ArcelorMittal

Integrated Annual Report 2016

Together
creating value for all

Report navigation

To aid navigation and cross-referencing, this report contains the following icons: our key strategic objectives, our most material issues, our top 10 risks and our key performance indicators.

Our online report includes additional information on particular topics.

These icons refer to our four key strategic objectives:

- Keeping our people safe
- Driving profitability
- Creating social value
- Creating a high-performance culture

These icons refer to our material issues:

- Workplace safety
- Liquidity
- Optimising our industrial footprint
- Unsustainable input costs
- Protection against unfair imports
- Customer focus and establishing a fair price for steel
- B-BBEE compliance
- Competition Commission issues
- Environmental compliance
- Training for a new operating reality

These icons refer to our top 10 risks:

- Liquidity – Risk 1
- Market demand decline – Risk 2
- Increased imports – Risk 3
- Foreign exchange exposure – Risk 4
- Spread between input costs and prices – Risk 5
- Risk 6 – Operational instability
- Risk 7 – Safety performance
- Risk 8 – Environmental impacts from operations
- Risk 9 – Insufficient input material supply and quality of input material
- Risk 10 – Increased input costs

These icons refer to our 16 key performance indicators:

- Number of fatalities – KPI 1
- Lost time injury frequency rate – KPI 2
- Total injury frequency rate – KPI 3
- Ebitda per tonne – KPI 4
- Return on capital employed – KPI 5
- Liquid steel production – KPI 6
- Cash generated from operations – KPI 7
- Net cash/debt at year-end – KPI 8
- KPI 9 – On-time deliveries
- KPI 10 – B-BBEE status level
- KPI 11 – Enterprise and supplier development and preferential procurement performance
- KPI 12 – Specific environmental measures (see pages 49 to 52)
- KPI 13 – Fines, penalties and settlements
- KPI 14 – Total cost of employment per tonne of liquid steel
- KPI 15 – Management control and employment equity performance
- KPI 16 – Execution of Future Leaders programme

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Feedback

We value feedback from our stakeholders and use it to ensure that we are reporting appropriately on the issues that are most relevant to them.

Please take the time to give us your feedback on this report.

Visit the web link:
http://southafrica.arcelormittal.com/InvestorRelations/Emailus.aspx

Our vision

To add value to all our stakeholders through our market leadership position in sub-Saharan Africa by producing quality steel products safely, being an employer and supplier of choice while striving to be among the lowest-cost steel producers in the world.

Our mission

We aim to achieve our vision by:

- Keeping our people safe
- Pursuing operational excellence in all business processes
- Producing innovative high-quality steel solutions for our customers on time
- Protecting our environment and caring for the communities in which we operate
- Being a fair employer as well as a career and skills developer

Our values

These underpin our strategic objectives and impact our stakeholders:

- Safety
- Caring
- Customer focus
- Commitment

VIEW THIS REPORT
ONLINE
http://southafrica.arcelormittal.com/IntegratedReport2016

Our 2016 online IAR contains all the information and messages in this printed version of the report, plus additional, more detailed disclosure which we adjudge would be of value to particular stakeholders.

Access our full annual financial statements

The full financial statements, which are available at http://southafrica.arcelormittal.com/IntegratedReport2016, provide comprehensive insight into the financial position of the company for the year under review. Copies of the full financial statements may also be requested from the company secretary at our registered offices.

About this report

Together creating value for all

This is our sixth integrated annual report (IAR). With this report we aim to provide a transparent and balanced appraisal of the material issues that faced our business during the year under review and that impacted our ongoing ability to create value.

The report should be read in conjunction with the full financial statements.

This report aims to provide all stakeholders with an account of the group's operational, financial, economic, social and environmental performance, its use of the capitals as described by the International Integrated Reporting <IR> Framework and its creation of value in terms of those capitals, governance, opportunities and risks during the period reviewed as well as prospects. As with our 2015 report, this year we continue to place a premium on conciseness in our printed reporting while increasing our level of disclosure in our online IAR.

From 2017 we will report against the new King IV Code on Corporate Governance. To this end we began a process of aligning our disclosure in this report against the new code. This 2016 report was prepared in accordance with the recommendations of Principle 9.1 of King III and the International Integrated Reporting (<IR>) Framework.

Our 2015 IAR was adjudged overall winner in the Nkonki Top 100 JSE Listed Companies Integrated Reporting Awards and winner in the basic materials category. The report was the first in the history of the Top 100 Awards to receive a score of over 90%. It also won best report in the Chartered Secretaries Southern Africa small cap category.

Scope and boundary of this report

This IAR covers the period from 1 January 2016 to 31 December 2016. The previous IAR covered the 2015 financial year. Our 2016 report concerns the operations of ArcelorMittal South Africa, which include Vanderbijlpark Works, Saldanha Works (flat steel products), Pretoria Works, our integrated long steel products division comprising Newcastle Works, Vereeniging and tubular products, and our Coke and Chemicals division. There has been no material change in the scope and boundary of the IAR compared to the prior year, or historical financial data.

Materiality

In this report we seek to address those issues that are most material to our formulation and execution of strategy.

As in the previous year, in 2016 our leadership explicitly determined that our most material issues related to:

- Our commitment to safety as embodied in our vision, mission and values
- Addressing the considerable risks that threatened the sustainability of our business and that of the primary steel industry in South Africa

Leadership's determination of materiality was informed by detailed reports emanating from our enterprise risk management process and extensive engagement with stakeholders, many of whose interests are today more extensively aligned with those of the company.

A list of our most material issues is on 13.

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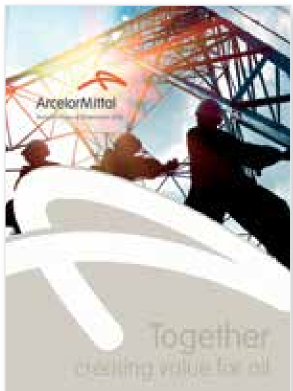

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Forward looking statements

Certain statements in this document constitute "forward looking statements" which involve known and unknown risks and opportunities, other uncertainties and important factors that could turn out to be materially different following the publication of actual results.

These forward looking statements speak only as of the date of this document. The company undertakes no obligation to update publicly, or release any revisions, to these forward looking statements, to reflect events or circumstances after the date of this document, or to reflect the occurrence of anticipated events.

Assurance

We have in place a highly developed combined assurance model and systems, the effectiveness of which receives particular, ongoing focus from the board because of the extent to which our most material risks affect our sustainability. Given our reliance on a wide range of stakeholders to grant us our legal and social licences to operate, we place as much of a premium on the integrity of external reports (particularly that of this IAR) as we place on the information used for key internal decision-making.

To this end, limited assurance was applied to certain key performance indicators (KPIs), the number of which was the same (12) as in 2015. The limited assurance report may be found in our online IAR.

Regarding the summarised consolidated financial statements 2016

We have provided summarised consolidated financial statements in our printed report, in accordance with International Financial Reporting Standards (IFRS) and interpretations issued respectively by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) of the IASB, in particular International Accounting Standard (IAS) 34 *Interim Financial Reporting*, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

An independent audit was performed by Deloitte & Touche, expressing a modified opinion with an emphasis made on going concern. The opinion on the summarised consolidated financial statements, included in the IAR, is on 75.

Board responsibility

The board, together with the audit and risk committee, takes responsibility for this IAR. The report was prepared by a representative team of the company, assisted by outside experts, which reported to the chief executive officer (CEO) and chief financial officer (CFO). All directors were given at least three opportunities to review and comment on the contents and to ensure the report's integrity. In the board's opinion, this report addresses the material issues and accurately presents the integrated performance of the organisation and its impacts. The board authorised this report for release on 17 March 2017.

Wim de Klerk
Chief executive officer

Dean Subramanian
Chief financial officer

Who we are

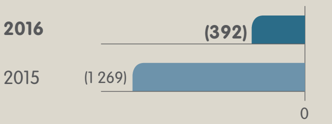
With headquarters in Vanderbijlpark, Gauteng, ArcelorMittal South Africa is Africa's largest steel producer with a production capacity, in a normal year, of 6.1 million tonnes of liquid steel which, after taking into account various yield factors, amounts to approximately 5.2 million tonnes of saleable steel products. This year we produced some 4.8 million tonnes of saleable steel, a very similar amount to that of 2015.

A proudly South African company, we are part of the ArcelorMittal group, the world's leading steel producer with industrial sites in over 20 countries and a presence in more than 60.

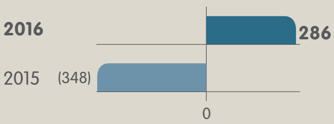
Our steel is produced in flat and long products that are further processed by downstream manufacturers. We also have a Coke and Chemicals operation which produces commercial grade coke for use by the ferro-alloy industry, and processes steelmaking by-products.

Ebitda contribution

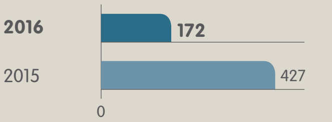
Flat steel (R392m)



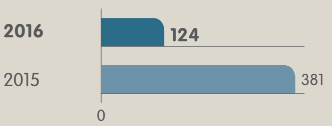
Long steel R286m



Coke and Chemicals R172m



Corporate R124m



Flat steel products

Produced at Vanderbijlpark and Saldanha Works. Products include slabs and heavy plate as well as hot rolled coil, cold rolled and coated products. Major consumers are the construction, piping, packaging and automotive industries.

Vanderbijlpark Works

Capacity

2.9 million tonnes
of liquid steel per annum

One of the world's largest inland steel mills and sub-Saharan Africa's biggest supplier of flat steel products. An integrated process produces liquid iron which is refined to produce, ultimately, heavy plate and coils.

Capacity utilisation

82%+
(2015: 75% – 2014: 83%)

Lost time injury frequency rate (LTIFR)

0.39
(2015: 0.51 – 2014: 0.54)

Revenue

R18.3 billion
(2015: R15.9 billion)

Liquid steel production

2.389 million tonnes+
(2015: 2.182 million tonnes)

Saldanha Works

Capacity

1.3 million tonnes
of liquid steel per annum

Largely export focused, Saldanha produces high-quality ultra-thin hot rolled coil, using a world-first merger of the Corex and Midrex technologies to replace the need for blast furnaces and coke ovens.

Capacity utilisation

64%+
(2015: 74% – 2014: 87%)

LTIFR

0.30
(2015: 0.0 – 2014: 0.59)

Revenue

R5.2 billion
(2015: R5.2 billion)

Liquid steel production

832 000 tonnes+
(2015: 963 000 tonnes)

+ *Externally assured.*

For more information on Vanderbijlpark Works 41

For more information on Saldanha Works 41

Our primary goal is to sell into the local and nearby markets. Currently we supply approximately 60% of the steel used in South Africa while exporting the balance to sub-Saharan Africa and elsewhere.

In 2016, we permanently employed 9 056 (2015: 9 315) people, with an estimated economy-wide employment-creating impact of over 100 000 jobs.

Long steel products

Produced at Newcastle and Vereeniging Works. Products include bar, billets, blooms, hot-finished and cold-drawn seamless tubes, window and fencing profiles, light, medium and heavy sections, rod and forged products. Long steel products are used primarily in the construction industry.

Capacity

1.9 million tonnes

of liquid steel per annum

The foremost South African producer of profile products including low and medium-carbon commercial grades, sulphur-containing free-cutting steels, micro-alloyed steels and high-carbon wire-rod steels as well as alloy steels, specialty steel, seamless tube and forge products. In 2015, a restructuring of our long steel division entailed billets produced at the Newcastle furnace (which was relined at a cost of R1.8 billion in 2014) being transported to Vereeniging for milling, unlocking synergies and boosting return on capital employed. Tubular Products Vereeniging is the sole producer of hot rolled and cold drawn seamless tube products in South Africa. The facility produces 100 000 tonnes of final product per annum, of which some 80% is exported.

Capacity utilisation (Newcastle)

81%$^+$

(2015: 73% – 2014: 41%)

LTIFR

0.92

(Previously we reported separate LTIFR figures for Newcastle, Vereeniging and Tubular Products. In both 2014 and 2015 Newcastle's LTIFR was 0.25.)

Revenue

R10.6 billion

(2015: R10.9 billion – 2014: R9.1 billion)

Liquid steel production

1.550 million tonnes$^+$

(2015: 1.694 million tonnes)

For more information on long steel 42

Coke and Chemicals

Coke and Chemicals' core business is the production of commercial coke for the ferro-alloy industry from coke batteries located at Vanderbijlpark, Newcastle and Pretoria. The business also processes and beneficiates metallurgical and steel by-products, including coal tar. These are sold as raw materials for a wide variety of uses.

Capacity

695 000 tonnes

of commercial coke per annum

Produces commercial coke for the ferro-alloy industry from coke batteries in Vanderbijlpark, Newcastle and Pretoria. Metallurgical and steel products are also beneficiated, among them coal tar.

LTIFR

1.25

(2015: 1.09 – 2014: 0.95)

Revenue

R1.4 billion

(2015: R1.8 billion – 2014: R2.0 billion)

Commercial coke production

251 000 tonnes

(2015: 406 000 tonnes – 2014: 522 000 tonnes)

For more information on Coke and Chemicals 42

Our value creation model

Our business model requires the input of various capitals in the creation of steel, coke and chemicals. We operate our business model in a social, environmental and human context from which we derive our licence to operate. We create value for a broad range of stakeholders but our business model is unsustainable if we do not create real and meaningful value for investors, employees, government, suppliers, communities and customers – while proving that we are doing everything possible to minimise our environmental impact.

Inputs

Natural capital

Raw materials consumed

	2014	2015	2016
Iron ore	6 562kt	6 541kt	**6 604kt**
Coal	4 700kt	4 075kt	**4 014kt**
Consumed scrap*	794kt	759kt	**684kt**
Fluxes	1 612kt	1 658kt	**1 733kt**

* *Externally procured and internally generated and recycled*

Energy

	2014	2015	2016
Electricity purchased (TWh)+	3.52	3.40	**3.14**

Water intake

	2014	2015	2016
Water intake (Mℓ)	18 774	18 418	**15 475**

Human and intellectual capital

	2014†	2015†	2016†
Employees	8 825*	9 315*	**9 056***
Hired labour	1 411	106	**320**
Service contractors	3 316	2 417	**2 997**
Training spend	R151m	R202m	**R184m**

† *As at 31 December.*
* *Permanently employed.*

Financial capital

	2014	2015	2016
Equity	R20 722m	R13 472m	**R13 543m**
Borrowings	R1 000m	R5 029m	**R1 950m**

+ *Externally assured.*

Our working business model

We produce iron and steel, commercial coke and useful by-products in three provinces, in processes that sustain hundreds of thousands of jobs. This is our business model:

1 Making iron

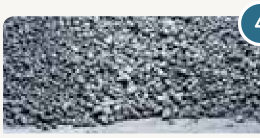
Using inputs including iron ore, coke and dolomite, blast furnaces convert iron ore into liquid iron.

2 Making steel

Liquid iron is refined in basic oxygen furnaces (three at Vanderbijlpark and two at Newcastle) to produce liquid steel. Saldanha is the world's only steel plant to combine the Corex and Midrex processes, which replace the need for coke ovens and blast furnaces. At Vereeniging an electric arc furnace (currently closed) does the work of a traditional basic oxygen furnace.

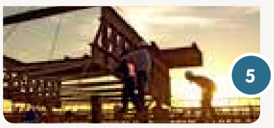
3 Making steel products

Liquid steel is cast into slabs which are hot rolled into heavy plate in a plate mill, or into coils in a strip mill. Coils are either sold as hot rolled or processed further into cold rolled and coated products such as hot dip galvanised, electro-galvanised, pre-painted sheet and tinplate.



4 Producing commercial coke

Our Coke and Chemicals business produces commercial coke for the ferro-alloy and other industries from coke batteries in Newcastle, Vanderbijlpark and Pretoria as well as processing and selling steelmaking by-products.



5 Serving our customers

Our steel products are used by customers in South Africa, across Africa and elsewhere in construction, manufacturing, mining and agriculture. Our coke is used to beneficiate this country's iron and chrome wealth. Our viability depends on the viability of our customers.

Our new sales environment 2016

We are committed to fair pricing on flat steel products. Performance on this commitment has to be transparent and is enforced by regulators.

Tariffs and other trade measures aim to protect us and other primary steel producers as well as downstream manufacturers from unfair government-subsidised imports.

Our flat steel prices do not derive from tariffs and safeguards but from international developments. Long steel prices are determined by a fiercely competitive market.

Our pricing and even particulars of our capital expenditure are monitored by independent regulators.

Outputs and outcomes

Financial capital

Shareholders, investors, employees

	2014	2015	2016
Revenue	R34 852m	R31 141m	**R32 737m**
Ebitda	R1 258m	(R809m)	**R190m**
Loss from operations	(R301m)	(R4 736m)	**(R1 092m)**
Ebitda margin	3.6%	(2.6%)	**0.6%**
Headline loss	(R224m)	(R1 338m)	**(R244m)**

Manufactured capital

Customers

	2014	2015	2016
Flat steel products sold	2 981kt	2 678kt	**2 736kt**
Domestic market	1 951kt	1 915kt	**2 097kt**
Export market	1 030kt	763kt	**639kt**
Long steel products sold	1 259kt	1 459kt	**1 351kt**
Domestic market	1 051kt	1 124kt	**1 178kt**
Export market	208kt	329kt	**173kt**
Coke and Chemicals			
Market coke	466kt	451kt	**367kt**
Tar	110kt	96kt	**75kt**
Other (mostly slag)	1 323kt	1 120kt	**710kt**

Human capital

Employees, contractors

	2014	2015	2016
Safety: LTIFR+	0.58	0.48	**0.62**
Safety: Fatalities+	4	2	**3**
Salaries and wages	R3 764m	R4 027m	**R4 175m**

Social capital

Local communities, suppliers, HDSA businesses

	2014	2015	2016
Socio-economic development+	R16.3m	R12.6m	**R17.4m**
Procurement spend	R32 275m	R29 047m	**R27 789m**
Direct GDP	1%	0.7%	**0.9%**
Indirect GDP contribution	R11 000m 0.4%	R15 200m 0.4%	**R27 175m** **0.4%**
Taxes contributed	R870m	R618m	**R837m**
Procurement – QSE and EME	R2 500m	R2 800m	**R2 750m**

+ *Externally assured.*

Trade-offs

In 2016, as in recent years, we sought to minimise losses and preserve cash. Despite the negative effect on our financial capital we succeeded in increasing our creation of social value in several important respects.

↑ Manufactured capital

Capital expenditure including optimising our industrial footprint in 2016 was

R2 018 million

(2015: R1 153 million)

↓ Social capital

Procurement spend was

R28 billion

(2015: R29 billion)

↑ Social capital

In the face of considerable financial constraints this year we increased our corporate social investment spend to

R17.4 million+

(2015: R12.6 million)

↑ Human capital

Apprenticeships offered

546

(2015: 462)

↑ Natural capital

Spend on mitigating our environmental impact

R176 million*

(2015: R65 million)

↑ Social capital

To support downstream industry this year we gave customers export and strategic rebates worth

R479 million

(2015: R158 million)

**Includes R38 million of direct environmental capital expenditure, and R138 million on co-generating electricity.*

How we create social and human value

As Africa's largest primary steel producer, ArcelorMittal South Africa creates vast social and human capital. Our products – produced in South Africa by South Africans using mostly South African raw materials and skills – are at the heart of the manufacturing, construction, mining and energy sectors – sectors that employ millions and which create the infrastructural backbone underpinning our economy and the livelihoods of present and future generations.

Employer, job creator and skills developer

Over **9000** permanently employed by ArcelorMittal South Africa in 2016 of whom 64%+ were ACI (African, coloured and Indian)

3 jobs created for every 1 000 tonnes of steel produced

Over **519 000** hours of training conducted at a cost of R184 million

R127 million spent on technical training, apprenticeships and bursaries in 2016

For details on our performance as an employer, see 54.

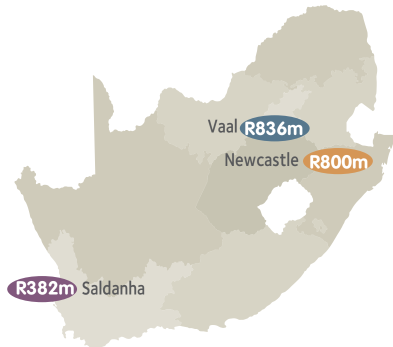
Local economic and social impact

Our plants are at the very heart of at least three regions which rely on them for employment and economic activity and to which we contribute through community investment and training

In 2016 we spent R2 018 million on maintaining and enhancing our plants, in the process ensuring our ability to sustain employment in, especially, the Vaal region, northern KwaZulu-Natal and the West Coast. Much of this maintenance work was carried out by local contractors and suppliers.

Key capital expenditure investments were:

- **Newcastle** – coke oven battery N2 repair (R286 million) – ongoing to 2017
- **Vanderbijlpark** – coke oven battery V4 repair (R135 million) – ongoing to 2017
- **Vanderbijlpark** – standalone gas fired boiler (R138 million)
- **Saldanha** – Midrex D01 tube bundle replacement and installation (R95 million)
- **Saldanha** – Corex campaign extension (R73 million)



In 2016 ArcelorMittal South Africa:

Employed 85% of new recruits from local communities (2015: 85%)

Registered **470** new emerging local businesses as suppliers, bringing the total registered to 1 017

Reached **527** teachers and **20 000** individuals with our three sponsored science centres

For detail on our local economic and social impact, see page 6

Invested R17.4 million in local communities through CSI (2015: R12.6 million – (2014: R16.3 million)

Opened a 1 600m² incubation hub which will create an initial **77 jobs** and be co-funded by the Department of Trade and Industry

Reduced its fresh-water intake per tonne of steel to **3 100** litres per tonne – against a world average of 4 800 litres

For detail on our environmental impact, see page 49

Catalyst for change

- **17%** – percentage of our shares held by Likamva Resources, a 100% black-owned company following our 2016 B-BBEE transaction
- **5.1%** – percentage of company shares given to a new employee trust, bringing to 6.6% employee and manager ownership
- **R20 million** – 2016 spend on enterprise and supplier development
- **95%** – percentage of 2016's 546 apprentices and 117 candidate artisans who were black; 93% of candidate technicians were black as were 61% of candidate engineers
- **R2 750 million** – 2016 procurement spend with exempt micro-enterprises and qualifying small enterprises

+ *Externally assured.*

We are committed to working with the private sector, government and labour to unlock economic growth, industrial development and job creation.

Here we present some of the many ways in which we as a company, as an employer, customer and steel producer create significant value for South Africa and its people.

Economic growth engine

43 new products/new specifications being actively developed by long steel products to meet customer needs, to help them find new markets and create additional jobs

R479 million – value of strategic and value-added export rebates given to SA customers in 2016
(2015: R158 million)

R23 billion value added by creating products which otherwise would be imported – 0.9% of direct GDP

R5.5 billion
export revenue

R28 billion
spent on 3 268 suppliers

NDP enablement through beneficiation

The National Development Plan (NDP) contains key targets that are supported by ArcelorMittal South Africa's activities, the key being the secure domestic supply of steel required to execute the NDP's ambitious infrastructure plans. ArcelorMittal South Africa directly and indirectly contributes to the attainment of many of the plan's social, economic and environmental targets.

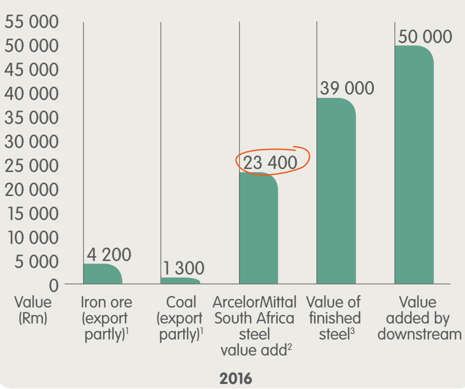
National economic, industrial and employment impact

More than 70% of our South African sales go to four key industrial sectors which, between them, account for some 20% of South Africa's GDP and almost two million jobs.

Sector	GDP contribution %	Our 2016 sales (000 tonnes)	Employment (000)
Construction	3.6	1 673	1 300
Utilities (water and energy)	2.5	168	100
Mining	6.3	299	430
Automotive	7.5	241	120

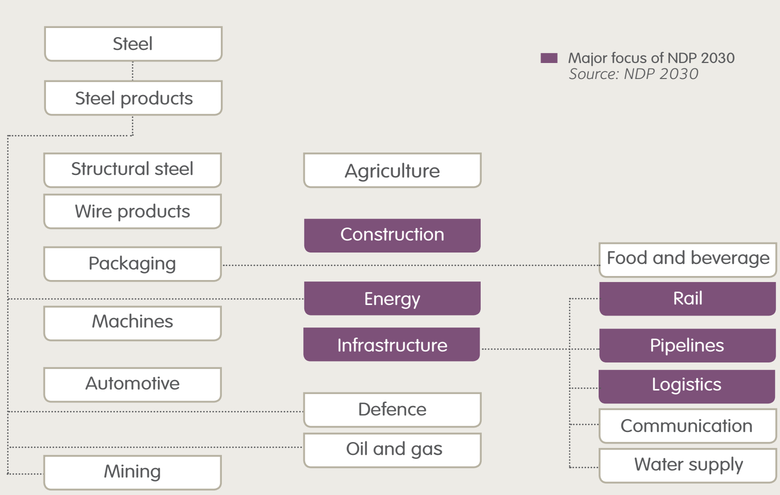
In 2016 ArcelorMittal South Africa and its first order suppliers contributed an estimated R41 billion to the national economy.

ArcelorMittal South Africa will enable the NDP by creating value through converting raw material to steel



[1] Raw materials considered are iron ore and coking coal (excludes limestone and dolomite), export parity price as per 2015 average estimates as reported by IMF (Iron Ore) and World Bank (South African export coal).
[2] 2016 revenue less EPP value of iron ore and coal consumed by company.
[3] Value of total production.
Source: Steel Index at IMF, World Bank, ArcelorMittal South Africa internal data, BCG analysis.

Touching every part of the South African economy, steel is central to the achievement of the 2030 goals of the NDP



Key sustainability indicators

We seek to grow social and human capital as well as financial capital while minimising our consumption of, and impacts on, natural capital. These are some of the leading performance indicators which we closely monitor and which our strategy seeks to influence.

Making steel more sustainable

Risk 5 Risk 8 Risk 9 Risk 10

Key performance indicator	Unit	2016	2015	2014	Definitions
Percentage of operations certified to the ISO 14001 standard	%	**100**	100	100	ISO 14001 is an international standard for environmental management systems
Greenhouse gases					
Direct carbon dioxide (CO_2) – Scope 1⁺	t/t liquid steel	**2.32**	2.13	2.37	Direct CO_2 emissions
Indirect carbon dioxide (CO_2) – Scope 2⁺	t/t liquid steel	**0.68**	0.67	0.79	Indirect CO_2 emissions due to electricity consumption
Total greenhouse gas (CO_2 equivalent Scope 1 and Scope 2)⁺	t/t liquid steel	**3.00**	2.80	3.09	
Total greenhouse gas (CO_2 equivalent Scope 1 and Scope 2)⁺	mt	**14.30**	13.57	14.08	
Atmospheric emissions					
Sulphur dioxides (SO_2)	Tonnes	**22 881**	21 544	20 022	
Particulates from point sources	Tonnes	**2 973**	2 535	2 304	
By-products					
By-products generated	mt	**4.13**	4.09	4.01	
By-products disposed (% of total)	%	**37**	35	32	
Energy use					
Electricity (purchased)⁺	TWh	**3.14**	3.40	3.52	
Total energy consumption⁺	PJ	**131**	128	124	
Electricity self-generated	MWh	**209 632**	209 479	231 053	
Material use					
Iron ore	Tonnes	**6 603 664**	6 541 045	6 562 183	
Coal	Tonnes	**4 013 533**	4 074 721	4 699 604	
Dolomite	Tonnes	**505 746**	519 658	707 521	
Limestone	Tonnes	**556 957**	540 694	869 770	
Scrap (consumed)	Tonnes	**684 041**	758 884	793 917	Externally procured and internally generated and recycled
Water					
Fresh water intake	kℓ	**15 475 311**	18 418 173	18 773 893	

Investing in our people

Risk 6 Risk 7

Key performance indicator	Unit	2016	2015	2014	Definitions
Employee numbers⁺ (permanent at year-end)	Number	**9 056**	9 315	8 825	
Employee and contractor fatalities⁺	Number	**3**	2	4	
Lost time injury frequency rate (LTIFR)⁺	per million hours worked	**0.62**	0.48	0.58	LTIFR is the number of fatalities and injuries that have resulted in an employee or contractor being away from work for at least one day after the day the accident occurred, per million hours worked
Disabling injury frequency rate (DIFR)	per million hours worked	**0.89**	0.70	1.18	DIFR is the number of fatalities, lost time injuries and restricted workday case injuries per million hours worked. Restricted workday case injuries are recorded when the injured employee returns to work by their next shift and can complete meaningful tasks, but a restriction placed on them by a medical practitioner limits their ability to perform all of the tasks required of them
Total injury frequency rate (TIFR)	per million hours worked	**9.50**	10.77	15.83	All injuries (fatalities, DIFR, lost time injuries, medical aid and first aid injuries) per million hours worked

⁺ *Externally assured.*

Investing in our people continued

Key performance indicator	Unit	2016	2015	2014	Definitions
Occupation disease frequency rate (ODFR)	per million hours worked	**0.02**	0.19	0.08	Occupational diseases (work-related ailments) per million hours worked
Percentage of operations certified to the health and safety management system standard, OHSAS 18001	%	**100**	100	100	OHSAS 18001 is an international standard for health and safety management systems
Number of hours of full-time package category employee training	Number	**133 794**	93 216	78 775	Number of hours of full-time package category employee training. This includes health and safety training
Number of hours of full-time bargaining unit category employee training	Number	**378 778**	488 079	303 133	Number of hours of full-time bargaining unit category employee training. This includes health and safety training and on-the-job training
Investment in employee training and development	Rm	**184**	202	151	
Proportion of above focused on black employees	%	**67**	71	75	
Investment in bursary scheme	Rm	**56**	63	65	
Graduates in training	Number	**30**	35	17	
Production learners	Number	**418**	422	374	
Apprentices	Number	**546**	462	447	
Artisan-to-technician conversion programme	Number	**50**	98	52	

Creating value for our stakeholders

Risk 1 Risk 5 Risk 10

Key performance indicator	Unit	2016	2015	2014	Definitions
Value added statement					
Revenue	Rm	**32 737**	31 141	34 852	
Purchased materials and services	Rm	**27 789**	29 612	32 275	
Finance and investment income	Rm	**74**	131	79	
Percentage of total spend with black-owned businesses	%	**14.1**	13.4	7.4	
Value distributed to:					
Shareholders	Rm	**–**	–	–	
Employees	Rm	**4 175**	4 027	3 764	
Providers of debt	Rm	**793**	812	389	
Government	Rm	**2**	40	84	
Community investment+	Rm	**17**	13	16	
Reinvested in group	Rm	**1 952**	1 262	2 675	

Transparent governance

Risk 1 Risk 9 Risk 12

Key performance indicator	Unit	2016	2015	2014	Definitions
Fines, penalties and settlements	Number	**1**	–	–	All incidents of and fines for non-compliance with all laws and regulations associated with safety, health and environmental issues
Fines, penalties and settlements	Rm	**1 500**	–	–	Provision includes fines due to non-compliance with all laws, regulations and permits. Payments do not include levies or costs for lawyers and product liabilities. The figure reflected here relates to the penalty agreed this year with the Competition Commission, which the company will begin paying in 2017

+ *Externally assured.*

Our operating context

In recent years world and domestic steel markets have languished with a combination of weak demand and excess production capacity depressing prices. In South Africa a surge of imports has threatened both the primary and secondary steel sectors.

Market overview

World

In 2008 the global prices of hot rolled coil (HRC) and rebar both reached over USD1 000/t. Since 2015 the prices of these two key primary steel products have persistently been less than half that figure.

In 2016 there was a modest recovery in world steel demand, driven by a combination of factors including a better-than-expected Chinese economic performance, an anticipated increase in infrastructural spend following the US presidential election and a reduction in inventories in 2015. As a result, in 2016 global steel production rose by 0.8%, to 1 628 million tonnes (Mt) after contracting 3% the previous year.

In the second half of 2016 world steel prices recorded sizeable increases, the Chinese HRC FOB price gaining 53% at year-end over that of the average of the previous year, to USD501/t.

By year-end, the second-half price rally seemed likely to continue into the new year with the World Steel Association predicting a 0.5% rise in demand in 2017. While growth in demand remained limited and fragile, Chinese mills continued to export steel in large quantities – some 108Mt in 2016 – more than double that of the world's second largest exporter, Japan.

This year South Africa continued to import 1.2 million tonnes of steel despite the imposition, in Q4 2015 and Q1 2016, of import duties on 10 products. In 2016 Chinese steel represented 52% (2015: 57.6%) of all South African steel imports, which declined by 17%. (In 2016 China decommissioned some 65mtpa of its approximately 200mtpa excess capacity, a development which reduced its amount available for exports.)

In recent years massive worldwide overproduction and the resulting surge in exports prompted almost all countries possessing a primary steel sector to impose trade restrictions (in some instances duties of over 200%) to prevent a flood of often unfairly subsidised steel into their markets. This trend focused exporters' attention on South Africa where there was no such protection, a situation that has now been partially remedied.

World steel prices 2008 to 2016

Platts HRC and Rebar world price (USD/t)

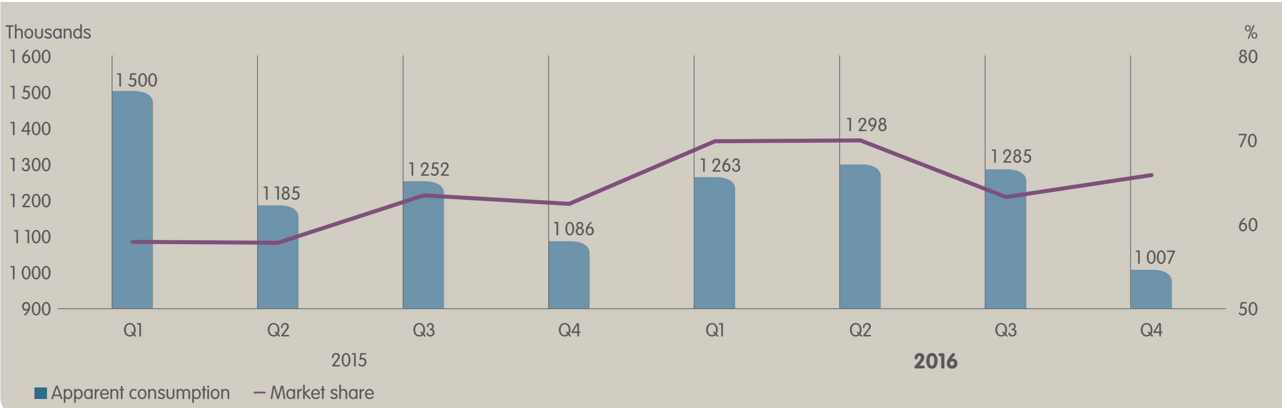
South Africa Risk 2 Risk 3

As is the case worldwide, South African steel consumption correlates closely to gross domestic product (GDP) growth (and investment) and overall economic activity. In 2016 most of the major steel-consuming sectors, including manufacturing, utilities and mining, contracted while the building and construction sectors (which consume approximately 60% of all steel sold in this country) recorded a decrease in demand of 3.9%.

In line with the country's lacklustre economic performance and the slight reduction in imports in 2016, sales by domestic steel producers rose by just 0.3%, apparent steel consumption, which includes imports, showing a 2.5% (126 000t) decline. In real terms (local sales and imports less movements in stock), local consumption fell by 4.0%.

While the domestic steel market declined, ArcelorMittal South Africa's domestic sales increased by 236 585t or 7.8% this year to 3.275Mt (2015: 3.039Mt). This was achieved through increased market share, largely the result of the closure of the country's second largest producer, Evraz Highveld Steel, and a stronger customer focus (see 42).

South Africa: apparent steel consumption and ArcelorMittal South Africa market share



Given that this year 1.201Mt of steel continued to be imported, much of it below its cost of production, it was apparent that import tariffs had had only a limited impact. This was a situation that had been foreseen by several industry players, including our company which applied for safeguard duties on five products, as well as seeking the designation of local steel in government infrastructure projects.

In January 2017 government approved the designation of local steel for state infrastructural construction projects while, in mid-2016, it issued notices that only local steel be used in tenders for the supply of five product categories. These decisions will, it is anticipated, have a significantly positive impact not only on primary steel producers such as ArcelorMittal South Africa but, especially, on the downstream consumers of our steel.

At the time of reporting, decisions on the imposition of safeguards (short-term import duties to prevent specific harm to local industries) on specific categories of steel were still being awaited.

In 2015 ArcelorMittal South Africa produced 82% of all primary steel made in South Africa; following the closure of Evraz Highveld, this grew to 88%, a development which only increased the importance of our company to the national economy.

In 2016 our domestic sales of flat products increased by 9.5% or 182 000t, achieved mostly through success in replacing imports, improved supplies to steel re-rollers and the closure of Evraz Highveld.

The company's domestic long steel sales rose by 5% over the previous year, thanks largely to a good first half when some competitors were late in ramping up production after experiencing production difficulties.

Export markets Risk 4

Overall demand in our Africa Overland markets remained little changed from that of 2015. Blue Water exports were impacted, however, by a drop in demand from, in particular, West Africa where a languishing oil price restricted the availability of foreign exchange which, in turn, limited imports. A drop-off in export sales to West Africa (86 000t down on 2015) was partly offset by rising demand in East Africa, notably Kenya.

This year Saldanha succeeded in securing orders for some 78 000t of steel which had previously been imported. In 2016 55% of Saldanha's output was exported (2015: 64%).

This year Blue Water exports represented 15% of our sales (2015: 21%) and Africa Overland 5% (2015: 6%).

Pricing Risk 1 Risk 4 Risk 5

From April 2016 ArcelorMittal South Africa has committed itself to an agreement with key stakeholders (which, in February 2017, was ratified by government) to not price its flat steel products above an agreed import weighted basket price (see 46). Also, in terms of an agreement reached with the Competition Commission in August 2016, the company will not earn an earnings before interest and tax (ebit) margin of more than 10% on flat products. (Under certain circumstances this may increase to 15%.)

The flat basket comprises 50% European prices, 20% prices within the North Atlantic Free Trade Agreement area and 30% prices in the Far East. German steel prices account for half of the 50% European share of the basket. As such, any deterioration in the value of the euro against the dollar has a negative impact on our profitability.

Our operating context continued

In 2016 the HRC basket price averaged USD508/t while ArcelorMittal South Africa's HRC prices were USD509/t relative to the basket, on average for this period. Persistent rand strength against the US currency during the year (with our selling prices denominated mostly in the local currency) translated into higher USD equivalents. Average net long domestic prices realised were USD435/t (2015: USD446/t).

Rand performance against the US dollar has a substantial impact on our profitability; whereas the ZAR/USD exchange rate at the beginning of the year was 16.60, by the end of the year the rand had strengthened to 13.50 against the US currency. ArcelorMittal predominantly sells to the domestic South African market, generating ZAR receivables. However, sales prices are set, on a monthly basis, in USD which are subsequently converted to ZAR. A large proportion of raw materials are imported (predominantly coal, in USD) while iron ore purchases from the Sishen Iron Ore Company are also denominated in USD. Approximately 60% of costs are ZAR denominated (local raw materials, labour, utilities, services and debt, etc). This fact provides, to a substantial degree, a natural foreign-exchange hedge. Exports, approximately a quarter of sales, are all in USD. The company is therefore exposed to significant movement in, especially, the ZAR/USD exchange rate on both a sales and cost level.

For both flat and long, we were, in every sense, a price taker with duties only determining the prices of imported steel and having no bearing on our flat prices. In agreeing to impose import tariffs, the International Trade Administration Commission has acknowledged that conditions prevailing within the global steel industry require South Africa to take reasonable and appropriate steps to protect the national economy in light of the surge in imports.

In essence, this means that our prices are regulated by agreements with key stakeholders, agreements which are aimed at deriving maximum long-term, sustainable social value from our investments and our production and distribution processes. In agreeing to impose import tariffs, the authorities have accepted that the long-term benefits of having a primary steel sector are being threatened by short-term benefits (cheap, subsidised imports).

In return for vitally important regulated protection against unfair imports, we accept that our ability to create financial value will be limited by the need (which we wholeheartedly endorse) to create value for customers, employees, communities and suppliers. These agreements on pricing are a reflection of the very great extent to which our interests and those of society are integrated.

Not only are prices of our flat steel products (64% of domestic sales) now capped, we are also committed by our agreements to invest an agreed amount of capital expenditure – R4.6 billion – in the creation of manufactured capital over the next five years (subject to our ability to afford such investments).

Costs Risk 5

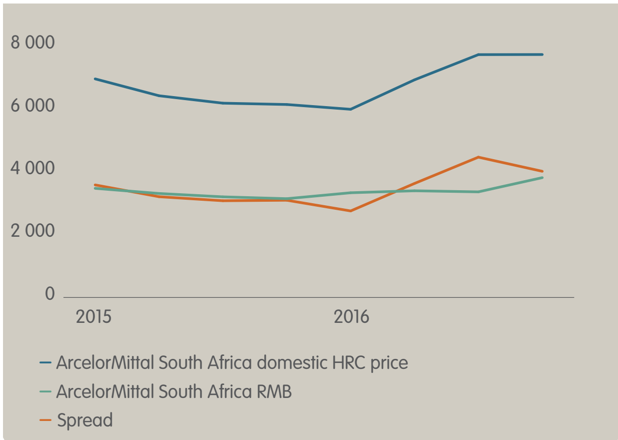
In ensuring our survival, especially in a price-regulated environment, it is essential that we do everything possible to reduce our costs of inputs and of production.

While striving to improve the terms of our key inputs, including iron ore, coke and coal, the raw material basket (RMB) and the spread between the basket and realised prices has a fundamental influence on our profitability and sustainability.

In 2016 our RMB cost rose by 6% despite the international prices of key inputs, especially coking coal and iron ore rising in the latter part of the year by 247% and 93% respectively. With HRC prices improving by 11%, the spread between the RMB and prices realised improved from R2 632/t at the beginning of the year to R3 883/t by year-end.

For details on the success of our strategy to derisk our exposure to commodity price increases see 32. Our performance on operational efficiencies is explained on 41.

Our raw material basket, HRC prices and spread



2016 risk and materiality

Determining materiality

In 2016 we continued to grapple with issues not just of sustainability but of survival. As in the previous year, therefore, our material issues and our strategy were almost entirely concerned with obviating risks.

The board this year concurred with management's view that, to build a sustainable future for our company, we had to continue stabilising our present situation by confronting our key risks and demonstrating, in no uncertain terms, our commitment to creating value for all stakeholders.

The top 10 risks facing our company in 2016 were:

- Risk 1 Liquidity
- Risk 2 Market demand decline
- Risk 3 Increased imports
- Risk 4 Foreign exchange exposure
- Risk 5 Spread between input costs and prices
- Risk 6 Operational instability
- Risk 7 Safety performance
- Risk 8 Environmental impacts from operations
- Risk 9 Insufficient input material supply and quality of input material
- Risk 10 Increased input costs

The following top (2015) risks were mitigated in 2016:

- Availability of energy
- Competition Commission issues
- Contract management

With the determination by our leadership that the overriding imperative facing our company was the need to ensure its survival by addressing (mostly external) risks, it followed, ipso facto, that our most material issues were derived from our top risks. In addition to material issues deriving from our risks, the health and safety of our employees and contractors is our foremost value and integral to our mission. Our most material issues this year were:

- Workplace safety
- Liquidity
- Protection against unfair imports
- Unsustainable input costs
- Establishing a fair price for steel and customer focus
- Competition Commission issues
- B-BBEE compliance
- Environmental compliance
- Optimising our industrial footprint
- Training for a new operating reality

With external factors testing the effectiveness of our enterprise risk management (ERM) process to the extreme, our company this year experienced a considerably renewed, sharper focus on the importance of an effective ERM process with a particular focus on the effectiveness of risk controls being built into the combined assurance process.

This report seeks to explain how execution of our strategy and our governance practices created value in the year reported – and is likely to do so into the future. To this end we report performance on our four key, most material, strategic objectives:

- Keeping our people safe
- Driving profitability
- Creating social value
- Creating a high-performance culture

We formulate our key strategic objectives by answering the following questions:

- What are the most material issues our company must address if it is to create value into the future while meeting the terms of its mission and subscribing consistently to its values?
- What are the issues that matter most to our stakeholders?

Our mission and values seek to embed safety into our DNA. Safety is non-negotiable and is always placed above any other consideration or issue; any strategy or action that compromises our ability to keep our people safe compromises our values. As a values-driven organisation, safety is our foremost material issue.

Stakeholder inclusiveness is central to determining our most material issues. Engagement with stakeholders happens through formal platforms. See 24.

Explicit and perceived stakeholder concerns are regularly reported to the executive committee and board for consideration while the company's policies and strategic execution are communicated to stakeholders for input.

In addition to the concerns of stakeholders, we consider the macro-economic, political, social, legislative and regulatory environments in which we operate and do business, as well as the risk register, which is informed by our ongoing ERM systems and overseen by the audit and risk committee.

2016 risk and materiality continued

Risk management

This year our risk register highlighted the many ways in which the environments mentioned above posed very real threats to our ability to stay in business and to continue creating value. At the outset of the year our board considered detailed reports on material risks and, in addition to safety, prioritised our most material issues accordingly. These were updated during the year.

Our ERM policy is aligned with the ArcelorMittal group risk management policy, world best practices, the King III Code and the ISO 31000 standard. The objective of the ERM policy is to enhance our ability to manage the uncertainties faced by our business. In the long run this will create greater confidence in the company's capacity to seize opportunities, alleviate risks and achieve sustainable successes. The following continuous improvements are focus areas within our business:

- Combined assurance audits to verify the control effectiveness of current controls implemented in 2016
- The project risk management process being embedded and refined
- Ongoing changes to our internally developed risk database with a focus on combined assurance and control effectiveness
- Structured opportunity risk management being implemented
- Continuous benchmarking to improve our risk management process with cross learning between ArcelorMittal South Africa and Exxaro in 2016

The following highlights in greater detail some of the continuous risk management improvement initiatives:

Asset risk mitigation

By the end of 2016, 74% of the 62 top asset risks identified in 2013 had been mitigated. Investments included significant risk mitigation expenditure at Newcastle, chief among these the R1.8 billion blast furnace reline in 2014, stove refurbishment, a sinter plant reline and a blast oxygen furnace (BOF) flare stack repair. Other business units also spent significant amounts of risk-mitigating capital on items such as the Corex campaign extension at Saldanha (at a cost of R73 million), purchasing of critical spares, upgrading drives and the improvement or installation of fire detection and suppression systems. New asset risks identified in 2016 were assessed and included in the various risk registers. Risks identified as being part of the top exposures for the company will be highlighted and addressed accordingly.

Structural risk survey

ArcelorMittal South Africa's plants are ageing, ranging in age between 18 and 105 years. Because of the age of our plants, the risk of structural failure was identified as a focal area in 2015 with continued focus in 2016. Although structural risks were identified and mitigated in certain areas it was further decided to launch an investigation to determine the status of all critical physical structures within the company. This investigation included the identification of structures at risk, the frequency and adequacy of structural surveys, the state of at-risk structures and actions necessary to address concerns identified. Those structural risks identified were prioritised and actions to mitigate them allocated.

Focus on maintenance oversight

The CEO maintenance governance committee, initiated in 2015, continued to meet quarterly in 2016. The principal objective of these meetings is to monitor the execution of plant maintenance and reliability performance so as to improve plant availability/reliability while minimising or eliminating major breakdowns and risks. Information discussed supports decision-making processes on:

- Operating/capital expenditure
- Maintenance practices
- Risk identification and mitigation
- Comparison against group technical benchmarking (GTB) information

Risk management database

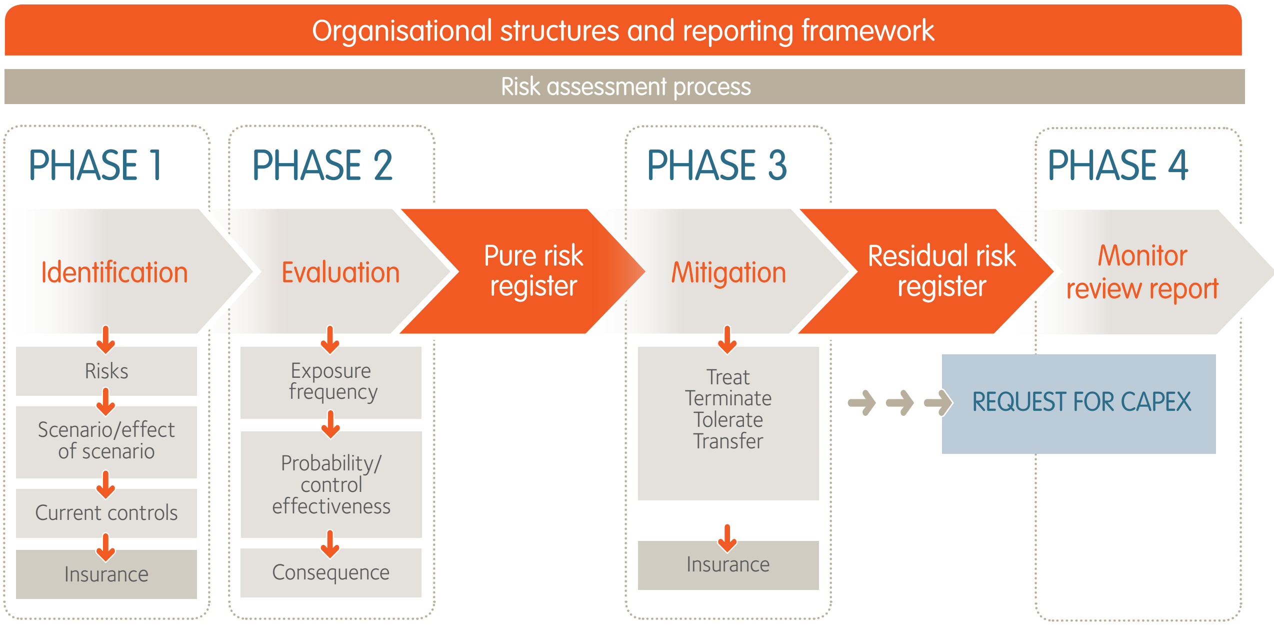
The internally developed risk management database is used to register all risks identified at ArcelorMittal South Africa. The database was initially developed in 2006 at Saldanha Works to replace then Excel-based risk documents and was subsequently rolled out across the company, becoming an established risk management tool with the following advantages:

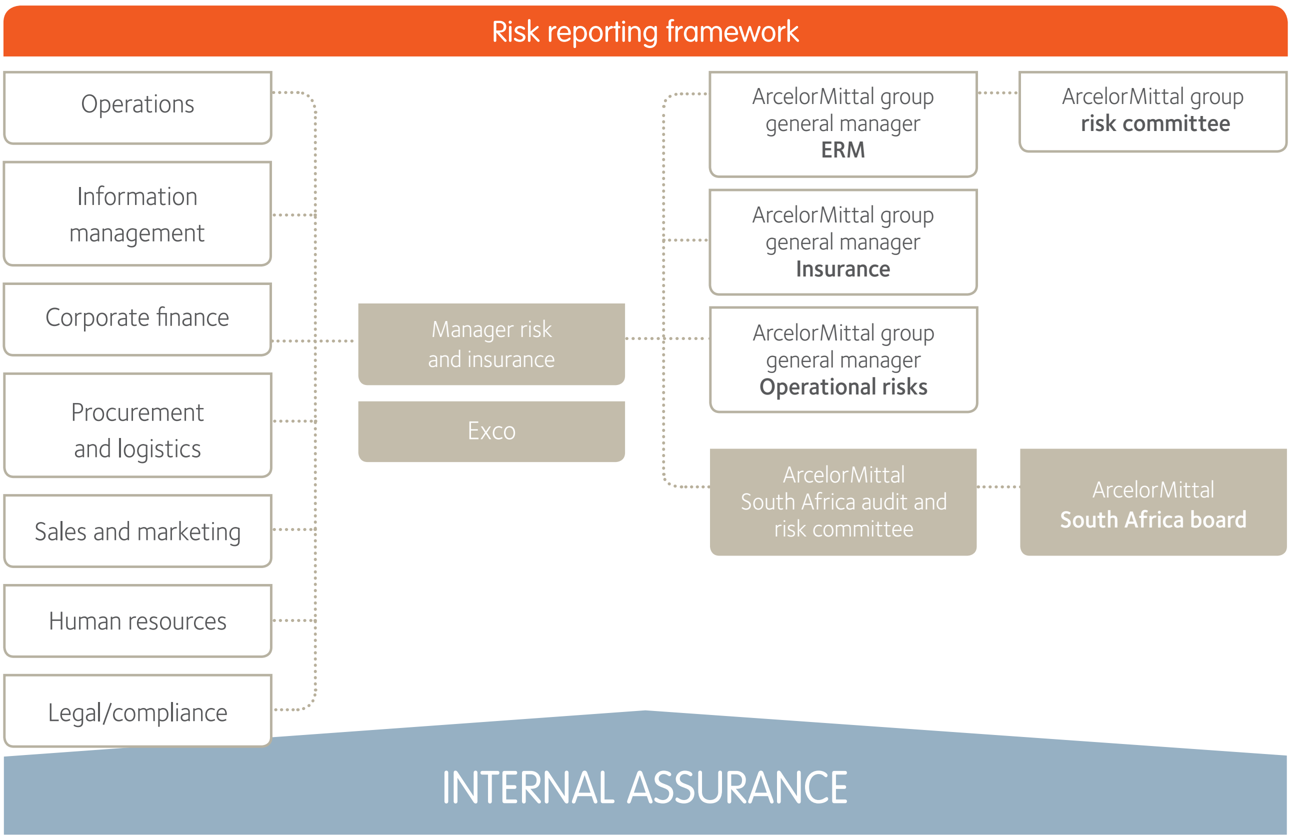
- Uniformity in the application of the risk management process and risk assessment methodology
- An aligned, structured approach to risk management
- Alignment in reporting
- Tracking of changes to risks
- Security of information
- Ease in collaboration of risk management (reduction in administrative burden)
- Seamless integration with the capital expenditure database
- Integration with combined assurance principles

Board accountability

Our board is ultimately responsible for risk management and has an audit and risk committee which oversees risk policies and strategies. Top risks are also reported to the group risk committee via the group enterprise risk manager.

IT forms an integral part of risk management, the board bearing responsibility for IT governance while delegating to management the implementation of the IT governance framework.





2016 risk and materiality continued

Risk management is structured around the following functional risk areas: sales and marketing, operations, procurement and logistics, human resources, finance, strategic, legal, health, safety and environment. The risk management process is divided into four distinct phases as per the graphic above. The link between the risk database and the capital process, which allows for risk-based budgeting and capital allocation, as well as the combined assurance process, are built into the risk process to audit current control effectiveness.

Each risk area, department or business unit has a risk officer who reports directly to the head of each department. The manager of risk and insurance attends all high-level risk committee meetings and prepares consolidated risk management reports which are presented monthly to the executive committee and, on a quarterly basis, to the audit and risk committee and the board.

Project risk management

Project risk management, one of the focus areas in 2016, has become part of the culture of the company. All major projects, or projects with significant risks attached, go through a structured project risk management process facilitated by the risk specialists. Project risks are identified during the different project stages and are updated at a frequency determined in conjunction with the project team. Follow-up on project risks and the implementation of mitigation actions are done during the project execution phase.

Business continuity management

The business continuity management (BCM) policy we have implemented is aligned with world best practices, the King III Code and the ISO 22301 standard. The purpose of this policy is to provide a basis for understanding and implementing business continuity within ArcelorMittal South Africa and to provide confidence in the organisation's dealings with stakeholders. Business continuity plans are implemented according to the risk profile of the company. This year the operational business continuity plans were revised to be aligned with changes in the business structure. In 2017 a focus will be on revising all business continuity plans including a gap analysis against best practices.

Insurance

Our insurance department, with the assistance of external consultants and by using recognised international procedures and standards, undertakes regular loss-prevention audits of all plants and operations. During 2016 AIG, a top three asset insurance company, again joined our loss surveyors (Axa-Matrix) in the annual loss survey exercise.

The chief outcomes of the survey were:

- Improved fire system maintenance
- Improved housekeeping which contributes, among others, towards reduced fire load
- Increased management awareness of risks and actions to address these risks
- Additional emphasis required on the reliability of fire systems.

Operational risk exposure is measured by risk consultants using a vulnerability index. Loss surveyors evaluate three main categories: management, fire protection and process safety (with 39 sub-categories) to determine the company's vulnerability index. Our vulnerability index has improved by 24% over the past nine years. Action plans to improve the vulnerability rating have been drafted and form part of the risk management process.

We have in place an insurance programme which is underpinned by an approved insurance policy providing insurance cover for losses above agreed deductibles at competitive costs (measured and determined both locally and abroad). Insurance cover is, in principle, risk-based as is outlined in the policy.

Good risk management practices and vigilance by operations reduced the insurable incidents to such an extent that the company has been claim free since February 2013. This improved the company's insurability, leading to a reduction in deductibles and premiums. The company's cell captive in Ferrosure Isle of Man was also fully funded, allowing the payment of a dividend from the cell to support cash flow.

Combined assurance

In 2016 the combined assurance process supported by the risk management system was implemented in full. The implementation process consisted of four phases:

- Finalising and testing the combined assurance process within the risk systems
- Training risk specialists and risk database users in combined assurance principles and changes in the database
- Conducting combined assurance (control effectiveness) audits on top risks
- Auditing the combined assurance process by internal assurance during October/November 2016. The outcome of the audit will be used to further improve on the rollout of the combined assurance process.

Continuous improvement

To improve the robustness of the ERM process we continuously review our risk management performance. A maturity model is used across the ArcelorMittal group to monitor the maturity of risk management processes. We are assessed in the top 10 within the ArcelorMittal group. The following actions to improve the maturity of our risk management processes are being pursued:

- Doing what-if and "bow-tie" analysis exercises on probable maximum loss areas to supplement existing continuous identification and assessment processes
- Analysis of different sources of information (eg incident reporting, maintenance dashboards) as input to risk identification
- Creating a platform whereby currently listed "opportunities" (as required by the incoming King IV Code) can be formally listed and reported on
- Embedding the combined assurance (current control effectiveness audit) process
- Benchmarking risk management processes
- Revising our business continuity plans and procedures as practical tools to reduce the impact of business interruptions

We actively participate in risk and insurance webinars where lessons and best practices are shared with other facilities within the ArcelorMittal group. These programmes inform the ongoing improvement of our risk management processes. The ArcelorMittal South Africa risk manager is a member of the global risk steering committee that is driving improvement actions for the group by using local knowledge and skills.

Compliance risk management

While the company has an effective compliance policy, with the exception of some pockets of excellence, there is no entrenched compliance culture. In 2015 we began implementing an appropriate compliance framework, this process entailing the establishment of a compliance structure (including the creation of company-wide co-ordination, capability and reporting templates), appointing compliance champions and raising awareness about the importance of compliance.

Using Compliance Institute of SA guidelines, we aim to effectively identify, monitor and report regulatory compliance risks.

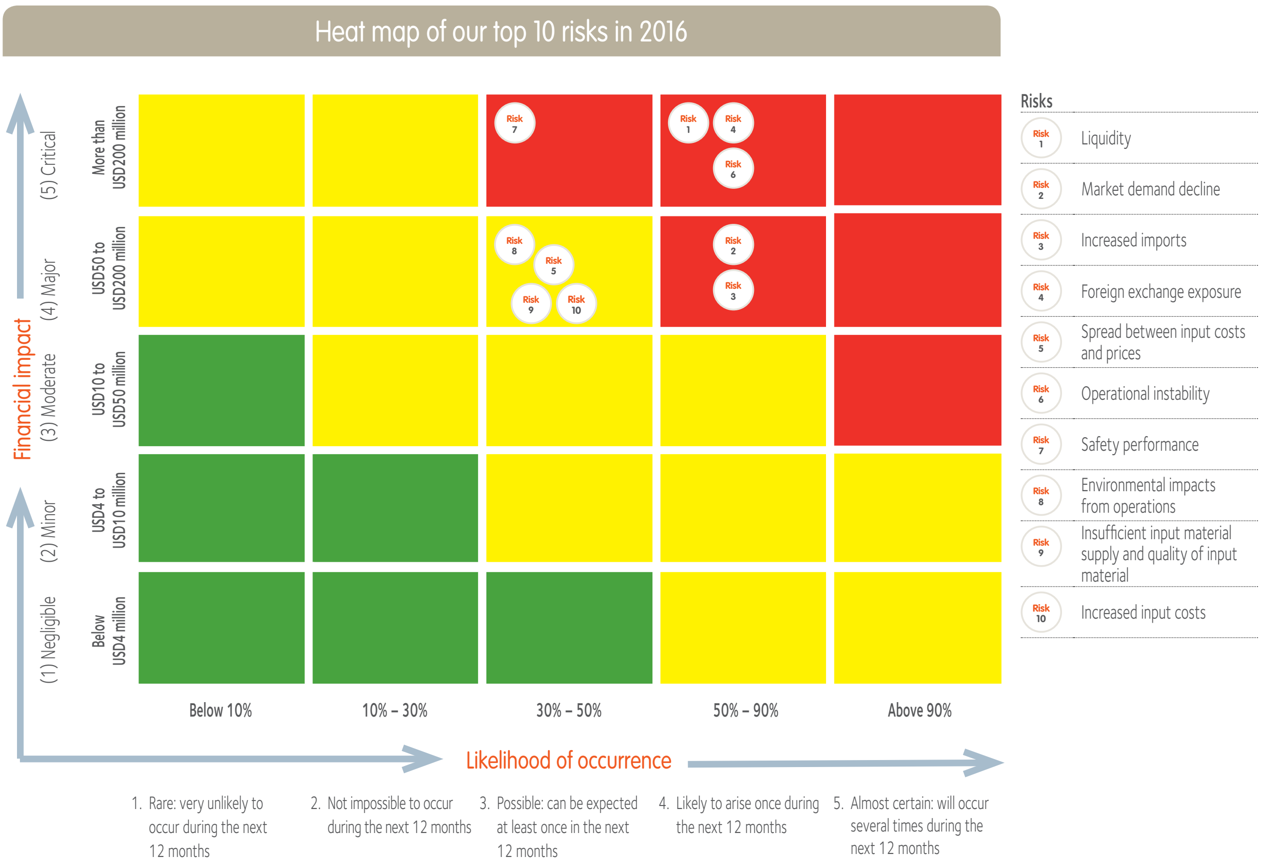
In 2016 the first business unit compliance self-assessments were done and the statutory reporting schedule was also compiled. In addition, specific projects were identified for implementation, notably a rollout plan and training in protection of personal information (POPI) compliance. Training in competition law was also begun.

Outlook for 2017

We recognise that effective strategy formulation and risk management require ERM processes, principles and objectives to be aligned and embedded across the organisation. Including combined assurance principles in the risk database during 2016 contributed towards taking risk management, specifically the control effectiveness of top risks, to a new level. In the year ahead we will focus on improving the robustness of the process by, among other measures, taking the risk-control effectiveness approach to a more detailed level, testing our business continuity plans to mitigate the impact when a disaster strikes and challenging our risk financing programme when the company's risk-bearing capacity is challenged. In 2017 various actions will be taken to embed and integrate compliance risk management at both head office and business unit level.

Most significant risk exposures

The top strategic residual risks, as identified through our ERM process, which could impact our sustainability, are detailed in the diagram below.



2016 risk and materiality continued

Measures taken to mitigate our top strategic risks

No	Risk name and context	Control details (controls currently implemented)	Action details (additional actions being considered or planned to reduce the risk)
1	**Liquidity** A decline in markets due to minimal local infrastructure spend, a surge in imports as well as a decline in steel prices lead to severe cash pressure on the company. Sufficient cash/facilities are crucial during the current trying times	→ Rights issue → Promissory notes programme → True sale of receivables (TSR) programme → Overnight facilities at banks → Loan facility with ArcelorMittal group → Supplier financing programme → Mandated extended payment terms → Cash initiatives → Expert study on Vanderbijlpark footprint → Import tariffs on 10 products implemented	→ Borrowing-based facility (BBF) was launched → Bond raising to be considered if required → Sale of non-core assets → Discussions with government on localisation of steel, flat steel pricing model and safeguards → Working capital management → Inventory management and additional on-boarding of suppliers onto supplier financing
2	**Market demand decline** Global oversupply of steel puts pressure on steel prices. This, together with lower domestic economic activity, contributes to market demand declining	→ Adequate market intelligence, including: • Monitoring of imports • Strategy discussions with customers • Arbitration meetings • Consumption modelling with customers • Monitoring leading market indicators → Import tariffs on 10 products	→ Further development of the Africa Overland market → Target projects (eg infrastructure) → Engagement with key customers → Improving customer service → Safeguard applications being pursued on selected products exposed to high risk of unfair imports → Localisation of steel for state infrastructure projects
3	**Increased imports** Different competitive actions within the market are threatening our market share. Increased imports, particularly from China, are the main concern	→ Monitoring market activities and reviewing strategies accordingly → Improved customer service and reliability → Feedback from customers and developing account plans accordingly (target market approach) → Monitoring imports and competitor activity → Import tariffs on 10 products	→ Improving customer service → Supply stability by continued focus on production improvements, maintenance and operational expenditure requirements → Safeguard applications being pursued on selected products exposed to high risk of import → Localisation of steel
4	**Foreign exchange exposure** With a significant portion of ebitda costs being rand-based, the company is exposed to fluctuations in the exchange rate	→ Natural hedge on USD-denominated imports (the prices of these commodities tend to increase in line with dollar strength, which impacts the rand)	→ Continuously hedge net firm commitments and maximise cash in functional currency
5	**Spread risk** An increase in the raw material basket without a concomitant increase in steel prices leads to margin squeeze, impacting profitability	→ Market intelligence on pricing parameters → Contracts in place with key suppliers defining price and/or pricing mechanisms	→ Source cheaper input materials → Source better quality materials with higher Fe content to reduce costs and increase value in use → Initiatives to reduce costs

No	Risk name and context	Control details (controls currently implemented)	Action details (additional actions being considered or planned to reduce the risk)
6	**Operational instability** Incidents causing operational instability leading to a loss of production are a risk not only to the profitability of the company but will also impact customers, which may prompt them to seek alternative supply, increasing the risk of imports	→ Tracking of plant KPIs → Reliability programmes (including root cause analysis) → Maintenance plans → Skills development → Operational procedures → Quality control on input material	→ Business improvement process → Implementation of actions to reduce asset risks through prioritised capex plan → Increased focus on process safety and passive plant protection → Focus on current control effectiveness → Adherence to company processes and procedures
7	**Safety performance** Non-compliance and non-adherence to fatality prevention standards and unsafe acts and conditions may potentially lead to lost time injuries and ultimately to fatalities	→ Driving adherence to fatality prevention standards → Shop floor audits → Management presence on the shop floor	Journey to zero incidents by: → Reducing total injury frequency rates, disabling injury frequency rates, number of serious occurrences and potential serious injuries or fatalities → Driving fatality prevention standards – level 3 at all sites achieved by end 2016
8	**Environmental impacts from operations** Non-compliance with existing environmental laws and regulations could have a significant impact on the company, leading to penalties or even plant closures	→ Environmental projects implemented, eg waste disposal site (Vanderbijlpark), BOF slag disposal site (Newcastle), improvements to air abatement systems → Ongoing air emission, water quality and waste monitoring as required by licences → Improvements to water treatment facilities at Vanderbijlpark and Newcastle	→ Continuing with land remediation activities → Capital provision for air/water and waste with a focus on air-related improvements at Newcastle
9	**Insufficient input material supply and quality of input material** Input material disruptions due to factors such as insufficient stock holding, Transnet Freight Rail (TFR) inefficiency, supplier disruptions (such as strikes, breakdowns or incidents) and poor quality of input material could result in plant stoppages/disruptions with resultant production losses	→ Internal logistics improvement plan to address turnaround times → Road transport as alternative to rail → Monthly forum with TFR → Daily, weekly and monthly planning meetings → Integrated transport plan → Logistics operations centre (LOC) with TFR on site → Alternative supply of critical input material → Weekly dashboard report between TFR and company CEO	→ Joint optimisation project between management and TFR to improve service delivery → Review and maintain safety stock levels to serve as contingency → Investigation into potential technical solutions at the respective plants → Importation of pellets → Potential reactivation of Thabazimbi to mitigate the high alumina levels of ore from Beeshoek and Sishen
10	**Increased input costs** Higher and rising input costs of material, services or transport which are not compensated by increases in steel prices could lead to margin squeeze with a resultant bottom-line impact	→ Change of unfavourable contract with main iron ore supplier → Alternative iron ore supply → Weekly stock planning meetings, target stock days → Optimise internally generated material (eg scrap) → Strategic partnerships → Leakage prevention initiatives → Increased Africa Overland supply → Contracts in place with key suppliers defining price and/or pricing mechanism	→ Investigate alternative sources including imports of iron ore → Base volume to be negotiated (rail and road) – thus focus should be on sustainable logistics performance

Our strategy, our stakeholders and our creation of value

Here we show how, in 2016, our four key strategic objectives addressed our most material issues and our key risks, what these mean for our key stakeholders, and how we measure our performance on achieving our strategic objectives.

Keeping our people safe

Material issues, top risks and KPIs	Key 2016 actions	Stakeholders impacted	Impact on stakeholders	Other areas impacted
Workplace safety Risk 7; KPI 1, KPI 2, KPI 3	We embedded a culture of being aware of, and reporting on, serious occurrences as well as a culture of team members taking responsibility for each other's safety.	→ Employees → Contractors	Our safety performance this year was mixed; we suffered three fatalities, Vanderbijlpark, in particular, performed well while, overall, long steel disappointed. Our lost time injury frequency rate deteriorated while our total injury rate improved.	Creating a high-performance culture Creating social value
	All three fatalities suffered this year were of contractor employees. Tougher penalties for safety non-conformance were instituted while the execution of non-conformance report procedures was tightened.	→ Contractors	279 contractor supervisors and employees were formally cautioned this year and one contractor blacklisted for unsatisfactory safety performance. Contractor employees identified as being high risk were required to be redeployed.	

To see how we performed against our key performance indicators on this strategic objective, go to 36.

Driving profitability

Material issues, top risks and KPIs	Key 2016 actions	Stakeholders impacted	Impact on stakeholders	Other areas impacted
Liquidity Risk 1, Risk 2, Risk 3, Risk 4, Risk 5, Risk 10; KPI 4, KPI 7, KPI 8	We remained liquid thanks to ongoing support from the ArcelorMittal group, by far our largest funder. At the time of reporting we were close to finalising a R3.5 billion borrowing-based facility with a tenure of 36 months. This year various cash optimisation initiatives were implemented.	→ Shareholders → Lenders → Suppliers	Our secured ability to meet our short-term financial obligations will positively impact shareholders, suppliers and employees.	Creating a high-performance culture
Optimising our industrial footprint Risk 3, Risk 5, Risk 6, Risk 9; KPI 4, KPI 5, KPI 6	This year we spent R2 018 million to maintain and modernise our production facilities while various process interventions at Vanderbijlpark resulted in combined (unaudited) savings of R754 million.	→ Shareholders → Employees → Trade unions → Suppliers → Customers → Contractors	By optimising our production processes we benefit all stakeholders with an interest in our survival and growth. Customers will benefit from improved pricing and better products.	Creating a high-performance culture
Unsustainable input costs Risk 5, Risk 9, Risk 10; KPI 4	Our export pricing-based agreement with Kumba Iron Ore was closely managed to derive maximum benefit. We also increased (rand denominated) iron ore sourcing from other suppliers while achieving procurement savings of R860 million.	→ Suppliers → Contractors → Shareholders	Commodity suppliers will benefit from the sustainability of our business and some suppliers, including contractors, received expanded work scopes. We must ensure that customers benefit from our cost savings.	Creating social value
Protection against unfair imports Risk 2, Risk 3; KPI 4	We pursued, with the relevant authorities, tariff, safeguard and localisation measures, a majority of which were in place at year-end.	→ Employees → Government → Customers → Suppliers → Communities	Protection measures will positively impact our ability to stay in business, benefiting a wide range of stakeholders. Fair pricing will work to the advantage of customers. Localisation for state infrastructure projects, announced in January 2017, will benefit, especially, the downstream.	Creating social value
Customer focus and a fair price for steel Risk 2, Risk 3, Risk 6; KPI 9	A fair price for (flat) steel products was applied by ourselves from April. We established teams to focus on niche customer needs and improved on-time deliveries.	→ Employees → Government → Suppliers → Customers → Communities	Customers will benefit from more predictable, more competitive pricing. This year we paid R479 million in export and other rebates while complaints dropped and on-time deliveries improved (although not nearly enough).	Creating social value Creating a high-performance culture

To see how we performed against our key performance indicators on this strategic objective, go to 40.

objectives

All stakeholders benefit in the medium to long term from a safer, profitable, more sustainable ArcelorMittal South Africa. In our online report we detail who our material stakeholders are, why they are important, what matters to them and how we engage with them.

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Creating social value

Material issues, top risks and KPIs	Key 2016 actions	Stakeholders impacted	Impact on stakeholders	Other areas impacted
B-BBEE compliance KPI 10 KPI 11	In November shareholders approved our landmark B-BBEE ownership transaction.	→ Shareholders → Employees → Government → Communities	New value will be created for HDSA shareholders, employees and, ultimately, our local communities. Employees now own 6.6% of the company and, in future, local community groups will have a 5% interest.	Driving profitability Creating a high-performance culture
	In 2016 we almost doubled (to 1 107) the number of emerging businesses registered on our database, inaugurated an incubation hub and spent R16 million on enterprise and supplier development, and R17.5 million on socio-economic development.	→ Suppliers → Communities	We will increase the business we do with emerging small businesses while empowering them through enterprise and supplier development. Our CSI initiatives now largely address economic opportunities for our communities.	Driving profitability
Competition Commission issues KPI 13 Risk 2 Risk 3	We reached an agreement with the Competition Commission, which was ratified by the Competition Tribunal.	→ Government → Shareholders	The settlement draws a line under issues that have negatively affected our relations with government and regulators. These parties will now have a say in both our pricing and capital expenditure.	Driving profitability
Environmental compliance Risk 8 KPI 12	We continued to invest in emissions and effluent control. While meeting legal obligations, our lack of free cash flow affected our ability to mitigate our environmental impacts.	→ Communities → Government → Employees	We achieved considerable success this year on, especially, reducing water abstraction and effluent discharge.	Driving profitability Keeping our people safe

To see how we performed against our key performance indicators on this strategic objective, go to 45.

Creating a high-performance culture

Material issues, top risks and KPIs	Key 2016 actions	Stakeholders impacted	Impact on stakeholders	Other areas impacted
Training for a new operating reality Risk 6 Risk 7 KPI 14 KPI 15 KPI 16	This year we spent R184 million on training and skills development. A total of 548 managers took part in leadership programmes while we offered apprenticeships to 546 individuals, an investment which will have a wider impact on society, especially as the country invests more in infrastructural development.	→ Employees	Leaders are being equipped with new skills while being imbued with the tenets of values-based leadership, which will transform our corporate culture. Critical technical skills are being developed.	Driving profitability Keeping our people safe

To see how we performed against our key performance indicators on this strategic objective, go to 54.

Company leadership

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

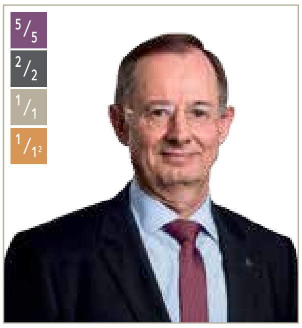
2. **Mr WA de Klerk** (Wim)

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

Committee key

- Board
- Audit and risk
- SHE
- B-BBEE
- Nominations
- Remuneration, social and ethics
- 10/10 Meeting attendance

[1] *Chairman*
[2] *Attended by invitation*
[3] *Attended the other three meetings as a non-director*



4. **Mr H Blaffart** (Henri)

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

6. **Mr D Clarke** (David)

1. **Mr PM Makwana (Mpho)** (46)
Independent non-executive chairman
BA (Hons)
Appointed board chairman on 5 February 2013

Value added to the board:
Governance, stakeholder relations and transformation best practice

2. **Mr WA de Klerk (Wim)** (53)
Chief executive officer (CEO)
BCom, BAcc, CA(SA)
Appointed on 1 July 2016

Value added to the board:
Strategic leadership and financial insight

3. **Mr D Subramanian (Dean)** (44)
Chief financial officer (CFO)
CA(SA)
Appointed CFO on 1 August 2015

Value added to the board:
Experience in finance and steel industry management

4. **Mr H Blaffart (Henri)** (62)
Non-executive director
Civil engineer, MA general management
Appointed on 19 July 2016

Value added to the board:
Human resources, research and development

5. **Mr RK Kothari (Ramesh)** (44)
Non-executive director
CA(India)
Appointed on 11 June 2015

Value added to the board:
Experience in finance and steel industry management

6. **Mr D Clarke (David)** (52)
Non-executive director
PHD, MA Physics
Appointed on 19 July 2016

Value added to the board:
Strategy and integration and operational improvement

7. **Mr JRD Modise (Jacob)** (50)
Independent non-executive director
BCom, BAcc, CA(SA), MBA, AMP
Appointed on 1 October 2013

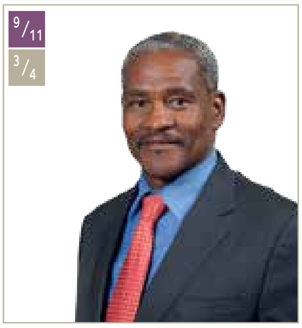
Value added to the board:
Governance and sustainability best practice

8. **Mr LP Mondi (Lumkile)** (54)
Non-executive director
MA Economics, BCom (Hons) Economics
Appointed on 11 May 2007

Value added to the board:
Macro-economic insight and governance

During the past year the board of directors held 11 meetings, including a strategy session and five special board meetings. Attendance by directors at board and committee meetings is set out on these pages while the following pages contain reports from the chairman, chief executive officer and chief financial officer.

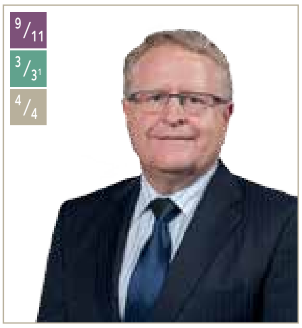
7. **Mr JRD Modise** (Jacob)



8. **Mr LP Mondi** (Lumkile)

9. **Ms NP Gosa** (Noluthando)

10. **Ms NP Mnxasana** (Nomavuso)



11. **Mr NF Nicolau** (Neville)

12. **Ms LC Cele** (Zee)

9. Ms NP Gosa (Noluthando) (54)

Non-executive director
BA (Hons), MBA
Appointed on 1 December 2016

Value added to the board:
Business administration and experience in investment banking

10. Ms NP Mnxasana (Nomavuso) (60)

Independent non-executive director
BCompt (Hons), CA(SA)
Appointed on 1 October 2013

Value added to the board:
Sustainability best practice, risk and finance management expertise

11. Mr NF Nicolau (Neville) (57)

Independent non-executive director
BTech, MBA
Appointed on 10 September 2015

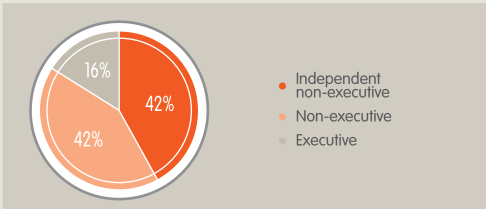
Value added to the board:
High-level strategic and technical insight

12. Ms LC Cele (Zee) (64)

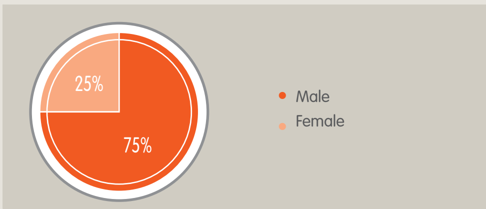
Independent non-executive director
BCom, MAcc
Appointed on 4 January 2016

Value added to the board:
Commercial and tax expertise

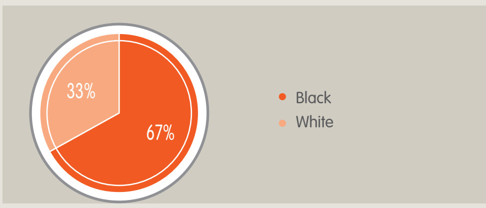
Board membership at the time of reporting



Board gender representation



Board diversity (including international directors)



Our stakeholders and how we engage them

Here we list our stakeholders, why they and their concerns are important and how we engage with each group:

Stakeholder group	Why they are important	Their interests in our business	Strategic objectives and material issues
Customers	→ Provide the markets for our products → Provide revenue, without which the business could not function	→ Quality products → Pricing → On-time delivery → Product choice → Protection against unfair imports	→ Driving profitability → Creating social value → Customer focus and establishing a fair price for steel
Employees	→ Integral to delivery on our strategic objectives → Provide skilled labour to produce and market our products → Our most important and most valued ambassadors	→ Workplace safety → Reward and recognition → Security of employment → Career progression → Education and training → Corporate reputation → Our profitability	→ Workplace safety → Creating a high-performance culture → Driving profitability → Optimising our industrial footprint → Training for a new operating reality
Government (national, provincial, local), parliamentary portfolio committees, regulators	→ Develop legislation and policies that directly impact our business → Have the ability to grant or revoke licences necessary to operate and impose penalties → Enforce tariff protection and the designation of local steel	→ Product pricing → Job creation → Legislative and regulatory compliance → Socio-economic impact → Environmental compliance → Transformation	→ Creating social value → Seeking the implementation of protection against unfair imports → Competition Commission issues → Customer focus and establishing a fair price for steel
Shareholders	→ We are accountable to shareholders who expect returns on their investments → Influence decisions taken by the board → Support the value of investing in the local steel industry	→ Sustainability of our business → Return on investment → Effective risk management and corporate governance → Good corporate citizenship → Transformation	→ Driving profitability → B-BBEE compliance
Suppliers and contractors	→ Directly influence raw material and other input costs → Reliable delivery impacts our ability to deliver on customer needs and expectations → Impact our safety performance	→ Opportunities for continuing and new business → Fair and transparent treatment including predictable payment → Employee safety	→ Driving profitability → Workplace safety → Optimising our industrial footprint
Trade unions	→ More than 70% of our workforce belong to unions and more than 80% are covered by collective bargaining agreements → Good relationships with organised labour can avert industrial action and positively influence the outcome of wage negotiations → Union support can help secure regulatory measures which ensure our sustainability	→ Maintenance of employment and new job creation → Workplace safety → Employee remuneration → Members' career advancement → Employee safety → Transformation → Industry sustainability	→ Creating a high-performance culture → Creating social value → Ensuring workplace safety
Local communities	→ Living in the vicinity of our operations, their environment and employment opportunities are directly impacted by our business → Direct beneficiaries of our corporate social investments and economic opportunities presented by our operations → Will become company shareholders	→ Our financial sustainability → CSI and socio-economic development projects → Environmental performance → Opportunities for employment and business	→ Creating social value → B-BBEE compliance → Environmental compliance
NGOs and special interest groups	→ Represent the social and environmental concerns of local communities and broader society → We previously had acrimonious relations with some community organisations	→ CSI and socio-economic impacts → Environmental performance	→ Creating social value → Environmental compliance
Small and medium enterprises	→ Provide a range of secondary products and services to our operations → Provide us with the opportunities to improve our ESD scores on the dti Codes of Good Practice scorecard → Are integral parts of our local communities	→ Business opportunities → Enterprise development → Preferential procurement	→ Creating social value → B-BBEE compliance
Lenders	→ Provide funding required to remain in business and to invest in growth	→ Business sustainability → Predictable payment of interest and principal debt and regular servicing of facilities → Security of credit	→ Driving profitability liquidity
Media	→ Can influence public perception and brand reputation	→ Access to newsworthy, timeous information → Industry and economic insight	→ Creating social value

How we engage with them

- Regular, ongoing engagement between sales staff, management and key customers to determine the needs of the market and identify issues as they arise
- Direct ad hoc communication to inform customers about new developments or the resolution of specific issues
- Industry associations
- Engagement on customer requirements for new product specifications and grades
- Working with government and regulators to assist downstream customers with import protection on finished products
- Granting and administration of rebates
- Online claims tracking system (new from 2016)
- Customer satisfaction surveys
- Social media

- Internal newsletters 1Magazine, Enews, CEO newsletter, CEO blog (#AskWim) and announcement mailers, intranet, posters and email campaigns
- CEO roadshows and CEO Recognition Awards
- Shopfloor safety meetings
- Performance and career development reviews (package category employees)
- Formal grievance and dispute resolution structures
- Culture and values surveys
- Training and skills development
- Communications around employee shareholding

- CEO and officers in charge of specialist functions engage on an individual level with national ministry, provincial and local government representatives
- Industry meetings with government
- Detailed reports on company financial, commercial and socio-economic performance
- Integrated annual report
- International Trade Administration Commission committee meetings
- Industry-specific task force
- Direct ad hoc communications to inform government about industry developments

- Bi-annual and annual results presentations
- Shareholder and business unit roadshows and meetings
- Quarterly production trading updates and SENS announcements
- Integrated annual report
- Website
- Site visits and special events

- Regular meetings between management and key suppliers
- Managers on site conduct ongoing engagement and management of contractors
- Safety training for contractors
- Incubation hub
- Enterprise and supplier development projects
- Health and safety day
- Online supplier registration portal

- Union representation on a range of committees including safety, health and environment, training and employment equity
- Shopfloor line managers' engagement with union representatives on a daily basis
- Wage negotiation process
- Meetings between CEO, senior management and union head office level
- Integrated annual report
- Joint presentations to government

- Annual community engagement facilitated by local councillors, community leaders and NGOs
- Environmental open days
- Arranged meetings with CSI managers
- Meetings and joint local upliftment projects with chambers of commerce and municipalities
- Regular planned one-on-one meetings
- Advertising and media buying through advertorials
- Integrated annual report
- CSI projects and investments

- Annual community engagement forums
- Local environmental quality forums
- Integrated annual report
- Structures representing government, NGOs and business
- Office meetings
- Training of local women
- Science centres
- Website

- Annual community engagement forums
- Preferential procurement days and supplier days
- Online vendor portal
- Enterprise and supplier development training
- Interaction with supplier development officials at business units and head office
- Supplier incubator hub

- Daily electronic and telephonic communication
- Regular updates by CEO and senior finance officials
- Bespoke presentations
- SENS announcements

- Company spokesperson responds to media queries and requests for information while keeping media informed of key developments
- CEO and officers in charge of specialist areas are regularly interviewed
- Media are invited to interim and full-year results presentations as well as important company events such as the launch of CSI projects
- SENS announcements and media releases
- Integrated annual report
- Site visits and media conferences
- Round tables and editors' lunches

Message from the chairman

ArcelorMittal South Africa fully appreciates the extent to which its future and its interests are bound up with those of the society in which it operates. We have reached important new accords with stakeholders, are rapidly optimising our industrial footprint and are entrenching cultures of safety and high performance.

Mpho Makwana Chairman

Dear stakeholders

This year we report against the theme, "together creating value for all".

We undertake this report believing that, after a year of tremendous change and considerable progress, we are indeed now equipped to confidently speak of a near future in which we will be able to play our part in creating sustainable value for all stakeholders.

Earning our place at the table

In recent integrated annual reports I have consistently written about how ArcelorMittal South Africa fully appreciates the extent to which its future and its interests are bound up with those of the society in which it operates, with those who provide us with capital, labour, revenue and our licence to operate. For some time, however, we as a company have been considered something less of an equal partner by many; for some years we have been regarded in some quarters with suspicion and even disdain. We have had to work hard to earn our full and equal place at the table securing the future of the primary and downstream steel sectors and their places in building a new, inclusive, more prosperous, more equal South Africa.

In 2016, I believe, we finally began to prove our worth and our sincere commitment to creating value for all. But while we strive to create social value, we destroy value of the most precious kind every time someone is injured, or worse, killed while working at ArcelorMittal South Africa.

Safety seeping into our DNA

We pause to remember the three contractor employees who tragically died on our watch in 2016.

In visits to our various business units this year, the board and I observed – on shop floors, in offices and in canteens – tangible signs that a deep-rooted safety culture is finally seeping into the DNA of our organisation. Whereas in the past, improved safety indicators have lulled us into complacency (this year the indicators were decidedly mixed, see 36), we will not allow the same to happen again. There is only one thing that matters more to us than our reputation as an ethical value-creating good corporate citizen: our reputation as a company that strives to do zero harm.

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Risk 7 >

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Competition Commission settlement and tariff protection

We thank the Competition authorities for the positive spirit they displayed in engagements over legacy issues relating to past pricing-collusion practices, issues that have now been put to bed. The settlement reached with the authorities, entailing an administrative fine of R1.5 billion, frees the company to now focus more meaningfully on the critical issues that will secure a sustainable primary steel sector in South Africa. This matter is of the utmost priority to the board, as well as to the ArcelorMittal group, especially as we look to ensure that such practices never become part of the sales culture at ArcelorMittal South Africa again.

The agreements reached with the Competition Commission also foresee a cap on the prices we will charge for some products and commit the company to invest R4.6 billion in our plants and the broader steelmaking value chain.

These agreements represent a bold new multi-stakeholder compact to direct (to borrow from the nomenclature of integrated reporting) the value our company will create for itself and for others over time.

Stakeholder engagement and support

We wish to thank our stakeholders: organised labour, our partner trade unions Numsa and Solidarity; the economic-cluster ministries within government; the regulatory agencies and our shareholders, for the instrumental roles each played in getting us this far.

In the recent past, these key stakeholders have all demonstrated a keen appreciation of the fact that the sustainability of the steel industry is crucial to the growth of the economy and the creation of jobs. Managing a business sustainably is impossible without meaningful support from, and partnership with, organised labour. In 2016 we reached another significant milestone with our B-BBEE initiatives deepening our commitment to our employees when, through an employee share trust, the people who work on our shop floors secured an additional 5.1% shareholding in ArcelorMittal South Africa. We hope that this will infuse an employee-owner mindset among all of our 9 000 people throughout our mills, plants and corporate offices.

Towards outstanding corporate citizenship

We are committed to deepening both our licence to operate and meaningful corporate citizenship. To this end, in September 2016 we welcomed our strategic B-BBEE partners, Likamva Resources, who joined the ArcelorMittal South Africa family through the acquisition of a 17% shareholding. With this groundbreaking transaction, after more than a century of steelmaking in South Africa, we marked one of the most important milestones in the year that the ArcelorMittal group celebrated its 10th anniversary.

As we welcome Likamva as active partners in our drive to create value for all, we also look ahead with confidence towards unlocking further value for the communities around our plants who will, within two years of the transaction date, participate in a 5% stake in the company at which so many of their sons, daughters, mothers and fathers work.

Our communities are at the heart of our operations and their members are among our most important stakeholders. This year (see 47) we sought to align our corporate social investments with our value chain by creating real economic opportunities for local emerging businesses. But, as with the science centres which we sponsor, we can achieve only so much on our own. Therefore, as we report also on 39, it was extremely gratifying that, in November, government, through the Department of Trade and Industry, committed R14 million to our new incubation hub in Vanderbijlpark. Only together can we create real value for all.

This year we report lower direct capital expenditure (R38 million) on mitigating our environmental impacts than the amount spent in the previous year. In fact, over and above the amount of R38 million, in 2016 we also spent R138 million on capturing off-gases with which to self-generate electricity. This expenditure will enable us to preserve financial capital while reducing our environmental impact by lowering our Scope 2 CO_2 emissions.

Leadership

ArcelorMittal South Africa is committed to best practice in governance. We welcome the King IV Report on Corporate Governance and look forward to reporting to stakeholders in our 2017 integrated annual report in terms of the new code. We congratulate the distinguished members of the King Committee, whose number included our own general counsel Mohamed Adam, on their excellent work.

This year the board took leave of non-executive directors Mr Marc Vereecke and Mr Davinder Chugh while, subsequent to year-end, Mr Lumkile Mondi will leave the board he has served since 2007. I thank these gentlemen for their outstanding contributions to the ethical and effective leadership of ArcelorMittal South Africa. This year we welcomed Mr David Clarke and Mr Henri Blaffart while, following our successful B-BBEE transaction, Ms Noluthando Gosa joined the board, also as a non-executive director.

Outlook

ArcelorMittal South Africa ended 2016 better equipped to deal with complex and very material risks as well as various challenges from the macro-economic environment.

We enter 2017 with renewed hope, a hope informed by experience, that in the second half of the year our stakeholders, especially our shareholders, will begin to experience the effects of the many hard-won victories recorded in 2016. The new year will, we believe, represent an opportunity for us all to work together, to work harder than ever and to get back to the business of growing our economy.

Invitation to attend the annual general meeting

I hereby extend an invitation to all shareholders to attend the 29th ArcelorMittal South Africa annual general meeting, to be held at the Hyatt Regency Hotel, Rosebank, Johannesburg, on 24 May 2017 at 09:00.

Mpho Makwana
Chairman

Message from the chief executive officer

The steel downstream is at the heart of our business model and our creation of value. Tens of thousands of jobs depend on ArcelorMittal South Africa and its competitors, and tens of thousands more depend on the businesses to which we supply.

Wim de Klerk Chief executive officer

Dear stakeholders

Readers of this report, especially those who take a close interest in our business, will notice a subtle shift in our presentation of information this year.

In the recent past much of the information conveyed in our integrated annual reports has had to do with survival, about staunching losses while fixing broken processes and, especially, broken relationships. In this narrative there was relatively little about the customer, about the people who, in buying and using our steel, create economic activity, infrastructure, jobs and wealth.

Getting back to basics

The reason for this is simple: in recent years the issues that were most material to our survival were so daunting, so numerous and so complex that management's attention was not always focused – to the degree that it should have been – on that which is most fundamental to our business model. By that I mean the business of consistently getting better at making great steel safely and efficiently, selling it to customers in the quantities, quality and to the specifications that they want at world-class prices.

In November the Competition Tribunal ratified our settlement agreement with the Competition Commission, which agreement ArcelorMittal South Africa has to date complied with in all material respects. Shortly after the Tribunal confirmed the settlement agreement, I communicated in a memorandum to my colleagues that, having put our legacy behaviours behind us, our management team could now focus on returning the company to sustained profitability in compliance with law. Six weeks later I wrote to my colleagues: "To improve profitability and ensure sustained growth, the quality of our product, delivery, and excellent customer service are important. We really need to deliver on our budget to produce tonnes of world-class steel products that meet our customers' needs."

By its very nature a report such as this, about a company as large and complex as ArcelorMittal South Africa, talks about millions of tonnes of steel and commercial coke but our customers do not buy millions of tonnes; they and the steel they buy from us, not in millions of tonnes but perhaps hundreds of tonnes at a time, are not commodities. In 2016, as we finally cut the Gordian knots that have tied up so much of our leadership's attention for too long, we renewed our focus on our customers, together creating value for all.

Inevitably the financial health of a primary steel producer such as ourselves is tied to the health of the economy in which it operates. Reputable research proves that when there is zero or near-zero growth, steel markets contract. This is the situation in which South Africa regrettably found itself in 2016. With almost non-existent GDP growth, domestic steel shipments contracted while in some of the African markets to which we export, infrastructural investment faltered.

As the financial and operational discussions in this report make clear, this year our company succeeded in increasing sales. This was largely ascribable to developments affecting our competitors, to a limited extent to a slowdown in imports but also to our renewed focus on the customers who keep us in business. Despite all of this, for much of the year we were selling our steel at prices that were at the lowest levels seen for many years.

The steel downstream is at the heart of our business model and our value creation. Tens of thousands of jobs depend on ArcelorMittal South Africa and its competitors, and tens of thousands more depend on the businesses to which we supply. Whereas we are simply unable to compete against imported steel that has been produced with foreign government subsidies, the South African authorities appreciate only too well the importance of ensuring the health of the downstream sectors.

This year import tariffs on 10 product ranges were in force and, in the third week of January 2017 government announced its decision to designate locally produced and manufactured steel products and components for state construction projects.

It was in light of this announcement that I issued my internal communication (referred to above) about the need for us to consistently achieve quality, delivery and service to meet our customers' needs.

In February 2017 government, through the Department of Trade and Industry, formally endorsed the fair pricing agreement (see 11) which we had applied since April. Throughout our recent interactions and negotiations with government both parties have been motivated by an open, honest desire to ensure not only that all elements of the steel sector can survive but that everything possible is done to ensure their ability to thrive, invest and create new jobs.

The requirement that public sector construction must use 100% locally made steel is tremendously good news for ArcelorMittal South Africa but it is especially good news for the downstream, for our customers. This requirement will in time help to divert import orders back to the factories of local manufacturers and producers, creating new opportunities and employment for hundreds of businesses and thousands of people. In assisting our customers to take full advantage of these new opportunities, our company has already signalled its commitment in a number of concrete ways to create considerable social value.

At the time of reporting, the International Trade Administration Commission (ITAC) had yet to make a final decision on whether to implement safeguard duties on HRC and cold rolled coil. Safeguards are of the utmost importance to the sustainability not only of our company but to that of thousands of downstream businesses. In 2017 we will work closely with these same customers – and the authorities, including ITAC – on together creating solutions that are to the benefit of all stakeholders.

Ensuring the safety of our people

A task that occupied a great deal of management's time and attention this year, as it does every year, was our safety record and safety culture. We have reason to believe that a deep-rooted safety culture is indeed finally taking root at ArcelorMittal South Africa – a belief that would appear to be borne out by at least one key safety indicator – our total injury frequency rate.

This year management at all levels, as well as our dedicated health and safety professionals, worked with diligence and considerable creativity to engender a 24/7 safety ethos (see 37). Yet, as readers of this report are repeatedly reminded, we suffered three deaths at our premises, all of them contractor employees. Also, most disappointingly, our lost time injury frequency rate worsened from 0.48 to 0.62. As much as our safety drive in 2016 used imaginative means to bring home safety awareness, we have begun to act with the most extreme rigour against unsafe acts and unsafe mindsets. Contractors are essential to our production of quality steel but any supplier who does not live up to our high expectations on keeping everyone safe will simply not be allowed to do business with us.

Driving profitability

A fundamental upshot of the new steel order is that we now have less control over the domestic prices we receive for our products (see 46). This year, in line with international developments (which stemmed largely from sharp rises in the prices of iron ore and, especially coking coal), our average net realised price rose by 8%. This increase had no relation to import tariffs, was lower than international price rises and entirely in keeping with the undertakings we have made in terms of our fair pricing agreements.

While our room to manoeuvre on pricing has been limited, we do have the means to optimise our footprint to produce our steel more efficiently and, from this year, have had a greater measure of control over our raw material costs.

We are still some way off achieving sustainable profitability but our operational and financial performance speaks volumes about the strides we have made on driving profitability. Excluding the impact of once-off items our, ebitda performance this year was R1 billion better than the previous year while we produced steel at prices that often compared with the best in the world.

Of particular note, I believe, was the performance this year of our flagship Vanderbijlpark Works. Running at 81% capacity despite a Q4 rupture of the stove at blast furnace C which deprived us of 54 000t of production, Vanderbijlpark achieved enormous success in terms of reliability and cost. At all of our plants we invested a great deal in capital expenditure (75% more than in 2015), in improving the reliability and efficiency of our operations. While this large outlay had a material impact on our profitability performance this year, this investment will have a significant short and medium-term effect on our ability to generate sustainable profits.

It was thanks to such much improved performances that this year we were able to more than triple, to R479 million, the value of rebates given to our customers, a very real way in which we create social value. As much as we value customers as partners, we rely on our supplier partners to support us in creating

Message from the chief executive officer continued

sustainable value. Regrettably, just one part of our supply chain – transport – proved to be a stubbornly conspicuous area of underperformance. Because of consistently poor service from our rail partner, we had to bring very large amounts of material to our plants by truck, translating into added, unnecessary costs of R535 million. The impact of such a single cost item on our overall performance will be readily apparent.

Encouragingly, towards the end of the year the quality of our dialogue with Transnet management improved considerably and we are confident that undertakings they have made, to improve their service levels, will bear fruit in 2017. Of particular note was the reopening – in February 2017 – of the Elandsfontein Intermodal Terminal in Germiston which will, we envisage, result in the shipping of some 700 000 tonnes of finished product being migrated from road to rail.

In similar vein, we are encouraged by a greater willingness from the management of Eskom to work with us on ways to unlock mutual benefits.

Also encouragingly, we are able to report a substantial improvement in the quality of the dialogue we today have with our local communities on our environmental impacts, a dialogue that is now characterised by openness and empathy. Equally constructive is the engagement we have with our trade unions. As the chairman mentions, we are delighted that our employees and soon the people living near our plants will have substantial stakes in our company.

Not the least of our achievements in 2016 was the tolling agreement we were able to reach with Evraz Highveld Steel to produce heavy structural products (see 42) at their facilities in Mpumalanga. Not only will this exciting new arrangement contribute towards returning ArcelorMittal South Africa to profitability, it will secure hundreds of jobs and boost economic activity in an area in which it is sorely needed. Reviving employment was also a key consideration in our acquisition of the Thabazimbi mine assets (see 42).

Creating a high-performance culture

We are unusual in reporting (as we have done since 2014) on so-called human resources issues with such prominence. There is good reason for this: we are convinced that building a high-performance culture is of the utmost importance to our financial sustainability and we believe that a high-performance culture is only possible with a truly transformed and truly empowered workforce. This is why I believe that one of our greatest achievements this year was the large investment we once again made in the skills of our people.

This year we record, with great satisfaction, the fact that our engineering academy at Vanderbijlpark – which offers all of the traditional trades – had an average pass mark of 87%, against a national average of between 45% and 54%.

Risk 1

Risk 10

Risk 8

Most unusually, this report begins to give an indication of the financial return we derived from this investment in human capital (see 41 and 54).

At all of our plants and among all of our customer-facing teams, tangible benefits amounting to several hundred million rand flowed from the inspiration and application demonstrated this year by highly motivated people.

Outlook

The prospects for a strong economic rebound in 2017 remain limited and we believe that the low-growth, stagnant steel consumption context of recent years will continue to prevail for at least the foreseeable future.

In the new year we do predict with some confidence, however, a modest improvement in our export markets (representing opportunities which we will pursue with determination) and a return to more normal levels of profitability by Coke and Chemicals. On sales of long steel products in particular, high levels of competition and dampened demand from key customer sectors are likely to persist for much of 2017 with an upturn only likely in the second half of the year.

So-called carbon taxes, on which we have engaged with multiple stakeholders for some years, may have a negative impact on our profitability in 2017. As we have done in the past, we will continue to vigorously argue the position that, unless implemented and applied in ways that support the achievement of desired outcomes, such taxes can have extremely negative impacts on investment and job creation.

In the new year the prices of our key inputs will have a very substantial, very direct bearing on the spread between the raw material basket and our steel prices, and therefore on our profitability. It is our view that market fundamentals do not justify the raw material price hikes witnessed in 2016 and that these will return to more normal levels in the new year. Currency movements, which are similarly beyond our control, will have a material impact on our raw material baskets and our prices.

While 2016 was a year of profound challenges it was also a year of profound achievements. In the year reported we achieved a great deal in terms of our ability to create human, manufactured, social and ultimately financial value. We will build on these achievements at our plants, in our communities, on our customers' shop floors and in our relations with all stakeholders to, together, create new value in 2017.

Wim de Klerk
Chief executive officer

Message from the chief financial officer

In a world that is awash with steel, we succeeded to a remarkable extent in not just navigating through a most challenging year but in boosting our competitiveness, significantly reducing losses and stabilising and improving most aspects of the business.

Dean Subramanian Chief financial officer

Overview

In 2016 the company made considerable progress towards achieving and ultimately maintaining financial sustainability despite an operating context which continued to be extremely adverse.

Around the world and in our key markets, including South Africa, there was no appreciable increase in steel demand with traditionally large domestic consumers experiencing zero or even negative growth. In South Africa large quantities of foreign government-subsidised steel continued to be imported despite the introduction, in late 2015 and early 2016, of 10% import duties. Imports reduced from 1.3Mt to 1.2Mt negated by the reduction in apparent steel consumption from approximately 5Mt to 4.1Mt. Elsewhere in our main export markets demand remained subdued.

Meanwhile global prices of our most important input raw materials increased dramatically – iron ore by 100% and coking coal by as much as 247%. On the back of these sharp cost increases, world steel prices rose towards the end of the year, hot rolled coil (HRC) price gaining 93% over a year previously and rebar ending 75% stronger.

In a year of substantial (and profoundly positive) corporate activity, ArcelorMittal South Africa voluntarily followed the terms of a fair pricing agreement for eight of the 12 months reviewed. This had the effect of capping the prices realised on flat products, the products that account for two-thirds of our revenue. Added to this, rand strength in 2016 limited the upside potential of stronger global steel prices reflecting the considerable foreign-exchange risks to which we are exposed.

In a world that was awash with steel (much of it for sale at prices below its actual cost of production and shipment) with the active support of investors, regulators, customers and employees, we succeeded to a remarkable extent in not just navigating through a most challenging year but in boosting our competitiveness, significantly reducing losses and stabilising and improving most aspects of the business.

Results for the year

	2016 Rm	2015 Rm
Revenue	**32 737**	31 141
Once-off items	**227**	2 558
Ebitda	**190**	(809)
Loss from operations	**(1 092)**	(4 736)
Impairments	**(2 154)**	(4 254)
Finance and investment income	**176**	175
Finance costs	**(876)**	(1 208)
Equity earnings	**129**	195
B-BBEE charge	**(870)**	–
Headline loss	**(2 589)**	(5 370)
Headline loss per share (cents)	**(244)**	(1 338)

Results for the year

In 2016 revenue increased by 5% to R32 737 million after declining by some 11% the previous year. This was despite total shipments reducing by 44 000 tonnes, a small contraction relative to shrinking apparent and real domestic steel consumption, a 26% reduction in export sales and a 24% drop in revenue from the Coke and Chemicals division. Significantly, necessary planned maintenance programmes – the Saldanha campaign extension and repairs to our coke batteries – resulted in lost revenue opportunities for Saldanha of R700 million and lost revenue opportunities and increased cost for coke and chemicals of R400 million. The company increased its share of the South African market marginally, mostly the result of the closure of Evraz Highveld Steel and Vanadium.

With average net realised steel prices rising by 8% to R7 282/tonne and despite the impact of commercial coke and tar sales being respectively 19% and 22% lower, ebitda improved from 2015's negative R809 million to a positive R190 million. The reduced headline loss stemmed from higher revenue, lower depreciation and once-off items that were markedly lower than those of 2015 when impairments amounted to R4 254 million (2016: R2 154 million).

Message from the chief financial officer continued

This year once-off items amounted to R227 million. These included matters outstanding in the previous year including finalisation of the Competition Commission penalty provision, release of payments in advance and Thabazimbi closure costs. Ahead of our planned acquisition of the Thabazimbi mining right, this year we recognised an additional R380 million of rehabilitation costs.

Headline loss for 2016 fell sharply, from 2015's R5 370 million to R2 589 million.

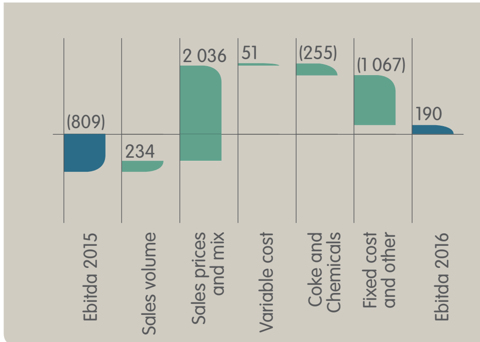
As we promised the market, a portion of the proceeds of our R4.5 billion January 2016 rights issue were mostly used to repay debt. As a result, financing costs were R332 million lower this year and the year-end net borrowing position fell from R2 865 million to R290 million. Despite these positives, the company's operating context was such that generating cash remained a challenge and consequently, liquidity remained our biggest risk which is further impacted by an extremely volatile currency.

Operational results were mostly encouraging. Vanderbijlpark produced HRC at a record low cost of USD386/t, 12% better than the 2015 cost. Overall steel production increased with Saldanha and Vanderbijlpark improving their capacity utilisation. This was despite a mini-reline which will have the effect of extending Saldanha's life by six years, as well as extensive, costly repairs to the coke batteries at Vanderbijlpark and Newcastle. The repair in the coke battery resulted in significant import of metallurgical coke and once-off costs to the business.

Cash flow

	2016 Rm	2015 Rm
Cash generated from operations before working capital	215	(1 911)
Working capital	658	1 647
Capex	(2 008)	(1 256)
Net finance cost	(451)	(537)
Investments	(11)	(8)
Rights issue	4 500	–
Tax	(2)	(40)
Dividend received	–	114
Proceeds on scrapping of assets	67	2
Realised Forex	(268)	(258)
(Decrease)/increase of borrowings and finance lease	(3 141)	3 937
Transaction cost (B-BBEE)	(55)	–
Cash flow	(496)	1 690
Effect of forex rate change on cash	(8)	20
Net cash flow	(504)	1 710
Cash and cash equivalents at the beginning of the year	2 164	454
Cash and cash equivalents at the end of the year	1 660	2 164
Short-term loans	(1 950)	(5 029)
Net borrowings	(290)	(2 865)

Key results drivers – ebita bridge (Rm)



Costs

This year contractual arrangements succeeded in largely shielding the company from the effects of very sharp increases in the global prices of raw materials, being iron ore, coal and scrap (which in 2016 accounted for 44% of total costs). Whereas these key inputs increased during the year by the significant amounts detailed above, our cash cost per tonne of liquid steel produced rose by less than 5% to R6 544/t.

In 2016 mitigating potential input price shocks was achieved by increasing the percentage of rand-denominated iron ore received by our business units to 50% while also consuming previously stockpiled material. In addition, imported coking coal was, as was previously the case, received via the ArcelorMittal group's sourcing structure which benefits from being one of the world's largest buyers of the commodity. Whereas the abovementioned coal price increase (247%) reflected spot prices, ArcelorMittal Sourcing negotiates contracts on a quarterly basis. This year our company also continued to enjoy the benefit of advantageous terms received from local suppliers of coking and non-coking coal. The higher price of the RMB will impact the business in Q1 2017 due to three months' stockholding.

Consumables and auxiliaries (31% of costs) rose this year by 9%, electricity by 2% and fixed costs by only 3%. At USD73/t of liquid steel produced, our total cost of employment, measured in dollar, declined for the second consecutive year, meaning that our human cost of producing steel has fallen by almost a quarter in two years. In 2016, however, the performance of Transnet Freight Rail deteriorated, performance falling from 86% to 78% and necessitating additional road transport costs of R535 million.

Despite these challenges, great success was achieved this year on managing down variable costs, savings net of production, exchange rate and market influences amounting to R860 million being achieved on the procurement of goods and services. Of particular note, in 2016 a business improvement drive at Vanderbijlpark Works alone recorded savings of R754 million. In 2017 the lessons learnt from this process will, it is envisaged, be rolled out to other plants.

Cash and debt

This year cash generated from operations amounted to R873 million (2015: a negative R264 million), reflecting mainly a decrease in net working capital of R658 million. This in turn derived largely from a R2 958 million increase in accounts payable which in turn was partly offset by an increase in inventories of R1 830 million.

Excluding the effects of the January 2016 rights issue and borrowings, we had a net decrease in cash this year amounting to R1 855 million, the bulk of which consisted of a financing cost of R451 million and R2 008 million in necessary capital expenditure. Also encouraging this year was the repaying of more than R3 billion in debt: R2 000 million of group debt and R1 141 million of other debt (payments which were made possible by the rights issue).

In ensuring that we remained a going concern in 2016 it is important to stress the vital support received from the ArcelorMittal group. Over and above extending to the company a facility of R2 700 million, the group underwrote and fully followed its rights in January.

At the time of reporting, other than the group's loan, the company's only access to credit consisted of overnight facilities with a variety of local banks, clearly an untenable situation. In 2016 the company therefore embarked on a process to match the tenor of its borrowings to its cash requirement, mainly capital expenditure and working capital. To this end, in February 2017 we launched a R3.5 billion borrowing-based facility, which amount will, we believe, be adequate to fund the company for the medium term.

Main steel cost drivers (R/t liquid steel)

	2016	2015	Change on 2015 %	2016 weight
Iron ore and pellets	**1 378**	1 417	-2.8	
Scrap/DRI/HBI	**98**	129	-24.2	Raw material
Coal (imported and domestically sourced)	**1 387**	1 241	+11.8	basket 44%
Electricity	**517**	505	+2.4	Auxiliaries
Other energy and utilities	**306**	271	+13.0	and
Alloys, fluxes and coating materials	**769**	696	+10.5	consumables
Refractories, electrodes and consumables	**420**	382	+10.0	31%
Manpower	**732**	679	+7.8	
Maintenance	**365**	315	+15.9	Fixed cost
Other*	**572**	629	-9.2	25%
Total	**6 544**	6 264	4.5	100%
Liquid steel (000t)	**4 771**	4 839	1.4	
Average exchange rate (R)	**14.72**	12.76	+15.4	

** General expenses, outside services, expert fees, IS/IT and insurance premiums.*

Share price

After losing 83% in value in 2015, our share price recovered strongly this year, adding 156% to finish the year at 1 150 cents. The improvement in the value of our equities was particularly pronounced in the lead-up to our B-BBEE transaction, an improvement which was maintained up to the time of reporting. The board and management have been extremely gratified by this vote of confidence in the company's future, a confidence which they fully intend to repay.

Outlook

Should the borrowing-based facility be secured and suitable safeguards be implemented to effectively curb imports, we are confident that the business will have been largely derisked, positioning it to exploit any upturn in demand and improvement in pricing, to the benefit of all stakeholders. The imperative of addressing our cash challenges will, however, remain a key management task as we work to put in place optimal working capital structures.

As noted, in 2016 impairments of R1 721 million and R420 million were raised against our Vanderbijlpark and Saldanha operations, the impairments deriving from continuing rand strength, and further volatility will have a significant impact on the business.

In 2016 we spent a great deal on maintaining and improving Vanderbijlpark and Saldanha and on equipping those plants' people with the skills to produce steel safely, efficiently and at a world-class cost. This year, in reaching a long-awaited settlement with the Competition Commission (see 47), we committed to continue investing considerable sums in our plants and facilities, much of which will necessarily be devoted to our two flat steel works.

Were it not for the continuing import of approximately 1.2Mt of steel and the strong rand, much of it at unfairly subsidised prices, Vanderbijlpark in particular would not have incurred the unwelcome impairment recorded this year. We remain confident, however, that the relevant authorities will, in 2017, take the requisite action needed to ensure the survival and growth of Vanderbijlpark and South Africa's primary steel sector. To this end, we look forward to the imposition of much needed additional trade remedies and to reporting in a year's time on a further improved financial position and a substantially reduced financial risk.

Dean Subramanian
Chief financial officer

2016 highlights and 10-year performance review

In addition to the information disclosed in the chief financial officer's report, here we detail key indicators that inform our strategic objective of 'driving profitability' (see also 40)

		2007	2008	2009
Revenue	Rm	29 301	39 914	25 598
Ebitda by segment	Rm	8 802	13 602	1 547
Flat	Rm	5 265	8 112	381
Long	Rm	2 847	3 993	591
Coke and Chemicals	Rm	765	1 781	556
Other	Rm	(75)	(284)	19
Ebitda/tonne	R/t	1 510	2 673	346
Ebitda margin	%	30.0	34.1	6.0
Headline earnings	Rm	5 741	9 484	(440)
Production (tonnes of liquid steel)	000 tonnes	6 375	5 774	5 307
Flat	000 tonnes	4 231	4 084	3 428
Long	000 tonnes	2 144	1 690	1 879
Sales by segment	000 tonnes	5 829	5 089	4 473
Flat	000 tonnes	3 928	3 412	2 858
Long	000 tonnes	1 901	1 677	1 615
Sales by market				
Domestic	000 tonnes	4 421	4 375	3 072
Africa Overland	000 tonnes	11	10	20
Blue water exports	000 tonnes	1 397	704	1 381
Net cash/borrowings	Rm	3 973	8 378	4 307
Capacity utilisation (liquid steel)	%	87.6	79.3	72.9
Productivity – tonnes of HRC equivalent/total FTE	t/FTE	n/a	428	457

Five-year benchmarking

	2012	2013	2014	2015	**2016**
Ebitda margin %					
ArcelorMittal Global*	9.1	8.7	9.1	8.2	**11.0**
ArcelorMittal South Africa#	3.5	5.5	3.6	(2.6)	**0.6**
Ebitda/tonne production (USD/t)					
ArcelorMittal Global*	92	82	85	62	**75**
ArcelorMittal South Africa#	27.5	35.1	27.4	(15.4)	**3.2**
USD/t cost (revenue less ebitda)					
ArcelorMittal Global*	867	796	775	689	**602**
ArcelorMittal South Africa#	746	676	672	606	**541**
China import prices, ArcelorMittal South Africa costs and prices					
China hot rolled coil (price)ᶲ	714	695	596	419	**461**
Vanderbijlpark hot rolled coil (cash cost)#	650	565	529	445	**386**
Saldanha hot rolled coil (cash cost)#	551	521	508	441	**433**
ArcelorMittal South Africa hot rolled coil (domestic prices)	790	716	701	521	**515**

2010	2011	2012	2013	2014	2015	2016
30 224	31 453	32 291	32 421	34 852	31 141	**32 737**
3 522	1 720	1 121	1 768	1 258	(809)	**190**
1 442	597	(266)	135	535	(1 269)	**(392)**
1 090	500	770	1 198	16	(348)	**286**
1 029	870	503	514	428	427	**172**
(39)	(247)	114	(79)	279	381	**124**
699	365	243	418	297	(196)	**47**
11.7	5.5	3.5	5.5	3.6	(2.6)	**0.6**
1 377	(52)	(518)	(224)	(227)	(5 370)	**(2 589)**
5 674	5 453	5 090	5 096	4 518	4 839	**4 771**
3 814	4 060	3 554	3 229	3 586	3 145	**3 221**
1 860	1 393	1 536	1 867	932	1 694	**1 550**
5 041	4 708	4 622	4 230	4 240	4 131	**4 087**
3 348	3 424	3 138	2 771	2 981	2 678	**2 736**
1 693	1 284	1 484	1 459	1 259	1 453	**1 351**
3 414	3 507	3 336	3 126	3 002	3 039	**3 275**
47	75	167	257	232	236	**218**
1 580	1 126	1 119	847	1 006	856	**594**
3 476	419	874	285	(546)	(2 865)	**(290)**
78.0	75.0	70.0	76.4	69.5	70.0	**78.2**
467	427	400	419	418	472	**471**

	2012	2013	2014	2015	2016
China import prices, ArcelorMittal South Africa costs and prices					
China rebar (price)†	713	680	454	394	**420**
Newcastle rebar (cash cost)#	649	572	558	476	**444**
ArcelorMittal South Africa rebar (domestic prices)	858	727	686	484	**481**
International raw material basket (USD/t)					
– Flat†	379	362	285	196	**217**
– Long†	503	463	427	285	**276**
South African raw material basket (USD/t – including transport)					
Flat					
– Vanderbijlpark#	332	304	311	249	**216**
– Saldanha#	274	274	268	263	**224**
Long					
– Newcastle#	307	313	289	247	**247**

* *Restated to ArcelorMittal Global reported figures (previously UBS report).*

\# *ArcelorMittal's previously published results.*

ϕ *USD/t selling price into South Africa-China import price equals China export (FOB/t)† plus sea freight plus trader margin.*

† *Platts/MB.*

Strategic objective 1: Keeping our people safe

If we cannot keep our people safe we should not be in the steel business

Why this is important

Safety affects our people's lives and their work performance, our reputation, market acceptance, profitability and potentially, our legal licence to operate.

Unless everyone feels safe while working at our company, we will be unable to maintain a high-performance culture, without which we will fail to drive profitability; safety not only underpins our licence to operate but is essential to our sustainability. In 2016 three people died while working at ArcelorMittal South Africa. These tragic events were utterly unacceptable.

Three-year key performance indicators

KPI 1

Work-related fatalities+

2014	2015	2016
4	2	3

KPI 2

Lost time injury frequency rate (LTIFR)+

2014	2015	2016
0.58	0.48	0.62

KPI 3

Total injury frequency rate (TIFR)+

2014	2015	2016
15.83	10.77	9.50

+ *Externally assured.*

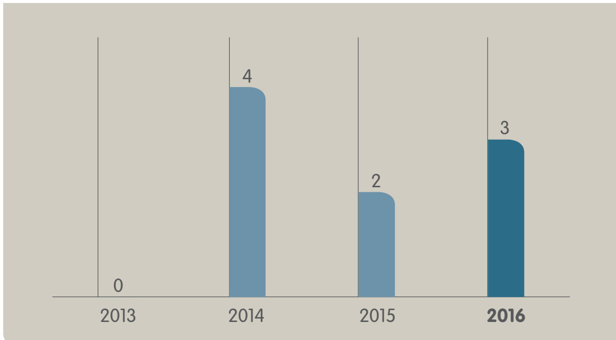
Issues that were most material to driving safety issues in 2016

- Ensuring workplace safety
- Addressing contractor safety compliance

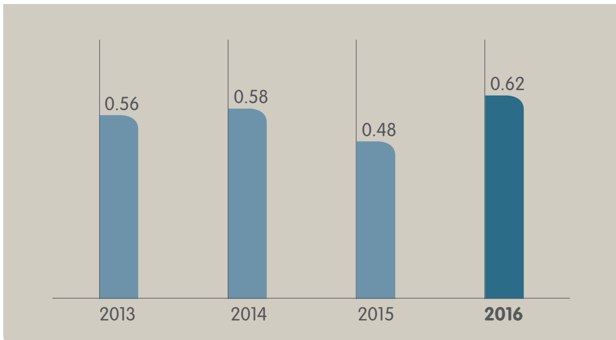
Key actions taken in 2016 to achieve this strategic objective

- Embedded a company-wide focus on serious occurrences
- Focused on total injuries, to cultivate a 24/7 safety mindset
- Communicated "emotional connections" to safety

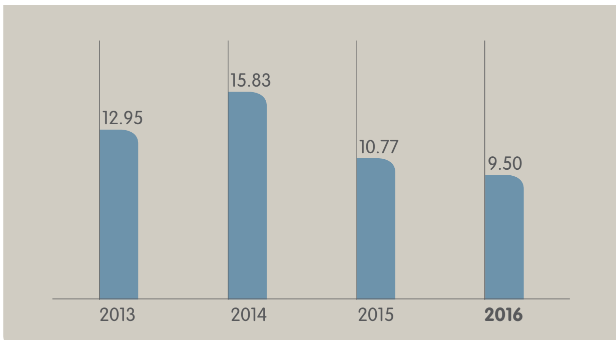
Work-related fatalities



Lost time injury frequency rate



Total injury frequency rate



A mixed safety performance

Our safety performance in 2016 was decidedly mixed with some business units achieving outstanding, sometimes record, safety milestones while others returned results that differed markedly from quarter to quarter.

This year we suffered three work-related fatalities, all three deaths being contractor employees and all three tragic incidents being entirely preventable.

In 2016 we made considerable progress in bedding down important new aspects of our safety policy and monitoring and reporting procedures. In particular, we focused on engendering a new culture which emphasises individual and team caring and responsibility above systems while successfully communicating the devastating emotional consequences of unsafe behaviour. This year senior management reported having benefited from stronger, more resolute board leadership on safety. This was largely ascribed to the efforts and vigilance of the safety, health and environment (SHE) committee which, from this year, is chaired by independent non-executive director Neville Nicolau.

In 2016, at 0.62 our overall LTIFR deteriorated from the 0.48 of the previous year and even the 0.58 of 2014. This disappointing result was largely the result of underperformance by the long steel products division.

At 0.89 the disabling injury frequency rate – which includes fatalities, lost time injuries and restricted workday case injuries – was also worse than that of 2015 (0.70).

Vanderbijlpark Works recorded an outstanding safety record in 2016. Achievements included more than 12 million lost time injury (LTI)-free man hours being worked for a 200-day LTI-free record and an LTIFR that declined from 0.51 of 2015 to 0.39.

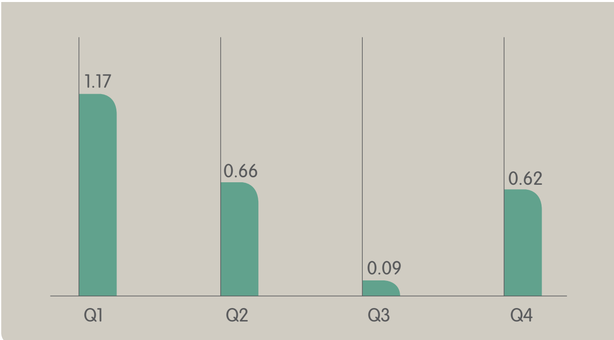
One most encouraging achievement was the successful Saldanha reline which was completed without a single LTI. In May this year Saldanha achieved a 664-day LTI-free record and finished the year with an LTIFR of 0.30 (2015: 0.0).

While flat steel products performed admirably, the same could not be said for long steel products where most safety indicators disappointed. In addition to two deaths (both at Newcastle) most long steel indicators deteriorated: LTIFR 0.92 and total injury frequency rate (TIFR) 12.98 (in 2015 long steel products did not report safety as a single unit).

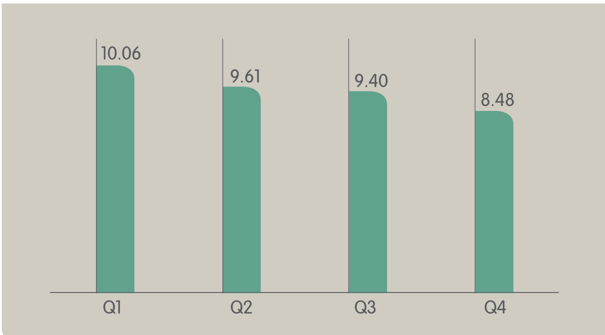
At mid-year, by which time long steel's safety record for the year had become a cause for serious concern, the SHE committee approved a number of interventions aimed at improving this performance. These included re-energising the behaviour-based care (BBC) process, increased vigilance including more after-hour visits by senior personnel, communicating lower risk thresholds and reviewing, and remedying, contractors' specific on-site risk profiles.

There were, however, pockets of safety excellence at long steel products; the reasons why these areas of operation performed relatively so well were examined by senior management and lessons learnt communicated to, especially, underperforming areas.

Lost time injury frequency rate (quarterly)



Total injury frequency rate (quarterly)



Strategic objective 1: Keeping our people safe
continued

Changing our safety culture

This year management reported safety gains deriving from the more devolved management structures implemented the previous year. This gave individual business units the ability to apply protocols and to communicate in ways that speak more effectively to employees' experiences on the ground. In particular, general managers were motivated to assume even greater responsibility for safety and to remedy identified gaps in safety and supervisory skills, especially those of contractors.

Across the company a key focus in 2016 was on the quality of safety communications, at pre-shift and other meetings where a "brother's keeper" initiative was instituted and employees were encouraged to speak out about unsafe conditions or acts. Company-wide communications aimed to cement an emotional connection, in the minds of employees and contractor staff, between safety and their behaviour. To this end some 1 000 drawings by employees' children and grandchildren reminding employees about how their families depended on them to keep themselves safe were prominently displayed along with symbolic walls and gardens of remembrance, commemorating those who had lost their lives at our premises.

Vanderbijlpark undertook industrial theatre performances which involved plays communicating the importance of subordinates not being pressured into accepting unsafe conditions and practices by their superiors, and a snake handler displaying live snakes (to convey impactful hazard-awareness messages). The "snakes for safety" training programme is fully integrated with the company's hazard identification and risk assessment programme, using live snakes as metaphors for the hazards of life and work.

In keeping with our greater emphasis on creating an environment in which everyone takes responsibility for their safety and that of their colleagues and teams, we intend to embrace so-called positive performance indicators which classify and emphasise the effects injuries have on the lives of individuals over the much-relied on capturing of LTIs. However, for at least the foreseeable future, LTIFR will remain a cardinal measure of our safety performance at plant and company level.

In pursuing the ArcelorMittal group key sustainability outcome of ensuring "safe, healthy, quality working lives for our people" we believe that a more meaningful measure of the extent to which the desired safety culture has taken root at ArcelorMittal South Africa is the TIFR. In 2016 our TIFR stood at 9.50 (2015: 10.77, 2014: 15.83).

Contractor safety a key concern

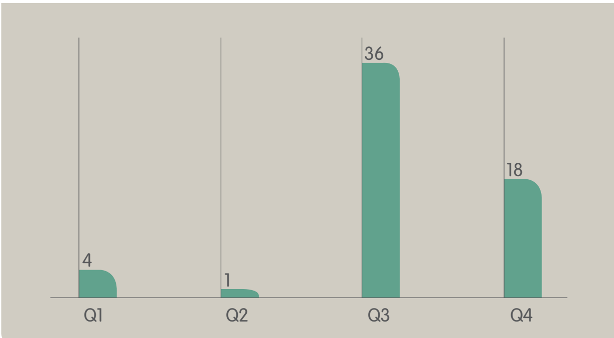
This year all three people killed while working at our plants were employees of contractors. Similarly, in 2014 three of four people killed in work-related incidents at our premises worked for contractors while of the two fatalities in 2015, one was of a contractor employee. In the past three years, therefore, seven of nine people killed at our facilities worked for contractors.

On 14 January 2016 Mr VTS Xaba, a general worker employed by a contractor, was killed when a coke crusher at Newcastle, which he had entered to remove a blockage, started up unexpectedly, not having been isolated and locked out. Mr Xaba was 38 years old and the father of two children aged three and five.

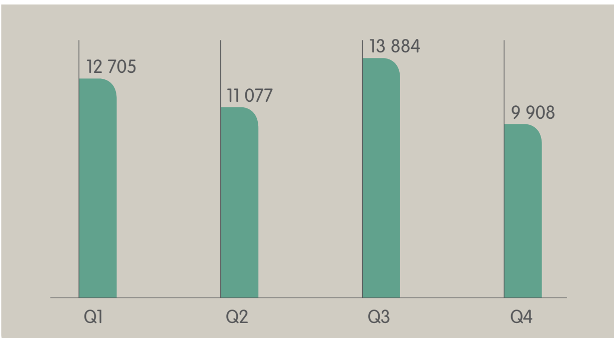
On 30 May 2016 Mr JW Vermaak was crushed when a large tundish, also at Newcastle Works, fell on him while he and colleagues attempted to flip the tundish over, a most unorthodox procedure which was aimed at loosening its refractory lining prior to it being relined. Mr Vermaak was 62 years old. He leaves a wife and two children.

On 10 November 2016 Mr Tebogo Motsepe, a security officer, died when he fell through a translucent section of roofing at Vanderbijlpark's Cold Rolling South installation. At the time he was attempting to apprehend suspected copper thieves. Mr Motsepe was married with a three-year-old child.

Serious occurrences/potential to cause serious injury or fatality (quarterly)



Unsafe acts (000) (quarterly)



All three incidents were thoroughly researched and lessons learnt communicated throughout the organisation. Appropriate disciplinary action was taken while, at the direction of the SHE committee, new procedures – to ensure that the needs of families of contractor workers affected by death and serious injury were thoroughly attended to – were implemented and the actions taken interrogated. The committee required such steps to ensure that the company meets its duty of care towards all of those involved in our production processes.

In 2016 overall contractor safety performance worsened, the contractor LTIFR for 2016 being 0.91 against 2015's 0.31 and LTIs more than tripling (13 versus four the previous year). This year concerted action to improve the safety of contractor employees was taken. A first contravention of SHE legislation and standards now entails a penalty of 15% of contract value with contractors incurring penalties of 30% of contract value for each subsequent infraction.

SHE personnel were tasked this year with ensuring more stringent implementation of non-conformance report procedures, which include formal hearings and processes to ensure that all corrective measures are executed satisfactorily.

At Newcastle this year one contractor employing 600 people on site was thoroughly audited for exposure of individuals to risks. The contractor was required to redeploy individuals identified as being "very high risk". This audit will be replicated with other contractors.

While it is necessary to ensure ongoing, inclusive engagement on safety issues, in 2016 we strengthened our zero tolerance towards unsafe behaviour, one contractor was blacklisted and 279 contractor employees formally warned.

Safety outlook

In 2016 we bedded down our focus, introduced the previous year, on serious occurrences (SOs) and potential to cause serious injury or fatality (PSIF) cases, in line with ArcelorMittal group policy. Considerable effort went into ensuring that individual plant management and supervisors understood their SO and PSIF reporting targets and were conversant with the implementation of these important measures. This process will be further entrenched in 2017 while visible felt leadership will be strengthened with the introduction of more regular informal briefings in a classroom setting.

More rigorous, more regular internal fatality prevention audits and cross-audits will be conducted to improve compliance while greater use will be made of CCTV monitoring to create a widespread awareness that individual and team behaviour is constantly being observed.

Strategic objective 2: Driving profitability

We need to reward our stakeholders, including investors, if we are to stay in business. With sustainable profits we will have greater means with which to reward those who grant us our licences to operate

Why this is important

Continuing losses threaten the viability of our business. Investors, lenders, employees, suppliers and communities will all benefit from a profitable ArcelorMittal South Africa.

Three-year key performance indicators

KPI 4

Ebitda per tonne (R/t)

2014	2015	2016
297	(196)	47

KPI 5

Return on capital employed (ROCE) (%)

2014	2015	2016
(1.2)	(342)	(6.1)

KPI 6

Liquid steel production (000 tonne)

2014	2015	2016
4 518	4 839	4 771

KPI 7

Cash generated from operations before working capital (R million)

2014	2015	2016
1 186	(1 911)	215

KPI 8

Net cash/debt position at year-end (R million)

2014	2015	2016
(546)	(2 865)	(290)

KPI 9

On-time deliveries (%)

2014	2015	2016
55	62	64

Issues that were most material to driving profitability in 2016

- Optimising our industrial footprint
- Seeking the implementation of tariff and non-tariff trade protection and the localisation of steel
- Establishing a fair price for steel
- Focusing on customer service and product development
- Restructuring our balance sheet
- Debating carbon taxes
- Reducing input costs, especially raw materials
- Resolving Competition Commission issues

Key actions taken in 2016 to address our most material driving profitability issues

- In January we completed a R4.5 billion rights issue (as previously reported)
- We agreed to a settlement of legacy competition issues, which entailed payment of a R1.5 billion fine
- To optimise our industrial footprint we:
  - Undertook necessary (and costly) repairs to our coke ovens and to Saldanha's Corex furnace
  - Invested R2 billion of capital expenditure in improving processes, product quality and variety, and reliability (investment to maintain and expand operations less environmental expenditure)
  - Grew capital expenditure on new products more than three-fold
  - Achieved process savings, at Vanderbijlpark alone, equivalent to R754 million, many of which improvements were suggested by employees
  - Reduced our water and energy intensity, in the process lowering our consumption of natural capital
- Improved on-time deliveries to customers from 62% to 64% and lowered our quality rejection rate
- Achieved sustainable procurement savings of R860 million on top of savings of R1 billion on raw material costs recorded the previous year.

This year we adjusted prices as appropriate to ensure our sustainability but always with strict reference to costs, the market circumstances and the agreed-upon basket which determined fair prices for flat steel.

In restructuring our balance sheet, an effect of the rights issue was to reduce our financing cost, which in 2015 amounted to R1.2 billion. For more on this and measures taken to address our most material risk, liquidity, see 33.

Optimising our industrial footprint

Pleasing, often outstanding results were achieved in 2016 on improving the efficiency of our production processes, in achieving cost savings while raising productivity, in boosting the reliability of our plants and increasing the utilisation of our assets. These achievements (including a limited 3% increase in fixed costs) were recorded in a continuing context of depressed and unpredictable demand and large-scale but necessary repairs at Vanderbijlpark, Newcastle and Saldanha which impacted, in particular, our sales of commercial coke and coal tar.

A more concerted focus on customer requirements required substantial capital investment but will translate into new market opportunities and higher volumes. Less satisfactory was our performance on delivering to customers on time.

Flat steel products – Vanderbijlpark

Vanderbijlpark enjoyed considerable success on optimising its industrial footprint in a year in which a coke battery repair project hampered production, market demand fell short of budgeted levels and considerable challenges were encountered with the quality of coke and iron ore. Also, at the end of November, blast furnace C lost one of three supporting hot blast stoves, resulting in 54 000t of lost production.

Liquid steel production for the year was 2.389 million tonnes, giving an HRC cost of production of USD386/t (2015: USD438/t), an outstanding achievement that speaks of world-class efficiency and the steady realisation at our flagship operation of a high-performance culture. Operating Vanderbijlpark as per market demand, capacity utilisation was 82% (2015: 75%). Problems encountered with the quality of, especially, coke delivered were extremely costly, requiring continuous monitoring and intervention.

As in 2015 a close focus on reliability meant that the hot strip mill's unplanned maintenance downtime reduced from 26.54% in H2 2015 to 21.37% at the end of 2016. Also, the colour line improved its downtime from 22% to 12% while the steel plant achieved a hard-won 2% improvement in unplanned stoppages.

Most notably, this year our internal Project Focus was driven by the business improvement team which, at Vanderbijlpark, solicited several hundred process improvement suggestions from employees, many of which were implemented, often entailing sizeable capital expenditure but in many cases without any upfront outlay. We believe that in 2016 Project Focus achieved savings of R754 million, of which R550 million was internally audited.

Vanderbijlpark key performance indicators

Full cast regrades (%)*

2014	2015	2016
2.90	1.27	**1.23**

** All figures re-assessed*

Mean time between failure (hours) (galvanising line)

2014	2015	2016
48.5	65.3	**67.7**

Flat steel products – Saldanha

In Q1 an in-depth business case study was undertaken at Saldanha. This investigation stemmed from persistently low flat steel prices in the export markets on which this plant has traditionally been focused. (In 2016 the average net realised price on exported flat steel was USD410/t while Saldanha's average cost of production in 2016 was USD433/t.)

The study concluded that the plant's existing footprint was optimal but that efforts should continue to be made to lower the cost of production and to exploit new, less price-sensitive markets. To this end, this year Saldanha secured an order for 152 000 tonnes from a Western Cape customer which had traditionally processed imported flat steel. This meant that, combined with other new local orders secured and the effects of the mini-reline, the share of Saldanha's production exported dropped from a typical 64% to some 55% this year.

At the beginning of the year export markets for flat steel had been expected to be so depressed that it was initially planned to shut Saldanha's iron-making units between April and December. In the event, more buoyant demand meant that these units were shut for just three months, with liquid steel production for the year amounting to 832 000/t (2015: 963 000/t) against an initially projected 500 000/t.

This year a planned Corex campaign extension repair was very successfully undertaken. The project was completed with an excellent safety record and lessons learned from the project and in particular, its safety achievements are being implemented at other sites.

In October an environmental impact assessment report on a planned gas-to-power project, from which Saldanha could obtain power at more predictable and ultimately lower overall energy costs, was forwarded to the authorities. Also this year the rezoning application process for the plant commenced.

Saldanha key performance indicators

HRC < 1.09mm production (tonne/month)

2014	2015	2016
19 099	23 438	**16 941**

Thin slab caster breakdowns (%)

2014	2015	2016
0.17	0.19	**0.29**

Strategic objective 2: Driving profitability continued

Long steel products

Long steel operated as a substantially restructured division following the closure of the Vaal Meltshop in 2015 and that of the 1 600-tonne press towards the end of 2016. With the restructuring, all input billets were produced at Newcastle and distributed to the secondary mills for further processing.

Initial challenges were encountered with especially the high loading of special steel grades at Newcastle but these were mitigated by carrying extra stock and optimising production cycles.

While projections were that local demand for long steel would be subdued, prompting the division to focus on blue water exports, local demand (influenced largely by output challenges faced by competitors) was unexpectedly robust in H1, resulting in a focus on meeting domestic requirements. By the end of the year, order backlogs in both domestic and foreign markets had been met.

As was the case at other plants, in 2016 blast furnace productivity was negatively impacted by the quality of iron ore. In April Newcastle's coke battery 2 was halted for critical repairs with coke having to be imported for the remainder of the year, entailing costs which had a significant effect on the financial performance of the long steel products business. Reliability issues with off-gas equipment at the steel plant, basic oxygen furnace burn-throughs and challenges relating to the making of more complex steel grades contributed to the loss of 220 000t of crude steel production.

Coke battery 2 is only scheduled to begin production in May 2017, at which time supplies for both Newcastle and Vanderbijlpark, and for commercial coke sales, will return to normal levels. Newcastle long steel production costs reduced by 3%, from USD444/t to USD429/t, with the dollar strengthening by 15% against the rand.

In terms of an agreement reached in November, the company will ship 21 000t of product per month from Newcastle and Vanderbijlpark to a new entity, Evraz Highveld Newco's heavy structural mill for processing into some 18 000t of heavy sections and rails for domestic sales. At present these products are all imported. The products will at all stages remain the property of ArcelorMittal South Africa, with Newco earning a tolling fee. The announcement that local steel had been designated for all public sector construction projects, in January 2017, was especially propitious for the prospects of this new venture.

Long steel products key performance indicators

Blast furnace fuel rate (kg/t)

2014	2015	2016
541	517	**517**

Bar mill delay ratio (%)

2014	2015	2016
16.57	15.58	**16.62**

Coke and Chemicals

The division was heavily impacted this year by necessary, planned repairs to coke batteries at both Vanderbijlpark and Newcastle. The repairs which will continue into 2017 were essential to ensure the sustainability of a part of our business that has traditionally been strongly ebitda-positive. For the year commercial coke and tar sales volumes were 19% and 22% lower respectively while sales prices of both commodities were some 5% softer. (Commercial coke should not be confused with coking coal whose prices, as related, increased sharply in 2016.) Profitability was further impacted (R268 million) by the need to purchase and import coking coal for sale to existing customers.

Coke and Chemicals key performance indicator

Solvent plant availability (%)

2014	2015	2016
87	92	**92**

Capital expenditure Risk 5 Risk 6

Total capital expenditure to drive profitability (capital expenditure less environmental spend) for the year was R2 018 million, more than 75% higher than the R1 153 million of 2015.

The main production capital items and their costs were:

- Newcastle – coke oven battery N2 repair (R276 million), ongoing to 2017
- Vanderbijlpark – coke oven battery V4 repair (R135 million), ongoing to 2017
- Vanderbijlpark – standalone gas-fired boiler (R138 million)
- Saldanha – Midrex D01 tube bundle replacement and installation (R112 million)
- Saldanha – Corex campaign extension (R75 million).

Other significant capital projects undertaken this year were:

Vanderbijlpark

- Methane sulphonic acid (MSA) conversion of the electrolytic tinning line (ETL) (R35 million)
- Replace BOF off-gas coolers (R26 million)
- Battery V8 waste gas ducting (R14 million)
- Blast furnace C and D bunker structural repairs (R13 million).

Newcastle

- Rebuild boiler 3 – phase 2 (R17 million)
- Replace rod mill obsolete strand 3 reducing mill drive (R17 million)
- Replace 33kV breakers and panels at service substation (R11 million)
- Replace main coke oven gas pipeline (R10 million).

Saldanha

- Roller hearth furnace hard and fibre refractory replacement (R16 million)
- Midrex campaign extension repair (R14 million)
- Air separation unit reline projects (R12 million)
- Corex dust recycling system coarse particle separator (R12 million).

Coke and Chemicals

- Tar plant environmental compliance (R14 million)
- End flue rebuild of ovens 205 to 208 (R10 million).

Cost containment Risk 5

In 2016 we achieved considerable success in reducing variable costs. Excluding the effects of production volumes, exchange rate and market movements, the cost of raw materials, goods and services was reduced by approximately R860 million. These savings mitigated to an important degree, the impact of a weaker rand and higher raw material costs.

The depreciation of the rand, coupled with a sharp increase in iron ore and coal prices, resulted in a significant increase in input costs. Iron ore prices traded within a wide range of USD39/t to USD83.95/t, averaging USD59.80/t over the year. A combination of reduced Chinese mine production and increased demand in that country impacted international coking coal prices which increased by 322% from January 2016. Import coking coal from Mozambique and Australia was subject to supply disruptions but we remained committed to diversifying our sources of supply, particularly from Mozambique and despite the logistics difficulties inherent in sourcing from that country. Import coal prices remained volatile, rising from a low of USD73.90 in January to a high of USD311.50 in November. For the year import coal prices averaged USD149.54.

In November the company finalised an agreement for the takeover of Thabazimbi mine from Sishen Iron Ore, which is subject to the suspensive condition relating to the conclusion of a satisfactory due diligence. The mine is in the process of being closed and the primary purpose of the takeover is to manage its rehabilitation (for which costs we are contractually liable) in a prudent manner. The agreement is for the purchase of the mine for a nominal consideration of R1. In terms of the agreement, ArcelorMittal South Africa will acquire all of Thabazimbi's assets while assuming all liabilities. Should we be successful in acquiring the mine, investigations will be conducted to determine whether and to what extent the mine could in future be operated in a viable manner.

Logistics continued to be a major challenge during the year with Transnet Freight Rail's performance deteriorating relative to previous years.

TFR performance (on-time deliveries) (%)

2014	2015	2016
51	50	**48**

The poor Transnet performance was mitigated by the transportation of 1.2 million tonnes of iron ore, coal and import coke by road, which resulted in additional costs amounting to R535 million.

In February 2017 we, and project partners including Transnet Freight Rail, announced the reopening of the Elandsfontein Intermodel Terminal in Germiston after almost four years of inactivity. It is expected that, as a result of the terminal being reopened, some 700 000 tonnes of product coming from Newcastle and Saldanha and destined for customers in Gauteng will be shifted from road to rail. As a result, the number of long-haul road vehicle movements will reduce by more than 40 000 per year.

We remain committed to building lasting, sustainable relationships with suppliers, believing that they are an indispensable part of the greater steel value chain and that their wellbeing (and ability to generate and sustain quality jobs) is a key part of our social licence to operate. As such, in-depth discussions with various strategic suppliers were initiated with the purpose of securing sustainable savings through collaborative efficiency improvements.

Customer focus Risk 2 Risk 3

This year more than 60 new product lines were being actively developed. Of this total, 43 were under development by the long steel products division. These products include new specifications on widths, lengths, thicknesses and strength. Sectors and market segments for which new products were developed included automotive, construction, engineering, mining, energy, chemicals and water. Particular focus was on developing products in conjunction with customers for the renewable energy sector and on designing and producing innovative products for construction and low-cost housing. While improving customer satisfaction, making these new products translated into additional sales worth some R50 million, most of which was sold at above-average margins.

Total capital expenditure on new product development in 2016 was R335 million (2015: R92 million).

This year a large, internally developed and therefore unaudited amount was invested in improving customer service, in particular the handling of complaints and claims. (An online claims tracking system was piloted this year and was due for a full rollout in Q1 2017.) In 2016 customer complaints as a percentage of sales value declined from 1.24% to 0.74%.

Authoritative research has shown that product availability is a greater concern of steel customers than price. We acknowledge that we have considerable room for improvement in terms of lead times and in making on-time deliveries. This year 64% of our steel deliveries were on time (2015: 62%) with Vanderbijlpark in particular underperforming, its on-time delivery performance being just above 50%.

Strategic objective 2: Driving profitability continued

Labour productivity

Our two key productivity measures this year were little changed from 2015. Tonnes of liquid steel to full-time (job) equivalent, expressed as HRCe/FTE, decreased to 471 (2015: 472, 2014: 418). Total cost of employment per tonne of liquid steel, measured in USD, fell from USD77/t to USD72/t. (In rand terms TCOE/t increased from R979 to R1 062.)

Energy efficiency Risk 5

This year we reduced our electricity consumption per tonne of liquid steel by 7%, thereby limiting our electricity cost increase per tonne to just 2.4%, well below tariff rises implemented by the national utility, Eskom.

In 2016 the mix of processes and technologies we used to produce liquid steel was markedly different to the mix employed in 2015. Changes included the mothballing of the electric arc furnace in Vereeniging and relining Saldanha's Corex furnace. To compensate for these changes, Vanderbijlpark and Newcastle increased their blast furnace production of liquid steel. The net result was that our energy consumption per tonne, including electricity, natural gas, coal and industrial gases increased by 3.8%, and our CO_2 emissions per tonne by 8.9%.

Energy-efficiency measures implemented this year included a so-called demand side management project at the main air compressor plant at Vanderbijlpark, aimed at shifting electricity demand out of the daily peak periods. Also in 2016 control specialists succeeded in controlling gas pressures in Vanderbijlpark's main gas distribution system by utilising a generator as a variable load, thus reducing the flaring of gas and increasing electricity generation.

Most significantly, in 2016 we invested R138 million in a 50 tonne per hour high-pressure steam boiler at Vanderbijlpark's direct reduction kilns to supplement the existing waste-heat steam-generating units by using off-gases. The steam generated by this boiler (which is scheduled for commissioning in March 2017) will increase our co-generation of electricity by at least 10MW in 2017 from the current average level of 24MW. In 2016 we generated a total of 209 632MWh.

Our dependence on increasingly expensive electricity supplies from the national grid has underpinned our close involvement in a project to generate power using imported liquefied natural gas in Saldanha. If implemented, this project, which is being developed by third parties, would make our Saldanha Works independent of Eskom electricity supplies, leading to lower, more predictable prices. This year the key environmental impact assessment process for the power plant commenced.

During 2016 ArcelorMittal South Africa improved energy reporting at a corporate level with refinement of this system continuing in 2017. The distorting effect of production level changes on energy efficiency performance was eliminated and energy performance is now measured against these standards. Reporting of CO_2 emissions related to energy consumption has also been included into this monthly reporting using internally developed factors multiplied by production tonnes.

The company is exploring a number of projects which may have the ability to sequestrate some CO_2 emissions. These are still at an early stage of development.

Outlook

In 2017 footprint optimisation measures implemented at Vanderbijlpark and Saldanha this year will be extended while Saldanha's mini-reline will equip the plant to compete more effectively at prevailing prices, in both its traditional export and domestic markets. Coke and Chemicals production levels are expected to return to historically more normal levels in Q2, improved efficiencies.

We are confident that procurement improvements can be further advanced in 2017 and expect that the outsourcing of overall logistics management will result in significant cost savings.

Having bedded down the wide-ranging restructuring of long steel products, and having invested considerable amounts in modernising and improving the reliability of our Newcastle operation, the division will be well positioned to exploit new opportunities in both domestic and export markets.

A lower raw material basket cost, relative to that at the end of 2016, is anticipated. The recovery in international steel prices witnessed from H2 2016 is expected to persist for much of 2017.

The problems with iron-ore quality encountered in 2016 are expected to represent a long-term challenge, which will require substantial ongoing intervention. Process optimisation to accommodate this new reality began in 2016 and will continue in 2017.

In 2017, procurement management will focus on:
- Reducing road transport by 300 000t
- A 15% reduction in controllable costs of R5.3 billion
- A 10% reduction in inventories.

A major sales focus in 2017 will be on the Africa Overland market where we believe it is possible for us to acquire a 40% market share. By identifying, and supplying to strategic customers in key locations who will effectively serve as distribution points into local markets, we envisage overcoming many of the logistical difficulties attendant on supplying mostly smaller national markets. Relative to our performance this year, we project a 15% increase in the Africa Overland segment in 2017, at prices which we anticipate will improve over those of 2016.

Strategic objective 3: Creating social value

Being seen to be creating meaningful, substantial social value for a wide range of stakeholders is essential to us earning and maintaining our licences to operate

Why this is important

Two of the ArcelorMittal group's 10 sustainability outcomes are that we be an "active and welcomed member of the community" and that "our contributions to society are measured, shared and valued". We subscribe to, and actively pursue, these outcomes while, in the South African context, working diligently to use our scale and socio-economic reach to effect meaningful transformation within our workforce, supply chains and communities.

Our various licences to operate are premised on our ability to demonstrate our commitment to create value for all stakeholders, including our customers, and to practice sound environmental stewardship.

Three-year key performance indicators

KPI 10

B-BBEE compliance score

2014 (old codes)	2015	2016
Level 6	Level 4*	Level 4**

KPI 11

Preferential procurement (percentage of total spend) (%)

	2015	2016
EMEs	2.41	3.28
QSEs	8.14	6.85
Black-owned businesses	13.37	14.01

(We present here only information from 2015 as the amended B-BBEE codes made it extremely difficult to make meaningful comparisons with prior years.)

Total environment spend (Rm)

2014	2015	2016
63	65	38***

KPI 13

Fines, penalties and settlements

2014	2015	2016
None	None	R1.5 billion

** Reported in 2015 as a self-assessed Level 3. Final assessment: Level 4.*
*** Self-assessed but externally assured by Deloitte.*
**** Excludes R138 million spent on co-generating electricity.*

Issues that were material to our creation of social value in 2016

- Workplace safety
- Resolving Competition Commission issues
- Establishing a fair price for steel
- Supporting downstream industry
- B-BBEE compliance
- Environmental compliance
- Carbon taxes
- Commitments to capital expenditure
- Enterprise and supplier development, and preferential procurement.

Key actions taken in 2016 to address our most material issues relating to social value creation

- Engaged with the authorities, industry bodies, regulators and customers on tariff and non-tariff trade protection
- Finalised a fair pricing mechanism on flat steel products
- Finalised all pending investigations and prosecutions with the Competition Commission, entailing a R1.5 billion fine
- As part of the Competition Commission settlement, committed to R4.6 billion capital expenditure over five years
- Concluded a B-BBEE ownership transaction in terms of which a broad-based black consortium, employees and communities acquired a recognised black shareholding of 25% of our share capital
- Established a business incubation hub and expanded registration of HDSA-owned potential suppliers
- Significantly reduced water abstraction and maintained or restored zero effluent discharge status at Vanderbijlpark and Newcastle

Tariff and non-tariff import protection

Unlike almost all countries possessing a primary steel sector, until recently South Africa had no protection against imports produced at artificially low prices. In a situation of worldwide overproduction, this meant that South Africa was particularly targeted for steel exports. Towards the end of 2015 this situation began to be rectified with the implementation, by the authorities, of 10% duties on various steel products, in order to ensure the viability of the steel industry. By mid-year duties were in place on 10 product categories.

Strategic objective 3: Creating social value continued

In the middle of the year the authorities approved the designation of local steel on five product categories. These included rail moving stock, water pipes and specific products used in state infrastructure.

In January 2017 the Department of Trade and Industry announced the designation of local products, including all steel, both primary and finished, used in state construction projects. In essence this means that those tendering for state construction projects will have to include 100% primary and finished steel products in their bids. This was an extremely encouraging development for ArcelorMittal South Africa but its impact is likely to be primarily and more immediately felt in the downstream.

Those customers of ours who use our crude steel to fabricate, manufacture and install products used in construction have recently been prejudiced by imported finished products. The designation of locally produced and manufactured steel products in public sector construction will prove a boon to their enterprises, to employment and to the South African economy. It is also our view that, in sourcing quality, locally manufactured steel inputs for infrastructural investment, National Treasury will be incentivised to increase budget allocations for such projects because of lower prices and broad, positive economic effects. Such larger infrastructural investment will benefit our company, its customers, suppliers, employees and local communities, creating greater social value.

In exploiting the new opportunities arising from the designation of local content, steel manufacturers will inevitably seek to increase employment, in particular those with artisanal, technical skills. In this respect our substantial investment over several years in technical training, apprenticeships and bursaries will serve to unlock considerable social value (see 56).

As alluded to, South Africa has experienced a surge in imports of not only primary steel but also imports of many finished products, which negatively affect downstream producers. As a result, a number of applications for tariff protection against such unfair imports have been made. In various instances we have sought to assist our customers through knowledge sharing and especially by extending strategic rebates.

At the time of reporting, official decisions concerning safeguard duties on HRC and cold rolled coil, and other bars and rods were being awaited. The company had, however, received communication from the International Trade Administration Commission of South Africa (ITAC) indicating that it was considering not granting the safeguard duty applied for on HRC due to public interest considerations – despite finding that a case for safeguard existed. The company was continuing to engage with ITAC on this matter. In 2017 we intend engaging with our customers, the downstream, on arguing for import protection measures which will benefit the full steel value chain.

ArcelorMittal South Africa has recently intimated to various stakeholders, including regulators and government, employer representatives and industry bodies, as well as customers, its willingness to partner with the downstream on whose health it is so dependent for its own success. Measures the company believes it can implement to support customers and which will have directly, positive impacts include:

- Value-added export and strategic rebates which, in 2016, tripled to R479 million
- Assistance in seeking duties on finished products
- Improved payment terms
- Reviewing market access, including direct access to the company and creating larger buffer stocks
- Interventions to assist the downstream to participate in infrastructure and other projects
- Establishing a technology and innovation hub to facilitate the empowerment of, especially, black-owned businesses
- Leveraging ArcelorMittal South Africa's considerable training resources to further benefit the entire industry.

Our decision in December to supply 21 000 tonnes of steel products per month to the Mpumalanga facilities of Evraz Highveld Steel for processing into heavy steel products (see 42) was about more than just driving profitability. When it ceased operations Evraz Highveld had employed 1 700 people. At the time of reporting it was not clear how many new jobs would be created with the resumption of operations but it was likely that this would amount, at least, to several hundred with former Evraz Highveld employees being given preference. Restarting operations will also have a significant impact on the local economy.

Fair pricing for steel Risk 2 Risk 3

We acknowledge that, as much as we need protection against unfair imports, our customers are entitled to buy steel products at fair prices and that it would be inequitable to expect them to pay higher prices simply to protect ArcelorMittal South Africa and other primary producers. To this end, in April we agreed to a fair pricing formula on our flat steel products, which government endorsed in February 2017 (see 11 for details). It was agreed with various authorities and stakeholders that there was sufficient domestic competition to allow market forces to determine prices for long steel products.

In addition to the fair pricing dispensation, a condition of the Competition Commission settlement was that, for flat steel products, we would not earn a margin of more than 10% (under certain conditions, up to 15%) of earnings before interests and tax (ebit). This will apply for five years.

Resolving Competition Commission issues

In November 2016 the Competition Tribunal approved a settlement, recommended by the Competition Commission, of the Commission's long-standing investigation into allegations of anti-competitive behaviour by ourselves.

The settlement entails us paying an administrative fine of R1.5 billion in annual instalments of not less than R300 million. In addition, we committed to invest the amount of R4.6 billion over the next five years in our operating footprint. It is intended that these improvements will benefit not only investors in ArcelorMittal South Africa but also our customers and suppliers.

While the resolution of the competition issue entails very substantial costs, our leadership considered it essential to decisively confront and deal with this very material risk, to draw a line under past misdemeanours so that we are able to demonstrate going forward, our total commitment to ethical conduct in all aspects of our business and in all of our interactions with stakeholders.

A Competition Commission statement on the settlement agreement is available online.

B-BBEE performance

As at 31 December 2016 we had a self-assessed B-BBEE compliance rating of Level 4. A year previously, our score also stood at Level 4 whereas a year before that we were at Level 6 and, at the end of 2013, Level 7. (Our 2013 and 2014 compliance was measured under the old, subsequently revised, B-BBEE Codes of Good Practice; had our 2013 and 2014 performance been measured under the revised codes, we would have been non-compliant.)

The revised codes resulted in most steel and large industrial companies dropping at least two levels. Almost alone among our peers, we dramatically improved our performance, a performance that was driven by the board of directors which, among other measures, established a B-BBEE subcommittee in 2014.

Our enhanced B-BBEE performance (45 points at end-2014; 81 points at end-2015 and 89 points at end-2016) derived from an improvement in all elements of the codes' scorecard including ownership, management control, skills development and socio-economic development. However, in the area of enterprise and supplier development, which includes preferential procurement and which constitutes the single largest amount in the codes, our score (28 out of a possible 44 including bonus points) only partially reflected the very substantial investments of financial and human capital which we made this year in creating meaningful social value, especially for our local communities.

	B-BBEE compliance	Additional creation of social value
Socio-economic development (SED)	R4.2 million Impilo grants – R1.7 million. Various upliftment projects – R2.5 million	R13.2 million Science centres
Enterprise development (ED)	R4.2 million Training, quality systems and grants	R2.2 million Incubation hub
Supplier development (ED)	R8.4 million Various SD programmes	R1.4 million Additional investment in SD initiatives

Enterprise and supplier development and preferential procurement

As in 2015, this year our enterprise and supplier development (ESD) and preferential procurement investments were managed by 10 individuals with direct input from some 30 procurement employees at head office and various business units.

Our enterprise development efforts aim to develop emerging businesses and prepare them for absorption into our value chain. Businesses register via a simple web-based system, are audited for capability and then undergo business training and a two-year formal incubation. The company subsequently gives these businesses contracts of at least three years. This year 470 local businesses registered, bringing to 1 017 the total number on our database.

In October 2016 a 1 600m^2 (under roof) ArcelorMittal South Africa incubation hub was completed in Vanderbijlpark at an initial cost of R12 million. Aimed primarily at light to medium manufacturing, fabrication and reconditioning businesses, the hub will house 12 undertakings which will create at least 77 direct jobs over the initial 24-month cycle. In addition to space and services and ongoing mentoring, our partnership with government has ensured co-funding of this incubation hub to the value of R14 million over a three-year period. In total, our 2016 investment in enterprise development amounted to R6.4 million.

With supplier development, we aim to enable those smaller (black-owned) enterprises that are already supplying to the company to increase their business with us, and their capacity to supply more broadly. In 2016 we spent R10 million on 14 supplier development programmes and R2.7 million on a new industrial park with a capacity of housing three medium-sized industrial suppliers. Employment has already been created for 48 local community members, housed in the first industrial building. A supply agreement has been concluded for the second of three buildings which will enable a further 53 direct jobs with a specific focus on youth and women from local communities.

Strategic objective 3: Creating social value continued

As with our enterprise development spend, however, on supplier development this year we spent more than the amount recognised by the B-BBEE Codes of Good Practice. Over and above this amount (R8.4 million), we spent R1.5 million on supplier development, including an amount of R700 000 on practical business-oriented training supplied by North West University and Vaal University of Technology for both ESD candidates.

Through ArcelorMittal South Africa's supplier development programme, existing supplier development beneficiaries benefited this year from improved procurement worth R49 million on a year-on-year basis (a 155% improvement).

Meeting our legislated requirements on preferential procurement was challenging this year. Our "generic recognised spend" declined by R800 million, "majority black ownership recognised spend" by R600 million and our "black women-owned recognised spend" by R1.4 billion, impacting, in particular, a few large previously empowered vendors. This development had a 4.85 negative impact on our overall B-BBEE compliance. Whereas we achieved 15.1 points for preferential procurement at the end of 2015, this would have deteriorated sharply this year had we not taken decisive measures. By year-end 2016 we had succeeded in arresting the deterioration in our preferential procurement performance, to the extent that we ended the year with a self-assessed 12.5 points.

At year-end we had 2 191 active vendors of which 582 were emerging micro-enterprise (EME) vendors, 497 were qualifying small enterprises (QSEs – which number declined as expected, from 552 a year earlier), 152 were >30% black-women-owned businesses and 338 were >51% black-owned. Overall, the percentage participation in procurement opportunities from black-owned businesses improved by 11% while the percentage participation in procurement opportunities of SMEs improved by 24% year-on-year.

Given that our total procurement spend is R28 billion and that spend with EMEs and QSEs is some R2.75 billion, the need to invest additional resources in managing our emerging supply chain requirements is apparent. (In 2016 we spent an amount of R16 million on the development of EME/QSE vendors.)

As a leading player in the steel value chain we are committed to working with partners to create meaningful social value for especially the downstream. In this regard we are co-operating with other manufacturers, suppliers and national and provincial governments as well as with state-owned enterprises, on extracting maximum value from our procurement processes. Similarly, we are playing a leading role in creating outcomes that will rapidly unlock broad-based value from the iron ore-to-finished steel chain for SMEs and communities, as is now being practiced by mining's Operation Phakisa initiative.

Two additional key initiatives were undertaken during 2016 for the purposes of accelerating sustainable transformation within local communities. In the first instance, CSI initiatives were aligned with ESD initiatives. With a clear line of sight over development projects across all three focus areas, it is possible to initiate projects within local communities which will facilitate the eventual participation of these communities in the company's procurement landscape.

Socio-economic development

Despite our extremely challenging financial circumstances, in 2016 we increased our socio-economic investment, from R12.6 million to R17.4 million.

In line with our drive to embed the ArcelorMittal group's 10 sustainable development outcomes in our creation of value for all stakeholders, we seek to have our contribution to society measured, shared and valued. To this end we measure, as precisely as possible, our investments in socio-economic development, and have these investments independently assured. In 2016 we remained committed to our flagship science centres, our partnership with the provinces' departments of education to run three science centres in Sebokeng, Newcastle and Saldanha. This year we spent R12.6 million on the operations and programmes of these centres with a large portion of funding paying the salaries of 49 science centre staff, which investment reached 527 teachers and more than 20 000 learners.

An additional R2.4 million was spent on roofing or re-roofing 201 homes in Sharpeville while training and employing 67 locals who gained skills in installation and asbestos handling. Humanitarian aid in the form of roofing material was provided to 500 families in Moreleta Park and Plastic View informal settlement after their homes were destroyed by fire.

This year the company provided R20 million towards the development of an affordable housing project for low to medium-income employees on 180 stands in the Vanderbijlpark area. Qualifying employees will be able to buy serviced stands at below market value. In addition, employees can select from cost-effective light steel frame building structures (manufactured by ArcelorMittal South Africa) at less than half the cost of conventional brick-building alternatives. (This year the company began establishing training facilities where local community members will be trained in erecting such light steel frame houses.)

Ownership

In November shareholders approved a B-BBEE transaction in terms of which 17% of our issued share capital was acquired, through a special purpose vehicle, by Likamva Resources, a 100% black-owned company in which black women held a 58% interest. In addition, a new employee share ownership scheme, the ArcelorMittal South Africa Employee Empowerment Share Trust, gave employees and management a 5.1% interest in the company they work for.

The allocation of shares to employees was structured such that at least 60% of trust units will belong to black employees. The effects of the two transactions is that, in terms of the B-BBEE codes, the company is assured of a long-term black shareholding of at least 25.1%, giving it 25 points under the ownership element.

Of particular added significance is the agreement by Likamva that it will, within two years, transfer 5% of company shares to organisations representing community interests in the areas in which our production facilities are located: Vanderbijlpark, Newcastle and Saldanha. We believe that giving our local communities a material interest in the wellbeing of our business will be especially important in our drive to create meaningful social value. In executing one of the ArcelorMittal group's 10 sustainable development outcomes (to be an active and welcomed member of the community), we will record a first for the worldwide family of steel businesses of which we are part, a first which we believe other operations would do well to emulate.

Management control and employment equity
Further progress on targets contained within our five-year (to 2018) employment equity plan was made this year. In particular, at year-end, five of the 11 top management posts (45%) were filled by ACI individuals (at the end of 2015, three out of 12).

As at 31 December 2016 our management control performance (15 points plus a potential four bonus points) was 9.25, a significant improvement on the 8.26 of a year previously. This year, however, tough trading conditions continued to hamper our ability to attract scarce ACI talent in the junior management and above levels. At senior management level, in particular, attrition rates and competition for black skills remained particularly challenging.

Skills development
This year our very substantial investment in the values and skills of our people translated into a commendable skills development score of 21.42 points (see 56).

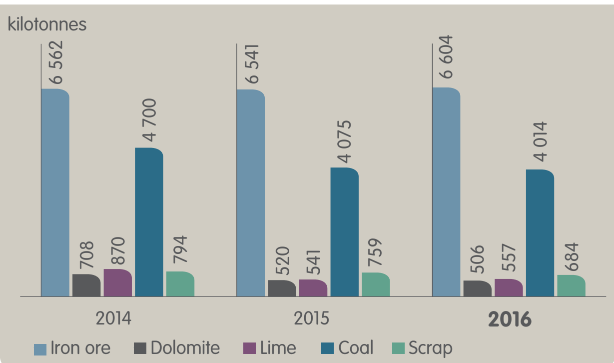
Environmental performance

We want to be acknowledged for using natural resources in the most efficient and effective way, so that we are seen to be creating significant value for our stakeholders, especially our local communities which are impacted by our emissions and our use of the local water resources which we share with them.

In 2016, our most material environmental issues were:
- Water management
- Emissions to air
- Proposed carbon tax and climate change-related developments including energy efficiency
- Rehabilitation of legacy sites
- By-product utilisation

(Our key environmental indicators derive from those most material issues which we are able to directly influence.)

Total raw materials consumed



Our processes consume significant quantities of raw materials and, while the scope for improvement in consumption patterns is inherently limited, we apply considerable effort towards reducing our use of natural capital. Most importantly we continuously strive to reduce the amounts of raw materials brought in by road by working closely with Transnet. In this regard we hope to achieve meaningful improvements in 2017.

We strive to achieve the ArcelorMittal group's sustainability outcome, to be make efficient use of resources and to achieve high recycling rates. To this end we seek to maximise the amount of scrap steel consumed by our steelmaking processes. However, in 2016 our total consumption of scrap declined by some 14%. This was mostly related to production volumes.

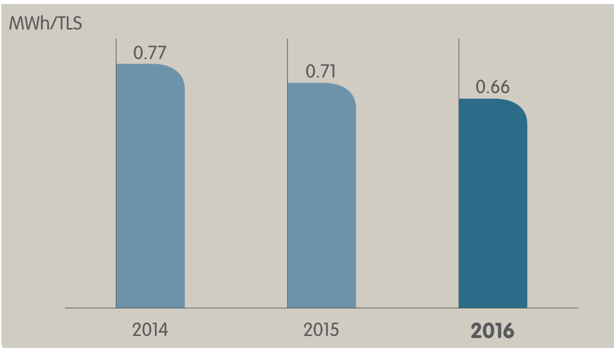
In 2016, in particular, we continued to invest in reaching and maintaining zero effluent discharge (ZED) status at Vanderbijlpark and Newcastle. Also, we achieved conspicuous success in lowering our intake of fresh water – a key imperative especially at a time when the country was grappling with the effects of a severe drought.

Our key environmental indicators include emissions to air and water intake as well as the percentage of by-products not utilised – that cannot be usefully sold and used and need to be land filled. Our performance on these key indicators, and others, in the year reviewed relative to previous years is reflected in various graphs in this section.

ArcelorMittal South Africa embraces the need to produce steel in the most environmentally friendly ways possible. We are committed to minimising our impact on our environment and on the health and wellbeing of our communities. To this end we have invested some R2 billion over the past decade in reducing, where possible, emissions and process water discharges while addressing environmental legacy issues. While this year we formally reflect an amount of R38 million on mitigating our environmental impacts, as noted elsewhere, the amount (R138 million) spent on installing an off-gas boiler at Vanderbijlpark will have a direct impact on our emissions of CO_2.

The off-gas boiler will, it is envisaged, have a material impact on both our CO_2 emissions and our cost of electricity after it is commissioned in March 2017 (see 44). Since 2014 our co-generation of electricity has increased by some 14%, a figure which we predict will increase further in the new year.

Electricity usage



We also strive to find more applications for our by-products, but with the depressed construction sector being our largest client, progress was below expectation this year. This situation was exacerbated by an intervention (see below) by the authorities which we believe was inappropriate and which had the effect of significantly increasing our disposal of valuable by-products.

There were no major environmental incidents recorded in 2016 in terms of section 30 of the National Environmental Management Act (NEMA) although, in some instances, we struggled to comply with all the conditions of our various operations' authorisations/permits / licences. In 2016, our biggest environment concerns were:
- Particulate emission levels of Vanderbijlpark's sinter plant
- Effluent discharges at Vanderbijlpark
- Fugitive emissions from the Saldanha Corex cast house towards the end of 2016
- Sulphur removal from coke oven gas at Vanderbijlpark.

Strategic objective 3: Creating social value continued

Apart from the last point all concerns – where longer-term intervention is required to achieve required plant availability – were effectively addressed in 2016. Regarding the Vanderbijlpark sinter plant emissions, our interventions were successful but more work is planned for 2017.

In absolute terms, levels of particulate emissions were higher this year than in 2015, related largely to problems encountered with particulate emissions at the Vanderbijlpark sinter operation.

In June 2016, Green Scorpions inspectors from different spheres of government visited Vanderbijlpark. A report regarding this inspection was made available in November 2016, the main concerns highlighted relating to:

- Housekeeping in certain areas
- Stormwater management
- Material spillages
- Aspects of waste management (waste sorting)
- Atmospheric emission licence (AEL) compliance (sinter was main concern).

At the time of reporting every effort was being made to address the findings made in the Green Scorpions report.

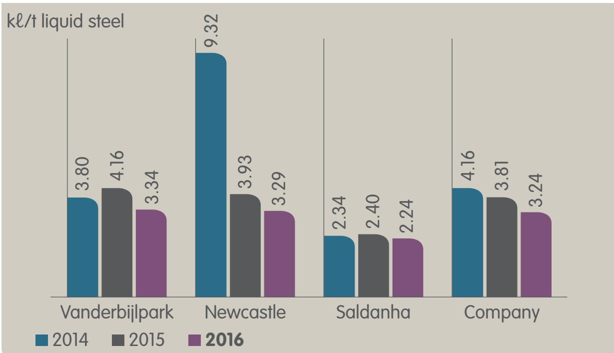
Our key environmental risks

	Why it is important	Developments and actions taken in 2016
Carbon taxes	Could have the effect of making our business unsustainable. We acknowledge our potential impacts on climate change.	Legislation to implement carbon tax is now expected to be debated by Parliament in 2017. This year we engaged extensively on seeking additional relief for carbon-intensive, but employment-generating industries such as iron and steel.
Effluent discharges	Environmental impacts and potential licensing and legislative infringements.	Newcastle ZED project was fully implemented in 2015 and ZED status maintained this year despite minor, sporadic discharges which were resolved after small improvements were implemented. Vanderbijlpark's ZED status was restored in October 2016. Vereeniging was able to sustain the boron levels in its effluent below specified levels after improvements made in 2015.
Fugitive emissions	Emissions caused by ineffective process controls could infringe AEL conditions.	All plants issued with AELs. Improvements were devoted to capturing excessive emissions at the Vanderbijlpark sinter plant, a project that was completed in July 2016.
		Also at Vanderbijlpark, a vapour recovery project at the tar distillation facility is nearing completion after some unfortunate delays occurred.
		Temporary technical problems resulting in excessive fugitive emissions at Saldanha's Corex plant were resolved. For 2017, significant improvements are scheduled, or are to be continued, at our ironmaking and coke-making facilities with a strong focus on Newcastle Works.
Legacy areas	Groundwater and atmospheric pollution (fugitive emissions) could impinge licences to operate.	A project to establish a new disposal site to replace the old Newcastle BOF slag site was finalised in December 2015 with the first disposal commencing in 2016 after meeting all construction-related conditions in the licence. Good progress was made at Vanderbijlpark to complete and maintain remediation efforts, with more work planned for 2017.
Groundwater contamination	Groundwater pollution from legacy dams and active sources at certain business units could affect communities and the environment.	Work is ongoing where legacy groundwater pollution is evident and good progress was made to neutralise past activities that may have resulted in potential contamination. The practice of storing effluent in unlined dams was phased out some years ago.

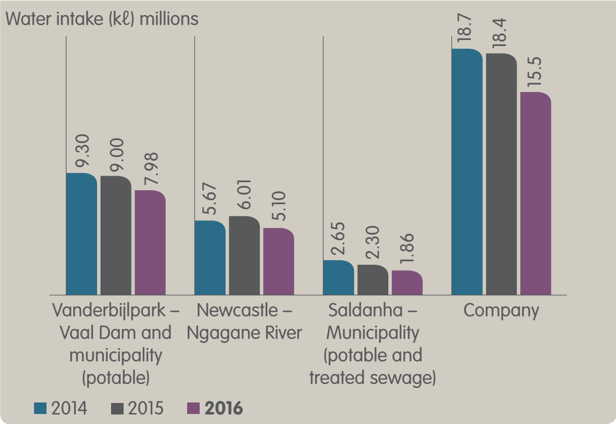
Water management

A standout achievement this year was our performance on water abstraction which, at 3.24kℓ per tonne of liquid steel, was the lowest in almost a decade (2015: 3.81kℓ/tonne). At 15 475 311kℓ our total fresh water intake was 16% lower than the 18 418 173kℓ of the previous year. Relative to 2005, our absolute water abstraction declined by 54%.

ArcelorMittal South Africa fresh water intake (per tonne of steel)



ArcelorMittal South Africa fresh water intake (kℓ)



The main reason for our improved water abstraction performance was the finalisation of our long-term, very costly, ZED commitments while some smaller-scale savings were also achieved by a concerted campaign to fix leaks. The best water saving performances were achieved at Newcastle and Vanderbijlpark where improvements varying between 12% and 19% were recorded both in absolute and specific terms.

Maintaining Newcastle's ZED status proved to be challenging on occasion this year, the main difficulties relating to the quality of effluent received from the coke ovens being below the ZED facilities' treatment specifications, and problems experienced with a pre-treatment stage of the newly installed reverse osmosis plant. These were addressed and, since Q4, Newcastle has sustained its ZED obligations.

As anticipated and following a substantial investment (R42 million), ZED status at Vanderbijlpark was achieved in October 2016. In addition to the large financial outlay, this single challenge absorbed much of the time and attention of the environment and water departments.

Our Saldanha operations are equipped with infrastructure to utilise treated municipal sewage water, which also resulted in less potable water being purchased for production purposes. In total during 2016, 165 406kℓ of treated sewage water was purchased from the municipality and applied mainly for dust suppression purposes. Saldanha is a ZED facility which achieves the best water consumption/abstraction figures in the company.

Debating carbon tax and greenhouse gas requirements

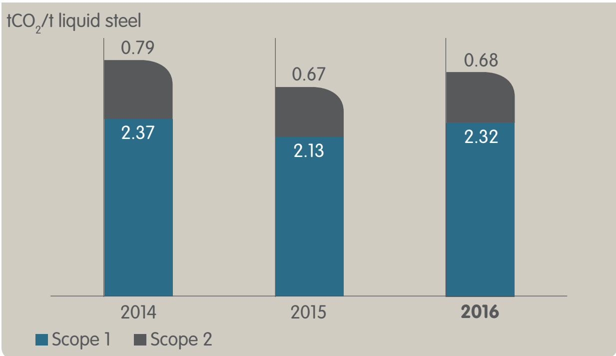
Draft legislation to introduce a carbon tax of R120 per tonne of CO_2 above certain thresholds was published in November 2015, indicating that this tax was likely to be introduced in January 2017. Subsequent developments point to the carbon tax now only being processed by Parliament in Q2 2017 with implementation occurring at a later stage during 2017 or even 2018.

Given the status and current contents of the draft legislation we do not believe that this new tax will add more than the R300 million previously communicated to our annual costs to the year 2020. However, we remain extremely concerned that this substantial, added burden could threaten our financial and environmental sustainability as this money would, we believe, be better spent on important but costly environmental improvements. To this end, as in 2015, our CEO and group manager: environment made regular representations on the unforeseen consequences that a carbon tax could have on employment in a key national industry which is intrinsically carbon-heavy.

In particular, we and stakeholders including the SA Iron and Steel Institute and Business Unity SA met regularly with National Treasury on defining the criteria for relief as provided for in the draft carbon tax design. In particular, we stressed the point that additional allowances or relief should apply to sectors such as our own which are exposed to imports from countries which do not have similar carbon tax regimes in place.

Regarding the carbon budgets that were allocated to our company by the Department of Environmental Affairs for the period 2016 to 2020, our allocation was not exceeded on an annualised basis. It is foreseen that climate-change requirements will in future place a significant additional administrative burden on the company and that dedicated staff may be required to ensure compliance with various reporting requirements. It is unfortunate that South Africa is not actively working towards one climate-change mitigation system to achieve the desired outcomes. Instead, each state department is promoting its own mitigation system, in isolation from others. We remain hopeful that a more realistic outcome will prevail – one that balances the very real need to minimise the impact of steel production on the environment with the need to preserve employment, economic activity and the achievement of the objectives of the National Development Plan, in which steel as a commodity will play an important role.

CO_2 emissions (per tonne of steel)



Our direct (Scope 1) CO_2 emissions increased while indirect (Scope 2) emissions also increased slightly during 2016. The increase in direct emissions can be attributed to not producing steel via the electric arc furnace route (Vereeniging) in 2016. (For the calculation of Scope 2 emissions, a factor of 1.01tCO_2/MWh was used.)

Strategic objective 3:Creating social value continued

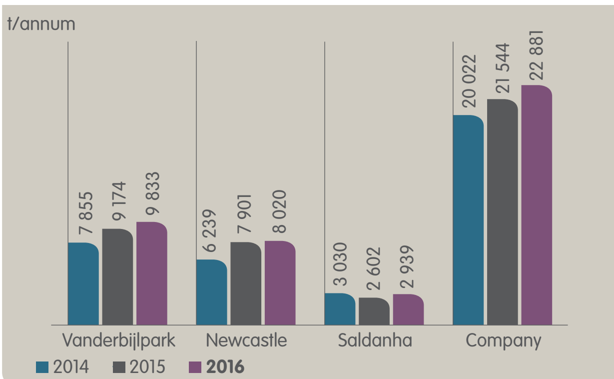
Emissions to air

In 2016 all facilities retained their atmospheric emissions licences (AELs) while excedances of our various AELs were proactively communicated to, and addressed in cooperation with, the relevant authorities. Our most material emissions challenge related to the Vanderbijlpark sinter plant which was non-compliant for most of H1. By July, thanks to a sizeable investment in new filter bags, the plant became compliant but more work is foreseen for 2017. Towards the end of 2016, problems at Saldanha's Corex plant resulted in visible fugitive emissions being released to atmosphere on a sporadic basis. This problem was resolved before year-end and the authorities expressed their satisfaction in this regard. Unfortunately, a vapour recovery project at the Vanderbijlpark tar distillation facility was delayed and will now only be completed in 2017 at a cost of R27 million.

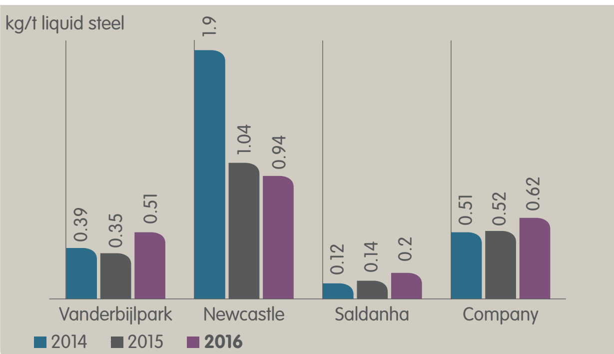
Particulates, which are our most significant air emissions, increased this year because of the sinter plant challenges referred to above, with overall point source emissions being 0.62kg/tonne of liquid steel (2015: 0.52kg/tonne). In absolute terms particulate emissions increased by 438 tonnes.

SO_2 emission levels increased relative to those of 2015 (4.80kg/tonne of liquid steel (2015: 4.45kg/tonne). In absolute terms, our SO_2 emissions rose by 1 337 tonnes. This increase can mainly be ascribed to the increased sulphur levels in our raw materials.

Total SO_2 emissions (tonnes)



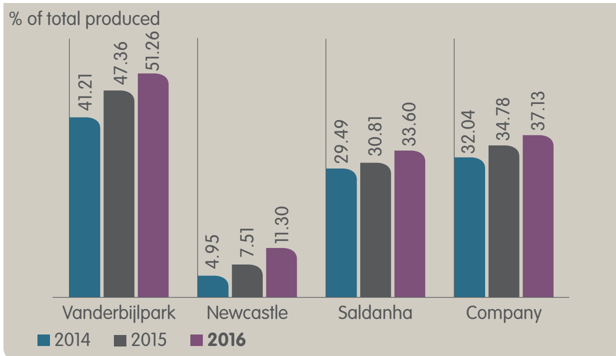
Particulate emissions (kilogram per tonne of steel)



BOF slag sales and by-product disposal

Our various slag types are key by-products of the iron and steel making processes and find a ready market in the construction (particularly road-building) and cement sectors.

By-products disposed of



Due to the continued depressed condition of the construction sector, the percentage of by-products that had to be disposed of increased from 35% in 2015 to 37% in 2016.

In December 2015 Newcastle was issued with a directive to stop BOF slag sales. This directive was issued on the premise that our clients lacked the requisite waste management licences. We strongly contend that BOF slag is a product and is not subject to applicable waste management regulation but rather to product-related regulations. A request on these grounds to the minister of environmental affairs was dismissed in April 2016, as was an appeal. As a result, and believing strongly in both the merits and benefits to all stakeholders of our case, we have been compelled to take the matter further on review. This enforcement action by the authorities has had a negative effect on our by-product sales and revenue associated with such sales. We remain committed to find further markets for our by-products.

Legacy site rehabilitation

In 2016 we continued to invest in rehabilitating sites as failure to do so poses significant environmental risks.

This year at Vanderbijlpark Works, where the bulk of remediation activities are taking place, the focus was on maintaining and improving the existing remediated areas. Erosion damage, control of invader plants and optimisation of stormwater management received attention in addition to the planning of new projects. Approximately 570 hectares of disturbed land have been rehabilitated or remediated to date. It is important to note that the maintenance and monitoring of our remediated areas is equally important, and that the vegetation in our previously disturbed areas is now so well established that grass harvesting could take place this year, with bales being donated towards drought-relief initiatives.

Stakeholder engagement

We acknowledge that various stakeholders, including local, provincial and national government, communities and non-governmental organisations, have very material interests in our environmental performance. As directed by the board, we actively strive to ensure that maximum transparency is brought to bear on our environmental work and performance. The board is regularly updated, via the SHE committee, on engagement with stakeholders interested in our environmental performance and impacts.

In Vanderbijlpark we continued to participate, with various stakeholders, in air quality, waste monitoring and water quality forums. Similarly, in Saldanha we contributed funding towards an ongoing initiative aimed at monitoring the quality of seawater in Saldanha Bay and participated in municipal stakeholder forums on a quarterly basis. Similar engagement also occurs at our other operations.

Our environmental policy

The 10 principles of our group's environmental policy, which guides our stewardship of the environment, are:

- Implementation of environmental management systems including ISO 14001 certification for all production facilities
- Compliance with all relevant environmental laws and regulations and other company commitments
- Continuous improvement in environmental performance, taking advantage of systematic monitoring and aiming at pollution prevention
- Development, improvement and application of low impact, environmental production methods taking benefit from locally available raw materials
- Development and manufacture of environmentally friendly products focusing on their use and subsequent recycling
- Efficient use of natural resources, energy and land
- Management and reduction, where technically and economically feasible, of the CO_2 footprint of steel production
- Employee commitment and responsibility towards environmental performance
- Supplier and contractor awareness and respect for ArcelorMittal's environmental policy
- Open communication and dialogue with all stakeholders affected by ArcelorMittal South Africa's operations

Our ISO 14001-certified environmental management systems are based on these core principles. In 2016 all of our operations retained their ISO 14001 certification.

We are bound by environmental legislation including the National Environmental Management Act, No 107 of 1998 (NEMA); the National Environmental Management Air Quality Act, No 39 of 2004; the National Water Act, No 36 of 1998 and the National Environmental Management Waste Act, No 59 of 2008.

The group manager: environment is responsible for overall environmental management and compliance. The group manager and corporate energy manager share responsibility for carbon and climate change issues. Both positions report to the chief technology officer. The corporate environment department reports to the health, safety and environment (SHE) committee of the board on environmental activities, performance, policies and outlook. The committee in turn raises material environmental issues with the board.

Outlook

In 2017 air-related improvements will be a key focus area (especially as these relate to our coke and ironmaking activities) together with continued remediation activities. In particular, we intend building on the lessons learnt in recent years to use our limited financial resources to effect significant environmental impact improvements. We will also continue engagement on practicable, useful outcomes to the carbon tax debate.

Our enterprise and supplier development initiatives will be bedded down and developed while we intend giving real, practical expression to translating more of our corporate social investment spend into business opportunities for, in particular, local communities. Given any improvement in our financial performance, and working especially with our new B-BBEE partners, we commit to significantly increasing the company's socio-economic impact.

Having drawn a line under our past anti-competitive practices we intend, in 2017, strengthening our ethics policies, practices and behaviours and communicating these more extensively across our workforce and supplier base.

Assisting the downstream to combat the large-scale import of finished products and to exploit opportunities arising from the designation of local steel will be key priorities in the new year.

Strategic objective 4: Creating a high-performance culture

To survive we need to produce world-class steel products at world-class prices. To do this we need world-class people who value safety, teamwork, innovation, productivity, quality – and each other

Why this is important

In some quarters our company has been perceived to be structurally inefficient, a giant which had become so accustomed to its own dominance that it had succumbed to complacency, had disregarded the interests of society and even those of its customers, and had failed to invest in its own processes and people.

It is true that many of our plants and equipment are ageing and that they need rejuvenating. As much as this year we committed to investing almost R4.6 billion in upgrading and improving our facilities, we believe that only highly skilled, highly motivated individuals and teams can extract the maximum value from these investments. Only a pervasive, deep-rooted culture of high performance can change ArcelorMittal South Africa for the better, for the benefit of our shareholders, our customers and our communities.

Three-year key performance indicators (KPIs)

KPI 14

Total cost of employment measure (TCOE): TCOE/hot rolled tonne of liquid steel (USD)*

2014	2015	2016
95	77	72

** In 2015 this KPI changed, from USD to ZAR. From 2017 we will report accordingly.*

KPI 15

Management control performance (under B-BBEE codes)

December 2014	December 2015	December 2016
4.01	7.40	9.25

KPI 16

Execution of Future Leaders Programme (FLP)

Managers and leaders taking part

2014	2015	2016
–*	226	269

** Programme initiated in 2015.*

Our most material high-performance issues in 2016

- Workplace safety
- Training for a new operating reality
- Transforming our culture
- Implemented an integrated performance management system (IPMS)
- Invested R184 million in skills development and training
- Drove restructuring of operations, giving business units greater autonomy
- Gave all employees a larger ownership stake in the company
- Improved our management control and employment equity performance
- Rolled out a skills development framework pyramid, aligning training to National Qualifications Framework (NQF) outcomes

Transforming our culture for a new operating reality

In just two successive years, despite the extremely challenging financial realities facing our business, ArcelorMittal South Africa has succeeded in investing almost half a billion rand in upskilling and empowering its workforce.

In 2015 we increased our training and leadership development spend by a third to R202 million. In 2016, despite the many and growing demands on our limited financial capital, we succeeded in allocating R184 million towards learning and development. This was, we believe, a most considerable achievement under the circumstances, one that demonstrates our commitment to changing and even transforming our culture and empowering our people. Unfortunately this year our efforts at culture change were not reflected in our voluntary employee turnover rate, which increased substantially.

It is our new reality that our investments in human capital must translate into the sustainable creation of financial capital. After six years of headline losses, it is imperative that we deliver satisfactory returns to our shareholders while adding value to all of the capitals. Our empowered, skilled people must utilise our manufactured capital (our plants and equipment) to produce quality products that meet our customers' needs at prices which allow them to sustain their businesses and the jobs they create.

We must consistently lower our cost of production to the point that we can state without fear of contradiction that our efficiencies are such that we can compete with the best, most efficient steel producers in the world.

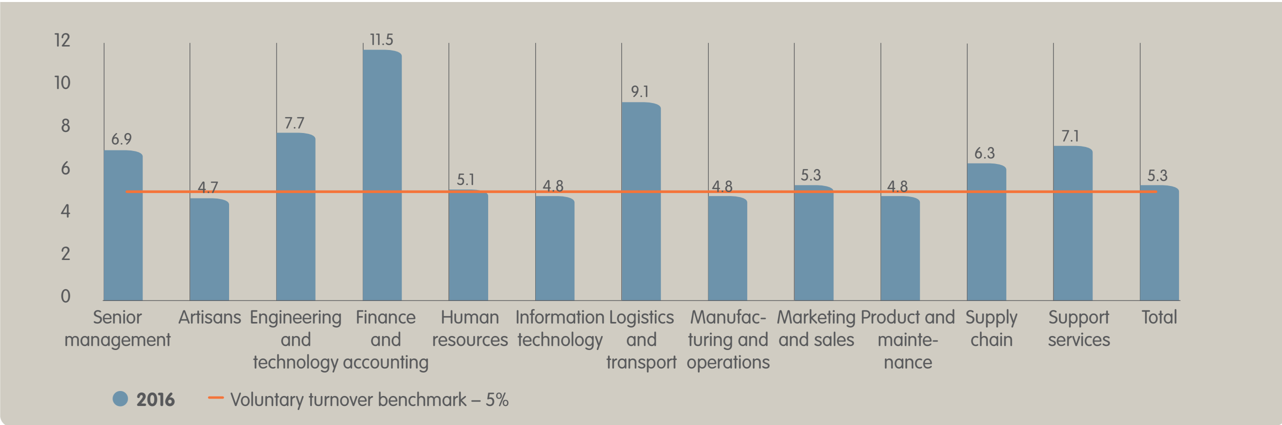
Delivering performance on strategic objectives

That our investments in creating a high-performance culture are paying off was borne out this year by our key indicator of TCOE per tonne of liquid steel produced (TCOE/t) again declining, from USD95/t in 2014 and USD77/t in 2015 to USD72/t.

At present, we are not able to measure how much of this productivity improvement derived from capital and operating expenditure and how much was contributed by improvements in our people's skills levels and our work culture. Currently we also do not have in place formal measures of employee engagement, although senior grades are formally engaged every two years as per ArcelorMittal group guidelines.

This year we employed 9 056 people of whom 5 749 were African, coloured and Indian. In 2016 our voluntary employee turnover rate rose substantially from 2015's 3% to 5.3%. In a context of low economic and employment growth, this clearly reflected employees' continuing uncertainty about the company's prospects and the effect that financial constraints had on our ability to use remuneration to retain scarce skills. Most notably, turnover was high in specialist areas including finance and accounting, engineering, logistics and senior management.

ArcelorMittal South Africa voluntary turnover – year to date December 2016 (%)



From the end of 2015 a bespoke SAP Success Factors performance and goals module was implemented. The system enables objectives to be cascaded down from the chief executive officer and executive committee to individual employees, thus enabling managers and employees to focus on those behaviours and outcomes that are important to drive a high-performance culture. This system supports the strategic objective of effective people management through standardisation, integration and simplification. In addition, it aims to simplify the performance and objectives management process. This online system will, we believe, increase efficiency and continuously manage employee performance by:

- Aligning individual objectives to business strategy
- Streamlining the performance review, feedback and coaching process
- Enabling the identification of talents and building effective teams

The fully automated system uses real-time dashboards and readily accessible drill-down data to show how every level of manager, supervisor and team has performed against specific metrics in terms of delivering on our strategic objectives. Measured tasks can be monitored and amended on a weekly basis, providing not only greater insight into overall functional performance but better informing variable remuneration – the key financial incentives that reward high-performing individuals and teams.

This R2.3 million system was successfully implemented by local third-party consultants within 16 weeks and below budget.

A particularly important shift in our appreciation and use of the powerful performance tools we have at our disposal was that these are now considered essential, core business tools, not human resources tools. Additional modules including the learner management system and succession and development will be implemented in 2017 to ensure that people management processes are fully integrated and automated.

Changing our corporate culture

A Barrett culture survey conducted in 2013 disclosed a "command" corporate culture in which there was little scope for individual or team initiative, a culture in which individuals were not inclined to take their safety or that of their colleagues and team members seriously. This landmark survey resulted in the implementation of new ArcelorMittal South Africa values: safety, caring, customer focus and commitment. To embed a values-driven culture, management pacts and action plans were implemented. In addition, a Future Leaders Programme (FLP) targeting management was rolled out and was underpinned by a values-driven leadership style. In 2016 there was a renewed focus on driving our culture transformation journey with an emphasis on embedding the values and associated behaviours to support a high-performance culture.

We acknowledge that our demographic profile, at all levels but particularly at the management (B to D) levels, requires sizeable and decisive intervention, especially the recruitment and fast-tracking of African, coloured and Indian (ACI) talent. For information on our B-BBEE management control performance in 2016, see 47.

As much as the use of the Success Factors system will largely address this situation, a cultural step-change towards values-based leadership is needed. In cultivating a new set of shared values, the allocation this year of an effective 5.1% shareholding to an employee empowerment share trust will be of considerable benefit. Today employees and managers own a total 6.6% of the company.

Strategic objective 4: Creating a high-performance culture continued

In 2015 an employee share ownership plan gave more than 9 200 full-time employees a 4.7% stake in the business. However, this was diluted to 1.9% following our successful rights issue undertaken in February 2016. The new shares will vest for 10 years with at least 60% of shares benefiting ACI employees.

Giving employees a more substantive financial interest in the fortunes of the company will sharpen our focus on creating a culture in which all employees believe they can contribute to our sustainability and success (see 48).

Training for a new operating reality

We endeavour to constantly meet the ArcelorMittal group sustainability outcome of providing a workplace in which every individual is developed to their full potential. Our sizeable training spend this year (and that of 2015) was aimed not just at equipping employees, including executives and managers, with practical, high-performance workplace skills but was also aimed at cultural change.

A recent standout success has been FLP which was developed and implemented from 2015, in association with Duke University. As stated in the previous integrated annual report, FLP aims to transform and align leadership values with the desired values of ArcelorMittal South Africa and to strive for operational excellence. Delivering learning through experience and application, FLP seeks to entrench a culture of strong, principled leadership.

This year the cost of FLP amounted to R9 million (2015: R6.7 million) with 269 employees taking part (2015: 226).

Delivered over five days, FLP consists of three modules:

Module 1 deals with personal insight and alignment with group values and includes an equine immersive experience making individuals aware of their personal values and how these relate to desired company values.

Module 2 deals with operational excellence, providing the latest thought leadership to empower leaders in the execution of their duties and to instil discipline within their teams.

Module 3 addresses leading and implementing change with two immersive experiences. The first utilises a motor-racing pit-crew experience to focus on team excellence. The second addresses leading change with a simulated courtroom experience in which teams are formally "charged" and act as prosecution, defence and judiciary with proceedings being overseen by an actual judge.

Between modules, participants work in "cohorts" of five or six colleagues, taking part in action learning projects (ALPs) which harness diverse groups working on specific topics to improve particular aspects of our business.

As in 2015, this year 35 ALPs were undertaken. Twenty-nine of these resulted in technical, mostly process enhancements which have already been implemented in the workplace. In addition to technical projects, the focus of ALPs was on so-called people activities, in particular:

- Strategy and values
- Leadership
- Employee value proposition (EVP)
- High-performance teams

Each ALP was required to focus on an aspect of the ArcelorMittal South Africa EVP. In the recent past we had intended to roll out a succinct EVP to our workforce but doing so would be symptomatic of a top-down mentality, which we intended to move away from. Instead, ALPs sought to obtain as much input from as wide a variety of the workforce as possible so that a company EVP would be meaningful to and reflective of the values of all employees. It is hoped to disseminate a new EVP throughout the company in 2017.

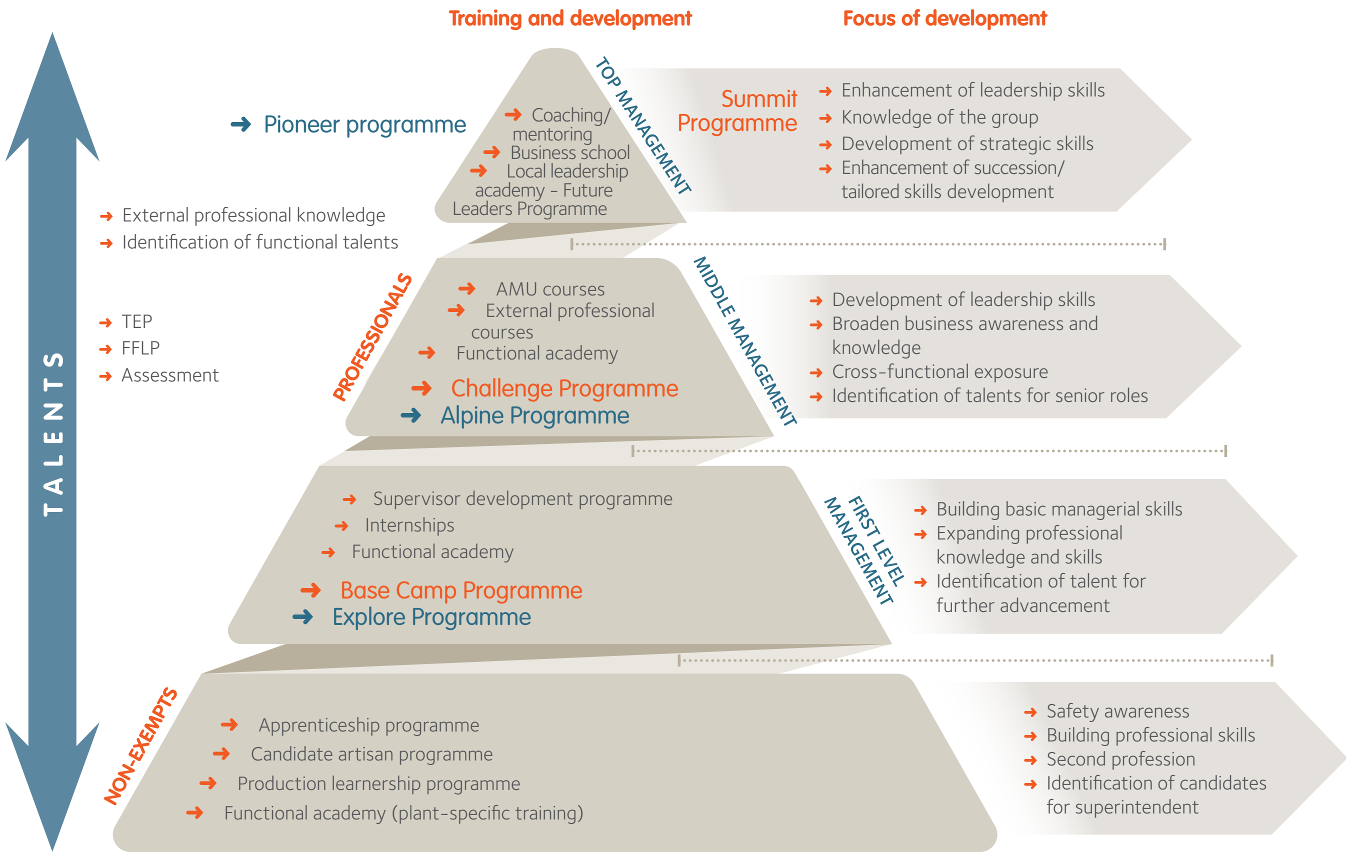
In addition to FLP (269 candidates), in 2016 a comprehensive skills development framework pyramid was instituted throughout the company. In terms of the pyramid model, 548 individuals were enrolled in "leadership" programmes; 27 senior managers in "Summit", 93 middle managers in "Alpine", 87 employees in "Base Camp" and 341 in first-line management programmes. In total, 817 candidates were engaged in all leadership programmes. Courses were aligned throughout with defined NQF outcomes, the total skills development (SD) outlay of R184 million contributing to ArcelorMittal South Africa claiming 21.42 points (out of a possible 25) in the SD component of the B-BBEE Codes of Good Practice (2015: 24.63). This was a performance that was matched by few other large companies.

In recent years our B-BBEE SD scores have been negatively impacted by our low spend on qualifying African women. This underperformance related to the demographics of our workforce; as at 31 December 2016 we had only 417 African women employees, of whom just 145 were in bands A to G. In 2015 amendments to legislation governing B-BBEE negatively impacted us because of the low number of qualifying African women employed. However, this provided an opportunity to develop unemployed African women from our local communities through an entrepreneurship programme. In 2016, 212 African women benefited from this company-funded training, at an NQF Level 4, representing the creation of R12 million of social capital.

We are committed to building a strong pipeline of talented scientists and engineers for tomorrow. Despite the many financial challenges, in 2016 our development pipeline – to address our need for technical skills (engineers, technicians, artisans and production staff) – remained positive, numbers enrolled increasing by 3.4% to 1 346 candidates. The various pipelines are developed over six-year cycles (workforce plans) and are essential to address and rejuvenate the ageing workforce.

Compared to 2015, there was a decrease in the training hours for bargaining unit employees although this year the number of hours still equalled the average of the past five years. This training takes place on the job and is based on peer-to-peer training addressing the skills required to operate machinery and produce steel. Also included in this training are legal aspects relating to mobile and lifting equipment and fatality prevention standards. In contrast to the bargaining unit, the number of training hours of the package employees increased due to the focus on managerial and leadership training during 2016.

Skills development pyramid



The development of our junior or first-line managers is critical for business performance as 80% of the time of first-line managers is spent dealing with people issues. To provide desired behaviours and business acumen, the junior management programme (JMP) or supervisor development programme was originally introduced with a 2016 cadre of 341 candidates. This programme essentially forms the entry or gateway to further development of these managers through the managerial staircase/framework.

The successes of the leadership programmes, which are co-designed and facilitated on site by Duke University Corporate Education, include uplifting the overall competency levels of our management teams while having a direct impact on the successes and productivity of our plant operations. This year the programme afforded an opportunity for Summit delegates to visit India and the United States where they were exposed, through immersive experiences, to innovation and client centricity.

Another achievement is the implementation of the young talent programme, also presented on site by Duke University, which commenced this year. The aim of this programme is to develop differently-abled employees on an NQF Level 5. At year-end 22 differently-abled candidates were registered on this programme.

Strategic objective 4: Creating a high-performance culture continued

This year skills development spend decreased by 8.9% to R184 million (2015: R202 million).

Cost	2016	2015	2014	2013	2012
Training expenditure (Rm)	**184**	202	151.4	138.1	136.7
Training hours – bargaining unit employees	**378 778**	488 079	231 732	196 890	443 942
Training hours – package employees	**133 794**	93 216	78 775	33 296	40 187

Individuals directly impacted by skills development

	2016	2015	2014	2013	2012
Apprentices	**546**	462	447	574	699
Learner technicians	**46**	41	24	58	48
Production learners	**416**	422	374	813	1 126
University and technikon bursars	**115**	111	107	137	151
Candidate engineers	**46**	44	43	61	69
Candidate technicians	**30**	33	52	66	103
Candidate artisans	**117**	153	84	95	167
Graduates in training	**30**	35	17	18	22
Total development pipeline	**1 346**	1 301	1 148	1 822	2 385

	Pipeline: employment equity												
		African		Coloured		Indian		White		Total		
Pipeline	**Total**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**Male**	**Female**	**% EE**
Apprentices	546	425	31	34	1	27	0	27	1	**513**	**33**	95
Candidate artisans	117	84	21	4	1	1	0	4	2	**93**	**24**	95
Candidate engineers	46	12	10	1	0	5	0	13	5	**31**	**15**	61
Candidate technicians	30	13	14	0	0	1	0	2	0	**16**	**14**	93
Graduates in training	30	16	11	0	1	1	1	0	0	**17**	**13**	100
Learner technicians	46	27	11	3	0	2	2	1	0	**33**	**13**	98
Production learners	416	308	47	26	8	6	2	19	0	**359**	**57**	95
University bursars	115	32	11	1	1	9	12	35	14	**77**	**38**	57
Total	1 346+	917	156	69	12	52	17	101	22	**1 139**	**207**	91

+ *Externally assured.*

Directing our drive towards high performance

The general manager: human resources and transformation, reporting to the chief executive officer (CEO), is a member of the executive committee and regularly briefs fellow executives on employment, recruitment, skills development and transformation issues. The board's remuneration, social and ethics committee is addressed by the general manager at its quarterly meetings regarding the delivery of the human resources agenda.

Through this agenda we are committed to the fair, equitable and non-discriminatory treatment of all employees including equal remuneration for men and women, and to building an inclusive and diverse workforce. We align our people management strategy with our business goals, to drive cost competitiveness and sustainable productivity, and develop and sustain a skilled and capable organisation.

We are directed by a group-wide health and safety policy, which includes our safety principles and highlights the imperative of shared responsibility for the safety of employees and contractors. Within ArcelorMittal South Africa we also have a safety, health and wellness policy, and comply with relevant local occupational health and safety legislation including the Occupational Health and Safety Act (1993).

The CEO is ultimately responsible for the health and safety of employees. The group manager: safety, health and wellness, reports to the CEO and manages day-to-day health and safety issues. This function also reports to the safety, health and wellness committee which meets on a monthly basis and is chaired by the CEO. The committee comprises the group manager: safety, health and wellness, the chief technical officer, the general managers of each operational site and union representatives. [X-ref to SO 1]

Labour relations

In 2016 the labour relations climate was stable, the two largest unions, the National Union of Metalworkers of SA (Numsa) and Solidarity, having signed two and three-year wage agreements in 2015. Numsa is the largest union at ArcelorMittal South Africa, its members comprising 62% of bargaining unit employees, Solidarity members 37% and members of the United Association of South Africa (Uasa) 1%. In total, 69% of all employees are unionised.

For 2016 and 2017, for Numsa and Solidarity members (and 2018 in the case of members of the latter union), the formula applicable to the agreement will be CPI +1% but not less than 7% as a minimum guaranteed increase across the board including a medical aid cap. A floor of 4.5% and a ceiling of 6.5% will be applicable. This applies to all allowances, excluding protected allowances.

This year 44 employees at Vereeniging Works took voluntary severance packages and 64 took voluntary early retirement in terms of a so-called section 189 process initiated in September 2015 and carried out with facilitation by the Commission for Conciliation, Mediation and Arbitration. An initial 249 employees were affected by the process which succeeded in avoiding enforced retrenchments (as per an undertaking made by the company) through measures including redeployment and the freezing of vacancies.

Employee benefits

Membership of a retirement fund is a condition of employment for all permanent full-time employees. At Saldanha Works, employees become members of the Saldanha Steel Retirement Fund while all other employees may choose to become members of either the ArcelorMittal SA Selector pension and provident funds or the Iscor Employees Umbrella Provident Fund.

Employees contribute 7% of pensionable salary and the employer 10%, this latter amount being included in employees' total cost to company for package category employees.

Retirement funds are independent legal entities, existing separately from their beneficiaries and are capable by law of suing and being sued of acquiring, holding and alienating movable and immovable property, and acquiring rights and obligations. They are managed by boards of trustees which are constituted by employer-appointed and member-elected trustees.

The company's retirement funding obligations towards current employees are all in terms of defined contribution. Defined benefit obligations towards a number of company pensioners were funded from general company resources. However, towards the end of 2015, the trustees of the major defined benefit fund and the employer succeeded in terminating the balance sheet liability of the major fund, which had assets of R8 billion. The other smaller defined benefit fund, the Iscor Retirement Fund, was outsourced to an insurance company in December 2016.

Membership of a medical aid is compulsory for all full-time permanent employees unless employees are covered by their spouse's medical aid. This year 96.8% of all employees were on company-provided medical aid.

The company furthermore offers family funeral benefits to employees and their dependants. These benefits are insured through an external provider and are fully funded by the company.

A policy extending support to those injured or killed while on duty but who are not permanent employees was introduced this year, in line with board direction to further materialise the company's duty of care. As well as permanent employees, support will now be extended to those injured (or the families of the deceased) where the person concerned is a fixed-term contract employee or temporary employee, an expatriate, production learner or apprentice (ie not in possession of a letter of appointment or permanent employment contract).

Stipulations in the policy do not influence the application of guaranteed benefits that would normally apply under these circumstances, such as company death cover/disability benefits and/or provisions under the Compensation for Occupational Injuries and Diseases Act.

In 2016 just one case of noise-induced hearing loss was recorded (2015: eight). Most cases were derived from testing of ageing or retiring employees. No cases of pneumoconiosis, silicosis or asbestosis were recorded in 2016.

The company's occupational disease frequency rate was 0.023 (2015: 0.19).

Outlook for 2017

In 2017 the company's people strategy will focus strongly on translating the substantial recent investments made in leadership and skills development into productivity gains on the ground.

We will continue to focus on transformation, driving the employment equity agenda, in particular the management control element of the B-BBEE scorecard while seeking to ensure sound labour relations through ongoing, constructive dialogue with trade unions to drive profitability for the benefit of all stakeholders.

In addition, we will deliver an employee value proposition that will reflect the high-performance, values-based culture which we believe is now taking root at ArcelorMittal South Africa and which will enable us to recruit and retain high-performing individuals, a particular concern given the high voluntary turnover rate recorded in 2016.

Leadership

Overview

ArcelorMittal South Africa is a public company listed under the Industrial – Steel and Other Metals sector of 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 supports and practises the principles set out in the King Code on Corporate Governance (King III).

As enunciated by King IV (the successor to King III), the board acknowledges that it is important to have good corporate governance structures and processes and that the board needs to lead and direct the organisation in an ethical and effective manner.

The board accepts that effective leadership entails guiding management and making strategic choices about the future direction of the company. Most importantly, the board remains accountable 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 is mindful about the outcomes it needs to achieve and 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.

This year an externally facilitated self-assessment of the board's performance and effectiveness found that the board believed its performance to have been effective. However, following this review and given the extremely challenging circumstances facing the company and the need for urgent, far-reaching strategic choices, the board decided on the following focus areas:

- The CEO and management were directed to engage more frequently and with greater purpose outside of board meetings with board members
- The board instructed the company secretary and management to improve the quality of director induction and the frequency of ongoing director development and education
- CEO and senior executive performance goal-setting, evaluation and succession management to be more closely interrogated.

This year the board and committee terms and references and work plans were reviewed. Key board activities and achievements this year included:

- Managing the appointment of the incoming CEO and the transition process
- Actively supporting the CEO and management in charting a way through the many challenges faced by the company and the steel industry
- Approving a strategy providing guidance to management on material issues and key strategic objectives to be addressed, and identifying key indicators to monitor progress against the achievement of these priorities
- Closely monitoring progress in terms of the B-BBEE scorecard. Notably, the board was intimately involved in the process of selecting the most appropriate B-BBEE partners and in ensuring that the ownership transaction achieved this year would unlock maximum value for the company and for stakeholders, including local communities and employees
- Reviewing the codes of business conduct and ethics and considering initiatives to enhance the compliance framework and culture within the company
- Holding management to account on safety performance while giving direction on the company's duty of care towards those injured at work and the families of those who passed away
- Interacting extensively with management on corporate actions including import protection and localisation, Competition Commission issues, Evraz Highveld Steel and Thabazimbi mine
- Through the safety, health and environment committee, monitoring, in detail, safety and environmental issues
- Closely involving itself in matters relating to funding and the company's status as a going concern as well as the footprint reviews of Saldanha and Vanderbijlpark Works and the Saldanha recovery plan
- Giving direction on desired outcomes in terms of stakeholder engagement and social and human value creation
- Giving detailed leadership on strengthening the internal audit and combined assurance functions
- An externally facilitated evaluation of the board's performance and effectiveness was undertaken in 2016.

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 III. The board also recognises that its role includes approving and monitoring the implementation of strategy that adequately considers the organisation's priorities, its impacts on the various capitals, and its ability to create meaningful, sustainable value for stakeholders.

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 in implementing plans and strategies, as approved by the board
- Appoint the CEO and executive directors
- Ensure that succession is planned
- Identify and regularly monitor key risk areas and key performance indicators of the business
- Ensure that the company complies with relevant laws, regulations and codes of business practice
- Ensure that the company communicates with shareholders and relevant stakeholders openly and promptly
- Monitor the company's integrated performance
- Establish a formal and transparent procedure for appointment 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 technology (IT) 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.

The board delegates to committees of the board particular roles and responsibilities – which are detailed in committee reports forming part of this Leadership section. Committees of the board are all governed by formal terms of reference which in no way amount to a discharge of the board's accountability.

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, chief executive officer and non-executive directors. The company seeks to comply with the recommendations of King III regarding its composition. With the retirement of Mr C Murray in May 2016, as well as the appointment of Ms NP Gosa who represents the B-BBEE partner, the balance in the composition changed and includes two executive directors, five non-executives and five independent non-executives. The majority of members are non-executive directors but there is an equal number of non-executive and independent directors. It is envisaged that at the annual general meeting in May 2017 this matter will be addressed.

Following the retirement of Mr Murray in May, the board functioned without a lead independent director. The board was of the view that it would be appropriate to postpone electing a lead independent director until after the completion of the company's B-BBEE transaction and the appointment of an additional independent non-executive, scheduled for Q1 2017.

The board remains an effective board. A 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, inform the composition of the board, and assist in identifying any additional skills or areas of expertise needed to ensure a balanced and effective board.

The board, through the nominations committee, has considered that the executive and non-executive directors together have the range and mix of skills, knowledge and experience necessary for them to govern the business effectively. The nominations committee assists the board in ensuring that the board comprises individuals whose background, skills, experience and diversity will assist the board in meeting the future needs of the company.

This year the board accepted that women were underrepresented – both within the workforce and on the board. As a result, greater substance was given to the board's gender diversity policy (adopted the previous year).

In particular, in 2016 the nominations committee was tasked with addressing barriers to, and providing strategic direction on, the advancement of gender diversity at board level. The remuneration, social and ethics committee was also tasked with creating synergy across the business on issues of gender diversity, succession planning and transformation in general.

The board's gender diversity policy was aligned with the company's 2016 B-BBEE scorecard targets as these related to management control. Accordingly, in 2016 two female directors were appointed, Ms Lungile "Zee" Cele in January and Ms Noluthando Gosa of Likamva Resources with effect from December. This brought the number of women on the board to three of 12 members.

The gender diversity policy obliges the board to seriously consider the appointment of female candidates, particularly black women, whenever vacancies, retirements or other opportunities for board appointments arise. While the board was mindful of the importance of setting gender diversity targets, it was of the view that such decisions would be best taken after ensuing changes to board membership had been effected (in early 2017).

The roles of the chairman and CEO are separate. The chairman provides overall leadership to the board without limiting the principles of collective responsibility for board decisions. The chairman has no executive functions.

The CEO is responsible for developing and recommending to the board a strategy and vision for the company, as well as an annual business plan and budget to support the strategy. The board rigorously interrogates the strategy and budget and provides input. The CEO exercises final executive authority to run the company efficiently on a day-to-day basis, and is the leading interface between the board and executive management.

Directors exercise objective judgement on the affairs of the company independently from management but with sufficient management information to enable proper and objective assessments to be made.

The directors understand their fiduciary duty to act in good faith and in a manner that the directors reasonably believe to be in the best interests of the company. Each decision made is based on all the relevant facts provided to the board at the time.

Ethical business practices

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 remuneration, social and ethics committee reviewed the code and anti-corruption guidelines and reported to the board that it believed these were adequate.

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.

Anti-competitive behaviour is monitored according to anti-trust guidelines. All senior executives and staff in relevant sections of the business are trained in the application of these guidelines.

This year the Competition Tribunal confirmed a settlement agreement reached between the company and the Competition Commission relating to past practices. In terms of the settlement agreement, we will be obliged to annually provide the Commission with a report on our compliance with all terms of the agreement. In addition, an independent external audit will be conducted by our independent auditors or another reputable audit firm to confirm that the pricing remedy forming part of the agreement has been applied in accordance with the agreement's provisions. The company will report to the Commission on its adherence to the pricing remedy on a six-monthly basis.

Leadership continued

In December 2016 the CEO communicated to employees, including managers and directors, as follows: "ArcelorMittal South Africa is already on a bold new compliance path and we welcome the fact that we have settled past legacy behaviours with the Commission. With that behind us, our management team can focus on returning the company to sustained profitability in compliance with law.

"It is of crucial importance that as an organisation we never find ourselves in this position again. It is important for all employees, especially those of you who have responsibilities dealing with customers and other stakeholders, that you become familiar with your obligations, and in particular, what kind of conduct may or may not be permissible. If in doubt you are invited to contact your manager, the legal department or compliance officer for advice and assistance. In addition, a Competition Law training programme is available and being rolled out throughout the organisation."

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. It applies to our suppliers and contractors, their affiliates and to all of the products and services that we purchase. 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. This year we required suppliers to complete a responsible sourcing questionnaire which covered their policies and practices, record keeping and certification of human rights, health and safety, and environmental best practice. Responses to the questionnaire were incorporated into supplier performance evaluations.

Over the past year, 61 ethics-related incidents were reported to forensic services (2015: 53). Of these, 58 were found to have been unsubstantiated or were referred back. Seven allegations were substantiated.

Corrective action taken this year resulted in one dismissal and one case of corrective counselling. One employee resigned as a result of forensic investigations and one was issued with a final warning.

A formal process is in place to track and report incidents, while also ensuring that recommendations are fully implemented by management. We have zero tolerance for performing or concealing fraudulent and/or illegal acts, as defined in the company's anti-fraud policy.

A fraud whistleblower line (0800 001 672) is operated by Global Compliance on behalf of the company.

Fraud awareness training sessions for various employees of all levels were held during the fraud awareness week in November 2016. Various posters with the whistleblower number, email address and website are visible within our buildings. An email was sent to all users of the company email and flyers were distributed across all plants two weeks prior to the fraud awareness week, with information regarding the week. An interview was also conducted with the general manager: forensic services of the ArcelorMittal group and published in the ArcelorMittal South Africa e-newsletter during November.

The CEO distributes group notices to all employees on an ongoing basis which highlight forensic issues identified, creating awareness of fraud and its consequences while advertising the hotline numbers. After finalising our long-running competition issues with the relevant authorities, measures to prevent a repeat were widely disseminated by the CEO's office.

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 from other company policies and guidelines. These include our code of business conduct, the health and safety, environment and human resources policies, and the anti-corruption guidelines.

The human rights policy sets out the principles underlying our actions and behaviour in relation to human rights, and applies to all employees and subcontractors working at our sites.

Key stakeholders include:

- Employees: we want our workforce to be safe and healthy, committed to our success, and to carry out our business with integrity. We are committed to respecting the human rights of all of our employees. We develop our employment policies with the aim of achieving uniform worldwide application of the relevant aspects contained in the International Human Rights Declarations. We are committed to train our employees to be aware of, respect and protect human rights in the workplace and in the local communities directly impacted by our operations
- Business partners: we want our customers to trust that we live up to their standards, both in our steel business and in our supply chain. We seek to respect and promote human rights when engaging with subcontractors, suppliers, customers, joint ventures and other partners. We do this, as appropriate, through proactive engagement, monitoring and contractual provisions

- Local communities: it is important that we are welcomed as good neighbours that actively engage and listen to local stakeholders, and make a positive contribution to more resilient and thriving communities through both our day-to-day operations and through thoughtful, well-targeted investments. To this end, we seek to respect human rights and to develop an understanding of the cultures, customs and values that prevail in our local communities by developing an inclusive and open dialogue with the people affected by our operations

Specific provisions of our human rights policy include:
- Promoting health and safety
- Promoting freedom of association
- Eliminating forced or compulsory labour
- Abolishing child labour
- Eliminating unlawful discrimination in the workplace
- Eliminating harassment and violence
- Providing competitive compensation
- Upholding conditions of employment
- Avoiding involuntary resettlements
- Respecting indigenous people's rights
- Adopting proportionate security arrangements
- Developing practices for land and water use.

Board membership and changes to directorate

For the year under review, the board consisted of 12 members: five independent non-executive directors (Mr PM Makwana, Mr JRD Modise, Ms NP Mnxasana, Mr NF Nicolau and Ms LC Cele), five non-executive directors (Messrs RK Kothari, D Clarke, H Blaffart, LP Mondi and Ms NP Gosa) and two executive directors (Mr WA de Klerk and Mr D Subramanian).

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

Biographical details of board members at the date of this report as well as their membership, and attendance at meetings of board committees are on 22 and 23.

Expanded biographical details of directors and senior managers are available at http://www.southafrica.arcelormittal.com/Whoweare/DirectorsManagementProfile.aspx.

Appointments to the board are made in a formal and transparent manner, with the assistance of the nominations committee. Changes in the directorate this year were:
- Ms LC Cele was appointed as an independent non-executive director with effect from 4 January 2016
- Following Mr PS O'Flaherty's resignation as the CEO and executive director of the company on 12 February 2016 he was appointed as a non-executive director, with effect from 1 March 2016. Mr O'Flaherty resigned as a board member on 20 July 2016 following an effective handover process to the new CEO
- Between 13 February and 1 July 2016, the CFO Mr D Subramanian was appointed as acting CEO and Mr G van Zyl as acting CFO. Mr WA de Klerk was appointed as CEO and executive director with effect from 1 July 2016
- Mr M Vereecke resigned as a non-executive director on 15 July 2016 as a result of his new responsibilities in Europe, following an internal reorganisation of the ArcelorMittal group
- Mr DK Chugh retired as an employee of the ArcelorMittal group at the end of July 2016 and therefore also retired from board appointments related to his official position. His resignation as a non-executive director became effective on 15 July 2016
- In Messrs Vereecke and Chugh's places, Messrs D Clarke and H Blaffart were appointed as non-executive directors with effect from 19 July 2016
- Following conclusion of the B-BBEE ownership transaction, one representative nominated by Likamva Resources, Ms NP Gosa, was appointed as a non-executive director with effect from 1 December 2016.

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.

Leadership continued

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. Messrs PM Makwana, R Kothari, NF Nicolau and Ms LC Cele retire and, being eligible, have offered themselves for re-election at the AGM in May 2017.

In accordance with the company's memorandum of incorporation, shareholders will be asked to confirm the appointment of Messrs WA de Klerk, D Clarke, H Blaffart and Ms NP Gosa as directors of the board at the forthcoming AGM.

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.

Ms Nomonde Beatrice Bam has served as the company secretary since August 2015.

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.

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.

Audit and risk committee

The audit and risk committee report, required in terms of section 94(7) of the Companies Act, is set out on 74 of this integrated annual report.

Safety, health and environment (SHE) committee

The SHE committee has been mandated to assist the board in ensuring sound management of safety, health and environmental matters.

The committee comprised Mr NF Nicolau (chairman), Ms NP Mnxasana, Ms LC Cele, Mr D Clarke and the CEO.

Representatives of both the Numsa and Solidarity unions attend meetings as permanent invitees. The general managers of all business units, the chief technology officer, the group manager: health, safety and wellness as well as the group manager: environment are permanent invitees of the committee.

The committee met three times during the year under review. It rotates its visits between plants to ensure site visits by committee members. The main duties of the committee are to:

- Ensure that the management of safety, health and the environment in the company is aligned with the overall business strategy of the company
- Consider and approve corporate safety, health and environmental strategies and policies
- Ensure that committee members are informed about all significant impacts on the company in the safety, health and environmental field and how these are managed (process and activities)
- Monitor the company's safety, health and environmental performance, progress and improvement
- Ensure adequate resources are provided to comply with SHE policies, standards and regulatory requirements.

Remuneration, social and ethics committee (RSEC)

RSEC's roles and responsibilities include setting and reviewing remuneration policy, implementation and reporting, and oversight of the company's ethics, social value creation, sustainable development and stakeholder engagement.

The committee met four times during the year. As per King IV, all members were non-executive directors, of whom a majority were independent. From May RSEC members were Ms NP Mnxasana (chairman), Mr JRD Modise, Ms LP Mondi, Mr H Blaffart and Mr NF Nicolau. Mr RK Kothari was a permanent invitee.

In 2016 the committee reviewed the company's performance and strategy relating to the economic, social and environmental contexts, including its standing in terms of the goals and purposes of:

- The 10 principles set out in the United Nations Global Compact Principles
- The OECD recommendations regarding corruption
- The Employment Equity Act
- The Broad-Based Black Economic Empowerment Act.

The committee also received reports on, and considered, the company's:

- Remuneration policy and the design and implementation of guaranteed and variable pay
- Promotion of equality, prevention of unfair discrimination, and reduction of corruption
- Contribution to the development of communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed
- Records of sponsorship, donations and charitable giving
- The health, environmental and public safety impacts of the company's activities and of its products or services

- Consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws
- Labour and employment, including the company's standing in terms of the International Labour Organisation's protocol on decent work and working conditions, and the company's employment relationships with and its contribution toward the educational development of its employees
- General salary increases and mandates for negotiations with trade unions
- Ensuring a proper system of succession planning for top management and monitoring of the succession plan for the rest of the organisation
- Confirming appointments to senior management positions
- Employment equity plans for implementation
- Matters relating to corporate culture and management performance in terms of retention and talent development.

Nominations committee

The functions of the nominations committee are to:

- Ensure that procedures for appointments to the board are formal, transparent and in accordance with the JSE Listings Requirements, the memorandum of incorporation and the Companies Act
- Regularly review the board structure, size and composition and make recommendations to the board on the composition of the board in general, and any adjustments that are deemed necessary, including the balance between executive, non-executive and independent non-executive directors assume responsibility for board diversity including gender diversity policy
- Identify and nominate candidates for the approval of the board to fill board vacancies as and when they arise
- Be responsible for succession planning, in particular for the chairman and executive directors
- Agree, and put in place, a performance contract with the CEO
- Formalise the annual performance reviews of the board, the respective board committees and individual board members

The nominations committee is chaired by the chairman of the board and consisted of a majority of independent directors: Messrs PM Makwana (chairman), NP Mnxasana, JRD Modise, RK Kothari and H Blaffart. The committee met three times in 2016.

The CEO and other relevant members of management attend the meetings by invitation.

In 2016, in addition to the responsibilities detailed above, the committee was instrumental in furthering achievement of the board's gender-diversity policy.

B-BBEE committee

The committee monitors the company's performance on improving its B-BBEE scorecard performance and provides an "umbrella view" of how the company performs against each of the identified pillars of the B-BBEE codes.

The committee's terms of reference include formal work plans which the committee focuses on and drives each quarter. These include:

- Considering and determining B-BBEE strategies and policies with respect to the following year's transformation objectives, and setting targets
- Monitoring the implementation of determined strategies and improvement actions per the scorecard elements as approved by the board
- Ensuring that effective transformation takes place within the company in respect of recruitment, retention, career development and succession planning
- Ensuring that effective economic transformation takes place in respect of enterprise development, supplier development and preferential procurement
- Establishing and reviewing B-BBEE partnership programmes and transactions.

The committee consisted of Messrs PM Makwana (chairman), JRD Modise, Ms NP Mnxasana, R Kothari, D Clarke, Ms NP Gosa and the CEO. It met four times in 2016.

In 2016 the committee was intimately involved in the process – and negotiations – leading to the successful conclusion of the company's B-BBEE transaction.

Share dealings by directors and management

In line with statutory and regulatory obligations and best practice, directors and management may not deal directly or indirectly in the company's shares during specific closed periods. These closed periods operate from year-end to the announcement of annual results, and from half-year-end to the announcement of interim results. Restrictions on share dealings are also applied during any other period considered sensitive in terms of the requirements of JSE Ltd.

Directors and the company secretary require the prior approval of the chairman or CEO before dealing in the company's shares.

A closed period was triggered by the cautionary announcement issued by the company on the Securities Exchange News Service on 30 September 2015, announcing the commencement of a B-BBEE ownership transaction and the intention to undertake a rights offer.

A withdrawal of the cautionary announcement and terms announcement relating to the B-BBEE transaction was issued at the end of September 2016, lifting the embargo on the trading of the company's shares.

The board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the financial year ended 31 December 2016.

A statement on the company's compliance with King III is available online.

Remuneration report

Remuneration context

This report reflects our remuneration guiding principles and the implementation of our remuneration policy, outlining remuneration decisions made by the board and remuneration, social and ethics committee (RSEC) with respect to ArcelorMittal South Africa employees, executive and non-executive directors.

Notwithstanding major achievements on areas including B-BBEE and skills development, this year ArcelorMittal South Africa's financial performance continued to disappoint. In this context, we are acutely mindful of the need for our remuneration policies and practices to strike a balance between shareholder interests and the need to attract, retain and incentivise our employees to improve company performance. During the year the senior management turnover report reflected an increase due to the departure of Paul O'Flaherty and Themba Nkosi in top management roles. Voluntary turnover throughout the company reflected a similar increase (see 55).

In our continued efforts to engage and address employee concerns, we implemented corrective measures such as equity pay improvements, leadership programmes, robust succession and career plans as well as driving transformation.

Guiding principles

Our underlying philosophy is to attract, develop and retain our employees while remaining mindful of our financial performance. In this context, we operate within the regulatory, legislative and governance frameworks as detailed in this report. Our remuneration philosophy seeks to balance the need to reward performance appropriately, fairly and competitively while remaining conscious of our responsibility to deliver shareholder value.

Our approach towards managing pay includes the following principles:

- *Total rewards mindset* – reward is viewed in a holistic manner comprising a range of monetary (fixed and variable) and non-monetary components
- *Performance aligned to strategy* – there is strong differentiation based on performance by all employees, addressing line-of-sight responsibilities aligned to key strategic objectives and the creation of value over the short, medium and long term. Performance is the cornerstone of reward practices and is linked to shareholder, company, business unit, team and individual goals
- *Manager discretion* – we continue to drive the empowerment of business units. Our delegation-of-authority matrix incorporates decentralised decision-making
- *Legislative framework* – aligned to the Employment Equity Amendment Act, we adopted an internal equity pay correction strategy for those below executive level that is in its third implementation year, differentiated by individual performance and tenure
- *Pay mix* – our total pay includes a variable pay element and reward for contributions to business performance. The differentiation by role level is reflected in the table opposite
- *Consistency* – the reward philosophy strives to be both consistent and transparent. Benchmarking is performed annually using reliable and recognised methodologies by utilising differential market values of various skills groups and roles as reflected in variable pay practices
- *Attraction and retention* – the focus is on fair and equitable remuneration practices that attract, develop and retain talent to deliver on the business strategy
- *Governance framework* – aligned to King III, RSEC is delegated by the board to perform various functions and to make recommendations to the board on human resources issues. The board ensures that the remuneration policy results in fair and responsible remuneration practices in the context of overall employee and executive remuneration so as to:
  - Attract, motivate, reward and retain human capital
  - Promote the achievement of strategic objectives within the organisation's risk appetite
  - Promote an ethical culture and responsible corporate citizenship.

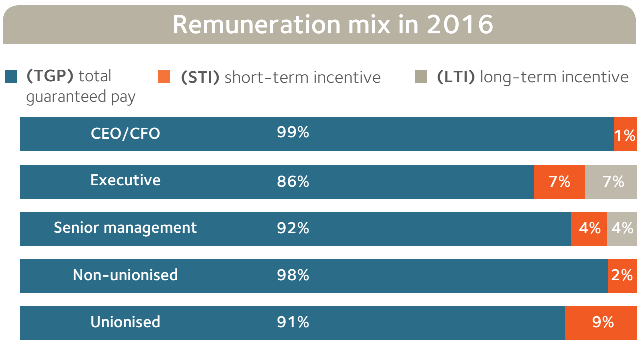
The report of the remuneration, social and ethics committee is on 64.

Remuneration design structure

The principle of performance-based remuneration is one of the cornerstones of the remuneration strategy. It is further underpinned by sound remuneration management and governance principles, which are promoted across ArcelorMittal South Africa to ensure the consistent application of the strategy. We strive to reward employees for individual and corporate performance through an appropriate balance of fixed pay and short and long-term variable pay.

Remuneration mix

ArcelorMittal South Africa's remuneration philosophy and policy aim to attract and retain motivated, high-calibre employees whose interests are aligned with those of our shareholders. This is achieved through the right mix of guaranteed and performance-based remuneration (variable pay), which provides for differentiation between high, on-target and low performance. The pay mix of guaranteed and variable remuneration differs according to the level of the employee. Generally, the more senior the employee, the higher the proportion of variable pay in his/her total remuneration package.



Our remuneration mix is intended to reward top and senior management through a greater element of performance-based pay. The relatively low rates of variable pay for such employees reflected in the table above derive from the fact that, in 2016, only 1% of long-term incentive targets, and 0% of short-term targets, were achieved.

Pay elements

ArcelorMittal South Africa's remuneration strategy comprises the following key elements:

- Guaranteed pay
- Retirement, risk and medical benefits
- Retention schemes (MTI and executive retention agreements)
- Variable pay such as production and maintenance bonuses (OPI) and short-term incentives (STIs), ie annual performance bonuses
- Long-term incentives (LTIs), ie share plans
- Other benefits.

Total remuneration

Reward element	Strategic intent
Guaranteed Total cost to company (CTC) including company retirement contribution	→ Salary structuring → Reward for performance → Equitable pay → External competitive pay
Benefits → Medical schemes → Allowances (shift) → Funeral, death, insurance	→ Legislative compliance → Competitiveness (attraction) → Employee lifestyle → Flexibility
Short-term incentive → Annual incentive scheme	→ Improved employee and company performance → Driving short/medium-term goals → Annual alignment (12 months)
Long-term incentive → Long-term equity-settled instruments	→ Five-year strategy targets → Shareholder value → Performance

Other benefits

Reward element	Strategic intent
Recognition → Annual CEO Awards → Long service → Bronze, silver, gold awards at management's discretion	→ Recognition for performance excellence
Training → Future Leaders Programme → Leadership training → Learnerships	→ Skills development → Internal branding → Employee value proposition → Employee engagement
Employee share trusts → ESOP → ArcelorMittal South Africa empowerment share trust	→ B-BBEE compliance → Culture change → Retention → Employee value proposition → Licence to operate

Remuneration report continued

Guaranteed pay

The guaranteed pay of package category employees is based on CTC. It comprises cash salary and contribution to retirement funding (including death and disability risk insurance). CTC is usually determined with effect from April each year and is informed by parameters approved by the board. Factors such as inflation, market pay and individual performance inform pay differentiation. While remuneration is benchmarked against peer competitors, the results of individual annual performance may allow earnings above the market median but not below the pay scale minimum.

Guaranteed pay for bargaining unit employees is negotiated with the National Union of Metalworkers of South Africa (Numsa) and Solidarity. Pay components, which are similar to those for package category, were adjusted by 7% according to a multi-year wage agreement implemented in April 2016 for a period of three years as reflected below.

Wage agreement	2015	2016 2017
Formulae	7.42%	1% + CPI (floor of 4.5%, capped at 6.5%) – not less than 7% across the board (7% implemented for 2016)
Once-off	R2 000 (net)	–
Semi-skilled level	6.5% (including allowance)	6.3% (including allowances)
Skilled level	6.2%	6.0% (including allowances)
Medical aid subsidy cap	6.5%	6.5%

Unionised employees' pay progression is governed by competency-based remuneration, allowing for pay progressions in accordance with the individual's assessed competency level. This pay progression model for the bargaining unit has been implemented since 2003.

Benefits

ArcelorMittal South Africa's policy is to provide, where appropriate, additional elements of compensation as listed below:

- All permanent employees are eligible for participation in our retirement funds and medical schemes
- Group life insurance is provided as a fixed amount of pensionable salary
- Funeral cover is provided to all employees
- All retirement plans include disability cover.

Variable pay

Variable pay structures include a performance incentive scheme and a productivity bonus scheme. The bonus schemes are discretionary and based on the achievement of key annual objectives. Variable pay aims to support and incentivise the achievement of strategy which, in turn, ensures our ability to create value over the short, medium and long term. The performance incentive scheme gives employees an annual performance bonus based on individual performance reviews combined with scorecards measuring the company's financial and non-financial performance. Bonus payments are calculated as a percentage of an individual's CTC.

Performance incentive scheme – package employees

In 2016 the performance bonus plan was similar to that of 2015 and provided package category employees an annual performance bonus based on company and individual performance reviews. A performance scorecard is used to measure financial (ebitda and free cash flow) and non-financial (health and safety, and business-specific measures – BSMs) performance, weighted respectively on a 70/30 basis. This is outlined in the table below, which also demonstrates the threshold, target and stretch (minimum, on-target and maximum) performance levels to be achieved against the business plan either at company or business unit level. The final score is moderated up or down based on individual performance.

Performance scorecard

	Performance levels			Performance measure and weights				
Role	Threshold 80%	Target 100%	Stretch 120%	Ebitda	Free cash flow	Health and safety	BSM	Total
CEO	20.0%	40.0%	60.0%	40.0%	30.0%	10.0%	20.0%	100.0%
General managers	15.0%	30.0%	45.0%	40.0%	30.0%	10.0%	20.0%	100.0%
Group managers	10.0%	20.0%	30.0%	40.0%	30.0%	10.0%	20.0%	100.0%
Managers	8.8%	17.5%	26.3%	40.0%	30.0%	10.0%	20.0%	100.0%

BSMs (20% of STI) are approved by the CEO and board and reflect key business drivers that are visible in our 2016 results.

Productivity bonus scheme – unionised employees

The productivity bonus scheme is negotiated for bargaining unit employees with trade unions as part of wage negotiations. It seeks to drive improved safety and productivity by rewarding bargaining unit employees for achieving monthly KPI targets that include:

- Ebitda (80%)
- Safety (20%)

The extent to which individual employee performance is measured against these targets is determined by employees' ability to influence safety, production and productivity in their areas. The productivity bonus payment is determined as a percentage of monthly base salary and a maximum payment of 7% is applied.

Production and maintenance bonus (OPI) – production employees

To further enhance our reward offering in driving a high-performance culture, an additional element is added to the productivity bonus. Middle managers, technical and support staff linked directly to the production of steel are measured in the same way as their staff members and are incentivised for driving safety, quality and business unit performance. This monthly productivity bonus payment is determined as a percentage of monthly salary with a maximum of 5% achievement.

Long-term incentive plan (LTIP) for senior management

A share option scheme was effective from 2005 to 2011. Share options were offered at market prices on the grant date and were released in three annual tranches of 33.3%, 33.3% and 33.4%, commencing on the first anniversary of the offer date and expiring after 10 years. Option plans are equity-settled as each share option converts into one ordinary share of ArcelorMittal South Africa Ltd on exercise. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from vesting to expiry date.

No share option grants were made in 2012, 2013, 2014 or 2015 and, as at 31 December 2015, all share options had vested. However, in the case of a rights offer, the trust deed of the share option scheme (clause 19) states that the scheme shares (options) held by a participant shall be increased with the number of shares to which the participant is entitled and will be equal to the subscription amount payable in respect of such rights shares at the rights offer price. Therefore, for every 100 options, the number of options increased by 163 at the rights offer price applicable to the increased portfolio only. The result this year following our rights issue was an increase of 4.8 million options that were exercisable by eligible participants.

In 2012, RSEC approved a new LTIP based on performance and conditional share units, as approved by shareholders.

The scheme's participants are divided into two groups:

- Designated members of the executive committee who receive LTIP shares based on performance conditions: return on capital employed (ROCE) and total cost of employment per tonne (TCOE/t in USD), which are equally weighted (performance stock units – PSU). (The measurement changed to TCOE/t in ZAR in 2015.)
- Senior management, who receive LTIP shares based on service conditions which include ongoing employment moderated by individual performance (restricted stock units – RSUs). Since 2015, 50% of the LTIP award for this category was also subject to performance conditions.

Salient features of the 2016 LTIP award, in accordance with the rules:

- It is a three-year performance plan
- Awards are made annually
- Allocations are calculated on cost to company X applicable % per grade X individual performance
- Threshold must be achieved to trigger payout for any measurement
- It is capped at 120% achievement of the specific target
- The audited financial year's performance is used for measurement purposes.

Eligible participants must remain employed to qualify for any settlement if the performance conditions have been met. There is provision for proportional awards when there is a change in the effective control of the company, or when an employee is retrenched, retires or dies while in service.

Specific to the 2016 grant rule, the share allocation percentage to senior managers and designated executives varies between 50% and 150% of cost to company relating to on-target performance. (International executives participate in the ArcelorMittal group scheme in accordance with the international mobility policy.)

Executive retention

Executive retention payable in three tranches was approved by RSEC earlier in 2016 due to increased turnover in the senior management category. This first tranche was paid to six key individuals in July supported by strong retention terms with the final payment due in 2018. These agreements include specific employment conditions. The first payment entailed a once-off cost of R4.2 million.

Medium-term incentive scheme aimed at retention of critical talent

The medium-term incentive scheme is aimed at retaining critical, scarce skills in various key specialist positions below senior management. Participants need to have been in employment for three years from the date of the first payment and, where necessary, are required to participate in a formal mentorship and coaching programme as part of our succession plan. Although we have awarded medium-term incentives selectively, five tranches were paid in 2016.

Voluntary turnover this year was 5.3%, a substantial increase over 2015. Staff turnover per employee category is reflected in the graph on 55.

Employee Share Ownership Plan – Ikageng Trust

In line with our commitment to transformation and our B-BBEE strategy, the board approved a five-year Employee Share Ownership Plan (ESOP) effective from October last year. The size of the ESOP was a 4.7% shareholding (which reduced to an effective 1.89% following our subsequent rights offer) with 21.1 million shares available for allocation. The following participation rules apply:

Beneficiaries	Criteria
All permanent employees, middle management and below role levels	Permanent employment
African, coloured and Indian (ACI)	2 250 share units
Non-ACIs	1 950 share units

Remuneration report continued

The salient features of the ESOP include:

- The 21.1 million shares will be held by the Ikageng Trust for the benefit of participating employees
- No new entrants will be allowed participation on or after 1 October 2019
- On expiry date, participating employees may exercise their right to receive the cash value of the shares (tax remains applicable) or the actual shares (tax applicable)
- The trust is managed by six trustees (three elected, two independent and one appointed by the company)
- Computershare was appointed as the administrator of the scheme.

The trust deed also allows for fault and no-fault termination rules as managed by the trustees. Death or retirement are deemed to be no-fault terminations in terms of the rules with affected employees and their beneficiaries being entitled to a matured portion only.

B-BBEE partnership

Creating social value requires us to be a demonstrably transformed leader in the steel industry, one that acknowledges its role to ensure the long-term sustainability of the local steel sector and associated industries, and to create meaningful value for all stakeholders. To continue with our transformation journey, we are committed to:

- Providing meaningful opportunities for historically disadvantaged persons to enter and benefit from the South African steel industry, by acquiring a B-BBEE partner
- Furthering the objectives of B-BBEE legislation and the B-BBEE Codes of Good Practice by establishing an additional employee trust vehicle to broaden participation in the business.

In November shareholders approved Likamva Resources as our new B-BBEE partner. The structure of the new scheme is as follows:

- It will be implemented by a 22.1% (post-issue) notionally funded issue of shares as follows:
  - 17% Likamva Resources
  - 5.1% ArcerlorMittal South Africa Employee Empowerment Share Trust.

ArcelorMittal Employee Empowerment Share Trust (Isabelo)

The ArcelorMittal Employee Empowerment Share Trust was registered earlier this year:

- The scheme has a 10-year term
- The scheme is a "bewind trust" managed by four elected trustees, two independent and one appointed by the company
- Participation in the scheme is offered to all permanent full-time employees of the company and its South African subsidiaries (including executives)
- First allocation date was 1 December 2016
- The first 50% of the total free trust units was an equal distribution to all beneficiaries, equivalent to 4 021 trust units per beneficiary, with the other 50% allocated according to role grade, favouring lower-level employees also on the first allocation date
- The trust will be subject to the requirement that a minimum of 60% of the economic benefits relating to shares held by the trust must accrue to black beneficiaries
- Fault and no-fault termination rules, similar to those of the Ikageng Trust, apply.

Contractual arrangements

We do not have any fixed-term contracts with executive directors or senior executives and there exists no restraint or special severance compensation payable to such employees. A period of restraint with standard non-compete and non-solicitation conditions is included as a generic clause in employment contracts.

The chief executive officer's period of notice for termination of employment was three months on either side while executive directors and senior executives were also required to give two months' notice on either side, in line with the standard terms and conditions of employment, unless otherwise specified. In late 2016, however, RSEC approved a change to new-hire contracts:

- Chief executive officer and chief financial officer's notice periods changed to six months
- Other executive committee members' notice periods changed to three months
- Senior management's termination period remains unchanged at two months.

Non-executive directors

Non-executive directors do not receive short-term or long-term incentives. They are appointed based on proposals submitted by the nominations committee to the board and shareholders for approval and their term of office is three years. One-third of all directors retire at the annual general meeting but are eligible for re-election.

RSEC is responsible for setting the fees and determining the terms of service for the chairman and non-executive directors. The fees for non-executive directors are reviewed annually, informed by market best practice and the time commitment and responsibilities associated with each role. Non-executive directors receive an annual fee and a fee for attending board meetings while the chairman receives an annual fee that includes remuneration for attendance at all board and board committee meetings. Non-executive directors do not participate in any type of incentive scheme nor do they receive any medical and pension-related benefits.

A resolution proposing an increase in non-executive directors' fees was approved by shareholders on 25 May 2016. The committee has reviewed non-executive directors' fees for 2017 and a proposal will be put to the board in May 2017.

Remuneration of executive directors and prescribed officers

The following is a summary of the remuneration of executive directors, prescribed officers and the highest paid senior employees (who are not directors) for services rendered to ArcelorMittal South Africa Ltd.

This is a summary of directors remuneration, prescribed officers and the highest paid senior employees (who are not directors) for services rendered to ArcelorMittal South Africa Ltd.

	Notes	Salary[1] 2015 R	Retirement funding R	Short-term incentives[2] R	Equity incentives[3] R	Other[4] R	**Total remuneration 2016 R**	Total remuneration 2015 R
Executive directors								
WA de Klerk	5	4 229 416	260 576	–	223 026	1 624 678	**6 337 696**	–
D Subramanian	6	2 198 790	192 462	123 480	97 198	2 375 874	**4 987 804**	1 043 781
PS O'Flaherty	7	354 865	41 878	–	–	1 198 932	**1 595 675**	6 758 452
Subtotal		6 783 071	494 916	123 480	320 224	5 199 484	**12 921 175**	7 802 232
Prescribed officers and highest paid employees								
M Adam		2 846 049	236 225	234 313	447 434	1 818 797	**5 582 818**	4 559 876
HPR Orsoni		3 327 000	–	890 000	–	1 226 296	**5 443 296**	2 276 418
WA Nel		2 348 000	194 887	186 065	1 337 785	597 350	**4 664 087**	4 457 529
RH Torlage		2 203 192	186 776	212 947	974 856	1 259 142	**4 836 913**	3 476 216
TG Nkosi	8	1 068 495	96 463	170 246	–	1 372 482	**2 707 686**	4 042 926
W Venter		1 720 220	142 780	102 600	260 742	691 093	**2 917 435**	2 231 634
AM Ngapo	9	1 489 749	123 651	–	–	558 822	**2 172 222**	
KS Kumar	10	1 280 843	–	52 629	–	377 806	**1 711 278**	2 572 680
R Bardien	11	335 488	27 846	–	–	7 007	**370 341**	
Subtotal		16 619 037	1 008 628	1 848 800	3 020 818	7 908 795	**30 406 076**	23 617 279
Total		24 182 108	1 503 544	1 972 280	3 341 042	13 108 279	**43 327 253**	31 419 511

	Notes	Directors' fees R	Committee fees R	Other[4] R	**Total remuneration 2016 R**	Total remuneration 2015 R
Non-executive directors						
PM Makwana		1 323 972	–	15 073	**1 339 045**	1 273 095
DCG Murray	12	117 469	124 693	3 359	**245 521**	643 526
LP Mondi		280 003	56 959	–	**336 962**	330 397
NP Mnxasana		309 083	337 327	–	**646 410**	414 303
JRD Modise		309 083	365 998	6 829	**681 910**	575 955
NF Nicolau		280 003	155 134	7 814	**442 951**	131 130
PS O'Flaherty	7	105 157	58 293	–	**163 450**	–
LC Cele	13	309 083	121 632	913	**431 628**	–
NP Gosa	14	29 080	–	–	**29 080**	
Total		3 062 933	1 220 036	33 988	**4 316 957**	3 368 406

Directors' remuneration is not paid to the non-executive directors in the employment of the ArcelorMittal group and have therefore not been disclosed in this note.

1 *Salary represents cash salary earned by directors and prescribed officers.*
2 *The short-term incentives relate to benefits for the December 2015 financial year, which were paid in April 2016.*
3 *Further detail on the equity incentives can be found under directors' unexercised share options and LTIPs in the table that follows.*
4 *Other includes separation payments, leave encashment, business travel claims and allowance, settlement allowance, housing benefits, international mobility allowance, medical benefits, hardship allowance and sign-on incentives.*
5 *WA de Klerk was appointed CEO and executive director effective 1 July 2016.*
6 *D Subramanian was appointed acting CEO from 4 February 2016 to 30 June 2016 whereafter he assumed his role as chief financial officer.*
7 *PS O'Flaherty announced his resignation as chief executive officer effective 4 February 2016. It was proposed that he assumed a role as a non-executive director with effect from 1 March 2016. Subsequent to this appointment he resigned as non-executive director effective 1 August 2016.*
8 *TG Nkosi resigned as general manager: human resources, transformation and communications effective July 2016.*
9 *AM Ngapo appointed as chief marketing officer effective 1 July 2016.*
10 *KS Kumar resigned as chief marketing officer with effect from 30 July 2016.*
11 *R Bardien was appointed as general manager: human resources and transformation effective 1 November 2016.*
12 *DCG Murray retired as non-executive director effective 26 May 2016.*
13 *LC Cele was appointed as non-executive director effective 4 January 2016.*
14 *NP Gosa, was appointed to represent Likamva Resources as non-executive director with effect from 1 December 2016.*

Remuneration report continued

ArcelorMittal South Africa LTIPs and equity-settled share options

The following table reflects the status of unvested LTIPs held by executive directors and the highest paid senior employees at 31 December 2016:

Names of executives	Award type	Award date	Number of allocations at the start of the year	Number of allocations made during the year	Adjust-ment for units not expected to vest	Number of allocations at the end of the year	Number of allocations vested at the end of the year	Issue price (R)	Present value of unvested share units at the end of the year (R)
WA de Klerk	LTIP	10/10/2016	–	871 794	232 478	639 316	–	10.74	7 352 134
			–	**871 794**	**232 478**	**639 316**	**–**		**7 352 134**
D Subramanian	LTIP	10/10/2016	–	474 923	126 646	348 277		10.74	4 005 186
			–	**474 923**	**126 646**	**348 277**			**4 005 186**
WA Nel	LTIP	14/11/2013	94 096	–	–	–	94 096	40.47	–
		27/05/2014	81 263	–	–	81 263	–	34.89	934 525
		18/05/2015	104 733			104 733	–	18.73	1 204 430
		10/10/2016	–	267 170	71 245	195 925		10.74	2 253 138
			280 092	**267 170**	**71 245**	**381 921**	**94 096**		**4 392 092**
RH Torlage	LTIP	14/11/2013	21 304	–	–	–	21 304	40.47	–
		27/05/2014	51 669	–	–	51 669	–	34.89	594 194
		18/05/2015	99 887			99 887	–	18.73	1 148 701
		10/10/2016	–	308 681	82 315	226 366		10.74	2 603 209
			172 860	**308 681**	**82 315**	**377 922**	**21 304**		**4 346 103**
M Adam	LTIP	18/05/2015	147 387			147 387	–	18.73	1 694 951
		10/10/2016	–	390 407	104 109	286 298		10.74	3 292 427
			147 387	**390 407**	**104 109**	**433 685**	**–**		**4 987 378**
W Venter	LTIP	14/11/2013	12 770	–	–	–	12 770	40.47	–
		27/05/2014	13 222	–	–	13 222	–	34.89	152 053
		18/05/2015	20 255	–	–	20 255	–	18.73	232 933
		10/10/2016	–	197 538	52 677	144 861		10.74	1 665 902
			46 247	**197 538**	**52 677**	**178 338**	**12 770**		**2 050 888**

LTIP shares vest within three to five years.

Restricted stock unit (RSU)/performance stock unit (PSU) plans

The following table reflects the number of restricted and performance stock units allocated to executive directors, prescribed officers and the highest paid senior employees who belong to the ArcelorMittal group share-based payment scheme.

Name of executive	Award type	Award date	Number of allocations at the start of the year	Number of allocations made during the year	Number of allocations at the end of the year	Number of allocations vested at the end of the year	Issue price (USD)	Present value of unvested share units at the end of the year (USD)
HPR Orsoni	RSU	29/03/2013	3 125	–	–	3 125	12.78	–
		27/09/2013	3 125	–	–	3 125	13.82	–
		17/12/2014	5 000	–	5 000	–	10.96	36 500
		18/12/2015	5 000		5 000		3.83	36 500
	PSU	29/03/2013	1 875	–	1 875	–	12.78	13 688
		27/09/2013	3 125	–	3 125	–	13.82	22 813
		17/12/2014	5 000	–	5 000	–	10.96	36 500
		18/12/2015	5 000	–	5 000	–	3.83	36 500
		30/06/2016	–	89 400	89 400	–	4.58	652 620
		30/06/2016	–	17 880	17 880	–	4.39	130 524
			31 250	107 280	132 280	6 250		965 644

Independent limited assurance report

To the directors of ArcelorMittal South Africa Ltd

We have performed our limited assurance engagement in respect of the selected non-financial key performance indicator (KPI) disclosures to be published in the ArcelorMittal South Africa integrated annual report for the year ended 31 December 2016.

Subject matter

The subject matter comprises the non-financial key performance indicators prepared in accordance with the Global Reporting Initiative G4 Guidelines (GRI G4) supported by management's internal basis of preparation (the criteria) as prepared by the responsible party during the year ended 31 December 2016. The subject matter comprises the following:

- Lost-time injury frequency rate (LTIFR)
- Total number of work-related fatalities
- Total number of permanent employees and RSA-based employee demographic (race)
- Corporate social investment spend
- Total number of employees within the development pipeline
- Environment (scope 1) consumption
- Environment (scope 2) consumption
- Total greenhouse gas emissions
- Carbon emission intensity per tonne of liquid steel
- Externally verified B-BBEE score card
- Liquid steel capacity utilisation

Directors' responsibility

The directors being the responsible party, and where appropriate, those charged with governance are responsible for the subject matter information, in accordance with the GRI and ArcelorMittal South Africa's own internal basis of preparation.

The responsible party is responsible for:

- ensuring that the subject matter information is properly prepared and presented in accordance with the criteria against which the underlying subject matter will be assessed;
- confirming the measurement or evaluation of the underlying subject matter against the applicable criteria, including that all relevant matters are reflected in the subject matter information; and
- designing, establishing and maintaining internal controls to ensure that the subject matter information is properly prepared and presented in accordance with the criteria against which the underlying subject matter will be assessed.

Assurance practitioner's responsibility

We conducted our assurance engagement in accordance with the *International Standard on Assurance Engagements (ISAE) 3000 (Revised)*, assurance engagements other than audits or reviews of historical financial information. This standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement with the aim of obtaining limited assurance regarding the subject matter of the engagement.

We shall not be responsible for reporting on any non-financial performance indicator transactions beyond the period covered by our limited assurance engagement.

Quality control

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independence and other ethical requirements

We have complied with the independence and other ethical requirements of Parts A and B of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of work performed

We have performed our procedures on the subject matter, the non-financial performance indicators of the company, as prepared by management in accordance with the GRI G4 as supported by management's basis of preparation for the year ended 31 December 2016.

Our evaluation included performing such procedures as we considered necessary which included:

- Interviewing management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process for the selected subject matter;
- Testing the systems and processes to generate, collate, aggregate, validate and monitor the source data used to prepare the selected subject matter for disclosure in the report;
- Inspected supporting documentation and performed analytical review procedures; and
- Evaluated whether the selected KPI disclosures are consistent with our overall knowledge and experience of sustainability processes at ArcelorMittal South Africa.

Our assurance engagement does not constitute an audit or review of any of the underlying information in accordance with International Standards on Auditing or International Standards on Review Engagements and accordingly, we do not express an audit opinion or review conclusion.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the non-financial performance indicators have been presented, in all material respects, in accordance with GRI G4 Guidelines, supported by management's internal basis of preparation.

Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that the selected non-financial key performance indicators as set out in the subject matter paragraph (of our report) for the year ended 31 December 2016, is not prepared, in all material respects, in accordance with the GRI G4 supported by management's internally developed basis of preparation.

Other matters

Our report does not extend to any disclosures or assertions relating to future performance plans and/or strategies disclosed in the report.

The maintenance and integrity of the entity's website is the responsibility of management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the information in the website, the report or our independent assurance report that may have occurred since the initial date of presentation.

Restriction on use and distribution

Our report is made solely to the directors of ArcelorMittal South Africa in accordance with our engagement letter dated 22 November 2016 for the purpose of proving limited assurance over the subject matter disclosed in the ArcelorMittal South Africa integrated report for year ended 31 December 2016. We do not accept or assume liability to any party other than the entity, for our work, for this report, or for the conclusion we have reached.

Deloitte & Touche

Deloitte & Touche
Registered Auditors
1st Floor, The Square, Cape Quarter
27 Somerset Road, Green Point, 8005

Per AN le Riche
Partner

6 March 2017

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.

Membership of the committee

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

- JRD Modise (chairman)
- 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 in the integrated annual report.

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

Functions of the committee

During the year under review, six meetings were held. Details of attendance are set out in the corporate governance section of the integrated annual report.

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 its terms of engagement and pre-approved each proposed contract with Deloitte & Touche for the provision of non-audit services to the 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 2016 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.

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.

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.

JRD Modise
Chairman
27 February 2017

Independent auditor's report on summarised financial statements

To the shareholders of ArcelorMittal South Africa Ltd

Opinion

The summarised consolidated financial statements of ArcelorMittal South Africa Ltd, which comprise the summarised consolidated statement of financial position as at 31 December 2016, the summarised consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of ArcelorMittal South Africa Limited for the year ended 31 December 2016.

In our opinion, the accompanying summarised consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements of ArcelorMittal South Africa Ltd, in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards and SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council; also contains as a minimum the information required by IAS 34 *Interim Financial Reporting* and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Summarised consolidated financial statements

The summarised consolidated financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to financial statements. Reading the summarised consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of ArcelorMittal South Africa Ltd and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 6 March 2017. That report also includes:

- A material uncertainty related to going concern section in our audit report, dated 6 March 2017 draws attention to note 36 within the audited consolidated financial statements of ArcelorMittal South Africa Ltd. Aligning herewith, and without qualifying our opinion, we draw attention to note 10 in these summarised consolidated financial statements, states that the group has continuing support from ArcelorMittal Holdings AG in the form of a signed letter of support. In addition, note 10 sets out specific management initiatives and some pending government initiatives, which should they not materialise, indicate the existence of a material uncertainty which may cast significant doubt on the company's and group's ability to continue as a going concern
- The communication of other key audit matters.

Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the requirements of the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards and SAICA Financial Reporting Guides as issued by Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council; also contains as a minimum the information required by IAS 34 *Interim Financial Reporting*, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summarised consolidated financial statements are consistent, in all material respects, with the consolidated audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised): *Engagements to Report on Summary Financial Statements.*

Deloitte & Touche.

Deloitte & Touche
Registered Auditors
Per: Mandisi Mantyi
Partner

6 March 2017

Deloitte & Touche
Registered Auditors
Buildings 1 and 2, Deloitte Place
The Woodlands, Woodlands Drive
Woodmead, Sandton

Summarised consolidated financial statements

for the year ended 31 December 2016

Basis of preparation

The summarised consolidated financial statements for the year ended 31 December 2016 were prepared in accordance with the requirements of the Companies Act of South Africa as applicable to summarised financial statements. These summarised consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council. It also contains, as a minimum, the information required by IAS 34: *Interim Financial Reporting*. The accounting policies applied in the preparation of the summarised consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

The summarised consolidated financial statements are presented in rand, which is the group's functional and presentation currency.

The preparation of financial statements, in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

- The assumptions used in impairment tests of carrying values of cash-generating units and intangible assets
- Estimates of useful lives and residual values for intangible assets and property, plant and equipment
- Estimates for share-based payments in terms of IFRS 2

These summarised consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with IFRS and the Companies Act of South Africa. Deloitte & Touche has issued an unmodified opinion on the group annual financial statements, which included the material uncertainty relating to the going concern paragraph also found in an ISA 810 opinion issued on this report. A full set of the audited consolidated annual financial statements is available for inspection from the company secretary at the registered office of the company, and has been published on the company's website.

The summarised consolidated financial statements were prepared under the supervision of Mr D Subramanian, the group's chief financial officer, CA(SA).

Summarised consolidated statement of comprehensive income and other comprehensive income

for the year ended 31 December 2016

	Notes	Group 2016 Rm	Group 2015 Rm
Revenue		**32 737**	31 141
Raw materials and consumables used		**(19 454)**	(19 183)
Employee costs		**(4 175)**	(4 027)
Energy		**(3 981)**	(3 824)
Movement in inventories of finished goods and work-in-progress		**973**	(457)
Depreciation		**(1 030)**	(1 346)
Amortisation of intangible assets		**(25)**	(23)
Other operating expenses		**(6 137)**	(7 017)
Loss from operations	2	**(1 092)**	(4 736)
B-BBEE charges		**(870)**	–
Finance and investment income		**176**	175
Finance costs		**(876)**	(1 208)
Impairment of other assets		**(11)**	(310)
Impairment of property, plant, equipment and intangible assets	3	**(2 143)**	(3 944)
Income after tax from equity-accounted investments		**129**	195
Loss before taxation		**(4 687)**	(9 828)
Income taxation (expense)/credit		**(19)**	1 193
Loss for the year		**(4 706)**	(8 635)
Other comprehensive (loss)/income		**(554)**	1 330
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(618)**	1 232
Income on available-for-sale investment taken to equity		**1**	19
Share of other comprehensive income of equity-accounted investments		**63**	79
Total comprehensive loss for the year		**(5 260)**	(7 305)
Loss attributable to:			
Owners of the company		**(4 706)**	(8 635)
Total comprehensive loss attributable to:			
Owners of the company		**(5 260)**	(7 305)
Attributable loss per share (cents)			
– Basic	4	**(443)**	(2 152)
– Diluted	4	**(443)**	(2 152)

Summarised consolidated statement of financial position

as at 31 December 2016

	Group	
	2016 Rm	2015 Rm
Assets		
Non-current assets		
Property, plant and equipment	**10 670**	11 859
Intangible assets	**103**	112
Equity-accounted investments	**4 667**	5 090
Other financial assets	**394**	573
	15 834	17 634
Current assets		
Inventories	**11 274**	9 385
Trade and other receivables	**1 774**	1 666
Taxation	**58**	75
Other financial assets	**46**	38
Cash and bank balances	**1 660**	2 164
	14 812	13 328
Total assets	**30 646**	30 962
Equity and liabilities		
Equity		
Stated capital	**4 537**	37
Reserves	**581**	175
Retained income	**8 425**	13 260
	13 543	13 472
Non-current liabilities		
Finance lease obligations	**124**	193
Provisions	**1 872**	2 895
Other financial liabilities	**1 023**	–
Other payables	**311**	236
	3 330	3 324
Current liabilities		
Trade payables	**10 053**	7 761
Other financial liabilities	**521**	14
Borrowings	**1 950**	5 029
Finance lease obligations	**70**	63
Provisions	**301**	541
Other payables	**878**	758
	13 773	14 166
Total equity and liabilities	**30 646**	30 962

Summarised consolidated statement of cash flows

for the year ended 31 December 2016

	Group	
	2016 Rm	2015 Rm
Cash generated/(utilised in) from operations	**873**	(264)
Interest income	**67**	9
Finance cost	**(525)**	(554)
Income tax paid	**(2)**	(40)
Transaction costs on B-BBEE share transaction	**(55)**	–
Realised foreign exchange movements	**(268)**	(258)
Cash flows from operating activities	**90**	(1 107)
Investment to maintain operations	**(1 673)**	(1 164)
Investment to expand operations	**(335)**	(92)
Investment in associates and joint ventures	**(11)**	(8)
Proceeds on disposal or scrapping of assets	**67**	2
Dividend from equity-accounted investments/subsidiaries	**–**	114
Interest income from investments	**7**	8
Cash flows from investing activities	**(1 945)**	(1 140)
Borrowings (repaid)/raised	**(3 079)**	4 029
Proceeds from rights issue/issue of share capital	**4 500**	–
Finance lease obligation repaid	**(62)**	(92)
Cash flows from financing activities	**1 359**	3 937
(Decrease)/increase in cash and cash equivalents	**(496)**	1 690
Effect of foreign exchange rate changes on cash and cash equivalents	**(8)**	20
Cash and cash equivalents at the beginning of the year	**2 164**	454
Cash and cash equivalents at the end of the year	**1 660**	2 164

Summarised consolidated statement of changes in equity

for the year ended 31 December 2016

		Group							
				Reserves					
	Note	Stated capital Rm	Retained income Rm	Treasury share equity reserve Rm	Management Share Trust reserve Rm	Share-based payment reserve Rm	Attributable reserves of equity-accounted investments Rm	Other reserves Rm	Total equity Rm
Balance at 1 January 2015		37	21 979	(3 918)	(285)	269	1 251	1 389	20 722
Total comprehensive (loss)/income for the year		–	(8 635)	–	–	–	79	1 251	(7 305)
Profit/(loss)		–	(8 635)	–	–	–	–	–	–
Other comprehensive income		–	–	–	–	–	79	1 251	–
Transfer between reserves		–	(84)	–	–	–	84	–	–
Transactions with owners									
Share-based payment expense		–	–	–	–	55	–	–	55
Balance at 31 December 2015		**37**	**13 260**	**(3 918)**	**(285)**	**324**	**1 414**	**2 640**	**13 472**
Total comprehensive (loss)/income for year		–	(4 706)	–	–	–	63	(617)	(5 260)
Profit/(loss)		–	(4 706)	–	–	–	–	–	–
Other comprehensive income		–	–	–	–	–	63	(617)	–
Transfer between reserves		–	(129)	–	–	–	129	–	–
Transactions with owners									
Rights issue	5	4 500	–	–	–	–	–	–	4 500
A1 ordinary shares issued to Amandla*		–	–	–	–	–	–	–	–
A2 ordinary shares issued to Isabelo*		–	–	–	–	–	–	–	–
Share-based payment expense		–	–	–	–	63	–	–	63
B-BBEE charge		–	–	–	–	800	–	–	800
Cash settlement on Management Share Trust/long-term incentive plan		–	–	–	(32)	–	–	–	(32)
Balance at 31 December 2016		**4 537**	**8 425**	**(3 918)**	**(317)**	**1 187**	**1 606**	**2 023**	**13 543**

** Amount less than R1 million.*

Notes to the summarised consolidated financial statements

for the year ended 31 December 2016

1. Segment report

Segment information is presented only at group level where it is most meaningful. Operating segments are identified on the basis of internal reports about components of the group that are regularly reviewed by the chief operating decision-makers (the executive committee) in order to allocate resources to the segment and to assess its performance.

The group's reportable segments are:

- Flat steel products consisting of Vanderbijlpark Works and Saldanha Works
- Long steel products consisting of Newcastle Works, Vereeniging Works and the decommissioned Maputo Works
- Coke and Chemicals undertaking the processing and marketing of by-products and the production and marketing of commercial-grade coking coal
- Corporate and other, consisting of sales and marketing functions, procurement and logistics activities, shared services, centres of excellence, the decommissioned Pretoria Works site, available-for-sale investments and the results of the non-trading consolidated subsidiaries and consolidated structured entities

Segment profit/(loss) from operations represents the profit/(loss) earned/(incurred) by each segment without the allocation of after-tax profits of equity-accounted investments, net interest income, income from investments and income tax expenses.

All assets and liabilities are allocated to the operating segments, other than for the following items that are allocated exclusively to the corporate and other segment, reflecting the manner in which resource allocation is measured:

- Assets not allocated to operating segments:
  - results of consolidated subsidiaries and consolidated structured entities, other than for Saldanha Works which is a subsidiary allocated to the Flat steel products segment
  - investments in equity-accounted entities
  - available-for-sale investments
  - cash and cash equivalents
  - income tax, capital gains tax and value added tax-related assets, as applicable
- Liabilities not allocated to operating segments:
  - income tax
  - capital gains tax
  - value added tax-related liabilities, as applicable

Notes to the summarised consolidated financial statements continued

for the year ended 31 December 2016

1. Segment report continued

	Flat steel products Rm	Long steel products Rm	Coke and Chemicals Rm	Corporate and other Rm	Adjustments and eliminations Rm[1]	Total reconciling to the consolidated amounts Rm
For the year ended 31 December 2016						
Revenue						
External customers	21 144	10 280	1 313	–	–	32 737
Intersegment customers	497	329	61	–	(887)	–
Total revenue	21 641	10 609	1 374	–	(887)	32 737
Revenue to external customers distributed as:						
Local	16 988	8 964	1 313			27 265
Export	4 156	1 316	–	–	–	5 472
Africa	3 768	925	–	–	–	4 693
Asia	386	285	–	–	–	671
Other	2	106	–	–	–	108
Total	21 144	10 280	1 313	–	–	32 737
Results						
Earnings before interest, tax, depreciation and amortisation	(392)	286	172	140	(16)	190
Depreciation and amortisation	(656)	(390)	(35)	(22)	48	(1 055)
Thabazimbi mine closure costs	(194)	(81)	–	–	–	(275)
Competition Commission settlement	–	–	–	30	–	30
Derecognised payment in advance	–	–	–	(19)	–	(19)
Unclaimed dividends	–	–	–	37	–	37
(Loss)/profit from operations	(1 242)	(185)	137	166	32	(1 092)
B-BBEE charges	–	–	–	(870)	–	(870)
Impairment	(2 141)	(2)	–	(11)	–	(2 154)
Finance and investment income	17	40	–	119	–	176
Finance costs	(117)	(146)	(7)	(605)	–	(876)
Profit after tax from equity-accounted investments	–	–	–	129	–	129
(Loss)/profit before taxation	(3 483)	(293)	130	(1 073)	32	(4 687)
Income taxation expense	–	–	–	(19)	–	(19)
(Loss)/profit for the year	(3 483)	(293)	130	(1 092)	32	(4 706)
Segment assets (excluding investments in equity-accounted entities)	13 862	9 123	1 074	2 449	(528)	25 979
Investments in equity-accounted entities	–	–	–	4 667	–	4 667
Segment liabilities	6 028	2 972	231	7 870	2	17 103
Cash (utilised in)/generated from operations	(395)	(371)	402	1 082	155	873
Capital expenditure	1 278	453	347	(69)	–	2 008
Number of employees at the end of the year	5 290	2 844	259	838	–	9 231

[1]Adjustments and eliminations comprise intergroup eliminations and fair value adjustments on consolidation of subsidiaries.

1. Segment report continued

	Flat steel products Rm	Long steel products Rm	Coke and Chemicals Rm	Corporate and other Rm	Adjustments and eliminations Rm[1]	Total reconciling to the consolidated amounts Rm
For the year ended 31 December 2015						
Revenue						
External customers	19 483	9 949	1 709	–	–	31 141
Intersegment customers	424	923	90	–	(1 437)	–
Total revenue	19 907	10 872	1 799	–	(1 437)	31 141
Revenue to external customers distributed as:						
Local	14 797	7 763	1 709	–	–	24 269
Export	4 686	2 186	–	–	–	6 872
Africa	4 386	1 503	–	–	–	5 889
Asia	247	390	–	–	–	637
Other	53	293	–	–	–	346
Total	19 483	9 949	1 709	–	–	31 141
Results						
Earnings before interest, tax, depreciation and amortisation	(1 269)	(348)	427	(1 131)	1 512	(809)
Depreciation and amortisation	(973)	(391)	(35)	(20)	50	(1 369)
Thabazimbi mine closure costs	(429)	(253)	–	–	–	(682)
Provision for Tshikondeni mine closure costs	–	–	–	23	–	23
Vereeniging closure costs	–	(86)	–	–	–	(86)
Competition Commission settlement	–	–	–	(1 245)	–	(1 245)
Payment in advance	(420)	(148)	–	–	–	(568)
(Loss)/profit from operations	(3 091)	(1 226)	392	(2 373)	1 562	(4 736)
Finance and investment income	(3 574)	(370)		(2 570)	2 260	(4 254)
Finance costs	2	1	–	172	–	175
Gain recognised on loss of interest over former associate	(117)	(38)	(2)	(1 051)	–	(1 208)
Profit after tax from equity-accounted investments	–	–	–	195	–	195
(Loss)/profit before taxation	(6 780)	(1 633)	390	(5 627)	3 822	(9 828)
Income taxation credit	–	–	–	1 193	–	1 193
(Loss)/profit for the year	(6 780)	(1 633)	390	(4 434)	3 822	(8 635)
Segment assets (excluding investments in equity-accounted entities)	14 414	8 236	960	3 262	(1 000)	25 872
Investments in equity-accounted entities	–	–	–	5 090	–	5 090
Segment liabilities	4 877	2 647	186	9 782	(2)	17 490
Cash generated from operations	(1 270)	140	554	312	–	(264)
Capital expenditure	601	625	57	(27)	–	1 256
Number of employees at the end of the year	5 570	3 104	254	598	–	9 526

[1]*Adjustments and eliminations comprise intergroup eliminations and fair value adjustments on consolidation of subsidiaries.*

Notes to the summarised consolidated financial statements continued

for the year ended 31 December 2016

	Group	
	2016 Rm	2015 Rm
2. Loss from operations		
Loss from operations has been arrived at after charging:		
Amortisation of intangible assets	**(25)**	(23)
Depreciation	**(1 030)**	(1 346)
Employee costs	**(4 175)**	(4 027)
Salaries and wages	**(3 620)**	(3 284)
Termination benefits	**(14)**	(232)
Pension and medical costs	**(478)**	(456)
Share-based payment expense	**(63)**	(55)
Profit/(loss) on disposal or scrapping of property, plant and equipment	**51**	(5)
Operating lease rentals	**(50)**	(50)
Railage and transport	**(1 069)**	(994)
Repairs and maintenance	**(2 530)**	(2 358)
Research and development costs	**(143)**	(152)
Reversal/(write-down) of inventory to net realisable value	**59**	(187)
Auditors' remuneration	**(16)**	(15)
Audit fees	**(15)**	(12)
Other services and expenses	**(1)**	(3)
Allowance for doubtful debts recognised on trade receivables	**(2)**	10
Other allowances on trade receivables	**(39)**	(48)

Note: Included in raw materials and consumables used is R176 million relating to the estimated impact of discounting.

3. Impairment

Changes in the rand/US dollar exchange rate will always have a material impact on the company's financial results; this year an impairment of R1 721 million was raised on property, plant and equipment and intangible assets at Vanderbijlpark Works and R420 million at Saldanha Works as a result of rand strength. An additional impairment of R2 million at Vereeniging due to the closure of the Vaal Meltshop in 2015. Despite this, an industrial footprint review concluded during the year indicated that a substantial restructuring was not feasible and that Vanderbijlpark Works would achieve sizeable production and cost gains in the event of running full as a result of an upturn in market demand and reduction in imports.

	Group	
	2016	2015
4. Loss per share		
Basic loss per share is calculated by dividing loss attributable to the owners of the company by the weighted average number of ordinary shares, after taking the effects of the rights issue and the B-BBEE transaction into account. Where appropriate adjustments are made in calculating diluted loss, headline and diluted headline loss per share		
– Loss attributable to owners of the company (Rm)	**(4 706)**	(8 635)
– Weighted average number of shares	**1 062 364 285**	401 201 877
– Basic loss per share (cents)	**(443)**	(2 152)
Diluted loss per share is calculated by dividing the loss attributable to the owners of the company by the weighted average number of ordinary shares, held by third parties increased by the number of additional ordinary shares that would have been outstanding assuming the conversion of all outstanding share options/long-term incentive plan units representing dilutive potential ordinary shares. The B-BBEE transaction does not have a dilutive impact on the ArcelorMittal South Africa group shareholding.		
– Loss attributable to owners of the company (Rm)	**(4 706)**	(8 635)
– Weighted average number of diluted shares	**1 062 364 285**	401 201 877
– Diluted loss per share (cents)	**(443)**	(2 152)

The calculation for headline loss per share is based on the basic loss per share calculation, reconciled as follows:

	Gross	Net of tax	Gross	Net of tax
	2016 Rm	**2016 Rm**	2015 Rm	2015 Rm
Headline loss per share				
Gross				
Loss before tax	**(4 687)**	**(4 706)**	(9 828)	(8 635)
Add: Impairment charges of property, plant and equipment and intangible assets	**2 143**	**2 143**	4 254	3 261
Add: Impairment of other assets	**11**	**11**		
Add: Loss on disposal or scrapping of property, plant and equipment	**–**	**–**	5	4
Less: (Profit) on disposal or scrapping of property, plant and equipment	**(51)**	**(37)**	–	–
Headline loss before tax	**(2 584)**	**(2 589)**	(5 569)	(5 370)

	Group	
	2016 Rm	2015 Rm
Headline loss per share (cents)		
– Basic	**(244)**	(1 338)
– Diluted	**(244)**	(1 338)
The weighted average number of shares used in the computation of diluted earnings per share was determined as follows:		
Shares in issue held by third parties		
– Weighted average number of shares	**1 062 364 285**	401 201 877
Weighted average number of diluted shares	**1 062 364 285**	401 201 877

Notes to the summarised consolidated financial statements continued

for the year ended 31 December 2016

5. Rights issue

A successful rights offer for R4 500 million was concluded and implemented on 18 January 2016. The company issued 692 307 693 new ordinary shares. These shares were issued at a value of R6.50 per share.

6. Fair value measurements

Certain of the group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined, particularly the valuation techniques and inputs used.

	Fair values as at period ended			
Financial assets	**31 December 2016 Reviewed Rm**	31 December 2015 Audited Rm	Fair value hierarchy Rm	Valuation techniques and key inputs
Available-for-sale	**79**	78	Level 1	Quoted prices in an active market
Held-for-trading assets	**46**	38	Level 1	Quoted prices in an active market
Held-for-trading liabilities	**221**	14	Level 1	Quoted prices in an active market

Level 1: Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.

7. Related-party transactions

The group is controlled by ArcelorMittal Holdings AG, which effectively owns 69% (December 2015: 52%) of the group's shares. At 31 December 2016, the outstanding ArcelorMittal Holdings AG loan amounted to R1 200 million (2015: R3 200 million). Interest is payable at three-month Jibar plus 2.125% and an amount of R98 million (2015: R261 million) was incurred for the year ended 31 December 2016.

During the year, the company and its subsidiaries entered into sale and purchase transactions with joint ventures in the ordinary course of business. These transactions were concluded at arm's length.

8. ArcelorMittal South Africa B-BBEE transaction

At the special general meeting (SGM) of the shareholders of ArcelorMittal South Africa Ltd held on 18 November 2016, the shareholders approved the increase in the authorised share capital of ArcelorMittal South Africa through the creation of new class ordinary shares (ArcelorMittal South Africa empowerment shares) for the purposes of the B-BBEE ownership scheme. The scheme is part of ArcelorMittal South Africa's initiatives to transform the group and achieve sustainable ownership by black people. In terms of the scheme ArcelorMittal South Africa issued empowerment shares to Amandla we Nsimbi Proprietary Limited and Isabelo Empowerment Share Trust (representing 17.0% and 5.1%, respectively, of the voting rights in ArcelorMittal South Africa) through a notional loan.

The Isabelo Empowerment Share Trust has been established to facilitate B-BBEE ownership in compliance with the B-BBEE codes and to create meaningful wealth for qualifying employees in order to ensure their long-term dedication and the retention of skills, while enhancing the transformation of ArcelorMittal South Africa. The trust has been set up for permanently employed management and non-management employees of all job grades of ArcelorMittal South Africa.

The B-BBEE employee share ownership scheme is equity-settled. The ArcelorMittal South Africa empowerment shares will receive notional dividends during the "lock-in" period. From the first business day following the seventh anniversary of the issue date until the expiry of the lock-in period, Amandla we Nsimbi and the Isabelo Empowerment Share Trust are entitled to receive cash dividends on the ArcelorMittal South Africa empowerment shares amounting to 5% of the ordinary dividend paid on ArcelorMittal South Africa shares. This is applicable to the extent that a dividend is declared and shall not create any obligation on ArcelorMittal South Africa to declare a dividend.

The "A" class shares granted to Amandla we Nsimbi and the Isabelo Empowerment Trust will convert into ArcelorMittal South Africa ordinary shares upon expiry of the "lock-in" period.

There is a 10-year vesting period for the share-based payment benefit provided to the Isabelo Employee Empowerment Share Trust and no vesting period for the share-based payment benefit provided to Amandla we Nsimbi Proprietary Limited. There are no performance targets for vesting for both ownership schemes.

The administration of participant transactions of both the Amandla we Nsimbi Proprietary Limited and Isabelo Employee Empowerment Share Trust are outsourced to EOH Human Capital Solutions Proprietary Limited, an external service provider.

Key assumptions	Amandla we Nsimbi (Proprietary) Limited	Isabelo Empowerment Share Trust
Fair value of "in-substance" option on grant date (R)	3.29	3.30
Expected attrition rate (%)	n/a	42.56
Average days until fully vested	n/a	3 578
Lock-in period (years)	10	10
30-day VWAP*	8.00	8.00
Interest rate on notional loan	JIBAR plus 6%	JIBAR plus 6%
Dividend yield	0%	0%
Expected risk-free rate over the 10-year period**	7.31% – 8.66%	7.31% – 8.66%
Expected volatility on ArcelorMittal share price***	40%	40%
Number of Monte Carlo simulations	100 000	100 000
Equity upside (value in excess of future ArcelorMittal South Africa share price on transaction date)	7.35	7.44

** Daily value traded data was sourced from I-NETBFA.*
*** Expected risk-free rates are equivalent to six-month JIBAR forward rates.*
**** Expected volatility on the ArcelorMittal South Africa share price is based on a 10-year exponentially weighted moving average of the share price.*

Notes to the summarised consolidated financial statements continued

for the year ended 31 December 2016

8. ArcelorMittal South Africa B-BBEE transaction continued

Determination of fair value at grant date

The subscription price of the deal is equivalent to the 30-day volume weighted average price (VWAP) of the ArcelorMittal South Africa share price as at 26 September 2016 less a 10% discount.

The "economic substance" of the transaction represents a deemed option granted to Amandla we Nsimbi Proprietary Limited and the Isabelo Empowerment Trust. The underlying value of this option is driven by the 10% discount granted on the 30-day VWAP and volatility in the ArcelorMittal South Africa share price.

The economic valuation of the B-BBEE transaction was calculated using Monte Carlo simulations based on the Geometric Brownian Model (GBM). A large number of simulations in the model predict a reasonable price for the ArcelorMittal South Africa ordinary share at the end of the scheme. The results of the simulations are then averaged and discounted to a present value to determine the value of the option at grant date. The fair value of the option on grant date was determined to be the present value of the option pay-off and the future value of trickle dividends. Notwithstanding the nominal subscription price for the ArcelorMittal South Africa empowerment shares, the aggregate notional subscription price for the ArcelorMittal South Africa empowerment shares is approximately R2.3 billion.

Additionally, sensitivity analyses taken into account in the option pricing model were performed considering the forecast dividends in respect of an ArcelorMittal South Africa share; the forecast outstanding balance in respect of the A1 notional amount and A2 notional amount after lock-in period; and the expected volatility of an ArcelorMittal South Africa share of 40% based on the implied volatility utilising call options on ArcelorMittal Société Anonyme, the holding company headquartered in Luxembourg. The call options trade on Euronext Amsterdam, formerly Amsterdam Stock Exchange.

Expense recognised in profit or loss

Amandla we Nsimbi Proprietary Limited

Amandla we Nsimbi Proprietary Limited whose shares are owned by a broad-based black consortium, Likamva Resources, subscribed for 243 240 276 A1 ordinary shares in ArcelorMittal South Africa, representing 17% of the voting rights in ArcelorMittal South Africa. A1 ordinary shares were issued at a nominal value through a notional loan structure. This grant had no other vesting conditions at grant date and a charge amounting to R800 million (2015: Rnil) was recognised immediately in the statement of comprehensive income in terms of IFRS 2: *Share-Based Payments*.

Isabelo Empowerment Share Trust

The Isabelo Broad-Based Employee Share Trust subscribed for 72 972 083 A2 ordinary shares in ArcelorMittal South Africa, representing 5.1% of the voting rights. A2 ordinary shares were also issued at a nominal value through a notional loan structure. The vesting conditions attached to this scheme require the beneficiaries of the scheme to remain in the employ of ArcelorMittal South Africa for a period of 10 years. An expected attrition rate was then applied to determine the best estimate of shares expected to vest at the end of the vesting period. An income statement charge of R1 million (2015: Rnil) was recognised in profit and loss with the remainder of the charge to be recognised evenly over the vesting period.

Transaction costs amounting to R70 million were incurred and were recognised in the statement of comprehensive income in the current year.

9. Commitments

Capital expenditure commitments on property, plant and equipment

	Group	
	2016 Rm	2015 Rm
Capital expenditure authorised and contracted for	**796**	992
Capital expenditure authorised but not contracted for	**3 320**	745
Total	**4 116**	1 737

In accordance with the Competition Commission settlement agreement concluded in the current year, ArcelorMittal South Africa is committed to spend additional capital expenditure of R4 600 million over five years subject to affordability and feasibility. In total, R947 million has been invested in various projects in the current year.

10. Going concern

Due to the strengthening of the rand/US dollar exchange rate, weak local market demand and influx of cheap imports into the country, ArcelorMittal South Africa Limited expects sales volumes to remain flat for the next 12 months, which will be mitigated by import substitution and new products, namely heavy structural products from Evraz Highveld. Export markets are likely to be more resilient, namely Africa Overland; however, authoritative projections being that Africa will experience demand growth in the order of 4%.

While the group continues to benefit from the full support of ArcelorMittal Holdings AG, ArcelorMittal South Africa Ltd has invested in various initiatives to return the company to profitability. These initiatives include improvement in capital expenditure projects, restructuring the balance sheet by converting short-term borrowing facilities to medium-term debt and new products and markets.

Based on the group's 12-month funding plan, a letter of support from ArcelorMittal Holdings AG and the initiatives detailed above, the board believes that the group will have sufficient funds to pay its debts as they become due over the next 12 months, and therefore will remain a going concern. The group would like to re-emphasise that the local steel industry continues to be threatened by imports entering the market, primarily from China, hence safeguard measures are important despite the positive progress on designation initiatives to date. Shareholders are cautioned that certain management initiatives as well as other government initiatives, including the fair pricing mechanism, safeguards, and designation are key to ensure the sustainability of the group, and should these initiatives not materialise in improved sales growth in the next 12 months, there remains a material uncertainty regarding the ability of ArcelorMittal South Africa Ltd and the local steel industry to continue operating without significant structural changes.

11. Subsequent events

Designation

Designation relating to steel products and components for construction was approved in January 2017.

Fair pricing

The fair pricing model for flat steel products has been finalised and was implemented by the company but remains subject to final government approval. In terms thereof, the company may not charge more than an agreed basket price for various flat steel products.

The directors are not aware of any other matter or circumstances arising since the end of the financial year to the date of this report, not otherwise dealt with in this report or in the group and company annual financial statements that would significantly affect the operations, the results and the financial position of the group and company.

Analysis of ordinary shareholders

as at 31 December 2016

Shareholder spread	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
1 – 100 shares	7 380	32.03	323 635	0.03
101 – 1 000 shares	14 025	60.87	2 736 865	0.24
1 001 – 50 000 shares	1 502	6.52	8 997 408	0.79
50 001 – 100 000 shares	45	0.20	3 302 236	0.29
100 001 – 10 000 000 shares	81	0.35	77 019 447	6.77
10 000 001 and more shares	9	0.04	1 045 680 234	91.88
Total	**23 042**	**100.00**	**1 138 059 825**	**100.00**

Distribution of shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
Corporate holdings	2	0.01	771 489 400	67.79
Retirement benefit funds	29	0.13	108 547 764	9.54
Collective investment schemes and hedge funds	37	0.16	62 892 964	5.53
Retail shareholders, trusts and private companies	255	1.11	36 359 904	3.19
Employee share schemes	1	0.00	21 103 219	1.85
Other managed funds	14	0.06	95 273 158	8.37
Custodians, brokers and nominees	50	0.22	31 733 465	2.79
Unclassified holders (less than 10 000 shares)	22 644	98.27	6 920 748	0.61
Assurance and insurance companies	10	0.04	3 739 203	0.33
Total	**23 042**	**100.00**	**1 138 059 825**	**100.00**

Geographical holding by owner	Number of shareholdings	% of total shareholdings	Number of shares	% of shares in issue
Switzerland	7	0.03	771 612 272	67.80
South Africa	22 706	98.54	338 032 300	29.70
United Kingdom	51	0.22	16 179 464	1.42
United States	34	0.15	10 951 060	0.96
Belgium	3	0.01	673 399	0.06
Namibia	159	0.69	192 272	0.02
Luxembourg	6	0.03	166 529	0.01
Balance	76	0.33	252 529	0.02
Total	**23 042**	**100.00**	**1 138 059 825**	**100.00**

Beneficial shareholders with a holding greater than 5% of the issued shares	Number of shares	% of issued capital
ArcelorMittal Holdings AG	771 489 400	53.05
Amandla we Nsimbi Proprietary Limited	243 240 276	16.73
Industrial Development Corporation	93 044 068	6.40
Isabelo Employee Share Trust	72 972 083	5.02
Government Employees Pension Fund	59 424 141	4.09
Investec Asset Management	48 449 137	3.33
Vicva Investments and Trading Nine Proprietary Limited	23 447 036	1.61
Total	**1 312 066 141**	**90.30**

Public and non-public shareholders	Number of shareholdings	% of total shareholdings	Number of shares	% of issued capital
ArcelorMittal Holdings AG	2	0.00	771 489 400	67.79
Directors and associates of the company or its subsidiaries	2	0.00	19 692	0.00
Non-public shareholders	**4**	**0.00**	**771 509 092**	**67.79**
Public shareholders	**23 038**	**100.00**	**366 550 733**	**32.21**
Total	**23 042**	**100.00**	**1 138 059 825**	**100.00**
Total number of shareholdings	**23 042**			
Total number of shares in issue	**1 138 059 825**			

Share price performance	
Opening price 31 December 2015	R4.60
Closing price 30 December 2016	R11.50
Closing high for period	R12.50
Closing low for period	R4.10
Number of shares in issue	1 138 059 825
Volume traded during period	197 962 341
Ratio of volume traded to shares issued (%)	17.39
Rand value traded during the period	R1 544 356 683

Directors' interests

The details of the beneficial direct and indirect interests of executive directors in the shares of the company are set out in note 32 of these annual financial statements.

Details of the direct and indirect interests of non-executive directors in the shares of the company are set out below:

	2016			2015		
Director	**Direct**	**Indirect**	**Total**	Direct	Indirect	Total
DCG Murray*	–	14 667	14 667	–	5 557	5 557
JRD Modise	5 025	–	5 025	5 025	–	5 025
NP Gosa**	–	97 296 110	97 296 110	–	–	–
Total	**5 025**	**97 310 777**	**97 315 802**	5 025	5 557	10 582

* *DCG Murray has retired as a director.*
** *Interest via Likamva Resources.*

Notice of annual general meeting

Important information regarding attendance at the annual general meeting.

Notice of annual general meeting

Notice is hereby given that the twenty-ninth annual general meeting of the company will be held at Hyatt Regency Johannesburg Hotel, Nina 2 Room, 191 Oxford Road, Rosebank, South Africa on Wednesday, 24 May 2017 at 09:00 to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out below and to deal with such other business as may be lawfully dealt with at the meeting.

Electronic participation

Shareholders or their proxies may participate in the meeting by way of a conference call and, if they wish to do so:

- must contact the company secretary (by email at the address: nomonde.bam@arcelormittal.co.za) by no later than 09:00 on Monday, 22 May 2017 in order to obtain a PIN and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

Attendance and voting

The date on which an individual must be registered as a shareholder in the company's register for purposes of being entitled to attend, participate in and vote at the meeting is Friday, 19 May 2017 (meeting record date). Therefore the last day to trade to be registered as a shareholder in the company's register is Tuesday, 16 May 2017.

If you are a registered shareholder as at the meeting record date, you may attend the meeting in person. Alternatively you may appoint a proxy (who need not be a shareholder of the company) to represent you at the meeting. Any appointment of a proxy may be effected by using the attached proxy form and, in order for the proxy to be effective and valid, must be completed and delivered in accordance with the instructions contained therein.

If you are a beneficial shareholder and not a registered shareholder as at the record date:

- and wish to attend the meeting, you must obtain the necessary letter of authority to represent the registered holder of your shares from your Central Securities Depository Participant (CSDP) or broker;
- and do not wish to attend the meeting but would like your vote to be recorded at the meeting, you should contact the registered holder of your shares through your CSDP or broker and furnish them with your voting instructions; and
- you must not complete the attached proxy form.

Attendance and representation at the annual general meeting

In accordance with the mandate between you and your CSDP/broker, you must advise your CSDP/broker of your intention to attend the annual general meeting in person, or, if you wish to send a proxy to represent you at the annual general meeting, your CSDP/broker will issue the necessary letter of representation to you or your proxy to attend the annual general meeting.

Identification

All participants at the meeting will be required to provide identification reasonably satisfactory to the chairman of the meeting before any person may attend or participate in the annual general meeting. Forms of identification include the presentation of a valid identity document, driver's licence or passport.

Notice of percentage of voting rights

In order for an ordinary resolution and a special resolution to be approved by shareholders, it must be supported by more than 50% and 75%, respectively, of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting.

Purpose of the annual general meeting

The purpose of this annual general meeting is to:

- present the directors' report and the audited annual financial statements of the group for the year ended 31 December 2016;
- present the audit and risk committee report;
- present the remuneration, social, ethics and audit and risk committee report; and
- consider any matters raised by shareholders.

This notice of meeting includes the attached proxy form.

Directions for obtaining a copy of the complete annual financial statements

The complete annual financial statements for the year ended 31 December 2016 may be obtained from the website http://southafrica.arcelormittal.com or a request may be sent to the company secretary (by email at the address: nomonde.bam@arcelormittal.co.za).

1. Presentation to shareholders of:

1.1 The consolidated annual financial statements of the company and its subsidiaries.

1.2 The directors' report.

1.3 The independent auditors' report.

1.4 The audit and risk committee chairman's report.

1.5 The remuneration, social and ethics committee chairman's report.

2. Ordinary resolution number 1: Reappointment of auditors

"Resolved, as an ordinary resolution, that Deloitte & Touche be and is hereby appointed as the independent registered auditor of the company, and that Mr Mandisi Mantyi be noted as the individual determined by Deloitte & Touche to be responsible for performing the functions of the auditor and who will undertake the audit of the company for the ensuing year."

Rotation of directors by retirement

3. Ordinary resolution number 2: Re-election of Mr PM Makwana

"Resolved, as an ordinary resolution, that Mr PM Makwana, who was appointed by the board and retires in terms of the Memorandum of Incorporation (MoI) of the company and is eligible and available for election, be and is hereby elected as a director of the company for a period of three years, subject to annual re-election at each AGM."

Mr PM Makwana (BAdmin (Hons)) was appointed as independent board chairman on 5 February 2013 and chairs the nominations and B-BBEE committees. Immediate past chairman of Eskom Holdings, Mr PM Makwana is a management strategist with 20 years' executive experience in both the private and public sectors. He serves as an independent non-executive director on the boards of JSE listed companies such as Adcock Ingram Holdings Ltd (AIHLF.PK), Nedbank Group Ltd (NDBKF.PK), Nedbank Ltd and Sephaku Holdings Ltd (SEPJ.J). He further serves as Trustee of Brand SA, Trustee of the Nelson Mandela Children's Fund and Vodacom Foundation.

4. Ordinary resolution number 3: Re-election of Mr RK Kothari

"Resolved, as an ordinary resolution, that Mr R Kothari, who was appointed by the board on 11 June 2015 as a non-executive director and retires in terms of the MoI of the company and is eligible and available for election, be and is hereby elected as a director of the company for a period of three years, subject to annual re-election at each AGM."

Mr RK Kothari holds a chartered accountant degree from the Institute of Chartered Accountants of India. He is a vice-president within the ArcelorMittal group and is the current CFO and co-ordinator for the ACIS region. He has over 20 years' working experience in various industries and has held key executive finance roles.

5. Ordinary resolution number 4: Re-election of Mr NF Nicolau

"Resolved, as an ordinary resolution, that Mr NF Nicolau, who was appointed by the board and retires in terms of the MoI of the company and is eligible and available for election, be and is hereby elected as a director of the company for a period of three years, subject to annual re-election at each AGM."

Mr NF Nicolau was appointed as an independent non-executive director on 10 September 2015. Mr NF Nicolau holds a BTech in mining engineering from the University of Johannesburg and an MBA (finance) from the University of Cape Town's Graduate School of Business. He is currently the CEO of Basil Read Holdings and has a long history at Anglo American at which he was the COO and executive director of Anglo Gold Ashanti and CEO of Anglo American Platinum. He has over 30 years' working experience in the mining sector which includes holding various technical, management and executive positions. He is the chairman of the health, safety and environmental committee.

6. Ordinary resolution number 5: Re-election of Ms LC Cele

"Resolved, as an ordinary resolution, that Ms LC Cele, who was appointed by the board on 4 January 2016 as an independent non-executive director and retires in terms of the MoI of the company and is eligible and available for election, be and is hereby elected as a director of the company for a period of three years, subject to annual re-election at each AGM."

Ms LC Cele holds a BCom degree from the University of Fort Hare and various postgraduate tax qualifications from the University of Natal. She is the founder and was the chief executive of Tax Solutions CC prior to its merger with Garach and Garach Accountants in 2011. Ms LC Cele currently holds various board memberships, including Hulamin Ltd. She brings a wealth of commercial and tax expertise to the board.

Election of new directors

7. Ordinary resolution number 6: Election of Mr H Blaffart

"Resolved, as an ordinary resolution, that the appointment of Mr H Blaffart by the board on 19 July 2016 as a non-executive director is hereby ratified, and that he be and is hereby elected as a director of the company for a period of three years, subject to annual re-election at each AGM."

Mr H Blaffart is executive vice-president and member of the management committee of the ArcelorMittal group. He is head of group human resources (HR) and also responsible for corporate services. He joined the group in 1982 and held several positions in the company including R&D director for the construction market and CEO of the former Arcelor's research division. He later became CEO of ArcelorMittal Lorraine in France and head of HR in the flat carbon Europe segment.

Notice of annual general meeting continued

8. Ordinary resolution number 7: Election of Mr D Clarke

"Resolved, as an ordinary resolution, that the appointment of Mr D Clarke, who was appointed by the board on 19 July 2016 as a non-executive director is hereby confirmed for a period of three years, subject to annual re-election at each AGM, as contemplated in the MoI."

Mr D Clarke, vice-president of ArcelorMittal Holdings, is head of strategy and chief technology officer of ArcelorMittal. He holds a PhD and MA in physics from Princeton University where he was a Fulbright Fellow and a Hackett Scholar, and a BSc (Hons) in mathematics and physics from the University of Western Australia.

9. Ordinary resolution number 8: Election of Ms NP Gosa

"Resolved, as an ordinary resolution, that the appointment of Ms NP Gosa, by the board on 1 December 2016 as non-executive director is hereby ratified, subject to annual re-election at each AGM, as contemplated by the MoI."

Ms NP Gosa was a member of the National Planning Commission that crafted the National Development Plan and Vision 2030. She holds an MBA from the University of New Brunswick, Canada, a BA (Hons) (Communications) from the University of Fort Hare and several other postgraduation qualifications in business administration. Before her entrepreneurial interests which started in 2004, Ms NP Gosa was an investment analyst with Investec Bank. Prior to investment banking, she was one of the founding regulators of the then SA Telecommunications Regulatory Authority (now ICASA).

In addition to being chairperson and one of the founding members of Likamva Resources, ArcelorMittal South Africa's B-BBEE partner and 17% shareholder, she is also the current CEO and founder of Akhona Group and an independent non-executive director of Investec Asset Management and Hulisani. She has also sat on the boards of other companies including Broll Property Group and AON South Africa.

Retirement of Mr LP Mondi

The board notes the retirement of Mr LP Mondi, a seasoned and long-standing member of the board with effect from the date of this AGM, as non-executive director. Mr LP Mondi has been a board member for over nine years. He was appointed non-executive director on 11 May 2007, is a member of the remuneration, social and ethics committee. He holds an MA in economics (Eastern Illinois University), a BCom (Hons) Economics (Wits University) and was previously appointed as the chief economist of the Industrial Development Corporation and is director of various companies, including Yard Capital (Pty) Ltd and Thelo Rolling Stock.

Annual re-elections

10. Ordinary resolution number 9: Re-election of Mr JRD Modise

"Resolved, as an ordinary resolution, that Mr JRD Modise, who was appointed as a director for a period of three years by shareholders at the AGM in 2016, subject to annual re-election at each AGM, be and is hereby elected as a director of the company for a further period in accordance with the original appointment of three years."

Mr JRD Modise (BCom, BAcc, MBA, AMP) was appointed independent non-executive director on 1 October 2013 and is a member of the audit and risk committee. He previously chaired the remuneration, social and ethics committee. He is a former group financial director and chief operations officer of Johnnic and occupied senior finance positions at Eskom, Teljoy and JCI. Mr Modise is the founder and owner of Batsomi Investments and has held various non-executive directorships on some of South Africa's leading companies, including Altron Group, Eskom, DBSA, Blue IQ, The Nelson Mandela Children's Fund and Wits Business School. He is also the chairman of NERSA and deputy chairman of TCTA.

11. Ordinary resolution number 10: Re-election of Ms NP Mnxasana

"Resolved, as an ordinary resolution, that Ms NP Mnxasana, who was appointed as a director for a period of three years by shareholders at the AGM in 2016, subject to annual re-election at each AGM, be and is hereby elected as a director of the company for a further period in accordance with the original appointment of three years."

Ms NP Mnxasana (BCompt (Hons), CA(SA)) was appointed independent non-executive director on 1 October 2013. She is a member of the safety, health and environment committee and member of the audit and risk committee. She served as group audit and risk head at Imperial Holdings Ltd and currently serves on the boards of Nedbank and the JSE.

Executive directors

12. Ordinary resolution number 11: Election of Mr WA de Klerk

"Resolved, as an ordinary resolution, that the appointment of Mr WA de Klerk, who was appointed as CEO and executive director by the board on 1 July 2016 is hereby confirmed and that he be and is hereby appointed as a director of the company in accordance with his conditions of appointment."

Mr WA de Klerk holds a BAcc (Hons) from the University of Pretoria, an executive management diploma from Darden as well as a strategic marketing diploma from Harvard. He is a qualified Chartered Accountant (South Africa) and was previously the finance director and executive director of Exxaro Resources Ltd, a position he held since 2008. He has over 30 years', working experience in the audit, tax, steel, titanium and mining industries, having spent the last 15 years in various executive positions at both Kumba Resources and Exxaro Resources.

13. Ordinary resolution number 12: Election of Mr D Subramanian

"Resolved, as an ordinary resolution, that the appointment of Mr D Subramanian, be and is hereby confirmed as a director of the company in accordance with his conditions of employment as chief financial officer."

Mr D Subramanian (BCom, CA(SA)) was previously a finance executive for the Steel Cluster of Aveng Ltd. He has 22 years' working experience in the retail, air transport, property management and construction industries. This includes more than 11 years' experience in various positions at Aveng Ltd. Mr D Subramanian joined ArcelorMittal South Africa on 1 August 2015 as the CFO and executive director; he was the acting CEO of the company between February 2016 and July 2016.

Retirement of Messers P O'Flaherty, M Vereecke, D Chugh and L Mondi

The board notes the following retirements:

- Mr P O'Flaherty (BAcc, BCom, CA(SA)) was appointed as the chief executive officer and executive director of the company on 1 July 2014. He resigned from this position on 12 February 2016 and was appointed as a non-executive director with effect from 1 March 2016. He resigned from this position on 20 July 2016 to pursue other interests.
- Mr M Vereecke, who was appointed by the board on 11 June 2015 as a non-executive director and resigned on 15 July 2016 as a result of his new responsibilities in Europe, following an internal re-organisation of the ArcelorMittal group.
- Mr D Chugh, who was appointed as a non-executive director on 1 May 2002, has retired as an employee of the ArcelorMittal group at the end of July 2016 and therefore also retired from board appointments related to his official position.
- Mr LP Mondi, a long-standing member of the board, as a non-executive director with effect from the date of this AGM. Mr LP Mondi has been a board member for over nine years. He was appointed non-executive director on 11 May 2007.

14. Ordinary resolution number 13: Election of Mr JRD Modise as audit and risk committee member

"Resolved, as an ordinary resolution, that Mr JRD Modise be and is hereby appointed as a member of the audit and risk committee, from the conclusion of the AGM at which this resolution is passed until the conclusion of the next AGM of the company."

The board is satisfied that Mr JRD Modise is suitably skilled and an experienced independent non-executive director and has the appropriate experience and qualifications to fulfil his audit and risk committee obligations as set out in section 94 of the Companies Act, No 71 of 2008 (the Act).

A brief curriculum vitae of Mr JRD Modise is set out in resolution 9.

15. Ordinary resolution number 14: Election of Ms NP Mnxasana as audit and risk committee member

"Resolved, as an ordinary resolution, that Ms NP Mnxasana be and is hereby appointed as a member of the audit and risk committee, from the conclusion of the AGM at which this resolution is passed until the conclusion of the next AGM of the company."

The board is satisfied that Ms NP Mnxasana is suitably skilled and an experienced independent non-executive director and that she has the appropriate experience and qualifications to fulfil her audit and risk committee obligations as set out in section 94 of the Act.

A brief curriculum vitae of Ms NP Mnxasana is set out in resolution 10.

16. Ordinary resolution number 15: Election of Ms LC Cele as audit and risk committee member

"Resolved, as an ordinary resolution, that Ms LC Cele be and is hereby appointed as a member of the audit and risk committee, from the conclusion of the AGM at which this resolution is passed until the conclusion of the next AGM of the company."

The board is satisfied that Ms LC Cele is suitably skilled and an experienced independent non-executive director and that she has the appropriate experience and qualifications to fulfil her audit and risk committee obligations as set out in section 94 of the Act.

A brief curriculum vitae of Ms LC Cele is set out in ordinary resolution 5.

17. Ordinary resolution number 16: Election of chairperson of the audit and risk committee

"Resolved, as an ordinary resolution, that the audit committee members, failing which the board of directors, be and are hereby authorised to elect a chairperson of the audit and risk committee from among its members, from the conclusion of the AGM at which this resolution is passed until the conclusion of the next AGM of the company."

18. Non-binding advisory endorsement: Remuneration policy

"Resolved, as an ordinary resolution, that the company's remuneration policy (excluding the non-executive directors), as set out in the remuneration report on 66 be endorsed by way of a non-binding advisory vote in terms of the King Report on Corporate Governance for South Africa, 2009."

Notice of annual general meeting continued

19. Special resolution number 1: Non-executive directors' fees

"Resolved, by way of separate special resolutions, that the annual fees payable to the non-executive directors of the company with effect from 1 June 2017 and until otherwise determined by ArcelorMittal South Africa in general meeting be approved on the basis set out below:

	Annual retainer	Attendance fee per meeting
Chairman (all-in annual fee)	R1 450 868	None
Director	R186 715	R15 557
Audit and risk committee chairman	–	R33 705
Audit and risk committee member	–	R16 972
Nominations committee chairman	–	R31 114
Nominations committee member	–	R15 557
Safety, health and environment committee chairman	–	R31 114
Safety, health and environment committee member	–	R15 557
Remuneration, social and ethics committee chairman	–	R31 114
Remuneration, social and ethics committee member	–	R15 557
Share trust committee chairman	–	R31 114
Share trust member	–	R15 557
B-BBEE committee chairman	–	R31 114
B-BBEE committee member	–	R15 557
Any ad hoc or other board committee appointed by the board (chairman)*	–	R31 114
Any ad hoc or other board committee appointed by the board (member)*	–	R15 461

** Fees to be payable to the non-executive directors of the company with effect from 1 June 2017.*

Reason for and effect of this resolution

The reason and effect of this resolution is to grant the company the authority to pay remuneration to its directors for their services as directors.

20. Special resolution number 2: Financial assistance to related or inter-related company

"Resolved, by way of a special resolution, that the board may authorise the company (for a period of two years from the date on which this resolution is passed) to generally provide any direct or indirect financial assistance, in the manner contemplated in and subject to the provisions of sections 44 and 45 of the Act, to a related or inter-related company or corporation or to a member of a related or inter-related corporation, pursuant to the authority hereby conferred upon the board for these purposes."

Reason for and effect of this special resolution

The reason for this special resolution is that, from time to time, the company may be required to provide financial assistance to subsidiaries and other related companies within the group. The effect of this special resolution is that the company will be authorised to provide financial assistance to subsidiaries and other related parties within the group.

21. Ordinary resolution number 17: Authority to implement resolutions passed at the annual general meeting

"That any director or company secretary of the company be authorised to do all such things, perform all acts and sign all such documentation as may be required to give effect to the ordinary and special resolutions adopted at this annual general meeting."

By order of the board

Nomonde Bam
Company secretary

15 February 2017

Proxy form

ARCELORMITTAL SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1989/002164/06)
JSE code: ACL ISIN: ZAE000134961
(the company)

To be completed by registered certificated shareholders and dematerialised shareholders with own-name registration only.

For use in respect of the twenty-ninth annual general meeting of the company to be held at Hyatt Regency Johannesburg Hotel, Nina 2 Room, 191 Oxford Road, Rosebank, South Africa on Wednesday, 24 May 2017 at 09:00. Ordinary shareholders who have dematerialised their shares with a CSDP or broker, other than with own-name registration, must arrange with the CSDP or broker concerned to provide them with the necessary letter of representation to attend the annual general meeting, or the ordinary shareholders concerned must instruct their CSDP or broker as to how they wish to vote in this regard. This must be done in terms of the agreement entered into between the shareholder and the CSDP or broker concerned.

I/We (full name in block letters)

of (address)

Telephone (work) (home)

being the registered owner/s of ordinary shares in the company

hereby appoint or failing him/her

the chairperson of the annual general meeting, as my/our proxy to act for me/us and on my/our behalf at the annual general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the ordinary and special resolutions and/or abstain from voting in respect of the ordinary shares registered in my/our name(s), in accordance with the following instructions:

**Please indicate with an "X" in the appropriate spaces below how you wish your votes to be cast. Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.*

	Number of votes		
	For*	Against*	Abstain*
2. Ordinary resolution number 1: Reappointment of auditors			
3. Ordinary resolution number 2: Re-election of Mr PM Makwana			
4. Ordinary resolution number 3: Re-election of Mr RK Kothari			
5. Ordinary resolution number 4: Re-election of Mr NF Nicolau			
6. Ordinary resolution number 5: Re-election of Ms LC Cele			
7. Ordinary resolution number 6: Election of Mr H Blaffart			
8. Ordinary resolution number 7: Election of Mr D Clarke			
9. Ordinary resolution number 8: Election of Ms NP Gosa			
10. Ordinary resolution number 9: Re-election of Mr JRD Modise			
11. Ordinary resolution number 10: Re-election of Ms NP Mnxasana			
12. Ordinary resolution number 11: Election of Mr WA de Klerk			
13. Ordinary resolution number 12 Election of Mr D Subramanian			
14. Ordinary resolution number 13: Election of Mr JRD Modise as audit and risk committee member			
15. Ordinary resolution number 14: Election of Ms NP Mnxasana as audit and risk committee member			
16. Ordinary resolution number 15: Election of Ms LC Cele as audit and risk committee member			
17. Ordinary resolution number 16: Election of chairperson of the audit and risk committee			
18. Non-binding advisory endorsement: Remuneration policy			
19. Special resolution number 1: Approval of non-executive directors' fees			
19.1 Chairman (all-in annual fee)			
19.2 Director (annual retainer and attendance per board meeting)			
19.3 Audit and risk committee chairman			
19.4 Audit and risk committee member			
19.5 Nominations committee chairman			
19.6 Nominations committee member			
19.7 Safety, health and environment committee chairman			
19.8 Safety, health and environment committee member			
19.9 Remuneration, social and ethics committee chairman			
19.10 Remuneration, social and ethics committee member			
19.11 Share trust committee chairman			
19.12 Share trust committee member			
19.13 B-BBEE committee chairman			
19.14 B-BBEE committee member			
19.15 Any ad hoc or other committee appointed by the board (chairman)			
19.16 Any ad hoc or other committee appointed by the board (member)			
20. Special resolution number 2: Financial assistance to related or inter-related company			
21. Ordinary resolution number 17: Authority to implement resolutions passed at the annual general meeting			

Signed this day of 2017

Signature:

Assisted by (if applicable):

Instructions and notes to the form of proxy

1. This form of proxy will not be effective at the meeting unless received at the company's transfer secretaries' office, Computershare Investor Services (Pty) Ltd, 15 Biermann Avenue, Rosebank, 2196, by no later than 09:00 on Monday, 22 May 2017. If a shareholder does not wish to deliver this form of proxy to that address, it may also be posted, at the risk of the shareholder, to Computershare Investor Services (Pty) Ltd, PO Box 61051, Marshalltown, 2107.
2. This form is for use by registered shareholders who wish to appoint another person (a proxy) to represent them at the meeting. If duly authorised, companies and other corporate bodies who are registered shareholders may appoint a proxy using this form, or may appoint a representative in accordance with point 12 below. Other shareholders should not use this form. All beneficial shareholders who have dematerialised their shares through a CSDP or broker must provide the CSDP or broker with their voting instruction. Alternatively, if they wish to attend the meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial shareholder and the CSDP or broker.
3. This proxy shall apply to all ordinary shares registered in the name of the shareholder who signs this form of proxy at the record date, unless a lesser number of shares are inserted.
4. A shareholder may appoint one person of his own choice as his proxy by inserting the name of such proxy in the space provided. Any such proxy need not be a shareholder of the company. If the name of the proxy is not inserted, the chairman of the meeting will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the form of proxy and who is present at the meeting will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this form of proxy may delegate the authority given to him in this form of proxy by delivering to the company, in the manner required by these instructions, a further form of proxy which has been completed in a manner consistent with the authority given to the proxy in this form of proxy.
5. Unless revoked, the appointment of a proxy in terms of this form of proxy remains valid until the end of the meeting, even if the meeting or part thereof is postponed or adjourned.
6. If:
   6.1 a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting on any resolution; or
   6.2 the shareholder gives contradictory instructions in relation to any matter; or
   6.3 any additional resolution/s which are properly put before the meeting; or
   6.4 any resolution listed in the form of proxy is modified or amended, then the proxy shall be entitled to vote or abstain from voting, as he thinks fit, in relation to that resolution or matter. If, however, the shareholder has provided further written instructions which accompany this form and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in 6.1 to 6.4, then the proxy shall comply with those instructions.
7. If this proxy is signed by a person (signatory) on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this form of proxy will not be effective, unless:
   7.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or
   7.2 the company has already received a certified copy of that authority.
8. The chairman of the meeting may, in his discretion, accept or reject any form of proxy or other written appointment of a proxy which is received by the chairman prior to the time when the meeting deals with a resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the chairman shall not accept any such appointment of a proxy unless the chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.
9. Any alternations made in this form of proxy must be initialled by the authorised signatory/ies.
10. This form of proxy is revoked if the shareholder who granted the proxy:
    10.1 gives written notice of such revocation to the company, so that it is received by the company by not later than 09:00 on Monday 22 May 2017; or
    10.2 subsequently appoints another proxy for the meeting; or
    10.3 attends the meeting himself in person.
11. All notices which a shareholder is entitled to receive in relation to the company shall continue to be sent to that shareholder and shall not be sent to the proxy.
12. If duly authorised, companies and other corporate bodies who are shareholders of the company having shares registered in their own names may, instead of completing this form of proxy, appoint a representative to represent them and exercise all of their rights at the meeting by giving written notice of the appointment of that representative. That notice will not be effective at the meeting unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received at the company's transfer secretaries' office, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, by not later than 09:00 on Monday 22 May 2017.
    If a shareholder does not wish to deliver that notice to that address, it may also be posted, at the risk of the shareholder, to Computershare Investor Services (Pty) Ltd, PO Box 61051, Marshalltown, 2107. Certificated and/or "own name" dematerialised shareholders may also utilise the email address: proxy@computershare.co.za.
13. The completion and lodging of this form of proxy does not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person to the exclusion of any proxy appointed by the shareholder.
14. The chairman of the annual general meeting may accept or reject any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he shall not accept a proxy unless he is satisfied as to the manner in which a shareholder wishes to vote.

Transfer secretaries' office
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

Corporate information

Company registration
ArcelorMittal South Africa Ltd
Registration number 1989/002164/06
Share code: ACL
ISIN: ZAE000134961

Registered office
Vanderbijlpark Works
Room N3-5, Main Building
Delfos Boulevard
Vanderbijlpark

Postal address
PO Box 2
Vanderbijlpark, 1900
Telephone: +27 (0) 16 889 9111
Facsimile: +27 (0) 16 889 2079

Internet address
http://southafrica.arcelormittal.com
http://southafrica.arcelormittal.com/IntegratedReport2016

Company secretary
Ms NB Bam
Telephone: +27 (0) 16 889 4195
Facsimile: +27 (0) 16 889 2517
Email: nomonde.bam@arcelormittal.com

Sponsor
JP Morgan Equities South Africa Proprietary Limited
1 Fricker Road, Illovo, Johannesburg, 2196
Private Bag X9936, Sandton, 2146
Telephone: +27 (0) 11 507 0300
Facsimile: +27 (0) 11 507 0502

Auditors
Deloitte & Touche
Deloitte Place, Building 1, The Woodlands
20 Woodlands Drive, Woodmead, 2052, South Africa
Telephone: +27 (0) 11 806 5000
Facsimile: +27 (0) 11 806 5118

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank
PO Box 61051, Marshalltown, 2107
Telephone: +27 0861 100 950
Facsimile: +27 (0) 11 688 5217
Email: web.queries@computershare.co.za

United States ADR depositary
The Bank of New York Mellon
ADR Department
101 Barclay Street, 22nd Floor, New York, NY 10286
United States of America
Internet: www.bnymellon.com

BASTION GRAPHICS

ArcelorMittal

ArcelorMittal South Africa Corporate Office
Delfos Boulevard
Vanderbijlpark
Phone: +27 (0) 16 889 9111
Fax: +27 (0) 16 889 4318
GPS coordinates: E 27° 48′ 19.6″ S 26° 40′ 22.3″

http://southafrica.arcelormittal.com

http://southafrica.arcelormittal.com/IntegratedReport2016
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