) that a flood of unfairly subsidised imports was bad for the sector, bad for manufacturing and construction and for the country. From 2016, import duties were introduced and, as our H2 performance attests, in 2017 safeguard duties began to have the desired effect of protecting domestic industry and employment. Also this year the designation of local steel came into effect.

For their willingness to take much needed, decisive action, we salute our partner ministries in government. Similarly we acknowledge the support received from the Competition Commission and the Competition Tribunal which agreed to our request that the first (R300 million) payment of a R1.5 billion fine be divided into three separate tranches.

It is pleasing to be able to report (see 34) that we have taken decisive action to protect the downstream manufacturers, fabricators and industrialists on whom we depend for our existence. Most notably, for the first full year in our history we adhered to a fair pricing agreement reached with government, an agreement ensuring that flat steel prices are fair towards all parties.

By no means the least important of the company's relationships is that with the ArcelorMittal group which, at the end of the year, effectively owned 69% of our equity. For some time the group has stood by ArcelorMittal South Africa, its support taking many varied forms including financial, moral and intellectual support. In 2017 the company worked extremely hard, with many of the world's finest steelmaking brains seconded by the group, to ensure that we remain a sustainable business.

Stakeholder engagement unlocks value creation

Equally, our increasingly integrated approach to value creation has led us to take hands with government, business and communities in the

areas of enterprise and supplier development as well as socio-economic development. In the Vaal Triangle and in Saldanha, we have recently begun actively working with businesses and government spheres with whom we previously might not have even thought of engaging (see 33). Similarly, this year, despite financial challenges, by working with the Department of Labour, merSETA and the Unemployment Insurance Fund, we were able to use our capabilities to provide hundreds of much needed apprenticeships.

This year the board worked extensively with our B-BBEE shareholder, Likamva Resources to deliver on our shared commitment to give communities a 5% equity stake in ArcelorMittal South Africa by September 2018.

Sacrifices made to drive sustainability

To achieve profitability and ensure our sustainability, in 2017 we again had to make a number of often daunting sacrifices. These sacrifices are explained in some detail in various sections of this report. However, it bears mentioning here how the spirit of partnership has extended to our suppliers. Many of these (as we report on 31) have identified their own best interests with our survival. We commend those committed vendors and suppliers who, of their own volition, have addressed inefficiencies and reduced costs.

Our own people have also had to make a number of sacrifices. This year management, package category employees and non-executive directors went without salary and fee increases and our financial circumstances were such that we were not in a position to incentivise our employees to the extent that we would have wished. As we have noted in recent years, the spirit of partnership displayed by our trade unions has been exceptional; to this end, the board salutes the leaders of our partner unions, Numsa and Solidarity, for their outstanding leadership.

This year we began to effectively address the fact that as a company our productivity needs improving. The oneAMSA project (see 37) seeks to restructure our organisation to better reflect and execute the high-performance culture which is so essential to our survival. By January 2018 consultation relating to a so-called Section 189 process was implemented. While this is not expected to result in any job losses, the process will affect many of our employees. However, it cannot be stressed enough how vital rightsizing our workforce – employees, hired labour and contractors – is to our survival.

Appreciation

In preparing our company to realise its full potential to create value for investors, society and our economy, I must pay tribute to our outgoing chief executive officer, Wim de Klerk.

Wim and his team have had to execute an extraordinary number of very difficult tasks in the most extraordinary circumstances. With customary self-effacement, in his letter in this report, Wim details some of the great strides our company and the management team he has led have made in the past 12 months. It is thanks to the many considerable achievements of this and recent years that I look forward to Wim's successor, Kobus Verster, being able to undertake a more conventional CEO's role, of focusing on guiding and growing a dynamic business while securing the interests of multiple stakeholders.

Our board must also be thanked and congratulated on the substantial workload all members shouldered, with great diligence, in the year. Particular board achievements include providing leadership on company structure and strategy, diversity and our export sales drive. In thanking our majority shareholder for its unstinting support, we also acknowledge the pivotal supporting role played by our B-BBEE shareholder, Likamva Resources, the first anniversary of whose shareholding we celebrated in 2017.

Outlook

Looking to the future with renewed confidence, possessing substantially transformed relationships with customers, suppliers, communities and the authorities, we commit ourselves again to honouring all of our undertakings and obligations.

In particular, we commit ourselves to working with all like-minded partners to unleash the enormous potential of steel to build, both literally and figuratively, our economy. The central role steel plays in our economy is still not sufficiently appreciated; making steel sustains more than 100 000 jobs directly while the top five steel-consuming industries account for some 15% of GDP. But the potential that investing in this most unique material has to spur growth and job creation is only now becoming better understood.

We believe it is possible for manufacturing to create a million jobs for South Africans – and that steel can and must feature largely in discussions about how we achieve that. We also believe that effectively executing public sector infrastructure plans – plans that have been scoped, budgeted and signed off – can create immeasurable, lasting value. The time for industry, business and government to devise a detailed roadmap for how a steel-led unleashing of our pent-up economic potential can create the next big leap forward has arrived. In 2018, a revitalised, stronger ArcelorMittal South Africa is ready and willing to start such a conversation.

We congratulate our new President of the Republic, Mr M Cyril Ramaphosa, on his election. We echo the positive sentiments he recently expressed at the World Economic Forum that 'we are now filled with a great deal of hope that South Africa is going to continue playing its leadership role on this continent'. ArcelorMittal South Africa is open for business and ready to put its shoulder to the wheel.

Invitation to attend the annual general meeting

I hereby extend an invitation to all shareholders to attend the 30th ArcelorMittal South Africa annual general meeting, to be held on Thursday, 24 May 2018 at 09:00 at The Place, 1 Sandton Drive, Sandton.

Mpho Makwana
Chairman

Message from the chief executive officer

Wim de Klerk
Chief executive officer

I write this message to stakeholders on the eve of leaving my position at the executive helm of a remarkable South African business. I do so satisfied that the company's leadership has succeeded to a very large extent in delivering on its many, multi-faceted short-term strategic objectives.

In achieving these near-term goals, ArcelorMittal South Africa has, I believe, now been readied for a long-term future of sustainable value creation for all stakeholders.

As has been the case for the better part of a decade, however, in 2017 the South African markets on which we depend for most of our revenue remained depressed with little increase in demand for our steel products. In the face of stagnant or non-existent growth in demand, the prices of a number of our most important inputs, notably iron ore and coal, rose substantially. At the same time, persistent rand strength throughout the year militated against our prospects for a quick return to profitability.

Ensuring our survival

It was thanks to the success achieved in securing (in partnership with government, regulators and many of our customers) vital import protection that we were able to survive at all. In 2017 all material, outstanding, approvals for measures including import tariffs, safeguards and the designation of local steel were put in place. A year previously, in 2016, this country imported almost 1.2 million tonnes of steel; this year that figure dropped by 195 000 tonnes or 16%, a development which preserved hundreds of local jobs.

I join the chairman in paying tribute to the many partners whose decisive action over the past two years has ensured the survival of the primary and downstream steel sectors. These parties include regulators and government. (Here I need to record the fact that, in 2017, we complied, in all material respects, with the settlement agreement reached in the previous year with the Competition Commission.) We also salute and thank our investors including the ArcelorMittal group which, in 2016, demonstrated its faith in our future by following its rights and, with other shareholders, enabling us to raise a then much needed amount of R4.5 billion. In 2017, the group again supported us by increasing its subordinated loan to our company, from R1.2 billion to R2.7 billion.

One of the standout successes of 2017 was the finalisation of a R4.5 billion borrowing-based facility, R1 billion more than envisaged in our 2016 integrated annual report. As with the support received from the ArcelorMittal group, we acknowledge the faith our lenders continue to place in us.

Building stability and investing in resilience

In 2017, I am pleased to report, we succeeded in stabilising our production to the extent that both Vanderbijlpark and Saldanha improved their output and capacity utilisation. At 81%, utilisation was three percentage points higher than the previous year with liquid steel production also rising by 3% or 139 000 tonnes. This was despite production at long steel products declining as the division responded effectively to overcapacity in its markets and to a temporary competitive disadvantage. Similarly, while the profitability of Coke and Chemicals was inevitably impacted by lengthy planned repairs, this division quickly returned to normal output once these improvements had been completed.

As we explain in the section, *Ensuring financial sustainability*, our technical teams investigated, planned and applied new, often innovative, ways of working to continuously drive down our costs and to bolster our competitiveness. It was thanks to our determined efforts in 2017 to find ways to produce steel smarter and more reliably that flat steel products returned a much improved EBITDA performance, as did Coke and Chemicals. Our disappointing overall EBITDA performance derived almost entirely from losses sustained by long steel products. In 2017 we felt the positive effects of initiatives such as Project Focus and Project Attack (see 31) but we expect the greatest impacts from these interventions and from oneAMSA (see 37 of the integrated report) to only manifest themselves on our bottom line from 2018.

Keeping our people safe

Working smarter should not just be about output and reliability; it has to be about finding better, more consistent ways to work safer. The deaths this year of three men employed by contractors cast a terrible pall over the progress which we continued to make on so many fronts. In addition, we were extremely disappointed that our key lost time injury frequency rate declined although we took some comfort from a significantly improved total injury frequency rate. As much as we are determined to compete with the best in the world on cost, we have to constantly recommit ourselves to become world class on safety.

Not only did we succeed this year in improving the reliability of our facilities, we worked hard to improve the quality of our products. As we explain on 32, for example, in 2017 Saldanha achieved a record 0.9mm thickness on ultra-thin rolled coil. Also significant was the successful restart and ramping up of production at the Evraz Highveld Steel heavy section mill which, by year-end, had produced 49 000 tonnes of product which would otherwise have been imported.

Both the flat and long teams worked hard on product development, collaborating closely with many partners, both in South Africa and elsewhere in Africa, to provide solutions that help our customers to be more efficient and more cost-effective. In 2017 such efforts added 34 000 tonnes of new sales. In finding new markets for our steel we have focused particularly on the Africa Overland (AOL) segment where we succeeded this year in growing sales substantially but where we believe that a 40% share (currently 23%) is achievable in the short term. This despite fierce competition from many exporters targeting these markets.

Focusing on customers and employees

In my message in last year's integrated annual report I committed my team to putting the customer at the very centre of our strategy and of our business model. I am therefore particularly pleased to be able to report that we have, in fact, achieved a great deal in getting closer to our customers, to meeting their needs and to ensuring that we do everything we can to help them survive and thrive (see 34).

In 2017 our leadership continued to focus a great deal of attention on our people, believing that embedding a high-performance culture is the key to achieving sustainable profits and a deep-rooted safety mindset.

We are grateful for the understanding, of our difficult operating situation, that our employees and unions have continued to display and for the maturity that again characterised our labour relations. Regrettably, as the chairman notes, it has not been possible to avoid a Section 189 process. However, we embarked on this exercise determined to minimise its impact on our employees and to use it as an opportunity to improve our structures and our productivity. I have every confidence that these improvements will be reflected in future communications with stakeholders.

Outlook

In 2017 we continued to record significant losses but, as was borne out by our financial performance later in the year, our investments, partnerships and sacrifices have started positioning the company for a better future.

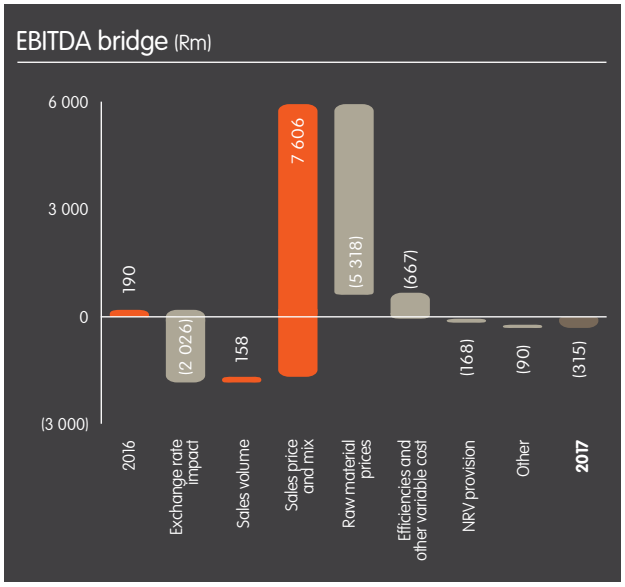
In the year reviewed many scenarios for the future structure of the company were weighed in the greatest detail and with the most expert input. In particular, we considered the future of our operations in Saldanha and Newcastle. Hard-won improvements in the financial performance of both during the course of the year reported vindicated our belief that it was in investors' best interests for us to remain an integrated and increasingly export-focused primary steel producer.

I thank those who have, since September 2016, given me and the company their unstinting support. In particular, I thank our chairman, Mr Mpho Makwana, and his able directors, my management team and the thousands of inspired, hard-working people at ArcelorMittal South Africa. I wish them and my successor, Kobus Verster, every success.

Wim de Klerk
Chief executive officer

Message from the chief financial officer

Dean Subramanian
Chief financial officer



	2017 Rm	2016 Rm
Revenue	39 022	32 737
Once-off items	71	227
EBITDA	(315)	190
Loss from operations	(1 220)	(1 092)
Impairments	(2 604)	(2 154)
Finance and investment income	74	176
Finance costs	(1 515)	(876)
Equity earnings	139	129
B-BBEE charge	–	(870)
Headline loss	(2 518)	(2 589)
Headline loss per share (cents)	(230)	(244)

Overview

In 2017 factors over which the company had limited control weighed heavily on our financial result while performances on fixed costs, output, reliability, prices and sales (especially exports) were all positive.

Revenue grew by 19% in the year but the cash cost per tonne of liquid steel of our raw materials basket (50% of costs) rose by 32% (or by some R5.3 billion) with rand strength and volatility having a profoundly negative effect on profitability.

Long steel products' (LSP) EBITDA contribution worsened substantially, from a positive R286 million in 2016 to a loss of almost R1 billion, flat steel products (FSP) reversed its EBITDA loss of the previous year and Coke and Chemicals grew revenue by a commendable 2% despite a 44% decline in commercial coke sales.

Loss for the period, at R5 128 million, was R422 million higher. Less the effects of a higher impairment cost (R2 604 million), the headline loss for the year reduced marginally in rand terms.

Results for the year

For the second consecutive year, revenue rose in 2017. Growth in income to R39 022 million (2016: R32 737 million) stemmed from a 15% rise in average net realised sales prices and a 4% growth in sales volumes, to 4 257 000 tonnes.

At negative R315 million, company EBITDA was weaker than that of the previous year (a positive R190 million). This performance related

almost entirely to the operating losses sustained by LSP in whose markets competitors using mostly scrap steel were able to undercut us on pricing. At R1 284 million, LSP's operating loss increased sharply relative to the previous year, an 8.5% improvement in realised prices being insufficient to offset large increases in especially raw material costs and a small contraction in sales volumes. Positively, LSP grew tonnages exported by over 80%. Both FSP and Coke and Chemicals improved their EBITDA margins, to 0.9% and 26% respectively.

Domestic steel markets remained depressed, to the extent that apparent steel consumption declined by some 1%. Despite lacklustre demand, South Africa remained attractive to a number of foreign producers which have sizeable amounts of excess production capacity. The imposition of import protection measures, most notably safeguards, had a moderating impact on local sales of foreign-produced steel (imports fell by almost 200 000 tonnes) while the designation of local steel and the development of new products also grew volumes. Export revenue increased by 18% in 2017 with, as mentioned, long steel exports accounting for the bulk of the success achieved in African and other markets.

In 2016 the rand traded against the US dollar at an average rate of 14.72 while the average exchange rate for the whole of 2017 was 13.32. In our recent experience, a USD1 strengthening against the local currency translates into a R1 billion cost for the company; it was specifically rand strength in the year that accounted for the R2 000 million impairment raised in H2 (a total impairment for the year of R2 604 million, 2016: R2 154 million).

Encouragingly, the company enjoyed success across the board on capacity utilisation and plant reliability. The effects of the mini-reline at Saldanha, undertaken in 2016, and other capital expenditure items at both Vanderbijlpark and Newcastle in the prior year, were reflected in more stable operations while various cost reduction initiatives bore fruit this year, a process that is expected to be accelerated from 2018. This year problems encountered with the quality of input materials were largely overcome while Vanderbijlpark successfully ramped up production following the rupture of the stove at blast furnace C in late 2016.

Costs

As described elsewhere, variable cost increases were substantial as the international cost of imported coking coal rose by a third and iron ore prices by 23%. The net result was a 16% growth in the cash cost per tonne of liquid steel, from R6 544 to R7 581. It is worth stating, however, that price increases incurred by the company for iron ore, in particular, were considerably lower than average global increases. This achievement stemmed from contractual arrangements put in place to limit the risk of potential price shocks. In 2017 we continued to enjoy success (some R2.2 billion) in achieving savings on the procurement of goods and services net of production, exchange rates and market influences. As a result, the differential between sales prices and the raw material basket remained at sustainable levels despite the delivered rand price of hard coking coal increasing by 70%.

Cash and debt

With the large increase in net borrowings, the company's interest expense rose by some 76% to R870 million, an outcome which derived from our operations' increased cash requirement. While the net debt position rose significantly over the year the company's cash needs were adequately addressed through the R4.5 billion borrowing-based facility (BBF) which was secured in February 2017. Establishing the facility was undoubtedly one of the most outstanding corporate successes of the year, an achievement which reflected lenders' continued appetite for our risk and signalled their belief in our company's sustainability. Despite heightened cash demands from our operations, at year-end the company had some R800 million in undrawn working capital available.

Going concern

The H2 impairment of R1 996 million mentioned above related to the spot rate of R12.40 to the US dollar on 31 December 2017. The impairment – which had no cash flow impact – was recognised in terms of IAS 36 which requires that assets be impaired if their carrying amount is greater than their recoverable amount.

For the next 12 months directors are satisfied that, with an envisaged improvement in sales volumes and the implementation of further cost-cutting measures, the company will remain a going concern. However, the impairments recognised in 2017 could have had the effect of the company breaching a BBF covenant relating to its consolidated tangible net worth. We are grateful that our lenders agreed to a covenant holiday and that the covenant will not be tested before 30 June 2018, during which time we intend renegotiating covenant levels. In the event that these negotiations do not yield the desired outcomes, the company has sufficient initiatives in place, including a letter of support from the ArcelorMittal group to the maximum value of R1 500 million, to satisfy the current shortfall in meeting the net worth covenant.

Outlook

While net realised sales prices track and, to a large extent, offset increases in key inputs, sharp, often unwarranted and disproportionate, rises in administered prices, notably electricity and rail transport, pose a severe risk to our ability to return to sustainable profitability. Similarly, the imposition of carbon taxes on an industry which has already done as much as can reasonably be expected of it to reduce its emissions, threatens our viability.

In the latter months of the year the company posted its first quarterly EBITDA profit in five quarters while generating cash. These improved performances point, I believe, to greater financial resilience although markets and sales prices are expected to remain under pressure for at least the next year.

At year-end various detailed initiatives were well advanced to restructure our cost base to effectively confront the anticipated new reality of high input costs and enduring rand strength. These include optimising our footprint, reducing the procurement of goods and services, addressing fixed costs, disposing of non-core assets, further discussion with state-owned enterprises on reducing logistics and electricity costs, and liquidating high stock levels.

Dean Subramanian
Chief financial officer

Audit and risk committee report

The audit and risk committee (the committee) has pleasure in submitting its report to the shareholders as required in terms of section 94(7) of the Companies Act No 71 of 2008, as amended.

Membership of the committee

The committee comprised the following members at the date of this report:

- JRD Modise
- LC Cele
- NP Mnxasana

Each member is an independent director and has the adequate relevant knowledge, the financial expertise and experience to equip the committee to properly execute its duties and responsibilities.

The experience and qualifications of the members are set out on 4.

DCG Murray retired effective 25 May 2016 and JRD Modise was elected chairperson at the annual general meeting by the company's shareholders.

Functions of the committee

During the year under review, seven meetings (which included two special meetings held by teleconference call) were held. Details of attendance are set out in the corporate governance section.

The committee reports that it has adopted appropriate formal terms of reference as its mandate, and has regulated its affairs in compliance with this mandate, and has discharged all of the responsibilities set out therein. During the financial year under review, the committee reviewed the following matters:

- The quarterly and half-yearly financial reports, the integrated annual report, the annual financial statements and accounting policies for the company and all subsidiaries
- The effectiveness of the combined assurance model
- The reports of the internal audit function on the state of internal control including its forensic reports regarding fraud prevention and detection
- The effectiveness of the internal audit function
- The auditor's findings and recommendations
- Statements on ethical standards for the company and considered how they are promoted and enforced
- Significant cases of unethical activity by employees or by the company itself
- Reports on the risk management process in the company and assessed the company's exposure to the following risks:
  - Top strategic risks (including credit and market risks, human resources risks and compliance risks)
  - Operational risks
  - Information technology risks

Independence of auditor

The committee reviewed a presentation by the external auditor and, after conducting its own review, is satisfied with the independence and objectivity of Deloitte & Touche as external auditors and M Mantyi as the designated auditor. The committee further approved the fees to be paid to Deloitte & Touche and their terms of engagement and pre-approved each proposed contract with Deloitte & Touche for the provision of non-audit services to the company. During the year the committee reviewed and approved all non-audit services to the group and company.

Statutory reporting

The committee has evaluated the annual financial statements of ArcelorMittal South Africa Ltd and the group for the year ended 31 December 2017 and, based on the information provided to the committee, considers that the company and group comply, in all material respects, with the requirements of the Companies Act of South Africa, the International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and applicable legislation and financial pronouncements as issued by the Financial Reporting Standards Council.

Internal financial controls

The committee agendas provide for confidential meetings between committee members and both the internal and independent external auditors.

The committee has oversight of the group's financial statements and reporting process, including the system of internal financial control. It is responsible for ensuring the group's internal audit function is independent and has the necessary resources, standing and authority in the organisation to discharge its duties. The committee oversees co-operation between internal and external auditors, and serves as a link between the board of directors and these functions. The head of internal audit reports administratively to the chief executive officer and functionally to the chairman of the committee and head of group internal audit of the holding company ArcelorMittal Holdings AG.

The committee is of the opinion, after having considered the assurance provided by the internal audit function, that the group's system of internal financial controls in all key material aspects is effective and provides reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements. This is based on the information and explanations given by management and the group internal audit function.

Expertise and experience of the chief financial officer and the finance function

The committee has satisfied itself that the chief financial officer, D Subramanian, has the appropriate expertise and experience to carry out his duties.

The committee has assessed the competency, skills and resourcing of the group's finance function, and is satisfied as to the overall adequacy and appropriateness of the finance function, and further ensured that the company has established appropriate financial reporting procedures and that these procedures are operating.

Expertise and experience of the company secretary

The committee has satisfied itself that the company secretary has the appropriate competence and experience and has maintained an arm's length relationship with directors.

It should be noted that the previous company secretary resigned in November 2017. Premium Corporate Consulting Services (Pty) Ltd (Premcorp) represented by Solete de Sousa Wilke, was appointed as the acting company secretary until January 2018. In January 2018, Premcorp (represented by Solete de Sousa Wilke) was appointed as the interim company secretary. As a part of the appointment in January 2018, the suitability of Premcorp and Solete de Sousa Wilke to be appointed as such was considered as a part of the appointment process. In the light of the aforegoing, it was not necessary to do a specific annual evaluation of the performance and independence of the company secretary during February 2018, having only appointed the interim company secretary in January 2018.

Recommendation of the annual financial statements and integrated annual report

The committee, having fulfilled the oversight role regarding the reporting process for both the annual financial statements and the integrated annual report and having regard to material factors that may impact the integrity of these reports, recommends the integrated annual report and the annual financial statements for approval by the board of directors.

Auditor and designated individual partner

The committee notes that Deloitte & Touche has been the auditor of the group and company for 13 years. M Mantyi has been the designated individual partner for three years. The key audit matters as disclosed in the report of the independent auditor was communicated and reviewed by the committee.

JRD Modise
Chairman

2 March 2018

Transformation, social and ethics committee report

On 2 May 2017 the board approved the constitution of the transformation, social and ethics committee (TSEC) by integrating the B-BBEE committee's responsibilities with the social and ethics responsibilities of the remuneration, social and ethics committees.

Role

TSEC has delegated authority from the board set out in its written terms of reference which were approved by the board on 2 May 2017. The primary purpose of the TSEC is to exercise oversight over the following matters in the company:

Transformation	Social and ethics
Monitoring the company's performance against the levers of fluidly delivering on the B-BBEE scorecard.	Organisational ethics; responsible corporate citizenship; sustainable development and stakeholder relationships
Being an 'umbrella view' of how the company is performing against the identified pillars of the amended Code of Good Practice and how it assist management to move this forward.	Economic development Corruption prevention Community development Donations and sponsorships Public health and safety Advertising Consumer protection Consumer relations Human rights

Composition

The TSEC members as at the date of this report are Noluthando Gosa (chair), Mpho Makwana, Nomavuso Mnxasana, Monica Musondo, Ramesh Kothari and Kobus Verster. Wim de Klerk retired from the board on 31 January 2018 and Kobus Verster was appointed on 1 February 2018.

Activities

The committee carried out the following duties during the year:

- Monitored the implementation of determined strategies and improvement actions per the scorecard elements (progress against scorecard)
- Reviewed the B-BBEE partnership programme with B-BBEE partners
- Monitored the implementation of determined strategies and improvement actions per the scorecard elements as approved by the board
- Ensured that effective transformation is taking place within the company in respect of recruitment, retention, career development and succession planning
- Ensured that effective economic transformation is taking place in respect of enterprise development, supplier development and preferential procurement
- Reviewed matters relating to the company's corporate culture, employee engagement and development in retaining employees
- Monitored and evaluated the progress made against the ArcelorMittal South Africa Economic Footprint Study
- Monitored good corporate citizenship
- Monitored labour and employment
- Reviewed arrangements made by the company to enable employees and outside whistleblowers (including customers and suppliers) to report in confidence their concerns about possible improprieties (including fraud, corrupt practices and non-compliance with laws and regulations) that may have a direct or indirect effect on the company, including adherence to compliance
- Reviewed amendments to the company's code of conduct or other ethical standards and ensure management monitors and promotes compliance with such standards
- Monitored consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws
- Monitored social and economic development, including the company's standing in terms of the goals and purposes of the 10 principles set out in the United Nations Global Compact Principles, including the impact of the company's activities/products and services.

The SHE committee also monitors safety and environmental matters. One of the areas for improvement insofar as safety and environmental matters are concerned is better integration between the TSEC and SHE committee so that the TSEC could focus on alignment with legislation and policies and SHE could monitor performance and standards.

NP Gosa
Chairman

2 March 2018

Human resources, remuneration and nominations committee report

On behalf of the human resources, remuneration and nominations (HRN) committee, I am privileged to present the 2017 ArcelorMittal South Africa remuneration report. The composition of the committee and attendance by members at the meetings is set out on 18 of this integrated annual report.

In 2017 the committee engaged extensively with shareholders, including our large institutional investors, on issues relating to value creation and remuneration policy and implementation. These matters were deliberated in a responsible and candid manner with some difficult decisions being taken and communicated within the company and to stakeholders. All engagements on value creation and remuneration were guided by the King IV Code on Corporate Governance, specifically principle 14 which requires governing bodies to exercise fairness and transparency on remuneration matters, policy and implementation.

Of particular concern to some shareholders was their belief that the 2016 remuneration report lacked transparency, specifically on elements of our long-term incentive plan (LTIP) performance targets. While performance measures were adequately disclosed, it was felt that targets were poorly described. A second matter of concern raised by shareholders was that the general level of disclosure in the 2016 report was lower than that of 2015, especially the nature of significant 'other' payments to directors and prescribed officers. The committee and I consider these concerns to be valid and hope that these have been addressed in this year's report, to the satisfaction of stakeholders. We believe that appropriate disclosure on all remuneration matters is now evident in the 2017 remuneration report. I thank shareholders for assisting us to ensure that our remuneration reporting meets required standards and expectations.

As is described elsewhere in this integrated report, the company's operating context, particularly local and global steel markets, remained extremely challenging in 2017 with excess supply and weak demand combining with an unfavourable rand/US dollar exchange rate to negatively impact our financial performance. Regrettably, measures implemented to save fixed costs and improve efficiencies failed to yield adequate results. From this year's report stakeholders will note that board and executive management decisions on remuneration-related policy and, in particular, implementation were underpinned by principles relating to the sustainability of this organisation and affordability.

In June 2017 the board adopted a King IV implementation plan whose provisions included the annual tabling of the remuneration policy for a non-binding advisory vote by shareholders at the AGM, with a recording of measures that the board commits to take should either the remuneration policy or implementation report be voted against by 25% or more of voting rights.

King IV recommends that the remuneration policy incentivise the achievement of strategic objectives and positive outcomes.

The committee and board are satisfied that, in the year reported on, management demonstrated great diligence and strength of leadership in working to create value. In particular, we note substantial execution against strategic objectives which rendered these important outcomes:

- Implementation of various trade remedies including duties, safeguards and localisation, by the authorities, to protect our company, our sector and customers
- Stabilising production, improved reliability and capacity utilisation (the latter when market conditions allowed)
- Significant management savings on reducing variable costs and concerted action taken to reduce fixed costs
- Considerable social and human value creation through the transformation of, especially, our supply chain and investments in enterprise and supplier development, and partnerships to develop technical skills and business opportunities for SMMEs
- Increased support for the downstream including import protection and a drive to improve customer service
- Establishment of a borrowing-based facility, which substantially reduced our cash risks, and close ongoing management of liquidity
- Creation of new markets including restarting the Evraz Highveld Steel heavy sections mill and growing exports to Africa.

Linking pay to performance is of fundamental importance to our remuneration policy, for all employees but particularly for executives. Since 2013 we have strived to improve our remuneration policy and implementation by strengthening the relationship between line of sight (those work-related matters which individuals and groups can control or affect) and outputs and rewards, and by engaging with various stakeholders, notably shareholders.

This report reflects the key components of our remuneration policy, guidelines, reward practices and implementation, and remuneration decisions for all ArcelorMittal South Africa employees, executive and non-executive directors.

We have remained committed to ensuring that our remuneration policy and practices are undertaken in a fair and responsible manner, having considered inputs, requests and suggestions by shareholders and other stakeholders. These have been incorporated into the policy and are aligned with ArcelorMittal group strategy. I am pleased to advise that at the May 2017 AGM 95.35% of votes were cast in favour of the policy.

In closing I think it appropriate that I thank the many package category employees of ArcelorMittal South Africa, our executives and even my fellow non-executive directors who made considerable remuneration sacrifices this year. This was done in the interests of 'doing their bit' to ensure the sustainability of our great business. I am confident that, despite these sacrifices, they remain committed to fostering the high-performance culture that will ultimately return significant value to all of our stakeholders, including shareholders. I also thank those stakeholders who engaged with us with a view to improving, especially, our reporting on remuneration.

NP Mnxasana
Chairman, HRN committee

2 March 2018

ArcelorMittal South Africa King IV application statement

Principle	Status	Application of principle
Principle 1 – Leadership The board should set the tone and lead ethically and effectively.	Applied	The board approved changes to the board charter on 2 May 2017. In terms of the board charter, the board discharges its role and responsibilities with due regard to the values which support its name and while applying, and continuing to improve and implement, the recommended governance principles contained in King IV. The board of directors comprises 12 members, the majority of whom are independent non-executive directors with the positions of the chief executive officer (CEO) and board chairman being held separately, indicating a clear balance of power and authority at board level. The board has delegated its authority to four board committees, namely the audit and risk committee (ARC), the human resources, remuneration and nominations committee (HRN); the transformation, social and ethics committee (TSEC) and the safety, health and environment committee (SHE) (committees). The brief mandates, composition and attendance at meetings is set out in the 2017 integrated annual report (IAR). The board approved amendments to the terms of reference for all the committees, to ensure alignment with King IV, on 2 May 2017. Board effectiveness form part of the annual board work plan. Based on the board effectiveness review conducted in June 2017, the performance assessment tested, inter alia, whether the board exercised leadership, enterprise, integrity, and judgement in directing the ArcelorMittal South Africa's business. The board was found to have grown to becoming an effective board operating well in tough times.
Principle 2 – Organisation values, ethics and culture The board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Applied	The board, with the assistance of the transformation, social, and ethics committee (TSEC), together with the audit and risk committee oversee the management of ethics and monitors the company's activities to ensure they are in line with the code of ethics. The TSEC reviewed arrangements made by ArcelorMital South Africa to enable employees and outside whistleblowers (including customers and suppliers) to report in confidence their concerns about possible improprieties (including fraud, corrupt practices and non-compliance with laws and regulations) that may have a direct or indirect effect on the company, including adherence to compliance. A whistleblowing line is in place where employees can report alleged instances of fraud or approach management directly. Statistics detailing all the people that have been disciplined and what sanctions were taken are provided in the report to the TSEC. The committee reviewed amendments to the company's code of conduct and board approved amendments to the conflicts of interest policy. TSEC reviews other ethical standards and ensures that management monitors and promotes compliance with such standards.

Principle	Status	Application of principle
Principle 3 – Responsible corporate citizenship The board should ensure that ArcelorMittal South Africa is and is seen to be a responsible corporate citizen.	Applied	The board has delegated to the TSEC the responsibility for monitoring and reporting of social, ethical, transformational and sustainability practices that are consistent with good corporate citizenship. Management table reports to enable TSEC to monitor ArcelorMittal South Africa's good corporate citizenship. ArcelorMittal South Africa has an employment equity policy, adheres to the Labour Relations Act, is transparent in recruitment and advertising and is compliant with the International Labour Organisation Protocol. ArcelorMittal South Africa undertook to measure and assess the social, environmental, and economic impact that it has on South African society and to communicate these findings through the ArcelorMittal South Africa factor report. Progress made against the ArcelorMittal South Africa Economic Footprint Study is monitored was evaluated by TSEC.
Principle 4 – Strategy, Implementation, performance The board should appreciate that the organisation's core purpose; its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value-creation process.	Applied	The board approved the strategy and business plans for ArcelorMittal group and monitored the implementation by receiving regular reports from management. The board, assisted by ARC, reviewed the key risks and opportunities impacting on the achievement of its strategic objectives, and approves the short, medium and long-term strategy as formulated and developed by management. Detail of the to 10 key risks as well as a risk governance report is set out in the integrated annual report. The board approved policies and operational plans to give effect to strategy – include key performance measures and targets. The board approved amendments to the DOA which addressed gaps identified in the previous DOA by including principles, limits on contracts that come to the board, limits on borrowing powers and clarifying which individual has delegation on specific matters, and is now aligned with group. The value-creation process is set out in the integrated annual report as well as the company's performance against its strategic objectives. Information on material matters and risks and opportunities can be found in the integrated annual report.
Principle 5 – Reports and disclosure The board should ensure that reports and other disclosures enable stakeholders to make an informed assessment of the performance of the organisation and its ability to create value in a sustainable manner.	Applied	The ARC assists the board in reviewing and approving the integrated annual report and the annual financial statements, which is prepared in line with recognised local and international guidelines including the Companies Act Requirements, IFRS the reporting principles contained in King IV and the JSE Limited Listings Requirements (JSE LR). The company secretary, for the ARC's review, tables a report setting out compliance by the company with the JSE LR. The full annual financial statements and integrated annual report are made available on http://southafrica.arcelormittal.com and provide comprehensive insight into the financial position and performance of the company for the year under review. Copies of the full financial statements may also be requested from the company secretary through our registered offices. ArcelorMittal South Africa received an award for excellence in IAR reporting in 2017.

ArcelorMittal South Africa King IV application statement continued

Principle	Status	Application of principle
Principle 6 – Role of the board The board should serve as the focal point and custodian of corporate governance in the organisation.	Applied	The board has an approved board charter, which it reviews annually. The board's role and responsibilities are set out in the board charter. The board is the focal point and custodian of corporate governance, both in terms of how its role and responsibilities are documented and the way it executes its duties and responsibilities. The board's commitment to embracing the King IV principles, and the report setting out its application, is set out on in the integrated annual report. The board has delegated its authority to four board committees, namely the ARC, HRN, TSEC and SHE. The brief mandates, composition and attendance at meetings is set out in the integrated annual report. The board approved amendments to the terms of reference for all the committees, to ensure alignment with King IV, on 2 May 2017.
Principle 7 – Composition of the board The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	Applied	The nominations committee considers, on an annual basis, the composition of the board in terms of the balance of skills, experience, diversity, independence, and knowledge needed to discharge the board's role and responsibility. Details of directorships, skills, experience of the directors is set out in the integrated annual report. Directors sign appointment letters confirming their agreement to the required time commitments, roles and responsibilities. The board approved the amendments to the gender diversity policy on 2 July 2016. The target of ensuring that a black female is appointed, was exceeded as the following appointments were subsequently made: ❯ Ms Noluthando Gosa was appointed as non executive director on 1 December 2016 ❯ Ms Monica Musonda was appointed as independent non executive director on 12 June 2017. All directors sign a directors' declaration confirming their interests and their professional positions held. An annual directors training workshop is scheduled. In establishing the succession plan for its members, the board will include the identification, mentorship, and development of future candidates. As the chairman is an independent director, the appointment of a lead independent director is not required. The HRN work plan includes the requirement to recommend a succession plan for board members, including the board chairman, on an annual basis. As part of the 2018 annual evaluation, the chairman, together with the board, shall determine the number of outside professional positions that the chairman is allowed to hold, taking into account the relative size and complexity of the organisations involved.

Principle	Status	Application of principle
Principle 8 – Committees of the board The board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.	Applied	The board has four committees that assist it in discharging its duties and responsibilities and operate in accordance with written terms of reference, which are reviewed and approved by the board annually. The brief mandates, composition and attendance at meetings is set out in the integrated annual report. The terms of reference for all committees are reviewed annually. The board approved amendments to the terms of reference for all the committees, to ensure alignment with King IV, on 2 May 2017. Delegation to individuals and committees are in writing as part of the directors' appointment letter and set out in the approved terms of reference for each committee. The HRN annually ensures that collectively the committee's has requisite skills and capacity to fulfil their mandates effectively. Each committee have a minimum of three independent non-executive directors as members. Executive and senior management are invited to attend meetings. Board members are able to attend committee meetings as observers but do not participate without the chairman's consent, do not have a vote and are not entitled to fees unless otherwise agreed.
Principle 9 – Evaluations of the performance of the board The board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	Applied	Formal assessments of the effectiveness of the board, board committees, chairman, directors and group company secretary for the financial year ended 2016 was conducted in May 2017 under the auspices of the nominations committee. Board effectiveness form part of the annual board work plan. Based on the board effectiveness review conducted in June 2017, the performance assessment tested, inter alia, whether the board exercised leadership, enterprise, integrity, and judgement in directing the ArcelorMittal South Africa's business. The board was found to have grown to becoming an effective board operating well in tough times.
Principle 10 – Appointment and delegation to management The board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	Applied	While retaining overall accountability, and subject to matters reserved to itself, the board has delegated authority to the chief executive officer to run the day-to-day affairs of the company, subject to a delegation of authority framework. The delegation of authority framework sets out authority thresholds and governs subdelegation. The framework also prescribes authority levels for each of the territories that the group operates in. Succession planning for CEO and the board is considered by the HRN and forms part of the approved annual work plan. Following the changes to the CEO in the last (resignation of Mr P O'Flaherty on 12/02/2016, Mr W de Klerk on 31 January 2017), the evaluation (annual performance review) of the new CEO will be conducted in April 2019. On 2 May 2017, the board approved the appointment of the interim company secretary, as well as the employment contract and remuneration of the professional providing corporate governance services.

ArcelorMittal South Africa King IV application statement continued

Principle	Status	Application of principle
Principle 11 – Risk governance The board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	Partially applied	The board, supported by ARC, is ultimately responsible for the governance of risk. The ARC approved a treasury and financial risk policy as well as a tax risk management framework in October 2017, and recommended these for board approval. At least on a quarterly basis, the ARC and the board review the risk management process and maturity of the company, the effectiveness of risk management activities, the key risk facing the company, and the managements' responses to address these key risks. The committee keeps the board up to date on progress of these plans. The day-to-day responsibility for management of the risk management plan rests with the group risk and insurance manager who reports and attends all committee meetings. Measures taken to mitigate the top strategic risks are set out in detail in the integrated annual report. The board will consider the need to receive periodic independent assurance on the effectiveness of risk management in 2018.
Principle 12 – Technology and information governance The board should govern technology and information in a way that supports the organisation in defining core purpose and to set and achieve strategic objectives.	Applied	The board, supported by ARC, is responsible for information and technology governance in accordance with King IV. The committee oversees the implementation of IT governance mechanisms, IT frameworks, policies, procedures and standards to ensure the effectiveness and efficiency of the group's information systems. The group information manager reports and attends all committee meetings. The ARC ensures that IT risks are adequately addressed through its risk management, monitoring and assurance processes. Management tabled reports to illustrate to the ARC, ArcelorMittal South Africa's overall exposure to IT risks from a strategic and business perspective, including areas of the business that are most dependent on IT for effective and continual operations.
Principle 13 – Compliance governance The board should ensure governance compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen	Applied	The board is responsible for the group's compliance with applicable laws. The board has delegated the responsibility for implementing compliance to management. The ARC, in monitoring compliance, assists the board. Detailed progress on the compliance framework is tabled at every board and ARC. The general counsel reports and attends all committee and board meetings. The TSEC assists the board with ensuring responsible business practices within the group and monitors the group's activities with applicable laws.
Principle 14 – Remuneration governance The board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	Applied	The board, supported by HRN ensure that ArcelorMittal South Africa remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. The remuneration report and remuneration policy set out in the integrated annual report have been designed to give effect to the group's strategic objectives. The remuneration report set out integrated annual report is disclosed by means of a background statement, overview of the main provisions of the remuneration policy as well as the a implementation report of all remuneration awarded to individual members of the board and executive management. The design of the STIP 2017 and detailed breakdown of remuneration is set out integrated annual report. The notice of the annual general meeting sets out the measures that the board commits to take if either of the above (remuneration policy/the implementation report) receives 25% or more votes against.

Principle	Status	Application of principle
Principle 15 – Assurance The board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	Applied	The board has delegated to the ARC oversight of, inter alia, effectiveness of the company's assurance services with focus on combined assurance including external audit, internal audit, and the finance function as well as the integrity of the integrated annual report and the annual financial statements. The group has implemented a combined risk assurance model, which is coordinated and managed by internal audit. The ARC oversees combined assurance at group and subsidiary levels. The committee approves the internal audit plan. The ARC receives on a quarterly basis a detailed report on the progress of the internal audit function against its annual risk-based plan.
Principle 16 – Stakeholder relationships In the execution of its governance role and responsibilities, the board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	Applied	Establishing and maintaining effective stakeholder relationships are not only essential to sustain the growth of the company but also an essential component of sound governance. The board has approved a stakeholder framework and engagements with stakeholders are in accordance with the framework. Details of stakeholder relationships and stakeholder engagements are included in the integrated annual report. A factor report setting out details of engagement with stakeholders is in place. **Relationship with group of companies** The board is the custodian of corporate governance across the group. The delegation of authority framework is approved by the board and reviewed annually. The approved framework and authority levels are implemented throughout the group. Policies are developed and implemented at group and subsidiary levels. In cases where polices are required to address special needs of business, these are developed and applied at business unit level with appropriate group oversight by the group operational executive board. **Annual general meeting** Directors attend the AGMs. The results of the AGM were released on SENS on 24/05/2017. Details of the governance framework are set out integrated annual report where details of the board and its committee structures are explained. In terms of subsidiary companies disclosing what responsibilities it has delegated to holding board committees, the 2017 IAR (page 14) indicates that top risks are also reported to the ArcelorMittal group risk committee through the group enterprise risk manager. ArcelorMittal South Africa actively strives to achieve ArcelorMittal group desired sustainability outcomes of being an 'active and welcomed member of the community' and of having its contributions to society 'measured, shared and valued'.

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