

STRICTLY CONFIDENTIAL
QUESTIONS AND ANSWERS
ARCELORMITTAL SOUTH AFRICA AGM
25 MAY 2023

SUMMARY OF Q AND A AT THE 2023 AGM

INTRODUCTION

A summary of the Question and Answer (Q and A) emanating from the May 2023 AGM is set out below.

The questions have been grouped into various themes where possible. Most of the responses were provided at the AGM and additional responses are set out herein related to matters that were not addressed due to time constraints.

The Q and A is structured in terms of the following:

- ESG Governance
- Group Support
- Stakeholder Engagement
- Decarbonisation, Climate Change and Emissions
- Environmental Performance
- HR
- General

ESG GOVERNANCE

- Do you believe that the current members of the Board have the expertise necessary to address climate-related risk? Our view, based on the qualifications of the current Board, is that this expertise is not sufficient. Does this failure to ensure a climate competent Board not present a significant governance and liability risk in relation to meeting your fiduciary duty to act in the best interests of the company, given that the ultimate responsibility lies with the Board?"

RESPONSE

ESG issues and climate change present a significant risk and need to be integrated into the business strategy and leadership priorities. The key challenge for the leadership of ArcelorMittal South Africa is to ensure our performance in this critical area is effective. It is important that this should be more than a tick box exercise, with a focus on substance and not only form.

The board and the Exco team have a critical role to play, not only in being clear about our commitment to improving ESG performance and minimising the adverse impacts of our operations, but to also take steps to ensure that we achieve the objectives we have set towards better ESG performance through effective monitoring and oversight.

What is required is leadership that is committed to achieving these objectives and driving the organisation towards these goals. Such leadership is not dependent on having technical experts at board level – while this is certainly not a problem – the role of the board is a more strategic and reflective one. Creating a board with subject matter experts in various fields will not necessarily result in an effective board. ArcelorMittal South Africa is comfortable, that in line with principle 7 of the King Report, the board comprises “*the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.*”

GROUP SUPPORT

- "During your 2022 AGM, you had indicated that the AM Group provides technical support and assistance with various matters. Given that there have been major developments and projects undertaken by the group elsewhere (e.g. AMs ground-breaking DRI plant in Canada), please indicate with more detail, how the Group has transferred knowledge and provided both technological and financial support for ArcelorMittal South Africa's decarbonisation efforts?"

RESPONSE

As you have noted, the ArcelorMittal Group is a world leader in several areas and is making great strides regarding its decarbonization efforts. ArcelorMittal South Africa benefits from this expertise and being part of the global organization in various ways. We participate with global colleagues in various areas of our business on an ongoing basis. This includes various GMs participating in global specialist areas – for example IT, HR or Technology and Operations - on a regular basis. There are visits by Group experts to ArcelorMittal South Africa to assist with issues or share best practices, as well as visits by ArcelorMittal South Africa employees to other top performing plants in the Group. Group input has been obtained regarding the decarbonisation plan which has been designed to align with the Group targets and the ArcelorMittal South Africa team had good interaction directly with the ArcelorMittal team in Canada to understand their decarbonization plans. As you are aware, we are at this stage exploring the construction of renewable energy projects that will include investment by the Group.

STAKEHOLDER ENGAGEMENT

- Best practices in other companies involve shareholder approval of Decarbonisation plans: You have already approved the Decarbonisation Roadmap published in January 2023 - do you think that you could have brought it to the shareholders to approve prior to publishing? And will you put your decarbonisation strategy for 2024 to shareholders for approval?
- "In your ESG 2022 report (p6 and 25) you state that "" in releasing the Decarbonisation Road map ArcelorMittal South Africa consulted with stake holder groupings, including environmental NGO's.
- While you met with CER /VEJA have you consulted directly with fence line communities who are directly impacted by the decision made by ArcelorMittal South Africa?
- In the IR 2022 (p71) you report that the SEC considered amongst other functions, stakeholder engagement. Please explain the factors consider by the SEC to be satisfied that meaning consultation with stake holders has been conducted over issues of environmental non-compliance and the Decarbonisation roadmap?
- Could you explain why the Environmental Stakeholder Forum " where ArcelorMittal South Africa reports environmental compliance or non - compliance and monitoring on a quarterly basis directly to the community was stopped?
- "You mention in the ESG Report page 29 that "Stakeholder engagement regarding environmental matters was raised as a concern by various shareholders and stakeholders at the 2022 AGM. This has since become an area of focus for the board and management and a programme of improved engagement was initiated and will continue"
- And if you still hold the view that meetings previously arrange were not well attend, how do you plan to ensure that meaningful community engagement develops and takes place.

RESPONSE

Our company values speak to our commitment to stakeholder engagement. Besides sharing key information through the Integrated Annual Report and ESG Report, we have on-going engagements with our stakeholders, including Government, media, investors, employees and community-based organisations such as the Vaal Environmental Justice Alliance (VEJA) on specific issues. Based on some of the questions raised, there is a need for us to improve on these efforts in relation to community-based organisations. The GM Stakeholder Relations and Communications has been tasked to look at how these interventions and engagements can be improved.

ArcelorMittal South Africa has tried to engage and consult with all stakeholders and this is true regarding its Decarbonisation Roadmap. It does not seem appropriate for shareholders to approve the strategy in this regard, but we will continue to consult with all stakeholders, including shareholders, as the Decarbonisation Roadmap continues to be updated.

Our Social and Ethics Committee (SEC) regularly considers reports on the effectiveness of relationships with stakeholders, including feedback on the nature and frequency of engagements, on a quarterly basis. As an organisation, we will continue to review these processes to ensure they remain effective.

Through numerous forums (for example, Rietspruit, Industrial Technical Team and Vaal Triangle Airshed Priority Area) the communities are represented by organisations like VEJA, Groundworks etc. Information is available on our website and can be accessed by NGOs or members of the community.

As previously communicated when the Environmental Stakeholder Forum was active, the attendance was unfortunately not enough to form a quorum for supporting its continuation. Efforts were also made to find a suitable independent chairperson for these forums. ArcelorMittal South Africa will once again resume the forums but, subject to approval, rather on an annual basis to ensure that it is effective.

DECARBONISATION, CLIMATE CHANGE AND EMISSION REDUCTION TARGETS

- In light of the fact that countries in the global south cannot afford to provide subsidies for the decarbonisation efforts of major emitters, does the AM Group recognise its responsibility to provide both financial and technological support for decarbonisation efforts for operations in the Global South, especially since the group has committed all operations to particular emissions targets?
- In light of the fact that countries in the global south cannot afford to provide subsidies for the decarbonisation efforts of major emitters, does the AM Group recognise its responsibility to provide both financial and technological support for decarbonisation efforts for operations in the Global South, especially since the group has committed all operations to particular emissions targets? "
- Several financiers, including those in Europe and the US, who offer concessional or highly concessional finance, also have fossil fuel exclusion policies. Does your continued reliance on gas as a transition fuel, not present a significant risk in mobilising the finance required to support your decarbonisation objectives?
- ArcelorMittal South Africa makes clear that CCU will play a major role in its decarbonisation plan post 2030.
- Another thing you could consider noting is this recent announcement from Anglo American - it is looking into supplying H2 Green Steel with high-grade iron suitable for DRI from its South African mines. The availability of DRI-grade iron ore is somewhat limited globally so there is an argument that South Africa has an advantage and opportunity over many other steelmaking nations in that it has a potential domestic supply of suitable iron ore. Anglo American has a target to halve its Scope 3 emissions by 2040 so it will need low-carbon steelmaking customers for its iron ore. <https://www.angloamerican.com/media/press-releases/2023/04-04-2023>

- It is maintained by the steel industry that the scrap-EAF pathway can't make the highest grades of steel (like automotive steel). However, automotive steel makes up only a small % of total steel demand globally. See figure 8 in this report: https://ieefa.org/wp-content/uploads/2021/12/The-Global-Potential-for-More-Scrap-Steel-Recycling_December-2021_2.pdf. However, major U.S. steelmaker Nucor can make high-quality steel for the automotive sector via the scrap-EAF process: <https://nucor.com/news-release/18596>
- <https://www.prnewswire.com/news-releases/nucor-corporation-will-reduce-greenhouse-gas-emissions-intensity-of-steel-mills-to-77-less-than-global-steelmaking-average-301334640.html>
- High grade steel made via the scrap-EAF process requires high-grade scrap. The U.S. produces a lot of steel via the scrap-EAF process so its scrap sourcing/sorting processes will be quite sophisticated. Sourcing and sorting of high-grade scrap as a material for high-grade automotive steel is also now an area of focus in Europe - <https://www.fastmarkets.com/insights/tsr-eu-green-steelmaking-high-grade-scrap> Investment in this would be needed in South Africa if it is to go down the scrap-EAF route (I would imagine there could be quite a few jobs in it as well). "
- On page 28 of your IR, you mention that among other factors, floods in KZN had an impact on the automotive industry, thereby affected steel demand. You can clearly see how climate related disasters are already having a direct impact on your business. This is only likely to increase, and we hope that you see your role in reducing emissions, as directly linked to this and ensure that you are seeking the finance necessary to support decarbonisation.

RESPONSE

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

The decarbonisation plan has been finalised and communicated to the public on 24 January 2023. The plan consists of 25% reduction in CO2 emission intensity reduction by 2030 and aim to be net zero by 2050. The plan relies on various no regret initiatives before 2030 and emerging technology related to carbon capture and the use of green hydrogen in steel making beyond 2030.

The plan relies on the replacement of 2 blast furnaces over the course of the roadmap aligned with the expected end of refractory campaign lives of the blast furnaces. The first is in the flat business at Vanderbijlpark works where BF C will be replaced with DRI/EAF, before 2030. The second would be for the Longs Business in Newcastle when blast furnace N5 would be replaced by DRI/EAF technology. The plans also include increased use of scrap.

Most noteworthy of the no regret initiatives before 2030 is the own build of behind the meter renewable energy at Vanderbijlpark in the form of 200MW Solar PV.

The main challenge with the emerging technology mentioned (CCU and green hydrogen) is the cost structure of these technologies is not feasible yet. Unfortunately, there is no option but to transition using gas and we do not believe that it will restrict options for funding. The issue is not access to funding but rather affordability to meet the funding obligations – and this is where Government support is needed.

It should be noted that one cannot move to green steel overnight. As soon as hydrogen becomes available, it will expedite the process. Regarding scrap, once we have an EAF – ArcelorMittal South Africa will use more in combination with DRI.

ArcelorMittal South Africa has the support of the ArcelorMittal Group R&D, which is involved in various supporting policy developments and has initiated key partnerships to drive the necessary break through. Through the Group ArcelorMittal is aware of the various steel grades that can be produced on the EAF/DRI combinations and the need for quality input materials linked to certain grades. ArcelorMittal Group is investing in the renewable energy project but further funding for the decarbonisation effort in South Africa will be needed. We have been looking at options for development financing

Further, one such partnership with Sasol was announced during the Africa Energy week in October 2022.

ENVIRONMENTAL PERFORMANCE

- "Of the R338 million allocated to environmental compliance, R244 million was spent on upgrading Vanderbijlpark's coke gas-cleaning facility. This leaves a R94 million for other environmental compliance issues.
- Please explain exactly how this is being spent? We are concerned that there is minimal progress being made on rehabilitation for historical pollution and that there is insufficient information being made available to track progress year on year? "In the ESG 2022 Report (p 15), you report that "a number of environmental capital projects scheduled for 2022 could not be completed for logistical and operational reasons, and commencement was mostly postponed to 2023". Could you specify what projects this refers to? What logistical and operational factors caused the postponement and how do they affect ArcelorMittal South Africa's Environmental compliance obligations?"
- Do you consider that your decision to pursue the suspension or postponement of GHG emissions standards considers the stakeholder engagement that you report to be an area of focus for the Board and management?
- if you are not able to comply, what measures are you taking to protect the health not only of workers, but also ring-fenced communities given your successful application for postponement of GHG emission standards?
- Does ArcelorMittal South Africa have a strategy to not only remedy pre-existing water contamination but also to ensure that sufficient water is available for their operations without further impacting the quality of water supply of local communities?
- You report that Phase 2 of construction of a new three-hectare waste disposal plant at Vanderbijlpark was put on hold pending government approval. Please provide more details? You report that in 2022, 15% of waste – an amount of 567 000 tonnes – was disposed of (2021: 16% and 2020: 12%). A total of 452 000 tonnes of hazardous waste was disposed of in 2022. Some 197 000 tonnes were reused, 862 000 tonnes sold, and 133 000 tonnes stored.
- What process was used to dispose tar?"

RESPONSE

At ArcelorMittal South Africa, we take environmental performance and compliance seriously. There is room for improvement in certain areas. Where there are issues, we try and engage with the authorities in a proactive manner. There are also upset conditions which affect performance issues and long lead times for certain remedial action. Regarding health, we monitor performance and take steps to improve working conditions for employees by looking various interventions, for example, changing shift patterns, using PPE, etc.

The detail in this regard is set out in our ESG Report.

Good progress made regarding the gas plant but unfortunately there have been delays due to Covid-19 and other factors.

ArcelorMittal has completed an assessment of its water management and is busy with an implementation plan. The water treatment plant needs to replace membranes, UV filters and pump modifications are required to improve our performance at VDBP. Newcastle is performing well regarding ZED status.

Regarding groundwater at Vanderbijlpark, this is a legacy issue in a localized area, and we are pumping organic contaminated groundwater on an on-going basis authorised through a Remediation order. There is a noticeable improvement over the last 2 years.

All projects are risk based and dependent on various external or internal factors that could impact its progress and projects affected include the construction of the new waste site at Vanderbijlpark works. ArcelorMittal South Africa is awaiting approval and feedback from the authorities regarding the construction of the new waste disposal site. The first application submission was done during 2018 but as a result of the Covid -19 pandemic resulted in delays in processing by the department (DEFFE). A request was received from DEFFE to resubmit it to new framework for the CQA (Construction Quality Assurance document) during 2022 and AMSA needed to again submit during May 2023 after frequent follow-ups.

Over and above the R244 million on the construction of gas cleaning plant, R94 million was spent on legacy areas relating to remediation that includes storm water management, remediation and upgrades of waste management activities and clearing of historical areas.

All waste material not suited for disposal internally, was disposed at an external registered waste facility in accordance with applicable best practices.

HR

- "Your latest annual report indicates that your remuneration policy is informed by performance-based remuneration. Can you explain how remuneration is specifically linked to KPIs 13 and 14? (environmental spend and CO2 emissions)

RESPONSE

For the package category, we have a Short-Term Incentive Scheme and for certain other Senior Management we also have a Long-Term Incentive Plan (LTIP). Both the design and measures are subject to Board and the Human Resources Committee approval. Our short-term initiative includes short term targets such as EBITDA and FCF

One of our LTIP measures is ESG issues. It includes our decarbonisation strategy, additional Safety measures and Diversity and Inclusion. We aim to have 25% of female senior management appointees by 2030.

The ESG measures are split into:

- a) Decarbonisation measures with a weighting of 5%. For South Africa this will include:
 - Publication of a final roadmap by Q3 2022 (a milestone action).
 - Execution of no-capex intensive energy improvement initiatives
 - Execution of the renewables programme
 - Optimisation of input mix (e.g., scrap, sinter) relative to KPI targets
- b) Fatality Frequency rate with a weighting of 10% relative to a target of 0,036
- c) Diversity and Inclusion – Improvement in gender representation in senior management and higher roles from the current 13.7% (10 out of 73) to at least 25% by 2030. A 40% improvement is targeted over the three-year

vesting period compared to a baseline of 2020 implying that ArcelorMittal South Africa should aspire for a 20% representation level by 2024.

GENERAL

- What is the appetite currently for taking the business private from ACL international as well as the local board?

RESPONSE

This has not been considered as the focus has been on fixing the business to ensure that it is robust and sustainable.

DATED THIS 1 SEPTEMBER 2023