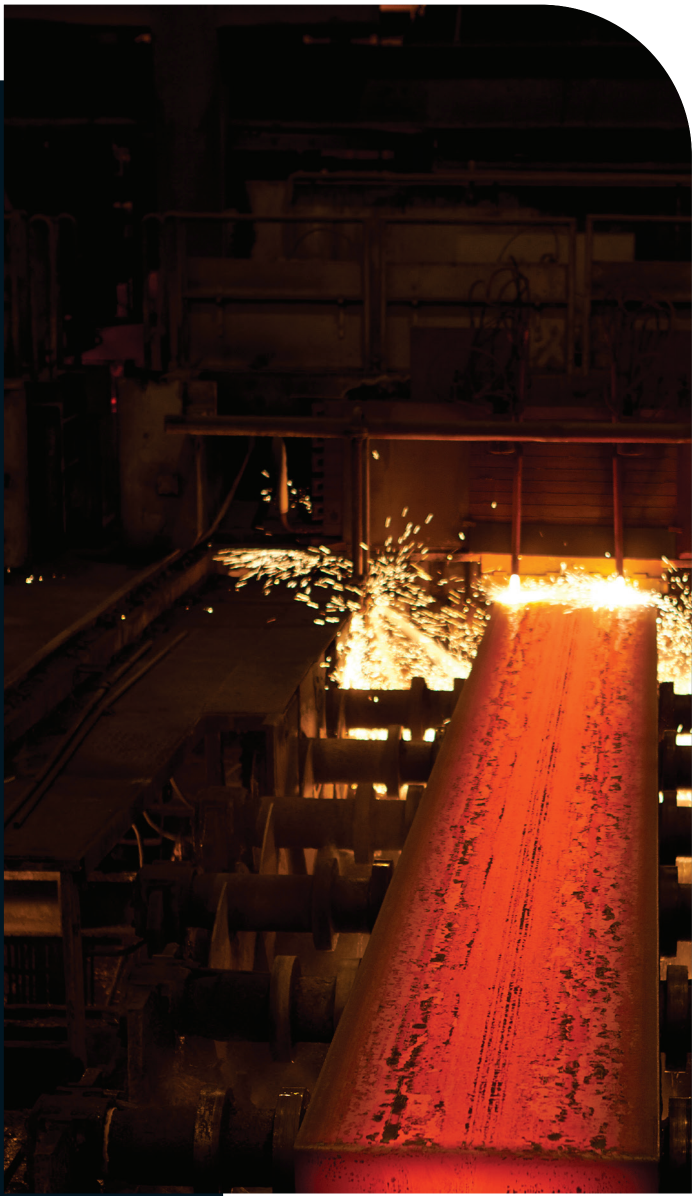
ArcelorMittal

Integrated report 2020



Why you should read this report

In 2020 ArcelorMittal South Africa confronted uncertainties and threats to its very survival which few steelmakers anywhere in the world had ever contemplated.

In the previous year – indeed in most recent years – our financial fortunes were so tenuous that our sustainability was being questioned by some of our most important stakeholders.

To this challenging set of circumstances was added this year a worldwide pandemic, lockdown and the worst economic slump in almost a century. The situation was so severe that this great company ceased production for the first time in more than 90 years. How we responded to our challenging circumstances and influenced those over which we had at least some measure of control, to keep people safe and to ensure our ongoing ability to create value for multiple stakeholders, is the subject of this 2020 integrated report.

Our leadership reporting

This report emanates from our leadership – from our board of directors – and it tells the story of how they formulated and oversaw the execution of our strategy which ensured the survival of sub-Saharan Africa's largest primary steelmaker. It is the story of how our strategy informed trade-offs in our use and creation of the various capitals.

It is not a static, abstruse financial story. Rather, it is a real story which integrates real issues affecting jobs, supply contracts, communities, health and safety and the production, sale and distribution of products which are central to the economies, societies and wellbeing of South Africa and many parts of our continent.

The following pages are largely concerned with the Covid-19 pandemic and how a company which is among the most integrated into the South African economy was affected by it – and how it responded. It is not always a good-news story.

Our 2020 integrated report is also about a process which was substantially undertaken in the 12 months to 31 December 2020 to transform our business and increase effectiveness, including streamlining processes by creating a new organisational structure, designed to remove silos and to create a customer-focused One Organisation (referred to throughout this report as "OneOrg").

Reporting parameters and objectives

This report is concerned with ArcelorMittal South Africa, listed on the Johannesburg Stock Exchange. The international ArcelorMittal group is referenced insofar as its activities and interactions impact our South African company's value-creation ability and prospects. The board directed that the report should address our multifaceted impacts and interactions with all stakeholders who are affected by, and can affect, our sustainability. Because of our particular circumstances, directors believed it appropriate for this report to address risks and opportunities influencing our sustainability.

Much of what is reported on is, given our circumstances, of necessity forward looking (regular readers of our integrated reports will note that the discussions on our strategic objectives – pages 26 to 47 – are more forward looking than has been the case previously) and, as has become standard practice in this introduction, we advise readers not to act in any way on such forward-looking information. Especially as such information may impact their investment decisions.

In 2019 and into 2020 we undertook significant organisational restructuring. These changes are detailed and explained in this report. While, for instance, we completed putting our Saldanha Works into care and maintenance in Q1 2020 and ceased coke-making operations in Pretoria, the narrative in this report details in appropriate detail these operations' importance to our business model, at least in the year covered and over the short term (which we define as the following two years).

Consistency, comparability and key performance indicators

We value the International Integrated Reporting Framework's guiding principle of consistency and comparability. However, developments in 2020, notably the Covid-19 pandemic and its effects on our business, were of such a magnitude as to make some comparisons with previous years, particularly our performance on strategic execution, either impossible or of limited meaning. In several instances in this report we acknowledge where we have either not applied this principle or not applied it fully. Similarly, in some instances, our reporting on key performance indicators (KPIs) is skewed this year by material exogenous factors. Despite our very different operating context in 2020, we continue to report achievement against the same KPIs, leaving it to readers to draw their own inferences where these show significant variances from those of the previous two years. Some KPIs are new; these changes derive from our implementation of the OneOrg model.

Board responsibility for this report

The board delegated responsibility to the chief executive officer for briefing the report preparation team on material matters and on report structure. All directors were given at least two opportunities to give input into the report. The board acknowledges its responsibility for ensuring its integrity and is satisfied that this report addresses our most material issues, accurately presents the integrated performance of the company and that it has been compiled in accordance with the International Integrated Reporting Framework, as updated in January 2021.

The board authorised this report for release on 9 April 2021.

Mpho Makwana
Chairman

Kobus Verster
Chief executive officer

Desmond Maharaj
Chief financial officer

Zee Cele

Noluthando Gosa

Gert Gouws

Raman Karol

Nomavuso Mnxasana

Monica Musonda

Neville Nicolau

Report assurance

For the fourth year we include an independent statement of assurance by the regional head of internal audit and sox on the process of report compilation – on page 68. A limited assurance report on key selected performance indicators is on page 66.

Our vision

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

Our 6 Cs

Underpinning everything in this report – and every strategic decision taken by our leadership – are the 6 Cs. These six key considerations are essential to our ability to survive. They are:

- **Cash**
- **Cost**
- **Customers**
- **Collaboration**
- **Climate**
- **Communication**

Our 4 objectives

This report goes into detail about our four key strategic objectives:

Towards zero harm
Workplace health and safety and our environmental impacts
page 26

Preserving cash
How we strive to save and generate cash
page 32

Sustainability for the long run
Transforming our business to create sustainable value
page 36

Focusing on people
Our impacts on human and social capital
page 42

Our 15 top key performance indicators

- KPI 1 Work-related fatalities
- KPI 2 Lost time injury frequency rate (LTIFR)
- KPI 3 Total injury frequency rate (TIFR)
- KPI 4 EBITDA per tonne
- KPI 5 Return on capital employed
- KPI 6 Steel market share
- KPI 7 Liquid steel production
- KPI 8 Cash generated from operations before working capital
- KPI 9 Net cash/debt position at year-end
- KPI 10 On-time deliveries
- KPI 11 Preferential procurement spend
- KPI 12 B-BBEE compliance score
- KPI 13 Environmental spend
- KPI 14 Total cost of employment (TCOE)
- KPI 15 Management control (under B-BBEE codes)

Report contents

Additional online reporting

The full 2020 financial statements provide comprehensive insight into the financial position and performance of the company for the year. These are available at **https://arcelormittalsa.com/investorrelations/annualfinancialstatements.aspx.**

Our King IV application statement is also available online at **https://www.arcelormittalsa.com/Sustainability/CorporateGovernance.aspx**

Who we are

With roots stretching back to 1928, ArcelorMittal South Africa is the largest steel producer in sub-Saharan Africa.

In 2019 we produced 4.4 million tonnes of finished primary steel (14% lower than the amount we made the previous year) as well as almost 200 000 tonnes of commercial, saleable coke. In 2020, because of Covid-19, production of all products declined sharply, to 2.3 million tonnes.

For several years this overview of our business model and operations has been structured in terms of our production facilities. As we substantially bedded down our new, restructured One Organisation (OneOrg) business model (see page 7) in 2020, we now give this broad overview of our business in terms of OneOrg.

Part of the global ArcelorMittal group, we make flat and long steel products in hundreds of grades and specifications for further value-add by our customers – downstream manufacturers in South Africa as well as in southern, West and East Africa. A very small percentage of the steel we make is sold in other markets.

Our steel is manufactured primarily at large facilities in Vanderbijlpark (flat) and Vereeniging (long) in Gauteng and in Newcastle (long) in KwaZulu-Natal. In Q1 2020 we finalised putting our second integrated flat-steel plant, Saldanha in the Western Cape, into care and maintenance.

We produce metallurgical coke for our operations from batteries in Vanderbijlpark, Newcastle and Pretoria. Coke produced, and not needed for our own iron and steel production, is sold as commercial (or market) coke. In Q3 2020 we announced our intention to cease coke production in Pretoria. The by-products resulting from our iron- and steel-making processes are important sources of revenue for our business.

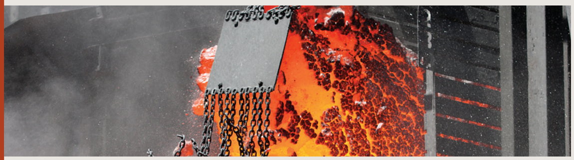
Iron Making

Steel Making and Rolling

Coke Making

Metallurgical Coke Making

Commercial Coke Making



Iron Making

Our company has blast furnaces in Vanderbijlpark (two) and Newcastle (one). These furnaces, which turn iron ore into liquid iron, have annual iron-making capacity as follows:

Vanderbijlpark

Blast furnace C **1.3 million tonnes**

Blast furnace D **1.9 million tonnes**

Newcastle

Blast furnace N5 **1.8 million tonnes**

Both Vanderbijlpark and Newcastle have sinter plants which turn iron ore into sinter, the ideal material for feeding into our blast furnaces. These sinter plants have capacities of, respectively, 3.1 million and 2.2 million tonnes per annum.

Key performance indicators

Liquid iron production (000 tonnes per year)

The amount of iron we make available for our own production of steel

1 895

(2019: 3 235; 2018: 3 909)

Pulverised coal injection (PCI) rate (kg/tonne)

PCI is a very cost-effective blast furnace energy source

151

(2019: 141; 2018: 140)

Coke rate (kg/tonne)

The amount of coke used to produce a tonne of liquid steel is a key measure of productivity

455

(2019: 415; 2018: 429)

Steel Making and Rolling

At Vanderbijlpark and Newcastle liquid iron is transformed into steel in basic oxygen furnaces. It is then cast into slabs (at Vanderbijlpark) for flat rolling and into blooms for long rolling (at Newcastle).

Utilising scrap steel as 65% of its feedstock, the Vaal Melt Shop in Vereeniging, with an annual capacity of 400 000 tonnes, is an electric arc furnace (EAF) which gives our integrated OneOrg considerable flexibility. The Vaal Melt Shop produces steel inputs for our Gauteng long steel operations, and, when occasion demands, for Newcastle. It enables us to compete effectively with other, lower-capital EAFs and to respond to market developments and changes in the costs of energy and inputs.

From the caster, steel slabs are cut into semi-finished products: blooms, slabs and billets. These are either re-heated (hot rolling) or cold rolled, for very precise applications. Before we ship products to clients, we treat what will become our final products in many ways; these treatments include painting, annealing, galvanising and cutting and batching to specification.

Tubular Products is the sole producer of hot rolled and cold drawn seamless tube products in South Africa. Of 36 000 tonnes produced per year, 45% is exported.

Liquid steel production (000 tonnes per year)

The amount of steel we make available for our rolling operations

2 305

(2019: 4 411; 2018: 5 092)

BOF mechanical yield (%)

How much iron is fed into our basic oxygen furnace relative to steel produced is an important indicator of BOF efficiency

89.7

(2019: 91.2; 2018: 91.4)

Electricity (MWh) per tonne (see page 34)

HRC production accounts for >10% of our total electricity consumption

714

(2019: 566; 2018: 527)

Saldanha and Vereeniging excluded.

Coke Making

Metallurgical Coke Making

Previously we reported the performance of our single Coke and Chemicals business unit. Under OneOrg, this has been split into two operations: Coke Making (devoted to producing metallurgical coke for our iron- and steel-making processes and commercial coke for our customers) and by-products managed by our core support services area.

Metallurgical coke is produced by five batteries at Vanderbijlpark and three in Newcastle. Given our company's reduced steel output for at least the medium term, these ovens have sufficient capacity to meet our internal demand.

Metallurgical coke production (000 tonnes)

How many tonnes of coke we make for our own production of iron and steel

1 202

(2019: 1 615; 2018: 1 851)

Coking time (hours)

The average time one oven takes to produce one load of coke (approximately 10 tonnes Vanderbijlpark and 20 tonnes Newcastle)

24.8

(2019: 25.4; 2018: 23.1)

Ovens out of operation (per month)

The number of times per year ovens are idled by unplanned events

47

(2019: 65; 2018: 64)

Commercial Coke Making

This operation produces, distributes and markets commercial (or market) coke for sale to customers, primarily in the ferro-alloys sector. It is envisaged that total market coke demand will not exceed 400 000 tonnes per annum. With Pretoria Works' capacity and our reduced demand we would have a market-coke capacity of approximately 600 000 tonnes. It was because of this excess capacity that it was decided in November 2020 to put Pretoria into care and maintenance.

Commercial coke production (000 tonnes)

How many tonnes of coke we make for external sale

282

(2019: 191; 2018: 184)

Our operating context

In 2020 South Africa's steel industry temporarily ceased production for the first time in its history.

Yet even before the most severe effects of the pandemic began to be felt, in March, the domestic economy and the steel sector in particular were already in a depressed state following four consecutive quarters of recession. In 2019 South African apparent steel consumption recorded a decline for the fifth consecutive year, total local demand falling by a cumulative 10% since 2015 to just over 4.5 million tonnes (Mt). In 2020 things only became progressively worse...

Global steel markets

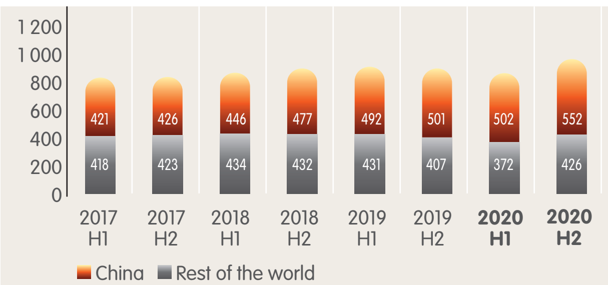
In 2018 most international steel markets had recorded their strongest growth for a decade as prices for both hot rolled coil and rebar rose by more than 12%. In 2019 this was sharply reversed, most countries experiencing small reductions in demand or, at best, negligible increases.

As Covid-19 spread around the world in Q1 and Q2 of 2020, the impact on all economies was severe and it was sudden. Primary and downstream steel was one of the industries most affected by the closure or idling of plants and manufacturing facilities.

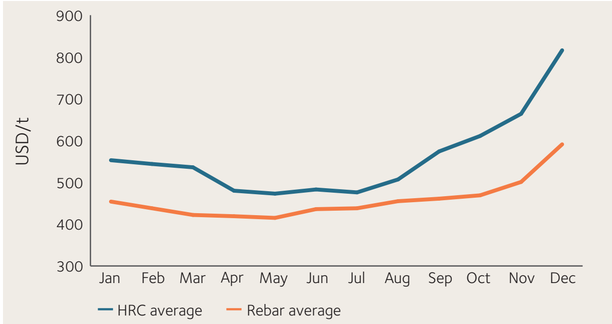
Global crude steel production decreased marginally to an estimated 1.8 billion tonnes in 2020 due to the impact of the pandemic. This was 16 million tonnes or 0.9% lower than the 2019 level. China's crude steel production increased to an estimated 1.1 million tonnes, representing a growth in that country's global market share to 58% – 4% higher than 2019. The European Union's crude steel output declined by 9% to 172 million tonnes, while North American output fell by some 16% year-on-year to 101 million tonnes. Turkey grew its production by approximately 6% and Russian output rose by 2% whereas Indian production fell by 11%. Africa's output decreased by an estimated 10% to 13 million tonnes due to lower production in South Africa and Egypt. Since Q2 2020, the largest steel-producing countries have shown signs of progressive recovery towards pre-Covid-19 levels.

In USD terms, average benchmark China export HRC prices remained largely unchanged year-on-year and China export rebar prices fell by 3% compared to 2019 – this after declines of 13% and 10% from 2018. Overall USD steel prices softened by 4%.

Global crude steel production (Mt)



International Average HRC* and Rebar Prices 2020



** HRC: Hot rolled coil.*

African markets

In line with international trends, in 2020 our steel sales to our Africa Overland (AOL) markets and East and West Africa (which, between them, in 2019 represented almost 28% of our sales) witnessed drops of 72% in 2020. From 2016 to 2019, AOL countries averaged GDP growth rates of 2.2% per year – better than that of South Africa – and steel intensity in most of the region was growing consistently, albeit off a low base. In the year reviewed it is estimated that the AOL economies contracted by an average 5%, Nigeria by 4% and Kenya by 1%. Net realised prices (NRP) in our export markets in the AOL region declined by 7% and in "bluewater" destinations by 10%.

With minimal primary steel sectors other than that in South Africa, in 2019 sub-Saharan Africa imported 20 million tonnes of primary steel. An analysis of Africa's four largest steel importers in 2020 showed that imports to these countries fell by some 17%. While China recorded a small growth in steel production at the same time that other major steel exporters saw output decline sharply, that country's share of worldwide exports did not grow in proportion to the fall-off in international production. This stemmed from the Chinese authorities' drive to consolidate the country's multiple steel plants and state directions to focus on domestic markets, in an effort to provide economic stimulus.

South Africa

For the full 2020 year the domestic economy suffered an estimated 7% contraction with steel demand falling by some 20%. For flat steel; apparent steel consumption fell from 2.84 Mt to 2.2 Mt and for long steel, from 1.7 Mt to 1.4 Mt.

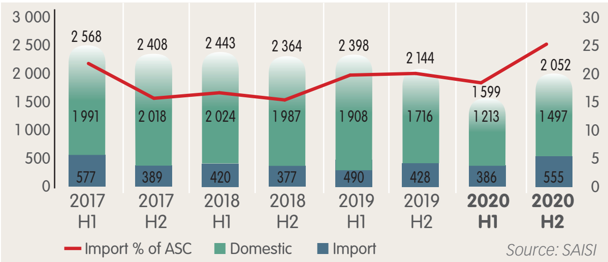
Whereas the first quarter started well with buoyant demand and sales, this was quickly undermined by electricity shortages and escalating incidents of cable theft which played havoc with the delivery of raw materials to our plants by rail.

This was before Covid-19 lockdowns and other restrictions which heavily impacted all of our key consuming sectors. In 2020 construction activity plummeted by 16.3%, automotive by 23.5% and mining by 14.6%. Utilities (principally water and electricity bulk services) fell by 10.5% while steel-consuming manufacturing industries saw their activity decline by 23%. Although the agricultural sector witnessed significant growth in production on the back of good rains, this has not yet led to meaningful growth in steel demand in the sector.

For the full year, in response to local supply-chain shortages, steel imports as a percentage of total domestic sales rose 4% to 937 000 tonnes, representing 26% market share (2019: 20%). Imports consisted mostly of hot rolled, galvanised sheet and tinplate.

In 2020 imports from both Russia and Turkey rose strongly, to a combined total of over 100 000 tonnes.

South African apparent steel consumption (000)



After being forced into a total shutdown, from 26 March to 29 April 2020 the authorities permitted us to restart operations with 50% of employees on site. We resumed iron-making by restarting one blast furnace at each of Vanderbijlpark and Newcastle. Given the lacklustre state of demand at the time and restrictions on on-site employees, it was deemed inadvisable to restart both blast furnaces at Vanderbijlpark. (This was entirely in line with the thinking which guided almost all integrated primary steel producers outside of China which, like us, were experiencing unprecedented disruptions to their production and sales.)

The lockdown and the need to implement a staggered ramp-up of production, combined with destocking throughout the steel value chain, informed shortage of primary steel which impacted our customers – and their customers further downstream. While we were acutely aware of the difficulties this posed to customers, the local shortage was repeated across the world, including the United States and the European Union, which experienced surges in prices related to Covid-19 derived costs and short supplies.

Raw material pricing

Paradoxically, at a time when steel production remained flat, international iron ore prices (in 2020 49% of our all-important raw material basket or RMB) rose by 16%. This derived mostly from the severity of the pandemic in Brazil and international logistics disruptions. A higher price environment prevailed until year-end, also supported by buoyant Chinese demand.

By contrast, international coking coal prices (in 2020 27% of our RMB) fell by 30%.

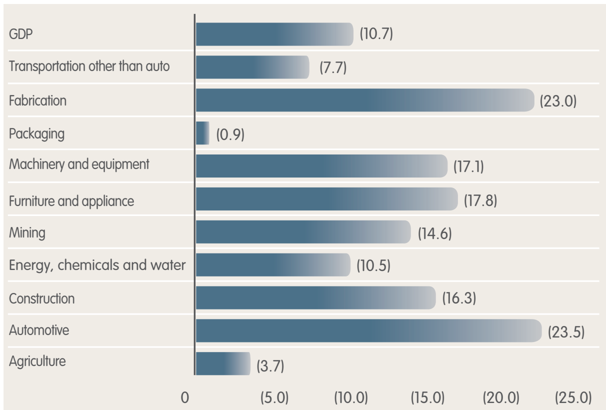
As is the case with all primary steel producers, managing, and maintaining, as far as possible the spread between our net realised prices and the RMB is fundamental to our ability to operate profitably.

Had our domestic iron ore requirements in 2020 been met mostly at prices tied to export pricing, the effects on our financial result would have been severe. Between 2019 and 2020 iron ore as a percentage of our RMB cost fell from 58% to slightly less than half. While the average international RMB rose by 11%, in rand terms ours declined by 10%.

Exacerbating the frustrations felt by the downstream was the fact that steel demand recovered from mid-year, faster than almost anyone in the value chain had expected. Most positively, local recovery accelerated, and was continuing to accelerate, at year-end.

As a company, we took concerted but measured action to address customers' stock shortfalls. Faced with a sudden and dramatic fall-off in orders, steel merchants and wholesalers reduced stockholdings from an historical average of between eight and 12 weeks to just four weeks. After announcing, on 29 September, that we would restart Vanderbijlpark's blast furnace C in January 2021, we brought forward its restart to December 2020.

Movement per sector (%)

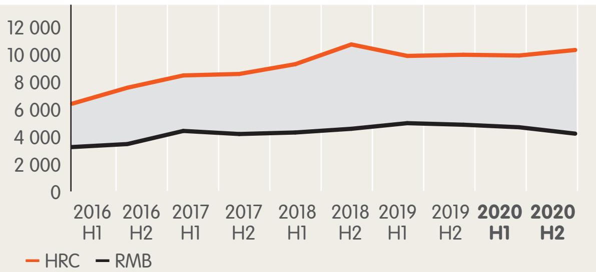


Contractions in South African GDP and various sectors in 2020

Pricing

The RMB/HRC graph on page 6 illustrates recent domestic prices for flat products. Particularly noticeable on this table is the effect which the fall-off in demand caused by the pandemic had on South African pricing from Q2 2020.

Our RMB and HRC prices (R/t)



The spread between our raw material basket and net HRC prices realised

In H2 local steel pricing recovered strongly, in line with worldwide developments. However, our price realisation was limited by adjustments to the internationally-derived HRC basket not keeping pace with very rapid international price rises as well as by disrupted production.

Domestic NRPs for other flat products did, however, improve substantially towards the end of the year; between December 2019 and December 2020 the base price increases for hot dip galvanized and pre-coated steel were both higher than the HRC base price adjustments for the same period.

We do not expect that the high prices prevailing at the end of December 2020 will be short lived and anticipate that they are likely to persist to at least Q3 2021 for both flat- and long products.

Covid-19 risks and opportunities

The worldwide spread of this deadly disease greatly affected our company. In at least the short term, these effects were almost entirely negative. However, the Covid-19 pandemic was not without its opportunities. In particular, we have identified the following opportunities arising from the 2020 Coronavirus outbreak:

- Disrupted production in many regions including Europe and North America has created shortages in, particularly, our AOL markets and meant extended delivery times for markets which are not priorities for most northern-hemisphere producers. Given our proximity to nearby countries with relatively strong growth prospects, we stand to gain sustainable market share – restoring this to at least the levels of three years ago. We can achieve this by quickly ramping up production and energising our sales and distribution capabilities
- With millions of individuals being forced to work from home, demand for steel inputs into housing and domestic and small-office appliances climbed significantly. Retail demand for steel products generally began to grow strongly as lockdown was eased in South Africa and other countries on the continent
- From Q4 2020 especially, there was considerable urgency around completing construction projects which had been delayed or prolonged because of Covid-19. The need to rapidly restart such work will mitigate the severe slump in demand, sales and prices reflected in statistics for the full year.

Outlook

By year-end the full-year decline in domestic steel demand in 2020 was estimated at 20%.

In 2021 the economy was predicted to rebound by recording growth in the region of 6% and we estimate that total South African steel consumption by the end of the year will be approximately 10% lower than the 2019 value of 4.5 million tonnes.

Whereas South Africa's already weak economy was profoundly shaken by Covid-19, as noted above, when measured in terms of steel demand, the pace of recovery was faster than in many other, larger markets. The consensus was that 2021 recovery in steel consumption in southern Africa, including South Africa and several neighbouring countries, would be stronger and more rapid than for several northern-hemisphere markets. (Our parent, the ArcelorMittal group, expects world steel demand to bounce back by between 4.5% and 5.5% in 2021.)

There was also growing optimism around the prospects of South Africa's automotive and construction sectors (see page 33) as well as around renewable energy projects (page 35). The government's announced plans to stimulate post-pandemic economic activity through a major infrastructural rollout are being eagerly anticipated.

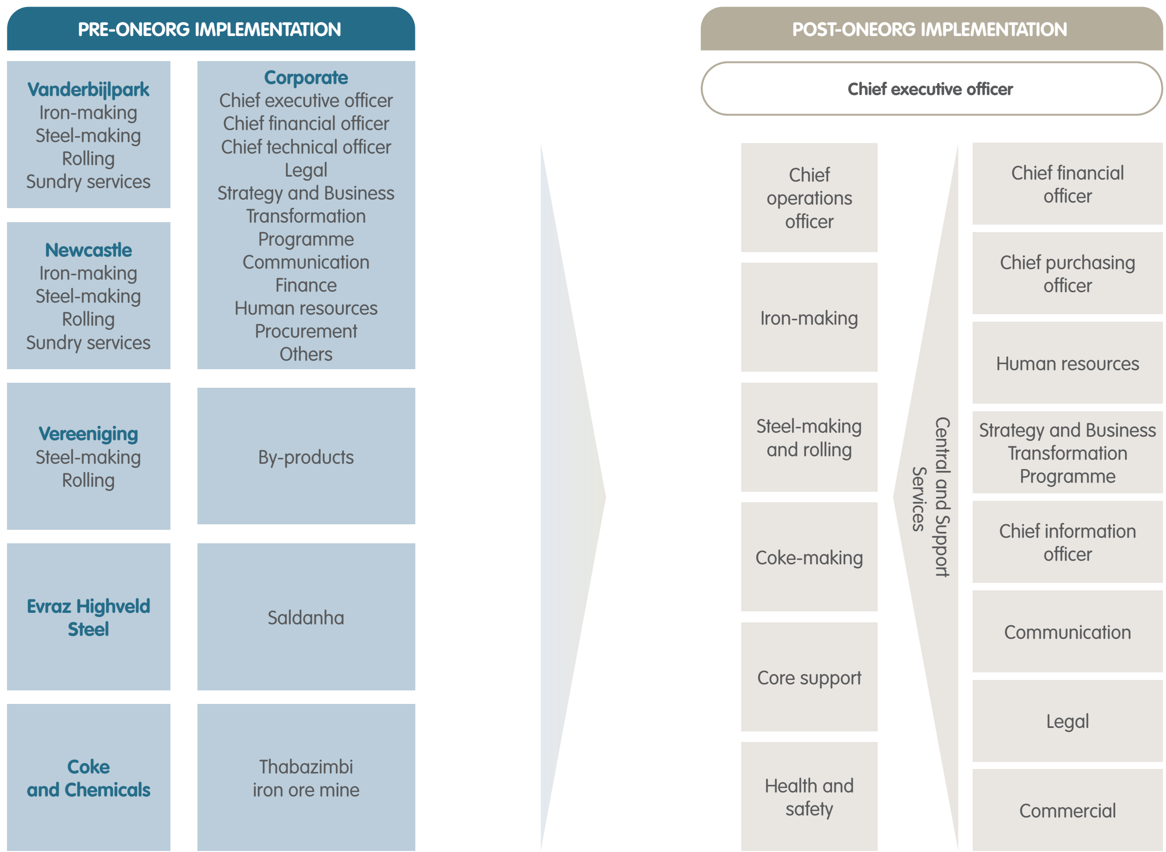
What is OneOrg?

Much of this report is concerned with how we transformed our company this year, to create One Organisation (OneOrg). Substantially completing this monumental change process in such a short time (sooner than planned) under pandemic conditions was an exceptional achievement.

OneOrg seeks to:

- Simplify and declutter management mechanisms to improve decision-making and reduce duplication and cost
- Adopt a common IT infrastructure for planning, scheduling and production
- Improve the customer experience by creating a more flexible, more responsive sales and marketing function.

This graphic illustrates how we were structured until 2020 and how our new structures and reporting lines work.



OneOrg is all about delivering on our 6 Cs, in particular on meeting the needs of Customers. This we plan to achieve through Communication and Collaboration.

In the past we have often produced our steel with a "take-it-or-leave-it" mindset. Perhaps more than ever, Covid-19 brought home to us the extent to which our fortunes are tied to those of our customers and how important it is for us to produce the quality steel customers need when and how they need it. In this report we explain that, through a more purpose-driven, streamlined OneOrg, our production heads are today more closely integrated with our sales and marketing teams, that we are giving customers cutting-edge sales and ordering tools and developing steel not just for our customers but with them.

From 2020 we began treating our Africa Overland customers as if they were local clients – just down the road from us. Our on-time delivery performance suffered in 2020 because of pandemic lockdowns but we are committed to improving on this key metric to better-than-2019 levels.

How we create, preserve and erode value

Inputs

Natural capital

Raw materials consumed (kilotonne)

	2020	2019
Iron ore	3 125	6 127
Coal	2 279	3 754
Purchased scrap	161	187
Fluxes	729	1 428

Energy

	2020	2019
Electricity purchased (TWh)	1.73	2.95

Human and intellectual capital

	2020	2019
Employees*	6 622	8 379
Hired labour	44	129
Service contractors	1 877	2 174
Safety: LTIFR	0.58	0.44
Safety: Fatalities	1	1

** December actual.*

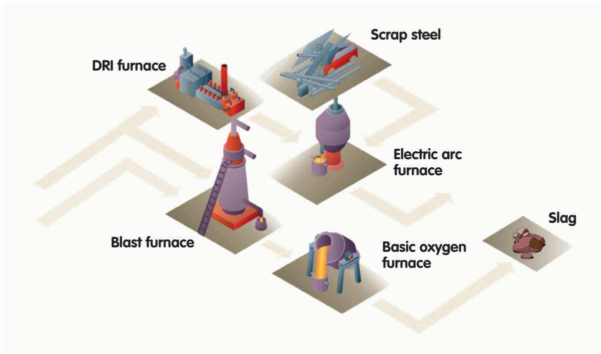
Financial capital

	2020	2019
Equity*	R2 344m	R4 477m
Borrowings*	R6 964m	R5 358m

** Externally assured.*

ArcelorMittal South Africa derives its licences to operate from funders, governments, regulators, society, employee groupings and civic and business organisations. It is imperative that we make responsible use of the various capitals and that we are seen to be creating integrated value for multiple stakeholders.

Our business model



2

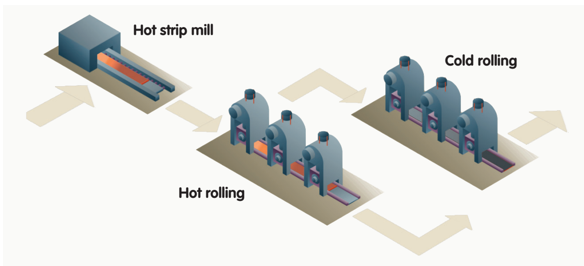
Iron-making

Iron-making: raw materials are turned into iron using either blast or electric arc furnaces.

3

Steel-making and rolling

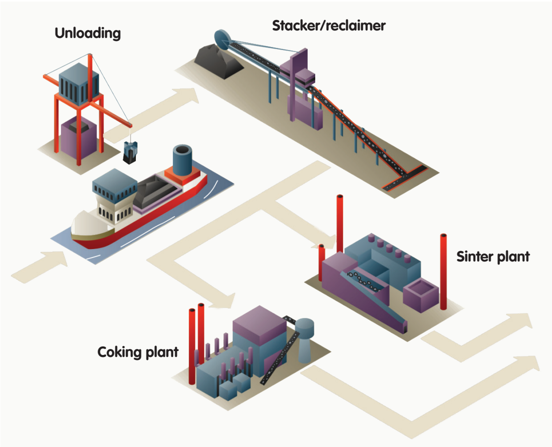
Steel-making: in basic oxygen furnaces iron is transformed into steel which is cast into blooms, slabs and billets and then further processed using hot and cold rolling to produce coil, plate and various structural steel products.



Trade-offs

In 2020 our liquidity came under heightened pressure as a result of the Covid-19 pandemic and its economic and social impacts. Inevitably, most of the trade-offs our leadership were forced to consider were financial capital positive but negative for, especially, human and social capital. Here we display some of our key trade-off decisions in 2020, indicating their positive and negative impacts on the capitals.

Retrenchments and salary cuts	Capital expenditure	Closing Pretoria coke-making facility
+ Financial – Human	+ Financial – Manufactured – Natural	+ Financial – Manufactured – Human
R345 million	R982 million	R111 million
In 2020 the effects of previous retrenchments, combined with section 189 processes announced this year, will reduce our fixed costs by R2.5 billion from 2021. Included in the R345 million saving achieved in 2020, staff salary sacrifices contributed R211 million. (Page 38)	This year we reduced capital expenditure to ensure our financial sustainability. As total capex fell from R1 491 million to R509 million, our environmental capital spend declined from R151 million to R44 million.	The closure of our Pretoria Works coke battery entailed the loss of some 160 full-time equivalent jobs. However, going forward, this intervention will be cash positive in the amount of at least R111 million per annum.



1 Raw materials

Raw materials like iron ore, scrap steel, coal and metallurgical coke, natural gas, oxygen and electricity as well as dolomite and limestone are consumed.

Our finished products are:

- Long steel products
- Flat steel products
- Commercial coke
- By-products (mostly slag and tar)

Our blast furnaces consume the metallurgical coke we produce and we sell the commercial coke.

Outputs

Financial capital

Shareholders, investors, employees

	2020	2019
Revenue	R24 643m	R41 353m
EBITDA	R37m	(R632m)
Loss from operations	(R924m)	(R2 359m)
EBITDA margin	0.2%	(1.5%)
Headline loss per share	(185c)	(299c)
Headline loss	(R2 037m)	(R3 265m)

Social capital

Local communities, suppliers and HDSA businesses

	2020	2019
Socio-economic development	R13.4m	R18.0m
Procurement spend (excluding energy)	R14 940m	R28 531m
Taxes contributed	R617m	R348m
Procurement – QSE and EME	R1 016m	R2 258m
Value-added export rebates	R130m	R233m
Covid-19 support costs	R3m	–

Manufactured capital

Customers

	2020	2019
Flat steel products sold	1 426kt	2 659kt
Domestic market	1 309kt	2 065kt
Export market	117kt	594kt
Long steel products sold	763kt	1 453kt
Domestic market	562kt	902kt
Export market	201kt	551kt
Coke and Chemicals		
Commercial market coke	305kt	152kt
Tar	50kt	77kt

Outcomes

Financial capital

Covid-19 undermined the impact of decisive measures taken in 2019 and 2020 to preserve and create financial capital. Nevertheless, these cash-preserving measures will be essential to our future financial sustainability.

Social capital

In 2020 our ability to create social value through broad-based skills development and by supporting our exporting customers was reduced.

Human capital

For the 12 months to December 2020 our safety performance was comparable to those of recent years but employees sacrificed income and the company had to forgo revenue in order to keep our people as safe as possible during the pandemic.

Manufactured capital

In a weakened economy and with lower steel demand, we produced less steel while we had fewer funds available to invest in our own production capacity.

Export rebates

\+ Financial
– Social

R103 million

This year we spent R130 million on cost rebates to such customers, R103 million down on 2019 because of the economic effects of, especially, the Coronavirus on their businesses.

Maintenance expenditure

\+ Financial
– Manufactured

R731 million

Cash considerations and the impact of the pandemic lockdown forced maintenance spend to be "variabilised" in line with volumes and footprint utilisation. However, our investment in our Maintenance Transformation Programme proved that expenditure on this intervention could be both human and intellectual capital, as well as financial, capital positive in the short term. (Page 38)

Training spend

\+ Financial
– Human
– Intellectual
– Social

R32 million

We have traditionally had a substantial social impact by developing technical skills well in excess of our own requirements. Regrettably, the decline in the amount (almost a third less than the R134 million spent in 2019) we were able to invest in our talent pipeline, including artisans, technicians and engineers in 2020 is likely to be a harbinger of our spend in this area for at least the short term. (Page 43)

Materiality and risk

Our leadership's determination of what is most material to our sustainable ability to create value has been refined considerably in the past two years.

Materiality

For several years we have reported our performance, prospects, risks and opportunities through the lens of our four key strategic objectives. Stakeholders who take an ongoing interest in our company will note that these have undergone change this year, reflecting our leadership's consideration of materiality. Such is the nature of our operating context, risk continues to inform all high-level strategy formulation and implementation.

From 2020 we report against these key strategic objectives:

1. Towards zero harm

Just how seriously we take our environmental responsibilities is reflected in the efforts we have consistently made to minimise any harmful environmental impacts deriving from our operations – despite our failure to generate significant profits or cash. For ArcelorMittal South Africa, environmental performance has moved beyond a licence-to-operate issue to a wide-ranging effort to minimise harm. Achieving zero harm is about more than workplace safety but keeping our people safe remains our utmost priority.

2. Preserving liquidity

Events over which we had little or no control in 2019 and 2020 meant that it was impossible for our business (and almost all of the world's primary steel producers) to produce meaningful profits. Instead, we are acutely focused on preserving cash, to meet our financial obligations and to stay in business. Improved, sustainable cash flows will be achieved in the short term through our continuing process of business transformation.

3. Sustainability for the long run

Our entire business model has been reorganised to make our company more sustainable and better able to weather the vagaries of the steel cycle and market demand. Robust, risk-mitigating operations geared more strongly towards the needs of customers are being re-engineered for profitability and sustainable value creation. Our strategy is geared towards being able to generate ongoing profits and create real, lasting social value while having sufficient financial resources to invest meaningfully in socially and environmentally responsible steel.

4. Focusing on people

The human capital on which we rely is inextricable from our social context. (Most employees – human capital – come from our nearby communities – social capital.) Our financial fortunes have direct, measurable impacts on our workforce and suppliers and the surrounding areas in which they live. Empowering communities, entrepreneurs and upstream and downstream value chains while striving to transform our business are essential to earning and maintaining our licences to operate.

Enterprise risk management (ERM)

Our ERM process exists to enhance our ability to effectively manage the uncertainties faced by our company (especially in conditions of economic stagnation which were worsened this year by Coronavirus). In the long run this will create greater confidence in the company's capacity to seize opportunities, alleviate risks and achieve sustainable successes.

ArcelorMittal South Africa's ERM process is a formal response to identify, assess and manage every conceivable type of risk, ranging from strategic, operational and financial risks to reputational and compliance ones. It is an integrated and systematic process which lets management compare risks on common scales and within a consistent framework.

The top 12 list opposite reflects management's ranking as at the end of this reporting year. The risk "Health pandemic", referring specifically to Covid-19, entered the list of top risks, being assessed at number 4 in H2 of 2020 (see page 13). The severity of this risk has since been reassessed as resilience and agility were built into plans to deal with the pandemic. The change in ranking is not only a reflection of the constantly changing risks the business faces but also of the dynamic risk process the company has adopted in recent years.

The ERM process is aligned with world best practices, the King Code on Corporate Governance (King IV Report™), ISO 31000 and ISO 22301 standards as well as with the ArcelorMittal group risk management policies and practices. Our policy is revised and approved by the directors on an annual basis with the 2020 revision being approved in Q4.

Our board is ultimately responsible for risk management and has an audit and risk committee which oversees risk policies and strategies.

The top 12 risks facing our company in 2020 (compared to 2019) were:

1. **Solvency and liquidity** 2019: Risk 1
2. **Operational stability** 2019: Risk 6
3. **Foreign exchange exposure** 2019: Risk 8
4. **Health pandemic** 2019: New
5. **Input material supply** 2019: Risk 9
6. **Market demand** 2019: Risk 4
7. **Spread risk** 2019: Risk 3
8. **Imports** 2019: Risk 7
9. **Input costs** 2019: Risk 2
10. **Environmental compliance** 2019: Risk 5
11. **Safety performance** 2019: Risk 10
12. **Availability of energy** 2019: New

New = Newly introduced into the top risks.

Risk management reports containing, *inter alia*, the top risks for the business in different categories, are provided to and discussed by the executive committee, audit and risk committee and board. The top risks are also reported to the ArcelorMittal group risk committee via the group enterprise risk manager.

The board bears responsibility for information technology governance while delegating to management implementation of the IT governance framework. An IT risk management report, containing the top IT-related risks in different categories, is provided to, and discussed at, the audit and risk committee. In our 2019 report we noted heightened concerns about growing cybersecurity threats; including the security of the company's assets, its reputation, intellectual property, employees and customers. A cybersecurity strategy was put in place to improve cyber security and reduce risk and a security operations centre (SOC) became operational, providing real-time monitoring and proactive alerting/addressing of cybersecurity-related incidents. In August the company experienced a concerted cyber attack on its supporting systems. The strength of controls put in place were demonstrated by the fact that, although short-term challenges were experienced, neither the Enterprise Resource Planning (ERP) system nor operational units were impacted.

Risk management process, reporting framework and organisational structures

Risk management is structured around the following functional risk areas: operations (including assets, health, safety and environment); strategy; information management; finance; procurement and logistics; commercial; human resources and legal and compliance.

In terms of management process, risk management is executed in four phases: identification, evaluation, mitigation and monitoring/reporting. The capital process, which allows for risk-based budgeting and capital allocation, as well as combined assurance, is built into the risk process so that risk control effectiveness can be audited.

Materiality

Towards zero harm
Workplace health and safety and our environmental impacts

Preserving cash
How we strive to save and generate cash

Focusing on people
Our impacts on human and social capital

Sustainability for the long run
Transforming our business to create sustainable value

Material issues

- Workplace health and safety
- Cash and liquidity
- Fixed and input costs
- Optimising our industrial footprint
- Organisational restructuring (OneOrg)
- Environmental performance
- Customer focus

Risk and opportunity

The company actively practises the principles set out in the King IV Report on opportunity management. In 2019 the in-house developed Enterprise Risk Application (ERA) system was adopted to also cater for the registration of strategic opportunities. This year opportunities were updated and aligned with the strategy. The following are some of the opportunities captured:

- **Cost-based raw material supply**
  As well as the strides made this year, we are currently exploring multiple opportunities, including possible greenfields mining developments for the more affordable supply of both iron ore and coking coal
- **Thabazimbi iron ore mine stockpile recoveries**
  Opportunities in the Thabazimbi area include the exploitation of other proximate iron ore deposits and the potential to have a material, positive social impact in local communities
- **By-product monetisation**
  A recent, favourable, court ruling enhanced our ability to generate revenue from our production of by-products (see page 30). Partnering opportunities to market both blast furnace and steel (BOF) slag are being actively pursued
- **Mainline rail localisation**
  Although representing a revision downward on previous pronouncements, in 2020 parastatal Transnet said it planned to spend almost R52 billion on "permanent ways" and rolling stock over the next five years
- **Power supply**
  Announced and gazetted power purchase agreements and investments in the expansion of the electricity transmission grid
- **Road transport**
  The local manufacture of trucks and trailers using HRC and plate
- **Oil and Gas**
  The localised development of superior grades for pipeline projects in South Africa and AOL, including Mozambique.

Combined assurance

Combined assurance audits were undertaken throughout the year with the results of focused audits on top risks being reported to the board in October. Global assurance (internal audit), as the third line of defence, conducted an audit at year-end. Recommendations from this report form part of the risk improvement initiatives planned for 2021.

Asset risk management

Operational stability is essential to our sustainability. This was especially true in a year when, for the first time in history, our operations were shut down for more than two months. This unprecedented disruption forced asset risk management to focus on the following three additional initiatives:

- Developing, with our risk consultants, detailed checklists to assist operations in mitigating risks which present themselves when idling and restarting plants. This approach was also applied at our Saldanha facility when the site was placed under care and maintenance
- Renewed focus and support on preventative measures such as thermography and vibration analysis before and during start-up
- Virtual loss surveys: under lockdown, we changed our annual loss surveys, conducted by consultants based in the United States, to virtual loss surveys. As well as the normal survey areas, a key focus was on the effects of Covid-19 and property incidents/ losses.

Although additional focus was required, the standard asset risk management process was kept in place to assess, prioritise and address exposures. The asset risk management process is directly linked to the capital process, to ensure that risk-based capital allocation is prioritised and scrutinised to address exposures that are real threats to the business. For the 2021 budget, extraordinary maintenance was also prioritised, using the risk management assessment methodology. As a result of the Covid-19 pandemic, cash preservation was key and therefore relies on a sound risk assessment and prioritisation process.

Project risk management

All major projects, or projects with significant risks attached, are subjected to a structured project risk management process facilitated by risk specialists.

We identify risks and opportunities for different project stages; these risks and opportunities are updated throughout projects' lifecycles. The following project assessments were updated/ done in 2020:

- 11kV switchgear upgrade
- Upgrade of chiller plant
- Coke-making by-product plant
- Long steel products planning system
- Blast furnace N5 interim repair.

Business continuity management

During 2020, with the impact of Covid-19 on our operations, business continuity management policies, aligned with ISO 22301 and approved by the board, were put into action to alleviate pandemic impacts on the business. The abnormal circumstances faced in 2020 also allowed us to critically look into our business continuity programme and implement updates to address this new reality.

Insurance

Effective risk management, vigilance and an increase in deductibles by insurers have reduced insurable incidents to such an extent that the company has been claim free for seven years. This fact, together with additional actions such as a critical assessment of asset values, change in the Saldanha cover and re-negotiating the declared business interruption value because of Covid-19 effects, contributed towards a R13 million reduction in our property insurance premium in 2020.

Compliance risk management

Our compliance risk management framework, first implemented in 2015, was substantially bedded down across the company. In 2020 renewed focuses were on the compliance risks of specific functional areas and our execution against Protection of Personal Information Act (POPI) legislation. Also this year we enhanced our ongoing focus on competition law by giving employees renewed guidance on compliance risks associated with participation in industry associations.

Most significant risk exposures

The top strategic residual risks as identified through our ERM process, which could impact our sustainability, are detailed below:

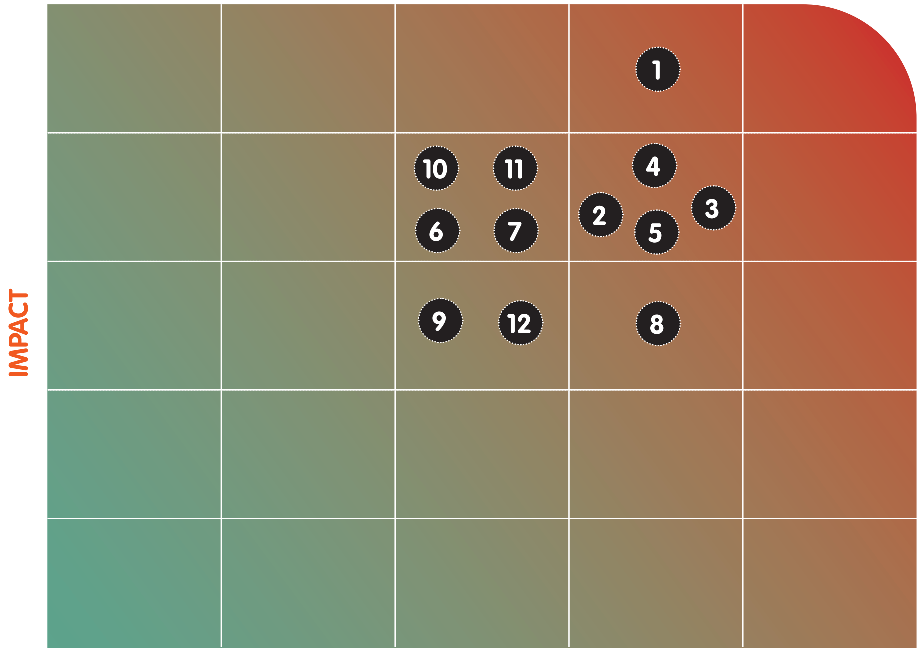
Critical
More than USD200 million

Major
USD50 million to USD200 million

Moderate
USD10 million to USD50 million

Minor
USD4 million to USD10 million

Negligible
Below USD4 million



LIKELIHOOD

Below 15%	15% – 30%	30% – 50%	50% – 90%	Above 90%
Rare: very unlikely to occur during the next 12 months	Not impossible: to occur during the next 12 months	Possible: can be expected at least once in the next 12 months	Likely: to arise once during the next 12 months	Almost certain: will occur several times during the next 12 months

Risks

1. Solvency and liquidity
2. Operational stability
3. Foreign exchange exposure
4. Health pandemic
5. Input material supply
6. Market demand
7. Spread risk
8. Imports
9. Input costs
10. Environmental compliance
11. Safety performance
12. Availability of energy

Outlook

Covid-19 has greatly reinforced our belief that in the face of extreme volatility, risk-based decision-making is not only a management process but an absolute necessity if a company is to achieve its desired strategic outcomes.

In 2021, with the pandemic still very much a reality, the risk management focus will be on providing more frequent assurance over controls implemented to mitigate our top risks. The pandemic brought with it different ways of working including remote working, which potentially increased exposure to cyber incidents. Although cybersecurity was prioritised in 2020 with world-class controls being implemented, such is the evolving nature of this type of threat that additional focus will be placed on strengthening these controls.

As our business is exposed not only to pandemic impacts but also other factors such as extreme weather conditions and energy-supply disruptions, our contingency plans will grow in importance. With the implementation of OneOrg, risks will be reassessed and contingency plans updated to ensure alignment, including focus on longer-term risks, among them climate change.

Our board of directors

In 2020 the board met on 11 occasions and remained unchanged for the third consecutive year – continuity and experience aiding decision-making by our top leadership.

Chairman

11/11▲ | 3/3 | 3/3

Mr PM Makwana (Mpho) (50)

BA (Hons), Postgraduate Diploma in Retailing Management
Board value:
Governance, stakeholder relations and transformation best practice
Appointment date: 5 February 2013

Chief executive officer

11/11 | 7/7♣ | 1/3♦ | 2/3♦ | 3/3

Mr HJ Verster (Kobus) (54)

BCom, BCom Economics (Hons), MBL Executive Management Programme
Board value:
Strategic leadership, steel industry management and financial insight
Appointment date: 1 February 2018

Chief financial officer

11/11 | 6/7♦♣

Mr AD Maharaj (Desmond) (48)

MFin, CA(SA)
Board value:
Commercial and financial expertise
Appointment date: 1 October 2018

10/11♦ | 3/3▲

Ms NP Gosa (Noluthando) (57)

BA (Hons), MBA, Graduate Diploma in Business Administration
Board value:
Business administration and experience in investment banking
Appointment date: 1 December 2016

10/11♦ | 3/3

Ms KMM Musonda (Monica) (46)

LLB, LLM
Board value:
Knowledge of legal, entrepreneurial and African business
Appointment date: 12 June 2017

11/11 | 3/3 | 3/3

Mr GS Gouws (Gert) (61)

BCom (Law), BCom (Hons), CA(SA), FCMA CGMA, Advanced Management Programme
Board value:
Strategic financial and organisational leadership
Appointment date: 1 November 2017

Board membership at the time of reporting

- Independent non-executive – 50%
- Non-executive – 33%
- Executive – 17%

Board diversity
(including international directors)

67% Male
33% Female

Board diversity
(including international directors)

- Black – 75%
- White – 25%

Board tenure

- 0 – 3 years – 33%
- 3 – 6 years – 42%
- 6 – 9 years – 25%

The board of ArcelorMittal South Africa is an extremely diverse one in terms of experience, race, gender, culture (comprising both local and international directors) and age. On these pages we give details on board composition and individual directors including their special skills and expertise as well as details of their attendance at board and committee meetings. From page 48 we explain how the board governed our company this year.

11/11 | 7/7▲ | 3/3 | 3/3

Mr JRD Modise (Jacob) (54)

BCom, BAcc, CA(SA), MBA, WBS, AMP
Board value:
Financial, governance, risk management and sustainability best practice
Appointment date: 1 October 2013
Resignation date: 26 January 2021

11/11 | 1/3♣◆ | 3/3♣

Mr BE Aranha (Brian) (65)

BAppSc, Executive Development Programme
Board value:
Strategy, operational improvement and steel industry management
Appointment date: 31 March 2018
Resignation date: 31 March 2021

11/11 | 7/7 | 3/3

Ms LC Cele (Zee) (67)

BCom, MAcc, Postgraduate Diploma in Taxation, Executive Leadership Development Programme
Board value:
Commercial and tax expertise
Appointment date: 4 January 2016

9/11◆ | 3/7◆♣ | 2/3◆ | 3/3

Mr R Karol (Raman) (45)

CA (India), MBA (Finance)
Board value:
Experience in finance and steel industry management
Appointment date: 1 December 2018

11/11 | 7/7 | 3/3 | 3/3▲● | 3/3

Ms NP Mnxasana (Nomavuso) (64)

BCom, BCompt (Hons), CA(SA)
Board value:
Sustainability best practice, risk and finance management expertise
Appointment date: 1 October 2013

11/11 | 3/3 | 3/3 | 3/3▲

Mr NF Nicolau (Neville) (67)

BTech, MBA
Board value:
High-level strategic and technical insight
Appointment date: 10 September 2015

Attendance key

Board — Board meetings
ARC — Audit and risk committee
SHE — Safety, health and environment committee
HRRN — Human resources, remuneration and nominations committee
TSEC — Transformation, social and ethics committee

◆ Apologies received ▲ Chairperson ● Nominations chairman ■ Human resources and remuneration chairman ♣ Attendance by invitation

Staying the course – a message from the chairman

A year ago I expressed the belief that we operated in a "VUCA" macroeconomic environment – an intensely volatile, uncertain, complex and ambiguous environment.

Due to the Covid-19 pandemic, 2020 was a once in a century complex year, which presented immense uncertainty with far-reaching, devastating consequences for lives and livelihood in all economies and societies across the globe.

We wish to express our deeply felt sympathy and condolences to the families of those employees who succumbed to this terrible virus. Many businesses were ravaged by the pandemic with negative consequences culminating in the loss of jobs and livelihoods.

Before the pandemic, 2020 was already a year complicated by muted economic growth; the Covid-19 impact exacerbated already-existing trading challenges. We had anticipated that ArcelorMittal South Africa would have to make some operationally tough choices to remain a solid going concern. In the event, the resilience of our staff and management delivered unexpectedly positive outcomes in a year that was most inauspicious, ushering in a more hopeful era for all of our stakeholders.

Our leadership – my board and Kobus Verster's management team – succeeded in turning terrible risk into great opportunity. It is true, however, that our survival was only made possible by great sacrifice. And it is equally true that 2020 would simply have been too late for us to have begun making those sacrifices. (It was only with the greatest reluctance that we decided, in 2019, to authorise the closure of Saldanha Works and a series of retrenchments.)

Getting back to work

In the second half of 2020 we gratefully witnessed how the underlying vitality of the South African economy began to assert itself – stronger than most had predicted – when the easing of lockdown restrictions gave our businesspeople the chance to get back to work; a chance they grabbed with both hands. As we have seen, though, such was the demand for steel that we encountered considerable difficulty in ramping up production. Under unprecedented circumstances, I believe that our teams did a most commendable job in processing stockpiles and in restarting our facilities.

In getting steel products rapidly out to the market, although initially not in the quantities we would have wanted, we re-energised many sectors– our customers of course, as well as miners, transport and logistics operators and our suppliers. With their stock depleted, many customers told us that they were unable to get their hands on imported steel, such was the disruption to international supply chains.

Opportunity and responsibility

Our products are of such integrated importance to so many sectors of our economy that without ArcelorMittal South Africa, the kind of economic resurgence we witnessed in H2 of 2020 would not have been possible. Our importance to our economy is recognised in government's Steel Master Plan, which we welcome as a workable blueprint for meaningful, inclusive growth in the metals and engineering sector. The plan places significant responsibilities on all players in the steel industry, ourselves included; responsibilities which we fully intend to discharge.

Under Covid-19, our social impact and our ability to support meaningful transformation was negatively impacted (although we are pleased to note a sterling performance, under testing conditions, on preferential procurement). We also continued to live up to our considerable environmental responsibilities; under the most extreme duress, we kept living our values of safety, customers, caring and commitment.

In December management presented to the board their business plan for 2021. As our shareholders and other stakeholders would expect, directors engaged energetically and rigorously with the executive on these projections, estimates and proposals. The 2021 plan is much more customer-centric than any similar plans before. For the new year, management have made a number of explicit commitments to the board on how they intend to create real value for the downstream and for all whose lives and affairs we touch. As chairman, I can assure readers that we intend to hold the executive to those promises.

Thanks

In February 2021 our group founder and chairman, Lakshmi Mittal, announced that he would be relinquishing his role as CEO in favour of Aditya Mittal. We thank Mr Mittal senior for his leadership and the unwavering interest and support he has shown towards our African operation. We congratulate Aditya on his appointment and similarly look forward to working with him on charting our group's future success.

I also salute Jacob Modise who, in January 2021 resigned from our board which he had served with dedication and great distinction since 2013 as an independent non-executive director and as chairman of our audit and risk committee. We welcome Bradley Davey to the board who is serving as a non-executive director as of 1 April 2021 as a successor to Brian Aranha. We thank Mr Aranha for his strategic input and guidance over the years of service since his appointment in 2018.

This integrated report is presented in my eighth year as chairman of the board. The board has begun a succession process to identify a new chairman ahead of my impending retirement at the May 2022 AGM. As the board, we intend to ensure that there is a smooth transition and handover with no disruption whatsoever to board and operational continuity.

On behalf of the board I express my appreciation to all of our stakeholders, both internal and external, for the sacrifices and solidarity they demonstrated under very difficult circumstances.

Mpho Makwana
Chairman

Resetting our business – a message from our chief executive officer

2020 proved to be an exceptionally difficult year with unprecedented challenges. Despite this, the year also proved to be highly transformative with constructive learnings.

Centrality of health and safety

ArcelorMittal South Africa was able to craft a rapid response plan to protect its people, assets and financial lifelines during the hard economic lockdown and subsequent restart of operations by stringently implementing guidelines issued by the World Health Organization and the South African government. Regrettably, by 8 April 2021, 17 of our colleagues had succumbed to Covid-19. To the families and colleagues, we extend our most heartfelt condolences.

Keeping our people safe at work has never been more important to us. We were greatly saddened by the fatalities which happened during the year and, again, in February 2021. We commiserate with the families and friends of Sifiso Nxumalo, Thami Molefe, Mpho Madumisa and Lesenyeho Mofokeng. Our commitment and resolve to achieve zero harm has never been stronger.

Workplace health and safety would have been impossible if our employees had not taken their safety and that of the people around them to heart. I thank all of my colleagues for the spirit in which they approached their work and their responsibilities under the most abnormal conditions.

Uncharted territory

As our company and country navigated uncharted territory, my family and I witnessed first-hand the devastation that Covid-19 was causing, helping out at a soup kitchen paid for by our foundation (page 44). It was humbling yet gratifying to see the short-term benefits we could deliver. However, we know that in the longer term, our communities and our local authorities need sustainable, meaningful jobs and transformational economic impact much more than they need handouts.

The unfortunate placing of Saldanha Works under care and maintenance, successive waves of retrenchments, and the asking of fellow workers to take substantial pay cuts, were extremely difficult for all of us – not least those who had to order and carry out these measures. However, they were all as absolutely necessary as they were regrettable. As the chairman points out in his message, without these drastic interventions the bottom line is that there would have been no bottom line. But survive we did – to the point that we ended the year a very different company to the ArcelorMittal South Africa of the previous year.

Allow me here to remind you of something I wrote in this space in last year's integrated report:
"... We will therefore vigorously pursue the creation of what will be nothing less than a new company: 'One Organisation', a more streamlined, more nimble business which has a greater control over its own destiny. How we report in our next integrated report will reflect this new thinking and structure, with a reduced emphasis on the performance of individual plants and processes."

When I wrote this, a national state of disaster had just been declared. I related something which, a few months earlier would have been unthinkable – the immediate "shutting down of all plants". Back then, we were under no illusions about how tough things were about to become. I nevertheless believed that in this, our 2020 integrated report, we would be able to point to us becoming a more agile business with a greater control over its destiny.

Resetting our business – a message from our chief executive officer continued

A new orientation

Our extraordinary operating conditions this year meant that our year-on-year performance as measured by our top KPIs deteriorated – from safety to some financial indicators and even our B-BBEE score. What these indicators don't show is the extraordinary progress we made this year, under the radar, to change our business.

I'm pleased to tell you that One Organisation (or OneOrg) has become a reality sooner than we expected a year ago. (With sharply lower production and sales, we were forced to fundamentally right-size our cost structures faster than we had planned.) As an example of how OneOrg has already taken root, on pages 2 and 3 we give an overview of who and where we are and what we produce – if you will, ArcelorMittal South Africa 101. This year's overview is very different to those of previous years. No longer do we present who we are in terms of Vanderbijlpark Works, Newcastle Works or Coke and Chemicals; under OneOrg our structure has now become very different. In fact, this report broadly reflects our new OneOrg ways of thinking and operating.

OneOrg has been fundamental to right-sizing our company to better optimise its assets, to combat the negative and to decisively leverage the positive. From a fixation on risk, we are now at last in a position to focus on opportunity.

As you will note, we experienced considerable delays with starting up one of our blast furnaces (N5 in Newcastle). The N5 setbacks were frustrating particularly because of our intense focus on addressing customers' steel shortages that had been building up since before Covid-19. In the new year we have budgeted and planned to fix the problems caused by the unusual post-pandemic start-up of N5 and to improve its reliability. Conversely production of flat steel at Vanderbijlpark was very successfully resumed, from June (blast furnace D) and December (blast furnace C).

Advances in 2020

Beyond the new OneOrg operating model, in 2020 we saved R2.5 billion in fixed costs. Combined with the impact of resetting of our input-cost base, these achievements represent the most transformative actions we as a company have taken in a decade.

On top of this, our Business Transformation Programme (BTP) recorded sustainable savings of R1.5 billion, on top of the R2.3 billion savings banked since we embarked on this transformative journey in late 2018.

Towards meaningful growth

As so often happens in times of crisis, considerable miscommunication and misunderstanding about the state of the steel sector occurred in the second half of 2020. In 2021 a great deal of open, honest and frank discussion will be needed as we look to support, wherever we can, government's new Steel Master Plan. We believe that, given meaningful, constructive dialogue, the plan can evolve into a landmark blueprint to ensure the health of a vital economic sector that can sustain and add many thousands of quality jobs. It is worth noting that the first published draft of the plan emphasises the integrated nature of our industry; there cannot be winners if there have to be losers. This aligns closely with our new conviction that ArcelorMittal South Africa will only win when our customers win.

Another macro-economic development that we are watching with great interest is the African Continental Free Trade Agreement which came into effect on 1 January 2021. As sub-Saharan Africa's biggest primary steel producer, we stand to benefit from the agreement but we will need to demonstrate as Covid-19 allows, practically, our commitment to working with customers in our AOL markets.

Wherever we sell our steel, we want to be known as the go-to reliable, on-time supplier of top-quality, competitively priced steel. After the extreme pressures of this year, it has become clear that our customers are now eager for closer collaboration with us, as localised, shorter more agile supply chains are more vital than ever.

In this report you will read a great deal about our 6 Cs. One of these – communication, with another C – customers, is what our new trajectory is all about. This year, as we strove to communicate better with the businesses that keep us in business, we have made major strides in automating our processes, reducing risks and hopefully improving the customer experience.

On page 39, you will read how we are in the privileged position of being part of the world's leading and most environmentally responsible steelmaker. We look forward to being worthy fellow travellers on our group's journey towards a carbon-neutral 2050.

Outlook and thanks

As you will also read in this report, we have had aspirations to potentially reinvest in Saldanha. We were painfully aware of the effects which our decision to mothball our facility there had on the local community. Beyond the logistics hub we hope that in the foreseeable future we may be in a position to report positively on our discussions with stakeholders – including government and state-owned enterprises – on rescaled, scrap-smelting steel production on the West Coast. This would be a tangible indication that the Steel Master Plan is firmly grounded in practical and collaborative actions.

In closing, I thank our many stakeholders for their unwavering support in these most testing of times – our shareholders, employees, contractors, suppliers, government and lenders.

We have reset ArcelorMittal South Africa on a path to recovery and sustainability. Our customers and their needs will be front and centre as we explore our opportunities to grow. We can only grow when our customers grow and, while we regret the restrictions placed on their growth by post-lockdown shortages, I can assure them that in 2021 we will spare no effort to progress on our journey of seamless, on-time supply.

Kobus Verster
Chief executive officer

Weathering the storm – a message from the chief financial officer

It is difficult to avoid reviewing a quite unparalleled year other than through a chronological lens.

Financially, and in many other ways, for ArcelorMittal South Africa the first half of 2020 was a time of distress; stated plainly, our business model was tested. Then, remarkably, after going through an extended period of immense uncertainty and unpredictability, our company ended the year with two quarters of EBITDA profits. (Even in 2019 we did not manage such an achievement, the business suffering a headline loss of R3.3 billion in those 12 months. That came after 2018 which was, in almost all respects, the most exceptional and the most positive year the world steel industry had experienced in more than a decade.)

But what on the surface may appear to be an encouraging turnaround in our fortunes, from H1 to H2 2020, demands some explanation.

Results for the year

H1 2020

At the beginning of 2020 the South African economy, and many of our customers and the sectors on which we depend, remained in extremely poor health. January began relatively positively as our operations worked to fulfil an order book which was showing some promise. But even then, the international spectre of Covid-19 was looming over the company – and we had to factor into our planning a large and growing number of uncertainties and very real risks.

Already in Q1, while our plants achieved a pleasing level of stability, their ability to produce and dispatch on time was hampered by factors over which they had limited control. Chief among these factors were Transnet Freight Rail disruptions and Eskom load shedding (logistics challenges – essentially rail difficulties – accounted for an estimated 54 000 tonnes in lost production in the first quarter alone).

At the same time that we were unable to produce and sell steel for part of Q2, the rand depreciated sharply against the USD. Readers of our integrated reports of recent years will know that a common narrative has had to do with how a weaker South African currency generally works in our favour. Such were the extraordinary circumstances playing out this year, however, that this simply wasn't the case; because of Covid-19, steel sales collapsed and we received virtually no benefit from a rand/USD exchange rate which reached R19/USD in April – from R14/USD at the beginning of the year. In fact, because so much of our contracted input cost was dollar denominated, quite the opposite was the case.

Towards the end of Q1 the country went into Level 5 lockdown which continued throughout April until the most severe restrictions on business, production and the movement of people were succeeded by Level 4 at the beginning of May. Obviously, being allowed to have only half of our employees on site hampered output, and sales suffered accordingly – at the time that customers were very cautiously assessing their own order books and prospects.

Flat steel (R/t)

Average NRP 2020	10 275
Total cost 2020	9 307
Average NRP 2019	9 620
Total cost 2019	8 965

Abridged income statement

	2020 Rm	2019 Rm
Revenue	24 643	41 353
Cost	(24 606)	(41 985)
EBITDA	37	(632)
Depreciation and amortisation	(556)	(830)
Exceptional items	(405)	(897)
Loss from operations	(924)	(2 359)
Net financing cost	(1 123)	(969)
Net impairments	(39)	(1 401)
Fair value adjustments on investment properties	(118)	72
Reclassification of foreign currency differences on liquidation of foreign investment	280	–
Equity income	13	(17)
Taxation	(62)	70
Loss for the year	(1 973)	(4 604)
Headline loss	(2 037)	(3 265)
Headline loss per share (cents)	(185)	(297)

As we ramped up production towards the end of Q2, we were again challenged by supply chains which took considerable time to return to more normal modes of operation.

H2 2020

At the half-year mark we sought guidance from multiple stakeholders on how they saw themselves recovering from a sudden economic devastation which had cut South African GDP by almost double digits, a systemic shock which affected manufacturing more than most. All indications from this interaction showed that the downstream expected its steel demand to be as much as 40% lower than that of the full previous year, at least for the rest of 2020. Given the cash challenges, with no revenue coming in but having obligations to meet (in particular) our fixed-cost commitments, it was absolutely imperative for our survival that we adjust our operations accordingly. (The effects of Covid-19 had been so pronounced that in Q2 we had experienced a negative free cash flow of R853 million.)

Such were the difficulties in picking up production from the government-mandated standstill that, although we worked through inventories, crude-steel production amounted to just 14% of the amount budgeted for the quarter.

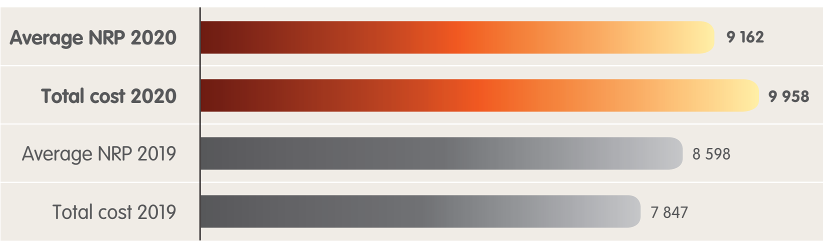
Then, in Q3 when the first glimmers of hope for real domestic and regional economic revival began to show themselves, we experienced start-up problems with, especially, blast furnace N5 in Newcastle (see page 18). As we processed stock levels and worked to overcome restart setbacks, shipments fell by 476 000 tonnes relative to the same quarter in 2019.

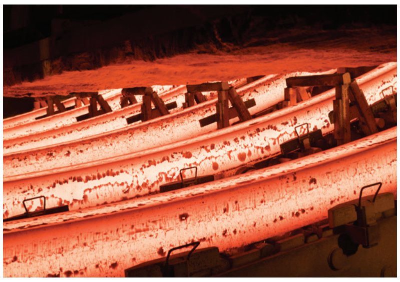
By Q4 it was apparent that the intelligence received from stakeholders had been unduly sceptical and that, in fact, markets were set for a stronger rebound than we or our customers had anticipated. As we did everything possible to satisfy our customers' needs we restarted, with great application, our iron- and steel-making functions (described in detail elsewhere in this report).

Abridged balance sheet

	2020 Rm	2019 Rm
Current assets	12 476	13 739
Cash balance	3 340	1 988
Inventories	7 348	8 700
Trade and other receivables	1 623	2 837
Asset held for sale	135	–
Other current assets	30	214
Non-current assets	9 333	9 794
Property, plant and equipment	7 675	7 966
Investment properties	983	1 080
Equity-accounted investments	205	268
Investment held by environmental trust	378	348
Other non-current assets	92	132
Total assets	21 809	23 533
Current liabilities	12 792	12 340
Trade and other payables	8 420	9 391
Provisions	770	1 080
Borrowings	2 450	1 150
Other current liabilities	1 152	719
Non-current liabilities	6 673	6 716
Provisions	1 832	1 761
Borrowings	4 514	4 208
Other non-current liabilities	327	747
Shareholders' equity	2 344	4 477
Total liabilities and equity	21 809	23 533

Long steel (R/t)





Weathering the storm – a message from the chief financial officer continued

EBITDA performance

In the last three months of the year we began to experience what might be expected to resemble a more normalised financial performance going forward.

Despite sales volumes growing strongly as the economy regained strength in Q4, at just over 1 million tonnes, total sales in H2 were actually slightly down on those of H1, an outcome which derived largely from the long-steel production difficulties already mentioned and a sharp fall-off in export sales. Rand weakness supported pricing – when, internationally, USD-denominated steel prices softened by 4% for the year – but such was the magnitude of our foreign-exchange denominated payables position that for the year the company sustained a net forex loss of R415 million.

Some 6% higher in rand, our average net realised steel prices only partially offset a 47% drop in total sale volumes for the year which, in turn translated into a 40% decrease in revenue, to R24 643 million. Also informing a comparison of the two halves was a much stronger revenue performance by our market coke and by-products division which doubled volumes over those sold the previous year and at similar average prices.

The most striking feature of our overall performance in 2020 was the EBITDA contrast between H1 and H2 – a R985 million loss in the first six months being followed by a positive EBITDA of R1 022 million in the latter half. In explaining this turnaround one clearly needs to look beyond our second-half sales performance to other factors.

Cash and liquidity

Preserving cash was our finance function's utmost priority throughout 2020 – as it has been for several years. As working capital cycles wound down this year, managing cash became increasingly difficult. Because of heightened uncertainty surrounding every aspect of our business we were compelled to maintain higher liquidity reserves and our net interest cost rose by 10% to R269 million. (Our focus on cash and liquidity is discussed in some detail later in this report – see Strategic Objective 2 – page 32.)

I need to stress how absolutely essential our Business Transformation Programme (BTP) and decisive measures including section 189 and idling Saldanha were to our survival this year. Our achievements in 2020 on sourcing more realistically priced raw materials, particularly iron ore, are highlighted in numerous places in this report and I shall not dwell on this topic. It bears repeating, though, that the breathing space this afforded us – between, especially, iron ore costs whose international prices kept rising and volatile net realised steel prices – was invaluable.

Further explaining our half-on-half improvement in operational performance (despite all that we endured, the full-year operating loss decreased from R2 359 million to R924 million) one must appreciate the extent to which we restructured and even transformed our business. Without the section 189 process announced this year (our second in 12 months), the salary and wage cuts endured by our employees in 2020 and the BTP's continuing progress on fixed and variable costs we would have ended this year in a significantly worse position than we did. In 2020 our only property and plant impairment charge (R125 million) related to our closure of the Pretoria coke battery.

Despite various stringently applied cash-management measures we did not abandon our commitments to invest in necessary capital expenditure; this year capex outlays represented a R509 million drain on our cash reserves (2019: R1.5 billion.) (The effects of Covid-19 were so far-reaching, however, that we will be forced to seek some measure of relief on capex commitments previously agreed to with some authorities.)

Also encouraging, under the most challenging circumstances, was our net borrowing position. With almost R1 900 million released by reduced working capital, net borrowings ended the year little changed from 12 months earlier. Net of R585 million in group interest which was capitalised in the year, we enjoyed a positive free cash flow of R117 million (2019: a negative R1 350 million).

Throughout the year foreign-exchange fluctuations made meeting the covenant agreements of our borrowing-based facility particularly challenging. Although not on the scale of recent years, total impairments this year (R125 million) added to our covenant challenges. Of greater significance was rand weakness which, as mentioned, translated into a large foreign-exchange loss and a heightened interest bill. Once again, this year the ArcelorMittal group extended to us new, subordinated, funding, of R306 million. This brought their total loans to our business to R4.514 billion. As my iron- and steel-making and sales and marketing colleagues as well as our chairman make clear in other parts of this report, the ongoing support from the world's leading steelmaker again proved to be of inestimable value.

Once again, in 2020 we were subjected to above-inflation tariff increases imposed on us by state owned enterprises, Eskom and Transnet. Along with many of our customers, we continue to chafe under the negative effects which these disproportionate increases have on the steel and manufacturing sectors' international competitiveness.

Abridged cash-flow statement

	2020 Rm	2019 Rm
Cash utilised in operations before working capital	**(1 029)**	(1 366)
Working capital	**1 896**	1 609
Cash generated from operations	**867**	243
Net financing cost	**(269)**	(244)
Income tax received	**24**	130
Capital expenditure	**(509)**	(1 491)
Finance lease obligations repaid	**(35)**	(37)
Borrowings raised	**1 300**	850
Other	**(4)**	9
Increase/(decrease) in cash, cash equivalents and restricted cash	**1 374**	(540)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	**(22)**	3
Net increase/(decrease) in cash, cash equivalents and restricted cash	**1 352**	(537)
Cash, cash equivalents and restricted cash	**3 340**	1 988
Borrowings (current and non-current)	**(6 964)**	(5 358)
Net borrowings	**(3 624)**	(3 370)

Outlook

We are optimistic about steel demand in our key markets up to Q3 2021. Beyond that, projections and price expectations are less certain. As the chief executive officer has noted, however, we entered the new year in substantially more robust shape than we had been for some time and so we have embarked on 2021 as a business much better prepared for a downturn than we entered 2020. This was achieved through multiple sacrifices made by many stakeholders; it was also achieved through ongoing, solid progress by the BTP.

In assessing our prospects, I hope that stakeholders will take note of the fact that, this year, we doubled our supply-chain funding to R2 billion through Absa Bank with support from the International Finance Corporation (IFC).

As many readers will know, the IFC is a sister organisation of the World Bank and is the largest global development institution focused on the private sector in developing countries. After years of negotiation, the IFC has joined Absa Bank on our supplier-finance programme by providing funding of USD70 million, or approximately R1 billion. This is the first time that the IFC has participated in a supply-chain finance programme in Africa.

Other exciting opportunities which we will vigorously pursue in 2021 are focused on Saldanha (see page 40, Opportunities to diversify revenue streams and to generate more annuity income.)

Now much more right-sized than at any time in our recent past and with a greater focus on that all-important C – the customer – from 2021 our people will all enjoy greater headroom as they work to improve our control environment, to do things differently and more sustainably.

Desmond Maharaj
Chief financial officer

2020 highlights and five-year performance review

2020 highlights

		2020	2019	2018	2017	2016
Revenue	Rm	**24 643**	41 353	45 274	39 022	32 737
EBITDA	Rm	**37**	(632)	3 608	(315)	190
By segment: Flat	Rm	**414**	(574)	2 670	264	(392)
Long	Rm	**(683)**	(369)	808	(945)	286
Coke and Chemicals	Rm	**295**	250	370	365	172
Other	Rm	**11**	61	(240)	1	124
EBITDA per tonne sold	R/t	**17**	(154)	803	(74)	47
EBITDA margin	%	**0.2**	(1.5)	8.0	(0.8)	0.6
Headline earnings/(loss)	Rm	**(2 037)**	(3 265)	968	(2 518)	(2 589)
Production (tonnes of liquid steel)	000 tonnes	**2 307**	4 411	5 092	4 910	4 771
Flat	000 tonnes	**1 538**	2 897	3 561	3 458	3 221
Long	000 tonnes	**769**	1 514	1 531	1 452	1 550
Sales	000 tonnes	**2 189**	4 112	4 491	4 257	4 087
By segment: Flat	000 tonnes	**1 426**	2 659	3 098	2 995	2 736
Long	000 tonnes	**763**	1 453	1 393	1 262	1 351
Sales by market						
Domestic	000 tonnes	**1 871**	2 967	3 337	3 302	3 275
Africa Overland	000 tonnes	**148**	200	221	204	218
Blue-water exports	000 tonnes	**170**	945	933	751	594
Net cash/borrowings	Rm	**(3 624)**	(3 370)	(475)	(3 262)	(290)
Capacity utilisation (liquid steel)*	%	**35.5**	67.9	83.5	81.0	78.2
Productivity – tonnes of HRC equivalent/total FTE	t/FTE	**361**	472	496	478	471

* *Saldanha included.*

Five-year benchmarking

		2020	2019	2018	2017	2016
EBITDA margin						
ArcelorMittal global*	%	**8.1**	7.4	13.5	12.2	11
ArcelorMittal South Africa^	%	**0.2**	(1.5)	8	(0.8)	0.6
EBITDA per tonne production						
ArcelorMittal global*	USD/t	**62**	61	122	99	75
ArcelorMittal South Africa^	USD/t	**1.0**	(9.9)	60.6	(4.8)	3.2
USD/t cost (revenue less EBITDA)						
ArcelorMittal global*	USD/t	**709**	774	784	707	602
ArcelorMittal South Africa^	USD/t	**683**	707	701	601	541
China import prices, ArcelorMittal South Africa cost and prices						
China hot rolled coil (price)#	USD/t	**651**	673	775	671	483
Vanderbijlpark hot rolled coil (cash cost)^	USD/t	**473**	556	547	530	386
ArcelorMittal South Africa hot rolled coil (domestic prices)	USD/t	**615**	688	760	639	464
China rebar (price)†	USD/t	**595**	640	700	631	464
Newcastle rebar (cash cost)^	USD/t	**608**	585	615	597	444
ArcelorMittal South Africa rebar (domestic prices)	USD/t	**487**	538	602	558	435
International raw material basket						
– Flat†	USD/t	**298**	307	296	277	217
South African raw material basket (including transport)						
– Flat (Vanderbijlpark)^	USD/t	**249**	306	315	321	216
– Long (Newcastle)^	USD/t	**322**	357	356	338	247

* *ArcelorMittal global reported figures.*
\# *ArcelorMittal South Africa's previously published results.*
^ *USD/t selling price into South Africa. China import price equals China export (FOB/t), 1 plus sea freight, trader margin, South African logistics and safeguard costs.*
† *Platts/MB.*

Strategic objective 1: Towards zero harm

In 2020, keeping our people safe at all times remained our first priority while health concerns became of greater concern than at any time in our history. Increasingly, our zero-harm ambition extends to our environmental impacts – and any effects these impacts may have on our employees and communities.

Three-year key performance indicators

KPI 1 Work-related fatalities

2020	2019	2018
1	1	1

KPI 2 Lost time injury frequency rate (LTIFR)

2020	2019	2018
0.58	0.44	0.53

KPI 3 Total injury frequency rate (TIFR)

2020	2019	2018
7.21	6.57	6.91

KPI 13 Environmental spend (Rm)

2020	2019	2018
44	151	105

Workplace safety

Mourning four colleagues

On 17 February 2021 the ArcelorMittal South Africa community was shocked by our worst single industrial accident in eleven years.

As has been widely reported, three of our colleagues lost their lives when a section of a 90m coke battery stack at Vanderbijlpark fell on the control room in which they were working.

The three men killed in this tragedy were coordinator Thami Molefe, 52, and coke makers Mpho Madumisa, 29, and Lesenyeho Mofokeng, 31. Molefe is survived by his brother and a child, Madumisa by his wife, three children and his mother, and Mofokeng by his fiancée, a child and his parents. Between them the deceased had 45 years' service to the company.

The deaths of Molefe, Mofokeng and Madumisa came three months after another colleague, senior millwright, Sifiso Nxumalo, succumbed to injuries he sustained in September when Newcastle Works' blast furnace had a sudden reaction and he was gravely burned by vented hot air, gas and dust. Nxumalo was treated in hospital for eight weeks but died on 13 November 2020. Mr Nxumalo, who was 36 years old and had worked at the company for nine years, is survived by his mother and five children.

Shortly after February's tragic incident, a senior independent legal expert was appointed to chair an inquiry committee. The company was co-operating fully with the investigation and inquiries made by relevant authorities. At the time of reporting, the inquiry process was still ongoing and it would be prejudicial to the committee's deliberations to speculate on details of the incident including possible causes. The company will, however, disclose all relevant findings upon completion of the investigation.

Because of Covid-19, lockdown impacts and lower production, in 2020 some 15 million fewer man hours were worked than in the previous year. Inevitably, this reality and the disrupted production patterns experienced this year impacted the company's safety performance for the 12 month period, as measured by our key indicators. In 2019 we were able to report our best ever safety record, measured by the total injury frequency rate (TIFR) and lost time injury frequency rate (LTIFR).

Not surprisingly, in absolute terms, we suffered fewer work-related injuries this year than in 2019 – 14 lost time injuries versus 17 the previous year, nine restricted workday cases (16 in 2019) and 185 total injuries (267 in 2019). This year our TIF and LTI rates deteriorated relative to those of 2019 (7.21 versus 6.57 and 0.58 versus 0.44, respectively) although we must stress that 2020 was a most abnormal year and that no trends should be deduced from these measures. These rates were also worse than those of 2018 but represented improvements on those from 2017.

The effects that strictly adhering to new health protocols – to prevent infections – had on our overall safety culture cannot yet be established.

Covid-19 response

In 2019 a company-wide occupational disease rate of 0.0 was recorded. While monitoring and proactively combating potential health hazards has to remain a priority, at the beginning of this year workplace health threats were, understandably, considered to be well contained. That was until very early in the year when it quickly became apparent that Covid-19 posed very substantial health threats to our thousands of colleagues and contractor employees.

Tragically, by 8 April 2021, 17 employees had succumbed to Covid-19. These individuals were based at Vanderbijlpark (12 deaths), Durban (two), Newcastle (two) and Vereeniging (one). By the same date, 700 employees had tested positive.

Directors were regularly informed (not just at scheduled board meetings) about the company's responses to the pandemic, about infections and measures taken to prevent infection and to support employees.

Following extensive consultation with the chief executive officer, chief operations officer and the full executive committee, our in-house health and safety department headed up development and daily implementation of our Covid-19 policy. Regular online interactions were held with ArcelorMittal group health and safety and procurement experts – at which many useful lessons from around the world were shared and implemented locally. All occupational health practitioners, their support staff and health and safety managers were consulted by the leadership of the health and safety department, initially, on a daily basis and subsequently, weekly. Occupational health practitioners took part in training offered by the National Institute of Communicable Diseases, initially fortnightly. Each department appointed a health and safety representative who reported on risk assessments weekly, for action to be taken by health and safety professionals.

Our legal, general counsel and stakeholder-relations professionals and senior executives liaised regularly with provincial, local and national government officials on the implementation of pandemic-related regulations (see page 46).

During level 5 hard lockdown many corporate and management members worked from home. Our IT department ensured that they all had the necessary tools and that communications remained secure. A specialist company was hired to do home visits when required to conduct Covid-19 tests.

Thousands of safety communications collateral including posters urging safe behaviour, were displayed at seven sites. All employees were temperature screened daily, were required to wear face masks at all times and practise safe distancing. Some 1 000 electronic questionnaires on symptoms and exposure were completed daily.

After workplace restrictions were eased, the company provided free transport which was operated strictly according to government guidelines including maximum occupancies, the wearing of masks and keeping windows open. Similarly strict protocols were enforced in communal areas including canteens and change rooms.

Some statistics on our pandemic response:
- Over R3 million in direct costs incurred
- 30 000 reusable masks given to staff and contractors
- 40 hand-held thermography thermal cameras bought at a cost of over R650 000
- 12 000 litres of sanitiser distributed
- 800 litres of soup and 100 loaves of bread distributed to less fortunate community members every day
- 900 food parcels given to vulnerable households in Barrage, Overvaal and Evaton North, in the Vaal Triangle
- 2 300 masks distributed to NGO workers and communities in Gauteng and Newcastle
- 62 children of employees were reached via online learning provided by the company-sponsored Sebokeng Science Centre.

Strategic objective 1: Towards zero harm continued

However, it is worth noting that Vanderbijlpark, our largest operational site, recorded its best safety performance on record. (Traditionally, Saldanha – which ceased production in Q1 2020 – has been our safest business unit, in most years contributing the lowest rate of injuries.) Key safety achievements at Vanderbijlpark in 2020 were:

- LTIFR 0.30 (2019 – 0.47)
- Disabling injury frequency rate 0.52 (2019 - 0.75)
- TIFR 4.55 (2019 – 5.84)
- A record 218 days without an LTI at end December 2020.

Safety priorities in the year

This year across the company we stepped up our focus on proactively eliminating risks which could cause potential serious injuries and fatalities (PSIFs). Through this drive we believe we further entrenched a culture of identifying and implementing controls to prevent serious incidents and fatalities.

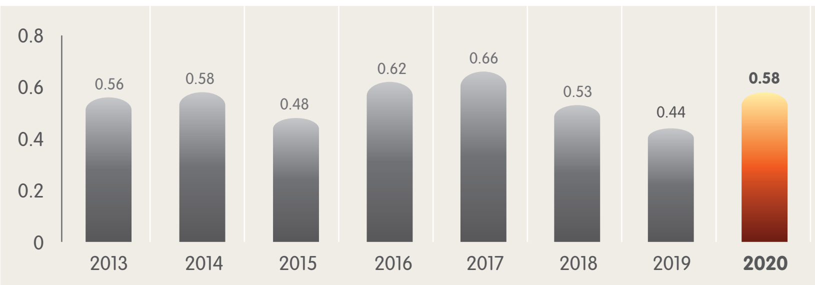
All high-risk tasks were thoroughly scoped and detailed risk assessments carried out and simulated. Hazard identification and risk assessment (HIRA) Lite and step-by-step HIRA exercises were made compulsory before the start of any job as conditions might have changed suddenly.

Closing the loop on all incidents was a management safety focus in 2020. This included closing out and verifying lessons learned from the ArcelorMittal group. By year-end, 100% of all identified risks were closed out. Compliance audits were done on all 11 fatality prevention standards while management attempted to more proactively undertake shopfloor audits, although for several months this was hampered by the need to minimise personal contact.

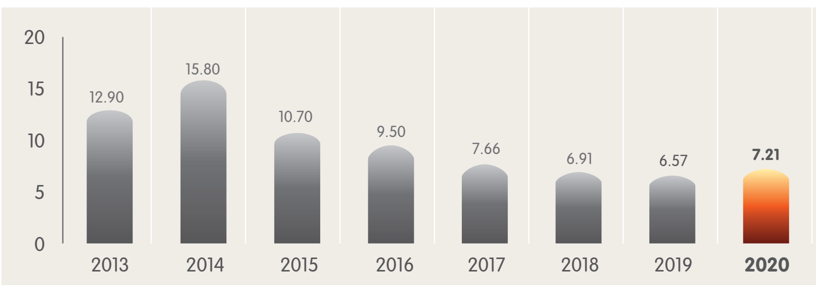
Environmental safety

The need to preserve cash this year reduced our environmental capital expenditure from R151 million the previous year to R44 million. Despite the disruptions of the year and our shortage of cash, in 2020 we made some very important advances on improving our environmental impact.

Lost time injury frequency rate



Total injury frequency rate



Emissions to air

In absolute terms, emissions of particulates (dust), sulphur dioxide (SO_2) and nitrogen oxide fell by almost a third, on lower iron and steel production while emission amounts measured per tonne of steel increased.

Although the company makes every effort to mitigate air emissions within the context of the atmospheric emissions licences (AELs) issued to the various business units, occasional upset conditions are experienced. This year the licensing authority was notified on two occasions of incidents in which dust emissions from the Vanderbijlpark sinter plant exceeded the prescribed standard for more than the allotted time period.

The authority (the Gauteng Department of Agriculture and Rural Development – GDARD) was also informed of an incident in April 2020 involving a ruptured gas pipeline in the vicinity of the blast furnace area which resulted in the localised, brief release of emissions. Vanderbijlpark Works' internal emergency response team was dispatched to the scene and the affected area was isolated. No injuries were reported.

As described in our 2019 report, three businesses – Vanderbijlpark, Pretoria and Newcastle – applied to the national Department of Environment, Forestry and Fisheries in 2019 for either the postponement or suspension of compliance timeframes to achieve new plant emission standards and/or alternative emission standards for certain processes under the provisions of the Air Quality Act. In early 2020 we were issued with the decisions in respect of these applications.

In essence, the requests tabled by Vanderbijlpark Works pertaining to an alternative hydrogen sulphide (H_2S) emission standard for the coke batteries and an alternative SO_2 emission standard for the direct reduction kilns were partially granted with certain conditions being attached. Despite this, the department's decisions were appealed by an "interested and affected party" shortly after issuance. As such, the outcome of the appeal process is still awaited.

The suspension application for Pretoria Works was granted, permitting operation of the sole battery at the facility in accordance with existing plant emission standards until March 2030.

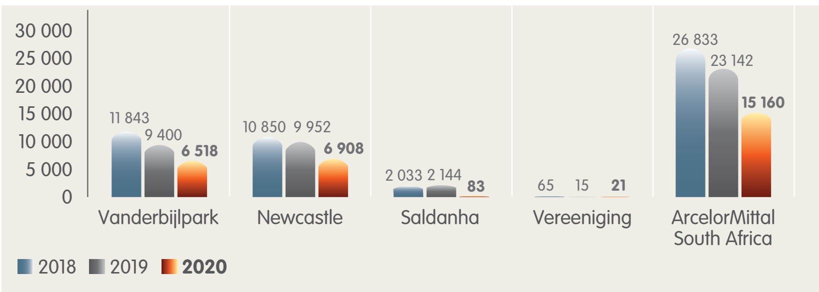
Newcastle Works received a partially favourable decision with regards to its postponement application; the dust emission standards for the sinter main stack and coke batteries were revised, which makes sustained compliance attainable in the interim. However, the proposed alternative H_2S emission standard for the coke batteries was declined with the proviso that additional H_2S sampling be conducted and reports submitted to the relevant authority until March 2022, after which the limits will be determined.

In March 2019, following board approval, work began on an approximately R1 billion upgrade of Vanderbijlpark Works' coke gas-cleaning facility, to reduce sulphur-related emissions. This year, after orders were placed for this very large project, apart from some minor delays in the design segments of the project schedule, the main components of the initial phase were mostly progressing as planned. However, shortly after the basic engineering design was completed, we were notified by the principal contractor (based in Italy) of potential supply-chain delays caused by Covid-19. At the time of reporting, the enduring effects of these disruptions were being assessed. It is certain, though, that the originally scheduled commissioning date in 2021 will need to be postponed. Since this particular project was pivotal to the compliance notice issued by the Gauteng Department of Agriculture and Rural Development in 2018, further engagement with the authority will be required.

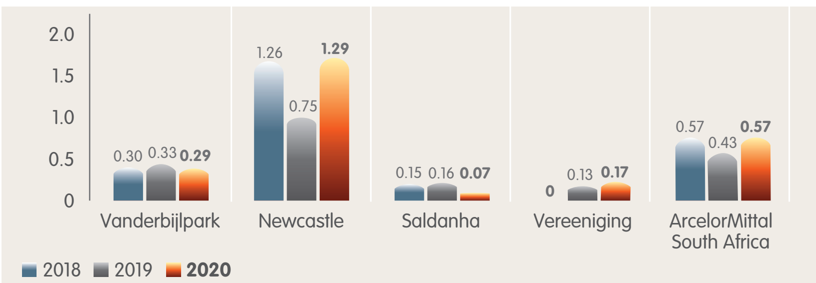
Summons was served on the company in 2019 instituting criminal proceedings for three alleged transgressions of the AEL issued to Vanderbijlpark Works. This year the court accepted our plea agreement in relation to sulphur emissions at the coke plant from January to December 2016 and the company was sentenced to a fine and ordered to make a payment to the national environment department amounting to R3.64 million. Other charges pertaining to the alleged illegal operation of certain processes, in the absence of an AEL, were set aside.

In July 2020 Saldanha Works was issued with a pre-compliance notice concerning alleged non-compliances with the National Environmental Management Act, Air Quality Act and Water Act. The notice involved the storage of chemicals, groundwater monitoring results and the use of treated sewage water purchased from the local municipality. We responded to the allegations in September 2020. To date, a response from the relevant authority is yet to be received.

Total SO_2 emissions (t/annum)



Particulate emissions (kg/t liquid steel)



Reverse osmosis plant Newcastle.

Strategic objective 1: Towards zero harm continued

Water management

This year shutting down certain operations at Vanderbijlpark Works placed added pressure on other parts of this integrated plant, in particular steel rolling. (Typically the "dirty water" produced by rolling is consumed by the iron and steel-making parts of the plant but, with scaled-down production, there was no ready off-take for this water.) Despite efforts to prevent the discharge of effluent in accordance with the water use licence (WUL), the sporadic release of process water during 2020 was unavoidable. These incidents were reported to the relevant authority as required in terms of the WUL.

At Vereeniging Works, the authority was notified of the occasional exceedance of certain prescribed water quality standards. Newcastle Works maintained its zero-effluent discharge (ZED) status in 2020. In absolute terms, overall water consumption was 15% lower than 2019 although, on a per tonne measure, was significantly higher.

By-products

In addition to ongoing initiatives to minimise the disposal of by-products to landfill, ArcelorMittal South Africa constantly seeks to identify new markets and off-take agreements for these outputs. A landmark development for the company this year, both commercially and in terms of its environmental impact, was a ruling in our favour by the Supreme Court of Appeal concerning the sale of BOF slag from Newcastle Works.

A compliance notice issued to Newcastle by the environment department in 2015 effectively required any customer buying BOF slag from us to be in possession of a waste management licence. Having to apply for such licences is a major disincentive for potential buyers of our BOF slag. We have consistently argued that this is a by-product, not a waste material.

BOF slag is recycled for a number of uses including road construction and agricultural soil conditioning. By selling such slag we add value and produce an input material which has various positive social benefits.

In 2020 by-product generation fell by approximately 37%.

Disposal sites

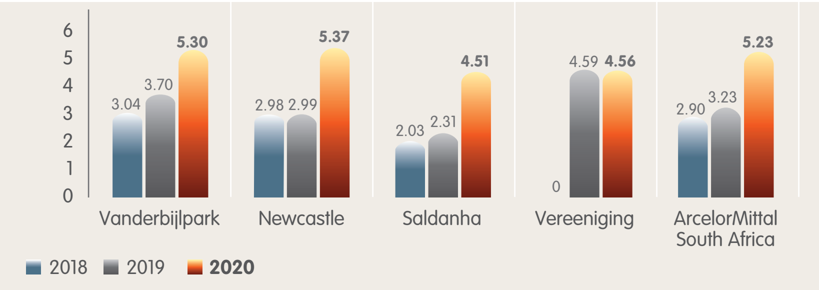
Significant strides were made this year on the rehabilitation of defunct disposal sites. Approximately R15 million has been spent in the last two years to address potential environmental impacts emanating from two historical disposal facilities linked to operations at Vereeniging Works. A third disposal site is scheduled for rehabilitation in 2021.

This year we signed an agreement with a local university of technology in terms of which plants which can be sustainably harvested and are suited to growing on the metal content of our "dumps" will be planted at these sites. The university's academic staff will undertake data collection and model validation. It is hoped that this exciting scheme will prove to be commercially viable while enabling our disposal sites to be used to create social and natural capital.

Climate change

We believe that how we respond to the global warming challenges facing the world and our industry in particular will be fundamental to our sustainability. For this reason, we report on our climate change responses and reporting under Strategic objective 3 (Sustainability for the long run – page 36).

Fresh water intake (kℓ/t liquid steel)



Outlook

Upon completion of the formal independent investigation into February 2021's triple tragedy at Vanderbijlpark, our executives and safety professionals will closely interrogate any and all findings to determine what, if any, action should be taken.

In addition, in 2021 our safety efforts will be focused on maintaining Fatality Prevention Standard Level 3 while the highest levels of the executive will be required to demonstrate leadership on action around PSIFs. Such leadership will include top executives each spending at least two hours on the shop floor to identify such hazards and propose mitigating controls (with a target of one PSIF per executive per month). Permanent safety meetings will be instituted at all levels of the company.

Given a return to more normal production and sustainable profitability, our leadership has committed itself to raising our investment in mitigating our environmental impacts. Work on the Vanderbijlpark coke gas-cleaning plant will be pursued together with finding a suitable sustainable outcome.

SA's biggest opencast mine rehabilitation

In 2020 we spent almost R100 million on rehabilitating our Thabazimbi iron ore mine. To date some 267 hectares of 1 100 hectares disturbed by mining operations at Thabazimbi have been reshaped (work which includes returning the profiles of slopes to more natural inclines). In 2020 alone 24 hectares were reshaped, meaning that work on more than 40% of the 634 hectares requiring reshaping has now been completed. In the year reported, 32 hectares were planted, bringing to 216 hectares the area planted so far. Almost 5 000 "tufts" of grass were planted in 2020 as were 4 800 trees.

The rehabilitation project has created 47 full-time jobs on site while another 150 contractor positions are supported by iron ore beneficiation on site.

Since 2017 ArcelorMittal South Africa's Thabazimbi iron ore mine rehabilitation liability has reduced to under R1 billion.

To improve safety, bulldozers undertaking potentially hazardous reshaping work at Thabazimbi iron ore mine are operated remotely.

Strategic objective 2: Preserving cash

All primary steel businesses are risky, being tied to uncertain demand and unpredictable input costs. Without access to cash, we risk going out of business; in 2020 Covid-19 only exacerbated our cash risks.

This strategic objective, similar to the Strategic objective 2 of previous integrated reports, “Delivering sustainable profits throughout the steel cycle”, is intimately tied in with Strategic objective 3 in this 2020 report. Cash management is critical to our sustainability – the focus of Strategic objective 3 – and so there is some duplication between this and the following section of our report.

Managing cash flow has been the highest strategic priority of ArcelorMittal South Africa’s management since the worldwide economic crisis of more than a decade ago. Under lockdown, it became even more imperative.

Sustainable USD savings per tonne

The most accessible metric with which to understand our achievement of competitiveness and, therefore, financial sustainability, is in terms of USD-denominated costs per tonne of steel. (Costs per tonne also disclose the rate at which we consume cash in producing the steel we sell.)

By December 2020, since the inception of our Business Transformation Programme (BTP) in 2018, we achieved sustainable cost savings of R3.8 billion. In 2020 our BTP ambitions were compromised by sharply reduced market demand and, as a result, our total, risk-adjusted saving for the year was only half of the R3.2 billion initially budgeted for – an additional, internally audited, amount R1.5 billion

In 2019 we reported that efficiency gains – especially production and maintenance advances – accounted for almost half (47%) of the BTP savings of USD24/t achieved in that year. This year, however, the pandemic’s effects were so profound and so multi-faceted that they undermined our BTP plans in many ways, including our plans to make sustainable efficiency and productivity gains – for example, process debottlenecking. Despite these short-term challenges, BTP achieved savings in 2020 alone of R1.5 billion, on top of the R2.3 billion in the previous, approximately, 18 months.

In the Outlook part of this strategic objective we explain the budgeted cost (and cash) savings we anticipate in 2021. These are realistic and substantial but quite unlike anything we have previously communicated to stakeholders. Achieving them is fundamental to our sustainability (Strategic objective 3).

In mid-October 2019 we shut down blast furnace C at Vanderbijlpark. In January 2020 greater demand required us to restart blast furnace C but start-up challenges were encountered. Added to these difficulties was a shortage of iron ore (for three days no supplies were received because of rail disruptions) and load shedding. For the first time ever, Newcastle’s blast furnace N5 was forced to stop, albeit briefly, because of a lack of iron ore caused by rail disruptions. By February, both of Vanderbijlpark’s blast furnaces were running optimally but, just weeks later, under lockdown, in March blast furnace C was stopped, followed by blast furnace D a week later. Paradoxically, Vanderbijlpark’s blast furnaces – and other parts of the operation – were operating extremely well by March, when production was halted. At the end of May, blast furnace D was restarted with the first hot material being available in the first week of June. In September we announced that blast furnace C would be restarted in January 2021, subsequently brought forward to December.

Three-year key performance indicators

KPI 8 Cash generated from operations before working capital (Rm)

867	243*	2 282
2020	2019	2018

** Restated as realised foreign exchange movements were reclassified to cash from operations previously classified as finance costs.*

KPI 9 Net cash/debt position at year-end (Rm)

(3 624)	(3 370)	(475)
2020	2019	2018

KPI 10 On-time deliveries

34.2	69.7*	57.1
2020	2019	2018

*** From 2019 we report our on-time deliveries excluding Saldanha Works.*

The phased, carefully timed reintroduction of iron-making was essential to adjust to falling market demand and to preserve cash. The operating costs of blast furnaces such as ours run to the order of approximately R18 million per day and without the ability to generate cash through sales, no primary steel producer can afford the costs entailed by blast-furnace operations. (Also the effects of having to again shut down and then restart equipment – blast furnaces in particular – translates into accelerated degradation.) The interruptions experienced in 2020 contributed to our worst on-time delivery rate on record (see above).

The decision to put Saldanha into care and maintenance was motivated not just by the fixed costs associated with this plant but also by high electricity costs and the plant's inherent iron ore cost disadvantage. Vanderbijlpark's manufacturing cost of coil is considerably lower than that of Saldanha and transport to domestic and AOL clients is some 70% and 30% cheaper respectively.

In 2020 Vanderbijlpark operated entirely on iron from cost-plus producers which Saldanha, without a sinter plant, was unable to receive. This year our iron ore cost per tonne was 17% lower than that for 2019. The significance of this achievement cannot be underestimated. In 2021, with a return to normal production and sales approaching those of recent levels, we expect more realistic iron ore prices to contribute a significant saving to our cost of production. A most important indicator of how we are making ArcelorMittal South Africa more financially sustainable is the fact that, in 2020, iron ore as a percentage of our raw material basket declined while, for international primary steel producers, it rose, from 49% to 58%.

This year we were extremely focused on preserving cash; under OneOrg we also embarked on a revitalised drive to overhaul our relations with customers. Our new sales and marketing strategy, to develop sustainable, more predictable revenue streams while growing market share, rests on three pillars, all of them underpinned by using technology to enable customer-centricity:

- Replace imports with better quality, similarly priced primary steel
- Develop value-added primary steel products in cooperation with the downstream
- Grow in addressable markets. This will be achieved through helping our customers to export and to grow the steel intensity of processes including piping and construction (where, for instance, steel is preferred to concrete, fibreglass or plastic).

The bounce-back in economic activity and steel demand was almost immediately apparent in Q2 2020 from a variety of sectors – for both flat and long steel. These sectors included (especially for flat) appliances and packaging; for long steel, mining, construction, bolts and nuts, and, for both flat and long, tubing, automotive and general manufacturing and engineering.

In South Africa and in our African markets, pricing remained extremely strong well into Q1 2021, as did the cost of shipping. Combined with lingering pandemic-derived logistics challenges, pricing and supply conditions which persisted well into the new year were favourable for local steel producers such as ourselves.

At the time of writing, positive South African government pronouncements – including ones on likely fiscal deficits, infrastructural spending, the short-term GDP outlook and localisation – were expected to buoy investor sentiment. Elsewhere, renewed investment in Mozambique's prodigious offshore gas resources only began to become apparent from February 2021.

In managing the difficult challenges of a hard lockdown, there was considerable disruption to various supply chains and we had to work together with stakeholders, especially with suppliers and customers, to mitigate the credit and other financial strains experienced by all parties in the value chain.

Market coke and by-products

Following the lifting of Level 5 lockdown at the end of March, all but three coke batteries were put into "hot idle". One of the three to keep operating was Pretoria's Battery 5 which had undergone extensive repairs at the beginning of the year, resulting in it being idled for six weeks. From 1 May idled batteries were successfully put back into operation but cutbacks and shutdowns by our major customers prompted us to initiate controlled cool-downs at several batteries.

In November we ceased coke production in Pretoria. Off-gases produced by coke production in Vanderbijlpark and Newcastle are used in the blast furnaces, a significant benefit we did not enjoy at Pretoria. Under OneOrg, we no longer have a separate structure devoted to sales of commercial or market coke. Rather, the production of coke for own consumption and sale is integrated and coordinated by the same management team. From 2021 we aim to sell a maximum of 400 000 tonnes of market coke per year. (In 2020, under depressed conditions, market coke sales were 200% relative to the 152 000 tonnes of 2019 although sales prices, at an average of USD292/t, were 88% relative to 2019.)

One of coke operations standout achievements in 2020 was converting the substantial amounts of coke imported by two of our largest customers to our own supplies. This will ensure more predictable cash flows from this, traditionally, EBITDA-positive part of our business.

Tar sales were impacted by poor demand and loss of production in Pretoria as well as from blast furnaces being idled. In the new year, we are considering importing tar to meet contractual obligations.

Cost of employment

Despite a steadily reducing headcount, our cost of employment continued to rise in each of the three preceding years. In 2019 this indicator, as measured by total cost of employment per tonne of liquid steel (TCOE/t) in rand terms, rose by 13% over the figure for 2018. In 2019 and 2020 concerted actions reduced our fixed costs (of which employment costs are a major constituent). However, as steel output plummeted this year because of lockdown and economic contraction, our TCOE/t rose, from R1 228/t to R1 721/t – another indication of what an abnormal year 2020 was for us.

Automation and digital transformation

This year was a landmark one for our company's digital/IT transformation. In 2019 we told stakeholders that our Business Transformation Programme aimed to reconfigure our operating model by simplifying management structures and "adopting common planning, scheduling and production systems and IT infrastructure and by improving the customer service experience". Investing extensively in IT and digital systems underpins the realisation of all three objectives.

Our implementation of robust IT security and defence mechanisms proved their worth when we came under an unprecedented cyber attack which was successfully thwarted (see page 11.)

In 2020 we spent R175 million on IT, bringing to more than R470 million the amount spent on maintaining and enhancing our IT ecosystem in the past three years. These new investments – in which the board took a close interest – underpin almost all aspects of our operations and are designed to further integration, to streamline and simplify data capture and decision-making while reducing the need for repetitive, manual tasks.

While ArcelorMittal group experts gave invaluable advice, we became the first operation in the group to (successfully) deploy the Microsoft Azure cloud-computing platform, a scalable agile solution which saved a significant amount on hardware costs. We also deployed Microsoft Azure Big Data analytics to provide a unified, scalable platform for self-servicing units and teams and for improving enterprise business intelligence reporting and report generation.

Using "data historian" software in support of Internet of Things, we equipped Newcastle engineers with advanced control, process modelling and batch analysis capabilities. Also this year we implemented our first artificial intelligence scheduling/sequencing model at Vanderbijlpark's continuous annealing plant. This scheduling model (which was developed in-house) aims to improve productivity and quality while lowering production costs. Following the successful pilot at the annealing plant, we plan to deploy similar models at all rolling plants.

For the first time, in 2020 we began deploying robotics to automate the creation of new base price decisions to improve customer experience. Ongoing automation will automatically reprice open orders and enable the automatic generation of sales orders.

Cutting production costs

On iron-making, at Vanderbijlpark, with lower production, we achieved pleasing progress on using 110mm tuyères instead of the conventional 120mm diameter. Using the narrower tuyères to inject oxygen into the blast furnaces improves fuel efficiency, this new approach being continued in 2021.

With reduced volumes in 2020, iron-making also achieved considerable success by increasing the production of direct reduction iron. Direct reduced iron only makes commercial sense at lower output levels. With more typical production, iron-making focuses closely on pulverised coal injection (PCI) rates. Since, particularly 2018, both Newcastle and Vanderbijlpark have made considerable strides in increasing PCI use over other more costly fuel sources, in that year Vanderbijlpark reaching a company record of 146kg/t of hot metal.

Newcastle's blast furnace N5 and Vanderbijlpark's blast furnace D are of very similar size and operations. Under OneOrg we have been able to deploy millwrights and other artisans to service both units whereas previously these business units generally operated in their own silos, even maintaining their own (costly) spares.

In Q1 2019 six maintenance streams were established with the intention of developing one repair and reliability capability for the company with, for the first time, a single executive assuming responsibility for company-wide maintenance. This programme was supported by ArcelorMittal group experts from Canada, Brazil and Luxembourg.

Previously each plant had its own maintenance methods and protocols. This meant considerable replication of effort and cost. From late 2019 a so-called Maintenance Transformation Programme aimed to embed company-wide systems and processes in 2020 but such plans were severely disrupted by Covid-19. Following the easing of restrictions, however, by Q3, programme deliverables executed rose to 90%.

Since 2017 we have benefited from our relationships with other parts of the ArcelorMittal group. Technical experts in various countries advise our production heads on practical measures to address feasibly eradicable costs. Known as Project Attack, this action plan is updated on a weekly basis and seeks to match our plants' performance against technical KPIs derived from benchmark group operations.

Energy efficiency

This year we continued to make solid progress towards reducing our energy costs by a third – but this progress is not reflected in our energy-consumption statistics because of the exceptional conditions pertaining in 2020.

As liquid steel production fell by three-quarters, our energy intensity per tonne rose by 4% with our total electricity cost per tonne growing 19%. The higher electricity cost derived from an 8.8% tariff increase and much reduced economies of scale. At R1.94 billion, total electricity spend was a third lower than that of 2019.

Following the mothballing of Saldanha, that plant's electricity consumption fell by 80% for the full year compared to 2019. Saldanha's closing is expected to have a positive effect on our overall energy intensity. The Saldanha electricity saving was partially offset by our increased reliance on the Vereeniging electric arc furnace where production rose from 83 000 tonnes to 114 000 tonnes in 2020.

In 2019 and 2020 reduced output meant that self-generated electricity's share of our total requirement dropped (relative to a 2018 baseline) by 16% in 2019 and 38% in 2020 off a 2018 baseline.

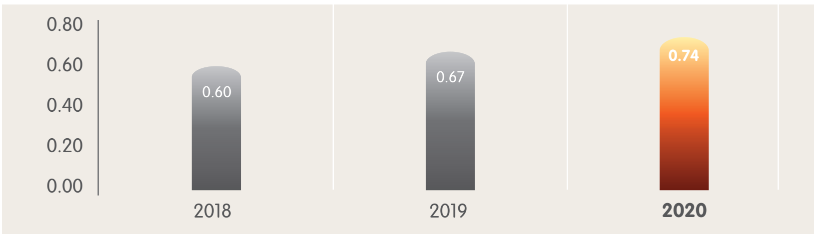
The new variable speed drive (VSD) project, started in 2019, saved 90 gigawatt hours (GWh) on our Eskom account. A second phase of the VSD project will target an additional 30GWh saving.

Under most atypical conditions, this year natural gas consumption per tonne increased by 78%. This large escalation related largely to the need to sustain idled coke oven conditions during lockdown – without us producing our own gas. This lack of own gas also affected bought-in gas consumption when starting up Vanderbijlpark's hot strip mill and boilers. As a result of the lack of internally produced gas, co-generation of electricity decreased by 26% (also measured per tonne of steel).

In June 2020 we announced a request for information (RFI) for independent power producers to enter into so-called embedded-generation power purchase agreements with ourselves for the supply of as much as 160MW of renewable photovoltaic capacity. The RFI stipulates that potential partners would be responsible for feasibility studies, financing and engineering, procurement and construction costs. If proceeded with on the scale announced, such an agreement would guarantee us reliable and cost-predictive supplies amounting to approximately half of our electricity need.

In Q1 2021 the company intends making two new applications for electricity tariff relief under the Department of Energy's new Short-Term Framework. The applications are being made in terms of the new framework provision for applications in terms of distressed operations (Newcastle) and new investment in production capacity (Saldanha). Punitive administered-price increases, in particular electricity, pose a real threat to the sustainability of Newcastle while a decision on partially restarting Saldanha – which would create hundreds of jobs – would be dependent on energy cost concerns.

Electricity usage (MWh/tLS)



Outlook

In 2021 we envisage selling approximately three million tonnes of both long and flat steel. This is a one-fifth reduction on the amounts sold in 2019 while we expect that considerable customer restocking in H1 will be sufficient to justify running three blast furnaces, we do not anticipate apparent steel consumption in South Africa and our AOL markets for the full year representing more than 90% of 2019 sales. At a level of approximately three million tonnes we now have a more appropriate fixed-cost structure than we have had in place for decades.

We expect HRC prices in the region of USD623/t with Black Sea pricing projected to be USD22/t lower than the international basket price – which determines the maximum amounts we can charge for HRC in terms of our agreements with the authorities. (It should be stressed that the prevailing basket price is a maximum; we face constant competition from opportunistic importers, including those receiving material from Black Sea exporters including Turkey and Russia.) We recognise that government's announced intention to impose taxes on the export of scrap metals (in the region of R1 000/t) would depress scrap prices and favour electric arc long-steel producers.

In raising our historically poor OTD performance, we are working urgently to rebuild inventory levels which, because of Covid-19 and the subsequent surprisingly rapid ramp-up in demand, fell to historical lows (in the case of long steel products, in Q3 2020 to a third of the levels of a year earlier). In Q1 2021, total flat and long inventories ramped up to 326 000 tonnes from 276 000 tonnes in Q4. As we integrate downstream production management with our sales and marketing functions more closely, we will be able to predict the market's steel-making and rolling requirements for both flat and long steel products more precisely. This will allow us to more dynamically control inventory levels while maintaining prudent, historically proven quantities, thus minimising working-capital demands.

By end-2020 we had booked cost savings of USD43/t. In 2021 we intend to achieve additional cost savings of USD47/t. This is a very substantial saving, one which we could only achieve on the back of the fixed-cost savings implemented in, especially, 2019 and 2020. In the year reported, our challenging cash situation, exacerbated by Coronavirus, was so severe, and our responses so decisive, that we ended the year having exceeded many of the cost (and cash) saving measures previously planned. The majority of these were achieved through fixed-cost reductions.

More than half of the saving of USD47/t will derive from fixed-cost savings, essentially the long-tail effects of actions taken in, especially, 2020. Savings on iron ore and semi-soft coal will, we predict, amount to a risk-adjusted USD10/t. Fixed-cost savings will, we envisage, produce savings of USD25/t. Over and above the fixed-cost savings achieved up to 2020, these savings will be realised through residual section 189 benefits, contractor re-basing and, in particular, footprint optimisation.

Strategic objective 3: Sustainability for the long run

We can sustainably create value for many stakeholders by ensuring our ability to predictably and profitably produce quality steel. In 2020, despite unparalleled difficulties, our business was set on a clear path towards growth.

Our 2020 financial performance bore no resemblance to the statistics of any other year and, in most instances, was a poor indicator of our future performance. However, this year marked very concrete progress towards creating a sustainable, profitable ArcelorMittal South Africa, one which is poised to win back customer confidence and to grow.

Our strategy to achieve sustainable growth is premised on three pillars:

- Revenue initiatives by increasing market share and growing into new markets
- Variable-cost reduction
- Fixed-cost reduction.

In last year's integrated report we noted: "In 2018 we indicated leadership's resolve to achieve a cost saving per tonne of steel of USD50/t by 2021. Management remains of the view that this is achievable but has instead chosen to focus on a target of USD58/t by 2023. With the impact of Saldanha Works' mothballing, these savings will rise to USD69/t. It is envisaged that the bulk of this reduction will have been achieved by 2021. The longer timeframe is to make evident the effect of strategic projects such as the drive to improve our raw material self-sufficiency."

Since the closure of Saldanha in Q1 this year we have rebased our savings lines and are now confident of exceeding the projections contained in our 2019 report.

Optimising our footprint

The closure of Saldanha Works early in 2020 will result in annual fixed-cost savings in the region of R1 billion. Because of its design, Saldanha consumed more costly pellets and imported coking coal; these premiums no longer apply to our continuing operations. Closing Saldanha entailed the loss of some 394 000 tonnes of export sales which we will not be able to replicate in the short term. However, in recent years much of these sales were achieved at sub-economic prices.

In 2020 and Q1 2021 we continued to evaluate the possibility of partially restarting, in the short term, steel production in Saldanha by making greater use of scrap steel than has hitherto been the case. This could have a very positive impact on the region's employment and economic prospects but can only be pursued if a sustainable input solution is developed. This will require various of our stakeholders including government and state-owned enterprises, to work with us on developing an integrated solution.

In 2020 thin HRC stocks received at Vanderbijlpark from Saldanha were sufficient to meet demand into Q2. Ramping up thin rolled coil at our flagship operation was a standout success of 2020. Vanderbijlpark is today able to meet 100% of demand for 1.4mm while the plant has proven its ability to make 1.2mm coil cost-effectively and reliably using cold rolling. (Coil below 1.2mm was previously produced in Saldanha and entirely destined for export, markets which we are unable to service from our inland facilities.) Although demand was depressed this year, from 2021 we are confident of fulfilling all domestic and AOL demand for thin HRC from Vanderbijlpark.

Following a detailed review of our Newcastle footprint, the board resolved to not close any significant long steel plants but decided that Newcastle would focus increasingly on South African and overland markets. Our leadership did decide, however, to close Pretoria Works' coke-making facilities.

Three-year key performance indicators

KPI 4 EBITDA per tonne (R/t)

2020	2019	2018
16	(143)	709

KPI 5 Return on capital employed (%)

2020	2019	2018
(10.3)	(21.1)*	19.0*

KPI 6 Steel market share (%)

2020	2019	2018
52	65	71

KPI 7 Liquid steel production ('000 tonne)

2020	2019	2018
2 307	4 411	5 092

* *Restated due to change in accounting policy under which investment property is measured under its fair value.*

This year our EAF plant proved its importance to our production mix when it helped to meet market demand from, especially, automotive customers after a burn-through at the blast furnace N5 cost some six weeks of production. This EAF plant in Vereeniging is also helping us to build up stocks ahead of a stave repair at blast furnace N5 in Q1 2021. (This repair is required because of damage sustained by the start-up burn-through and is expected to last for 60 days. However, once completed, the repairs add to the life and reliability of the furnace.)

From 2021, Evraz Highveld Steel will be supplied – up to 10 000 tonnes per month – by Vanderbijlpark (slabs) and blooms (Newcastle) in a ratio of 60/40.

We are continuing to pursue negotiations into possibly increasing our investment in the Mpumalanga facility which is likely to benefit from rail localisation – a key element in the Steel Master Plan.

We anticipate Evraz Highveld Steel producing significantly higher sales in the new year. This has been made possible because constraints on the supply of input materials, which have hampered production to date, will be obviated by our new production and sales models. At the time of reporting, a decision had yet to be made on our application for safeguards on selected long steel products – our first for non-flat product lines. This application was made to protect Evraz Highveld Steel from a damaging surge in subsidised imports.

Operating three blast furnaces with planned production of 3 million tonnes will be sufficient to meet both anticipated demand and to address our aspiration to grow market share. Lower capacity utilisation will allow us to improve fuel efficiency and facilitate improved reliability with a reduced workforce. In 2021 Vanderbijlpark intends operating two BOFs simultaneously.

From 2021, Business Transformation Programme (BTP) and section 189 actions will have a positive EBITDA impact of almost R2 billion a year, relative to a 2019 baseline. (This is in addition to the fixed costs saved as a result of Saldanha's closure.) Measures taken in 2020 right-sized our commercial/metallurgical coke production for the company's new reality while partially addressing our fixed-cost base (the closure of Pretoria coke battery reduced headcount by some 160 positions).

Customer focus

In 2020, apart from sharply lower production and sales, we suffered significant loss of market share. Our overall share of the South African market slumped from 65% in 2019 to an overall 52%. Such a precipitous drop in market share was almost unparalleled in our history and had multiple causes including:

- The competition we face is growing all of the time; this is true for both long and flat steel products and runs contrary to the common misconception that we are a protected monopoly
- Lockdown conditions either halted or limited our ability to produce while imports continued, despite some challenges around domestic transport from ports, particularly Durban and Richards Bay
- Post-lockdown demand was stronger than that anticipated by even most of the market itself and, as the rest of the world's primary steel sector experienced, supply infrastructure battled to support steel production
- Problems with restarting Newcastle's blast furnace N5 favoured long-steel competitors whose business processes allowed them to restart production sooner.

In getting closer to our customers, improving customer satisfaction and market share, our sales and marketing functions have been bolstered to ensure closer cooperation with, and understanding of, the downstream. As is reported elsewhere, the heads of our rolling sections meet regularly with customers, to better understand and predict their needs.

From 2021 we intend integrating our business more closely into customers' supply chains. This will require more dynamic inventory management, the widespread adoption of digital sales and ordering tools and working with customers to help them to replace imports of the finished goods they produce. We also intend to expand our value-added rebate scheme to support local manufacturing. In 2020 the value of such rebates was R130 million (2019: R233 million).

Our export performance was transformed in 2020 by the twin impacts of the Saldanha closure and the pandemic. Before this year, Saldanha traditionally accounted for approximately two-thirds of our total non-South African sales (which in 2019 amounted to 944 000 tonnes).

Covid-19 restrictions and a shortage of stock saw blue-water exports of flat steel fall by more than 90% and AOL sales by some 15%. In 2020 long steel blue-water exports declined by approximately 70% and sales in the AOL region by 14%.

In 2021 we plan to target AOL and blue-water export sales in excess of 450 000 tonnes, an increase of a third on those of 2020 but still well down on historical levels. Although we have recently enjoyed strong growth in blue-water exports of long steel products, much of these were achieved at extremely thin margins; going forward we will prioritise sales which support our priority of cash generation. For the foreseeable future, at least, this is likely to entail AOL making up a greater share of our exports than has traditionally been the case. From 2021, AOL markets will receive greater focus with the deployment of a dedicated, in situ, resource. Increasingly, our export strategy will be concerned with generating sales at meaningful margins; without our much reduced fixed-cost profile there is a reduced need to chase sales to defray such costs.

We now plan to get much closer to the downstream producers of value-added products. This includes our AOL customers who are already treating as if they were domestic customers; cementing relationships and building understanding of their changing business needs while adding flexibility into our credit arrangements with them. For all of our customers, in whichever market, we will be developing our digital offerings to make working with us quicker, simpler and more predictable. We also intend getting closer to customers to be more flexible, to strive to meet their expected delivery times and to assist in developing value-added components and products for export.

In 2020 we identified some 40 products which we were developing in association with clients. At year-end we had 18 products and improvements which were in the final stage of development and were due to be released in 2021 and 2022. These products will add an estimated 60 000 tonnes of additional annual sales. Our investment in such 'non-commodity' products will ensure we become the accepted market leaders in these important niches. For the first time, under OneOrg, the closer integration of our rolling and finishing teams with our customers means we will be able to offer just-in-time fulfilment for key commodity items.

Managing variable costs

Our progress on addressing historically punitive iron ore costs was one of our most outstanding strategic achievements in 2020. This was done through substantially loosening our reliance on locally sourced iron ore priced according to export parity. Iron ore this year represented 36% of our raw material basket (RMB) and 17% of our total variable costs (40% and 20% respectively in 2019).

In 2019, 61% of our iron ore requirement came from fixed price off-take contracts as opposed to an export parity pricing-based supply contract. For that year this represented a saving of R1.7 billion. In 2020, 88% of the company's iron inputs were derived from fixed-price contracts.

In reporting on our annual procurement savings, in recent years we have explained that these (such as the R1.7 billion saving in 2019 just mentioned) were "net of output volume factors". Given the marked decline in our overall output this year, comparisons with recent performance are of limited value. What can be stated with confidence is that procurement of raw materials in 2020 was extremely successful, our raw material basket, in USD, falling by 10% while the international basket rose by 11%. (For an illustration of how our flat raw material basket cost has performed relative to the international flat basket over the past five years, see page 25.) The Thabazimbi iron ore mine now figures prominently in our iron supply planning. Recently recommissioned, Thabazimbi iron ore mine has the potential to supply as much as 360 000 tpa in 2022 and 2023 (270 000 tpa in 2021). In August we announced the sale of our minority stake in Coza Mining (Coza) which has operations in the Northern Cape. At the same time we reached an off-take agreement with Coza in terms of which we will receive 1.3 million tonnes of ore annually from 2022.

In our previous integrated report we also noted procurement savings on maintenance, repairs and operations for the year of R1.1 billion. Much of these savings came about by rebasing contracts and moving ad hoc contracts to more formal ones, a process which began in 2018. With diminished room for restructuring service contracts, this year these savings would have amounted to estimated savings, "net of output volume factors", in the region of R650 million. Actual savings on services and industrial products and maintenance in 2020 were approximately R476 million.
On contracts, this year we reduced supernumerary suppliers (those whose retention no longer made sense given lower production levels) a saving of some R837 million. Added to this, the pay cuts endured by our employees were essential to our ability to survive our Covid-19 derived cash crisis, preserving some R211 million in the year.

Under the exceptional conditions occasioned by Coronavirus our strategy team became particularly conscious of the extent to which the traditional distinction between fixed and variable costs had become blurred. For instance, gas is normally considered a variable cost – the more coke we produce the more gas we consume. But under lockdown, our coke ovens had to be kept warm – which required gas. In this sense, the gas used while not producing coke either for our operations or for sale was more of a fixed cost. And while salaries and employee expenses are typically classified as fixed costs, the reality is that, by reducing (or increasing) headcount, these costs become more variable. While we strive to effectively 'variabilise' as many of our costs as possible, we want to get to a situation where we can consistently reward our employees as their hard work translates into improved, sustainable profits.

Reliability

The single biggest threat to our ability to generate profits sustainably is a lack of operational stability. Maintenance expenditure this year was pushed as low as was feasible but in 2021 will be supplemented by additional budgeted allocations. We are confident that our Maintenance Transformation Programme will substantially improve the effectiveness of our maintenance regime, resulting in greater reliability and savings. Risk management protocols continue to be rigorously applied.

In addition to the benefits flowing from the OneOrg reorganisation, we successfully carried out a number of key shopfloor enhancements in 2020. Just one key achievement was the important hot strip mill's reaching of ambitious business-plan projections such that, by October when operations were dramatically ramped up to meet market demand, targets were significantly exceeded; this despite the mill operating on only one furnace. Galvanizing line #3, which was upgraded from 2018, met all coating targets. Similar success was achieved on galvanizing line #5 (which produces at < 0.2 mm) and at our plate rolling mill. All of these achievements were recorded despite section 189 and Coronavirus impacts.

Our operational stability continues to be threatened by logistics challenges, specifically rail. A first in our history was stopping a blast furnace (Newcastle's N5 in February) because of iron ore supplies, and in Q1 rail disruptions from the Goedgevonden Colliery to Newcastle (almost entirely due to cable theft) severely hampered coke production.

Initiatives to improve the reliability of our inbound logistics will include the appointment of contractors with experience in the transport of specific commodities, negotiating with Transnet reconfiguring wagon design and building on-site infrastructure to facilitate faster, more streamlined goods receiving. (Relative to 2019 we expect the number of weekly trains we will need to drop by more than a third; in 2020 we increased our use of road freight by some 190 000 tonnes.) In 2021 we will make greater use of specialist hauliers (in at least one incident this year the incorrect offloading of input materials caused considerable production disruptions). The appointment of an outsourced logistics service provider is also under consideration.

Climate change

In 2020 the ArcelorMittal group retained its A- score in the Carbon Disclosure Project's Climate Change assessment, the independent international watchdog again recognising the group's transparency and commitment to taking action on climate change.

Since 2018 ArcelorMittal South Africa's operations and emissions have been included in the group's submission to the CDP, which this year reaffirmed our standing in the top 10% of the world's steel industry.

As we previously reported, in 2019 the group committed itself to ensuring that its European operations would be carbon neutral by 2050; in September 2020 it extended that commitment to its global operations, including South Africa.

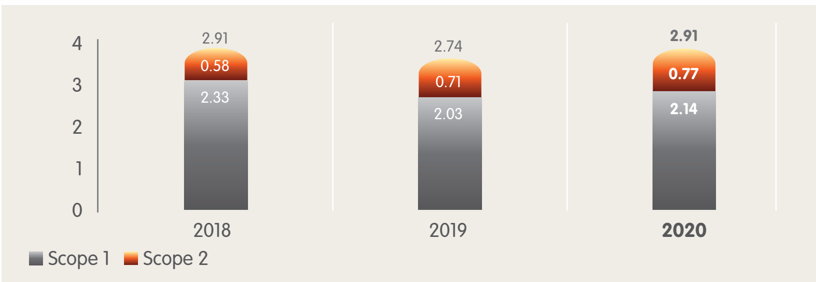
While 2050 is some way off, in 2020 the ArcelorMittal group initiated a number of projects aimed at progressing towards this objective. These included the establishment (with state support) of new prototype emissions reduction technologies and beginning research into modifying blast furnaces to significantly curb emissions. Known as Smart Carbon, this latter technology will use either sustainable biomass or carbon-containing by-product streams as fuel while considering carbon capture and storage as an additional abatement measure.

Also, in May 2019, ArcelorMittal group announced the launch of a revolutionary prototype Direct Reduction Iron plant in Hamburg, Germany, using only hydrogen as the reducing agent. It is anticipated that this plant could produce 100 000 tpa of iron within the next five years with 97% pure hydrogen being sourced from process gas produced by the group's existing Hamburg plant and natural gas. ArcelorMittal's Climate Action Report contains more information regarding this and other prototype developments.

ArcelorMittal South Africa will benefit from research and the sharing of best practice being done by the group to achieve the 2050 target. Company responsibility for climate change-related matters and legal requirements resorts under our senior manager: safety, health and environment who is a member of our executive committee and ensures that climate-related considerations are included in the company's strategic decision-making.

Scope 1 emissions decreased by 45% in absolute terms but increased by 0.5% in specific terms. This can be attributed to lower liquid steel production (-48%) and higher fuel consumption to ensure plant stability/preservation without throughput during lockdown. (Reduced throughput always has a negative effect on energy and GHG efficiency.) Scope 2 emissions increased by 8.45% in specific terms from 0.71 to 0.77 tCO_2eq/tLS, in contrast to a decrease of 43% in absolute terms.

CO_2 emissions (CO_2 eq/t liquid steel)



- *IPCC methodology as prescribed in National GHG Reporting Regulations used for reporting purposes. Previously a different methodology aligned with the GHG Protocol was followed. As reporting boundaries and factors may differ between reporting methodologies, in particular, scope 1 emissions should not be compared with GHG emissions reported in previous years (before 2019).*
- *Eskom factors used: (tCO_2 /MWh): (2018: 0.95, 2019: 1.06, 2020: 1.04 tCO_2).*
- *Figures do not include CO_2eq emissions from the usage of diesel, petrol and electricity at the Thabazimbi iron ore mine. These emissions amounted to 601 tCO_2eq (Scope 1) and 4 724 (4 542,345 MWh at 1.04) tCO_2 eq (Scope 2) respectively.*

Diversifying our revenue

In 2020 we embarked on a number of important exercises to diversify our income beyond the traditional selling of steel, coke and by-products. If implemented, these projects will rely on the expertise of joint-venture partners and will not divert senior management attention from our core business.

In Saldanha our decision, in 2019, to place our plant under care and maintenance has had negative impacts on employment and the local economy but we continue to own significant land and assets in the West Coast town. We believe that these can be developed to create jobs and revenue.

New ventures pursued in 2020 included:

Saldanha logistics hub

Our Saldanha property is a large site containing substantial raw-material handling infrastructure, all of which enjoys specific licences, permits and authorisations. At the time of reporting, alternative value-adding, job-creating options using this land and equipment were being pursued. These options include the establishment of a back-of-port logistics hub.

Gas-to-power land lease

In 2020 we signed a conditional land-lease agreement with an independent power producer (IPP) seeking a power purchase agreement under the Department of Mineral Resources and Energy's request for proposals to provide up to 2 000 megawatts of "risk-mitigation" power. In the event, this application was not successful. However, we intend to continue pursuing the use of our land via future IPP bid rounds.

Others

We are exploring various partnering options to add value to our blast furnace slag under mutually beneficial terms and to consider partnering opportunities with interested parties on monetising our steel slag.

Saldanha's location, its deepwater harbour and existing infrastructure equip it to perform a number of important economic activities related to logistics and energy.

At the time that this report was published, the group was expected to soon release targets by which it expected its various regions to reduce their CO_2 intensity by 2030 (such targets are likely to be modest as our reliance on coal can only be phased out over the longer term). In our 2021 integrated report we anticipate giving further insight into ArcelorMittal South Africa's targets leading up to 2030.

In 2020 our carbon intensity was little changed from that of recent years although, with lower production, we produced 45% fewer tonnes of CO_2 relative to 2019. The Pretoria coke-making closure and mothballing of Saldanha will reduce our CO_2 output by more than two million tonnes annually. While our direct emissions cannot easily be cut, we have the potential to reduce our indirect emissions further by becoming more efficient in terms of electricity consumption.

This year the effects of the pandemic hampered efforts to improve our carbon profile. Given more normalised operating conditions, in 2021 we intend continuing to invest in technologies which will lower our Scope 1 and 2 carbon intensity. (Our reliance on Eskom for most of our electricity penalises us because the majority of the utility's power is still generated using coal.) We continued to make solid progress towards our stated ambition of reducing our energy costs by a third – but this progress is not reflected in our energy-consumption statistics because of the exceptional conditions pertaining in 2020.

As liquid steel production fell by 48%, our electricity consumption dropped by a similar margin and our total electricity consumed per tonne grew by approximately 8.4%.

Outlook

Since 2018 ArcelorMittal South Africa's raw material basket cost has improved by more than USD60/t relative to the international basket. This was realised largely by sourcing better priced iron ore and locally mined coal. We are confident that this vitally important competitive edge will be maintained in 2021 and beyond – despite our expected return to more normal levels of production. (In 2021 we anticipate maintaining the iron ore savings per tonne achieved in 2020.)

We are confident about the first half of the year in terms of both demand and pricing but, along with the rest of the world's primary steel producers, have little insight into the second half. What can be stated with certainty, however, is that we are better prepared for a possible downside than we have been in living memory.

Going forward and given the much closer integration between sales and marketing and our downstream teams under OneOrg, we are confident of building on 2019's much improved OTD performance which plummeted in 2020 (see page 32). For the new year we are targeting an improved market share.

In long steel products, where competition is expected to intensify as barriers to entry are lowered, there is a particularly pressing need for us to differentiate ourselves on quality and, most importantly, on reliability and delivery of stock. Our competitiveness in certain long product categories could be further threatened by a scrap export tax being considered by government.

While safeguards have discouraged flat steel imports from certain jurisdictions, they do not apply to all sources and in 2020 there was an increase to 108 000 tonne of imports from countries not affected by safeguards. These included so-called Black Sea exports from, especially, Russia and Turkey. On long steel products we enjoy no protection and, for both flat steel products and long steel products, our overall market-share percentages tell a plain story, about just how competitive our markets already are.

Strategic objective 4: Focusing on people

As our leadership strove to save the company, our people had to endure previously unforeseen difficulties. 'Our people' includes employees, suppliers and our neighbouring communities.

While the reorganisation and resizing processes have unfolded since July 2019, they have not adversely affected our employment equity profile and there has been an incremental improvement at senior management level. It has however impacted on the originally intended transformation objectives over the period 2019 and 2020.

A painful period

Without very substantial savings this year, ArcelorMittal South Africa would likely not have survived the twin ordeals of ongoing economic stagnation and a worldwide pandemic.

This year our own and contractor employees endured headcount reductions and salary cuts. A moratorium was placed on hiring and promotions, no pay increases for the package category were awarded and 5% was granted to the bargaining unit, albeit in November and not April as per the collective labour agreement. Only critical and legal compliance training and skills development were continued in order to preserve costs during this difficult period. Outside of our plants, the need to do everything possible to preserve cash meant reductions in the amounts we had to spend on community, enterprise and supplier development.

Across our organisation and beyond, thousands of individuals and families personally felt our company's financial pain. To this malaise was added the disruption and fear occasioned by Covid-19.

In 2019 concerted action was taken to reduce our fixed-cost base with the announcement, in July of that year, of a section 189 process which it was envisaged at the time could affect as many as 1 200 full-time equivalents (FTEs). In addition to the wind down of the Saldanha operations and a small-scale reduction in Newcastle, we were forced to announce what was our fourth restructuring consultation process in June 2020.

Our previous integrated report projected section 189 processes contributing 30% towards targeted Business Transformation Programme savings in 2020. In the event, these last-resort interventions translated into fixed-cost savings of R581 million or 37%. At the board's direction and as had been the case in 2019, all forced retrenched workers were offered the equivalent of two weeks' pay for every year of service – double the statutory minimum.

The number of potentially affected employees that may have faced forced retrenchment was mitigated to a large extent by natural attrition and voluntary exits. Although every forced termination was deeply regretted, directors are satisfied that, in the context of as many as 2.5 million jobs being shed countrywide, management handled retrenchments sympathetically and that these were never in excess of the company's pressing requirements. Virtually all functions and departments were affected by the reorganisation and reduction processes as the company endeavoured to structure itself more

Three-year key performance indicators

KPI 14 Total cost of employment (TCOE): TCOE/tonne of liquid steel (ZAR)

2020	2019	2018
1 721	1 225	1 083

KPI 15 Management control (under B-BBEE codes)

2020	2019	2018
8.07*	9.16	9.18

* *As at December 2020 and subject to an external verification audit.*

effectively and in alignment with productive capacity and market demand.

Salary sacrifices

The Covid-19 posed an unprecedented threat to the sustainability of the business and it was necessary to take urgent action to contain costs and preserve cash. From April, all employees were put on short time, meaning that their remuneration was more closely tied to actual work. For the bargaining unit employees, this meant only hours worked was remunerated and for the package-category employees their remuneration reduced by 45% from April to June, 25% from July to October and 10% in November and December. Normal salary levels were re-introduced in January 2021.

It should be noted that the company did apply for and secure R178 million in Covid-19 relief from the UIF that was paid to employees and enabled an approval process that allowed for a temporary redirection of retirement fund contributions directly to employees in an effort to mitigate the impact. Additionally medical aid and group life benefits were fully maintained during this period.

While the concomitant adjustments to remuneration were a necessary measure to ensure business sustainability during a difficult and uncertain period of time, it is acknowledged that it placed significant financial stress on employees and adversely affected morale across the organisation.

Training and skills development

The double impact of the need to restructure our footprint and the pandemic had a negative impact on our ability to develop skills as originally planned.

From 2019 our expenditure on skills development fell by almost a quarter to R102 million – barely half the amount we had available for training five years previously. This decline stemmed largely but not entirely from our need to preserve cash; in 2020 Covid-19 restrictions also curtailed our ability to provide training (this impact is illustrated by the sharp declines in the numbers of hours of training delivered, reflected in the table below).

Skills development pipeline

		2020	2019
Number of hours of full-time package category		6 688	58 137
Number of hours of full-time bargaining unit		88 941	269 908
Investment in employee training and development	Rm	102	134
Proportion of above focused on black employees	%	94	94
Investment in bursary scheme	Rm	43	81
Graduates in training		13	21
Production learners		424	497
Apprentices		358	675
Candidate artisans		–	82
Learner technicians		25	40
University engineering bursars		77	81
Candidate engineers		47	64
Candidate technicians		19	33

All aspects and elements of our skills development and talent pipeline were affected by the cutbacks made in 2020. As this table makes clear, we were forced to sharply reduce our investment in both our artisanal and engineering pipelines while leadership development was essentially suspended. Delivering statutory training to the required levels was achieved although with great difficulty under lockdown conditions.

As a business which is heavily dependent on the technical skills of its employees and one which is committed to transformation of the workforce, we will normalise our focus on skills development, albeit at a commensurate level to the size of the organisation. This will require leveraging available e-learning platforms with high-quality content and emphasising initiative, teamwork and individual responsibility, our transformed workplace will require us to develop the skills our people need to operate in a high-performance culture.

One area where we did not cut back on training our people this year – despite budgetary constraints and Covid-19 restrictions – was on ethics, competition, transparency and human rights. Therefore, in 2020 training was offered to the following number of individuals in the following areas:

- Code of Business Conduct (1 363)
- Human rights (264)
- Anti-corruption (20)
- Anti-trust (24)
- Insider trading (22)
- Data protection and economic sanctions (364)
- Fraud awareness (25).

Strategic objective 4: Focusing on people continued

On top of this, forensic services conducted nine online and four physical fraud awareness sessions with multiple departments within the company and Thabazimbi iron ore mine. These were attended by 258 people.

Socio-economic investment

Despite experiencing extremely straitened financial circumstances for almost a decade, through its foundation, ArcelorMittal South Africa continued to invest millions each year in making a solid socio-economic impact in, particularly, our surrounding communities. This year, however, Covid-19 had such deep and wide-ranging effects that it was impossible to maintain the recent levels of our impacts in terms of socio-economic development (SED) and enterprise and supplier development (ESD).

Wherever and whenever lockdown conditions made it possible, we delivered SED interventions through the ArcelorMittal Foundation NPC. Existing funds were utilised to carry local social interventions. (At the beginning of 2020 the foundation employed 15 individuals full-time; by year-end, such were the impacts of Covid-19 on our ability to generate cash and the imperative to reduce fixed costs that this had reduced to seven.) SED disbursements by the foundation this year totalled R13.8 million, of which the bulk was spent on our flagship SED project, the three community science centres in the Vaal Triangle, Newcastle and Saldanha. (The previous year the company spent R18.3 million on various SED initiatives.)

In our 2019 integrated report we were able to reflect that the science centres had directly reached 19 000 learners, 500 teachers and 68 000 others including adults. The 2020 totals were 4 300 learners, 368 teachers and 24 000 others, indicating the pandemic's effects on teaching. (Despite Saldanha Works, we continued to fund the science centre in that area.) In an effort to maintain the centre's impact, work began on developing virtual learning materials – with a potential impact beyond the centre's traditional footprints.

Other SED projects supported were the Lusa Community Chest which supported 1 500 vulnerable children and early childhood development for 95 underprivileged and disabled children in the Saldanha area and enabling the GetOn Foundation to give 500 Tshwane youngsters online access to lessons in entrepreneurship and job readiness.

For pandemic-specific relief efforts, see page 27.

Concentrating in class at ArcelorMittal South Africa Science Centre in Sebokeng

In 2020 we spent R8.3 million on ESD (2019: R33.3 million).

Twelve technical SMMEs remained enrolled in our Matlafatso incubation hub in Vanderbijlpark (they entered the hub in November 2019). The company placed work worth R3.7 million with some of these entities. Between them, the incubatees sustained 141 permanent and 29 part-time jobs. Despite pandemic restrictions, SMMEs continued to undergo comprehensive business development training offered by specialist trainers utilising digital and remote learning tools.

Two small businesses operated from our Vanderbijlpark business park, supporting 50 work opportunities.

Social transformation and preferential procurement

Our journey towards socially transforming our business was dealt a number of negative (but, it is hoped, temporary) setbacks in 2020.

These setbacks derived from our very pressing need to preserve cash as well as the effects of the pandemic; the scale of these setbacks will almost certainly be reflected in our B-BBEE compliance rating for the year.

In the year, our equity empowerment and management control profiles were little changed from the year before but our efforts to transform our supply chain and to support emerging entrepreneurs and small businesses suffered considerably.

In recent years we have made solid progress on procuring goods and services from historically disadvantaged suppliers. In 2020 our procurement from black-owned businesses fell from a historically high 32% (previously reported as 28.1%) of all procurement to 18%. This stemmed from a temporarily more pragmatic focus on business-critical supplies and the impact that Covid-19 had on, especially, smaller businesses. (One 100% black-owned company with which, in 2019, we spent R120 million, did not renew its B-BBEE certification, citing cost as the reason.) Similarly, procurement from emerging micro and qualifying small enterprises declined from 10.5% to 7.9%.

Our environmental investment positively contributing to a balanced and sustainable ecosystem

Strategic objective 4: Focusing on people continued

Positively, however, the percentage of compliant vendors rose from 75% to 80% and we maintained our procurement from black women-owned companies (15%) – which is in excess of the B-BBEE codes' target.

Regrettably, our investment in enterprise development fell considerably in the year reported because of our cash-preservation imperative. Supplier development funding was little changed and we expect to receive the full five B-BBEE points for SED. Skills-development recognition worsened because of cutbacks on training expenditure (see page 43).

After the year-end we internally assessed our compliance score at Level 7, deterioration from the externally verified Level 5 of 2019.

OneOrg and ethics

In dramatically changing the structure, reporting lines and management of our business, the board is alive to the possibilities for compromise on ethical standards in order to deliver pressing short-term financial outcomes. Directors wish to make it clear that in navigating a new path, ArcelorMittal South Africa will not only reinforce but invigorate corporate adherence to anti-corruption, human-rights and fair-treatment standards. The transformation, social and ethics committee, in particular, intends to question management more closely on the maintenance of ethical business practices within the (now transformed) Responsible Sourcing Code, which is explicit about our requirements of all suppliers, their management of their own supply chains and, especially their employee relations and employment practices, including adherence to human-rights protocols, health and safety and environmental standards.

The ArcelorMittal group is an "active" supporter of the UN Global Pact and as such we are obliged to report our annual performance against the UN's Sustainable Development Goals to group head office. In addition to telling suppliers and contractors about our responsible sourcing needs, we work with suppliers to improve their social, environmental and ethics standards and to identify practices which fall below the Responsible Sourcing Code's requirements.

Over the past year, 47 ethics-related incidents were reported to forensic services (2019: 57). Of these, 35 were referred to relevant departments for further investigation/action.

Forging a new culture

In December our board approved measures tabled by management to overhaul a corporate psyche battered by years of financial and job losses and, in 2020, even pay cuts. We will begin implementing these from 2021. Measures include:

- Normalise remuneration after a tumultuous year
- Improve the conditions of our facilities – to create a more conducive working environment
- Engage more broadly and frequently with key stakeholder including unions and employees
- Drive skills transfer and individual development plans
- Re-establish union engagement forums with the aim of strengthening our relationship as we adopt more constructive, forward-looking interactions
- Explore the opportunities highlighted during the lockdown insofar as working from anywhere and variable work is concerned.

Stakeholder communications

OneOrg is about communication – both internal and external. In 2020, for the first full year, we put into practice our 6 Cs philosophy. Two of these Cs – communications and collaboration – are concerned with open dialogue with stakeholders – in particular with a third C, our customers.

The advent of Covid-19 actually accelerated our planned implementation of OneOrg but it made communication with various groups of stakeholders particularly difficult – at a time when management had to concentrate on dealing intensively with workplace health and safety and the production and commercial challenges which pandemic restrictions created.

Employees and unions

Lockdown Level 5 severely challenged our ability to remain in contact with workers who were not on site and who did not have access to digital information, in particular bargaining unit employees. While our people were at home, effectively keeping employees abreast of developments at the company and informed about our Coronavirus responses was only possible for approximately 400 (mostly package category) staff. Under Covid-19, as a company we were acutely aware of the effects of the 'digital divide'. This was particularly regrettable at a time when our people were dealing with great uncertainty – about the company, their job security and the pandemic.

Once staff returned to work, internal communications were mostly concerned with health protocols and safe working practices.

Communications with employee representatives were strained under the various levels of lockdown. Relations with union representatives had already been tested by the various section 189 processes implemented in this and the previous year. From June our industrial relations team were at pains to explain to worker representatives the imperative for us to increasingly variabilise our fixed costs through mechanisms including short time and salary cuts.

As what we were proposing was so unusual, we began a parallel process of engaging with local and national union leaderships. That the section 189 process was generating uncertainty, even confusion, was illustrated by the illegal strike embarked on by some employees at Vanderbijlpark in November, action which was spontaneously organised by employees not acting under the aegis of any union.

Customers

Despite Covid-19 restrictions we made considerable progress on improving communication with customers. As we explain elsewhere (see page 37) senior production executives met regularly with customers, for the first time. This engagement, which is ongoing, aims to improve our understanding of the downstream's needs and to improve our ability to anticipate and timeously fulfil those needs.

This year we began discussions on how we can practically support our customers to replace the subsidised imports of finished goods which threaten their ability to stay in business and create jobs. The chief executive officer was also involved in meeting with key customers and explaining to them OneOrg and how ArcelorMittal South Africa was changing.

Government and regulators

As regulations and guidelines were regularly adopted and changed during lockdown our management liaised on an ongoing basis with responsible government departments. We are pleased that this interaction was extremely proactive and helped us to operate as effectively and safely as possible.

We submitted detailed comments on the draft Steel Master Plan which was released for comment this year.

Throughout the year we communicated consistently with national and provincial government bodies on our environmental responsibilities, environmental impacts and reporting requirements. This communication included providing detailed information to the relevant authorities on the Vanderbijlpark coke gas-cleaning plant, which this year encountered a number of unanticipated Covid-19-related hurdles.

This year we again provided information to the International Trade Administration Commission for its deliberations on safeguards including an extension of safeguards on hot rolled coil and other measures to protect industry from a surge of imported primary steel. This included information in support of our application for safeguards on some long steel products.

Suppliers

Our suppliers, including on-site contractors, have shared in the sacrifices required of all as we have right-sized our business and reduced costs. Nowhere have the effects of our transformation been more acutely felt than on the West Coast region around Saldanha. We therefore hope that initiatives currently being pursued (see page 40) will enable us to at least partially replicate the local economic impact which our operation there had for more than two decades.

In downsizing or ending contracts we endeavoured at all times to communicate frankly and with empathy towards affected suppliers.

Outlook

In 2021 leadership does not envisage having to announce further headcount adjustments in any way resembling the scale on which these were undertaken in 2019 and 2020. With greater employment stability, a key human-resources priority in the new year will be embedding the OneOrg philosophy and culture throughout the company. Whereas the urgency required in responding to Covid-19 actually accelerated OneOrg's implementation, the effects of this achievement were largely confined to senior managerial/executive levels. Embedding OneOrg will be largely concerned with empowering individuals and teams to take initiative and greater responsibility for their contribution to the company's success, customer satisfaction and safety.

Leadership – how the board directs our company's value creation

Our full board of directors met on 11 occasions in 2020 – 38% more than in the previous year. Such was the workload and the weight of decision-making required of our leadership this year that directors kept meeting more regularly than usual throughout the pandemic.

After meeting face to face for the last time on 11 March, directors quickly adapted to the new realities of Covid-19 to ensure that leadership was uninterrupted, and that management was given every support during a consistently turbulent year. Apart from formal (mostly online) board and committee meetings, the chairman and non-executive directors regularly interacted with top management, sharing their expertise and advice as and when required. Despite their increased responsibilities, directors agreed to take a substantial (25%) cut in fees from June 2020, over and above not receiving an adjustment in 2020. (Because of timing issues, the impact of these sacrifices is not readily apparent from the table on page 63.)

Managing risk weighed heavily on the board's deliberations at a time when the severe challenges facing ArcelorMittal South Africa at the beginning of the year were compounded by a raft of new uncertainties arising from the pandemic. In particular, directors were conscious of their responsibility to ensure that the transformation process initiated recently should be pursued despite Coronavirus and lockdown restrictions. At the end of the year, directors were satisfied that this had been achieved and that the executive had, in fact, succeeded in turning considerable risk into significant opportunity.

The integrated thinking which has guided the board for some years consistently informed trade-offs implicit in many of the (often weighty) decisions which directors were required to make to ensure the financial sustainability of the company. The health and wellbeing of stakeholders, most especially that of employees and contractors, was a constant board concern.

Ethical and effective leadership

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.

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 ArcelorMittal South Africa'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 impact the social, economic and environmental capitals.

Actions taken by the board

In 2020 the board discharged its multiple fiduciary responsibilities to provide ethical and effective leadership. In particular, the board:

- With the imminent onset of Covid-19, promptly reviewed governance structures and delegations of authority, satisfying itself that a dedicated crisis committee was not required as adequately resourced structures had been put in place by management and the board was regularly informed of pandemic-related developments and decisions taken
- Supported management proposals that when production ceased entirely or ramped up only partially, employees should continue to be remunerated, even if at lower levels
- Satisfied itself on compliance with (often ad hoc) pandemic regulations and workplace health and safety initiatives

- Through, particularly, the audit and risk committee, assisted the finance function in considering appropriate measures to preserve cash and reduce costs while approving cash-intensive measures including restarting blast furnaces
- Discharged its responsibility towards stakeholders by monitoring the company's going-concern status while reviewing all force majeure decisions
- Approved further reorganisation in terms of section 189 of the Labour Relations Act and considered reports on those affected by retrenchments and natural attrition
- Approved capital expenditure items, including environmental spend
- Considered and approved footprint reviews including the closure of coke-making at Pretoria while reviewing and approving OneOrg restructuring measures as well as monitoring progress on the Business Transformation Programme
- Received regular updates on stakeholder relations and communications. Under pandemic circumstances, directors took a particular interest in engagement with customers, government and regulators including competition authorities (the chairman successfully led the board's seventh governance roadshow, engaging extensively with shareholders despite Covid-19 restrictions)
- Noted and encouraged interventions to support emergency relief to particularly hard-hit communities
- Monitored engagements with employees
- Constantly scrutinised the company's risk. This included keeping abreast of IT and information risk management which (see page 11) was severely tested this year
- Provided strategic direction on funding matters, including those relating to the company's going-concern status and financial sustainability
- Focused on B-BBEE performance through the transformation, social and ethics committee, which reviews the employment equity plans on an annual basis and considers B-BBEE strategies and policies with respect to transformation objectives.

Board evaluation

The board conducted a board evaluation and reflected on its performance during 2020. The evaluation was conducted with the assistance of an external facilitator. In general, the board was comfortable with its effectiveness, especially during the period of the lockdown. The board felt that it met often enough and there was effective communication and engagement with the executive. Areas for improvement included chief executive officer and board succession.

Policies and procedures

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

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

- Retain full and effective control of the company
- Give strategic direction to the company
- Monitor management on implementing plans and strategies, as approved by the board
- Appoint the 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 and for stakeholders
- Ensure the company complies with relevant laws, regulations and codes of business practice
- Maintain oversight over succession planning and management
- Ensure that the company communicates with shareholders and all relevant stakeholders openly and promptly
- Monitor the company's integrated performance

Leadership – how the board directs our company's value creation continued

- Establish a formal and transparent procedure for appointments to the board, as well as a formal orientation programme for incoming directors
- Regularly review processes and procedures to ensure the effectiveness of internal systems of control including information and technology management and accept responsibility for the total process of risk management
- Assess the performance of the board, its committees and its individual members on a regular basis
- Address the retirement and re-election of directors.

The board regularly reviews its corporate governance policies and procedures to ensure ongoing adherence to the JSE Listings Requirements, current legislation, international best practice and the King IV Report in a fit-for-purpose manner. 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 were assessed and are disclosed in the application statement (see page 1 for link).

The board delegates to committees of the board particular roles and responsibilities. Each board committee has a formal terms of reference that has been approved by the board and that is regularly reviewed and tabled at the board for approval of any amendments. Board committees are established to provide forums which can interrogate matters in greater detail prior to reporting to the board or obtaining approval of the board with regard to material matters.

Terms of reference

The board charter and terms of references for all committees, including the annual working plan was reviewed in February and March 2021. The reviews were conducted in a robust manner and ensure that the documents remain relevant, in line with regulatory requirements and the needs of the company.

Ethical business practices

Fair and ethical business practices are at the heart of our values and the board is responsible for setting an ethical tone for the company and ensuring that the highest ethical standards are maintained at all times (see page 48).

Delegation of authority

The board is acutely aware of its responsibility to provide leadership and direction, and to empower the chief executive officer and management team to execute the strategy of the board. In this regard there is a clear delegation of authority framework which is reviewed on a regular basis. Extensive changes to the delegation framework, to align it with OneOrg, were reviewed and approved by the board in February 2021, to be implemented from the following month.

Committee reports

The audit and risk committee report, required in terms of section 94(7) of the Companies Act, is on page 51 of this integrated report. The transformation, social and ethics committee report is on page 54 and that of the human resources, remuneration and nominations committee on page 56.

Audit and risk committee report

The audit and risk committee (the committee) has pleasure in submitting its report for the year ended 31 December 2020 to the shareholders as required by section 94(7)(f) of the Companies Act 71 of 2008, as amended (Companies Act). The committee confirms that it has executed the responsibilities set out in section 3.84(g) of the JSE Listing Requirements.

Membership of the committee and attendance at meetings

In compliance with the Companies Act, the following committee members were elected by shareholders at the annual general meeting (AGM) of the company held in 2020 to serve until the next AGM on Thursday, 20 May 2021:

- JRD Modise (independent chairman)
- LC Cele (independent non-executive director)
- NP Mnxasana (independent non-executive director)

The committee comprises only independent non-executive directors who are all financially literate and have the adequate relevant skills and experience to execute their duties and responsibilities effectively.

The experience and qualifications of the members and the details of the committee meetings attended by each of the members is set out on page 14 and 15 respectively of the integrated report.

The committee held seven meetings during the past financial year. The chief executive officer and chief financial officer attend committee meetings by invitation.

Mr JRD Modise resigned as an independent non-executive director, with effect from 26 January 2021, resulting in a vacancy on the audit and risk committee as he was the chairman of the audit and risk committee.

Ms NP Mnxasana, an independent non-executive director and member of the audit and risk committee has been appointed as chair of the audit and risk committee and Mr N Nicolau, an independent non-executive director was appointed as an additional member of the committee pursuant to section 94(6) of the Companies Act, both with effect from 29 January 2021.

Functions of the committee

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

- Review and approve, for recommendation to and approval by the board, the interim reports, the integrated report, the annual financial statements, preliminary reports, accounting policies for the company and all subsidiaries, and other announcement regarding the company's results or other financial information that were made public
- The effectiveness of the combined assurance model
- The reports of the internal audit function on the state of internal control including its forensic reports regarding fraud prevention and detection
- The effectiveness of the internal audit function
- The auditor's findings and recommendations
- Statements on ethical standards for the company and considering how they are promoted and enforced
- Significant cases of unethical activity by employees or by the company itself
- Reports on the risk management process in the company and assessing the company's exposure to the following risks:
  - Top strategic risks (including credit and liquidity risks and market risk, human resources risks and compliance risks)
  - Operational risks
  - Information technology risks.

Independence and effectiveness of the external auditor

Deloitte & Touche (Deloitte) was reappointed as auditor of the company until the next AGM. During the year, the committee reviewed a presentation by Deloitte and, after conducting its own review, is satisfied with the independence and objectivity of Deloitte as external auditor. The committee is satisfied that the auditor has at all times acted with unimpaired independence. Deloitte has been the auditor since 2004.

A letter in terms of the Johannesburg Stock Exchange (JSE) Listing Requirements, paragraph 22.15(H) has been submitted by Deloitte. The committee is satisfied that Deloitte is compliant with the relevant external audit partner JSE qualification and the rotation rules, whereby the lead engagement partner is required to rotate every five years. The current lead partner has been the auditor since 2018.

The committee further approved the fees paid to Deloitte and their terms of engagement. The details of the fees paid to Deloitte are disclosed in note 6 to the consolidated annual financial statements.

All non-audit services were approved by the committee during the current financial year in accordance with the board-approved policy on non-audit services performed by the external auditor. The committee meets with the auditor independently of senior management.

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

Statutory reporting

The committee has evaluated the annual financial statements of ArcelorMittal South Africa Limited and the group for the year ended 31 December 2020 and, based on the information provided to the committee, considers that the company and group comply, in all material respects, with the requirements of the Companies Act, the International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and applicable legislation and financial pronouncements as issued by the Financial Reporting Standards Council.

Key financial statement reporting issues

The committee reviewed the critical judgements and assumptions made by management together with the sensitivity analyses performed and the conclusions on the key financial statement reporting issues during the year. The key issues are:

- Impairment of property, plant and equipment
  The committee reviewed and assessed the assumptions used in determining the recoverable amount of the cash-generating units (CGUs). The committee supported management's recommendation that none of the CGUs should be impaired, except for the coke battery as part of the Coke and Chemicals CGU as per note 13 in the annual financial statements.
- Environmental remediation provision and asset retirement obligation
  The committee reviewed the key assumptions and the discount rate used together with the movement in the provisions. The committee is satisfied that these provisions were externally reviewed during 2019 and the methods applied since 2019 are consistent.

During the year the committee approved the classification of properties historically classified as property, plant and equipment as being investment properties. The change in the classification emanated from the extensive review of the property portfolio of the group and company and determining the actual use of the property. The change in the measurement of the investment property from cost model to the fair value model was also approved.

The committee had oversight and monitored the liquidity and cash management including the covenants of the borrowing-based facility. The committee is satisfied that the group and company have complied with all covenants as at year-end and that the liquidity position is adequate to support the going-concern basis applied in preparing the financial statements.

The committee interrogated the impact, management's assessment and an independent report issued by an external service provider following the apparent ransomware attack that occurred in the second half of the year. The committee understands and supports that there is no reason to conclude that the financial data and thus the integrity of the financial results have been impacted.

Internal financial controls

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

The chief executive officer and chief financial officer's evaluation of controls included the identification and classification of risks together with the determination of materiality, the testing of the design and determining the implementation of controls.

The committee and the chief executive officer and chief financial officer rely on the assurance provided by the internal audit function of the group on the system of internal financial controls. During the current financial year management identified certain significant deficiencies in internal control over financial reporting. Management provides quarterly feedback on the status of the effectiveness of internal controls together with remediation action plans. Most of the significant deficiencies have been remediated at year-end. A significant deficiency that was not fully remediated at year-end is the review and approval of manual journal entries. The significant deficiency was caused by an imperfect assessment of information used in the control with compensating controls mitigating the severity of the reported deficiency. Remediation action plans have been documented and are planned to be completed by the interim reporting date for all deficiencies identified, including significant deficiencies. The committee has discussed the impact of the internal control deficiencies together with compensating controls, including financial statement review controls with internal and external auditors as well as management. The committee concludes that the system of internal financial control provides reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements.

Combined assurance

The committee is responsible for monitoring the appropriateness of the company's combined assurance model and ensuring that significant risks facing the company are adequately addressed as well as monitoring the relationship between the external assurance providers and the company. The committee further ensured that the combined assurance provided by the internal and external assurance providers and management were sufficient to satisfy the committee that significant risk areas with the company have been adequately addressed and suitable controls exist to mitigate and reduce these risks.

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

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

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

Based on an assessment performed annually, the committee is of the opinion that the finance function, as well as the chief financial officer, is effective.

Expertise and experience of the company secretary

NB Bam resigned as company secretary on 10 January 2020.

FluidRock Co Sec (Pty) Ltd (FCS) was appointed as company secretary effective 1 March 2020. The committee has satisfied itself that FCS has the appropriate competence and experience, to serve as company secretary of the company.

Discharge of responsibilities

The company continues to prepare group accounts that comply with IFRS and the statutory requirements of the Companies Act and the JSE Listings Requirements, and these responsibilities are discharged within an acceptable timeframe.

The committee has decision-making authority with regard to its statutory duties and is accountable in this regard to both the board and the shareholders. On all responsibilities delegated to it by the board, apart from the statutory duties, the committee makes recommendations for approval by the board.
The committee determined that, during the financial year under review, it had discharged its legal and other responsibilities as outlined in terms of its terms of reference, details of which are included in the integrated report.

The chairman of the committee attends the AGM and is available to answer any questions in relation to matters pertaining to the committee.

Nomavusa Mnxasana
Chairperson
9 April 2021

Transformation, social and ethics committee report

The chairperson of the transformation, social and ethics committee presents the following report to shareholders for the 2020 financial period, in accordance with the requirements of the Companies Act of South Africa, the JSE Listings Requirements and the recommendations of the King IV Report.

ArcelorMittal South Africa is committed to continuous growth in its contribution as a good corporate citizen for the benefit of all its stakeholders. This was particularly important during the Covid-19 pandemic and lockdown as the impact on the business, employees, communities, suppliers and indeed all stakeholders was significant. As a result, the board met more frequently and a number of critical issues during that period were dealt with directly at board level. It was considered important that the entire board deliberate on and bring its experience and expertise to bear on these matters in an environment of high uncertainty and need for decisive action.

The committee continued to support the board by dealing with transformation and economic development, social and ethics, the environment and workplace.

In keeping with these focus areas, the committee assists the board in setting the tone for an ethical organisational culture and overseeing the group's commitment to social and economic development, fair labour practices, environmental responsibility and good corporate citizenship.

The committee consists of a majority of independent non-executive directors and is chaired by a non-executive director. The chief executive officer is a member of the committee and the general manager, human resources and transformation attends all meetings.

During the year under review, the committee met three times.

The composition of the committee is:

- NP Gosa (non-executive chairperson)
- PM Makwana (independent non-executive director)
- JRD Modise (independent non-executive director)
- N Nicolau (independent non-executive director)
- NP Mnxasana (independent non-executive director)
- KM Musonda (independent non-executive director)
- R Karol (non-executive director)
- HJ Verster (chief executive officer)

The qualifications of members and details of the committee meetings attended by each of the members are set out on pages 14 and 15 of the integrated report.

Responsibilities

In terms of its statutory duties, the committee has a duty to assist the board with monitoring and reporting on social, ethical, transformational and sustainability issues, including but not limited to:

- Monitoring the transformation, social, economic, governance, employment and environmental activities of the company
- Bringing matters relating to these activities to the attention of the board as appropriate
- Reporting annually to shareholders on matters within the scope of its responsibilities.

The specific activities required to be monitored by the committee include the company's adherence with legislation, regulations and codes of best practice relating to:

- Transformation, social and economic development, including the company's standing relative to the United Nations Global Compact Principles, the Organisation for Economic Cooperation and Development's recommendations regarding the combating of corruption, and South Africa's Employment Equity Act and Broad-Based Black Economic Empowerment Act
- Good corporate citizenship, including the company's positioning and efforts in promoting equality, preventing unfair discrimination and combating corruption, the group's contribution to the development of communities in which it operates or markets its products and the group's record of sponsorships, donations and charitable giving
- The environment, health and public safety, including the impacts of the company's activities and products on the environment and society
- Consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws
- Labour and employment, including the company's standing relative to the International Labour Organisation's Protocol on decent work and working conditions, and the company's employment relationships and contribution to the educational development of its employees.

In addition to these statutory functions, the committee's terms of reference record its role in encouraging the board to adopt leading practice in relation to social and ethics matters by progressing beyond mere compliance and adding value in its oversight function as recommended by the King IV Report.

To some extent the committee's role and function appear to overlap with those of certain other committees. However, this is not necessarily the case. While the committee considered matters that are also dealt with by other committees, for example, environmental and social matters, the role of this committee is to ensure that it supports the board in ensuring effective direction and integration of key environmental, social and governance approaches for the company, as well as regarding the UN SDGs.

ArcelorMittal South Africa is part of the ArcelorMittal Holdings AG group of companies. ArcelorMittal group has set bold targets to be carbon neutral globally by 2050 and although targets still need to be developed for the company, we are aligned with the group on improving our climate change-related performance and to support South Africa's initiatives in terms of the Paris Agreement.

Functions of the committee

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

- Whistleblowing strategy
- An update on the B-BBEE strategy and audit
- Engagements with the B-BBEE Commission
- Corporate culture
- Fraud awareness and ethical culture
- Assessment of compliance of the committee with its duties
- Stakeholder engagements
- Talent management programme and strategy.

Committee focus included:

- Continued oversight and monitoring to cover the broad scope of its mandate as required by legislation, the King IV Report and the committee terms of reference
- Monitoring the extent to which effective transformation is taking place within the company in respect of recruitment, retention, career development and succession planning
- Monitoring the implementation of the code of conduct and other ethical standards and ensuring that management monitors and promotes compliance with such standards
- Engagements with the B-BBEE Commission
- Receiving feedback on the company's response to the needs of local communities, especially under Coronavirus lockdown, including:
  - A feeding scheme in the Vaal area provided hot meals to approximately 6 000 community members each day
  - Providing emergency food parcels to several rural communities adversely affected during the lockdown period
  - ArcelorMittal South Africa's three flagship science centres continued with educational tuition to less fortunate community sectors employing newly developed digitally enabled technology.

Conclusion

We are pleased to confirm that the company continues to meet its transformation, social, ethics and governance responsibilities. The performance in terms of the B-BBEE scorecard has not been as effective as previously but was better than anticipated given the challenges being faced during 2020. Maintaining its ongoing investment in basic community support programmers and expanding this service to rural communities during the lockdown period was important.

Similarly, continuing investment in educational support to less fortunate community sectors through digital tools was also crucial to support affected communities.

The committee reports, through its chairman, to shareholders at the AGM on matters within its mandate.

The committee confirms that it has discharged its responsibilities appropriately during the year under review and is of the view that, in all material respects, it has achieved its objectives for the year under review and that no items have been reported which would indicate non-compliance with its mandate or its statutory requirements in terms of the Companies Act.

Noluthando Gosa
Chairperson
9 April 2021

Remuneration report

Human resources, remuneration and nominations committee chairperson's report

On behalf of the human resources, remuneration and nominations committee (HRRN), I present the 2020 ArcelorMittal South Africa remuneration report.

This report sets out the company's remuneration philosophy, policy and implementation with remuneration disclosures for non-executive directors and executive directors as well as for the organisation.

The HRRN committee is responsible for ensuring that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. Our aim is to give direction, assist and advise the board on remuneration-related matters for, in particular, the executive, top management and senior management teams.

In accordance with the recommendations of the King IV Report, resolutions on the remuneration policy, remuneration implementation report and non-executive directors' remuneration were presented for non-binding advisory voting by shareholders at the AGM held on 30 June 2020.

The results of these votes were as follows:

	Vote results	
Annual general meeting resolutions	**2020 %**	2019 %
Remuneration policy	**78.12**	98.02
Remuneration implementation report	**78.13**	98.02
Non-executive directors' fees	**99.95**	99.97

Globally, 2020 represented a period of extraordinary challenges due to the Covid-19 pandemic and countermeasures implemented in the interests of public health. In South Africa, the necessary hard lockdown in March 2020 and the closure of industry on an unprecedented scale came when the economy was already in a recession and the steel industry was grappling with difficult trading conditions.

For our company the last two years have represented the most challenging period for some considerable time, if not the toughest period in the history of ArcelorMittal South Africa. The business strategy developed during 2018 and executed in the interest of improving the competitive position of the company necessitated reorganisation and resizing on a company-wide scale in July 2019. Then, from January 2020 such interventions focused on Newcastle as well as the unfortunate winding down of the Saldanha operations after a strategic asset footprint review, the winding down being concluded in the first quarter of 2020.

A further organisation-wide reorganisation and resizing was initiated in June 2020 with the implementation of the OneOrg initiative. This was accelerated by the economic impact of the recessionary economy, the Covid-19 pandemic and lockdown and the resultant need to align the cost base of the business with anticipated demand. OneOrg is intended to simplify business structures and processes in a more logical and productive format. In total, our own-employee workforce reduced from 8 379 in December 2019 to 6 622 by December 2020 through a combination of natural attrition, voluntary exits and, where unavoidable, forced retrenchments as part of section 189 processes in accordance with the Labour Relations Act. As of the first quarter of 2021 the last wave was still in progress with a further aimed reduction of 335 positions by the end of the first quarter of 2021. Over the same period, measures taken to optimise the utilisation of hired labour and contracted services resulted in a decrease from 2 303 external fulltime equivalents (FTEs) in December 2019 to 1 921 external FTEs by December 2020.

As strong proponents of the King IV Report, our company continues to align its remuneration policy and pay practices with the company's performance and financial results, thereby maintaining the link between performance and reward. Since 2018, our remuneration policy and implementation have been shaped by the company strategy to bring the organisation to future, long-term sustainability and viability. The 2020 year required the company to take extraordinary measures to protect its sustainability. These measures had a significant bearing on the manner in which our remuneration policies and philosophies required critical short-term adjustments and difficult decision-making, balanced with the impacts on employees.

In 2020 we made no amendments to our broad remuneration policy and we continued to apply moratoriums on promotions, external appointments, annual salary adjustments and long- and short-term incentives. Short time was applied for all employees and non-executive directors made fee sacrifices. The committee must acknowledge the hardship which these measures placed on employees but the prevailing economic circumstances necessitated making tough choices in the best interest of the business taking into account the impact on all stakeholders. Directors felt strongly that no employee should receive no remuneration for the period. The company was able to access and distribute to employees R180 million in income relief provided through the UIF's Covid-19 TERS scheme for the period 1 April to 15 October 2020.

While it remains to be seen what the longer-term impacts of the pandemic on health, society and the economy will be, the company will continue to execute a strategy aimed at achieving sustainability and competitiveness in a demanding market environment. Despite the challenges faced by the organisation, we will continue to assess, align and balance the remuneration philosophies and practices of the company with the business strategy and current operating conditions. This will be facilitated by open dialogue with stakeholders and is intended to support the strategies for ensuring the long-term sustainability of this organisation.

Nomavuso Mnxasana
Chairperson
9 April 2021

Context to remuneration policy and philosophy

In 2020 we were compelled to execute our remuneration policy and philosophy in a manner commensurate with the combined economic shocks of a recessionary economy as well as the Covid-19 pandemic and consequent hard lockdown. It was within this context of exceptionally challenging trading conditions that management had to implement several rapid interventions to reduce fixed and variable costs across the business. The interventions included a reduction in total cost of employment (TCOE) through short-time measures, suspension of incentive schemes, optimisation of external labour utilisation as well as resizing the organisation. A total of R720 million, or 15%, was saved against the 2020 TCOE budget through the implementation of cost- and cash-control measures from April 2020 with the introduction of a hard lockdown.

As delegated by the board, the HRRN committee established an annual work plan which included oversight and preparation of the remuneration report and a review and implementation of the following human resource matters during 2020:

HR strategy and policy

- Determine the policy rules and amendments for retirement fund arrangements and oversee major changes to employee benefit structures
- Review and determine rules, targets for short- and long-term incentives and approve amendments as well as implementation
- Review the share incentive scheme to ensure continued contribution to shareholder value while ensuring the application of the scheme in line with rules
- Review the outcomes of remuneration policy implementation and oversee any major changes
  - Review annual benchmarking results for non-executive directors and the senior management team in line with company remuneration policy.

The HRRN committee is further responsible for ensuring a proper system of succession planning for the chief executive officer, top and senior management while monitoring their achievements.

As stated, the impact of the economic effects of a recession and Covid-19 required the committee to consider steps needed, from a remuneration perspective, to support business sustainability.

Remuneration design structure

The principle of performance-based remuneration remains a cornerstone of our remuneration policy and implementation. In 2020 we maintained the King IV principle of strengthening alignment between reward and the achievement of strategic objectives and positive outcomes. This consideration has strongly influenced our remuneration practice, notably in the implementation of the annual general adjustment for non-unionised employees and the setting of short- and long-term incentive performance conditions aimed at business improvement.

Under normal conditions, ArcelorMittal South Africa's remuneration philosophy aims to attract and retain motivated, high-calibre employees whose interests are aligned with those of our stakeholders and shareholders. In our attempt to achieve this, we believe we have designed a system comprising a competitive but affordable remuneration mix of fixed and variable pay which provides for differentiation between high, on-target and below-target performance. The pay mix differs according to job-family categories; generally, the more senior the employee, the higher the proportion of variable pay as part of his or her total reward package.

Our remuneration policy comprises the following pay elements:

- Cost to company (CTC)
- Basic salary plus fixed allowances
- Short-term incentive plans
- Long-term incentive plan
- Various benefit plans with company contributions
- Recognition programmes
- Retention and sign-on incentives.

Key changes to our remuneration policy

Given the circumstances prevailing in 2020, no amendments were made to remuneration policies although execution of these policies was suspended in many instances, as indicated below.

Key components of our remuneration policy

Remuneration mix

Remuneration component	Policy principle	Policy execution
	GUARANTEED PAY	
Guaranteed pay: Cost to company (CTC) and basic salary plus guaranteed allowances	• Non-bargaining: basic cash plus employer contributions to retirement (including disability and death risk insurance) – CTC • Bargaining unit: basic salary plus guaranteed allowances • Market-related broad salary bands differentiated by job family with six levels of grading • Internal remuneration parity modelling and external benchmarking • Increase factors: governance process, external comparable market, inflation, performance and affordability • Benchmarking relative to comparable market.	• Non-bargaining: no adjustments were made to the remuneration of this category during 2020. Additionally, with the application of short time from April 2020, this category of employees was subjected to a 45% salary reduction for the April to June period of no or low operational activity. The reduction was changed to 25% for the period July to October and 10% for November and December • Bargaining unit: the last of a three-year adjustment agreement, at 7% per annum, was not implemented in April 2020. On agreement, an adjustment of 5% from 1 November 2020 was implemented • Short time was implemented for this category of employees as well, per the recognition and collective labour agreement, from 1 April 2020. Employees were remunerated only for actual hours worked during periods of low operational activity. In consideration of the financial impact on employees, a minimum remuneration level of 60% of normal remuneration was maintained during this period • For the period 1 April to 15 October, the company successfully applied for UIF TERS relief with R178 million being approved and paid to employees as mitigation of the salary reductions implemented.
Employee benefits and allowances	• Retirement fund membership is a condition of employment for permanent full-time employees. Retirement funds are defined contribution • Medical scheme membership for full-time employees with an option to join any of four medical schemes • Leave benefits and allowances which include statutory allowances, housing, overtime, retention, etc.	• Company contribution to retirement funds is 10% of pensionable salary. Given the financial implications of the short-time measures implemented, the company obtained the requisite approvals for employees to suspend payments to their respective retirement funds for the period 1 April to 31 December 2020. Given the nature of the pandemic, however, the company maintained full life and disability benefits for employees during this period • Medical aid company subsidy is 60% of total contribution subject to monthly cap of R3 097. Again, in the context of the pandemic, medical aid contributions and benefits were fully maintained during 2020.

Remuneration component	Policy principle	Policy execution
VARIABLE PAY		
Non-bargaining unit: short-term incentive plans	• Annual bonus plan with performance measures and targets based on financial and operational strategy. Targets are set in advance	• 2019 bonus conditions were not met and therefore not paid • Given the exceptional circumstances and challenges in 2020, no short-term incentive plan was implemented for the 2020 year.
Bargaining unit: key performance indicator bonus scheme	• Self-funded monthly bonus based on three broad performance themes: productivity, cost and safety. Gatekeepers are positive EBITDA and safety, team-based with absenteeism penalties. Targets are set monthly • Production improvement annual bonus for achievement of liquid steel target communicated and set in advance annually for 2018, 2019 and 2020	• As with the non-bargaining unit, the bonus scheme for the bargaining unit was suspended during 2020 • This performance condition was not met due to market and economic impacts and the bonus was not paid
Long-term incentive plan (LTIP)	• Equity-settled share-based payment transaction. Employees will receive shares when the transaction vests and performance conditions are met. Performance conditions can be market-based or non-market-based • No dividend or voting rights • Three-year performance plan with annual allocations based on service conditions including ongoing employment, role, individual performance. Vesting is dependent on achievement of performance targets • 2019 LTIP allocation split based on 100% performance stock units (PSUs) or 50% PSU and 50% restricted stock units (RSUs) • Linear vesting scale 80% to 120%.	• Given the economic conditions and implementation of remuneration reductions, no LTIP grant was approved for 2020

Remuneration implementation

Guaranteed pay in 2020

Non-bargaining employees are remunerated according to a CTC pay structure which includes basic cash plus employer contributions to retirement. Increased contributions to retirement are permitted although these changes are cost neutral to the company and impact the individual's net income. No adjustments were made for this category of employees during 2020 given the prevailing economic conditions and short time was implemented from April 2020 in response to reduced operational activity.

Bargaining-unit employees are covered by collective bargaining and term agreements which provide for the principles of basic salary and fixed allowance increases. Salary increases are not subject to performance management. However, pay progression intervals from pay scale minima to maxima are achieved through a structured competency improvement process. The board-approved mandate culminated in a three-year collective agreement covering adjustments for 2018, 2019 and 2020 to be implemented in April of each year. The third agreed 7% adjustment was deferred in April 2020 and, by agreement, an adjustment of 5% was awarded in November 2020. Short time was implemented for this category of employees from April 2020 due to reduced operational activity.

Agreement features and execution	2020	2019	2018
Salary and medical aid subsidy cap adjustment planned	7%	7%	7%
Salary and medical aid subsidy cap adjustment implemented	5%*	7%	7%
Additional 0.5% once-off bonus based on achievement of liquid steel targets	Target not achieved	Target not achieved	Target not achieved

** Adjustment implemented in November 2020.*

Variable pay – short-term incentive plan (STIP)

The short-term incentive plan is applicable to non-bargaining employees. Variable pay structures have been re-designed in recent years to ensure that differentiation exists depending on the extent to which an employee is able to control delivery or achievement of the performance measures; therefore, line of sight is an important STIP principle. Annual performance bonus payments are linked to specific organisational annual targets and objectives; individual performance is a determining factor in the overall final bonus value. However, given the exceptional circumstances facing the business, no STIP was presented for consideration during 2020.

Variable pay – productivity and KPI bonus scheme

The KPI bonus scheme is a negotiated incentive scheme for bargaining unit employees. Lower-than-budgeted production led to a revised incentive scheme based on improved line of sight and operational production efficiency. The KPI bonus scheme was suspended in 2020 due to the financial challenges facing the business.

Variable pay – long-term incentive plan (LTIP)

A share option scheme was in effect from 2005 to 2011 and replaced by the long-term incentive plan 2012 (LTIP).
Features of the LTIP award, in accordance with the approved allocation and measurement rules:

- It is a three-year performance plan
- LTIPs are equity-settled share-based payment transactions
- Employees receive shares when the transaction vests and conditions are met
- Conditions are performance and retention related
- Allocations are made annually
- Allocations are calculated on CTC times applicable % per grade times individual performance divided by the prevailing share price at the time of the grant
- The audited financial year's performance is used for measurement purposes.

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

It was decided to not approve or implement an LTIP grant during 2020 given the business challenges and the fact that all qualifying employees were subject to short time from April 2020.

Employee retention scheme

The company deploys a retention scheme in the interest of retaining critical and scarce skills that are vital to the business. The principles of the retention scheme include individual performance requirements, fixed calculation methodologies and a mutual contractual lock-in period. For executive management, the three-year retention payment is calculated and paid annually as 33% of annual CTC at the time of payment. For the senior management cadre, the three-tranche payments are calculated at 25% of current annual CTC and for professional/middle management the three-tranche payments are calculated at 16.7% of current annual CTC. Despite the challenges faced, a number of retention agreements were concluded in exceptional cases based on business-critical skill retention, especially at a time when unprecedented challenges were being faced by the company. In total 54 agreements were implemented with a total value of R8.2 million.

Medium-term incentive scheme

The medium-term incentive (MTI) scheme, aimed at the retention of critical skills, has been replaced by the employee retention scheme. The MTI remains applicable to employees who have obtained a Government Competency Certificate (GCC). Eligibility and payment criteria are linked to positional requirements.

Contractual arrangements

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

Non-executive directors

A three-year remuneration correction strategy to offset the effects of non-executive directors receiving no increases in 2012 and 2014 was approved by the board in November 2015.

The three-year strategy would have been fully implemented as at 1 June 2018. However, fee adjustments based on the strategy for 2017 and 2018 were not implemented after the board resolved, in July 2017, that non-executive directors would forfeit an increase in remuneration for the period 1 June 2017 to 31 May 2018.

The 2018 non-executive directors' benchmark report, which provided an in-depth analysis and overview of non-executive earnings relative to comparable markets, indicated – broadly – that the board chairman and members and chairmen of all sub-committees were remunerated below the market median and market lower quartile. At the AGM on 24 May 2019 shareholders voted in favour of a non-executive directors' retainer-fee adjustment through a CPI-based adjustment of 6% and, in order to close the gap between the market and the company's meeting-fee structure, a 25% factor was applied as an adjustment. The factor was derived from the difference between 70% of the median and current average total remuneration by at least 33% as the first of three corrections. Implementation date was 1 June 2019.

In October 2019 the second leg of the three-year correction strategy was presented to the board by the HRRN committee with a recommendation of no adjustment for 2020. To demonstrate support for executive and non-bargaining employees, the board resolved that an increase be forfeited for the period 1 June 2020 to 31 May 2021 as recommended by the HRRN committee.

Given the business conditions faced during 2020, the HRRN committee agreed to defer a recommendation on a fee adjustment for non-executive directors until the first quarter of 2021 to afford an opportunity to assess the state of the business at that time. Additionally, non-executive directors also agreed to a fee reduction of 25% recognising the sacrifices made by the executive management and employees during 2020.

In the year reported the challenges facing the business were so severe that the board was required to meet more frequently than in the recent past. In 2020 the board met on eleven occasions (seven times in 2017, eight times in both 2018 and 2019). Non-executive directors' fees are largely determined by meeting-attendance fees; this explains why the fees received by most directors in 2020 (see page 63) were higher than in the prior year.

Review of remuneration plan implementation

The HRRN committee resolved to review, in the first quarter of 2021, the suspension during 2020 of the implementation of certain elements of the remuneration policy and, based on prevailing business conditions and outlook, take decisions regarding the reinstitution or revision of the affected remuneration policy elements.

Remuneration of directors and prescribed officers

The table below refers to directors' remuneration and prescribed officers for services rendered to ArcelorMittal South Africa Limited.

	Cash salary[1] 2020 R	Retire-ment funding 2020 R	Short-term incentives[2] 2020 R	Equity incentives[3] 2020 R	Retention/ sign-on bonus/ ex gratia/ UIF TERS/ VSP 2020 R	Other[4] 2020 R	Total remun-eration 2020 R	Total remun-eration 2019 R
Executive directors								
HJ Verster	6 940 555	131 183	–	–	1 637 175	54 576	8 763 489	10 643 744
AD Maharaj	2 688 297	67 955	–	–	620 509	51 567	3 428 328	4 726 960
Sub-total	9 628 852	199 138	–	–	2 257 684	106 143	12 191 817	15 370 704
Prescribed officers and highest-paid employees								
GA Griffiths	1 874 922	48 795	–	–	37 175	93 035	2 053 927	2 556 712
W Venter	1 774 892	45 178	–	–	37 175	49 050	1 906 295	2 423 220
CTW Whitcher[5]	651 438	41 613	–	–	6 638	142 607	842 297	2 392 010
S Achmat	1 731 703	79 549	–	–	37 175	57 132	1 905 559	2 380 274
M Adam	2 480 483	65 318	–	–	37 175	47 992	2 630 968	2 232 651
TS Didiza	1 474 317	37 683	–	–	37 175	54 725	1 603 900	919 567
JF Swart	1 601 290	40 517	–	–	37 175	60 719	1 739 701	2 275 573
NB Bam[6]	39 844	3 307	–	–	–	59 878	103 028	1 622 904
J Kotze	1 462 267	37 913	–	–	520 175	113 303	2 133 958	2 180 440
C Hautz	2 284 423	–	–	–	37 175	1 796 823	4 118 421	6 072 218
VDJM de Sousa[7]	883 908	10 092	–	–	37 175	42 383	973 558	–
JPS Olivier	2 765 129	69 871	–	–	1 237 175	82 377	4 154 552	4 301 795
AC Louis[8]	443 112	796	–	–	37 175	39 616	520 699	–
PC Snyders[9]	164 503	99	–	–	–	10 004	174 606	–
RI Holcroft[10]	–	–	–	–	–	–	–	895 921
AM Ngapo[11]	–	–	–	–	–	–	–	4 156 305
JP Jimenez Navarro[12]	–	–	–	–	–	–	–	3 012 757
WA Nel[13]	–	–	–	–	–	–	–	1 071 847
HPR Orsoni[14]	–	–	–	–	–	–	–	2 872 784
HG Kamat[15]	–	–	–	–	–	–	–	2 753 251
Sub-total	19 632 231	480 731	–	–	2 098 564	2 649 644	24 861 170	44 120 729
Total	29 261 083	679 869	–	–	4 356 248	2 755 787	37 052 987	59 490 933

	Directors' fees 2020 R	Committee fees 2020 R	Other 2020 R	Total remun-eration 2020 R	Total remun-eration 2019 R
Non-executive directors[16]					
PM Makwana	1 345 680	–	–	1 345 680	1 501 648
LC Cele	173 178	374 388	–	547 566	450 035
KM Musonda	173 178	197 025	–	370 203	340 788
G Gouws	173 178	318 161	1 274	492 613	487 964
JRD Modise	173 178	583 955	881	758 014	644 664
NP Mnxasana	173 178	629 372	1 544	804 095	687 960
NF Nicolau	173 178	464 064	1 353	638 596	574 960
NP Gosa	173 178	258 010	1 337	432 525	361 196
Total	2 557 928	2 824 974	6 389	5 389 291	5 049 215

1 *Cash salary includes basic salary (cash component).*
2 *The short-term incentive relates to bonus earned for 2019.*
3 *Further detail on the equity incentives can be found under directors' unexercised share options and LTIPs in the table that follows.*
4 *Other includes UIF, Compensation for Occupational Injuries and Diseases (COID), monthly leave structuring, leave encashment, travel claims, telephone costs, ad hoc payments, death benefit, employer contribution to medical aid and travel allowance. Other also includes mobility benefits paid to expatriates.*
5 *CTW Whitcher resigned as executive manager: Technology effective 1 June 2020.*
6 *NB Bam resigned as company secretary effective 11 January 2020.*
7 *VDJM de Sousa was promoted to chief information officer effective 1 March 2020.*
8 *AC Louis appointed as senior manager for Saldanha effective 1 May 2020.*
9 *PC Snyders promoted to senior manager: Coke Making effective 1 December 2020.*
10 *RI Holcroft resigned as general manager: Saldanha Works effective 1 March 2019.*
11 *AM Ngapo resigned as general manager: Sales and Marketing, AOL effective 1 July 2019.*
12 *JP Jimenez Navaro appointed as general manager: Saldanha Works effective 1 March 2019, and resigned effective from 31 December 2019.*
13 *WA Nel resigned as general manager: Procurement and Logistics effective 1 May 2019.*
14 *HPR Orsoni resigned as chief technology officer effective 1 April 2019.*
15 *HG Kamat resigned as group manager: Procurement and Logistics effective 1 April 2019.*
16 *NED' fees based on invoice totals due to accounting (rounding) differences.*

ArcelorMittal South Africa long-term incentive plans and equity-settled share options

LTIP shares vest within three to five years.

Names of executives	Award date	Number of allocations outstanding at the start of the year	Number of allocations made during the year	Adjustment for units not expected to vest	Number of allocations vested during the year	Number of allocations forfeited during the year	Number of allocations at the end of the year	Present value of invested share units at the end of the year[1] R
HJ Verster	20-06-2018	2 845 185	–	1 494 291	–	–	1 350 894	1 350 894
	20-06-2019	3 578 943	–	2 385 962	–	–	1 192 981	1 192 981
		6 424 128	–	3 880 253	–	–	2 543 875	2 543 875
AD Maharaj	20-08-2019	1 944 447	–	1 296 298	–	–	648 149	648 149
		1 944 447	–	1 296 298	–	–	648 149	648 149
M Adam	10-10-2016	195 204	–	195 204	–	–	–	–
	08-05-2017	333 203	–	–	201 868	131 335	–	–
	20-06-2018	1 061 776	–	557 645	–	–	504 131	504 131
	20-06-2019	589 891	–	393 261	–	–	196 630	196 630
		2 180 074	–	1 146 110	201 868	131 335	700 761	700 761
AM Ngapo	08-05-2017	553 624	–	–	352 548	201 076	–	–
	20-06-2018	540 050	–	283 634	–	–	256 416	256 416
		1 093 674	–	283 634	352 548	201 076	256 416	256 416
W Venter	10-10-2016	98 769	–	98 769	–	–	–	–
	08-05-2017	202 313	–	–	122 569	79 744	–	–
	20-06-2018	644 686	–	338 589	–	–	306 097	306 097
	20-09-2019	810 947	–	540 631	–	–	270 316	270 316
		1 756 715	–	977 989	122 569	79 744	576 413	576 413
CTW Whitcher	10-10-2016	40 515	–	–	–	40 515	–	–
	08-05-2017	217 980	–	–	–	217 980	–	–
	20-06-2018	536 636	–	–	–	536 636	–	–
	20-09-2019	728 472	–	–	–	728 472		
		1 523 603	–	–	–	1 523 603	–	–
GA Griffiths	19-08-2019	548 247	–	182 749	–	–	365 498	365 498
		548 247	–	182 749	–	–	365 498	365 498
S Achmat	10-10-2016	25 423	–	12 712	–	–	12 712	12 712
	08-05-2017	26 288	–	–	21 107	5 181	–	–
	20-06-2018	100 522	–	26 397	–	–	74 125	74 125
	20-08-2019	1 582 356	–	1 054 904	–	–	527 452	527 452
		1 734 589	–	1 094 013	21 107	5 181	614 289	614 289
JF Swart	10-10-2016	46 882	–	23 441	–	–	23 441	23 441
	08-06-2017	68 699	–	–	55 160	13 539	–	–
	20-06-2018	218 916	–	57 487	–	–	161 429	161 429
	19-08-2019	250 001	–	83 334	–	–	166 667	166 667
		584 498	–	164 262	55 160	13 539	351 537	351 537
J Kotze	19-08-2019	276 316	–	92 105	–	–	184 211	184 211
		276 316	–	92 105	–	–	184 211	184 211
JPS Olivier	20-08-2019	1 473 684	–	982 456	–	–	491 228	491 228
		1 473 684	–	982 456	–	–	491 228	491 228
VDJM de Sousa	10-10-2016	22 254	–	11 127	–	–	11 127	11 127
	08-05-2017	27 133	–	–	21 786	5 347	–	-
	20-06-2018	86 460	–	22 704	–	–	63 756	63 756
	20-08-2019	115 283	–	38 428	–	–	76 855	76 855
		251 130	–	72 259	21 786	5 347	151 738	151 738
AC Louis	20-06-2018	71 277	–	18 717	–	–	52 560	52 560
	20-08-2019	79 199	–	26 373	–	–	52 746	52 746
		150 476	–	45 090	–	–	105 386	105 386
PC Snyders	20-08-2019	182 456	–	60 819	–	–	121 637	121 337
		182 456	–	60 819	–	–	121 637	121 637

LTIP shares vest within three to five years.

[1] *Based on the closing price as at 31 December 2020.*

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

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

Names of executive	Award type	Award date	Number of allocations outstanding at the start of the year	Number of allocations made during the year	Number of allocations vested at the end of the year	Number of allocations at the end of the year	Issue price USD	Present value of unvested share units at the end of the year USD
C Hautz	PSU	30-06-2016	8 580	–	–	8 580	13.17	112 999
	PSU	20-12-2017	4 097	–	–	4 097	18.42	75 467
	PSU	20-12-2018	5 050	–	–	5 050	21.31	107 616
	PSU	16-11-2019	4 100	–	–	4 100	18.57	76 137
	RSU	14-12-2020	–	1 700	–	1 700	21.15	35 955
	RSU	14-12-2020	–	1 012	–	1 012	21.15	21 404
	PSU	14-12-2020	–	1 700	–	1 700	19.74	33 558
			21 827	4 412	–	26 239		463 136

Independent limited assurance report to the directors of ArcelorMittal South Africa – Deloitte

We have performed our limited assurance engagement in respect of the key performance indicators for the year ended 31 December 2020.

The subject matter comprises the key performance indicators disclosed in accordance with the Global Reporting Initiative (GRI) Standards supported by management's basis of preparation, as prepared by the responsible party, during the year ended 31 December 2020.

The terms of management's basis of preparation comprise the criteria by which ArcelorMittal South Africa Limited's compliance is to be evaluated for purposes of our limited assurance engagement. The key performance indicators are as follows:

No	KEY PERFORMANCE INDICATOR
	Social
1	Lost-time frequency rate
2	Total number of work-related fatalities
3	Total number of permanent employees and RSA-based employee demographic (race)
4	Corporate social investment spend
5	Total number employees within the development pipeline
	Environmental
6	Environment (scope 1) consumption
7	Environment (scope 2) consumption
8	Total greenhouse gas emissions
9	Carbon emission intensity per tonne of liquid steel
	Economic
10	Externally verified B-BBEE scorecard
11	Liquid steel capacity utilisation

Directors' responsibility

The directors being the responsible party, and where appropriate, those charged with governance are responsible for the key performance indicator information, in accordance with management's basis of preparation.

The responsible party is responsible for:

- Ensuring that the key performance indicator information is properly prepared and presented in accordance with management's basis of preparation;
- Confirming the measurement or evaluation of the underlying key performance indicators against the applicable criteria, including that all relevant matters are reflected in the key performance indicator information; and
- Designing, establishing and maintaining internal controls to ensure that the key performance indicator information is properly prepared and presented in accordance with management's basis of preparation.

Assurance practitioner's responsibility

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historic Financial Information*. This standard requires us to comply with ethical requirements and to plan and perform our limited assurance engagement with the aim of obtaining limited assurance regarding the key performance indicators of the engagement.

We shall not be responsible for reporting on any key performance indicator events and transactions beyond the period covered by our limited assurance engagement.

Our Independence and other ethical requirements

We have complied with the independence and other ethical requirements of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered 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)*.

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

Summary of work performed

We have performed our procedures on the key performance indicator transactions of ArcelorMittal South Africa Limited, as prepared by management in accordance with management's basis of preparation for the year ended 31 December 2020.

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

- Interviewing management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability and non-financial reporting process for the selected key performance indicators;
- Assessing the systems and processes to generate, collate, aggregate, validate and monitor the source data used to prepare the selected key performance indicators for disclosure in the reports;
- Inspecting supporting documentation and performing analytical review procedures; and
- Evaluating whether the selected key performance indicator disclosures are consistent with our overall knowledge and experience of sustainability and non-financial processes.

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

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

In a limited assurance engagement, the procedures performed vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about whether the key performance indicator information has been properly prepared and presented, in all material respects, in accordance with management's basis of preparation.

Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that the key performance indicators are not prepared, in all material respects, in accordance with management's basis of preparation.

Deloitte & Touche
Registered Auditors

Per Mark Victor
Partner
09 April 2021

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South Africa

Assurance over the 2020 integrated reporting process – Internal Audit

Background, scope and work performed

Management requested Internal Audit (IA) to conduct an assurance review over the process followed to compile the company's IAR for the year ending 31 December 2020.

A Project Plan for the IAR was compiled by management, containing the purpose, process, roles and responsibilities, focus areas and initiatives. In addition, a tracking sheet was compiled by the IAR reporting team to keep track of all interviews with internal stakeholders, information requests sent out and follow-ups on any outstanding information to ensure that complete information was obtained.

The reporting team obtained appropriate guidance from company leadership on what they (leadership) considered material for the purposes of reporting in the IAR. IA attended this briefing and closely monitored the IAR team on the detailed gathering, presentation and verification of information as well as communication with all internal stakeholders including the board. For the purpose of providing an assurance statement, IA formed part of the IAR team in an advisory capacity and observed the process.

Overall conclusion

IA is satisfied that the IAR team executed against its brief in terms of materiality and the presentation of information including that describing leadership's formulation and execution of strategy. The team was effective in obtaining material information concerning the operations of ArcelorMittal South Africa.

ADLouw

Adinda Louw
Region Head: Internal Audit & SOx – Africa, Middle East and Asia

Corporate information

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ArcelorMittal South Africa Ltd
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ISIN: ZAE000134961

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Bastion

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