

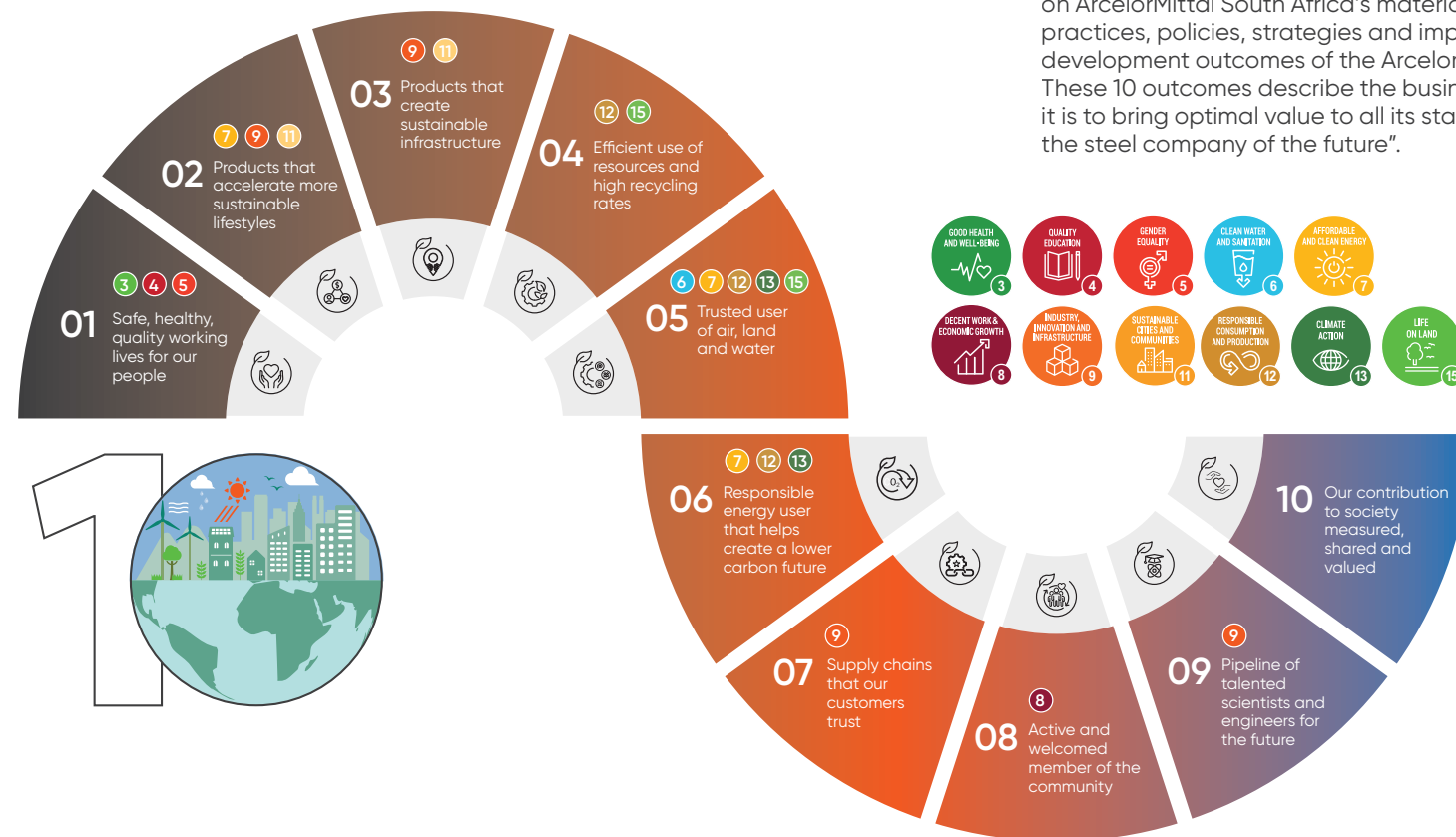


ArcelorMittal

Environmental,
Social and
Governance report

2022

About this report



In this, our second Environmental, Social and Governance (ESG) report, we report on ArcelorMittal South Africa's material environmental, social and governance practices, policies, strategies and impacts according to the 10 priority sustainable development outcomes of the ArcelorMittal group (ArcelorMittal Holdings AG). These 10 outcomes describe the business the group believes it needs to become if it is to bring optimal value to all its stakeholders and "drive our transformation into the steel company of the future".

At ArcelorMittal South Africa, we identified these as the Sustainable Development Goals (SDGs) that are most material to our operations and to our ambition to create integrated value for multiple stakeholders.

There is a considerable intersection between the ArcelorMittal group's 10 sustainable development outcomes and the SDGs. In this report, we use the relevant SDG icons to reference our application of, and impacts on, each of the goals.

This report concerns the ESG activities and impacts of ArcelorMittal South Africa, listed on the Johannesburg Stock Exchange (JSE), its subsidiaries and their operations as well as the ArcelorMittal Foundation. The international ArcelorMittal group is referenced to the extent that its activities, policies, and interactions impact our South African company's policies, performance, ability and prospects to create value. This report should be read in conjunction with our 2022 integrated report, which contains considerably more information about our business's financial performance, outputs, outcomes, and trade-offs between the various capitals.

In delivering against the group's 10 sustainable development outcomes we (ArcelorMittal South Africa) have seven ESG/sustainability priority areas:



Report scope and boundary

The scope of this report includes all operations over which we have direct control, and which are subject to our policies, standards, and strategies. The scope does not include our parent, the ArcelorMittal group, although in several instances the report's presentation of information is guided by group reporting frameworks and policies. Information pertains principally to the period 1 January to 31 December 2022. Readers are advised not to act upon forward-looking statements, which are premised on unknown factors and exigencies beyond our control.

Our reporting on the company's leadership is aligned with the King IV Report on Corporate Governance for South Africa (King IV™*). This ESG report also includes our 2022 King IV application statement. Disclosure on the company's environmental, social, and human performance, impacts, risks and opportunities draws on the JSE Sustainability and Climate Disclosure Guidance, issued in December 2021. We report on our partial alignment with recommendations of the Task Force on Climate-related Financial Disclosures (see page 55).

The board has reviewed this report, applying its collective mind, and is satisfied that it addresses the company's use of, and impacts on, the social, natural, and human capitals and that it presents a truthful and balanced account of our sustainability performance and prospects.

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Our annual reporting suite

The full 2022 financial statements provide comprehensive insight into the financial position and performance of the company for the year.

These are available at

<https://www.arcelormittalsa.com/InvestorRelations/AnnualFinancialStatements.aspx>

Our integrated report is also available online at

<https://www.arcelormittalsa.com/InvestorRelations/IntegratedAnnualReports.aspx>

Our decarbonisation roadmap can be found online at

<https://arcelormittalsa.com/Decarbonisation.aspx>

Signed, on behalf of the board

Bonang Mohale

Board chairman

Noluthando Gosa

Chairperson: Social and ethics committee

Neville Nicolau

Chairperson: Safety, security, health and environmental committee

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Message from our chief executive officer

This, only our second ESG report, gives readers some insight into just how serious our company is about embracing its environmental and social responsibilities, and how serious we are about using the tremendous opportunities we have to create real value for many stakeholders.



Very recently, we released our first decarbonisation roadmap. Only a few years ago, the changes that this bold plan envisages were simply unthinkable – a complete overhaul of how we and every other primary steelmaker has made steel for over a century. The challenges are daunting to say the least, but the ultimate prize – net-zero steel – sets us the most exciting prize imaginable.

Partnerships wanted

Decarbonisation is going to be a journey and we cannot undertake this journey alone. We need you, those with interests in our business, to be part of the journey. We need input and support from many parties. So, it will be absolutely vital that, as we decarbonise, we communicate regularly, honestly, and transparently. We intend to do just that.

Making our products more sustainably is about more than just our environmental impacts; our daily work has many, multifaceted social impacts and it relies on inputs from multiple social partners.

Highlights of this report include the extraordinary lengths we are going to in order to seek out partnerships and to make those partnerships work for the good of our shareholders and for many others – our employees, communities, governments, suppliers, customers, and the environment.

I want to briefly single out just three examples of our new spirit of partnerships, which are dealt with elsewhere in this report.

Anyone who has followed our fortunes knows to what extent we have, for many years, been on the receiving end of frustratingly poor service delivery by Transnet Freight Rail (Transnet). And anyone who lives or works in South Africa knows how frustrating it is to work with unreliable, inadequate electricity supplies.

There can be no denying that, like most other companies, our fortunes are tied to those of our stakeholders, Eskom and Transnet among them.

We accept, however, that at both of these state-owned enterprises there are good people trying to do good work in exceptionally difficult circumstances. Our approach today is to seek out those good people and to work with them to make things better, to make the circumstances we all wrestle with a little less difficult. I hope you agree that how we are going about putting this new approach into practice makes for interesting reading.

Backbone of manufacturing

In this space last year, I mentioned how our refreshed corporate strategy sought to position ArcelorMittal South Africa as the “backbone of South African manufacturing”. Becoming that backbone means that we have to work harder than ever with our customers to achieve mutually beneficial outcomes. We want to be there for manufacturers so that they can get on with the business of creating value for society and, most importantly, creating jobs.

Our relations with customers, the people who keep us in business, is a third key focus of this 2022 ESG report.

Of course, communication is a two-way street and after multiple engagements, we present information here in a way that we hope will be useful to a variety of stakeholders, without burdening you with too much detail.

We need your feedback. If you feel that we are not addressing your interests or questions, or we are not giving you the information you need, please let us know. We would love to hear from as many voices as possible.

Kobus Verster
Chief executive officer

30 March 2023

Who we are

Our vision

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

We are the largest steel producer in sub-Saharan Africa. In 2022, we made 2.46 million tonnes of finished primary steel. This was 20.4% lower than the amount we produced in 2021 and 44.1% lower than our output of 4.4 million tonnes in 2019.

Our 10 270 employees and contractors produce both flat and long steel in hundreds of grades and specifications for further value-add to our customers – downstream manufacturers in Southern, West and East Africa (and other markets).

We are part of the worldwide ArcelorMittal group, which employs approximately 160 000 people and produces more than 69 million tonnes of crude steel per year.

Our steel is manufactured primarily at large, capital-intensive facilities in Vanderbijlpark (flat) and Vereeniging (long) in the Vaal Triangle of Gauteng, in eMalahleni, Mpumalanga (structural) and in Newcastle (long) in northern KwaZulu-Natal. Our second integrated flat steel plant, Saldanha in the Western Cape, has been under care and maintenance since 2020.

We employ traditional ironmaking and primary steelmaking methodologies but, in 2022, began to actively pursue new low-carbon practices and technologies.

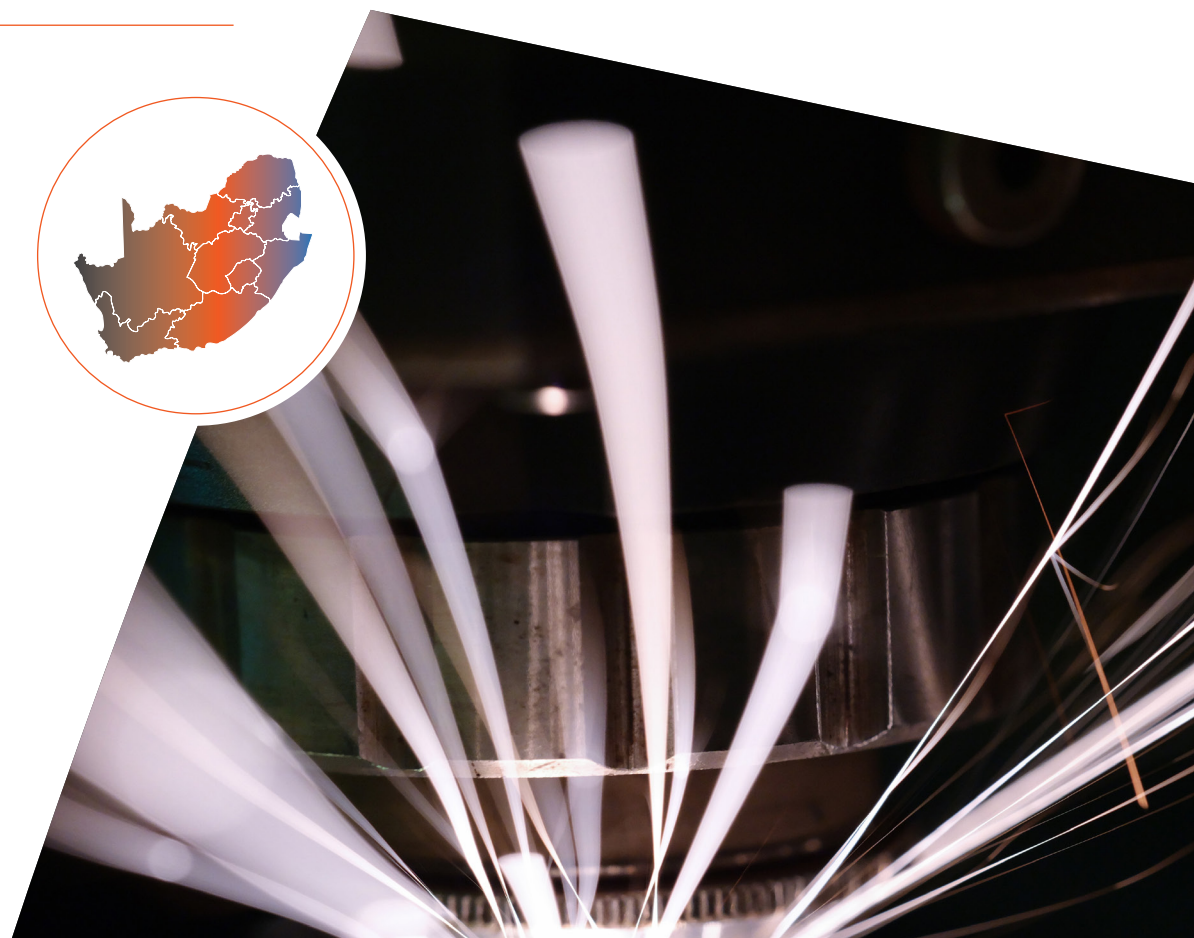
Our coke batteries in Vanderbijlpark and Newcastle produced 1.1 million tonnes of coke in 2022. Coke production is expected to increase to an average of 1.9 million tonnes per annum over the next five years. By-products resulting from our ironmaking and steelmaking processes – primarily slag and tar – are important sources of revenue.

Our purpose

Championing Africa's industrial ambitions through sustainable steel.

Our values

- Safety
- Customer focus
- Caring
- Commitment



How we create, preserve and erode value

As South Africa's only producer of primary steel, we occupy a unique place in the national economy. Our operations straddle multiple value chains – from beneficiating commodities (mineral products including iron ore, coal, and others) to the production of steel used in a wide variety of sectors. We have significant social and environmental impacts as a large manufacturing concern and a major procurer of goods, services and energy. Our work and outputs support tens of thousands of jobs at our suppliers and customers. We create great value, but without robust governance and vigilance we have the potential to erode much value for many stakeholders.

Our business model – how we transform our various inputs into outputs – is set to undergo far-reaching change, beginning immediately and up to the year 2050 – see page 18.

Outcomes

Financial capital

We reinvested the proceeds of another profitable year in the integrity of our industrial footprint and in proofing our business against the negative impacts of the inevitable downturn in the steel cycle.

Social capital

We used the interim reline of the Newcastle blast furnace and changes to our coke-making shift patterns to employ more individuals from fence-line communities. Our corporate social investment (CSI) outcomes were constrained by a lack of local non-governmental capacity. Significantly, during the year we began investing in municipal infrastructural upliftment in the Vanderbijlpark area.

Our disappointing capacity utilisation and output stemmed from a number of causes, but had the net effect of reducing our consumption of goods and services. Despite this, we grew (see page 25) our procurement from black-owned and black women owned businesses, especially smaller local suppliers.

Human capital

As discussed on page 50 of our 2022 IR, we reward well above industry and international averages. In 2022, for the second year, package category employees continued to enjoy more normalised remuneration. In 2022, we grew all categories of employment – own, contractor and hired labour.

Our safety record continues to be a cause for concern although some indicators point to a possible improvement. Through a large number of wide-ranging management interventions and investments, we are hopeful that our safety culture will soon improve. We failed to achieve the increase in training spend projected in our 2021 integrated report (to R106 million).

Natural capital

We continue to make important strides in ameliorating our negative environmental impacts in Vanderbijlpark, Newcastle and Thabazimbi as well as at Pretoria Works. This work – undertaken at considerable financial cost – is largely concerned with addressing legacy environmental impacts.

Key trade-offs

Our strategy – as implemented by management and approved by the board – entails many varied trade-off decisions. In 2022, these trade-offs, and their impacts on the various capitals, included:

Maintenance and reliability R1 425 million

– Financial	
+ Manufactured	+ Human

In 2021 we invested R1 649 million in repairs and maintenance operational expenditure in a drive to increase our stock of manufactured capital and improve reliability. This focus continued in 2022 with the above amount spent on improving our operational resilience and increasing our capacity utilisation. By investing in our facilities, we also make them safer places in which to work.

Environmental capex R338 million

– Financial	+ Natural
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We are serious about addressing our negative environmental impacts. Between 2021 and 2022, environmental capex rose from R64 million to R338 million.

Labour costs R4 875 million

+ Financial	– Human
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Our total cost of employment has decreased 8% since 2019. This reduction has been essential to our sustainability in an international industry in which we remunerate well above average. The above amount is our total cost of employment in 2022.

Strategic and export rebates R149 million

– Financial	+ Social
-------------	----------

This is the amount of rebates given to customers in 2022. This was well down on the R308 million granted in 2021 – largely the result of lower output and sales.

Partnerships for progress

Increasingly, we seek to work with like-minded entities and individuals to achieve desirable social, environmental and economic outcomes. This year, we:

- Reached an agreement with Sasol to use process gases from our Vanderbijlpark Works for carbon capture and use, to lower our carbon footprint and to produce useful products
- Deployed technical personnel to help Eskom technicians fix transmission and distribution failures
- Worked with Transnet on securing infrastructure on railway lines leading to and from our premises
- Provided 600 apprenticeships and 400 production learnerships through a programme funded and facilitated by the Manufacturing, Engineering and Related Seta (Merseta)
- Investigated the development of a private-equity investment vehicle to create a black-owned business that will supply a large proportion of our growing requirement for scrap steel
- Joined, as a full member, the Manufacturing Circle – the “voice of South African manufacturing”
- Began sponsoring infrastructural upgrades with the Emfuleni Local Municipality, focusing on roads used daily by our employees and suppliers, at an initial cost of R3 million
- Enabled the Get-on Foundation (a key CSI partner) to gain a presence in the Vaal region
- Signed a memorandum of understanding with the Gauteng Department of Economic Development and continued collaboration with the Department of Economic Development and Tourism in the Western Cape and with the Growth Coalition in KwaZulu-Natal.

How we create, preserve and erode value continued

Inputs

Natural capital

Raw materials consumed (kilotonne)

	2022	2021
Iron ore	3 574	4 213
Coal	2 275	2 914
Purchased scrap	150	274
Fluxes	843	1 181

Energy (TWh)

	2022	2021
Electricity purchased	1.69	1.83

Human and intellectual capital

	2022	2021
Employees*	6 450	6 322
Hired labour	525	522
Service contractors	2 617	2 375

* Permanently employed (average)
(including fixed-term contractors)

Financial capital (Rm)

	2022	2021
Equity	11 675	9 053
Borrowings	6 200	5 910

Human capital

Employees, contractors

	2022	2021
Safety: LTIFR	0.87	0.98
Safety: Fatalities	2	6

Our working business model



We produce iron and steel, commercial coke and useful by-products in processes that sustain hundreds of thousands of jobs.

ArcelorMittal South Africa is no ordinary business – Our company is intimately integrated into the economic and social fabric of South Africa while our products and our procurement of goods and services have far-reaching consequences. Our business model and our execution of strategy require us to demonstrate that we are creating meaningful value not only for investors but for multiple stakeholders including employees, communities, suppliers, government and customers.



We produce four types of products: flat steel, long steel, coke and enriched products (by-products)

Outputs

Financial capital

Shareholders, investors, employees (Rm)

	2022	2021
Revenue	40 771	39 708
EBITDA	4 274	8 569
Profit from operations	3 499	7 976
EBITDA margin	10.5%	21.6%
Headline earning/(loss) per share	234c	615c
Headline earnings	2 607	6 860

Social capital

Local communities, HDSA* suppliers and businesses (Rm)

	2022	2021
Socio-economic development	16.7	15.5
Procurement spend (excluding energy)	26.6	25.0
Taxes contributed	1 050	1 497
Procurement – QSE and EME	2 930	2 260

Manufactured capital

Customers (kilotonne)

	2022	2021
Steel products sold	2 160	2 473
Domestic market	1 872	2 171
Export market	288	302
Coke and Chemicals		
Commercial market coke	176	308
Tar	27	46

* Historically disadvantaged South African.

Key sustainability indicators

As a company, we have always taken our social and environmental impacts extremely seriously. Here we list our performance against various key natural, social and capital metrics.

Key sustainability indicator	Unit	Limited Assurance provided for 2022	Year-on-year change	2022	2021	2020	Definitions
Making steel more sustainable							
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	✓	^	2.67	2.09	2.14	Direct CO ₂ emissions
Indirect carbon dioxide (CO ₂) – Scope 2	t/t liquid steel	✓	^	0.72	0.63	0.77	Indirect CO ₂ emissions due to electricity consumption
Total greenhouse gas (CO ₂ equivalent Scope 1 and Scope 2)	t/t liquid steel	✓	^	3.39	2.72	2.91	IPCC methodology as prescribed in National GHG Reporting Regulations used for reporting purposes
Total greenhouse gas (CO ₂ equivalent Scope 1 and Scope 2)	Mt	✓	v	8.35	8.41	6.71	
Atmospheric emissions							
Sulphur dioxides (SO ₂)	Tonnes		v	3 925	10 623	10 825	
Particulates from point sources	Tonnes		^	1 571	1 318	1 209	
By-products							
By-products generated	Mt		v	2.18	3.06	2.45	
By-products recycled (% of total)	%		v	23	31	33	
By-products sold (% of total)	%		^	65	42	47	
By-products disposed (% of total)	%		^	26	16	13	
Energy use							
Electricity (purchased)	TWh		v	1.69	1.82	1.73	
Total energy consumption	PJ		v	77	90	75	
Electricity self-generated	MWh		v	108 716	215 868	128 335	
Material purchased							
Iron ore	Tonnes		v	3 574 873	4 213 593	3 095 730	
Coal	Tonnes		v	2 274 740	2 914 459	2 255 139	
Dolomite	Tonnes		v	200 802	282 290	226 749	
Limestone	Tonnes		v	628 488	800 571	502 451	
Scrap	Tonnes		v	150 407	273 914	160 576	
Water							
Total freshwater intake	kl		v	11 418 318	12 020 708	12 058 615	
Fresh water intake per tonne of liquid steel	kl/t liquid steel		^	4.56	3.73	5.16	
Investing in our people							
Employee numbers – Permanently employed (average) (including fixed-term contractors)	Number	✓	^	6 450	6 322	6 622	Average number of permanently employed employees for the year, including fixed-term contractors*
Employee and contractor fatalities	Number	✓	v	2	6	1	Total number of fatalities from all employee and contractor categories occurring during the reporting period 2022

Key sustainability indicators continued

Key sustainability indicator	Unit	Limited Assurance provided for 2022	Year-on-year change	2022	2021	2020	Definitions
Lost time injury frequency rate (LTIFR)	Number per million hours worked	✓	v	0.87	0.98	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)	Number per million hours worked		v	1.07	1.45	0.94	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)	Number per million hours worked		v	5.74	7.80	7.21	All injuries (fatalities, DIFR, lost time injuries, medical aid and first aid injuries) per million hours worked
Occupation disease frequency rate (ODFR)	Number per million hours worked		>	0.0	0.0	0.0	Occupational diseases (work-related ailments) per million hours worked
Percentage of operations certified to the health and safety management system standard, ISO 45001	%		>	100	100	100	ISO 45001 (OHSAS 18001 in 2019) is an international standard for health and safety management systems
Number of hours of full-time package category employee training	Number		v	6 334	18 679	6 688	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		^	193 639	104 832	88 941	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		^	88	87	102	
Proportion of above focused on black employees	%		^	94	91	94	
Investment in bursary scheme	Rm		v	21	24	43	
Graduates in training	Number		^	13	7	13	
Production learners	Number		v	226	270	424	
Apprentices	Number		v	228	249	358	

* Definition has been clarified, including prior years.

** Man-hours used as denominator to calculate the LTIFR is a hybrid model using planned hours, overtime hours (without deducting unplanned absences) for employees and planned hours for contractors. This has been used consistently throughout the years to ensure comparability. The hours used will be refined as part of our continuous improvement drive.

Our 10 sustainable development outcomes



Safe, healthy, quality working lives for our people

ESG priority areas:

Safety and health
Transformation



In 2022, we suffered two fatalities at work. A third colleague died in January 2023. This brought to 24 the number of colleagues lost to accidents in a decade and came after six men died on our premises in 2021 – our worst safety year ever.

Those who died in 2022/23 were as follows:

- On 11 August 2022, Sabatha Petros Nkosi, a 46-year-old general assistant employed by a contractor. He had 16 years' experience and is survived by his wife and six children
- On 16 September 2022, Chris Swanepoel, a 34-year-old loader employed by ArcelorMittal Rail and Structures. He had five years' experience and is survived by his wife
- On 09 January 2023, Siphokuhle Vincent Nkosi, a 34-year-old operator employed by a contractor. He had three years' experience and is survived by his wife and six children.

This year, the board asked that jobs be offered to family members of those who died at work. Directors believed that this would be a fitting demonstration of a caring culture – and help to compensate bereaved families for the loss of their breadwinners. The board, as always, highlighted the importance of supporting the families of the deceased.

Fortunately, this year we recorded no deaths from Covid-19 and our infection rates – and on-site safety protocols – largely mirrored the national experience.

Previously, 45 ArcelorMittal South Africa employees succumbed to the disease.

This year, our key lost time injury frequency rate (LTIFR) improved only slightly, from 0.98 such serious injuries per million hours worked, to 0.87. The total number of injuries declined from 215 to 171. Our LTIFR figures for 2021 and 2022 were easily the worst since 2011. Workplace culture reflects in both safety and reliability statistics.

Paradoxically, another indicator we monitor closely – the total injury frequency rate (TIFR) was the lowest on record. We believe our partnership with workplace safety specialists, dss+, our risk management focus, training, and overall improvement in caring for our employees contributed.

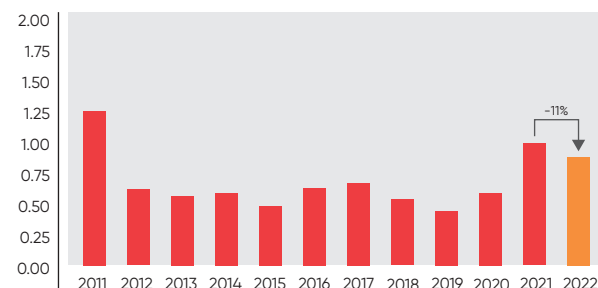
In the wake of the deterioration in safety performance in 2021, the board requested management to redouble efforts to keep people safe. As reported in our previous ESG report, our health and safety policies and protocols were overhauled, and a number of concrete steps taken. These included:

- Revamping safety training for executives and managers and establishing new protocols for safety leadership

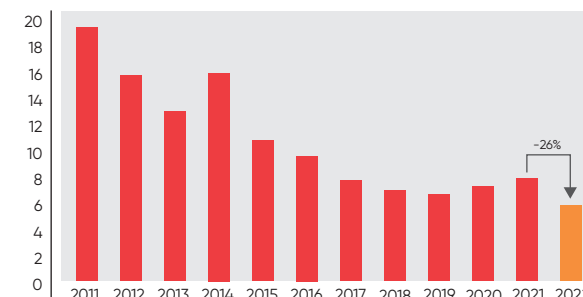
- Collaborating closely with ArcelorMittal Brazil (which has had safety challenges similar to ours)
- Appointing dss+ to carry out a range of safety studies, interventions, training and coaching
- Requiring all production and senior managers as well as supervisors to undertake two hours of daily safety inspections and interactions (safety walkabouts). These take place during afternoons and in the early morning hours
- Having all managers document their performance of four detailed plant audits and eight behaviour interactions per month
- The (serious) consequences of breaking the ArcelorMittal group's 10 golden lifesaving rules being signed off by the chief operating officer (COO). These consequences were widely communicated to management, employees and trade unions. A "roadshow" to all operations further entrenched the seriousness with which these consequences will be enforced.

From 2022 the safety indicators in our long-term and short-term incentive schemes include discrete safety indicators (see our 2022 remuneration report).

Lost time injury frequency rate



Total injury frequency rate



Our 10 sustainable development outcomes continued

Governance: Safety

Our board's safety, security, health and environmental (SSHE) committee regularly considers reports on the company's safety performance and management. To gain maximum value out of these deliberations, trade union representatives are invited to attend. In 2022, the SSHE committee and the board questioned management closely on the year's fatal incidents and steps taken to prevent repeats. Directors insisted that no effort be spared to improve our safety culture.

Other safety enhancements in 2022

- This year we continued with reinvigorated pre-shift safety briefings and practising new protocols (introduced in 2021) for end-of-shift safety debriefings and record keeping
- We instituted a protocol whereby identified potential serious injuries or fatalities (PSIFs) may now only be considered "closed off" when signed off by the CEO (previously, general managers had such authority)
- Bonus payments not reliant on reactive LTIFR/TIFR but on PSIFFR (possible serious injury or fatality frequency rate) since the second half 2022. Previously, the FR (frequency rates) actuals were measured by set targets provided by the group
- In partnership with dss+, seven focus areas were identified:
 - **One ArcelorMittal South Africa system and risk management** – Utilise one System and aligned approach for ArcelorMittal South Africa to do tracking and close out of actions, providing risk profile analysis and trends
 - **Incident investigations and PSIFs** – Practical guide developed and distributed. Deep dive into causes and proper mitigating actions during investigations and PSIFs, mitigated actions verified at plant senior level and by the COO and CEO

- **Housekeeping** – Detail mapping of areas done and allocated to champions with supporting teams. Weekly audits done. Monthly competition. Identify structures that can be removed, consolidate office blocks/Zozos. General housekeeping standard developed, distributed, and implemented
- **Structures and equipment safety** – Identify high risk structures, pylons and equipment, inspection lists revised. Repair and remove the high-risk structures
- **Meeting effectiveness** – Training all managers and first-line supervisors on effective meetings methodologies. Reduce the time spent in meetings by 30% to 50%
- **Recognition and consequence management** – Safety recognition to take the form of reward, recognise and celebrate. Consequence management to consider individual behaviour, system, and leadership failures
- **Safety behaviour interactions/engagement**
 - All management levels and specialists spent two hours daily on the plant. Walkthroughs compulsory for night shift supervisors between 24:00 and 04:00 in mornings (high-risk period)

We did not, however, achieve all our aspirations, because no dedicated engineering resources were employed by our safety function, as had been envisaged the previous year. We estimate that this function needs to appoint an additional 15 people.

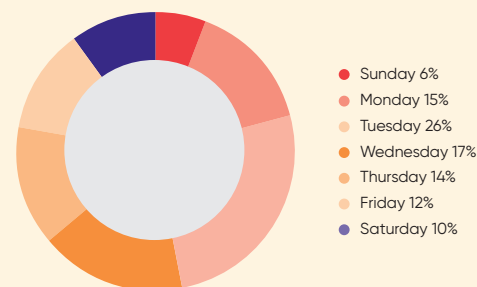
Vanderbijlpark accounted for 58% of all LTIs, Newcastle 29% and Vereeniging 13%.



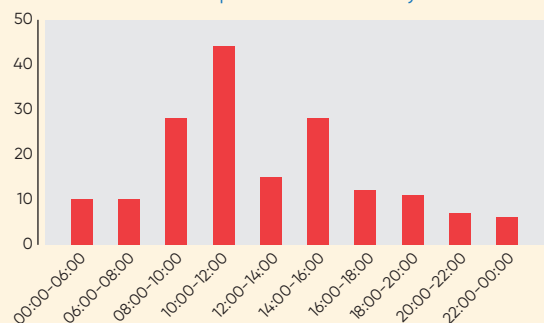
Safe, healthy, quality working lives

When do accidents occur?

Day of week (YTD) – (All)



Number of incidence per hour on Tuesdays

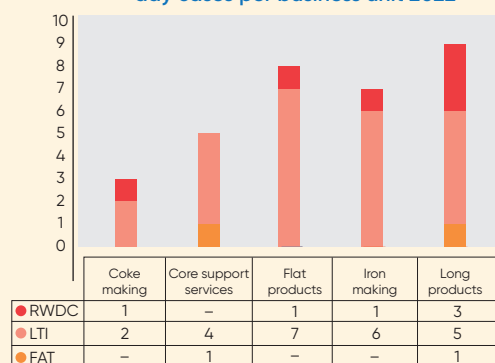


In 2022, Tuesdays were the most dangerous days of the week, as were the hours between 10:00 and 12:00. Lagging indicators were analysed as part of the trend analysis to focus proactively on potential incidents. Management has now been directed to be especially alert/proactive on Tuesdays by increasing the amount of time spent on the shopfloor.

Where do accidents occur?

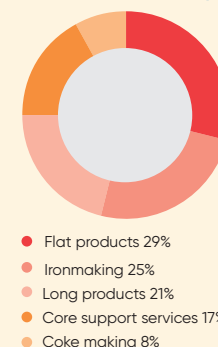
Our analysis shows that accidents are most likely to occur at these sites:

Fatalities, lost time injuries, restricted work day cases per business unit 2022

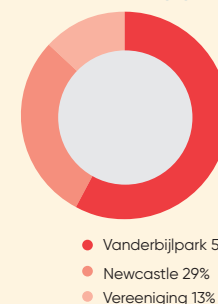


RWDC Restricted work day cases
LTI Lost time injuries
FAT Fatalities

LTI – Business units (%)



LTI – Sites (%)



Ongoing work towards zero harm

Shopfloor audits

Shopfloor audits (SFAs) and layered evaluations are face-to-face discussions between individuals carrying out work on the shopfloor and leaders to increase commitment to safer ways of working. SFAs have the following objectives:

- To review work practices
- To reinforce existing standards
- To identify improvement opportunities
- To provide positive feedback on safe work
- To correct unsafe activities.

SFAs entail a process to influence behaviour on the shopfloor. They are managed through two processes:

- Leadership plant audits (LPAs), are a formal structured process. The team consists of layers of management (including additional members). The team uses a specific audit questionnaire (similar to the Fatality Prevention Standards protocol questions)
- Leadership behaviour interactions (LBIs), which are face-to-face discussions between leaders and employees and contractors. The purpose of LBIs is to increase awareness of possible unsafe behaviour. These occur when an unsafe action or condition is witnessed.

Safe, healthy, quality working lives continued

Serious occurrences (SOs) and PSIFs

PSIFs are events, acts or situations for which consequences or potential consequences are life threatening, or may lead to permanent disability or loss of function.

By interrogating leading indicators, such as numbers of accidents whatever their consequences, SOs and PSIFs are dealt with before harm is caused.

Quarantine guidelines

Under new quarantine guidelines, when serious incidents occur, particular plants are placed under quarantine for 40 days. They are also put into quarantine when the COO identifies them as having troubling safety performances. In the period of 40 days, plants concerned are subject to intensive daily inspections and weekly audits involving senior managers. This visible, high-level observation and evaluation reinforces the importance we attach to safety. If sufficient progress is not evidenced after 40 days, the quarantine period can be extended.

Quarantined areas are subject to rigorous daily and other audits, and the routine behaviour of team members is closely monitored by safety specialists.

Safety outlook

We invested extensively in in-field training sessions for leaders during 2022, in partnership with dss+. In 2023, our main aim is to ensure that focus areas identified become habits and part of daily operations.

Safety specialists will be at plants, with leaders and coaches, daily between 06:30 and 09:00. This will also entail quality training and assistance to ensure that employees continuously practise these habits.

Risk management

Specific focus on risks in the workplace – using snakes as a metaphor to indicate risks in the workplace. All employees undergo such sessions and workshops that are specifically focused on high risks, and measures to mitigate them.

Legal liability training for all employees to understand the legal responsibility for all, with key focus on hazard identification and risk assessments (HIRAs), training and competencies in the job, Task Observations done on employees and enforcing discipline.

All first-line leaders will be audited monthly on effectiveness and quality pertaining to the execution of shop floor interactions and pre-shift meeting quality, PSIF quality and effectiveness and specifically on quality HIRAs, SOPs, task observations and safety forums with all employees.

Caring

- Encourage family involvement
- Adopt schools and universities and drive safety with them.

Training

- We will continue with fatality prevention standards (FPS) training
- Take Care training for employees
- Specific training and coaching of first-line supervisors in legal responsibilities and leadership.

Employment

In the 2022 financial period we had 10 270 full-time equivalent employees. They were employed permanently, as contractor employees or as hired labour. This was a 2.6% increase on the previous year's average and followed a 7.88% increase in employee numbers in 2021 over 2020.

Our total cost of employment (TCOE) for the year was R4 959 million, 1.7% up on 2021 when our TCOE rose by 23%, largely as a result of salary sacrifices being addressed.

Our employment practices, policies, and costs (i.e. our human capital) have material impacts on our stocks of financial, social and intellectual capital.

Remuneration and cost of employment

In May 2022, management agreed a 6.5% increase on all remuneration elements with the trade unions representing our bargaining unit employees (75% of our full-time employees), backdated to 1 April 2022. This followed a two-week strike that disrupted production and was attended by considerable violence. A R5 000 once-off payment was also agreed on. The wage agreement was concluded for one year, unlike the three-year agreements that had recently been the market norm.

This year, after four years of no increases, we normalised package category remuneration at a cost of R100 million and awarded average increases of 6.5%. To ensure market competitiveness, our remuneration for technically skilled positions moved from the 50th to the 60th market percentile.

While labour costs have declined by 8% since 2019, our total steel production fell by 47% over the same period. This translated into a TCOE per tonne of steel sold of R2 295/t (2019: R1 314/t).

It is apparent that our production and sale of steel are extremely variable, but our costs of employment remain fixed.

Safe, healthy, quality working lives continued

Our Value Plan Programme seeks to move our company from quartile 3 in terms of the cost competitiveness of the world's steel producers to quartile 1 – to achieve a cumulative EBITDA-positive impact of more than USD500 million by 2026. This is designed to reward long-suffering shareholders with meaningful returns and to ensure our business's sustainability through the vagaries of the inevitable steel cycle.

With employment costs representing 54% of our fixed costs and 11% of our total costs, achievement of the Value Plan Programme and indeed our very survival are threatened by excessive labour costs.

Using the Salary Explorer tool, we measured our bargaining-unit remuneration in Q2 against the average for factory and manufacturing jobs in four countries, including South Africa.

The results were as follows:

• ArcelorMittal South Africa	100%
• South Africa	54%
• Brazil	48%
• Malaysia	39%
• United States	110%

Using the information obtained from this exercise as well as data from various other studies, specific actions to address our cost competitiveness were added to the current Value Plan Programme to improve our TCOE/t. We envisage that these will involve improvements to productivity (measured primarily by hours worked per tonne of steel) and opportunities to reduce the cost of various benefits over time, an area in which we conspicuously over-remunerate.

Our ability to sustain a large number of quality (often skilled) jobs in economically deprived areas has an

enormously beneficial social impact. Added to this is the value we create by investing in our skills pipeline and in on-the-job and vocational training.

Training and skills development

In 2022 our talent pipeline was broadly similar to that of the previous year although our total number of apprentices and production learners fell by 13%.

Positively, we grew the number of candidate engineers and technicians by almost two-thirds, to 55%. Some 96% of pipeline candidates were AIC (African, Indian and Coloured) individuals.

Our training and skills development expenditure was unchanged year-on-year at R87 million.

Our internal apprentice and production learner totals

Technical pipeline

	2023 (Planned)	2022	2021	2020	2019
Production learners	250	226	270	424	497
Apprentices	200	228	249	358	675
Administration learnership*	30	30	30	—	—
Learnership for people with disabilities*	70	80	80	—	—
Learner technicians	30	30	7	25	40
Candidate technicians	20	17	20	19	33

* Additional programme.

Business pipeline

	2023 (Planned)	2022	2021	2020	2019
Graduates in training	15	13	7	13	21
Administration internship*	—	17	—	—	—
University engineering bursars	40	33	55	77	81
Candidate engineers	40	38	14	47	64
Bursary investments (Rm)	30	29	24	43	81
Total number of employees within the technical and business pipeline	725	741	756	1 006	1 492

* Additional programme.

Safe, healthy, quality working lives continued

declined this year, but we took on 228 apprentices and 226 production learners whose costs were paid by the Manufacturing, Engineering and Related Seta (Merseta) and whose training was entrusted to us. This secured a grant of R15 million for the company. In this way, we use the machinery, buildings, and equipment we own (at our ArcelorMittal South Africa University centre) – our manufactured capital – to increase our stock of social capital by growing scarce and much-needed technical skills. Through highly experienced training staff, we deploy our intellectual capital to similar effect and release trained learners for market absorption.

The Merseta's decision to entrust these young people to ArcelorMittal South Africa is testimony to the strength of our training infrastructure, skills, and knowledge. The skills we develop in this way will be important to realising the objectives of the Steel Master Plan. We do not derive a financial benefit from this training.

In November 2022, the excellence of our technical skills training pipeline was recognised at the prestigious annual Seifsa awards for excellence event. ArcelorMittal South Africa was awarded the overall winner in the industry apprenticeship category.

Our all-important apprenticeship and production learnership pipelines declined in 2021 and again in 2022 (in 2019 we had 497 production learners and 675 apprentices registered, respectively). While the Merseta investment is not geared specifically to our needs, it is likely that we will offer some in this cohort full-time employment.

Another way in which we created social value was by moving from three-shift systems to four shifts at our coke battery operations in Vanderbijlpark to address employee fatigue. This created 111 new positions, all of which were filled by applicants from fence-line communities. A trade-off was achieved by reducing the amount of overtime paid in exchange for more workers, who were more productive and generally more focused on their tasks.

In 2022 we worked to create social value by recruiting new employees and pipeline candidates in line with national demographics. As indicated above, 96% of new pipeline entrants were AIC candidates.

In 2022 we appointed 802 new employees. Of these, 525 were employed in operations, 104 as artisans, 91 in the engineering and technical field, 18 in management and the rest in various corporate and support functions. Some 90% of new recruits were AIC employees.

We are equally committed to affirmatively advancing the careers of our female employees.

Our majority shareholder, the ArcelorMittal group, acknowledges that steel remains a male dominated industry and that, worldwide, interventions are required to change the gender make-up of the workforce. As such, the group requires its subsidiaries to employ a quarter women by 2030 and to have 30% of senior positions occupied by women by 2030. Our Woman of Steel programme consists of four main initiatives:

- CEO engagement sessions – 56 participants
- Elevating Women in Leadership – 81 participants
- Self-mastery programmes – 34 participants
- Woman of Steel forums – 56 participants

Workplace culture

We are convinced that the skills level of our people (intellectual capital) and their engagement with the business and its objectives (human capital) correlate very strongly with our ability to make our products reliably and safely. So, we prize employee engagement and motivation.

For the second year, our mobile platform, SteelTalk, achieved increased engagement with employees. The results of our Speak Up survey methodology (our chief means of measuring employee engagement) are taken seriously, with actions identified and implemented. Ongoing improvement in scores between regular measuring periods is now visible.

In the year, our entire top and senior management cadres undertook an extensive culture change management process facilitated by leadership consultants.

Products that create social value



Products that accelerate more sustainable lifestyles

ESG priority area:

Customer reassurance and value add



With ongoing load shedding and Eskom power stations being susceptible to multiple faults, demand for solar energy has soared across the country.

The South African Integrated Resource Plan (IRP2019) entails an additional 1.6 to 2.6 gigawatts of solar and wind energy capacity being built per annum until 2030. Also, the ongoing Embedded Generation Programme allows the private sector to develop 100MW licence-free renewable projects, which are expected to provide further upside to the IRP2019 demand. Between the IRP2019 and private sector-driven projects, it is estimated that accumulated domestic steel demand for renewable energy could be close to 1 million tonnes over the next seven years.

In recent years, the South African government and steel industry have developed local responses to the renewable energy build programmes to maximise local beneficiation and jobs. In addition to minimum local content thresholds, government, through the Industrial Development Corporation, is backing the establishment of local companies manufacturing solar panels. ArcelorMittal South Africa is supporting large original equipment manufacturers in adapting international designs to the local built environment while maintaining world-class standards. This has maximised opportunities for the domestic steel value chain in the fabrication of solar trackers.

Our own installation of 200MW solar capacity (see page 20) will be delivered with maximum local content.

In 2022 we developed new high-performance coatings for our galvanised colour-coated flat steel solutions, predominantly used in the roofing and insulated panel industries. Our engineered coated products are environmentally friendly; reflect heat, resulting in lower energy consumption; and are fully recyclable. We have also focused on developing new coating textures to accommodate further flexibility of choice to our end-users.



Products that create sustainable infrastructure

ESG priority area:

Environmental stewardship, decarbonisation



In August 2022 we formalised our acquisition of the ArcelorMittal Rail and Structural (AMRAS) mill in eMalahleni, Mpumalanga. This transaction represents meaningful skills and technology transfer to South Africa. This country now has a facility capable of manufacturing heavy structural sections and rails instead of importing these. Such inputs are vital in developing sustainable infrastructure and obviate the need to import as much as R1 billion of steel products per year.

With AMRAS, the steel products needed for permanent railway infrastructure can be developed and sourced locally. This can be a significant catalyst for the rejuvenation of South Africa's rail infrastructure and for domestic industrialisation.

AMRAS products will have multiple applications other than rail, however, extra heavy sections produced at the mill will find ready application in construction projects, including multi-storey buildings.

The iconic Msikaba Bridge Project in the Eastern Cape province is being fabricated using world-class heavy gauge structural steel sections made at AMRAS.

The cable-stayed steel deck bridge – on the N2 highway between Durban and East London – will have a main span of 580 metres supported by a pair of 127 metre high pylons. At 194 metres above the valley floor, the bridge will be the third highest in Africa. The project also makes use of structural steel plates of larger length and mass, from a reconfigured plant at Vanderbijlpark. (Similar upgrades performed at the plate mill allow us to supply steel into the wind tower sector; until 2022 we were unable to supply the steel needed for such towers.)

ArcelorMittal South Africa has developed a number of high-strength products for use in different sectors of industry. The advantage of these high-strength steels is that they offer higher strength-to-weight ratios, allowing for lighter, more energy-efficient products.

One of the sectors that has benefited from this range of products is transport. The collapse of the rail system in South Africa has led to a surge in domestic truck and trailer manufacturing. Our high-strength material allows trailer designers to produce lighter trailers but with the same level of structural support and safety, resulting in lower fuel consumption and less damage to road infrastructure. Previously imported, such material is now available locally.

Products that create social value continued



Efficient use of resources and high recycling rates

ESG priority areas:

Environmental stewardship,
decarbonisation
Waste stewardship



By-products

In 2022, 65% of our by-products (now known as mineral components – this excludes tar) were sold. This includes products generated in previous years; 23% were recycled and 26% disposed of (sent to landfill). The comparative “disposed” percentages for 2021 and 2020 were 16% and 13%, respectively.

Material is stored for subsequent sale to a variety of customers including construction, cement, “paste maker” and other clients. (Paste makers produce inputs, particularly for the aluminium sector.) We recycle by-products to produce additional iron feedstock to our ironmaking and steelmaking processes.

By-products we produce and sell consist mainly of blast furnace slag, steel slag, mill scale and tar. All of these are further processed by our by-products business unit, which has been functionally separated from our former Coke and Chemicals division since 2019. Because of the value added during our own in-house beneficiation processes and their many beneficial uses, we now refer to materials sold as “enriched products”.

In 2022 enriched products generated sales worth some R460 million. An indication of how integrated by-products and enriched product sales are in our overall production processes is the fact that the by-products business was EBITDA negative as it accounts for a share of the costs of its respective ironmaking, steelmaking and coke-making processes. By selling large volumes of enriched products, we are incentivised to create financial capital by deriving maximum value from our intake of natural capital while minimising our negative environmental impacts.

Enriched products are typically more environmentally friendly than their alternatives. For example, slag used in civil engineering projects obviates the need for energy-intensive quarrying and is highly recyclable.

As we decarbonise our steelmaking operations, enriched products’ environmental credentials will improve further although we will produce smaller quantities as we adopt new, lower carbon production methodologies. Reduced by-product output will allow us to increase the percentages of stockpiled materials sold each year.



Trusted use of air, land and water



Trusted user of air, land and water

ESG priority area:
Environmental stewardship, decarbonisation



This year, we significantly ramped up investments to achieve zero environmental harm. In 2021, environmental capital expenditure fell from R151 million in 2019 to just R64 million but – at the board's direction – rose 429% this year to R338 million.

Of this amount, R244 million was spent on upgrading Vanderbijlpark's coke gas-cleaning facility. The cost of this landmark project (begun in 2020) has recently escalated above the approximately R1 billion communicated in the previous year's integrated report. Delays encountered because of pandemic restrictions on movement and assembly were significantly reduced this year.

A similar restoration project at Newcastle's coke gas-cleaning plant is expected to reduce sulphur dioxide (SO₂) emissions by almost 20% – as previously communicated.

Another large capital project undertaken in 2022 was a R61 million storm water treatment improvements in Newcastle. This entails construction of a 460 000m³ runoff dam and will reduce the plant's overall water demand. In 2022, R47 million was spent on relining Newcastle's basic oxygen furnace dams, work that will be completed by Q2 2023.

A number of environmental capital projects scheduled for 2022 could not be completed for logistical and operational reasons, and commencement was mostly postponed to 2023. Phase 2 of construction of a new three-hectare waste disposal plant at Vanderbijlpark was put on hold pending government approval.

Emissions to air

Our various atmospheric emissions – sulphur dioxide, carbon dioxide, particulates, nitrogen oxide and hydrogen sulphide are monitored on an ongoing basis.

The only significant and protracted non-compliance occurred at the Newcastle coke oven batteries. In 2022, R119 million was spent with approximately R340 million being budgeted to restore the batteries in 2023.

In February 2023, the Minister of Forestry, Fisheries and the Environment dismissed an appeal against a decision (made in 2020) granting Vanderbijlpark a postponement of compliance frameworks in terms of new air emissions standards. This application related to SO₂ emissions from the direct reduction kilns.

An objection to the decision granting the postponement (with certain conditions attached) had been brought by an environmental non-governmental organisation. (Postponement and suspension applications submitted for Newcastle and Pretoria Works were successful although we are waiting for the relevant air emissions licences to be amended accordingly.)

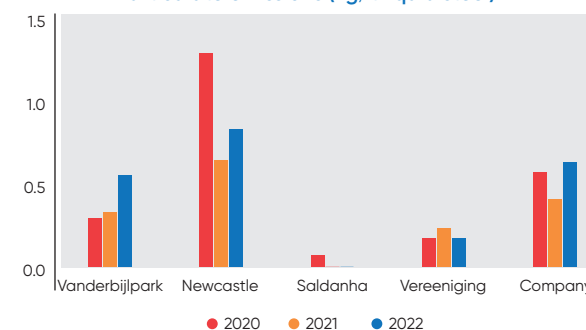
Sulphur dioxide emissions declined on the back of lower production at the coke batteries – which are traditionally large emitters of such gas. Particulate emissions were higher because of poor plant performance at the Newcastle coke batteries, in particular.

Waste

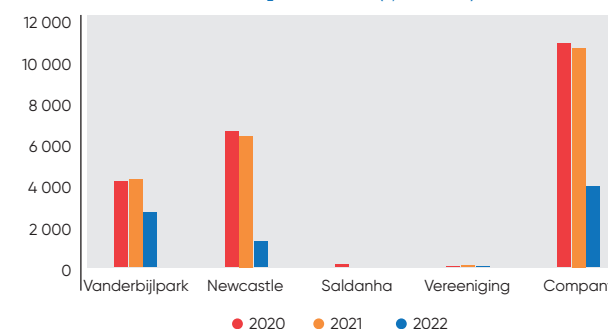
In 2022, 15% of waste – an amount of 567 000 tonnes – was disposed of (2021: 16% and 2020: 12%).

A total of 452 000 tonnes of hazardous waste was disposed of in 2022. Some 197 000 tonnes were reused, 862 000 tonnes sold and 133 000 tonnes stored.

Particulate emissions (kg/t liquid steel)



Total SO₂ emissions (t/annum)



Trusted use of air, land and water continued

Legacy land and water

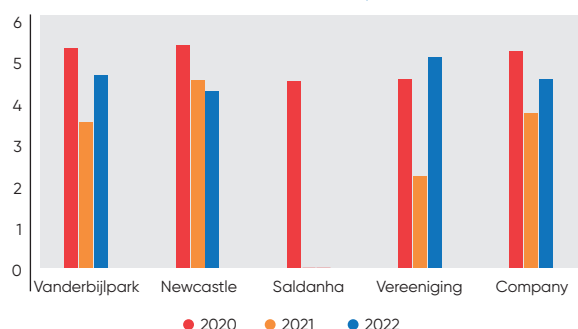
We work continuously to rehabilitate legacy areas and dams on our properties, with 13.4 hectares of land and 52 hectares of contaminated soil in legacy dams being remediated to date.

Water

Total potable water abstraction declined by 5%, to 11 million kilolitres in 2022, on lower production. However, our water intensity increased to 4 560 litres per tonne of liquid steel, also a result of reduced output and plant interruptions.

Newcastle maintained its zero effluent discharge (ZED) status for the full year. Vanderbijlpark averaged 69% ZED compliance although this had improved to 97% by December. ZED deviations were mostly due to upset conditions and the periodic shutdown of water-using plants.

Fresh water intake (kl/t liquid steel)



Carbon emissions and taxes

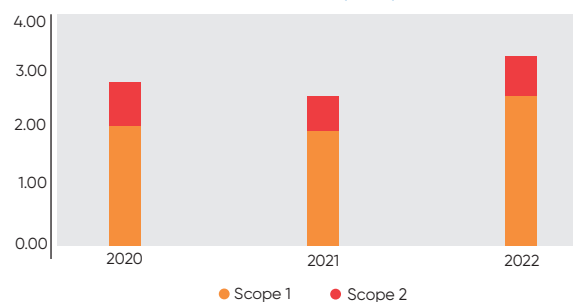
At 8.35 Mt our greenhouse gas emissions (scopes 1 and 2) were similar to those of recent years although, in specific terms at 3.39 tCO₂/tLs (tonnes of CO₂ per tonne of liquid steel), our relative carbon intensity was higher.

This was almost entirely a reflection of our much-reduced steel output.

We continue to propose to the relevant authorities the importance of "ring-fencing" carbon taxes to incentivise "good" carbon behaviour and to use such revenue to advance the country's decarbonisation project.

Carbon tax rates have now been promulgated up to 2030, but uncertainty around tax-free allowances continues. This makes it impossible for us to predict with any certainty our future tax liabilities, especially in the period from 2026. A rapid phasing out of such allowances threatens the sustainability of the primary steel sector; in particular, onerous tax obligations could undermine the viability of our decarbonisation roadmap.

CO₂ emissions (CO₂ eq/t liquid steel)



* IPCC methodology as prescribed in National GHG Reporting Regulations was used for reporting purposes. Regarding 2022 data a higher reporting Tier was used as per the prescribed methodology resulting in a higher confidence level of the data

* Eskom factor used = 1.04 tCO₂eq/MWh

* Figures do NOT include CO₂eq emissions from the usage of diesel, petrol and electricity at the Thabazimbi Mine

* Figures also do not include scope 3 emissions. AMSA did develop a system to measure scope 3 emissions and is in process to refine the model.

Thabazimbi rehabilitation

In 2022, 21 hectares of the legacy Thabazimbi iron ore mine were reshaped. This brought the area reshaped so far to 317 hectares – out of 633 hectares needing reshaping – almost exactly half.

Rehabilitation work at Thabazimbi cost R108 million in the year (2021: R76 million). In 2022, 37 hectares were planted – an area 17 times the size of Kimberley's Big Hole.

In total, 8 608 trees and 15 041 tufts of grass were planted, and 530 hectares of encroaching bush and 347 hectares of alien species were cleared. In addition, 285 hectares were seeded to indigenous grass. In the year, the cost of clearing monostands of bush and alien species and seeding exceeded R11 million.

Trusted use of air, land and water continued



As the ArcelorMittal group's 2021 annual integrated review noted:

Policy has a key supporting role to play in transitioning the global economy to net zero. Policy is required to address not just the significant capital expenditure needed to transition to the new zero carbon-emissions technologies, but also the considerably higher operating costs associated with these technologies in their early stages of implementation. Policy instruments such as contracts for difference, used so effectively in enabling the renewable-energy industry to become competitive, will play an important role in ensuring a level playing field during the transition period.

ArcelorMittal intends to actively and directly engage with policymakers and organisations that advocate for the policies and conditions that will enable steel to accelerate and achieve its net-zero transition globally while remaining competitive.

We believe that policy instruments need to deliver five market conditions to ensure that low and zero carbon-emissions steelmaking is at least as competitive as higher carbon-emissions steel:

1. Measures to incentivise the transition to low and zero carbon-emissions steelmaking
2. A fair competitive landscape that accounts for the global nature of the steel market, ensuring domestic production, import and exports are subject to equivalent GHG reduction regulations and incentives, such as a fairly and internationally applied Emissions Trading Scheme (ETS)
3. Financial support to innovate and make long-term investments and neutralise the higher operating costs of low and zero carbon-emissions steelmaking
4. Access to sufficient clean energies at affordable price levels
5. Incentives to encourage the consumption of low and zero carbon-emissions steel over higher carbon-emissions steel.

Our decarbonisation roadmap

In 2021 we committed to cutting our carbon (CO₂e) emissions by a quarter by 2030; in early 2023 we published our first decarbonisation roadmap, giving insight into how we could reach that milestone and, by 2050, achieve net-zero operations, in line with the ArcelorMittal group strategy.

In 2021, we established a carbon abatement office in Vanderbijlpark and began exploring a number of decarbonisation partnerships with local and international third parties. We have repeatedly stressed how important we believe our membership of the world's leading steel group, and the access we enjoy to cutting-edge ArcelorMittal technology and expertise, will be to realising our net-zero ambition.

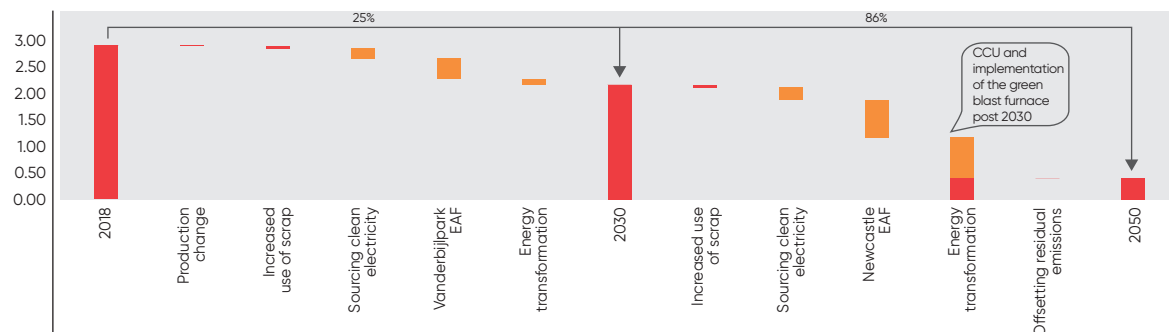
The decarbonisation challenges we face are profound. Net zero will require support from multiple parties and will depend on technology that, while

technically proven, is not yet economically affordable. As is the case in all countries with primary steel sectors, policy certainty is of the utmost importance to us at ArcelorMittal South Africa.

In South Africa, the carbon policy outlook is clouded by uncertainty and there are currently no supportive policy instruments in place. We have other competitive disadvantages relative to our international peers: an unreliable and inadequate national electricity supply and one that is heavily dependent on fossil fuels. In addition, the steel we produce is today some 35% more carbon intensive than that of the ArcelorMittal group average, as measured per tonne of liquid steel.

However, our board and management are determined to deliver on our commitments and to making the necessary investments and sacrifices. (Failing to decarbonise would represent a very material risk to our sustainability as customers increasingly look to lower their Scope 3 emissions profiles.)

Roadmap projected intensity by category (tCO₂e/t crude steel, 2018 baseline – 2050)



Notes:

- Along with the rest of the ArcelorMittal group, we are using 2018 as the baseline year from which to measure our performance against the 2030 25% CO₂e reduction target. These figures refer to our carbon intensity per tonne of steel (tCO₂e/tLS) produced – in 2022 we had moved from 2.72 tCO₂e/tLS to 3.39 tCO₂e/tLS.
- Increasing the use of scrap – and direct reduced iron (discussed in the decarbonisation roadmap) – will be important to the financial viability of our EAFs. The ArcelorMittal group projects that the world will have moved to a fully circular steel industry – where scrap steel is sufficient to meet society's replacement steel needs – only in the year 2100.

Trusted use of air, land and water continued

Since our 2021 ESG report, we have:

- Concluded a partnership with Sasol to develop carbon capture and utilisation (CCU) technology using process carbon produced at Vanderbijlpark Works and to work towards the cost-effective use of green hydrogen to produce low-carbon steel
- Scoped CCU opportunities with multiple industrial concerns other than Sasol
- Further explored opportunities with various role players to source large amounts of renewable energy
- Explored with raw material suppliers mutually beneficial opportunities arising from low-carbon intensity steel
- Held wide-ranging talks with local role players, including provincial governments in the Vaal and West Coast regions
- Launched projects to generate 200 megawatts (MW) of “embedded” renewable power on our premises.

We are already working hard on reaching our 2030 and 2050 milestones. As early as 2027, a new generation electric arc (EAF) furnace will be commissioned in Vanderbijlpark and in 2030 blast furnace C (also in Vanderbijlpark) will be permanently decommissioned after converting blast furnace D to become a so-called green blast furnace. (Greening our electricity supply will be key to our decarbonisation journey and will require Eskom to substantially orient its generation capacity away from coal towards renewables.)

With supportive policy and backing from a number of partners (such as that displayed by Sasol) our journey to net zero can have multiple positive socio-economic spinoffs for communities in the West Coast and Vaal regions, in particular. This can be achieved by catalysing the development of local green hydrogen economies and other renewable energy manufacturing opportunities.

In the interests of conciseness, we refer readers wanting to understand how we plan to decarbonise to our online decarbonisation roadmap document, released in January 2023. Here we reproduce, from that document, a waterfall graph showing the various interventions and developments envisaged to 2050.

After shutting down blast furnace C in Vanderbijlpark, our current planning calls for blast furnace N5 in Newcastle to be shut down in 2034, and to be replaced with our second EAF in Newcastle. Clean electricity is a vital component of our roadmap. By 2040 we expect to have sourced 350MW of renewable electricity through projects owned by us and through (solar and wind) power purchase agreements. We will clearly be reliant on “grid” electricity undergoing a similar greening journey.

By 2050, with supportive policy, incentives and partnerships, we will have cut our CO₂e emissions by at least 86%. It is envisaged that net zero will be achieved through carbon offsets, as-yet-unidentified technologies, or other mechanisms.

Governance: decarbonisation

Our board has oversight of the delivery of its CO₂e targets and the associated strategy for decarbonisation. The board is accountable for environmental performance and the responsibility for environmental performance rests with the executive committee, which reports to the safety, security, health and environmental committee, the social and ethics committee and the audit and risk committee on environmental risks, compliance and sustainability-related matters. As part of efforts employed to achieve the decarbonisation targets, an executive-level decarbonisation and energy efficiency steering committee has been formed.

Stakeholder relations

Our decarbonisation ambition will be dependent on buy-in from multiple private and public sector partners. We are already engaged in detailed dialogue with multiple stakeholders from both sectors and are increasingly confident of their support. As a large industrial company (and South Africa’s third largest carbon emitter), we can play a crucial role in decarbonising the national economy and in fostering the development of green, job-creating technologies.

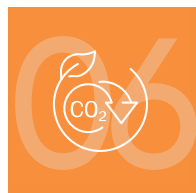
Opportunity

Our Commercial department has begun wide-ranging discussions with various downstream steel-consuming customers on their likely demand for, and use of, lower carbon steel, and the anticipated timing of such demand.

We are raising market awareness of XCarb™, the ArcelorMittal group’s reduced, low and zero-carbon products and solutions. XCarb™ will represent a significant (and growing) competitive advantage and opportunity for us.

Our experience to date is that the greatest interest has been displayed by local customers that have foreign principals.

Responsible energy user



Responsible energy user that helps create a lower carbon future

ESG priority area:

Environmental stewardship, decarbonisation

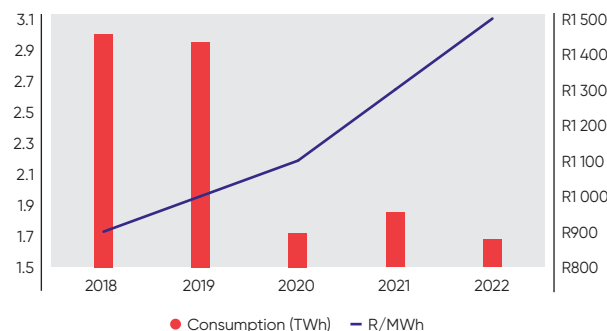


We made solid progress towards substantially boosting our intake of renewable electricity in 2022. During the year the permitting process for a 200MW solar development on site in Vanderbijlpark advanced well and building is expected to start in Q4 2023. We aim to receive our first power from this resource in H2 2025.

The company also signed a letter of intent with an independent solar power producer for the supply of 10MW of wheeled power to our Vanderbijlpark site, expected to come online in Q4 2024. Other agreements are being actively pursued.

In 2022, phase two of a variable speed drive (VSD) project was very successfully implemented at both Newcastle and Vanderbijlpark. In six years, this project has resulted in sustainable energy savings of 78 gigawatt hours (GWh) per year – a cumulative 469GWh to date or R172 million in savings. This represented a 4% cost saving in the year relative to Eskom's 2022 electricity tariffs.

Electricity consumption: 2018 – 2022



Supply chains that our customers trust

ESG priority area:

Customer reassurance and value add



In 2022, three supply-chain specialists undertook 230 vendor audits. As was previously the case, these audits focused on vendors operating on our sites as their work has the greatest potential to influence workplace safety. We especially audit vendors for health and safety, quality and human rights.

Vendors who do not achieve the required percentages during our audits are directed to amend their practices or protocols before they can be considered to be onboarded.

We do not tolerate human rights, health and safety or ethical abuses or failures by our suppliers. All companies and individuals supplying goods and services to us are required to abide by our Code for Responsible Sourcing. This code, which is published on our website, defines minimum social, health and safety, environmental, ethical, and human rights practices and standards.

Suppliers are made aware of our human rights policy that forbids forced, compulsory or child labour, and unlawful discrimination, harassment and violence.

We ensure that all correspondence with suppliers (and other stakeholders) complies with the provisions of the Protection of Personal Information (POPI) Act.

Vendors are required to supply us with details about their policies, management, recording and certification of safety, human rights and ethics and environmental issues. Environmental questions concern emissions of greenhouse gases and water consumption. Suppliers of raw materials are required to provide additional information on indigenous people's rights and involuntary resettlements. We also ask suppliers about their data protection policies and practices and whether they provide their employees with training on anti-money laundering compliance and anti-corruption sanctions.

Active and welcomed member of the community



Active and welcomed member of the community

ESG priority areas:
Community investment
Transformation



Corporate social investment



This year our CSI spend increased from R15.4 million in 2021, to R17.3 million. The lion's share of this was committed to the science centres in our three host communities.

In terms of an agreement signed with the Emfuleni Local Municipality, we committed R3 million towards upgrading decayed road and related infrastructure in three Vanderbijlpark wards. In 2023 three small, medium and micro enterprises (SMMEs) employing 43 individuals began work on the first phase of a 12-month project focusing on roads in close proximity to our plant.

Other CSI projects that we funded included providing:

- 2 800 meals to indigent Vaal residents at a cost of R540 000
- Vocational and job-specific training to 259 mostly female young students (R480 000)
- Homes for vulnerable children and financial support and skills development for disabled individuals, through our CEO Projects initiative (R470 000)
- Donated steel for educational, entrepreneurial, and job-creation initiatives (value R500 000)
- Entrepreneurial training for 25 disadvantaged women (R250 000).

Science centres

Since 2006, in partnership with the Department of Education, we have sponsored three science centres – providing STEM-based curricular and extra-curricular support for learners and teachers in Sebokeng, Newcastle and Saldanha.

Although, post-Covid-19, there were no restrictions on movement and assembly, in 2022 visits by learners to the science centres during school hours remained limited. However, the centres' staff maintained the traditional high levels of impact by visiting schools to deliver educational interventions. In this way, 10 251 learners and 269 teachers at 162 schools were given curricular support on a regular basis.

A further 37 883 learners, educators and members of the public were reached through extra-curricular support, including career guidance and programmes such as the national science week. Learners from Grade R to matric were impacted. This outreach work included visits to schools by the science centres' three mobile science laboratories.

Enterprise and supplier development

On the ground, we continue to effectively lessen the distinctions between enterprise and supplier development. In practice, this means training and empowering new start-up businesses to become suppliers to us and to others – and continuing to support their growth. This has the added benefit of empowering our supply chain.

Since 2017, 23 "graduates" of our Matlafatso incubation hub in Vanderbijlpark have remained active suppliers. At the time of reporting, these 23 had been joined by eight small businesses enrolled for a two-year incubation period at the beginning of 2022. As well as receiving expert skills training and mentoring, incubatees have access to specialist equipment and communications. Apart from the "in-house" incubatees, another seven registered businesses were using the hub's facilities sporadically.

By 31 December 2022, we had placed R159 million in orders with these 31 enterprises – a substantial increase over the R35 million recorded a year previously.

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continued

Broad-based black economic empowerment

In 2021 our B-BBEE compliance score deteriorated from level 6 to level 8. In 2022, our score remains consistent at a level 8 (self-assessed).

This year our board of directors focused closely on our B-BBEE performance.

As we previously reported, between 2016 and 2020, our B-BBEE score ranged between level 3 and level 7 (The self-assessed level 8 we reported last year was confirmed by our independent audit in 2021.)

At the beginning of 2021, our financial prospects were poor. As a result, we budgeted smaller amounts for expenditure on skills development and supplier development. This under-expenditure penalised us on our eventual score that came in at 56.3 out of a total 118 points, as measured by the generic scorecard.

In 2022, our spending on socio-economic, and enterprise and supplier development was little changed year-on-year. This was because we perceived a lack of on-the-ground capacity to deliver social development projects. We are addressing this by capacitating local non-profit organisations.



In our 2021 report, we stated:

"... we are determined to use our much-improved financial performance in 2021 to remedy this under-performance. These interventions will begin lifting our score from 2023."

It is extremely important to many of our stakeholders that we improve our B-BBEE compliance. It is important to stakeholders in government and state-

owned enterprises and, especially to customers as our score affects their own B-BBEE procurement scores. (All of our major local competitors' scores are better than ours.)

In 2021, the nature of our B-BBEE ownership (ostensibly the amount of debt outstanding) combined with our under-performance on supplier and enterprise development dropped us one level, from 7 to level 8. This (i.e. dropping one level) was not repeated this year.

Here we present an overview of our B-BBEE outcomes in 2022 relative to the previous year, but with an

emphasis on looking towards 2024 when (for recording and reporting in 2025) we are confident of attaining a level 4 compliance – and maintaining this.

As we have stated in previous integrated and ESG reports, we do not approach B-BBEE as a point-scoring exercise but see compliance as a means of "becoming a creator of transformational social value". In 2022, expenditure captured for B-BBEE compliance purposes was in some instances in excess of that required to obtain full points per category. We also changed our strategy on investing in enterprise and supplier development so that we can create meaningful and transformational social value.

Our 2022 self-assessed B-BBEE scorecard and four-year strategy

Scorecard pillar	Max points	In 2022 re 2023	2022 (Revised target)	2022 FY Self Assess	2022 Gap	In 2023 re 2024	In 2024 re 2025	In 2025 re 2026
Ownership	25	20.4	20.4	16.0	(4.4)	20.4	20.4	20.4
Management control	19	9.0	6.0	5.7	(0.3)	7.0	8.0	9.0
Skills development	25	14.0	14.0	14.0	–	15.0	16.0	16.00
Procurement	27	14.8	17.3	15.7	(1.6)	18.0	18.20	18.2
Enterprise development	6	5.0	5.0	4.8	(0.2)	5.0	5.0	5.0
Supplier development	11	5.0	8.0	8.7	0.7	8.0	8.0	8.0
ESD bonus points	2	2.0	2.0	2.0	–	2.0	2.0	2.0
Socio-economic development	5	5.0	3.0	3.0	–	5.0	5.0	5.0
Total	120	75.2	75.7	69.9	(5.8)	80.4	82.6	83.6
Compliance level before discounting		5				4	4	4
Discounting one level		No	No			No	No	No
Compliance level – final		5	5	8		4	4	4

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continued

Ownership

2021	2022	2025 aspiration
17.12	16.00	20.40

In 2016, we announced that in terms of a B-BBEE transaction, Likamva Resources would acquire 17% of our ordinary shares. Likamva would transfer 5% of its holding to entities representing local communities, and 5% of ArcelorMittal South Africa shares would be held by employees.

The 2016 transaction envisaged breakeven being achieved when the share price reached R27 and that this was likely to occur within a decade. (Shares were issued at R7.20 each.)

The initial transaction also envisaged the majority of dividend receipts being used to pay down loans entered into to acquire Likamva's shares. Although our share price briefly surpassed R10 per share in January 2022 (after languishing well shy of that mark since 2016), it is apparent that it is unlikely to reach R27 for at least the foreseeable future. No dividends have been paid in the period.

Clearly, we needed a new strategy for the company to derive benefit from its B-BBEE ownership and for the owners of such shares to profit from their shareholding.

In 2023, shareholders will be asked to approve a revised B-BBEE ownership structure. If these proposals are accepted, 15% of the company's 22% B-BBEE shareholding will be repurchased (5% each of the shares held by Likamva and the community and employee trusts). Likamva will retain a 6.75% shareholding. New shares (15% divided equally between the three entities) will be issued at a 10% discount to the ArcelorMittal South Africa share price on a volume-weighted average price on the effective date.

The repriced share transaction will be extended to 2029 and the notional interest rate will be reduced from approximately 11.5% to 6.5%.

If approved, the new structure will improve our B-BBEE ownership score from the current 16.0 points to 20.4 (out of a possible 25). This transaction will require 75% shareholding approval.

Socio-economic development

2021	2022	2025 aspiration
1.10	3.00	5.00

In the previous year, we failed to obtain the maximum five points for SED that we have traditionally achieved. This failure derived from the quantum of our profitability this year, and the fact that the organisations through which we have channelled such funding lacked the capacity to spend additional resources in meaningful ways. We will not spend funds merely to obtain B-BBEE points and if we are unable to guarantee real social impact, we would rather forgo empowerment recognition.

Management control

2021	2022	2025 aspiration
6.44	5.70	9.00

In 2022, little progress was achieved on this element of the B-BBEE scorecard.

We perform relatively well at a board level, with 36.36% of exercisable votes being held by black non-executive directors (the target being 50%), and 18.18% by black women.

However, at the various management levels, fewer than a quarter of senior managers are AIC, meaning that our managerial leadership is substantially untransformed; 26.5% of the senior management cadre are AIC individuals.

Our location outside of the major metros detracts significantly from our ability to attract black talent, particularly at the top level. In terms of appointing senior managers, national skills shortages and a shortage of specialist steel experience are further handicaps we encounter when seeking to appoint AIC individuals.

Skills development

2021	2022	2025 aspiration
13.95	14.00	16.00

In our 2021 ESG report, we wrote:

"From 2022 we will substantially increase expenditure on developing our people's skills. This will include our employees as well as potential employees with our investments including technical and tertiary training.

From 2022 we envisage spending significantly more on skills development than our R87 million spend in 2021. We anticipate that this will raise our points allocation for this element from 13.95 to a possible 16.00."

In the event, we did maintain expenditure at R87 million but our buoyant profitability – better than expected – meant that we only achieved 14.00 points, well shy of our aspiration of 16 points. Our forward planning, however, has us achieving 15 points in 2023, and 16 points thereafter.

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continued

Procurement

2021	2022	2025 aspiration
14.85	15.70	18.20

This year we took decisive action to transform our supply chain. Only B-BBEE compliant vendors may be registered now, and emerging micro enterprises (EMEs) must be black owned if they are to supply to us. Non-compliant suppliers will be forced to provide a transition plan to become compliant.

We continue to engage with government regarding our concern that our procurement recognition is hamstrung by the fact that almost a third of goods and services are mining inputs – which we cannot influence. Very few companies are at this disadvantage – within the steel and engineering sector we alone operate under this unfair handicap.

In 2022, we improved our Procurement outcome from 14.85 points to 15.70. But because of our dependence on companies registered under the Mining Charter or which are based offshore, our ability to improve our Procurement performance is severely circumscribed. To 2025, therefore we do not anticipate achieving more than 18.2 points – out of a maximum 27. (In our previous report, we projected 18.40 points.)

Since 2020, we have invested funds into a private-equity fund administered by the ArcelorMittal Foundation that aims to improve the B-BBEE profile and impact of our procurement and enterprise development undertakings. Until this year, the development BEE fund had some R30 million available for investment – this rose substantially in 2022 with an injection of R87 million. To date, only minor investments have been made (investments are approved by a management B-BBEE committee chaired by the chief executive officer). It is planned that the fund will soon create more substantially funded special

purpose vehicles to address two significant areas of our procurement – scrap metal and hired labour. Both entities will be majority black owned and managed.

Enterprise and supplier development

Enterprise development

2021	2022	2025 aspiration
2.02	4.80	5.00

Supplier development

2021	2022	2025 aspiration
0.80	8.70	8.00

Our very poor enterprise development and supplier development outcomes in 2021 derived entirely from our unexpectedly good financial performance. We rectified these outcomes this year, allocating R37 million to various enterprise development initiatives and R81 million towards supplier development.

Our B-BBEE strategy is increasingly used to support our aspiration to create broad-based meaningful social value. As such, our approach is to blur the lines between enterprise and supplier – in other words, as we develop emerging businesses we incorporate them into our supplier base, helping them to benefit from our buying power. We also increasingly favour promoting black industrialists in the steel downstream; in this way we create integrated social value.

In both 2021 and 2022, we earned a full two bonus points for ESD. The first bonus point was due to the additional job creation via SMMEs, and the second bonus point derived from the migration factor of developing and onboarding of companies.

Local procurement

In 2022, we spent R3.8 billion with vendors based around our plants. This represented 46% of all non-mining procurement (2021: 49%).

We seek to maximise our local social impacts by procuring as many goods and services as possible from our local communities. Transforming our supply chains is an equally key priority, one we can more effectively achieve by buying locally from emerging black-owned (mostly smaller) suppliers.

In 2022, 185 local vendors were registered on our supplier finance programme. Of these, 142 were emerging micro enterprises or exempt qualifying enterprises.

For the second year, we undertook (for the purposes of this report) a desktop analysis of local procurement in various categories as percentages of our total non-mining expenditure on goods and services. We sought to establish how much business we placed with local >50% black owned and >30% black women-owned businesses, as well as from emerging local EMEs and qualifying small enterprises (QSEs).

We define local as being within 50km of our factory gates. In the case of Vanderbijlpark, this includes suppliers based in what was traditionally called the Vaal Triangle, but excludes suppliers from the greater Johannesburg, Witwatersrand and Pretoria/Tshwane regions.

The following tables demonstrate that, year-on-year, total local spend was little changed. The tables also show that our procurement from QSEs and EMEs and black women-owned businesses as a percentage of local procurement grew marginally – in line with our affirmative policies.

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continued

Local black-owned (>50%) expenditure as % of total spend

B-BBEE class	2021		2022	
	Rand	%	Rand	%
EME	92 588 159	1.3	286 134 562	3.4
Generic	1 266 827 919	17.4	1 356 668 054	16.3
QSE	908 424 857	12.5	806 550 063	9.7
Total	2 267 840 935	31.2	2 449 352 679	29.4
Total spend (excluding raw materials)	7 277 682 185		8 327 164 791	

Black women-owned (>30%) local expenditure as % of local spend

B-BBEE class	2021		2022	
	Rand	%	Rand	%
EME	83 933 646	2.4	112 144 569	2.9
Generic	1 276 785 539	36.1	1 231 948 075	32.1
QSE	424 666 365	12.0	506 623 359	13.2
Total	1 785 385 550	50.5	1 850 716 003	48.3
Total spend (excluding raw materials)	3 532 648 334		3 832 368 888	



Our contribution to society is measured, shared and valued

ESG priority areas:

Community investment
Transformation

We seek to be a good corporate citizen and a welcomed member of society and the communities in which we operate. We also work hard to communicate, openly and in a balanced fashion, our impacts – both positive and negative – on society and the environment. Opportunities for such communication in 2022 included:

- The release of our first decarbonisation roadmap – a process involving multiple local and national stakeholders, and which will impact, in particular, local communities. In releasing the roadmap, we consulted with stakeholder groupings, including environmental non-governmental organisations. We also engaged government at provincial and national levels to explain our carbon bona fides, our decarbonisation drive, and our conviction that carbon taxes should be ring-fenced and used to promote environmental best practice
- In sponsoring upgrades to local infrastructure in the Emfuleni Local Municipality, we communicated regularly with the media our intent and envisaged outcomes. Appropriate signage advertising our sponsorship was erected
- In October, a function was held to mark our acquisition of ArcelorMittal Rail and Structural (AMRAS). At the event in eMalahleni, attended by the Minister of Trade, Industry and Competition and other guests from government, industry, and the media, we communicated how the facility was supporting 250 quality permanent jobs as well as boosting local manufacturing.



Pipeline of talented scientists and engineers for the future

ESG priority area:
Transformation



In 2022, we increased our investment in bursaries to R29 million (2021: R24 million) and grew the number of graduates in training to 13 (2021: seven). Candidate engineers rose from 14 to 38 (and we intend growing this to 40 in 2023). Negatively, university engineering bursars declined year-on-year, from 55 to 33. In 2023, we will support 40 engineering students.

- In 2022, Chandini Singh, a young metallurgical engineer based at Vanderbijlpark Works, visited ArcelorMittal group locations in Luxembourg and Belgium on a trip sponsored by the company. She had won a competition based on her work on replacing ferrosilicon during heating in the basic oxygen furnace, which resulted in substantial cost savings for the Newcastle steel plant
- In 2022, we began part sponsoring three PhD students at the University of Cape Town who are studying energy regulation, consumption and generation. All three doctoral candidates are black women.

Board of directors



Bonang Mohale (60)
Diploma Marketing Management, Advanced Diploma Marketing Management
Bonang is the chancellor of the University of the Free State and the president of Business Unity SA. He is the chairman of Bidvest Group and SBV Services, a best-selling business author and a professor at the Johannesburg Business School
Appointed: May 2022



Kobus Verster (56)
BCom (Hons), MBL
Kobus was previously the CEO of Aveng and, before that, CFO of ArcelorMittal South Africa
Appointed: February 2018



Suretha van Wyk (55)
CA(SA)
Suretha was previously group manager at consolidation and compliance of ArcelorMittal South Africa
Appointed: October 2021



Neville Nicolau (63)
BTech, MBA
Neville was previously CEO of Basil Read Holdings and Anglo-American Platinum and was the chief operating officer of AngloGold Ashanti
Appointed: September 2015



Lungile (Zee) Cele (69)
BCom, MAcc
Zee is the founder and former CEO of Tax Solutions cc and a director on various boards, including CMH and AVBOB
Appointed: January 2016



Noluthando Gosa (59)
BA (Hons), MBA, Graduate Diploma in Business Administration
Noluthando is the chair and co-founder of Amandla Wensimbi Resources (ArcelorMittal South Africa's B-BBEE partner). She is the CEO and founder of private equity company, Akhona Group
Appointed: December 2016



Monica Musonda (48)
LLB, LLM
Monica is the chairman of Airtel Networks Zambia and Zambia Breweries. She held senior positions at leading legal firms and was in-house counsel at the International Finance Corporation and the Dangote Group
Appointed: June 2017



Gert Gouws (63)
BCom (Law), BCom (Hons), CA(SA), FCMA CGMA, Advanced Management Programme
Gert is a previous CFO and chief operating officer of the IDC. He is a director of various IDC investee companies
Appointed: November 2017



These are the men and women who lead ArcelorMittal South Africa. From page 29, we describe how in 2022 our board oversaw our strategy to create value and worked to lead the company ethically and effectively in 2022.



Raman Karol (47)

CA (India), MBA (Finance)
Raman is the vice-president and head of group accounting and performance management at ArcelorMittal group. He is a member of the group's corporate finance and tax committee

Appointed: December 2018



Bradley Davey (58)

BEng
Bradley is the executive vice-president: corporate business optimisation at the ArcelorMittal group and previously the CEO of ArcelorMittal North America

Appointed: April 2021



Dawn Earp (61)

BCom, BA, CA(SA)
Formerly the financial director of Rand Refinery, Aveng Moolmans and Impala Platinum Holdings. Dawn is also a director at Pan African Resources and Truworths International

Appointed: July 2021



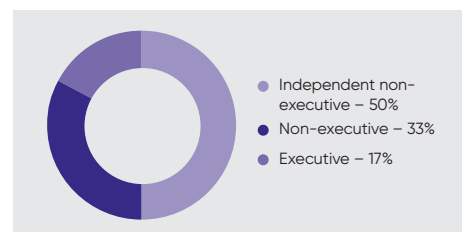
Abram Thebyane (62)

BA, MSc, MBA
Abram was previously a senior human resources executive at Nedbank, Anglo Platinum, and Iscor Steel/ArcelorMittal South Africa. He is a director of the AVI Group

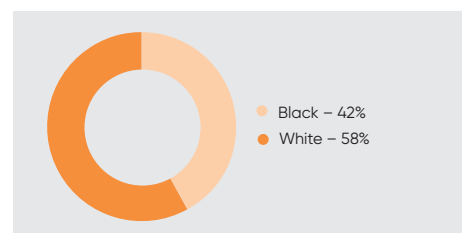
Appointed: May 2022



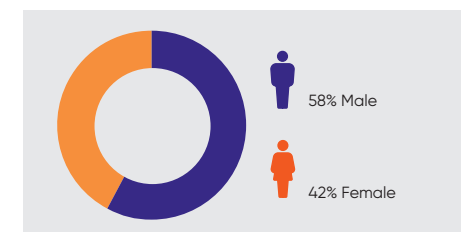
Board membership at the time of reporting



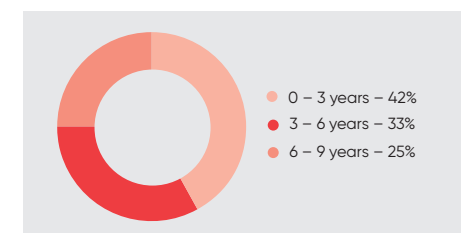
Board diversity (including international directors)



Board diversity (including international directors)



Board tenure



Attendance key

- Board**
- ARC:** Audit and risk committee
- SEC:** Social and ethics committee
- HRC:** Human resources committee
- SSHE:** Safety, security, health and environmental committee

- ◆ Apologies received
- ▲ Chairperson
- ♣ Attendance by invitation

Board of directors continued

Changes to the board of directors

- The chairman of the board, Mpho Makwana, appointed in 2013, was not available for re-election and retired by rotation with effect from 19 May 2022
- Bonang Mohale was appointed as independent non-executive director and chair of the board with effect from 19 May 2022
- Nomavuso Mnqasana, an independent non-executive director and chair of the audit and risk committee, appointed in 2013 retired by rotation with effect from 19 May 2022
- Dawn Earp was appointed as chair of the audit and risk committee
- Abram Thebyane was appointed as independent non-executive director and chair of the human resources committee with effect from 19 May 2022
- Monica Musonda, an independent non-executive director of the board, indicated that she would not be available for re-election at the annual general meeting (AGM) in 2023, in light of the fact that as at that date she would have served a period of about six years as director.

In the circumstances, shareholders are advised as follows:

- Gert Gouws, a non-executive director of the board appointed in 2017, as well as Neville Nicolau, an independent non-executive director of the board appointed in 2015, retire by rotation and have indicated that they will be available for re-election at the AGM to be held on 25 May 2023.
- Monica Musonda, non-executive director of the board, indicated that she would not be available for re-election at the AGM in 2023, in light of the fact that as at that date she would have served a period of about 6 years as director.

Committee composition

Audit and risk	Human resources	Social and ethics	Safety, security, health and environmental
Independent members	Independent members	Independent members	Independent members
D Earp (chair) LC Cele NF Nicolau Standing invitees HJ Verster SM van Wyk R Karol M Adam A Louw A Visser H Nel M Herbst – EY F Ahmed – EY Company secretary	A Thebyane (chair) B Mohale NF Nicolau D Earp Non-executive members GS Gouws BL Davey R Karol Standing invitees HJ Verster S Werner-Diez M Lotter Company secretary	NP Gosa (chair) NF Nicolau KM Musonda D Earp Non-executive members R Karol Executive members HJ Verster Standing invitees BL Davey S Werner-Diez M Lotter F Swart M Adam Company secretary	NF Nicolau (chair) LC Cele Non-executive members GS Gouws Executive members HJ Verster Standing invitees J Kotze W Venter D Sauer J Hattingh L Taljaard P Mminele (Numsa) P Mardon (Solidarity) Company secretary

Governance structure and process

Introduction

ArcelorMittal South Africa Limited is a public company listed under the Industrial – steel and other metals sector – of the Johannesburg Stock Exchange 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.

The board of directors of ArcelorMittal South Africa (the board) is responsible for the overall strategic direction and leadership of the company towards the achievement of an ethical culture, good performance, effective control and legitimacy. The company is committed to adhering to good corporate governance principles and practices and to following the principles of fairness, accountability, responsibility and transparency as advocated in the King IV Report on Corporate Governance.

The board met on six occasions in 2022.

Leadership and value creation

Led by an independent non-executive chairman, the board reports in a transparent and balanced manner to all stakeholders regarding the performance of the company and how it has fulfilled its responsibilities. As set out in the King IV Report, the board appreciates that the company's core purpose, its risks and opportunities, strategy, business model and sustainable development are all inseparable elements of its value-creation process. Decisions are made in an integrated manner, taking into account the effects of strategy on all stakeholders, and that strategy impacts the human, social, natural and financial capitals.

The governance structure and process provide the framework within which decisions are taken. Once strategy and annual budgets are approved, the CEO and management are empowered to deliver on the performance required. Such performance is monitored by the board on a regular basis.

In 2022, the board focused extensively on ensuring the sustainability of the company, in particular its directors:

- Approved strategy and resource allocation, regularly interrogating management's determination of financial as well as environmental and social (sustainability) material matters. (The board of directors is ultimately responsible for our strategy formulation and execution. Strategy is concerned with maximising our company's ability to create value and minimising value erosion. Strategy directly addresses the issues that are most material to our value-creation processes.) Further information on the three strategic objectives in pursuit of value creation is set out in more detail from page 39 of our 2022 IR
- Determined our external annual reports' most material matters through the following processes:
 - Duly authorised by the board, the CEO instructed the integrated reporting team on material matters to be reported on – and their relative weighting. (In the year, there were no changes to our materiality determination process.)
 - In addition, throughout the year, the board received ongoing feedback regarding material matters affecting the company
- Continued to focus on financial performance and operational reliability
- Together with management, ensured that the company's focus remained on broader value creation
- Continued the intensification of efforts to ensure the health, safety and wellbeing of employees, as well as other stakeholders, including contractors and that of the company (as more fully explained from page 8)
- Reviewed the risks facing the organisation (as detailed from page 34)
- Streamlined the board committees' agendas and work plans to ensure appropriate focus on ESG issues
- Reviewed the group's policies and delegation of authority framework to streamline decision-making and ensure that authority is appropriately delegated.

In addition to the above, the following should be noted:

Safety

Workplace safety is the company's utmost priority. This is managed through a safety structure and process that starts at the board, supported by the safety, security, health and environmental (SSHE) committee and executive committee.

Key decisions on safety policy are discussed at the SSHE committee (which includes trade union members). While also focusing on the appropriate strategy and culture, major incidents that occurred were reported and discussed at the SSHE committee to understand the root causes, remedial action and ongoing risks. The board and board committee also considered whether the steps taken to avoid future occurrences were adequate.

Further information on safety is set out from page 8, which includes performance regarding key targets.

Environmental management

The decarbonisation roadmap was published in January 2023.

A feasibility study into a fully funded 200MW renewable energy solution was nearing completion at the time of reporting. It is envisaged that early construction work will begin in Q4 2023 at Vanderbijlpark Works.

Stakeholder engagement regarding environmental matters was raised as a concern by various shareholders and stakeholders at the 2022 AGM. This has since become an area of focus for the board and management and a programme of improved engagement was initiated and will continue.

Further information on the environmental priority is set out on page 16, which includes performance regarding key targets.

Governance structure and process continued

Social and transformation

In the year, the board made a concerted effort to focus on increasing women's representation at the executive and management levels.

Directors took a keen interest in the implementation of an anti-harassment policy to ensure the prevention and elimination of harassment in the workplace. A new policy provides guidance on how to eliminate and prevent harassment and includes employee training and awareness on what constitutes harassment.

Further information on the social priority is set out on page 13, which includes performance regarding key targets.

Board charter

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

- Retain full and effective control of the company
- Give strategic direction to the company
- Monitor management on its implementation of plans and strategies, as approved by the board
- Appoint the chief executive officer and executive directors
- Identify and regularly monitor key risk areas and key performance indicators of the business
- Oversee the quality of stakeholder relationships and ensure that these relationships create broad-based value for the company, for society, the environment and for stakeholders
- Ensure the company complies with relevant laws, regulations and codes of business practice
- Maintain oversight of succession planning and management
- Ensure that the company communicates with shareholders and all relevant stakeholders openly and promptly

- Monitor the company's integrated performance
- Establish a formal and transparent procedure for appointments to the board as well as a formal orientation programme for incoming directors
- Regularly review processes and procedures to ensure the effectiveness of internal systems of control including 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
- Address the retirement and re-election of directors.

The board charter and terms of references for all committees, including the annual work plan, were reviewed in July 2022. The reviews were conducted in a robust manner and ensured that such documents remain relevant, in line with regulatory requirements, the needs of the company and the expectations of stakeholders.

Board composition

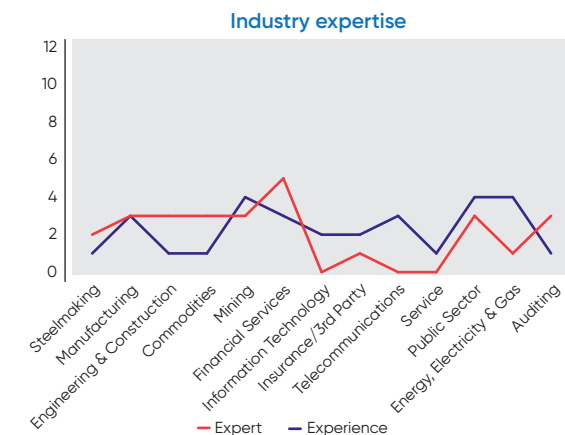
The ability to provide appropriate and effective judgement and guidance to management is significantly enhanced by having a skilled and diverse board that possesses a breadth of experience across several industries, supported by an appropriate mix of gender, race and expertise.

At the date of this report, the board comprised 11 directors, of whom six were independent non-executive directors and one an executive director, being the chief executive officer.

Mpho Makwana and Nomavuso Mnxasana retired as directors on 19 May 2022 and Dawn Earp was appointed as chairman of the audit and risk committee. Bonang Mohale and Abram Thebyane were appointed on 19 May 2022 by approval of shareholders at the AGM. Board membership, diversity and tenure are reported on pages 26 to 27 of this report.

Functional expertise

In terms of skills and expertise, a self-assessment by the board indicates that directors collectively have expertise in the following areas:



The board has identified certain additional skills and expertise, including environmental, IT and cybersecurity, that it needs to strengthen. The appointment of new directors will take these identified areas for improvement into account.

Governance structure and process continued

Board committees

The board has a number of subcommittees, including statutory committees, which operate within formally adopted terms of reference. Each committee has a formal terms of reference, approved by the board, detailing its duties and responsibilities and has a minimum of three members to ensure sufficient capability and capacity to function effectively. Committee terms of reference determine, inter alia, the constitution, purpose, powers and authority of the committee, its governance, the scope of its mandate and its relationship to the board in accordance with King IV, the Companies Act and the JSE Listings Requirements, where applicable.



BOARD

The board has established the following board committees to help it fulfil its duties:

ARC

Audit and risk committee (ARC)

The committee's primary purpose is to provide oversight, on behalf of the board, of assurance, internal controls, compliance and risk in performing its statutory duties and responsibilities as prescribed by the Companies Act, with specific reference to audit quality, auditor independence and financial policies and reporting, and effective risk management. This, in addition to complying with the JSE Listings Requirements and King IV Report. The committee also provides oversight over IT governance and integrated reporting. As part of its mandate regarding the governance of risks, the committee reviews the risks faced by the organisation on a regular basis.

HRC

Human resources committee (HRC)

The overarching responsibility of the committee is to ensure that the principles of accountability, transparency and good governance with regard to human resources, remuneration and nomination issues are carried out. The committee ensures that the company has the appropriate remuneration policies and practices in place to attract, motivate and retain the right talent, especially at executive and operational levels. The committee annually reviews the skills profile of the leadership team.

SEC

Social and ethics committee (SEC)

The committee is constituted in terms of section 72(4) of the Companies Act No 71 of 2008, as amended, and its accompanying regulations to implement the mandate prescribed by regulation 43(5). The committee's primary goals are to assist the board and the organisation in exercising oversight of the organisation's performance and compliance with regard to economic and transformation issues, social and ethics, the natural environment and workplace issues as more fully described in its terms of reference.

SSHE

Safety, security, health and environmental committee (SSHE)

The role of the committee is to exercise oversight of policies, performance and related matters as described in its name, and to ensure the investigation and proper management of incidents concerning health, safety and the environment.

Governance structure and process continued

Some matters relating to the legislative mandate of the SEC – for example, those relating to oversight of workplace and labour issues, social and ethics, reduction of corruption as well and the natural environment are dealt with by the HRC, the SSHE and ARC. To avoid duplication but ensure compliance with legislated mandate, it has been agreed that appropriate reports should be submitted to the SEC on an annual basis on these matters to ensure that the SEC effectively fulfils its oversight role.

Delegation

The board is acutely aware of its responsibility to provide leadership and direction and to empower the chief executive officer and the management team to execute the strategy of the board. In this regard, there is a clear delegation of authority framework, which is reviewed regularly.

Policy

The board regularly reviews its policies and procedures to ensure ongoing adherence to the JSE Listings Requirements, current legislation, international best practice and the King IV Report. The board 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. The application of the principles of the King IV Report was assessed and is disclosed on page 44.

In 2022, a process was developed, under the auspices of the ARC, in terms of which all key policies were shared to check for any significant gaps. A list of review dates will be monitored by the ARC to ensure that key policies are reviewed on a regular basis.

The board ensures that corporate governance is appropriate and relevant to the size, nature and complexity of the organisation.

Ethics

The board of directors is the custodian and focal point of corporate governance at the company. Directors are mindful of the outcomes they need to achieve as set out in the King IV Report and in doing so apply the code's principles as well as its practices, as appropriate for the company. Directors acknowledge that their fundamental responsibility is to lead and direct the organisation in an ethical and effective manner.

The ArcelorMittal South Africa whistleblowing programme is enforced through the group whistleblower policy and anti-fraud policy, which should be read in conjunction with each other. The whistleblower policy makes available a platform for employees and third parties to report possible irregularities or misconduct at, or involving, the company, its employees, directors and third parties.

In October 2022, the SEC reviewed the business conduct policy (in terms of its old mandate). During the year, legal counsel reviewed the whistleblowing policy, anti-fraud policy and the conflict of interest policy and found that these were in line with the rules and legislation applicable. In terms of the policy framework approved at the ARC, these policies will be reviewed by the ARC in 2023 and 2024. Management has agreed that further work is needed on ethics communication and awareness; this will be considered in 2023.

Global Assurance reports all matters to management (the CEO and legal counsel) on matters that are investigated and finalised by forensic services

(including non-forensic cases). All recommendations are driven and monitored monthly by Global Assurance to ensure timely follow-up and execution of the recommendations made to management.

The board is satisfied that its practices and policies encourage ethical and effective leadership.

Reporting

For our annual integrated reporting to external stakeholders, including the 2022 ESG report, the board has considered what material issues should be reported (based on the effect that the issues reported on may have on the company and its ability to create value) these are reflected in the key priorities explained below.

Report drafts are reviewed first by the executive committee and then by each board committee. Thereafter, the report is again considered by the board. In this process, the board considers whether:

- The priority areas and material issues have been properly identified and disclosed
- Key messages required by the board are included and adequately and accurately reported on
- Processes to verify the accuracy of information disclosed are sufficient
- Information is presented in an integrated manner, such that the reports reflect the connectedness and interdependencies between the capitals and the factors that informed strategy formulation and execution
- The reports are balanced
- The integrated report is presented "in accordance" with the International Integrated Reporting Framework.

Governance structure and process continued

Tax transparency

ArcelorMittal South Africa is committed to the utmost tax transparency. In 2022 we paid a total of R1 078 million in various taxes (2021: R1 497 million).

All taxes are paid to authorities in South Africa; the company does not have tax exposure to any other countries or jurisdictions.

In 2022, the company and its subsidiaries paid R829 million in PAYE taxes, net VAT payments of R139 million, R105 million in carbon taxes and R4.6 million in mineral royalties taxes. The company has not paid company income tax since 2013. In addition, we paid R90 million in municipal assessment rates.

Committee reports

The ARC report, required in terms of section 94(7) of the Companies Act, is on page 57 of the integrated report. The SEC report is on page 70, the HRC committee report is on page 60, and the SSHE committee report is on page 73 of the integrated report.

Enterprise risk management (ERM)

The risk landscape in 2022

In 2022, the company faced significant risks with events such as having to stop our blast furnaces in Vanderbijlpark without input material due to the poor performance of Transnet; our own internal strikes during wage negotiations forcing us to stop operations again; with the resultant cost impact and delays in supplying customers; as well as the Transnet strike with the resultant impact on supplying our customers. Well-established risk management practices were applied to either put actions in place to mitigate these risks proactively or manage the consequences when these risks materialise to ease the impact.

Applying risk management

ArcelorMittal South Africa follows local and international standards and guidelines in its application of risk management. These include King IV, ISO 31001, ISO 22301 and COSO. Our risk management policy is reviewed on an annual basis and approved by the board.

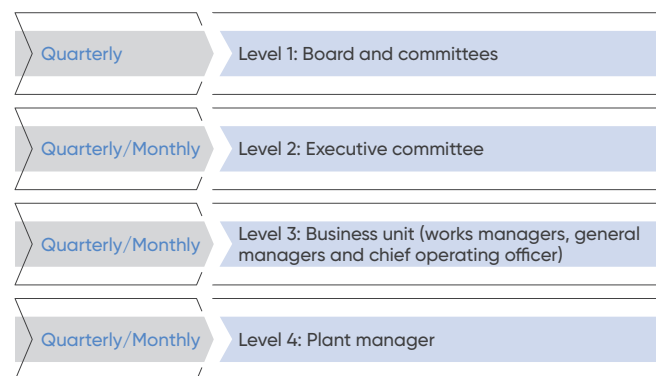
We follow a bottom-up and top-down approach in identifying risks and opportunities across all areas of the business.

A top-down approach focuses on strategic risks that the company is exposed to that may have a significant impact on its sustainability. A tolerance level to guide the level of attention that risks need to receive is set and approved by the board.

A bottom-up approach is followed to identify risks at the operational level. These risks are categorised according to different "risk buckets": safety, environment, assets, financial, commercial, quality and others. An in-house developed enterprise risk application is used to register risks. A detailed

risk assessment process is followed prior to risks being signed off. A meeting structure is established throughout the business, whereby risks are discussed and calibrated to ensure focus on those risks with the highest rating in terms of probability and consequence.

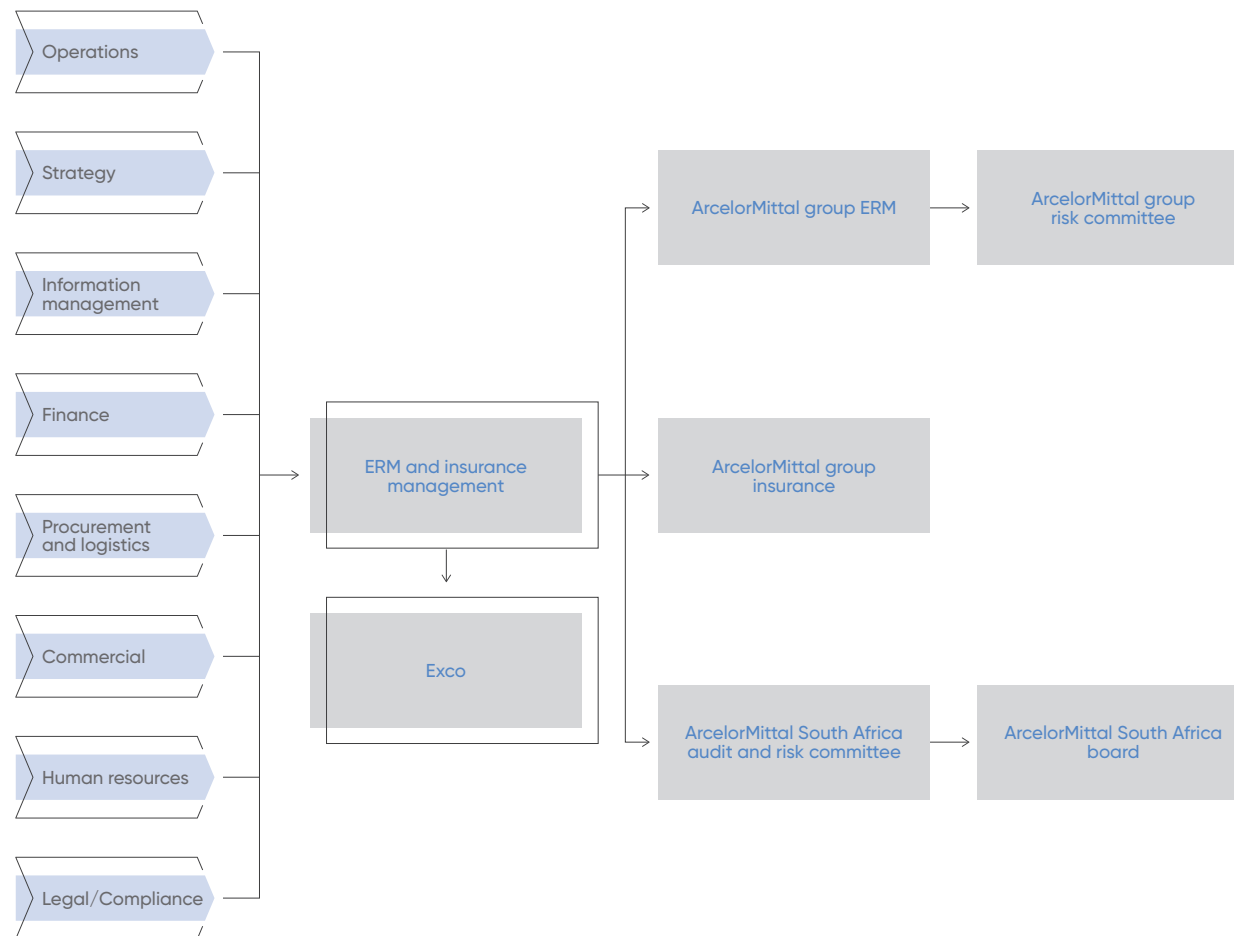
Our risk management structures



Top risks identified through the above processes are reported at meetings of general managers and at meetings of the executive and audit and risk committees and those of the board as well as to the ArcelorMittal group.

Enterprise risk management (ERM) continued

Our risk reporting protocol






The top enterprise risks we were exposed to in 2022 are highlighted on the next page, as are their rankings in 2021. An output from a risk identification workshop held in December 2021, as well as continuous analysis/inputs from risk owners and various committees, brought the following changes to the top risks:





- We have included "cost competitiveness" in our top risks. This risk is essentially a combination of "spread", "foreign exchange" and "input cost" risks – where spread refers to the difference between input costs and selling prices
- The "socio-political landscape" risk was also brought into the top risks. The South African socio-political landscape, which manifested in multiple strikes (internal and external), social unrest and government instability had a major impact on production, sales, and transport. With a subdued South African economy and high unemployment and inflation rates, this risk is assessed under the top risks for the coming year
- We have also included "skills shortages". The availability of scarce category skills (including those in specialised iron (blast furnace) and steelmaking (basic oxygen furnace) processes), the availability and experience of contractors and the ability to attract skills to locations away from the major hubs could have a negative impact on our operations.

Enterprise risk management (ERM) continued



The top enterprise risks we were exposed to in 2022 are highlighted below compared to their ranking in 2021.

No	Risk name and description	Key business objective	Why did the risk move/remain unchanged?	Key responses
1  (unchanged)	Safety performance Non-compliance and non-adherence to fatality prevention standards (FPS) and unsafe acts and conditions may lead to serious injuries and/or fatalities	Zero harm	Safety performance in 2022 did not significantly improve, with two fatalities and an LTIFR of 0.87 versus 0.98 in 2021. Our TIFR did improve, however, to the lowest in 10 years (from 12.9 in 2013 to 5.74 this year)	<ul style="list-style-type: none"> • Intensified focus on safety culture programme with focus on seven identified priorities • Improving the quality of leadership plant audits, leadership behaviour interactions, potential serious incident or fatality (PSIF) audits and FPS audits • Introducing external resources (dds+) for coaching managers • Directives mandating management's presence on the shop floor • Risk management focus • Drive a caring safety culture • Adherence to statutory safety requirements • Formal KPIs to drive adherence to FPS
2  (was 5)	Local demand <ul style="list-style-type: none"> • A downturn in local demand results in reduced market size • Global slowdown in economic activity reduces demand for commodity exports from South Africa 	Long-term sustainability	Local demand declined in the latter part of 2022. The global and local economic impact had a negative effect on this risk	<ul style="list-style-type: none"> • Engagement by sales teams and operations with customers to improve service • Adequate market intelligence including monitoring of imports and arbitration meetings • Pursuing downstream trade protection to promote domestic manufacturing • Refinement of existing products and the development and launch of new products to meet market demand • Pursuing growth in Africa overland markets
3  (was 8)	Cash Factors such as market demand, price softening, imports and exchange rate movements lead to cash pressure; spreads normalise to pre-pandemic levels	Long-term sustainability	Local demand and spread contraction reduce available cash	<ul style="list-style-type: none"> • Subordinated loan facility with ArcelorMittal group • Supplier payment terms • Borrowing-based facility • Value Plan Programme to drive fixed and variable cost reductions • Ongoing management of capital allocation, inventory, overdue receivables, and future commitments • Monitoring supplier credit and payment terms

Enterprise risk management (ERM) continued

No	Risk name and description	Key business objective	Why did the risk move/remain unchanged?	Key responses
4  (was 6, 7 and 9)	Cost competitiveness Increases in the raw material basket and other input costs without a concomitant increase in steel prices lead to margin squeeze impacting profitability	Long-term sustainability	Fluctuations in the exchange rate and a softening of prices added to spread "squeeze"	<ul style="list-style-type: none"> • Contracts in place with key suppliers defining price and/or pricing mechanisms • Source alternative input material at competitive prices • Fair price basket, as agreed with government, implemented for flat steel • 50% of the cost of raw material imports are hedged on a rolling six-month basis • Value Plan Programme to drive fixed and variable cost reductions • Optimisation programme to review goods and service agreements • Engagement with state-owned enterprises and government on energy and Transnet Freight Rail (TFR) prices • Investigating transport cost savings
5  (was 4)	Competitor landscape Marginal pricing and increased sales activity by various exporters in our domestic and export markets, combined with increased competitor activity	Long-term sustainability	This risk increased slightly, mainly due to the decrease of other risks	<ul style="list-style-type: none"> • Focus on customer service and reliability as well as supply stability • General import duties on certain products. Additional import duties being pursued on selected products with high risk of unfair imports • Monitoring market activities and updating strategies accordingly
6  (was 3)	Input material supply Input material disruptions, due to factors such as Transnet's inefficiency and the quality of input material, result in plant stoppages or disruptions	Long-term sustainability	Transnet's negative impacts on plant performance worsened	<ul style="list-style-type: none"> • Daily interaction with TFR leadership including a joint optimisation project to improve service delivery and supply chain reliability • Road transport as temporary mitigation for certain commodities • Alternative supply of critical input materials • Reactivation of Thabazimbi iron ore mine • Maintain safety stock levels as contingency
7  (was 2)	Asset reliability Poor asset reliability leads to a loss of production, potentially leading customers to seek alternative sources of supply	Long-term sustainability	Successful completion of the interim repair on the N5 blast furnace in Newcastle and additional spending on backlog maintenance reduced this risk	<ul style="list-style-type: none"> • Asset restoration programme including structural repair programme • Operations and maintenance culture change (e.g. rapid ramp-up and maintenance transformation plan) • Reliability programmes including root cause analyses • Operational skills development programme • Capital allocation to maintain/improve asset reliability

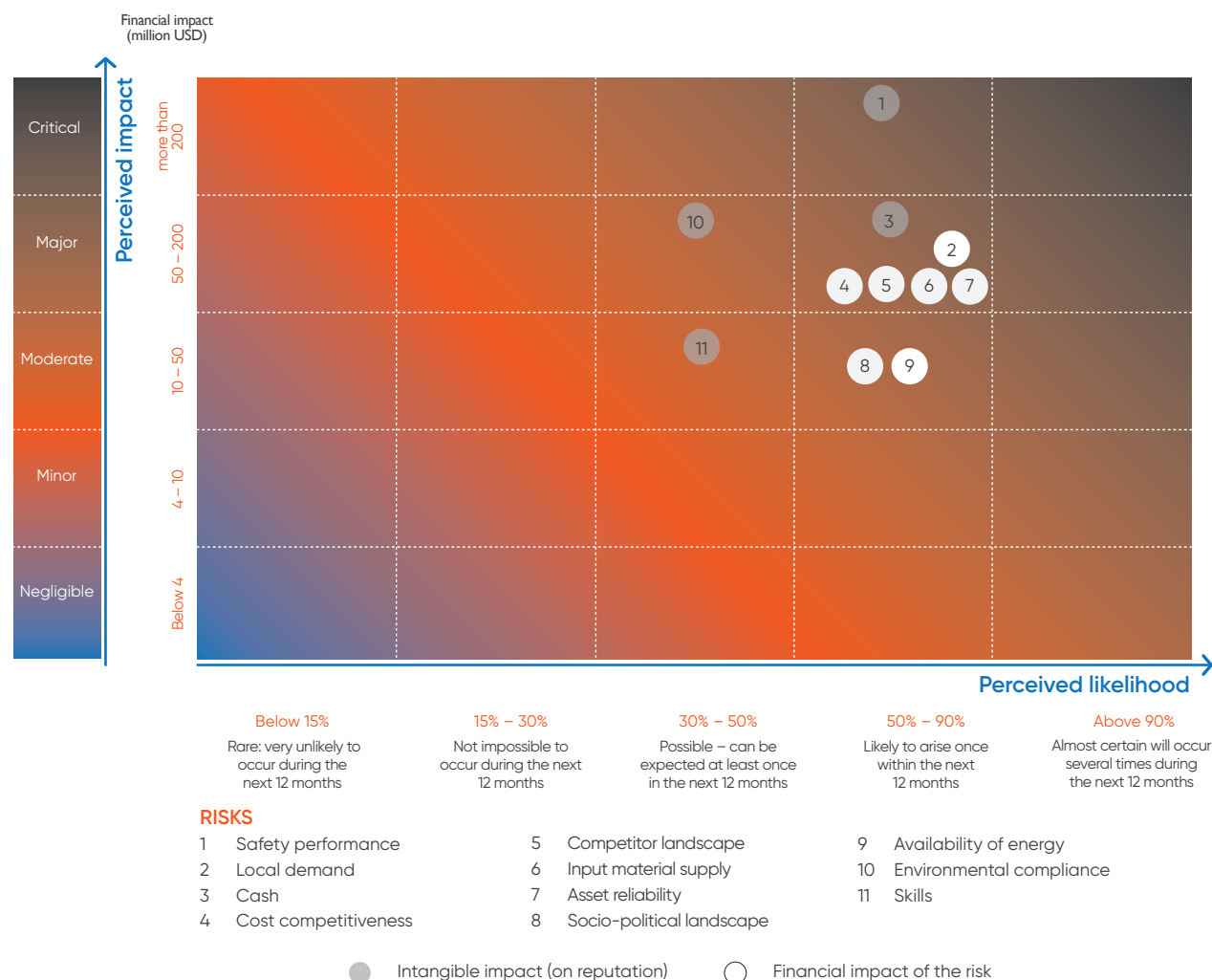
Enterprise risk management (ERM) continued

No	Risk name and description	Key business objective	Why did the risk move/remain unchanged?	Key responses
8 (new in top risks)	Socio-political landscape Social unrest and internal and external industrial action	Long-term sustainability	Strikes had a negative impact on the company	<ul style="list-style-type: none"> • Continuous relationship building and dialogue with unions • External stakeholder engagement at national, regional and local levels • Uniform labour agreement • Strike contingency plans
9  (was 12)	Availability of energy Load curtailment results in production interruptions/ stoppages with a resultant impact on sales	Long-term sustainability	Load curtailment continued with no sign of improvement in outlook	<ul style="list-style-type: none"> • Alternative energy sources (electricity and gas) being investigated • Energy efficiency and capital investment in renewable energy • Regular discussions with Eskom • Emergency energy supply procedure implemented
10  (unchanged)	Environmental compliance Non-compliance with environmental laws and regulations leads to penalties, prosecution, or plant closures	Zero harm	This risk is assessed as stable, with the publication of our decarbonisation roadmap positive impacting the risk	<ul style="list-style-type: none"> • Continuous focus on remediation with capital provision for air, water and waste projects • Air emissions, water quality and waste monitoring as required by licences • Additional environmental governance meetings • All authorisations in place or applied for • Development of carbon strategy
11 (new in top risks)	Skills We are unable to source required critical and scarce skills, resulting in poor production and financial performance	People first	Ongoing loss of scarce skills heightened this risk	<ul style="list-style-type: none"> • Attraction of experienced African, Coloured and Indian (ACI) candidates • Individual development plans • Focused succession planning in business-critical areas • Building a robust skills pipeline for identified critical positions • Women in leadership, talent upliftment, management training • KPI bonuses, short- and long-term incentive plans implemented • Specific retention incentives • Technical skills matrix implemented

Enterprise risk management (ERM) continued

Most significant risk exposures

The top strategic residual risks as identified through our ERM process, which could impact our sustainability, are graphically displayed in the below heatmap:



Opportunities

The following strategic initiatives and opportunities were identified as part of our growth strategy:

- Footprint optimisation**
 Vereeniging electric arc furnace, placed under care and maintenance in October 2022 as production of long steel exceeded demand. Further strategic asset footprint optimisation within long steel to be implemented in 2023
- Renewable energy**
 A 200MW renewable energy solution nearing completion with early construction work scheduled for Q4 2023 at Vanderbijlpark Works. Progress has been made on power purchase agreements with third-party renewable energy providers (including Saldanha)
- Rail logistics**
 A pre-feasibility study with a specialist rail operator into the commerciality of third-party rail access has been completed. A definitive feasibility study (including funding solutions) commenced in Q1 2023
- Strategic raw materials**
 Focus on securing further raw material opportunities, including competitive logistics solutions. Zimbabwean-based supplies (lower quality hard coking coal) softened the severity of international coking coal price increases. The Zimbabwean president emphasised his government's willingness to execute mutual opportunities
- Fair trade**
 Localisation of value-added steel production opportunities, collaborative value chains, and improved customer centricity are prospects which the company will leverage

Enterprise risk management (ERM) continued

Project risk management

With almost R2.1 billion capital spend in our company in 2022 to either mitigate risks and/or improve our operational capability, it is imperative that projects be managed to alleviate any possible cost overrun, time delays and importantly incidents that may harm the people working on these projects. This year ArcelorMittal group as well as ArcelorMittal South Africa placed greater emphasis on project risk management to achieve this project management goal.

The blast furnace N5 mid-life campaign restoration in Newcastle, at a total cost of R467 million, was the most significant project to be concluded in 2022 as part of our endeavours to reduce risks and ensure operational stability. A comprehensive project risk management process was also followed prior to and during the project execution. Although the project had a time overrun, mainly due to additional work to be done, no major project risks materialised.

The following projects were also concluded in Newcastle during the interim repair period:

- A support structure was erected at the blast furnace to strengthen the structure and prevent potential collapse
- Comprehensive repair was done on stove 1 at the blast furnace to mitigate the potential failure of refractory insulation
- Caster machine #2 at steelmaking's spray chamber was repaired to prevent the potential collapse of the spray chamber structures and walls
- The main carrier beam of caster machine #2 was replaced to reduce the risk of failure of the beam during operation.

Other significant projects in process, where project risk management was applied, are:

- Coke-making by-product plant project at Vanderbijlpark (R1 655 million)
- Feasibility study for the Thabazimbi iron ore mine - Vanderbijlpark pit (R40 million)
- Optigalv project at Vanderbijlpark galvanising line #4 and paint line (R159 million)
- Boiler #3 re-tubing project in Vanderbijlpark (R95 million)
- Coke-making at Newcastle through wall repairs (R97 million).

Carbon strategy risks

As was mentioned on page 18 of this report, our company announced its decarbonisation roadmap on 24 January 2023. Part of the journey to draft the roadmap was also to identify the risks that may influence implementing the decarbonisation strategy. To implement our decarbonisation roadmap, the following is important to note:

"ArcelorMittal South Africa is under considerable cost pressures. These pressures include the need to carefully apply the financial resources we must invest in our productive capacity, through the vagaries of the steel cycle. Fuelling these pressures are significant costs, which are also influenced by global events and markets. Chief among these is cost and delivery challenges deriving from the extreme under-performance and monopolistic pricing of state-owned enterprises, chiefly logistics and energy."

Enterprise risk management (ERM) continued

Climate-related risks

ArcelorMittal South Africa assesses climate-related risks on an ongoing basis. Our climate-related financial risks, described below, are aligned with our group's climate-related risks.

Risk	Description	Key mitigation actions
TRANSITION RISKS		
POLICY RISK	<p>Our most substantial climate-related risk will arise where we are unable to make the necessary investments to decarbonise and reach our 25% ArcelorMittal South Africa target by 2030 due to the design of the South African policy.</p> <ul style="list-style-type: none"> • Funding • Fair and competitive landscape in South Africa and Africa • Carbon taxes – steel industry being highly disadvantaged compared to other industries • No differentiation how integrated producers like ArcelorMittal South Africa are treated – outflow – taxes, inflow – funding. 	<p>Our decarbonisation strategy to achieve a 25% CO₂ intensity reduction by 2030 compared to our 2018 baseline and a net-zero commitment towards 2050 includes the following levers to mitigate this risk:</p> <ul style="list-style-type: none"> • Advocacy to influence the development of an effective policy framework for large emitters tailored for economic and other realities faced by South Africa • By engaging further with policymakers to ensure that carbon prices do not run away ahead of technological advances for us to remain sustainable within the realms of a just transition • To continue the debate around ringfencing of carbon taxes paid and the redistribution thereof in the form of grants to subsidise the enormous cost of decarbonisation • To broaden the understanding that a collective effort involving all role players is required to achieve the goal, namely net zero by 2050.
REPUTATION RISK	<p>The credibility of our decarbonisation plans will affect the ratings we receive from customers, investors, and other initiatives. The quality of our disclosures on these plans and the extent to which we have engaged stakeholders to understand our intent will also be key factors.</p>	<p>We engage widely with government, non-governmental organisations (e.g. Veja, CER), public departments, labour, investors and many more on climate change and other sustainable development topics throughout the year.</p>
TECHNOLOGY RISK	<p>Our continuing low-carbon innovation programme is vital for our long-term resilience and competitiveness. The risk of our breakthrough technologies failing is dependent on the availability of innovation funding to test and develop them appropriately, and the emergence of suitable policy to support them, e.g. the viability of CCU technology.</p>	<p>We continuously explore opportunities with local and international funders, engage treasury and other governmental departments on carbon taxation, carbon budget and related policies in support of development and implementation.</p>

Enterprise risk management (ERM) continued

Risk	Description	Key mitigation actions
PHYSICAL RISKS		
ACUTE	<ul style="list-style-type: none"> Adverse weather events, such as flooding, droughts and wildfires may hamper our supply and distribution routes. These events can cause significant disruptions for our supply chain partners, transport routes, own production and customer deliveries which translate into increased operating costs, higher raw material costs, reduced production and sales, and reputation damage. 	<ul style="list-style-type: none"> Our risk management process enables us to understand our exposure to existing and new emerging risks and to build appropriate resilience and recovery plans for our plants and supply chains, including a well-diversified supply chain on critical raw materials, emergency and firefighting services, land use and management next to our sites, etc.
CHRONIC	<ul style="list-style-type: none"> Although water is recycled many times in a steel plant, its regular supply is crucial to our steelmaking processes. Some areas in South Africa have been at a higher risk of being affected by long periods of chronic drought conditions. Operation costs could increase and production capacity could decrease which will negatively affect revenue, if licences are not obtained to secure water from other sources. 	<ul style="list-style-type: none"> We developed unique water saving and supply processes and technologies, e.g. zero effluent discharge, boreholes and reuse of sewage water.

Enterprise risk management (ERM) continued

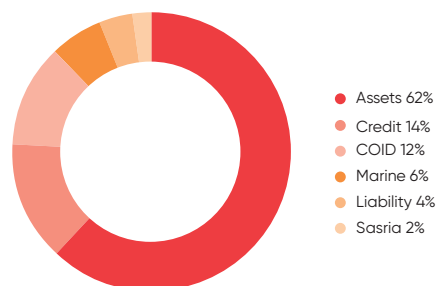
Insurance

Insurance is a vehicle to receive financial protection against losses. At ArcelorMittal South Africa our insurance requirements are either risk based or based on legislative directives. This allows us to make informed decisions on the insurance cover to be taken (e.g. limits, self-insured retention, etc.). Being part of the ArcelorMittal group also assists in obtaining the best cover for premiums paid. Our asset premium (more than 80% of our total insurance premium) has reduced by more than 60% in the last 10 years. Risk management focus contributed positively towards this reduced premium with a loss ratio of only 19% over the last 10 years.

We take part in annual loss surveys as part of a group-wide programme. These surveys are conducted by Paragon Risk Engineering with reports provided to insurers to have insight to the assets insured from a risk perspective. Recommendations from Paragon are also included in our risk management process with continuous follow-up, as part of the tiered risk management meeting structure, to ensure progress with actions to be implemented.

The pie chart below highlights the top insurance policies representing 99% of total insurance premiums paid:

ArcelorMittal South Africa – Top Insurance policies



Business continuity management

At ArcelorMittal South Africa, as with any other business, disaster can strike due to various unforeseen circumstances. To be prepared for these unlikely events in a manner that will reduce the impact on the business, proper and updated business continuity plans (BCP) need to be in place. We have different BCPs for different eventualities, e.g. operational BCPs (when an incident would occur that hampers production), contingency plans (e.g. during a strike), information technology BCPs (e.g. when SAP is not available). These BCPs are updated and tested as per set frequency.

Risk management outlook

With the world economy on a tight rope, the Russia/Ukraine war continuing, South Africa's own challenges with the economy, Eskom, Transnet, political instability, etc., the risk management process will have to be even more robust and focused on proactive risk identification. Our emphasis will not only focus on the knowns, but will also identify and debate the potential 'black swans' and 'white elephants', with actions to mitigate these risks as well. Fortunately, our company's focus was, and this year will continue to be, to identify and pursue the opportunities that present themselves, e.g., Transnet private participation, input material supply diversification and renewables.

Identification of medium- and longer-term risks will also be a focus area in 2023. The elephant in the room for medium to long term is carbon reduction, however, other risks such as gas supply and competition are also on the white board. As per the decarbonisation roadmap announced in Q1 2023, we will drive serious actions to reduce our carbon footprint and to address our climate change risks.

The quote by Millard Drexler: "You can't run a business without taking risks", will be the principle that we live by on the rough seas we will face in 2023, but we will expand this quotation to: "You can't run a business without taking calculated/informed risks".

King IV application register – 2022

King IV application register

ArcelorMittal South Africa Limited (ArcelorMittal South Africa or the company) supports the governance outcomes, principles and practices in the King IV Code as set out in the King Report on Governance for South Africa, 2016 (King IV), published on 1 November 2016 and effective for companies listed on the JSE Ltd from 1 October 2017. The company applies all the relevant principles of King IV.

Below find the disclosure of the application of the King IV principles at ArcelorMittal South Africa Limited. This document should be read with the integrated report (IR) and the ESG report for 2022, and in particular, the section on Leadership and value creation in the IR.

Principle	Application to principle	Status
Principle 1: Leadership The board should lead ethically and effectively.	<p>In terms of the board charter (which was reviewed by the board of directors (board) on 17 March 2021) and the code of business conduct, the board discharges its role and responsibilities with due regard to the values and leads ethically and effectively. The board continues to improve and implement the recommended governance principles contained in King IV.</p> <p>The code of business conduct is designed to ensure the effective management of ethics and is applicable to directors, employees, contractors and suppliers. The board and its committees monitor compliance with the code of business conduct on a regular basis. The board has in place a board charter to guide its activities.</p> <p>The board ensures that it always acts in good faith and in the best interest of the company. The board's values are underpinned by the principles of integrity, competence, responsibility, accountability, fairness and transparency.</p> <p>Policies and procedures had been adopted and implemented to govern the ethics of the organisation. The board is satisfied that its practices and policies encourage ethical and effective leadership.</p> <p style="text-align: center;">The board has delegated its authority to four board committees, namely:</p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; padding: 10px; text-align: center; width: 20%;"> ARC Audit and risk committee </div> <div style="border: 1px solid black; padding: 10px; text-align: center; width: 20%;"> SEC Social and ethics committee </div> <div style="border: 1px solid black; padding: 10px; text-align: center; width: 20%;"> HRC Human resources committee </div> <div style="border: 1px solid black; padding: 10px; text-align: center; width: 20%;"> SSHE Safety, security, health and environmental committee </div> </div> <p>The brief mandates, composition and attendance at committee meetings are set out in the 2022 integrated report (IR).</p> <p>The board reviewed the terms of reference for all the committees on 25 March 2022 respectively.</p> <p>The board has undertaken to conduct a board effectiveness review in the second half of the year.</p>	Applied

King IV application register – 2022 continued

Principle	Application to principle	Status
<p>Principle 2: Organisation values, ethics and culture</p> <p>The board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	<p>The board ensures the establishment of an ethical culture by applying the governance principles contained in King IV. Through the group's governance structures, systems, processes and procedures, the board continues to further entrench and strengthen recommended practices.</p> <p>The company governs ethics through its values, the code of business conduct and the whistleblower policy. The group prides itself in building relationships by being honest in their dealings.</p> <p>The board, with the assistance of the SEC and the ARC, oversees the management of ethics and monitors the company's activities to ensure they are in line with the code of business conduct. Management has been delegated the responsibility for the implementation of the provisions of the code of business conduct.</p> <p>Although the SEC and the ARC have oversight of the same or similar matters, the lens in terms of which these committees reviews such matters may be different notwithstanding that the SEC has a prescribed legislative mandate to monitor activities relating to the following:</p> <ul style="list-style-type: none"> • UN Global Compact principles (Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery) • OECD provides detailed recommendations regarding measures to combat corruption and various methodologies that organisations can adopt. <p>In view of the organisation's adherence to best practice recommendations, the ARC reviews and monitors, on an annual basis, the implemented controls concerning the code of business conduct and ethical standards as defined by the company. The ARC further reviews the significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees of the company, on a quarterly basis.</p> <p>There are regular reports to the SEC on the implementation of the code of business conduct and the effectiveness of measures and policies that are in place. This includes the reporting of ethical transgressions and how they are addressed, and information about trends regarding ethics and culture.</p> <p>A culture intervention from a top-down approach was rolled out towards the end of 2022 which included a mindfulness session. To support this initiative, the Speak Up + group survey identified key priorities which management plans to address in 2023.</p>	Applied
<p>Principle 3: Responsible corporate citizenship</p> <p>The board should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>	<p>The board ensures that ArcelorMittal South Africa is and is seen to be a responsible corporate citizen. The board is responsible for ensuring that the company protects, enhances and contributes to the wellbeing of the economy, society and the natural environment.</p> <p>The board has delegated to the SEC the responsibility for monitoring and reporting of social, ethical, transformational and sustainability practices that are consistent with good corporate citizenship. Having a responsible, sustainable approach minimises potentially negative impacts and increases the positive contribution the company makes to communities.</p> <p>ArcelorMittal South Africa has various initiatives and programmes to ensure that the board promotes and protects the environment and maintains the health and safety of all employees, suppliers and customers. Further details on the measures are provided in the IR and ESG report (ESGR).</p> <p>The board remains mindful of its responsibilities regarding environmental performance, and although challenges in this regard exist, the board is ensuring that reasonable steps are being taken to address and mitigate these challenges, with the assistance of the SEC and SSHE committee. In this regard, the board approves the strategic direction adopted by the company's operations to support a sustainable business.</p> <p>The board is satisfied that its current practices, values, and strategy of the organisation demonstrate that the company is a responsible corporate citizen.</p> <p>In the 2021 ESGR ArcelorMittal South Africa communicated its plans to play its part in achieving the ArcelorMittal group's 2050 net-zero carbon ambition and in light of this the decarbonisation roadmap was launched in 2023. ArcelorMittal South Africa has made significant progress in developing various roadmap options to achieve a material reduction in carbon intensity by 2030 and net-zero by 2050.</p> <p>A partnership with Sasol was announced to develop CCU technology using process carbon produced at our Vanderbijlpark Works plant and to advance the production of green steel using green hydrogen.</p>	Applied

King IV application register – 2022 continued

Principle	Application to principle	Status
<p>Principle 4: Strategy, implementation, performance</p> <p>The board should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	<p>The board understands that the company's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process. The board has reviewed and approved the short, medium, and long-term strategy of the company and have incorporated key elements in the key performance indicators of the executive directors.</p> <p>The board reviewed and approved the strategy and business plans for the ArcelorMittal South Africa Group (group) and monitored the implementation by receiving regular reports from management. Managing risk weighed heavily on the deliberations of the board and details of the key risks, as well as a risk governance report, are set out in the IR and ESGR.</p> <p>Great focus was placed on ensuring the improvement of health and safety performance, and culture, during 2022. A safety culture change programme was launched and consequently, inter alia, a set of 10 key behaviours known as the 10 Life Saving Golden Rules were rolled out in an effort to improve the health and safety culture. As such, a major focus on behavioural change was implemented starting at the top and cascading throughout the ranks.</p> <p>The governance structure and process provide the framework within which decisions are taken. Once strategy and the annual budgets are approved, the CEO and management are empowered to deliver on the performance required, and such performance is monitored by the board on a regular basis. Management's main focus is to respond effectively to the challenging market conditions while remaining focused on its long-term objectives.</p> <p>Driving excellence across all the above areas supports operational efficiency, long-term sustainability, and the broader social benefit.</p> <p>The value creation process is set out in the IR as well as the company's performance against its strategic objectives. The process followed by the board during the challenging environment that defined 2022 is set out in the IR and the ESGR.</p>	Applied
<p>Principle 5: Reports and disclosure</p> <p>The board should ensure that reports and other disclosures enable stakeholders to make informed assessments of the performance of the organisation and its ability to create value in a sustainable manner.</p>	<p>For purposes of this report, the board has considered what the material issues are that should be reported on, and these are reflected in the key priorities explained below. In order to ensure the integrity of this report, the process to finalise the report includes:</p> <p>A senior accountable person at management level has been assigned to oversee the drafting of the report in line with the guidance provided by the board, together with a project team including various parts of the business areas, including, amongst others, Risk, Finance, Legal, Safety, Communications and Stakeholder Engagement, Health and Environment, Sales and Marketing, and Operations.</p> <p>The draft reports are reviewed first by exco and then each committee of the board</p> <p>Thereafter the report is again considered by the board and in this process the board considers whether the key priority areas or material issues have been properly identified and disclosed, the key messages required by the board are included, the process to verify the accuracy of the information disclosed is adequate, and the information is integrated. In this process, the board also ensures that, where applicable, the bad news is included so that the report is balanced.</p> <p>The ARC assists the board in reviewing and ensuring that the IR, ESGR and the annual financial statements (AFS) are prepared in line with the Companies Act, IFRS, the reporting principles contained in King IV and the JSE Listings Requirements.</p> <p>The board is involved in communication to ArcelorMittal South Africa's stakeholders regarding significant issues that could affect the group, while striving to abide by all disclosure requirements. Structured review processes to ensure the integrity of reporting have been established.</p> <p>The SEC supports the board in monitoring stakeholder engagement, including disclosures made to stakeholders, and in monitoring the status of relationships and expectations from stakeholders, as further described in Principle 16.</p> <p>The company ensures that the annual reports, including the AFS, IR, ESGR and other information to relevant stakeholders are published on its website, and other media as appropriate. The full AFS, IR and ESGR are available on https://arcelormittalsa.com and provide a comprehensive insight into the financial position, disclosures by and performance of the company for the year under review.</p>	Applied

King IV application register – 2022 continued

Principle	Application to principle	Status
Principle 6: Role of the board The board should serve as the focal point and custodian of corporate governance in the organisation.	<p>Through the board charter, which is reviewed annually, the board ensures its roles, responsibilities and commitments to accountability are documented and adhered to. These include responsibilities relating to corporate governance. The board has overall responsibility for and ensures applying corporate governance across the group. Further information about applying corporate governance is set out in the IR and ESGR.</p> <p>The board is supported by various board committees which have assumed the responsibility to assist the board in fulfilling specific functions. The board committees report to the board at every board meeting.</p>	Applied
Principle 7: Composition of the board The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	<p>The board consists of 11 members, 10 of whom are non-executive directors, of whom the majority are independent non-executive directors. The positions of the chief executive officer (CEO) and board chairman are held separately, indicating a clear balance of power and authority at board level.</p> <p>To ensure a formal and transparent appointment process, any new appointment of a director is considered by the board, on the recommendation of the HRC. The selection process involves considering the existing balance of race and gender diversity, knowledge, skills and experience on the board and a continual process of assessing the needs of the company and the board's effectiveness and ability for it to discharge its governance role and responsibilities objectively and effectively.</p> <p>A formal induction programme is available for new directors, including background material on the company's business and board matters, guidance on directors' duties and responsibilities, and meetings with senior executives.</p> <p>The board is assisted by the HRC, which considers on an annual basis the composition, balance of skills, experience, race and gender diversity, independence, and knowledge of the board members to determine the board's effectiveness when it comes to discharging their duties as board members. The HRC work plan includes the requirement to recommend a succession plan for board members, including the board chairman, on an annual basis.</p> <p>The board approved the company's board diversity policy to ensure diversity and that this diversity is also reflected in its composition of the board and management, including background, experience, skills, geography, race, age, and gender.</p> <p>Details of directorships, skills and the experience of the directors are set out in the IR. Appointment letters confirming the directors' agreement to the required time commitments, roles and responsibilities have been signed. All directors sign an annual directors' declaration confirming their interests.</p> <p>The position of finance director remains vacant, and it is anticipated that this position will be filled during 2023.</p>	Applied
Principle 8: Committees of the board The board should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.	<p>The board has delegated certain functions to its committees, in compliance with relevant legislation, regulation and best practice. The terms of reference for all committees are reviewed annually. In determining the composition of committees, the board considers the skills and experience of its members, applicable regulations, and the committee mandate. The brief mandates, composition and attendance at meetings are set out in the IR.</p> <p>Besides the SEC, each committee comprises an independent non-executive chairman and independent non-executive directors. The CEO is a member of the SEC and SSHE. External advisors, executive directors, and senior management attend committee meetings by invitation.</p> <p>Any board member is able to attend committee meetings as an observer, but does not participate without the chairman's consent, does not have a vote, and is not entitled to fees unless otherwise agreed.</p>	Applied

King IV application register – 2022 continued

Principle	Application to principle	Status
<p>Principle 9: Evaluations of the performance of the board</p> <p>The board should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members support continued improvement in its performance and effectiveness.</p>	<p>The HRC oversees the evaluation of the performance of the board as a whole and committees on an annual basis. An evaluation of the board, committees and the chairman was conducted in February 2022.</p> <p>In the spirit of continual improvement, the board and committees considered the outcomes from the previous board evaluation, conducted in 2020, and whether sufficient progress had been made in addressing these issues. The evaluation of the board commenced in 2021 and was concluded in February 2022. The board was found to have remained effective despite operating under challenging circumstances. The following areas of improvement were noted:</p> <ul style="list-style-type: none"> • Areas of improvement had included CEO and board succession. The former chairman of the board as well as the former chair of the audit and risk committee retired by rotation at the AGM in May 2022, followed by the appointment of two independent non-executive directors • The board committees were found to be effective and to have served as critical support structures of the board. 	Applied
<p>Principle 10: Appointment and delegation to management</p> <p>The board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	<p>ArcelorMittal South Africa has a delegation of authority framework (DOA), which sets out authority thresholds for the delegation of powers to the CEO and management that contributes to the effective exercise of responsibilities. In accordance with the DOA, the CEO has a clearly defined mandate and is accountable for the day-to-day activities of the business. The DOA is reviewed on a regular basis to ensure that it is effective and appropriate to changing circumstances. It was last reviewed in March 2021.</p> <p>Although the board has empowered management, certain matters are reserved for the approval by the board.</p> <p>The HRC and chairman of the board assist the board in determining the performance objectives of the CEO and assessing his performance against those objectives. The board, with the assistance of the HRC, is responsible for ensuring that succession plans are in place for the CEO and other senior executives.</p> <p>The CEO is accountable to the board for the successful implementation of the company's strategy and overall management and performance of the group, consistent with its values. The CEO is supported by a competent and skilled team in executing his responsibilities.</p>	Applied
<p>Principle 11: Risk governance</p> <p>The board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	<p>In terms of the board charter, the board, supported by the ARC, is ultimately responsible for the governance of risk of the group.</p> <p>The ARC and the board review the risk management process and the maturity of the company, the effectiveness of risk management activities, the key risks facing the company and management's responses to address these key risks.</p> <p>As per the ARC's terms of reference, management designs, implements, and monitors the plan and is accountable for embedding the risk management process in the business. The day-to-day responsibility for management of the risk management plan rests with the group risk and insurance manager, who reports to the ARC and attends all ARC meetings.</p>	Applied

King IV application register – 2022 continued

Principle	Application to principle	Status
<p>Principle 12: Technology and information governance</p> <p>The board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	<p>As per the board charter and ARC's terms of reference, the board, supported by the ARC, is responsible for information and technology (IT) governance, in accordance with King IV. The ARC oversees the implementation of IT governance mechanisms, IT frameworks, policies, procedures, and standards to ensure the effectiveness and efficiency of the group's information systems. The group information officer reports to the ARC and attends all ARC meetings.</p> <p>The activities on IT governance are reported quarterly to the ARC for oversight and monitoring by the board.</p> <p>The ARC ensures that IT risks are adequately addressed through its risk management, monitoring, and assurance processes. Management tabled reports to illustrate to the ARC ArcelorMittal South Africa's overall exposure to IT risks from a strategic and business perspective, including areas of the business that are most dependent on IT for effective and continual operations.</p>	Applied
<p>Principle 13: Compliance governance</p> <p>The board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p>	<p>The board, supported by the ARC in monitoring compliance, is responsible for the group's compliance with applicable laws, codes, and regulations. The board has delegated the responsibility for implementing compliance to management.</p> <p>The management of compliance cuts across a number of areas of the business. General compliance with laws, regulations and policies fall under the Legal and Regulatory Department and there is regular reporting on such compliance to exco, the ARC as well as the board.</p> <p>In addition, there are specific areas of compliance emanating from different parts of the business, for example, procurement processes, B-BBEE, employment equity and other human resources related issues, financial controls, and compliance with safety legislation and regulations.</p> <p>All of these areas of compliance are integrated at exco and board level. Most of the compliance reports are tabled at the ARC. However, prior to being tabled and integrated at board level, safety and environmental compliance matters are discussed at the SSHE committee, B-BBEE compliance and achievement of the targeted B-BBEE score is considered at the SEC, and employment equity and human resources related compliance issues are addressed at the HRC.</p> <p>The General Counsel reports to the ARC and attends all ARC and board meetings providing reports on litigation and compliance matters. The General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Bill and the Protection of Constitutional Democracy Against Terrorist and Related Activities Amendment Bill were passed by the National Council of Provinces in an effort to prevent South Africa from being grey listed by the Financial Action Task Force, and ArcelorMittal South Africa is in the process of ensuring that its policies and procedures are in line with the provisions thereof.</p> <p>The SEC, in terms of its terms of reference, in addition to the ARC, assists the board with ensuring responsible business practices within the group and monitors the group's activities with regard to the duties of the social and ethics committee.</p>	Applied

King IV application register – 2022 continued

Principle	Application to principle	Status
<p>Principle 14: Remuneration governance</p> <p>The board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>	<p>The board, supported by the HRC, ensures that ArcelorMittal South Africa remunerates fairly, responsibly, and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium, and long term. The company's remuneration strategy ensures a balance in attracting, motivating, and retaining human capital through competitive remuneration practices, while creating shareholder value.</p> <p>The remuneration report and remuneration policy, set out in the IR, have been designed to give effect to the group's strategic objectives. The report and policy are disclosed by means of a background statement and an overview of the main provisions of the remuneration policy, as well as the implementation report disclosing all remuneration awarded to individual members of the board and executive management.</p> <p>A market benchmark was also undertaken to assess the company remuneration scales when compared to the market.</p> <p>Further steps continue to be taken to ensure better alignment between KPIs and ESG issues. The ARC had approved for the external auditors, EY, to provide a limited assurance report on KPIs as noted in the integrated report for the year ended 31 December 2022.</p>	Applied
<p>Principle 15: Assurance</p> <p>The board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p>	<p>The board has delegated to the ARC oversight of, inter alia, the effectiveness of the company's assurance services with a focus on combined assurance – which includes the external and internal audit and the finance function – as well as oversight of the integrity of the IR, ESGR and the AFS.</p> <p>On an annual basis, the ARC ensures that the combined assurance provided by the internal and external assurance providers and management are sufficient to satisfy it that significant risk areas within ArcelorMittal South Africa have been adequately addressed, and that suitable controls exist to mitigate and reduce these risks.</p> <p>The group has implemented a combined risk assurance model, which is coordinated and managed by internal audit. The ARC oversees combined assurance at group and subsidiary levels and approves the internal audit plan.</p> <p>With the assistance of independent assurers, such as the external auditor, the ARC reviews and evaluates the AFS, prior to recommending it to the board for approval.</p> <p>The ARC is responsible for overseeing that assurance services are performed in terms of the internal audit charter; the internal audit's function, role, and responsibilities are set out in the internal audit charter that requires performing risk. Internal audit provides written assessment of the effectiveness of the systems of internal controls and risk management to the ARC on a quarterly basis. The internal audit charter was reviewed at the end of 2022 to ensure that it remains effective and relevant.</p>	Applied

King IV application register – 2022 continued

Principle	Application to principle	Status
<p>Principle 16: Stakeholder relationships</p> <p>In the execution of its governance role and responsibilities, the board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	<p>Establishing and maintaining effective stakeholder relationships is not only essential to sustaining the growth of the company, it is also an essential component of sound governance.</p> <p>The company acts in line with the requirements of the Companies Act and JSE Listings Requirements on the equitable treatment of shareholders. Directors are mindful of their fiduciary duties and their duty to act in accordance with applicable legislation. The board is responsible for the oversight of the quality of stakeholder relationships and to ensure that these relationships create broad-based value for the company, for society, the environment and for stakeholders. The board is assisted by the SEC in this regard.</p> <p>The board encourages proactive engagement with shareholders, including engagement at the AGM. All directors are present at the AGM to respond to shareholder queries on how the board executed its governance duties. Ernst & Young, the group's designated partner and external auditor, also attends the AGM.</p> <p>Management provides feedback about the stakeholder engagements to the SEC and board on a regular basis.</p> <p>The organisation, through the chairman and management team, continued to engage with stakeholders during 2022 in light of the developments and challenges regarding the company. This included engagements with government at national, provincial, and local level, as well as with regulatory bodies like the Competition Commission, shareholders, labour, environmental groups, customers, investors, suppliers, and communities.</p> <p>A major strategic focus on the decarbonisation journey would require collaborative partners to attain net-zero status. The commencement of the roll out had already yielded solid progress with government, development finance institutions and corporates.</p>	Applied
<p>Principle 17: Responsibilities of institutional investors</p> <p>The governing body of an institutional investor organisation should ensure that responsible investment is practised by the company to promote the good governance and the creation of value by the companies which it serves.</p>	<p>Principle 17 is not applicable as the company is not an institutional investor organisation.</p>	N/A

Independent limited assurance report

INDEPENDENT ASSURANCE PRACTITIONER'S LIMITED ASSURANCE REPORT ON SELECTED SUSTAINABILITY PERFORMANCE INFORMATION REPORTED IN ARCELORMITTAL SOUTH AFRICA LTD'S ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT AND INTEGRATED REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

TO THE DIRECTORS OF ARCELORMITTAL SOUTH AFRICA LTD

We have undertaken a limited assurance engagement on selected sustainability performance information (the "subject matter"), as described below, and presented in the ArcelorMittal South Africa Ltd (AMSA) Environmental, Social, and Governance (ESG) Report and the AMSA Integrated Report for the year ended 31 December 2022 (collectively referred to as the ESG and Integrated Reports). This engagement was conducted by a multidisciplinary team with experience in assurance, sustainability performance and carbon emissions.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained (and subject to the inherent limitations outlined elsewhere in this report), nothing has come to our attention that causes us to believe that the selected sustainability performance information as set out in the Subject Matter paragraph below, for the year ended 31 December 2022, is not prepared, in all material respects, in accordance with management's measurement and reporting criteria.

Emphasis of Matter

We draw attention to the additional disclosure provided in the current period in the footnote on page 7 of the ESG Report, which describes management's method for determining the man-hours used as the denominator to calculate the

Lost Time Injury Frequency Rate. This should be considered when comparing AMSA's reported performance with respect to Lost Time Injury Frequency Rate with that of other companies. Our assurance conclusion is not modified in respect of this matter.

Subject matter

We have been engaged to provide a limited assurance conclusion in our report on the following selected sustainability performance information identified and selected by AMSA's management as requiring independent external assurance:

No	Selected sustainability performance information	Location disclosed in the ESG and Integrated Reports	Location of description of measurement and reporting criteria in ESG and Integrated Reports
Social			
1	Lost-time injury frequency rate (LTIFR)	ESG Report page 7	ESG Report page 7
2	Employee and contractor fatalities	ESG Report page 6	ESG Report page 6
3	Employee numbers – Permanently employed (including fixed term contractors)	ESG Report page 6	ESG Report page 6
4	Corporate social investment spend	ESG Report page 21	Accumulated CSI spend at all operational units
5	Total number of employees within the technical and business pipeline	ESG Report page 12	Total number of employees trained in the Technical pipeline and Business pipeline
Environmental			
6	Direct carbon dioxide (CO ₂) – Scope 1 (t/t liquid steel)	ESG Report page 6	ESG Report page 6
7	Indirect carbon dioxide (CO ₂) – Scope 2 (t/t liquid steel)	ESG Report page 6	ESG Report page 6
8	Total greenhouse gas (CO ₂ equivalent Scope 1 and Scope 2) (t/t liquid steel)	ESG Report page 6	ESG Report page 6
9	Total greenhouse gas (CO ₂ equivalent Scope 1 and Scope 2) (Mt)	ESG Report page 6	ESG Report page 6
Economic			
10	Liquid steel capacity utilisation	Integrated Report page 32	Actual liquid steel production tons divided by the achievable production capacity

Independent limited assurance report continued



The selected sustainability performance information prepared and presented in accordance with management's criteria are marked with the symbol LA ("Limited Assurance") to indicate that we have provided limited assurance over the selected sustainability performance information.

Other than as described in the preceding paragraphs, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the ESG and Integrated Reports, and accordingly, we do not express a conclusion on this information.

AMSA's responsibilities

The Directors of AMSA are responsible for the selection, preparation, and presentation of the selected sustainability performance information in accordance with management's measurement and reporting criteria as set out in the table above. These responsibilities include the identification of stakeholders and stakeholder requirements, key issues, commitments with respect to sustainability performance and design, implementation and maintenance of internal control and maintaining adequate records and making estimates that are relevant to the preparation of the ESG and Integrated Reports and any references or statements of compliance with reporting frameworks applied, such that it is free from material misstatement, whether due to fraud or error.

The Directors of AMSA are responsible for, in relation to application of the reporting standards used in the preparation of the ESG and Integrated Reports, those reports being prepared in accordance with the reporting principles as per those standards.

The Directors are also responsible for determining the appropriateness of the measurement and reporting criteria in view of the intended users of the selected

sustainability performance information and for ensuring that those criteria are publicly available to the ESG and Integrated Reports users.

Inherent limitations

Where AMSA's reporting of the selected sustainability performance information relies on factors derived by independent third parties, our assurance work has not included examination of the derivation of those factors and other third-party information.

The scope of work was limited to the selected sustainability performance information disclosed in the ESG and Integrated Reports and did not include coverage of data sets or information unrelated to the selected information, nor did it include information reported outside of AMSA's ESG and Integrated Reports, information relating to prior periods or comparisons against historical data.

Our assurance report does not extend to any disclosures or assertions relating to management's future performance plans, forward-looking statements or strategies disclosed in the ESG and Integrated Reports.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Professional Conduct for Registered Auditors issued by the Independent Regulatory Board for Auditors (IRBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence, and due care, confidentiality, and professional behaviour. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Service Engagements, and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our responsibilities

Our responsibility is to express a limited assurance conclusion on the selected sustainability performance information as set out in the Subject Matter paragraph, based on the procedures we have performed and the evidence we have obtained.

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, and, in respect of the greenhouse gas emissions, in accordance with ISAE 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board. Those Standards require that we plan and perform our engagement to obtain the appropriate level of assurance about whether the selected sustainability performance information is free from material misstatement.

The procedures performed in a limited assurance engagement vary in nature and timing and are less in extent than for a reasonable assurance engagement. As a result, 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.

Independent limited assurance report continued

Summary of work performed

Limited assurance

A limited assurance engagement undertaken in accordance with ISAE 3000 (Revised) and ISAE 3410 involves assessing the suitability in the circumstances of AMSA's use of its measurement and reporting criteria as the basis of preparation for the selected sustainability performance information, assessing the risks of material misstatement of the selected sustainability performance information whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected sustainability performance information. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement. A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the sustainability performance information subject matter and related information and applying analytical and other appropriate procedures.

For the selected sustainability performance information, we:

- Evaluated management's basis for calculating the reported performance, with reference to relevant best practice guidelines and standards including the JSE Sustainability and Climate Disclosure Guidance and Task Force on Climate-Related Financial Disclosures (TCFD).
- Performed analytical procedures to evaluate the relevant data generation and reporting processes against management's criteria.
- Obtained explanations from management in response to our analytical procedures and assessed the reasonability in the context of our understanding of the business.
- Performed tests of detail on the selected performance information, on a selective basis, as part of assessing whether (i) the data has been appropriately measured, recorded, collated, and reported; and (ii) activities set out by management are appropriately evidenced and reported; and
- We also performed such other procedures as we considered necessary in the circumstances.

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

Other matters

No assurance procedures were performed on the previous ESG and Integrated Reports. The information relating to the prior reporting periods has not been subject to our assurance procedures.

Restriction of liability

Our report, including our conclusions, has been prepared solely for the Board of Directors of AMSA in accordance with the agreement between us and for no other purpose. We permit this report to be published in AMSA's ESG Report to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the selected sustainability performance information.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of AMSA for our work or for our report and the conclusion contained therein. We agree to publication of our assurance report within

AMSA's ESG Report provided it is clearly understood by recipients or readers of the Report and that we accept no duty of care to them whatsoever in respect of our independent assurance report.

Maintenance and integrity of AMSA's website is the responsibility of AMSA management. Our procedures did not involve consideration of these matters and, accordingly we accept no responsibility for any changes to either the selected sustainability performance information as reported, or our independent assurance report that may occur subsequent to the initial date of publication of the Report on AMSA's website.

Ernst & Young Inc.

Associate Partner – Alexander Colyvas
Registered Auditor
Chartered Accountant (SA)

30 March 2023

102 Rivonia Road, Sandton
Johannesburg
South Africa

Alignment with TCFD

Partial alignment with Task Force on Climate-related Financial Disclosures recommendations

TCFD recommended disclosures	Reference	TCFD recommended disclosures	Reference
GOVERNANCE		RISK MANAGEMENT	
A) Describe the board's oversight of climate-related risks and opportunities.	ESG report: Decarbonisation strategy (page 18)	A) Describe the organisation's processes for identifying and assessing climate-related risks.	ESG report: ERM portion (page 34)
B) Describe management's role in assessing and managing risks and opportunities.	2022 IR: Audit and risk committee report (page 14)	B) Describe the organisation's processes for managing climate-related risks.	ESG report: ERM portion (page 34)
		C) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	ESG report: ERM portion (page 34)
STRATEGY		METRICS AND TARGETS	
A) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	ESG report: ERM portion (page 34)	A) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	ESG report: Key sustainability indicators (page 6) ESG report: ERM portion (page 34)
B) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning.	ESG report: Decarbonisation strategy (page 18)	B) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	ESG report: Key sustainability Indicators (page 6) ESG Report: Trusted use of air, land and water – methodology used for GHG emission calculation notes below graph (page 17)
C) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	ESG report: Decarbonisation strategy (page 18)	C) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	ESG report: Decarbonisation strategy (page 18)

TCFD (Task Force on Climate-related Financial Disclosures)

TCFD was established in 2015 by the Financial Stability Board as a means of coordinating disclosures among companies impacted by climate change. It is a set of voluntary climate-related financial risk disclosures that can be adopted by companies to inform investors and other members of the public about the risks they face related to climate change.

Corporate information

Company registration

ArcelorMittal South Africa Ltd
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United States ADR depositary

(This programme was terminated effective 15 March 2023)
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A printed copy of the ArcelorMittal South Africa ESG report can be requested by sending an email to:
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<https://www.arcelormittalsa.com/InvestorRelations/ESGReports.aspx>



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