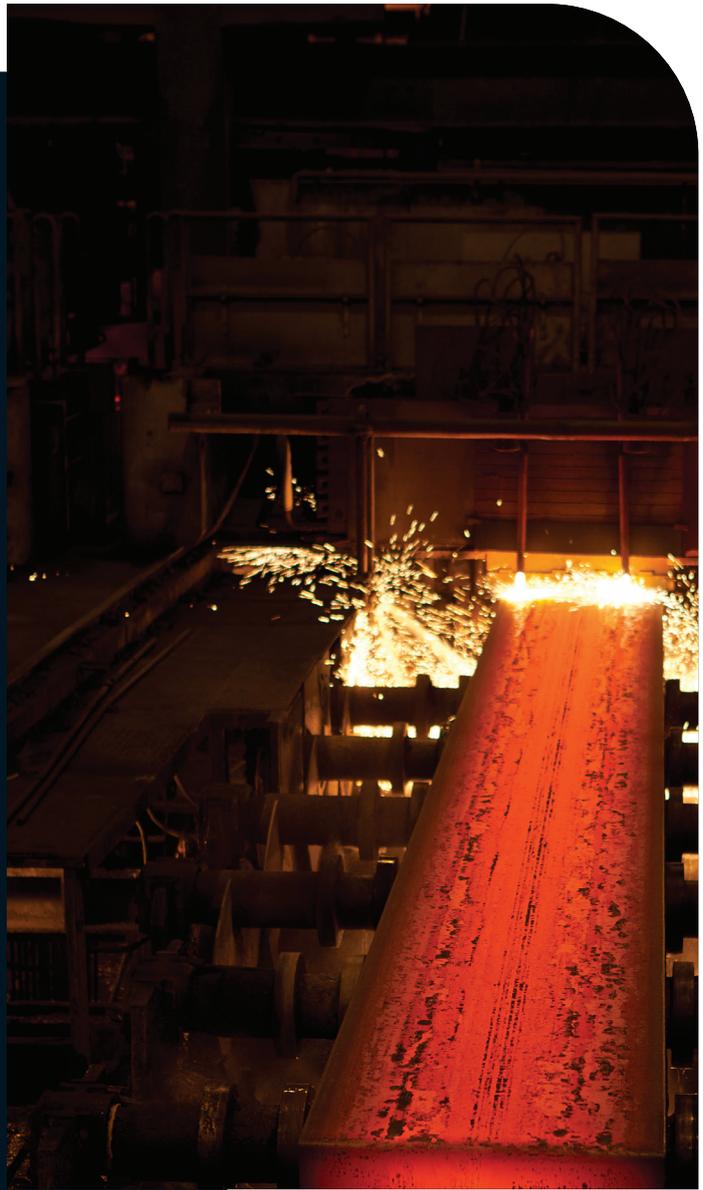




ArcelorMittal

King IV™ application register – 2020



King IV™* application register – 2020

King IV has moved away from ‘apply or explain’ to ‘apply and explain’. The application of all the principles is required and companies are required to explain the practices that have been implemented to give effect to each principle. Below find the disclosure of the application of the King IV principles at ArcelorMittal South Africa. This document should be read with the integrated report for 2020 – specifically, the leadership and committee reports.

Principles	Status	Application to principle
<p>Principle 1: leadership The board should lead ethically and effectively.</p>	Applied	<p>In terms of the board charter, the board of directors (board) discharges its role and responsibilities with due regard to the values which support its name and while applying, and continuing to improve and implement, the recommended governance principles contained in King IV™*. The board charter was reviewed by the board in February 2021.</p> <p>While the company continues to face substantial environmental compliance challenges, the board is mindful of its responsibilities in this regard and is confident that everything within the company’s ability is being done to address these challenges.</p> <p>The board leads ethically and effectively, ensuring that it always acts in good faith and in the best interest of the company. The board’s values are underpinned by the principles of integrity, competence, responsibility, accountability, fairness and transparency.</p> <p>The board has delegated its authority to four board committees; namely, the audit and risk committee (ARC); the human resources, remuneration and nominations committee (HRRN); the transformation, social and ethics committee (TSEC); and the safety, health and environment committee (SHE). The brief mandates, composition and attendance at committee meetings are set out in the 2020 integrated report (IR). The board reviewed the terms of reference for all the committees in January 2021.</p> <p>The board conducts a board effectiveness review on an annual basis. See the disclosure in Principle 9 for more details.</p>
<p>Principle 2: organisation values, ethics and culture The board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</p>	Applied	<p>The board, with the assistance of the TSEC and the ARC, oversees the management of ethics and monitors the company’s activities to ensure they are in line with the code of business conduct.</p> <p>The ARC reviews and monitors the implemented controls concerning the code of business conduct and ethical standards as defined by the TSEC on an annual basis. The ARC further reviews the significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees of the company, on a quarterly basis.</p> <p>The TSEC reviews strategies by the company to enable employees and outside whistleblowers (including customers and suppliers) to report in confidence their concerns about possible improprieties (including fraud, corrupt practices and non-compliance with laws and regulations) that may have a direct or indirect effect on the company, including adherence to compliance. There are regular reports on the implementation of the code of business conduct policy and the effectiveness of measures and policies that have been put in place. This includes the reporting of ethical transgressions and how they are addressed, and information about trends regarding ethics and culture.</p>

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<p>Principle 3: responsible corporate citizenship The board should ensure that the organisation is, and is seen as, a responsible corporate citizen.</p>	Applied	<p>The board ensures that ArcelorMittal South Africa is, and is seen to be, a responsible corporate citizen. The board has delegated to the TSEC the responsibility for monitoring and reporting of social, ethical, transformational and sustainability practices that are consistent with good corporate citizenship. The board played a more direct role in this regard during the Covid-19 pandemic.</p> <p>ArcelorMittal South Africa has various initiatives and programmes to ensure that the board promotes and protects the environment and maintains the health and safety of all employees, suppliers and customers. Further details are provided in the 2020 IR.</p>
<p>Principle 4: strategy, implementation, performance The board should appreciate that the organisation's core purpose, risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</p>	Applied	<p>The board approved the strategy and business plans for the ArcelorMittal South Africa Group (group) and monitored the implementation by receiving regular reports from management. The board, assisted by the ARC, reviewed the key risks and opportunities impacting on the achievement of its strategic objectives and approved the short-, medium- and long-term strategy as formulated and developed by management. Details of the 10 key risks, as well as a risk governance report, are set out in the IR.</p> <p>In particular, during the outbreak of the Covid-19 pandemic and the subsequent lockdown, the board met more frequently and considered its response plan, mitigating actions and the impact of Covid-19 on the business in terms of its cash flow and going concern status, as well as the impact on employees, customers, suppliers, the community and other stakeholders. The board also monitored certain priorities during this period.</p> <p>The board contributes to and approves the mission, vision and strategy of the company. The board satisfies itself that the strategy and business plans do not give rise to risks that have not been thoroughly assessed by management, and it considers sustainability as a business opportunity that guides strategy formulation.</p> <p>The group's strategy is consistent with integrated thinking, which links different capitals and ensures sustainable outcomes. The board plans an annual strategy session in which it deliberates on the group's strategy, assesses the current risks and opportunities, considers progress with regard to the implementation of the strategy and ensures that this strategy is both in line with the group's values and with the long-term success and sustainability of the group. To this end, the board approved policies and operational plans to give effect to strategy – including key performance measures and targets.</p> <p>The value creation process is set out in the IR as well as the company's performance against its strategic objectives. The process followed by the board during the challenging environment that defined 2020 is set out in the IR.</p>

Principles	Status	Application to principle
<p>Principle 5: reports and disclosure</p> <p>The board should ensure that reports and other disclosures enable stakeholders to make an informed assessment of the performance of the organisation and its ability to create value in a sustainable manner.</p>	Applied	<p>The board is involved in communication to ArcelorMittal South Africa's stakeholders regarding significant issues that could affect the group, while striving to abide by all disclosure requirements.</p> <p>The ARC assists the board in reviewing and ensuring that the IR and the annual financial statements (AFS) are prepared in line with the Companies Act, IFRS, the reporting principles contained in King IV and the JSE Listings Requirements.</p> <p>The board ensures the integrity of the IR on an annual basis. The full AFS and IR documents are available on https://arcelormittalsa.com and provide a comprehensive insight into the financial position and performance of the company for the year under review.</p> <p>The TSEC supports the board in monitoring stakeholder engagement, including disclosures made to stakeholders, and in monitoring the status of relationships and expectations from stakeholders, as further described in Principle 16.</p> <p>As a result of the lockdown, the board also considered engaging with various other stakeholders.</p>
<p>Principle 6: role of the board</p> <p>The board should serve as the focal point and custodian of corporate governance in the organisation.</p>	Applied	<p>The board has overall responsibility for corporate governance across the group and further information is set out in the IR. In particular, the board played a critical role in dealing with the impact of Covid-19 and met more frequently for a period.</p> <p>The board has adopted a board charter that ensures its roles, responsibilities and commitments to accountability are documented and adhered to. These include responsibilities relating to corporate governance. The board is supported by various board committees which have assumed the responsibility to assist the board in fulfilling specific functions. The board committees report to the board at every board meeting.</p>
<p>Principle 7: composition of the board</p> <p>The board should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</p>	Applied	<p>The board consists of 12 members, 10 of whom are non-executive directors, of whom a majority are independent non-executive directors. The positions of the chief executive officer (CEO) and board chairman are held separately, indicating a clear balance of power and authority at board level.</p> <p>The board is assisted by the HRRN, which considers on an annual basis the composition, balance of skills, experience, race and gender diversity, independence, and knowledge of the board members in order to determine their effectiveness when it comes to discharging their duties as board members.</p> <p>In line with the updated requirements of the JSE, the board has updated the race and diversity policy and renamed it "the broad board diversity policy" to ensure diversity – including of background, experience, skills, geography, race, age and gender – and to ensure that this diversity is also reflected in its composition.</p> <p>Details of directorships, skills and the experience of the directors are set out in the IR. Directors sign appointment letters confirming their agreement to the required time commitments, roles and responsibilities. All directors sign a directors' declaration confirming their interests and the professional positions they hold and have held.</p> <p>As the chairman is an independent director, the appointment of a lead independent director is not required.</p> <p>The HRRN work plan includes the requirement to recommend a succession plan for board members, including the board chairman, on an annual basis.</p>

Principles	Status	Application to principle
<p>Principle 8: committees of the board</p> <p>The board should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with both the balance of power and the effective discharge of its duties.</p>	Applied	<p>The board has delegated certain functions to its committees, in compliance with relevant legislation, regulation and best practice. The brief mandates, composition and attendance at meetings is set out in the IR. The terms of reference for all committees are reviewed annually. In determining the composition of committees, the board considers the skills and experience of its members, applicable regulations and the committee mandate.</p> <p>Besides the TSEC, each committee comprises an independent non-executive chairman and independent non-executive directors. Executive directors and senior management are invited to attend meetings. Board members are able to attend committee meetings as observers but do not participate without the chairman's consent, do not have a vote and are not entitled to fees unless otherwise agreed.</p>
<p>Principle 9: evaluations of the performance of the board</p> <p>The board should ensure that the evaluation of its own performance, and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</p>	Applied	<p>The HRRN oversees the evaluation of the board on an annual basis. An assessment of the effectiveness of the board was conducted in February 2021.</p> <p>In the spirit of continual improvement, the board and committees considered the outcomes from the previous board effectiveness review, conducted in 2019, and whether sufficient progress had been made in addressing these issues. The review of the effectiveness of the board in 2020 was concluded in February 2021 and the board was found to have remained effective despite operating under challenging circumstances. The following areas of improvement were noted:</p> <ul style="list-style-type: none"> • CEO succession • Board succession <p>The board committees were found to be effective and to have served as critical support structures of the board, especially during the emergence of the Covid-19 pandemic.</p>
<p>Principle 10: appointment and delegation to management</p> <p>The board should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</p>	Applied	<p>ArcelorMittal South Africa has a delegation of authority framework (DOA), which sets out authority thresholds for the delegation of powers to the CEO and management. In accordance with the DOA, the CEO has a clearly defined mandate and is accountable for the day-to-day activities of the business. Although the board has empowered management, certain matters are reserved for the approval of the board. In addition, the DOA is reviewed on a regular basis to ensure that it is effective and appropriate to changing circumstances. The HRRN and chairman of the board assist the board in determining the performance objectives of the CEO and assessing his or her performance against those objectives.</p>
<p>Principle 11: risk governance</p> <p>The board should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p>	Applied	<p>The board, supported by the ARC, is ultimately responsible for the governance of risk of the organisation.</p> <p>The ARC and the board review the risk management process and the maturity of the company, the effectiveness of risk management activities, the key risks facing the company and management's responses to address these key risks. In particular, the board approved the treasury and financial risk policy as recommended by the ARC, and the ARC reviewed the tax risk management framework. The business continuity plans and areas for improvement identified as a result of the lockdown were also assessed.</p> <p>The day-to-day responsibility for management of the risk management plan rests with the group risk and insurance manager, who reports to the ARC and attends all ARC meetings.</p>

Principles	Status	Application to principle
<p>Principle 12: technology and information governance The board should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</p>	Applied	<p>The board, supported by the ARC, is responsible for information and technology governance, in accordance with King IV. The ARC oversees the implementation of IT governance mechanisms, IT frameworks, policies, procedures and standards to ensure the effectiveness and efficiency of the group's information systems. The group information officer reports to the ARC and attends all ARC meetings.</p> <p>The activities on IT governance are reported quarterly to the ARC for oversight and monitoring by the board.</p> <p>The ARC ensures that IT risks are adequately addressed through its risk management, monitoring and assurance processes. Management tabled reports to illustrate to the ARC ArcelorMittal South Africa's overall exposure to IT risks from a strategic and business perspective, including areas of the business that are most dependent on IT for effective and continual operations.</p> <p>The organisation suffered a cybersecurity incident and steps were taken to address this. System security has been improved, and lessons learnt from this event were captured and acted on by IT.</p>
<p>Principle 13: compliance governance The board should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p>	Applied	<p>The board is responsible for the group's compliance with applicable laws. The board has delegated the responsibility for implementing compliance to management. The ARC, in monitoring compliance, assists the board. Detailed progress on the compliance framework is tabled at every board and ARC meeting. The general counsel reports to the ARC and attends all ARC and board meetings.</p> <p>The TSEC assists the board with ensuring responsible business practices within the group and monitors the group's activities with applicable laws.</p>
<p>Principle 14: remuneration governance The board should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</p>	Applied	<p>The board, supported by the HRRN, ensures that ArcelorMittal South Africa remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. The remuneration report and remuneration policy, set out in the IR, have been designed to give effect to the group's strategic objectives. The report and policy are disclosed by means of a background statement and an overview of the main provisions of the remuneration policy, as well as the implementation report disclosing all remuneration awarded to individual members of the board and executive management.</p> <p>The board considered this aspect in particular, given the disruption caused by the hard lockdown. The board supported the approach so as to ensure that all employees received some remuneration while the organisation had to shut down most of its activities during levels 5 and 4 of the Covid-19 lockdown.</p>

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<p>Principle 15: assurance The board should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p>	Applied	<p>The board has delegated to the ARC oversight of, inter alia, the effectiveness of the company's assurance services with a focus on combined assurance – which includes the external and internal audit and the finance function – as well as oversight of the integrity of the IR and the AFS.</p> <p>On an annual basis, the ARC ensures that the combined assurance provided by the internal and external assurance providers and management are sufficient to satisfy it that significant risk areas within ArcelorMittal South Africa have been adequately addressed, and that suitable controls exist to mitigate and reduce these risks.</p> <p>The group has implemented a combined risk assurance model, which is coordinated and managed by internal audit. The ARC oversees combined assurance at group and subsidiary levels, and approves the internal audit plan.</p> <p>Internal audit follows a risk-based approach and provides written assessment of the effectiveness of the systems of internal controls and risk management to the ARC on a quarterly basis.</p>
<p>Principle 16: stakeholder relationships In the execution of its governance role and responsibilities, the board should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</p>	Applied	<p>Establishing and maintaining effective stakeholder relationships is not only essential to sustaining the growth of the company; it is also an essential component of sound governance.</p> <p>The board encourages proactive engagement with shareholders, including engagement at the Annual General Meeting (AGM). All directors are present at the AGM to respond to shareholder queries on how the board executed its governance duties. Deloitte & Touche, the group's designated partner and external auditor, also attends the AGM.</p> <p>Further to this, in 2020 the board monitored progress in terms of the strategic stakeholder engagement matrix that guides engagement with key stakeholders. The organisation, through the chairman and management team, continued to engage with stakeholders during 2020 in light of the important developments regarding the company. This included engagements with government at national, provincial and local level, as well as with regulatory bodies like the Competition Commission and International Trade Administration Commission, shareholders, labour, environmental groups, customers, investors, suppliers and communities.</p>



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