

NOTICE TO ALL DIRECTORS AND MANAGEMENT
6 December 2016

On 16 November 2016 the Competition Tribunal confirmed the settlement agreement between ArcelorMittal South Africa Ltd (AMSA) and the Competition Commission, which concludes all pending complaints of anti-competitive conduct by the company.

The contents of the settlement are summarised below, and a copy of the agreement is available on the Competition Tribunal's website¹ and on the AMSA website.

The agreement concludes four complaints:

- A complaint of collusion between AMSA, Scaw, Cape Gate and Cisco in the long steel market. AMSA admitted this unlawful conduct, which the company explained ended around 2005.
- A complaint against AMSA, Columbus, Cape Gate and Scaw for collusion in relation to the procurement of scrap metal between 1998 and 2008. AMSA also admitted this unlawful conduct.
- A complaint of information exchange and co-ordinated conduct by AMSA and Highveld in the flat steel market. Although AMSA admitted the practice of exchanging information through SAISI, it denies that the conduct contravenes the Competition Act.
- A complaint of excessive pricing of flat steel products by AMSA, which complaint was in the process of investigation. AMSA does not admit that its pricing was excessive, but has agreed to a remedy to address the concern that underpins the complaint.

In settlement of these complaints, AMSA has agreed to:

- Pay an administrative penalty of R1.5 billion, by way of five annual instalments of at least R300 million each, from 2017 to 2021.
- For the next five years, AMSA shall not be permitted to earn an EBIT (earnings before interest and tax) margin percentage greater than 10% relating to flat steel products (produced at Vanderbijlpark) sold in South Africa over a 12 (twelve) months period. . The applicable cap may be adjusted to allow a maximum EBIT margin of 15% in certain defined circumstances. This obligation is subject to comprehensive monitoring by the Commission and reporting by AMSA on a 6 months basis.
- Carry out additional capital expenditure of R4 640 million over the next five years, subject to this being affordable and feasible in light of market conditions.
- At AMSA's prerogative continue to offer strategic and export rebates to downstream industry on a fair and equitable basis, in compliance with competition law and subject to commercial viability for AMSA.
- Review its participation in industry associations to ensure that it does not engage in the exchange of competitively sensitive information which may facilitate collusion.
- Co-operate fully with the Commission's on-going action against the other respondents to the complaints covered by the settlement agreement.
- Comply with the Competition Act into the future, and to review and implement a comprehensive compliance programme to ensure that employees, management and directors do not engage in anti-competitive practices.

¹ at <http://www.comptrib.co.za/assets/Uploads/Non-Confidential-Order-CR092Jan07-SA090Aug16.pdf>

With regard to monitoring and reporting AMSA has agreed to:

- Ensure that an independent external audit is conducted by its independent auditors or another reputable audit firm to confirm that the pricing remedy or any variation have been applied in accordance with the provisions of the Settlement Agreement.
- Annually provide the Commission with a report on compliance with the terms of the Settlement Agreement.
- Include in its financial statements a statement by the CEO in respect of each year in question, that AMSA has in all material respects complied with this Settlement Agreement.

Finally, AMSA shall be entitled, if there is a change in laws, or a significant change in the economic, financial and market circumstances affecting AMSA's ongoing viability to request the Commission to consent to the waiver, relaxation or modification of the Settlement Agreement and the remedies provided therein (excluding the quantum of the administrative penalty which shall be non-variable), which consent shall not be unreasonably withheld.

AMSA is already on a bold new compliance path and the Company welcomes the fact that it has settled past legacy behaviours with the Commission. With that behind us, our management team are now focusing on returning the company to sustained profitability in compliance with law.

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

Further information regarding the general compliance programme within AMSA as well as the details regarding the Competition Law training programme that is being implemented will be provided on an ongoing basis.