Acknowledgements

This report has been commissioned by the Chairman of the Board and senior management of ArcelorMittal South Africa.

The execution of the ArcelorMittal South Africa Factor Report project was led by a dedicated team from ArcelorMittal South Africa’s Corporate Affairs Division between November 2015 to February 2016, under the guidance of the steering committee consisting of the Executive committee and selected members of the Board of Directors.

Data and insight was provided by an internal working team made up of senior ArcelorMittal South Africa experts from a wide range of functional divisions.

A team from the Boston Consulting Group (BCG) provided external expertise and independent support for assessment of ArcelorMittal South Africa’s footprint. BCG is a global management consulting firm and a leading advisor on business strategy.

The World Business Council for Sustainable Development (WBCSD), of which ArcelorMittal is a member, sponsored the development of the Measuring Impact Framework that was used as a template to develop a tailored methodology for the ArcelorMittal South Africa Factor Report. The WBCSD is a CEO-led global association of around 200 companies dedicated to issues of sustainable development in business.

We would like to thank all those who have contributed to this company-wide assessment for their commitment to increase transparency and awareness of ArcelorMittal South Africa’s footprint in South Africa.
ArcelorMittal South Africa takes its responsibility to contribute towards the development of the nation, its people and a safer environment.

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For just over a 100 years now, since the first Steel Mill in Africa commenced operating in Vereeniging, we have been trusted as the largest steel producer in the Continent.

Steel products over these past years have been the bedrock of industrialisation - the backbone of our nation’s economy. The Steel Industry value-chain multiplies the economic value of South African iron ore by a factor of four, and is core to two of the country’s industrial ecosystems.

South Africa needs a strong primary steel sector more than is generally realised. In developing countries such as ours, there is a positive correlation between GDP growth rate and steel intensity. As we grow our economy, we will need more steel. This means ArcelorMittal South Africa could lead local suppliers in providing the additional 8.3 million metric tonnes a year required by 2030 to support the National Development Plan, as estimated by Boston Consulting Group.

Steel plays a crucial beneficiation role for the country’s iron ore, adding R24.3 billion in value to its raw materials base. It also underpins several other key industries such as agriculture, construction, automotive and mining.

The top 5 of these industries contribute 15% of South Africa’s GDP and employ 8 million people. It would take a decade to re-establish the country’s steel industry, if it were to dissolve. Some 65 countries around the world have a domestic steel industry, including all of South Africa’s peer nations, all the BRICS countries, and other fast-growing developing economies. There is a positive correlation between steel intensity and growth in developing economies, and many elements of South Africa’s National Development Plan (NDP) depends on steel.

One of the threats to existence of the steel industry remains rising cost. ArcelorMittal South Africa continues to face a significant rise in its costs of production. In 2015, the total cost was R31.3 billion. The largest share of this, representing a total of R12.8 billion is attributed to iron ore cost, transport costs from Transnet, coal and energy costs from Eskom, representing 42% of the costs.

Steel making is a strategic industry for South Africa
Steelmaking remains a key strategic industry for South Africa, representing 1.5% of the country’s GDP and accounting for some 190 000 jobs.

Dear Stakeholders,

Message from the chairman
The local steel industry is also under threat of cheap imports due to a structural oversupply (~240mtpa) of steel globally driven by Chinese suppliers. However, South Africa has Sub-Saharan Africa’s only primary steelmaking capability. This represents an opportunity for South Africa to supply steel to neighbouring economies, many of which are growing in excess of 5% per annum on average.

**Survival of steel industry dependant on the economy and key sectors’ consumption demand**

The overall performance of the South African economy has been weak to sustain strong steel demand. Overall GDP growth rates have been below 5% since 2007, which is a requirement to sustain high steel demand. In the period under review for this year’s Factor Report, overall GDP growth rate of 1.3% was recorded in 2015, down from 2.2% and 1.5% in 2013 and 2014 respectively.

It is also to be noted that the steel demand side has been negatively affected both locally and globally. The key market segments for steel in South Africa are the construction, mining and manufacturing sectors. These key three sectors are experiencing low growth in activity, production and reduced investment.

Within the mining sector, investment and expansion has been affected negatively by the decline in commodity prices, which led to closure of mines in some cases. This has negatively reduced steel demand from this market segment. The overall weak manufacturing sector, which among others, is driven by increased cheaper imports of finished goods into domestic market, has led to reduced steel demand from manufacturers that utilise local steel for production of finished goods.

It is, therefore, vital to note that the steel industry whilst it plays a significant role for these three key sectors, its survival depends on how these industries are performing; and any policy matters affecting these sectors may also have implications for the steel industry.

**Key findings in the report**

The findings of this year’s Factor Report show that ArcelorMittal South Africa continues to make significant contributions to the country’s economy and employment in local communities despite the difficult financial situation.

We still directly and indirectly contribute over 1% of South Africa’s GDP and support employment for almost 90 000 people economy wise. We have also initiated a broad transformation program which is beginning to show progress. ArcelorMittal South Africa’s spend with black-owned and black-female owned business has significantly increased since 2014.

Keeping our employees and contractors safe is a key priority for us. We continue to improve our injury rate year on year but we still, regrettably, had two fatalities in 2015. We have highlighted our new approach to safety in this report in our aim towards zero harm.

We also recognise that there are areas where we can still improve. Despite recent improvements, our representation of historically-disadvantaged South Africans and women in the workforce remains low and must be improved further to reflect the demographics of South Africa.

Steel making inherently results in production of greenhouse gases, dust and has a high water usage. Although this is unavoidable, we need to continue to improve our emissions and water usage to minimize the impact on the environment.

**Engagement with Government**

We have worked hard to mend bridges with government and regulators, in which our story to protect the steel industry had been heard. Progress has been made in a number of areas which includes:

- ITAC has recommended the imposition of the tariff duty of 10% on the two outstanding applications – HRC and OBR*, which are being taken through the relevant Government processes for implementation. All 10 applications for the 10% tariff duty are therefore completed, subject to the final implementation with regard to HRC and OBR*.

- The safeguard duty applications previously submitted were reviewed by ITAC. The queries regarding the safeguard applications have been addressed and they have been re-submitted. The investigation in respect of safeguard duties relating to HRC has been initiated. Due to the combination of certain products one further application remains outstanding and will be finalised shortly.

- Significant progress has been made with the Department of Trade and Industry (dti) and the Economic Development Department regarding a pricing mechanism for local flat steel going forward but the process has not been finalised. It is anticipated that it would be finalised shortly.

- The company has been informed that the proposal for the designation of local primary steel for state procurement and use in government infrastructure projects has been submitted to National Treasury for consideration.

We salute the ministries of trade and industry and economic development and the commissioners of the International Trade Administration Commission and the Competition Commission, as well as their many hard working officials.

We thank them, in particular, for their willingness to embrace a new partnership with our company and their determination to cast that relationship into agreements, undertakings, determinations and regulations that will allow our company to

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* HRC (Hot Rolled Coil) and OBR (Other Bars and Rods)
create growing social value for decades to come.

In the same breath, we salute the leadership of our most prominent trade unions, especially the National Union of Metalworkers and Solidarity, who fought in our corner to argue the imperative of safeguarding a vital industry and the jobs of thousands of their members.

We also hope that this Report sets the foundation for more constructive engagements with our stakeholders by helping them better understand ArcelorMittal South Africa and its contribution to society.

Mpho Makwana
Chairman
ArcelorMittal South Africa, as a leading steel producer and key part of South Africa’s economy, recognises its responsibility to contribute towards the development of the nation, its people and the environment.

The Factor Report aims to determine ArcelorMittal South Africa’s economic, social and environmental contribution to country’s development and communicate this to its stakeholders. ArcelorMittal South Africa considers meaningful engagement with its stakeholders as one of its important business priorities.

This is the steel making company’s second Factor Report and it utilises the approach based on the WBCSD methodology developed for the first report. The scope of assessment has been expanded to assess ArcelorMittal South Africa’s overall national impact in South Africa as well as impact of each of its plants in their respective provinces.

The local steel market experienced a tough year in 2015. Steel consumption has decreased by 0.4% per annum over the last five years. At the same time, imports have surged at 20% per annum and now constitute 25% of local steel consumption – up from 10% five years ago.

This surge in cheap foreign imports comes mainly from China which is experiencing a significant supply glut. Local producers bear the brunt of the impact with consumption of locally produced steel decreasing on average 4% per annum over the last five years to 3.75Mt in 2015.

The assessment carried out as part of the Factor Report shows that ArcelorMittal South Africa’s most positive impacts are on the economy, as an employer and on enabling SA’s development. Despite financial losses and the stagnating steel market, ArcelorMittal South Africa continues to contribute significantly to SA’s GDP and supports employment for almost 90 000 people in South Africa directly and indirectly. ArcelorMittal South Africa also increased procurement spend with black-owned businesses however there is potential to increase this even further with a number of programs already initiated.

On social indicators, ArcelorMittal South Africa has a mix of positive and negative performance. ArcelorMittal South Africa provides support for local communities and businesses and has made efforts to improve employment equity status. However, more effort is required to increase the number of Historically Disadvantaged South Africans (HDSA) and female representation overall, particularly at management level. ArcelorMittal South Africa has undertaken initiatives in transforming the company in all aspects such as ownership, employment equity and procurement to address current under-representation, aiming to significantly improve its B-BBEE contribution.

Steel production is a resource-intensive process that produces significant amounts of greenhouse gases, particulates and waste. Due to this inherent reason, ArcelorMittal South Africa performs negatively on environmental indicators.

However, the company continuously strives to reduce its environmental footprint where possible. A good example is the Zero Effluent Discharge (ZED) project at Newcastle which will reduce discharge of effluents.

Findings of the Factor Report help articulate the need to maintain a domestic steel industry in South Africa.

Firstly, domestic steel production has a number of direct benefits to the South African economy. Benefits which are lost when finished steel is imported instead.

Analysis based on ArcelorMittal South Africa’s footprint shows that every 1 000 tonnes of steel produced locally adds: R9.2 million to GDP; provides 3 jobs directly and 3 jobs indirectly economy wide; enables domestic procurement spend of R5.3 million of which SME spend of R0.5 million; benefits R5.2 million of value and contributes R0.13 million in taxes. On the negative side, every 1 000 tons of domestic steel produces 2 900 tons of CO2, 0.5 tons of dust, 4.6 tons of SO2 and abstracts 4.0 million litres of water.

Secondly, it provides the country security of supply and protection against raw material market volatility. South Africa has the only steel making capabilities in sub-Saharan Africa and therefore importing steel comes with long lead times and transport costs which may slow down steel consumption and hamper economic growth.

Thirdly, South Africa has built up its steel making expertise and infrastructure over a period of 100 years. Losing the domestic steel capabilities and associated skills will take a long time to rebuild. It would take at least ten years to re-establish the infrastructure, skills, logistics networks and downstream industries required for a viable and thriving local steel industry.
1.1 National Factor Report Dashboard

**Economic growth engine**
R27.6 billion (0.7%) in direct GDP and R15.2 billion (0.4%) in indirect GDP contribution.

883Kt of steel, valued at nearly R7 billion exported by ArcelorMittal South Africa

R618 million paid in government taxes in 2015 including corporate, municipal and employee taxes

R29 billion spent on 1781 B-BBEE suppliers; 51% of which were Level 1-4

**Enabler of South African development through supply of steel**
4.8Mt of steel produced with 61% of South African steel supplied; R24.3 billion of value added in beneficiation

ArcelorMittal South Africa indirectly supports 1.2 million jobs and 12% GDP in key domestic industries as a result of steel supply

R1.2 billion Capex spent on South African operations to boost ability to meet demand

**Employer, job creator and skills developer**
Supporting over 12 800 jobs in direct employment and 15 800 in indirect employment and 90 185 jobs economy wide impact

Over 105,500 training seats provided with R202 million invested in training; 1 301 in learner pipeline

R2.5 billion spent with QSE and EME; R2.8 billion on black-owned; R2.1 billion on black women-owned businesses

R20 million invested for the first time in Enterprise and Supplier Development

**Impact on local communities**
13 Mt (76% of all raw material) transported on local rail, reducing burden on roads

85% of new recruits employed locally

19% Procurement spent (R5.6 billion) with 1 079 local suppliers

R12.6 million invested in CSI for local communities; majority spent on education at Science Centres

**Catalyst for change in South Africa**
Improved LTIFR to 0.48 (2014:0.58) but two fatalities

10% Female employment, 63% HDSA employment and 36% youth employed

B-BBEE Level 6 in 2015† up from Level 7 in 2014

Open disclosure of financial, environmental and social indicators; won awards for integrated reporting

**Environmental footprint**
128PJ of energy, 18.4 billion litres of water and 12.5Mt of raw materials consumed

~R65 million invested in environmental capex improvements

13.6Mt of CO2 emitted

2.5Kt of dust and 21.5Kt of SO2 emissions

4.1Mt by-products generated, 1.4Mt disposed; 618ha of land restoration

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1. Despite the negative outcome on the environmental footprint, progress has been made on this front as a result of the various project initiatives to reduce carbon footprint.

† According to old B-BBEE assessment (Source: BCG analysis)

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Comparison to previous factor report

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1.1.1 Economic Growth Engine

Driver of South Africa’s Economy
As the leading steel producer in South Africa and sub-Saharan Africa, ArcelorMittal South Africa contributes significantly to the national economy. Collectively, its direct spending and indirect spending through suppliers, ArcelorMittal South Africa contributes R43 billion which equates to 1.1% of South Africa’s GDP. This has remained steady since 2013 highlighting the key position of ArcelorMittal South Africa in SA’s economy.

Contributes to national exports
ArcelorMittal South Africa exported steel products valued at R7 billion to sub-Saharan Africa and overseas, bringing significant revenue and helping SA balance trade deficits. While exports have decreased since 2014, it continues to be a key source of revenue for ArcelorMittal South Africa.

Supporting national endeavours
ArcelorMittal South Africa is a major national taxpayer, contributing towards national and municipal government revenue. A total of R618 million was paid in corporate, municipal and employee taxes to SARS in 2015. Due to increasing financial losses incurred, taxes paid decreased by 24% from 2014.

Supporting broad-based economic activity
ArcelorMittal South Africa spent R29 billion to procure raw materials, other goods and services which can drive economic benefit for other SA companies. The company is focused on procuring from B-BBEE companies with 51% (R14.9 billion) of total procurement spent with B-BBEE levels 1-4 companies.

1.1.2 Employer, job creator and skills developer

Long-term job provider
ArcelorMittal South Africa is viewed as a long-term and stable employer especially in the areas where its plants are located. ArcelorMittal South Africa employed 12,800 people directly of which 9 315 were permanent.

A further 15 800 jobs were supported indirectly by suppliers and 61 500 jobs economy-wide. In total, ArcelorMittal South Africa directly and indirectly supports over 90 000 jobs across South Africa. Since 2013, ArcelorMittal South Africa employment has decreased by 14% but the number of permanent employees has remained steady.

Focus on training and development
Training and development is a critical focus area for ArcelorMittal South Africa with R202 million invested and a total of 105 500 training seats provided for employees and learners in 2015. ArcelorMittal South Africa also supported the development of 1,301 learners, apprentices and bursars with financial, technical and experiential training. This is beyond ArcelorMittal South Africa’s requirements and therefore benefits other industries by increasing the available skilled labour pool.

Transforming the supplier base
ArcelorMittal South Africa has made significant strides in increasing spend with black-owned enterprises. In 2015, ArcelorMittal South Africa spent R2.8 billion with majority black-owned businesses (up from R1.3 billion) and R2.1 billion with >30% black women-owned businesses (up from R0.4 billion).

Investing in enterprise and supplier development
In 2015, ArcelorMittal South Africa kicked-off an enterprise and supplier development (ESD) program, spending R20 million for the first time to further building its QSE and EME supplier base.

1.1.3 Impact on local communities

Reducing congestion on South Africa’s roads
Government encourages usage of rail transport over road especially for bulk goods to improve safety and reduce congestion on national roads. ArcelorMittal South Africa moved a greater portion of its raw material and finished products by rail with 76% of all material or 13Mt transported by rail in 2015 up from 11Mt in 2014. Approximately 4Mt of raw material and products were still transported by road in 2015.

Committed to creating jobs in local communities
ArcelorMittal South Africa makes a considerable effort to hire employees from local communities around their plants in order to mitigate the high local unemployment rate. A total 85% of new recruits were hired locally, improving considerably from 68% in 2014.

Investing in local communities
ArcelorMittal South Africa also supports businesses in local communities close to its plants with R5.6 billion spent in 2015 making it a significant driver of economic activity in local communities. A total of 1 079 suppliers from local communities were supported.

Prioritizing education for CSI
Corporate social investment is an important means by which local communities benefit from ArcelorMittal South Africa’s presence. In 2015, R12.6 million was invested in education, health and housing benefiting 130 000 people.

CSI spend has been reduced since 2013 due to the tough financial period that the organisation is going through.
1.1.4 Enabler of SA Development

Driving beneficiation through steel production
Steel supply is a critical enabler for the NDP to achieve its infrastructure targets and ArcelorMittal South Africa is the leading steel supplier in SA providing 61% of domestic steel.

In the steel production process, ArcelorMittal South Africa added R24.3 billion in value through beneficiation with the steel which would have been lost if the steel was imported.

Supporter of key domestic industries through steel supply
ArcelorMittal South Africa is a key enabler of South Africa’s development by supplying steel to some of the most critical industries including, construction, utilities (energy and water), mining and automotive. By supplying these industries, ArcelorMittal South Africa indirectly supports nearly 1.2 million formal jobs and 12.3% of SA’s GDP.

Sustaining the South African steel industry
ArcelorMittal South Africa invested R1.2 billion in capital projects in 2015 to ensure the long-term sustainability and innovation in the local steel industry.

1.1.5 Catalyst for change in South Africa

Investing in improving safety
Health and safety is a priority at ArcelorMittal South Africa and we ensure that all employees, contractors and suppliers comply with safe working practices. In the quest to achieve zero harm, ArcelorMittal South Africa continued to improve the overall injury rate (LTIFR) to 0.48 in 2015 (from 0.58 in 2014) however unfortunately, there were two fatalities.

Employment equity and representation
Employment equity is an area where ArcelorMittal South Africa has lagged behind national demographics however efforts for improvements have been put in place. In 2015,

HDSA’s were 63% of total workforce, an improvement of 59% last year. Female participation remains low at 10%. ArcelorMittal South Africa also prioritises youth employment with 36% staff currently under the age of 35 years.

Prioritising the transformation agenda
ArcelorMittal South Africa is certified at B-BBEE Level 6 which is an improvement from Level 7 in 2014. A major transformation programme is in place to further improve its B-BBEE status.

Accolades for reporting and transparency
In 2014 and 2015, ArcelorMittal South Africa maintained a strong track record of open disclosure of all its key indicators, winning awards for integrated reporting.

1.1.6 Environmental Footprint

Intensive use of resources
Steel production is a resource intensive industry. ArcelorMittal South Africa consumed a total of 128PJ of energy, 18.4 billion litres of water and 12.5Mt of raw material in 2015, making it one of South Africa’s largest consumer of key resources.

Improved emissions and effluents management
ArcelorMittal South Africa is also continuously working towards improvements in effluent management at each of its operating sites. In 2015, R65 million capex was invested in environmental projects which includes reducing waste water effluents and particulate emissions

CO₂ emissions
CO₂ is a significant contributor to climate change and a major by-product of steel production. ArcelorMittal South Africa’s CO₂ emissions is significant with 13.6Mt of CO₂ emitted in 2015, but 4% lower than 2014.

SO₂ and particulate emissions
ArcelorMittal South Africa’s particulate emissions were 21.5kt an, increase of 7% from 2014 to 2015 due to the quality of coal used in processing.

By-products disposal and restoration
ArcelorMittal South Africa generates significant by-product volumes with 4.1Mt, of which 1.4Mt was disposed of in 2015. ArcelorMittal South Africa also invests in rehabilitation of its disposal sites with 618 ha of land currently under restoration.
1.1.7 ArcelorMittal South Africa Plant level report

One of the key objectives of the Factor Map was to assess the impact of individual ArcelorMittal South Africa plants on their local municipality and Province in addition to the National level impact.

Plant-level assessments allow ArcelorMittal South Africa to communicate indicators at a more granular level making it even more useful for some of our stakeholders such as employees at plants, local community members and local governments.

The Report outlines the impact and the footprint of its four plants: Vaal plants (Vanderbijlpark and Vereeniging), Newcastle and Saldanha in detail.

The company has played a significant contribution at plant level within the various regions. Some of these include:

- Over 81% of new recruits from local community (Vaal plants)
- R87 million invested in environmental improvement projects over the past two years. (Newcastle plant)
- R1.5 million invested through CSI projects impacting 18 300 people (Saldanha plant)
2. Introduction

ArcelorMittal South Africa is the leading producer of steel in South Africa and one of the country’s largest manufacturing companies. Steel production has been a key industry in South Africa since the early 20th century providing a significant source of revenue, employment and opportunity to beneficiate raw materials for the country.

The majority of South Africa’s domestic steel requirements are provided by local steel producers ensuring security of supply and supporting critical industries such as construction, agriculture, mining, automotive and energy.

Given its central position in the steel industry, ArcelorMittal South Africa recognises that it has a responsibility to contribute to the development of the nation, its people and the environment.

2.1 Objectives of the Factor Report

ArcelorMittal South Africa has undertaken to regularly evaluate its economic, social and environmental impact in South Africa in the broader context of national and provincial development agendas to objectively assess its contribution.

In 2014, ArcelorMittal South Africa published its first Factor Report which presented a balanced view of its socio-economic and environmental contribution to South Africa. A commitment was made to regularly publish this Report - a commitment kept by the publication of this second ArcelorMittal South Africa Factor Report. This Factor Report utilised the structured methodology created in 2014 to develop a transparent and fair view of ArcelorMittal South Africa’s contribution across various economic, social and environmental metrics.

The main objectives of the Factor Report are to:

- Measure and assess ArcelorMittal South Africa’s contribution to national and provincial development agendas during 2015 using a broad set of economic, social and environmental indicators.
- Compare trend of ArcelorMittal South Africa’s performance from 2013-15 to identify areas of progress and those requiring improvement.
- Improve quality and level of engagement with ArcelorMittal South Africa’s stakeholders by communicating findings in a transparent and unbiased manner.
ArcelorMittal South Africa is one of South Africa’s oldest industrial companies, dating back to its founding in 1928 as the parastatal Iscor. Iscor’s transition to the ArcelorMittal group began in 2004 with the merger of Ispat International NV and LNM Holdings NV, the parent company of Ispat Iscor (as Iscor was known at the time). The new company operated under the new name of Mittal Steel South Africa Limited and in 2006 became ArcelorMittal South Africa following the merger of Arcelor and the Mittal Steel Company.

ArcelorMittal South Africa is a proudly South African company and also part of the ArcelorMittal group, the world’s leading steel producer with sites in 20 countries and a presence in 60 countries.

Figure 1. Major events in ArcelorMittal South Africa’s history
Source: ArcelorMittal South Africa
2.3 Capacity for ArcelorMittal South Africa Plants’

ArcelorMittal South Africa operates five plants in South Africa which together have an annual capacity of 6.1 million tonnes of liquid steel, producing a broad range of steel products for local and export markets.

Products include flat and long steel products such as hot- and cold rolled steel, slabs, heavy plate, coated products, billets, rods, seamless tubes with major consumers in the construction, automotive, piping and packaging industries.

In addition, the Coke and Chemicals business produces commercial coke used in the ferro-alloy industry and processes steel by-products to produce coal tar which has a variety of uses including road paving.

ArcelorMittal South Africa utilises the expertise and R&D capabilities of its global parent company to bring the latest innovations in steel to South Africa, passing on the benefits of lighter, stronger and more durable steel to its consumers.

Figure 2. ArcelorMittal South Africa has 5 operations in South Africa with a capacity of 6.1 million tonnes of liquid steel
Source: ArcelorMittal South Africa Annual Report
1. 435 000ktpa of capacity was nullified after the closure of Vereeniging works meltshop, thus reducing ArcelorMittal SA total capacity from 6.5 million metric tonnes

Vanderbijlpark

Vereeniging

Newcastle

Saldanha

Facilities in Pretoria, Newcastle and Vanderbijlpark

Produces commercial coke for ferro-alloy industry

Beneficiation of metallurgical and steel by-products

\(^1\)Coke production

Coke and Chemicals

Pretoria and others

Vanderbijlpark

Vereeniging

Newcastle

Saldanha

One of the world’s largest inland steel mills

Two blast and three basic oxygen furnaces

SA’s largest producer of flat steel products such as slabs, plates, and electro-galvanised (EGL)

Supplier of speciality steel, forge products

One electric arc furnace

Produces automotive steel products, seamless tubes, and wire rod

Major producer of profile products and long steel used in the construction industry

One blast, one induction, and three basic oxygen furnaces

Produces alloy steels, wire rod, billet rebar, A sections

World’s first steel mill to merge Corex and Midrex process to replace need for blast furnace

Largely export focused

Produces high quality, ultra thin, hot-rolled coil
2.4 Local and global steel market dynamics

The global steel market experienced a tough year in 2015. Stagnating steel demand resulting from a slowdown in the global economy and over-capacity in steel production (mainly in China) have placed pressure on local steel producers. Worldwide finished steel output declined by 2.5% in 2014 from 1,647Mt to 1,605Mt in 2015. Exports from China continued to grow in 2015 with an increase of 20% to 112Mt.

The South African local steel market is no different, apparent steel consumption has decreased by 0.4% p.a. over the last five years. At the same time, imports have grown at 20% p.a. and now constitute 25% of local steel consumption – up from 10% five years ago. This surge in cheap foreign imports comes mainly from China, where local steel is state-subsidised, which constituted 56% of all South African steel imports in 2015. Local producers bear the brunt of the impact with the consumption of locally produced steel decreasing on average 4% per annum in the last five years to 3.75Mt in 2015.

This was illustrated in April 2015 when South Africa’s second largest steel producer Evraz Highveld Steel and Vanadium filed for business rescue.

The demand dynamics in the South African steel market have mainly been influenced by the construction, mining and manufacturing sector. These sectors in total represent almost 80% of the total domestic steel demand, with the construction sector dominant with a share of 60%. The figures on the next page demonstrate the growth patterns within these sectors that have influenced apparent domestic steel demand since 1990.

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Figure 3. Dynamics in local steel market in South Africa for local steel producers and imported steel

Source: ArcelorMittal South Africa market data; BCG analysis
For the growth in apparent steel consumption to be sustainable, the overall economy’s GDP has to grow by at least over 5%, and this is not the case with the South African economy currently. That GDP growth rate was last attained in 2007, when the economy grew by 5.5%. Of particular concern has been the decline in the manufacturing and mining sectors since 2010. It has also been disappointing to note that construction, which consumes almost 60% of the steel, is also under pressure, declining by -8.4% in 2015, demonstrating lack of activity to drive growth in steel demand.

It is also important to note that a mega Government project plays a critical role in stimulating steel demand. In the past, key projects such as the construction of Arnot, Krieland, Hendrina Power Stations, Sterkfontein Dam, Duvha, Koeberg, Matla Power Stations and Bloukrans Bridge, in the period 1980 to 1990, helped to stimulate steel demand.

In the recent years, key 2010 Soccer World Cup related constructions were drivers of steel demand in South Africa. In essence, we have seen a significant decline in steel demand since the completion of these projects. It is also important to note that a significant decline in lending by the banks, since the introduction of the National Credit Act, has negatively affected the residential segment of the construction sector.

2.5 National and provincial development agenda

Contribution of ArcelorMittal South Africa’s operations to the economy, social well-being and environment cannot be viewed in isolation. It must be assessed in the broader context of the national development agenda as well as the development goals of the provinces where its plants are located.

At the national level, the National Development Plan provides the key strategic objectives and targets for South Africa over the next 15 years.

In addition, we also used other key policy publications such as the Industrial Action Policy Plan, National Youth Policy, Climate Change Response Plan, and National Infrastructure Development Plan for more guidance on national objectives against which to assess ArcelorMittal South Africa’s performance. Province level, we used key policy documents including development plans, namely Western Cape Provincial Strategy, KZN Provincial growth and development plan, Gauteng state of the province 2015 and 10 Pillars of radical transformation. At a municipal level we used the integrated development plans where ArcelorMittal South Africa’s plants are located, to provide key development objectives.

Details of assessment of ArcelorMittal South Africa’s performance against development objectives can be found in Section 4.7.1.
3. Methodology

ArcelorMittal South Africa adopted a structured methodology for the Factor Report which is based on the framework developed by the World Business Council for Sustainable Development (WBCSD).

The methodology was initially developed and used for the first Factor Report in 2014 and is now being used for this second report.

### Four steps framework underpins the methodology

<table>
<thead>
<tr>
<th>Step</th>
<th>Key activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Identify objective(s) for assessment</td>
</tr>
<tr>
<td></td>
<td>Define geographical scope of assessment</td>
</tr>
<tr>
<td></td>
<td>Collect development context information</td>
</tr>
<tr>
<td></td>
<td>Select business to be assessed</td>
</tr>
<tr>
<td>2</td>
<td>Identify sources of impact for each business activity</td>
</tr>
<tr>
<td></td>
<td>Identify relevant indicators for direct/indirect impacts</td>
</tr>
<tr>
<td></td>
<td>Measure impact</td>
</tr>
<tr>
<td>3</td>
<td>Determine level of stakeholder engagement</td>
</tr>
<tr>
<td></td>
<td>Engage with stakeholders to prioritise development issue</td>
</tr>
<tr>
<td></td>
<td>Build hypothesis of business contribution to development</td>
</tr>
<tr>
<td></td>
<td>Test hypothesis with stakeholders and refine overall assessment ¹</td>
</tr>
<tr>
<td>4</td>
<td>Identify priority issues for action</td>
</tr>
<tr>
<td></td>
<td>Consider possible management responses and prepare recommendations of management</td>
</tr>
<tr>
<td></td>
<td>Decide on way forward</td>
</tr>
<tr>
<td></td>
<td>Develop indicators to monitor way forward</td>
</tr>
</tbody>
</table>

¹ WBCSD Methodology

Further details on the methodology can be found in the Appendix.

Figure 5. Methodology for developing the ArcelorMittal South Africa Factor Report
4. ArcelorMittal South Africa National Factor Report

ArcelorMittal South Africa’s impact on South Africa is summarised in six pillars of impact covering social, environmental, and economic matters.

**Economic growth engine**
R27.6 billion (0.7%) in direct GDP and R15.2 billion (0.4%) in indirect GDP contribution.

883Kt of steel, valued at nearly R7 billion exported by ArcelorMittal South Africa

R618 million paid in government taxes in 2015 including corporate, municipal and employee taxes

R29 billion spent on 1781 B-BBEE suppliers; 51% of which were Level 1-4

**Employer, job creator and skills developer**
Supporting over 12 800 jobs in direct employment and 15 800 in indirect employment and 90 185 jobs economy wide impact.

Over 105,500 training seats provided with R202 million invested in training; 1 301 in learner pipeline

R2.5 billion spent with QSE and EME; R2.8 billion on black-owned; R2.1 billion on black women-owned businesses

R20 million invested for the first time in Enterprise and Supplier Development

**Enabler of South African development through supply of steel**
4.8Mt of steel produced with 61% of South African steel supplied; R24.3 billion of value added in beneficiation

ArcelorMittal South Africa indirectly supports 1.2 million jobs and 12% GDP in key domestic industries as a result of steel supply

R1.2 billion Capex spent on South African operations to boost ability to meet demand

**Catalyst for change in South Africa**
Improved LTIFR to 0.48 (2014:0.58) but two fatalities

10% Female employment, 63% HDSA employment and 36% youth employed

B-BBEE Level 6 in 2015* up from Level 7 in 2014

Open disclosure of financial, environmental and social indicators; won awards for integrated reporting

**Impact on local communities**
13 Mt (76% of all raw material) transported on local rail, reducing burden on roads

85% of new recruits employed locally

19% Procurement spent (R5.6 billion) with 1 079 local suppliers

R1.26 million invested in CSI for local communities; majority spent on education at Science Centres

**Environmental footprint**
1.28PJ of energy, 18.4 Billion litres of water and 12.5 Mt of raw materials consumed

~R65 million invested in environmental capex improvements

13.6 Mt of CO₂ emitted

2.5 Kt of dust and 21.5 Kt of SO₂ emissions

4.1 Mt by-products generated, 1.4 Mt disposed; 618ha of land restoration

Figure 6. National factor map

1. Despite the negative outcome on the environmental footprint, progress has been made on this front as a result of the various project initiatives to reduce carbon footprint.

*According to old B-BBEE assessment (Source: BCG analysis)
## 4.1 Economic growth engine

Each pillar is further broken down into a number of impact areas and each area has been evaluated in terms of whether ArcelorMittal South Africa's impact or performance is mostly positive, a mix of both positive and negative, or mostly negative from 2013 till 2015.

Each pillar is explored in detail in this report.

<table>
<thead>
<tr>
<th>Driving South Africa’s economy</th>
<th>Contributes to national exports</th>
<th>Supporting national endeavors</th>
<th>Broad-based economic activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>ArcelorMittal South Africa is South Africa’s leading steel producer contributing R27.6 billion (2014: R26.2 billion) or 0.7% directly to GDP through its steel operations.</td>
<td>In 2015, ArcelorMittal South Africa brought in ~ R7 billion (2014: R8.7 billion) export revenue into the domestic economy. While export revenues have fallen since 2014, it remains a key component of ArcelorMittal’s domestic contribution and accounted for 22% of its total revenue.</td>
<td>ArcelorMittal South Africa is a major South African taxpayer, thus contributing towards nation building. ArcelorMittal South Africa’s share of taxes contributed to SARS amounted to R618 million (2014: R809 million) in 2015 including both corporate and employee taxes. While this was 24% lower compared to 2014 tax contribution, it is still significant despite making a financial loss.</td>
<td>ArcelorMittal South Africa has a significant procurement spend on raw material, other goods and services which can drive economic activity of local South African companies. ArcelorMittal South Africa spent R20.6 billion or 71% of its R29 billion procurement (2013: R18 billion or 75%) on B-BBEE companies. R14.9 billion or 51% (2013: R13.0 billion or 52%) of total procurement was spent on 1,442 B-BBEE Level 1-4 companies (2013: 1, 375). ArcelorMittal South Africa spending level on B-BBEE level companies has remained steady since the last Factor Report.</td>
</tr>
<tr>
<td>Collectively ArcelorMittal South Africa contributes 1.1% (2014: 1.1%) to South Africa's GDP.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- R27.6 billion (0.7%) in direct GDP and R15.2 billion (0.4%) in indirect GDP contribution
- R618 million paid in government taxes in 2015 including corporate, municipal and employee taxes
- R29 billion was spent on procurement; 51% of which were Level 1-4.

\[1\text{ Compared to 2013 numbers from previous Factor Report as 2014 numbers not available.}\]

**Figure 7. Economic growth engine**

Source: ArcelorMittal South Africa; BCG Analysis; Quantec
ArcelorMittal South Africa is one of the largest manufacturing companies and a leading producer of steel in South Africa. Its operations have a significant contribution towards the South African economy which is important in light of the NDP targets to increase GDP growth to 5.4%. ArcelorMittal South Africa directly contributes R27.6 billion or 0.7% through its own operations including procurement, wages and capex.

In addition, ArcelorMittal South Africa’s indirect contribution through downstream economic activity generated by ArcelorMittal South Africa’s direct suppliers amounted to a further R15.2 billion, or 0.4% of total GDP. Thus, in total ArcelorMittal South Africa contributed approximately 1.1% to South Africa’s total GDP in 2015.

This is similar to historical trends, where in 2013 and 2014, ArcelorMittal South Africa contributed 1.3% and 1.1% to the total national GDP, respectively.

The fact that it contributes a significant portion to the domestic economy and has managed to maintain this contribution is indicative of the important role that ArcelorMittal South Africa plays in the economy, albeit a challenging market.

As discussed in the introduction, ArcelorMittal South Africa has had to operate in an extremely difficult market environment in recent years, where both domestic and international cost drivers put pressure on margins.

Value added is calculated as the revenue remaining after deducting all operational expenses i.e. costs of labour, operations, and general administration. ArcelorMittal South Africa incurred a negative EVA of R4.74 billion in 2015. This was significantly lower than 2014 with negative EVA of R0.3 billion.

This figure, the lowest in the past 5 years, reflects the challenging market environment that ArcelorMittal South Africa found itself operating in, both as a result of domestic and international factors.
EVA declined, reaching lowest level in past 5 years in 2015...

Figure 9. Economic value add for ArcelorMittal South Africa was negative in 2015
Source: ArcelorMittal South Africa; BCG Analysis

...Low steel commodity prices due to domestic and international drivers

Economic value add continued negative trend from loss of R0.3 billion in 2014 to loss of R4.74 billion attributed to combination of domestic and international factors

Domestic factors
Lower economic growth than anticipated
Lower than expected domestic demand for steel
Higher electricity and raw materials (iron ore) core
Low steel prices pushing margins significantly lower

International factors
Slowdown in economic growth and reduced demand in China and heavily subsidised steel industry
- Leading to increase in cheaper Chinese exports.

In anticipation of the challenging market environment, ArcelorMittal South Africa has undertaken efforts to improve internal efficiencies through a combination of initiatives seeking to improve productivity and reduce costs to sustain the organisation.

4.1.2 Contribution to national exports

The NDP places importance on the need for South Africa to build its economy through exports and competitiveness. Exports also bring in foreign exchange and help balance the country’s trade deficit.

In 2015, ArcelorMittal South Africa brought ~R7 billion export revenue into the domestic economy. ArcelorMittal South Africa’s main export markets are in Africa, Europe and the Middle East. Sub-Saharan Africa accounts for >80% export sales for flat steel products. ArcelorMittal South Africa through its steel exports, help drive regional infrastructure development as none of the other sub-Saharan countries have significant steel production capabilities.

While export revenues have fallen since 2014 by ~20%, it remains a key component of ArcelorMittal South Africa’s domestic contribution. In 2015 it accounted for 22% of its total revenue, down from 25% in 2014, but is likely to remain important in view of slowing domestic demand.

ArcelorMittal South Africa is the only flat steel producer in South Africa to offer rebates to customers who export fabricated steel products. In 2015, ArcelorMittal South Africa spent R158 million directly in providing export rebates to local companies supporting key downstream industries such as pipes, tubes and forged products.

Export rebates are very important to small local industries and in some cases essential for their financial sustainability. Local demand for primary and fabricated steel products cannot meet current capacity of these products therefore increasing exports is one way to absorb the excess capacity. By providing export rebates, ArcelorMittal South Africa improves the ability of local companies to offer competitive fabricated steel products for exports and therefore increasing their volume of sales and revenue. Increased demand for its steel also benefits ArcelorMittal South Africa as utilisation of its steel plants can be improved resulting in reduced cost per ton due to scale effects.
Export revenue lower than 2014 but on par with 2013

- Figure 10. ArcelorMittal South Africa exports accounts for >20% of revenue
  Source: ArcelorMittal South Africa, BCG Analysis

ArcelorMittal South Africa is the only domestic flat steel manufacturer to offer export rebates...

Export rebates stimulate local secondary steel industries and increase global competitiveness

- Rebates are paid back to domestic industries on exported processed steel products.
- Rebates offered directly by ArcelorMittal South Africa or through the Committee of Secondary Manufacture (COSM) Trust at South African Iron and Steel Institute (SAISI).

Industries such as pipes and tubes; wire rods and forge products and automotive components highly reliant on export rebates

- Limited infrastructure development has eroded competitiveness of these industries.
- Export rebates key to sustaining the industries continuing to invest in these products.

...with over R158 million paid out in 2015

- Figure 11. ArcelorMittal South Africa provided R158 million in export rebates in 2015

Rebate Amount (R Million)

- ArcelorMittal South Africa export rebates
4.1.3 Supporting national endeavours

For 2015, ArcelorMittal South Africa contributed a total of R618 million in taxes to local municipalities and the South African Revenue Service. The majority, 84%, was income tax payments, followed by 10% for municipalities and 6% for corporate taxes. However, 2015’s tax contribution was 24% less than in 2014 and 59% less than 2013, a result of the current loss making position.

Figure 12. ArcelorMittal South Africa tax contribution in 2015 less than previous years

4.1.4 Supporting broad based economic activity

ArcelorMittal South Africa’s procurement spend is one of the key levers impacting economic development. Improving procurement spend on B-BBEE suppliers has been a key focus for ArcelorMittal South Africa, with particular emphasis on procurement from Level 1–4 rated companies.

Approximately 51% of ArcelorMittal South Africa’s total procurement spend or R14.9 billion was with suppliers rated B-BBEE Levels 1–4. This is an increase in absolute value from 2013, spend on these suppliers of R13.0 billion.

ArcelorMittal South Africa’s spending segmented by B-BBEE level and vendor size

Figure 13. 51% of total procurement spend on B-BBEE Level 1-4 suppliers
4.2 Employer, job creator and skills developer

The employer, job creator and skills developer impact area looks at the role ArcelorMittal South Africa plays as a source of direct and indirect employment, skills development through training and education, and job creation through its suppliers and partners.

Long term employment creator

ArcelorMittal South Africa is a critical provider of employment in the areas where it operates.

In 2015, 9,315 people were permanently employed by ArcelorMittal South Africa, the majority in skilled jobs. Total direct employment is over 12 800 (2014: 13 500). Indirect employment created by direct suppliers was 15 800 with a further ~61 500 jobs from induced impact across the economy. In total, ArcelorMittal South Africa supports 90 185 jobs (2014: 102 750 jobs) in South Africa.

Focus on training and development

As a major player in a skills-based industry, ArcelorMittal South Africa recognises the need for training and development.

In 2015, ArcelorMittal South Africa provided over 105 500 seats (2014: 111 100) in technical, health and safety, and admin training. ArcelorMittal South Africa supported the development of 1 301 learners, apprentices, and bursars (2014: 1 148).

In all, a total investment of R202 million (2014: R151.4 million) was made in training across all levels, both within and outside ArcelorMittal South Africa.

Transforming the supplier base

In 2015, ArcelorMittal South Africa initiated a broad, procurement transformation program, with a significant increase in spend with black-owned enterprises since 2014.

ArcelorMittal South Africa’s spend of R2.8 billion or 9.5% (2013: R1.3 billion or 5.2%) was with majority black-owned businesses, and R2.1 billion or 7.1% (R0.4 billion or 1.8%) was with black women-owned companies/businesses. More than R2.5 billion or 8.3% was on QSE and EME² enterprises - thus sustaining local businesses.

Investing in enterprise and supplier development

In 2015, ArcelorMittal South Africa kicked-off an enterprise and supplier development (ESD) program, spending R20 million for the first time to further building its QSE and EME supplier base.

ArcelorMittal South Africa also helped nearly 450 vendors gain compliance through supplier capability audits and an online supplier registration platform.

Over 12,800 jobs in direct employment and 15,800 in indirect employment

Over 105,500 training seats provided with R202 million invested in training; 1,301 in learnership pipeline

R2.5 billion spent with QSE and EME; R2.8 billion on black women-owned businesses

R20 million investment for first time in enterprise and supplier development (ESD)

Mostly positive
Positive and negative
Negative

Footnotes:
1 Current numbers compared to 2013 numbers from previous Factor Report as 2014 numbers not available
2 QSE and EME definition have changed since 2014 and are therefore not comparable

Figure 14. Employer, job creator and skills developer
Source: ArcelorMittal South Africa, BCG Analysis
4.2.1 Long-term job provider

Since its founding in 1928, ArcelorMittal South Africa has been a key provider of long-term employment in the areas where it operates. Areas such as Vanderbijlpark and Newcastle have especially high dependence on the local steel industry for jobs as it is a significant component of their local economy.

In 2015 ArcelorMittal South Africa provided a total of over 12 800 jobs at its various sites through direct employment either as permanent employees or service contractors.

Independent economic analysis estimates that 0.51 jobs in indirect and 2.70 jobs in induced employment result from every R1 million of steel spend by the iron and steel industry. As a result of its operations, ArcelorMittal South Africa supports ~16 000 jobs through its procurement activities with direct suppliers. Finally, it is estimated that an additional ~61 500 jobs are supported through secondary suppliers and private spending on industries due to income generated by employed persons.

Thus, ArcelorMittal South Africa supports approximately 90 000 jobs within South Africa as a direct result of its activities. For an average household of four, this would imply that approximately 360 000 individuals are supported as a result of the company operations.

With recent unemployment statistics in South Africa reaching above 25%, this impact is significant in addressing one of the country’s greatest social challenges.

![Graph showing employment numbers](image)

**No. of employees**

- **Direct**: 12,841
- **Indirect**: 15,830
- **Total direct and indirect**: 28,671
- **Induced**: 61,514
- **Economy-wide impact 2013**: 90,185
- **Economy-wide impact 2014**: 102,750
- **Economy-wide impact 2015**: 107,800

**Job creation**

1. Jobs created directly by ArcelorMittal South Africa’s facilities
2. Estimated jobs created by direct suppliers of ArcelorMittal South Africa
3. Estimated number of jobs maintained by secondary suppliers and private spending due to income generated

*Note: Basic iron and steel multipliers for indirect employment is 0.51 jobs/R1 million final demand and induced employment is 2.70 jobs/R1 million final demand as estimated by Quantec research. Multipliers include formal employment only and final demand assumed to be ArcelorMittal South Africa’s operating expenditure of R29.501 million in 2015; multipliers consider impact of inflation at 5% for 2015 for 2014 base-year values.*

**Figure 15. Direct Employment ~12 800 workers, but creates up to 90 185 jobs in overall economy-wide employment**

*Source: ArcelorMittal South Africa; Quantec industry multipliers 2014, BCG analysis*

Compared to previous years, the economy-wide impact in 2015 is lower due to less direct employment through ArcelorMittal South Africa and market challenges faced by the domestic steel industry.

ArcelorMittal South Africa’s focus for 2015 has been on keeping existing jobs amid a challenging environment, rather than creating new jobs within the economy.

In 2015, ArcelorMittal South Africa’s employee base was 74% permanent staff, with the balance being made up of service contractors and hired labour.

Total direct employment has declined by 14% since 2013, this is mainly due to a reduction in hired labour. Many hired labourers were absorbed to fill vacant permanent positions as a result of a change in legislation.
ArcelorMittal South Africa’s role as long-term employer is evidenced by an employee retention rate that compares favourably to both South African industrial companies, as well as global steel companies.

ArcelorMittal South Africa has maintained a nearly consistent low turnover rate of 4%, with staff often staying till retirement. ArcelorMittal South Africa is regarded as a stable employer in the communities where it operates. It provides clear career development plans and robust training programmes for its employees to drive long-term retention.

However, retention of skilled black employees is still a challenge, particularly at a managerial level, as there is a high demand among similar industries for these candidates. While ArcelorMittal South Africa meets employment equity targets at a middle management level, retaining junior managers is a key area that requires improvement. ArcelorMittal South Africa still needs to work on building strategies to better retain these skills within the organisation going forward.

To further drive retention, build loyalty and develop an engaged organisation, in 2014-15 ArcelorMittal South Africa launched an Employee Share Ownership Program (ESOP) to offer permanent employees an ownership stake in the company. ArcelorMittal South Africa is currently 4.7% owned by employees as a direct result of this initiative.
4.2.2 Focus on training and development

Steel production is a highly specialised industry, requiring a strong technical skill set. As technical skills, particularly within the steel industry are scarce, ArcelorMittal South Africa invests in building skills not only of existing employees, but also ensuring contribution towards national requirements through the learner pipeline.

ArcelorMittal South Africa uses a comprehensive six-year workforce planning cycle to develop skills pipeline internally to ensure the company retain existing jobs and skills, to invest in staff with a long-term view.

In 2015, ArcelorMittal South Africa provided 105,500 training opportunities at a total cost of R202 million. Spend for 2015 is 33% higher than 2014 (training spend R151 million) and demonstrates a continued commitment towards enabling employees and learners.

As a percentage of revenue, training spend represented 0.6% of turnover, which is 0.2% higher than in previous years.

It is positive to see that despite incurring a loss in 2015, ArcelorMittal South Africa has not only maintained its commitment to investing in its employees and the national pipeline for technical skills, but increased it from previous years.

![Graph: Increase in overall training spend]

<table>
<thead>
<tr>
<th>Years</th>
<th>Training Spend (R Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>138</td>
</tr>
<tr>
<td>2014</td>
<td>151 (21%)</td>
</tr>
<tr>
<td>2015</td>
<td>202</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Years</th>
<th>Number of Seats Provided</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>120,000</td>
</tr>
<tr>
<td>2014</td>
<td>111,172 (-6%)</td>
</tr>
<tr>
<td>2015</td>
<td>105,571</td>
</tr>
</tbody>
</table>

% of revenue: 0.4% 0.6% 0.6%
% focused on black employees: 90% 75% 71%

Figure 18. Overall ArcelorMittal South Africa has relatively strong commitment to training.

While the training spend in 2015 is significant, one negative trend is the percentage focused on black employees. There has been a steady decline since 2013 where 90% of spend was allocated towards training black staff to 2015 where it is significantly lower at 71%. To enable ArcelorMittal South Africa to build and retain critical skills and maintain employment equity targets, it will need to ensure that this trend is reversed going forward.

ArcelorMittal South Africa trains more learners than required in order to contribute towards the national agenda, and to build the national pipeline for technical skills in the country. Learner training for the candidate programme, production learners and learner technicians is linked to National Qualifications Framework (NQF) levels to ensure that despite the fact that ArcelorMittal South Africa trains beyond its own workforce needs, learners can gain employment elsewhere. In 2015, 1301 learners were trained through their 4 key initiatives: The Candidate Programme, Production learners training, bursaries to University and UoT students and Learner Technician training.

In comparison to the 1,822 pipeline in 2013, this is ~30% lower, but still reflects a continued commitment from ArcelorMittal South Africa to contribute towards own and national targets. For instance in 2015 alone, 462 apprentices were trained – a critical skill set highlighted in the National Development Plan.
Figure 19. ArcelorMittal South Africa’s learner pipeline is robust, training 1,301 learners (including bursars) in 2015

ArcelorMittal South Africa is strongly engaged with government education bodies, schools and universities. For example, the company works with the Department of Education to promote science, technology, engineering, mathematics (STEM) at a school level. This is evidence through the work in the Science Centres. In addition, they also work with Sector Training and Education Authority (SETA) and Manufacturing, Engineering and Related Services SETA (MerSETA) to build the appropriate level of curriculum for national programmes.
4.2.3 Transforming the supplier base

As discussed previously, through procurement activities with its direct suppliers, ArcelorMittal South Africa’s supports ongoing employment for several thousand individuals. In 2015, ArcelorMittal South Africa spent a substantial R29 billion on procurement from direct suppliers.

ArcelorMittal South Africa has made a concerted effort to increase procurement from B-BBEE compliant suppliers, which account for 71% of its total spend. Of this, ArcelorMittal South Africa spent R2.8 billion (9.6% total spend) on majority black-owned enterprises and R2.1 billion (7.2% total spend) on black women-owned enterprises. This represents a significant improvement from 2013, where ArcelorMittal South Africa spent only R1.3 billion on majority black-owned enterprises and R0.4 billion on black women-owned businesses.

Increasing procurement spend on QSE and EME, (collectively representing small and micro enterprises (SME)) has been a key area of improvement for ArcelorMittal South Africa. In 2015, R2.5 billion (8.6% total spend) was incurred on 1,077 SME suppliers.

There are already plans in place to further improve the level of procurement from such companies as a result of the new Enterprise and Supplier Development (ESD) program implemented in 2015, discussed in the next section.

### ArcelorMittal South Africa’s spending segmented by % black ownership and vendor size

<table>
<thead>
<tr>
<th>Vendor Size</th>
<th>Majority black owned</th>
<th>Minority black owned</th>
<th>Unknown</th>
</tr>
</thead>
<tbody>
<tr>
<td>EME</td>
<td>R1,994M</td>
<td>R169M</td>
<td>R18,166M</td>
</tr>
<tr>
<td>QSE</td>
<td></td>
<td>R1,92M</td>
<td></td>
</tr>
<tr>
<td>Generic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unknown</td>
<td></td>
<td>R5,946M</td>
<td>R1,352M</td>
</tr>
</tbody>
</table>

- ~R2.8 billion (9.6%) spent on 251 majority black owned enterprises (2013: R1.3 billion, 5.2%; 178 companies)
- ~R2.5 billion (8.6%) spent on 1,077 small and micro enterprises

### ArcelorMittal South Africa’s spending segmented by % black woman ownership and vendor size

<table>
<thead>
<tr>
<th>Vendor Size</th>
<th>Black women owned</th>
<th>Not black women owned</th>
<th>Unknown</th>
</tr>
</thead>
<tbody>
<tr>
<td>EME</td>
<td>R1,313M</td>
<td>R546M</td>
<td>R18,648M</td>
</tr>
<tr>
<td>QSE</td>
<td>R1,513M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generic</td>
<td>R941M</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unknown</td>
<td>R5,946M</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- ~R2.1 billion (7.2%) spent on 119 black women owned enterprises (2013: R0.4 billion, 1.8%; 82 companies)

1. Using B-BBEE classification for vendor size based on annual turnover; Exempted Micro Enterprise (EME) <R5 million, Qualifying Small Enterprise (QSE) between 5 million and R35 million and generic with >R35 million

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**Figure 20. ArcelorMittal South Africa’s procurement spend with suppliers**

Source: ArcelorMittal South Africa; BCG analysis
4.2.4 Investing in enterprise and supplier development

For the first time in 2015, ArcelorMittal South Africa implemented a comprehensive Enterprise and Supplier Development (ESD) programme, particularly focused on local suppliers and entrepreneurs.

**The program has two areas of focus:**

1. **Build capabilities of existing suppliers**  
   Supplier Development

2. **Increase access to new suppliers through investment**  
   Enterprise Development

ArcelorMittal South Africa spent approximately R20 million on ESD in 2015 with a view to implement specific programs at all its sites.

The Supplier Development programme has a holistic focus with initiatives designed to promote sustainable and cost competitive growth. ArcelorMittal South Africa spent R15 million in 2015 on supplier development initiatives.

A notable project is the SME supplier development initiative in Newcastle for four black-owned SMEs. Support provided during 2015 included the sponsored development of compliance related systems – as well as the securing accompanying accreditation certificates. Improved quality systems ensure improved marketability and active participation in procurement opportunities.

The organisation conducted 67 commercial compliance audits on existing suppliers and provided specific recommendations to guide them to achieve ArcelorMittal South Africa standards. Additionally, ArcelorMittal South Africa provided 22 vendors with sponsorship to attend national and regional tradeshows to build their businesses.

ArcelorMittal South Africa spent R5.0 million on Enterprise Development in 2015. Three separate entrepreneurial programmes were launched across different business units during 2015. These programmes focused on the entrepreneur and creditable external service providers taught valuable business skills to 76 local entrepreneurs. These are discussed further in the regional deep dives.

**ArcelorMittal South Africa impact on supplier development 2015**

**Supplier development programmes**  
Number of supplier development programmes initiated during 2015

**Tradeshow marketing exposure**  
Number of vendors sponsored for participation in both national and regional trade shows

**Direct jobs created**  
Number of direct jobs created within just one start-up enterprise programme

**Direct jobs created**  
Number of vendors audited in terms of compliance and capability. Output of audits inform development decision

Figure 21.1 Impact of ArcelorMittal South Africa’s ESD strategy in 2015 - includes direct and indirect spend
ArcelorMittal South Africa impact on enterprise development 2015

**Incubation hub**
Spend approved for an industrial incubation hub to be established in the Vaal

**Capability assessments**
Number of compliance and capability audits completed - outcome of audits inform development decision

**Entrepreneurial development**
Number of entrepreneurs who benefited from entrepreneurial training

**Expression of interest**
Local entrepreneurial registrations on a newly created web platform; an expression of interest in wanting to do business with ArcelorMittal

**Figure 21.2 Impact of ArcelorMittal South Africa’s ESD strategy in 2015 - includes direct and indirect spend**

To enable better management the supplier database, in 2015 an online registration platform was put in place to develop a comprehensive database management system for local entrepreneurs to present an expression of interest to work with ArcelorMittal South Africa for a range of services. 552 businesses had already registered on this platform in 2015. Going forward ArcelorMittal South Africa has begun investing in an Incubation Hub to provide facilities for approximately 12 enterprises, particularly those working in fabrication, manufacturing and reconditioning.

Ground work for the hub, to be based in the Vaal, has commenced and Phase 1 is expected to be complete during quarter 3 (Q3) of 2016. Participants in this programme will benefit from economies of scale, business/technical mentorship and suitable marketing programmes.

While the programme is a significant milestone for ArcelorMittal South Africa, the first year of implementation has resulted in several lessons learnt, including:

- Active management and alignment of both internal and external stakeholders on the strategy and approach for the ESD programme
- Ensuring that appropriate systems and processes are built to deliver the strategy
- Balancing ESD objectives with organisational procurement needs
4.3 Impact on local communities

ArcelorMittal South Africa has a significant impact on the communities where its plants are located acting as a driver of local economy by providing local employment, spending on local suppliers and investing in corporate social investment programmes. ArcelorMittal South Africa engages with local communities through various forums and has built a significant amount of goodwill through current and historic investment in local communities. Local communities are defined as those located close to ArcelorMittal South Africa plants in Vanderbijlpark, Vereeniging, Newcastle, Saldanha, and Pretoria, usually within a radius of 30 km. These include, aside from the major hubs themselves, communities such as Sebokeng, Evaton, Vredenburg, Osizweni, Sharpeville, Sasolburg, and others.

Reducing congestion on South African roads

Transportation of large volume of raw materials and finished goods can cause congestion and destruction of roads. The government encourages usage of rail transport over road to improve safety.

ArcelorMittal South Africa moved a slightly greater % of its total production towards rail in 2015. 72% (2014:71%) of all material was transported by rail in 2015 which equates to ~11.7Mt (2014: 11 Mt), reducing congestion on South African roads. However, remainder of 28% or ~4.6Mt (2014: ~4.5Mt) is still transported by road.

Committed to creating jobs in local communities

ArcelorMittal South Africa is a focus of economic activity at all its operational locations.

The steel value chain creates a number of direct and indirect jobs. With operations in Gauteng, Kwa-Zulu Natal and Western Cape, ArcelorMittal South Africa makes an effort to recruit staff locally. In 2015, 85% (2014: 68%) of all newly hired staff were from local communities. This is a significant improvement from 2014.

Investing in local economy

In 2015, ArcelorMittal South Africa spent 5.6 billion or 19% (2014: R4.8 billion or 18%) of its procurement budget on local suppliers, in towns were ArcelorMittal South Africa operates. Of this, R960 million was through local QSE and EME suppliers.

1 079 suppliers used in 2015 were local. ArcelorMittal South Africa is seeking to build its local supplier base, particularly QSE and EME through its Enterprise and Supplier Development programme.

Prioritising education for CSI

ArcelorMittal South Africa has maintained its commitment to support and develop communities where it operates.

R12.6 million (2014: R16.3 million) was invested in CSI activities in 2015, mainly in education through its three Science Centres, directly benefiting over 1,000 full time learners.

Due to financial constraints, in 2014–2015 ArcelorMittal South Africa reduced its investment by ~50% of 2013 spend but continues to fund critical projects such as the Science Centres.

Figure 22. Impact on local communities
Source: ArcelorMittal South Africa, BCG Analysis
4.3.1 Reducing congestion on South Africa’s roads

As a resource intensive company, ArcelorMittal South Africa transports nearly 16.4M tons of raw and finished material a year. ArcelorMittal South Africa has made considerable effort to move the majority of its materials via railways, which are safer for communities and more environmentally friendly than road.

In 2015, 72%, equating to approximately 11.7M tons of material were transported through rail, which is a slight improvement from 70% (equating to ~11.3M tons) in 2014. However, 28% of materials, approximately 4.6M tons, is still transported by road. While ArcelorMittal South Africa needs to fulfil its logistics requirements, the negative impact of road transport apart from traffic congestion is the risk for road injuries and fatalities.

ArcelorMittal South Africa has already made strides in bringing down the quantity of materials transported by road, from 2014 where the quantity was 4.5Mt. The company will continue to ensure this is further reduced and where required the strictest protocols are followed to ensure road safety for transporters and the public.

4.3.2 Committed to creating jobs in local communities

The steel industry is a key employer in Vanderbijlpark and Newcastle, providing a significant proportion of total jobs to local individuals, both through direct and indirect downstream suppliers.

In 2015, 85% or 1,403 of its new recruits were directly employed from local communities. Local recruitment supports key provincial development initiatives for creating employment opportunities in the respective regions.

**85% (1,403) of 2015 recruits from local communities around ArcelorMittal South Africa steel plants**

![Map showing geographic distribution of new recruits](image)

- 1,403 recruits from Local communities
- In 2013: 70%
- In 2014: 68%
- 40% recruits were local
- 15% from Volkswagen
- 42% from VPL

**Geographic distribution of new recruits**

- Pretoria Works
- Vereeniging Works
- Saldanha Works
- Swaziland
- Johannesburg
- Newcastle Works
- Vanderbijlpark Works
- Pretoria Works
- Swaziland
- Johannesburch
- Cape Town
- Port Elizabeth
- Lesotho
- Durban
- Saldanha Works
- Newcastle Works
- Pretoria Works
- Vereeniging Works
- Saldanha Works
- Cape Town
- Port Elizabeth
- Lesotho
- Durban

Note: Local communities are defined as those located close to ArcelorMittal South Africa plants in Vanderbijlpark, Vereeniging, Newcastle, Saldanha and Pretoria, usually within a radius of 30km. These include together with major towns themselves, communities such as Sebokeng, Evaton, Vredenburg, Osizweni, Sharpeville, Sasolburg and others.

Figure 23. ~85% of ArcelorMittal South Africa’s 2015 recruits came from local communities

Source: ArcelorMittal South Africa; BCG Analysis

New recruits were mainly acquired to fill vacant positions in existing operations.
4.3.3 Investing in local economy

ArcelorMittal South Africa spent a sizable R29 billion on procurement of raw materials, capital goods, electricity, logistics and other opex for its operations in 2015. This has a significant impact in areas such as Vanderbijlpark and Newcastle where an effort has been made to identify suppliers in local communities (i.e. within 30km of ArcelorMittal South Africa plants).

R5.6 billion (or 19% of total spend) was on 1,076 local suppliers, which is quite sizable considering the proportion of spend that can be feasibly obtained locally. This represents 32% of all ArcelorMittal South Africa's suppliers, and is the same as a percentage of total suppliers as 2013, however now includes a far greater number of individual suppliers (659 local suppliers in 2013). R962 million of this was spent on local QSE and EME enterprises, which represent 43% total small micro enterprise (SME) spend.

It is expected that investment in the ESD program will further boost local spend in the future.

% spend on local business decreasing as proportion of total procurement...

<table>
<thead>
<tr>
<th>Total procurement</th>
<th>QSE and EME¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spend (R Billion)</td>
<td>Spend (R Billion)</td>
</tr>
<tr>
<td>2013</td>
<td>2015</td>
</tr>
<tr>
<td>24.9</td>
<td>29.5</td>
</tr>
<tr>
<td>19.0</td>
<td>23.9</td>
</tr>
<tr>
<td>6.0</td>
<td>5.6</td>
</tr>
</tbody>
</table>

...however total spend still substantial

Of the R29.5 billion procurement spend, R5.6 billion or 19% was spent on local businesses near ArcelorMittal South Africa plants.

Decrease from 2013 when 24% (R5.9 billion) was spent.

A large proportion of spend is on bulk raw materials, logistics and electricity which cannot be localised. In 2015 this bulk spend¹ accounted for 45% of spend.

At QSE and EME level, a higher proportion is spent on local business which account for R1.0 billion or 43% of spend.

QSE and EME spend as a proportion of total has decreased since 2013 however absolute amount remains the same.

ArcelorMittal South Africa is committed to localisation through newly implemented ESD plan in 2015.

Note: Local businesses are defined as those close to ArcelorMittal South Africa plants in Vanderbijlpark, Vereniging, Newcastle, Saldanha and Pretoria and usually within a radius of 30km. These include - together with the major towns themselves - communities such as: Sebokeng, Evaton, Vredenburg, Osizweni, Sharpville, Sasolburg and others.

Figure 24. Procurement spend in local communities by business size

Source: ArcelorMittal South Africa; BCG analysis

1. Definition of QSE and EME changed slightly between 2013 and 2015 and therefore values not directly comparable
2. Excludes Eskom, Transnet, National Ports Authority and iron ore suppliers.
32% of ArcelorMittal South Africa’s suppliers in 2015 were from local communities

Geographic distribution of suppliers

No. of suppliers

- 1-9
- 10-24
- 25-49
- 50+

Note: Local communities are defined as those located close to ArcelorMittal South Africa plants in Vanderbijlpark, Vereeniging, Newcastle, Saldanha and Pretoria, usually within a radius of 30km. These include together with major towns themselves, communities such as Sebokeng, Evaton, Vredenburg, Osizweni, Sharpeville, Sasolburg and others.

Figure 25. ~32% of ArcelorMittal South Africa’s 2015 suppliers came from local communities

Source: ArcelorMittal South Africa, BCG Analysis
4.3.4 Prioritising education for CSI

ArcelorMittal South Africa has spent recent years building goodwill within the communities where it operates by investing in health, education and housing. Despite 2015 being a very tough year financially for the company, investment continued in social and community projects. In 2015, R12.6 million was spent on CSI projects such as education, skills training, healthcare and housing, benefiting nearly 130 000 individuals in the areas where it operates.

The majority of this spend was allocated towards education initiatives at their 3 Science Centres, based in Vanderbijlpark, Newcastle and Saldanha. The centres work in partnership with the Department of Education, Eskom Foundation, local NGOs and local libraries.

The Science Centres are by far ArcelorMittal South Africa’s flagship projects where they promote STEM subjects for both full time students enrolled at their facilities and local schools. The centres provide students exposure to science and technology, often through innovative, fun and entertaining ways. The centres organise various open days and outreach programmes to schools to encourage learners to use the special facilities and equipment available at the centres, which students would otherwise not get exposure to. The Saldanha Centre in particular, due to smaller local community, has already built a strong relationship with teachers and learners in the area through outreach programmes.

Figure 26. ArcelorMittal South Africa’s CSI focus for 2015 has been on education
As a testament to their efforts, in 2014, the West Coast District, where the Science Centre provided additional curriculum support to the Matric Class of 2014, was declared the top performing district in the Western Province. The Science Centres are discussed in more detail in the regional deep dives. Initiatives like the Science Centres are a strong driver for creating a passion and desire among students to pursue careers in Science, Mathematics, Engineering and Technology and ultimately build South Africa’s pipeline of critical and scarce technical skills.

However, a key challenge for ArcelorMittal South Africa is financially sustaining the Science Centres. Going forward raising funding for the centres is a key focus area.

<table>
<thead>
<tr>
<th>Basic education</th>
<th>Infrastructure development</th>
<th>Higher education</th>
<th>Healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 350 Learners supported through ArcelorMittal South Africa’s three science centers</td>
<td>Over 800 people benefited from new and re-roofing of houses</td>
<td>111 University and UoT bursaries provided</td>
<td>Contributed to health clinics, which are able to treat ~73 000 patients annually</td>
</tr>
<tr>
<td></td>
<td></td>
<td>462 apprentices and 422 production learners trained</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>230 Learners trained as part of the candidate program</td>
<td></td>
</tr>
</tbody>
</table>

Figure 27. ArcelorMittal South Africa CSI projects in 2015
4.4 Enabler of SA development through the supply of steel

Steel is at the core of infrastructure development and a key input in machinery, automobiles, appliances and packaging. It is a key component for the development of the South African economy and particularly for the delivery of the National Development Plan and Infrastructure Development Plan. ArcelorMittal South Africa supplies ~61% of South Africa's steel, making it the leading domestic provider of the metal and therefore plays an essential role in the country's development.

Furthermore, ArcelorMittal South Africa sustains several major South African companies both private and public dependent on its operations. For instance, among state-owned companies it is one of Eskom and Transnet Freight Rail's Top 5 customers.

ArcelorMittal South Africa is the leading steel company in South Africa, supplying ~60% of the country's steel. ArcelorMittal South Africa is a key enabler of South Africa's development. 80% of ArcelorMittal South Africa's domestically used steel is supplied to four key industrial sectors including construction, utilities (energy and water), mining and automotive.

As a major supplier to domestic industries, ArcelorMittal South Africa indirectly supports 12.3% of GDP and 1 180 000 formal jobs in these four key industrial sectors.

ArcelorMittal South Africa has invested in capital projects to ensure the long term sustainability of the local steel industry.

In 2015, ArcelorMittal South Africa spent a total R1.2 billion (2014: R2.8 billion) on all capex projects, including environmental and expansion projects. As a part of this, product innovation has remained a key component of investment with 2015.

In 2014–2015, ArcelorMittal South Africa invested a historic R1.8 billion on the Newcastle blast furnace reline. The result is a facility that is more efficient and cost effective, ensuring ArcelorMittal South Africa can continue to meet demand.

ArcelorMittal South Africa indirectly supports 1.2 million formal jobs and 12% GDP in key domestic industries as a result of steel supply.

R1.2 billion capex spent on South African operations to boost ability to meet demand

Steel supply is a critical enabler of the NDP and the National Infrastructure Development plan. In recent years, it has placed emphasis on beneficiating raw materials in South Africa and reducing reliance on imports.

ArcelorMittal South Africa created R24.3 billion (2014: R21.6 billion) in value add through beneficiation with steel it produced in 2015.

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R1.2 billion capex spent on South African operations to boost ability to meet demand
4.4.1 Driving beneficiation through steel production

The majority of South Africa’s steel is produced locally and represents the only steelmaking capability in the Sub-Saharan region. The industry also results in significant job creation and is a key enabler of the national growth agenda through its entire value chain.

The steel industry plays a critical role in mineral beneficiation. South Africa derives substantially more value from the steel it produces than if the underlying raw materials, particularly iron ore and coal were simply to be extracted and exported.

For 2015 the additional value from processing these inputs into steel through ArcelorMittal South Africa’s operations alone amounted to about R24.3 billion.

This takes the form of wages, goods and services consumed and taxes paid, all of which add to the economy.

This is on par with 2013 and 2014, where value added by ArcelorMittal South Africa to its raw materials was equivalent to R20 billion and R21.6 billion respectively.

![Graph showing ArcelorMittal South Africa steel value add (R Billion)](image)

Figure 29. ArcelorMittal South Africa added R24.3 billion of value added to steel manufactured in 2015

Source: Steel index at IMF; World Bank; ArcelorMittal South Africa procurement data.

While the majority of steel is manufactured domestically, over the past 5 years South Africa’s consumption of imported steel has risen on average at a rate of 20% p.a. This places the domestic steel industry under threat.

While in some cases imported steel facilitates access to specific types of steel not otherwise available within the country, where this is not the case imported steel directly competes with the locally produced steel.

The benefits of beneficiation only accrue when steel is produced locally. When imported, South Africa loses out on the value of beneficiation.

Until recently, South Africa did not apply import tariffs on any steel products. However, due to pressure from the local steel companies and associations including ArcelorMittal South Africa, the South African government has applied tariffs on various imports of products that are also produced locally.

As with other developing countries, South Africa’s steel requirements will increase with the growth of the economy. Locally produced steel ensures security of supply and supports investment in key sectors within the domestic economy.

1. Raw materials considered are iron ore, coke and coal (excludes limestone and dolomite), export parity price as per 2015 average estimates as reported by IMF (iron ore) and World Bank (South african export coal) 2. ArcelorMittal South Africa annual report.
4.4.2 Supporter of key domestic industries through steel supply

Steel plays a vital role in a number of key South African industries: four key industries are construction, automotive, mining and utilities (water and energy), which collectively account for 20% of South Africa’s GDP. The majority of ArcelorMittal South Africa steel – approximately 80% – is supplied to these industries. Collectively, ArcelorMittal South Africa steel is indirectly responsible for supporting nearly 1,2 million jobs and 12% of the GDP.

80% of ArcelorMittal South Africa steel used in four key industrial sectors...

<table>
<thead>
<tr>
<th>Industrial Sector</th>
<th>% of ArcelorMittal South Africa Production</th>
<th>% of GDP</th>
<th>No. of employees (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>20%</td>
<td>3.5</td>
<td>1,300</td>
</tr>
<tr>
<td>Utilities (energy; water)</td>
<td>20%</td>
<td>2.2</td>
<td>100</td>
</tr>
<tr>
<td>Mining</td>
<td>20%</td>
<td>7.2</td>
<td>120</td>
</tr>
<tr>
<td>Automotive</td>
<td>20%</td>
<td>7.5</td>
<td>430</td>
</tr>
<tr>
<td>Total</td>
<td>80%</td>
<td>20.4</td>
<td>1,950</td>
</tr>
</tbody>
</table>

...Which together account for 20% of GDP and 1.2 million jobs

ArcelorMittal South Africa’s share of domestic steel market

61%

...meaning ArcelorMittal South Africa indirectly accounts for nearly 12% of SA GDP and ~1,200 K jobs through supply of steel

12.3% of GDP

~1,180,000 formal jobs

In 2013 ArcelorMittal South Africa indirectly supported 9.7% of the GDP and 900,000 jobs

Despite this contribution to these sectors on the supply point, these key three sectors are experiencing low growth in production and reduced investment. In the construction sector, there has been reduced activity in the large project investments from both government and the private sector. A number of factors have added to this, which on the Government side is mainly due to slow pace of implementation whilst on the private sector has been the general low confidence in the economy and also partly due to reduced lending from the banks since the introduction of the National Credit Act, which has resulted in most potential borrowers not meeting the affordability criterion for mortgage financing. Within the mining sector, investment and expansion has been affected negatively by the decline in the commodity prices that has led to closure of mines in some cases. This has negatively reduced steel demand from this market segment.

The overall weak manufacturing sector, which among others, is also driven by increased cheaper imports of finished goods into domestic market has led to a reduced orders from manufactures that utilise local steel for production of finished goods. It is, therefore, vital to note that while the steel industry plays this significant role for these three key sectors, its survival depends on how these industries are performing and any policy matters affecting these sectors may also have implications for the steel industry.

Figure 30. ArcelorMittal South Africa is a supporter of key domestic industries through steel supply
Source: ArcelorMittal South Africa; Automotive Industry Export Council; World Steel Association year book 2015; StatsSA; BCG Analysis
4.4.3 Sustaining the South African steel industry

Innovation and investment in capital projects is a key lever in ensuring domestic steel supply and facilitates domestic providers such as ArcelorMittal South Africa to meet local demand. In 2015, ArcelorMittal South Africa invested nearly R1.2 billion on its domestic capex projects. The bulk of this, R805 million, was spent on maintenance and repairs particularly in Newcastle.

R219 million was invested on expansion and upgrades to its facilities, R64 million on environmental projects, R56 million on improving safety of employees and R9 million on improving energy consumption at its plants.

Between 2014–15, ArcelorMittal South Africa spent a historic R1.8 billion on the Newcastle blast furnace reline – the most spent on a single capex project by the company. The project commenced in 2014 and was completed in 2015, representing the bulk of its capex expense during this time.

The new relined furnace enables the plant to have ~12% greater capacity, improved efficiency – both in terms of costs and energy consumption- and job sustainability for the plant in the long term.

Total capex spend in 2015 was approximately less than half of 2014 spend of R2.8 billion, mainly due to the completion of the Newcastle blast furnace reline. ArcelorMittal Research and Development at group level develops several innovations each year from which ArcelorMittal South Africa ultimately benefits. The objective of those innovations is to enable it to more effectively support its customers, as well as create local and regional demand for products not previously available in the market.
Some of the key innovations within long and flat steel (LS and FS respectively) include:

**Automobile suspension systems (LS):**
Modified steel grades to meet international OEM specifications. New micro-alloys designed to improve durability, wear rates and costs for vehicle suspension systems. Enables vehicles to achieve better safety levels.

**High carbon wire rods (LS):**
Developed for deep mining ropes in mine shafts to extend underground. Have added silicone levels to improve tensile strength by ~5%. Allows specialised ropes to reach further underground without breaking.

**Chromadek Ultim (FS):**
Introduced specialised painting system, which includes a thicker zinc coating to withstand coastal climates. The new coating prevents corrosion through ambient moisture.

**Double reduced (FS):**
Thinner, stronger steel developed for food cans. New steel will produce 0.155mm from current 0.19mm thickness, reducing weight and costs, while improving durability for manufacturers. Phased capex investment, R19 million spent in 2015.

In addition to developing lighter, stronger and more durable products, ArcelorMittal South Africa has invested in building capabilities within its plants’ to reduce domestic demand on finished imported steel products.
Reducing reliance on imported products is a key area ArcelorMittal South Africa sought to address in the renewable energy space, where it invested in providing the wind and solar energy industries with customised steel products at cheaper prices than the imported versions.

ArcelorMittal South Africa has been a key supplier to the solar power companies in the country for the past few years and invested in research and development and Capex to ensure it can meet demand. The company co-developed S350GD galvanised steel (5% costlier) leading to volume reduction of 20% and a total savings of 16% to solar developers.

ArcelorMittal South Africa has been a key supplier of steel for various solar projects in the Northern Cape, Free State, Limpopo and Western Cape. In 2015 alone, 30,000 tons of flatsteel was directed towards solar project across the country.

In quarter four (Q4) of 2014, ArcelorMittal South Africa announced plans to upgrade platemill capability at Vanderbijlpark works to produce heavy steel plates for South Africa’s wind tower manufacturing sector. The specialised plate had previously needed to be imported from Europe at high cost, but the upgraded capacity enabled construction of projects through locally produced steel. The steel is suitable to construct the entire base of the wind towers. Currently ArcelorMittal South Africa is the only local supplier of this product.

In 2015, nearly 800 tons of steel were provided for wind projects, mainly located in the Eastern and Western Cape.

Source: Creamer’s Engineering News 22 July 2014, ArcelorMittal South Africa Sales Division
4.5 Catalyst for change in South Africa

ArcelorMittal South Africa is the leading company in a key industry in South Africa. By virtue of this, it is positioned as a benchmark for addressing important social issues through its operations and can play a strategic role as a catalyst of change towards better corporate governance and citizenship.

<table>
<thead>
<tr>
<th>Investing in improving safety</th>
<th>Employing equity and representation</th>
<th>Prioritising the transformation agenda</th>
<th>Accolades for reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ArcelorMittal South Africa continues with efforts to improve employment equity. HDSA comprise 63% (2014: 59%) of employees which is an improvement from 2014 but still remains lower than average for peer South African companies. Female workforce participation is still low at 10% (2014: 11%) in 2015 - below South African and global peers. 36% of current staff employed are youth. ArcelorMittal South Africa is certified at B-BBEE Level 6 based on efforts in management control, preferential procurement and socio-economic development. This was an improvement from its Level 7 rating in 2014, but still reflects a great deal of work that needs to be done to transform the organisation. ArcelorMittal South Africa is pursuing a major transformation program aiming to further improve its B-BBEE status.</td>
<td>ArcelorMittal South Africa is certified at B-BBEE Level 6 based on efforts in management control, preferential procurement and socio-economic development. This was an improvement from its Level 7 rating in 2014, but still reflects a great deal of work that needs to be done to transform the organisation. ArcelorMittal South Africa is pursuing a major transformation program aiming to further improve its B-BBEE status.</td>
<td>In 2014 and 2015 ArcelorMittal South Africa maintained a strong track record of open disclosure of all its key indicators. In 2015, 652 (2014: 916) employees were provided with anti-corruption training. The content and presentation of information in 2013 and 2014 IAR were adjudged “excellent” in the 2014 and 2015 Ernst and Young Excellence in Integrated Reporting Awards and the Nkonki Top 100 Integrated Reporting Awards. This placed the ArcelorMittal South Africa’s IAR in the Top 10.</td>
</tr>
</tbody>
</table>

- LTIFR reduced to 0.48 (2014: 0.58) but two fatalities
- 10% female employment.
- 63% HDSA employment and 36% youth employed
- B-BBEE Level 6 in 2015 up from Level 7 in 2014
- Open disclosure of financial, environmental and social indicators; Won awards for integrated reporting

1Lost time injury frequency rate defined as the number of injuries resulting in loss of one shift per 1,000,000 hours worked.

Figure 33. Catalyst for change in South Africa
Source: ArcelorMittal South Africa; BCG Analysis
4.5.1 Investing in improving safety

Steel making is an inherently risky industry. ArcelorMittal South Africa has placed great emphasis on eliminating injuries and fatalities in their plants. During 2014 and 2015, ArcelorMittal South Africa had four and two fatalities respectively. This was after zero fatalities in 2012 and 2013. This is a key area for improvement going forward.

Following an unsatisfactory 2014, a Safety Action Plan was implemented in 2015. In addition to more robust investigation processes into incidents occurring on site, the key points in the plan highlighted specific activities to bring about cultural change within the organisation to make safety a higher priority for all staff.

<table>
<thead>
<tr>
<th>Hazard and risk mitigation</th>
<th>Improving communication</th>
<th>Avoiding and managing incidents</th>
<th>Tracking key indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proactive reporting before commencing dangerous tasks</td>
<td>Changing quality of dialogue and intervention</td>
<td>Detailed incident management</td>
<td>Tracking through regular audits</td>
</tr>
<tr>
<td>Managers assess requirement to send safety practitioners or supervisory assistance</td>
<td>Leadership to drive the safety agenda</td>
<td>Robust reporting and assessment</td>
<td>Designation of staff for key roles</td>
</tr>
<tr>
<td></td>
<td>Compulsory safety leadership training</td>
<td>Risk assessment and revised induction program</td>
<td>Leading indicators measured as a part of regular meetings</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Safety training for all staff</td>
<td></td>
</tr>
</tbody>
</table>

Figure 34. Highlights of 2015 Safety Action Plan

ArcelorMittal South Africa lost-time injury frequency rate (LTIFR)\(^1\) compares well against domestic and international industrial peers

![LTIFR 2015 by site](image)

1. Lost time injury frequency rate (LTIFR) is defined as the number of occurrences resulting in fatality or loss of at least one working day/shift injury per 1,000,000 million hours worked.

Note: Peer group companies selected include mining, metals and steel companies.

Figure 35. ArcelorMittal South Africa lost-time injury frequency rate (LTIFR) compares well against domestic and international industrial peers

Source: ArcelorMittal South Africa; company Sustainability reports; BCG Analysis
4.5.2 Employment equity and representation

Achieving employment equity in the workplace is a key initiative for ArcelorMittal South Africa which is strategically managed through an employment equity plan.

This plan covers the entire employment value chain from the training pipeline all the way to top management with the overall target being to reflect the demographics of South Africa.

However, there has been little change in women representation and HDSA at senior management levels. ArcelorMittal South Africa had a female employment of 10% in 2015, which dropped by 1% from 2014. This is lower compared to benchmarked South African mining and metals companies and global steel manufacturers. This is also the case at management level (7%), where recruiting and retention of women has been a key challenge for ArcelorMittal South Africa.

Training and development through targeted leadership development programmes have been the key mechanisms proposed by ArcelorMittal South Africa to address this to ensure they can cultivate talent from within the organisation.
10% of ArcelorMittal South Africa’s workforce female, below peer average... ...particular improvement needed for representation of women at management level at 7%

Figure 36. Percentage women in workforce

A total 63% of ArcelorMittal South Africa’s workforce is classified as historically disadvantaged South Africans (HDSA). This is an improvement of 4% from 2014 (59%), but still indicates an opportunity to improve representation closer to the national demographics of economically active South Africans. In particular, there has been no change at a senior management level, where 70% of professionals are non-HDSA. Measures to increase HDSA participation have been identified from a complete talent management value chain perspective, from recruiting to internal development of individuals through training at all levels. This has been coupled with a cultural change within the organisation to entrench the importance of diversity. ArcelorMittal South Africa has and should continue to place emphasis on enabling greater employment equity within the company and invest in retaining employees through appropriate training and career development initiatives.

Figure 37. HDSA employment rate

Source: ArcelorMittal South Africa, BCG analysis
Ensuring the employment of youth has been another focus for ArcelorMittal South Africa. In 2015, ArcelorMittal South Africa employed a fairly young staff complement with 36% below the age of 35 years (considered youth). This is fairly on par with national employment rates for youth as a proportion of total employed population, which in 2015 were approximately 39%.

One of the key objectives of South Africa’s National Development Plan is the transformation of South African society and creating unity by reducing poverty and inequality through economic inclusion, education and skills access. B-BBEE policy is viewed as a major tool for effecting this change. ArcelorMittal South Africa currently holds a Level 6 procurement rating, primarily secured through skills development, preferential procurement, and socio-economic development. This is an improvement from the previous years, where it held a Level 7 rating. Procurement and skills development initiatives have been key drivers for improvement in ArcelorMittal South Africa’s rating.

### 4.5.3 Prioritising the transformation agenda

In 2015 ArcelorMittal South Africa received a R4 million employee tax rebate for youth employment.

2. Calculated using age groups of employed population in South Africa as of Q3: 2015, thus excludes unemployed and not economically active.  

Note: Temporary workers and learnership pipeline (n+1.335) excluded from analysis

Figure 38. In 2015, 36% of ArcelorMittal South Africa staff would be classified as youth  
Source: ArcelorMittal South Africa; BCG analysis; Stats SA

Current B-BBEE Level 6¹  

<table>
<thead>
<tr>
<th>Category</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity ownership</td>
<td>0.00</td>
</tr>
<tr>
<td>Management control</td>
<td>2.97</td>
</tr>
<tr>
<td>Employment equity</td>
<td>0.00</td>
</tr>
<tr>
<td>Skills development</td>
<td>12.00</td>
</tr>
<tr>
<td>Preferential procurement</td>
<td>18.68</td>
</tr>
<tr>
<td>Supplier and enterprise development</td>
<td>6.74</td>
</tr>
<tr>
<td>Socio-economic development</td>
<td>5.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>45.39</strong></td>
</tr>
</tbody>
</table>

1. ArcelorMittal South Africa’s B-BBEE rating for 2015 is still under assessment but we expect a rating of Level 6 under the new codes.

Figure 39. ArcelorMittal South Africa’s current B-BBEE Level is 6 (according to previous BEE codes)  
Source: ArcelorMittal South Africa
ArcelorMittal South Africa has placed transformation as a key area to improve upon going forward and is seeking to improve performance across all metrics in accordance with the new B-BBEE codes. Most notably in 2015, ArcelorMittal South Africa announced that it was initiating a B-BBEE ownership transaction to increase overall broad-based participation in the domestic steel industry and achieve compliance with South Africa’s B-BBEE Codes of Good Practice.

Coupled with the ESD programme and other initiatives, the company’s ambition is to target at least a B-BBEE Level 3 for 2016 and going forward.

4.5.4 Accolades for reporting and transparency

ArcelorMittal South Africa is a publicly listed company and as such is required to publish its financial records. Currently a total of eight reports are published annually including quarterly reports, interim reports, an annual financial statement, and an integrated annual report which contains financial and sustainability information.

ArcelorMittal South Africa’s sustainability report, published annually, is fully compliant with the Global Reporting Initiative (GRI) standards and reports on the main socio-economic and environmental indicators. ArcelorMittal South Africa’s aim is to be transparent in reporting so that local communities and stakeholders are kept informed of the company’s performance. In addition to building better relationships with its stakeholders through face-to-face engagement, ArcelorMittal South Africa publishes all its reports on its comprehensive website.

These efforts have been recognised locally by Ernst and Young in 2015, where they awarded ArcelorMittal South Africa for the content and presentation of its 2014 Integrated Annual Report. In addition, ArcelorMittal South Africa’s Integrated Annual Report was placed third at the Nkonki 100 Integrated Reporting Awards.

ArcelorMittal South Africa also contributes to the fight against corruption by providing employees with anti-corruption training, regular audits and recording all reported incidents of corruption with action steps taken. In 2015, 47 audits for corruption were conducted, where one incident required action. Anti-corruption training was provided to 652 employees, significantly less than 2014, where 916 individuals were trained. Anti-corruption training should be extended to more employees to ensure it continues to follow ethical standards and best practice.

ArcelorMittal South Africa also fully discloses all litigation that it is currently facing and in 2015 there was one on-going case with the Competition Commission.
### 4.6 Environmental footprint

ArcelorMittal South Africa’s impact from an environmental perspective is measured in terms of: resources (energy, water and raw materials) utilised, management of effluents, solid waste, and air borne emissions (dust, CO₂, and SO₂).

Efforts aimed at reducing ArcelorMittal South Africa’s environmental footprint are also reviewed to establish how the organisation is ensuring it remains compliant.

<table>
<thead>
<tr>
<th>Intensive use of resources</th>
<th>Improved emissions &amp; effluent management</th>
<th>CO₂ emissions</th>
<th>SO₂ and particulate emissions</th>
<th>By-products disposal and restoration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel production is a resource intensive industry.</td>
<td>ArcelorMittal South Africa is also continuously working towards improvements in effluent management in compliance with South African requirements at each of its operating sites.</td>
<td>CO₂ is a significant contributor to climate change and a major by-product of steel production. ArcelorMittal South Africa’s CO₂ emissions footprint is significant with 13.6Mt (2014: 14.1Mt) of CO₂ emitted in 2015.</td>
<td>Dust and SO₂ are the other major emissions during steel production. Dust and particle emissions increased in 2015 to 2.5 Kt (2014: 2.3 Kt). ArcelorMittal South Africa has invested in dust extraction systems to reduce emissions going forward.</td>
<td>ArcelorMittal South Africa’s generated by-products are mainly used in the construction and cement industry. ArcelorMittal South Africa’s generated by-product volumes of 4.1Mt (2014: 4.0Mt) of which 1.4Mt (2014: 1.3Mt) was disposed of in 2015.</td>
</tr>
</tbody>
</table>

128PJ of energy, 18.4Bn L of water and 12.5Mt of raw material consumed  
R65 million invested in environmental capex improvements  
13.6Mt of CO₂ emitted  
2.5Kt of dust and 21.5Kt of SO₂ emissions  
4.1 Mt of by-products generated: 1.4Mt disposed; 618ha of land in restoration

Figure 41. ArcelorMittal South Africa’s National environmental footprint  
Source: ArcelorMittal South Africa; BCG Analysis
4.6.1 **Intensive use of resources**

Steel fabrication is by nature a resource-intensive business and therefore has some effect on the environment. The inputs to the steel making process are iron ore, coke, water, limestone and dolomite, and electricity or energy.

Both coke—used in furnaces (blast furnaces) and iron ore—which is chemically reduced to form the steel, are obtained via mining, which can significantly alter the landscape within the operational area. In 2015, ArcelorMittal South Africa consumed 128PJ of energy (incl. electricity), and 12.5 million tons of raw material—mainly iron ore and coal. In addition, 18.4 billion litres of water was sourced to produce steel in 2015. These are substantial amounts of some of South Africa’s most strategic resources—in particular water, for which there is chronic shortage within South Africa. While the use of resources cannot be completely eliminated, efficient and innovative processes and management can minimise amounts that are required to produce steel.

![Figure 42. 12.5 Mt of raw material consumed in 2015 - iron ore and coal are primary inputs](image)

ArcelorMittal South Africa is continually striving to improve the energy efficiency of its operations. In 2015, the company consumed a total of 128PJ of energy, including electricity. Electricity is one of the main energy inputs into the steel making process and in 2015 a total of 3.4 TWh was consumed.

On a per ton basis, ArcelorMittal South Africa’s electricity consumption was down to 703 kWh/ton of liquid steel compared to 2013. ArcelorMittal South Africa also generates a portion of its own electricity by re-using gas and heat from its operations. This ultimately puts a lower load on the already constrained Eskom power grid. In 2015, Vanderbijlpark produced 129 076 MWh of self-generated electricity, while Newcastle produced 47 557 MWh.

ArcelorMittal South Africa’s water abstraction per ton of steel has risen since 2013 to 3.8 kilo litres of water per ton of steel from 3.4. Although water consumption has increased, ArcelorMittal South Africa still uses less water per ton of steel when compared to some other large global steel makers based on publicly available data.
4.6.2 Improved emissions and effluents management

In 2015, ArcelorMittal South Africa invested R64 million (2014 R63 million) in capex projects aimed at improving environmental performance of its plants. Most of these projects are phased multi-year investments for reducing emissions and waste management.

Selected key projects completed and underway in 2015 are highlighted below. Of these, the Newcastle ZED project came online towards the end of 2015 and is likely to have an observable impact from 2016 onwards.

Note: Peer group companies selected include mining, metals and steel companies. Tracking and calculation methodology of reported water intake per ton may differ between companies. Most recent data available used for benchmarking.

Source: ArcelorMittal South Africa, company sustainability reports, BCG analysis.

Figure 43. Water intake 18.4 billion litres in 2015 and remains below average for comparable global peers

Water intake and usage increased in 2015

...but rate of consumption lower compared to global peers
Newcastle BOF slag disposal facility

Facility established to meet DEA legislation requirements. The project will require civil works in shaping the landfill, importing and placing clay and/or synthetic layers to line the site for disposing slag.

The capacity of the site is designed to cover future needs (approximately 12,000,000m$^3$) and will be built in five phases.

---

Newcastle Zero Effluent Discharge (ZED) project

Split into two groups to manage different types of effluent discharge. Group one focuses on improving the stability and quality of effluent emanating from coke ovens. Group two involves purifying coke oven effluent through a multi-stage biological treatment.

In addition to enabling legal compliance with DEA, it will reduce impact of long term stops through additional processing capacity.

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Vanderbijlpark Blast Furnace Stockhouse upgrade

The Blast Furnace D (BFD) Stockhouse was upgraded to reduce a source of dust emissions. This necessitated an improvement in the dust collection efficiency and the abatement of fugitive dust emissions both at the stockhouse and at the furnace tap.

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4.6.3 CO$_2$ emissions

One of the most significant by-products of the steel production process is carbon dioxide (CO$_2$) which is a contributing factor towards global climate change. In 2015 ArcelorMittal South Africa emitted a total of 13.4Mt of CO$_2$, which was lower than the previous years in absolute terms. This was due to a reduction in Scope 2 emissions from energy efficiency measures that have paid off. Scope 1 reduction was partly driven by a reduction in market coke produced in Newcastle and lower volumes of directly reduced iron at the Vanderbijlpark plant. However, on a per ton of liquid steel basis, there is little change since 2013. This reflects the challenges and limited opportunities available to directly reduce CO$_2$ emissions in the steel making process.

This is an issue that the company takes very seriously, and continues to engage in by participating in the national debate in related topics such as the imposition of a carbon tax.
**Total CO₂ emissions**

- **2013**: 15.2 M tons of equivalent CO₂ emissions
- **2014**: 14.1 M tons of equivalent CO₂ emissions
- **2015**: 13.6 M tons of equivalent CO₂ emissions

**CO₂ produced per ton of liquid steel**

- **2013**: 2.9 Kg/ton of liquid steel
- **2014**: 3.1 Kg/ton of liquid steel
- **2015**: 2.8 Kg/ton of liquid steel

**Note:** Scope 1 emissions are direct CO₂ emissions produced by ArcelorMittal South Africa including coke production, vehicular emissions or other direct sources. Scope 2 emissions result from the generation of purchased electricity.

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**Figure 44. Total amount of CO₂ 13.6Mt in 2015, reduced ~9% from 2013 but only slight reduction in emissions per ton of steel produced**

Source: ArcelorMittal South Africa; BCG analysis

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**Carbon tax: New Carbon Tax proposes revised calculation of tax-free thresholds**

In May 2013, a policy paper put forward by the National Treasury proposed that a Carbon tax of R120 per ton of CO₂ emitted be introduced. The tax is intended to drive change in behaviour of significant carbon dioxide producers (such as ArcelorMittal South Africa), creating an imperative for them to adopt more carbon efficient operations.

On the 2nd of November 2015, the Carbon Tax Bill was published by the National Treasury for public comment. Provision is made in the Bill for implementation on the 1st of January 2017.

When considering ArcelorMittal's direct Carbon Tax liability compared to the previous draft of the policy (2013), a key change is that the tax-free threshold now increases from 70% to 80% on process emissions in the new Bill. This implies an effective rate of R24/tCO₂ and would add approximately R53.00 to the price of a ton of steel (based on 80% tax-free threshold).

**The main reasons for the increase in the tax-free threshold are**

- ArcelorMittal South Africa qualifies for an additional 10% regarding the trade exposure formulas which have been revised in the new Bill.
- ArcelorMittal’s participation in the DEAs Carbon Budget process adds another 5%.

---

**The Davis Tax Committee Report on Carbon tax**

The Davis Tax Committee Report on Carbon tax was published on 13 November 2015 and comes out in support for a Carbon Tax, but recommends that it be implemented at a zero rate for an initial period.

The report is critical of DEAs Carbon Budget emission reduction instrument as there are principle differences that may hinder alignment in future, the Carbon Tax touching on intensity principles whereas the Carbon Budgets entail absolute caps being placed on emissions. The report urges further alignment between the Carbon Budgets and Carbon Tax instruments.
4.6.4 **SO$_2$ and particulate emissions**

Particulate or dust and SO$_2$ emissions are the other significant emissions resulting from ArcelorMittal South Africa’s operations. Dust emissions have remained fairly steady at around 2.5kt since 2013 while SO$_2$ emissions have decreased by 4% to 21.5kt since 2013.

![Particulate emissions and SO$_2$ emissions have remained fairly steady since 2013](image)

**Figure 45.** Particulate emissions and SO$_2$ emissions have remained fairly steady since 2013

4.6.5 **By-products disposal and restoration**

Steel-making produces various by-products which include steel and iron slag, metallurgical dusts, and sludge, many of which can be used, sold or recycled. ArcelorMittal South Africa by-products typically find application in the cement industry, construction sector, and certain other niche applications.

However, due to both the cement and construction industries being under pressure in recent years, consumption of such byproducts has been directly impacted.

In 2015, ArcelorMittal South Africa generated 4.1 Mt of byproduct, decreasing 0.2 Mt from 2013. The majority of this was either used, sold or recycled. However, 1.4 Mt were disposed of in landfills, due to lack of potential for commercial value.

On the positive side, the volume of by-products land filled was 0.3 Mt less than 2013.
4.7 Supporting the National Development Plan

ArcelorMittal South Africa is committed to supporting the national development agenda set by the South African government. The National Development Plan (NDP) has certain key targets that are supported by the company’s activities, in particular, to secure domestic supply of steel required to execute government’s infrastructure development plans.

Various development plans introduced in recent years have had a direct implication on ArcelorMittal South Africa and its role in the South African economy. In addition to the National Development Plan, the National Infrastructure Development Plan, Climate Change Response, National Youth Policy and Industrial Action Policy have been reviewed against ArcelorMittal South Africa’s performance to establish its impact on the country.

ArcelorMittal South Africa’s performance against most metrics is positive, particularly its contribution to the national economy through its operations and export activity, providing security of supply of steel, provision of jobs and corporate social investment in local communities. On the negative, its environmental performance is still an area for improvement.

Additionally, there is opportunity to retain and ensure more employment for Historically Disadvantaged South Africans (HDSA) as a proportion of total staff.
<table>
<thead>
<tr>
<th>Source of impact</th>
<th>Key targets of plan</th>
<th>ArcelorMittal South Africa contribution to plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact on GDP</td>
<td>Increase GDP by 2.7 times by 2030</td>
<td>ArcelorMittal South Africa contributes 1.1% of GDP</td>
</tr>
<tr>
<td></td>
<td>Increase GDP growth to 5.4%</td>
<td>ArcelorMittal South Africa revenue has declined in recent years</td>
</tr>
<tr>
<td>Net exports</td>
<td>Promoting exports and competitiveness. Exports to grow by 6% per year by 2030</td>
<td>Export of ~R78 billion in 2015, substantial but declining</td>
</tr>
<tr>
<td>Procurement through local suppliers</td>
<td>Procure through local suppliers with preference for GSE and SME</td>
<td>ArcelorMittal South Africa spent R2.5 billion on procuring from QSE and EME suppliers in 2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct employment</td>
<td>Increase number of jobs by 61%. 11 million additional jobs by 2030</td>
<td>Provides employment to &gt;12 800 people</td>
</tr>
<tr>
<td></td>
<td>Reduce unemployment by 6%. Number employed to rise to 24 million</td>
<td>Slight decrease in direct employment</td>
</tr>
<tr>
<td>Training</td>
<td>Produce 30 000 artisans a year</td>
<td>Spent R202 million on training in 2015</td>
</tr>
<tr>
<td></td>
<td>Provide work exposure for youth</td>
<td>Training to 462 artisans in 2015</td>
</tr>
<tr>
<td></td>
<td>Provide access to lifelong learning that improves employability</td>
<td>Slight decrease in learnership pipeline</td>
</tr>
<tr>
<td></td>
<td></td>
<td>175 university bursaries in 2015</td>
</tr>
<tr>
<td>Investing in community cap development</td>
<td>More people living closer to their place of work</td>
<td>85% new recruits employed locally in 2015</td>
</tr>
<tr>
<td>Development into skilled positions</td>
<td>Increase university enrolment by 70%</td>
<td>Local community education via Science centres</td>
</tr>
<tr>
<td></td>
<td>Provide 1 million learning opportunities through community education</td>
<td>Promotes STEM skills via Science centres</td>
</tr>
<tr>
<td>Investing in innovation</td>
<td>Increase students eligible for maths and science degrees</td>
<td>Technical innovations, with lighter, stronger, more durable, and environmentally friendly steel</td>
</tr>
<tr>
<td></td>
<td>Expand innovation output by increasing research and development</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human settlement development</td>
<td>Upgrade all informal settlements on suitable land by 2030</td>
<td>Steel required for construction of houses</td>
</tr>
<tr>
<td></td>
<td>Universal access to services, health care, education</td>
<td>Limited investment in schools and clinics in 2015</td>
</tr>
<tr>
<td></td>
<td>Universal access to clean and portable water</td>
<td>Steel for construction of electricity distribution</td>
</tr>
<tr>
<td></td>
<td>Electricity access to at least 90% of households</td>
<td>Built schools, science centres and re-roofed houses in local communities</td>
</tr>
<tr>
<td></td>
<td>Improving public services and spaces, integrated housing and sports facilities</td>
<td>Safety audits for employees and suppliers</td>
</tr>
<tr>
<td></td>
<td>Safety audits done for all communities</td>
<td></td>
</tr>
<tr>
<td>New schools built</td>
<td>Eradicate school infrastructure backlog by 2030</td>
<td>Limited investment in school infrastructure in 2015</td>
</tr>
<tr>
<td>Local community development</td>
<td>Support youth-owned businesses</td>
<td>Supporting youth-owned businesses through ESD programme</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total CO₂</td>
<td>Reduce GHG by 34% below current by 2020. 40% by 2015</td>
<td>Reduced GHG in 2015 by ~2013</td>
</tr>
<tr>
<td>Environmental management and standard</td>
<td>Ensure compliance with environmental regulations</td>
<td>No violation of environmental regulations in 2015</td>
</tr>
<tr>
<td>CO₂ equivalent reduction</td>
<td>Investment in sustainable tech rehabilitation</td>
<td>Invested R65 million capex in environmental projects</td>
</tr>
<tr>
<td>Total water withdrawal</td>
<td>Reduce water demand by 15% below business as usual</td>
<td>Reduced water abstraction ~40% in eight years</td>
</tr>
<tr>
<td>CO₂ emissions reducts</td>
<td>By 2030, carbon price should be entrenched</td>
<td>Not achieved, zero emissions building stds</td>
</tr>
<tr>
<td>Recycled material use</td>
<td>Reductions in the total volume of waste disposed to landfill</td>
<td>Increased by-product landfill by 10% vs ’14</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Enabler of South African development through supply of steel

Catalyst for change in South Africa

<table>
<thead>
<tr>
<th>Total steel contribution</th>
<th>Increase capital expenditure to 30% below current by 2020, 40% by 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increase public infrastructure spending to 10% of GDP</td>
</tr>
<tr>
<td></td>
<td>Invest in large infrastructure projects in health, education, energy and transport</td>
</tr>
<tr>
<td><strong>Steel from ArcelorMittal South Africa is critical for NDP infrastructure projects</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Increase ownership of assets to HDSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment equity</td>
<td>Effective redress by creating employment equity</td>
</tr>
<tr>
<td></td>
<td>Clear targets set for expanding economic participation</td>
</tr>
<tr>
<td><strong>2015 issued employee share ownership plan, ownership ~5%</strong></td>
<td></td>
</tr>
<tr>
<td>Safety and health hazards</td>
<td>Reduce prevalence of non-communicable chronic diseases</td>
</tr>
<tr>
<td></td>
<td>Reduce injury, accidents and violence by 50%</td>
</tr>
<tr>
<td><strong>Have comprehensive chronic disease management programme</strong></td>
<td></td>
</tr>
<tr>
<td>Employee wellness</td>
<td>Deploy primary healthcare teams to provide care</td>
</tr>
<tr>
<td></td>
<td>Prevent and control burden of HIV/AIDS through education and treatment</td>
</tr>
<tr>
<td><strong>Offer a chronic disease programme</strong></td>
<td></td>
</tr>
<tr>
<td>External reporting</td>
<td>A set of indicators for natural resources and publication of annual reports</td>
</tr>
<tr>
<td></td>
<td><strong>Published award winning annual sustainability report with environmental indicators</strong></td>
</tr>
<tr>
<td>Anti-corruption</td>
<td>Corruption is reported on and monitored</td>
</tr>
<tr>
<td></td>
<td><strong>Corrupt practises monitored and reported</strong></td>
</tr>
</tbody>
</table>

**Figure 47. ArcelorMittal South Africa performance against National Development Plan and related key performance indicators**

5. Vaal Plants’ Factor Report

Vereeniging Works was the first of the Vaal plants to be commissioned in 1916 followed by the Vanderbijlpark Works in 1943. Since commissioning, flat products have been the focus of Vanderbijlpark while Vereeniging manufactures a variety of speciality steel products. Situated in Gauteng, the Vaal plants make it a priority to contribute to the strategic agenda of the province (see full assessment in conclusion).

In addition to the Provincial agenda, the local Emfuleni Municipality relies heavily on ArcelorMittal South Africa for employment, local supplier procurement, taxes and Corporate Social investment (CSI) spending. It is within this context that the Vaal plants’ contribution has been assessed along four pillars covering social, economic and environmental matters.

Each pillar of the assessment is further broken down into a number of impact areas and KPI’s. Each of these impact areas has been evaluated in terms of whether ArcelorMittal South Africa’s impact or performance is mostly positive, a mix of both positive and negative, or mostly negative.

### Economic growth engine
Produced 2.3Mt or, 38% of SA steel production, created R13 billion in value through beneficiation

- R14.6 billion Provincial Value Add (taxes, wages, local suppliers and indirect contributions)
- R46 million contributed in direct municipal taxes, 6% municipal taxes property rates
- 0.22Mt Valued at -R1.9 billion exported by Vaal plants

### Employer, job creator and skills developer
6,560 people in direct employment and a further 2820 through indirect employment

- 9% Female employment, 62% HDSA employment and 41% youth employment
- Over 61,800 training seats provided; 925 in learnership pipeline
- LTIFR of 0.51 at VDBP and 1.06 at VER, including one fatality at VDB

### Impact on local communities
Over 81% of new recruits from local community

- R1.26 billion spent on 296 EME and 377 QSE within province and R10.1million on ESD
- R7.9 million invested through CSI projects impacting 99,000 people

### Environmental footprint
9.9 billion litres of water abstracted

- 0.8 Kt of dust and 9.4 Kt of SO₂ emissions
- R24 million invested in environmental improvement projects over the last two years

Each pillar and impact area is explored in detail in the following pages.

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Figure 48. Vaal plants’ factor map
5.1 Economic growth engine

The Vaal Plants’ performance as an economic growth engine has been assessed using four impact areas covering production, exports, provincial value-add and municipal taxes.

At the heart of South African steel production the Vaal plants produced 2.3Mt of steel, equivalent to 38% of South African steel production in 2015. This provided R14 billion in beneficiation, which is aligned to a key focus area for the South African Government. The steel produced at the Vaal plants directly supports the reindustrialisation of Gauteng, through infrastructure development, which is key to the strategic agenda of the province.

While the contribution to South Africa is significant, absolute steel production is below that of 2014’s at 2.7Mt as a result of continued challenging economic conditions.

<table>
<thead>
<tr>
<th>Vaal plants contributed 48% to ArcelorMittal South Africa steel production (2014:61%)</th>
<th>Vaal plants contributed 38% to South Africa’s steel production (2014:41%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>48% Vaal plants production (2.3Mt)</td>
<td>36% Vaal plants production (2.2Mt)</td>
</tr>
<tr>
<td>ArcelorMittal South Africa total production (4.8Mt)</td>
<td>South Africa’s total production (6.1Mt)</td>
</tr>
</tbody>
</table>

![Figure 49. Vaal plants’ contribution to ArcelorMittal South Africa and South African steel production](image)

The large contribution to South African steel production and related downstream industries can be translated into economic value-add supplied to the Gauteng Province. This number, estimated at around R14.6 billion (including indirect contribution) is very similar to 2014 and comprises wages, taxes, local supplier spend, capex and a small indirect portion.

On a Municipal level, direct Municipal tax contribution of R46 million was made in 2015, equivalent to 6% of Emfuleni’s property rates. These numbers reinforce the importance of the Vaal plants in the successful economic development of Gauteng and Emfuleni. While this is a meaningful contribution, it is less than both the 2013 and 2014 contributions.

![Breakdown of 2015 Vaal Provincial Value Add](image)

**Note:** Basic iron and steel multiplier for first round contribution is R0.12 million output/R1 million final demands estimated by Quantec Research with final demand assumed to be Vaal plants’ local procurement spend, capital expenditure and wages R13.04 billion.

1. Indirect contribution - contribution of ArcelorMittal South Africa local plant suppliers.

**Figure 50. Vaal plants’ provincial value add**

Source: ArcelorMittal South Africa, Quantec industry multipliers 2014; BCG analysis
Export sales accounted for 10% or 220kt of 2015 production which brought in roughly R1.9 billion in revenue supporting the reduction of South Africa’s current trade deficit. Over half of these exports went to African countries to be used in infrastructure development and manufacturing.

5.2 Employer, job creator and skills developer

The second pillar of the assessment looks at the Vaal plants as a source of employment and skills development. To get an indication of performance in this field; employment, employment equity, training and safety impact areas have been highlighted.

Despite economic challenges since 2013 ArcelorMittal South Africa has managed to retain a similar number of permanent staff. That being said there have been some decreases in contractors and hired labourers. An additional driver of the decrease in hired labourers was a legislative change that required hired labourers to be brought into permanent roles or under service contracts.

In total 6,560 permanent employees, hired labourers and service contracts were directly employed by ArcelorMittal South Africa at the Vaal plants in 2015. Since 2014 the number of service contractors and hired labour has decreased, partly due to new labour legislation, while the number of permanent employees has increased. Many of these employees are from the local municipality which has identified unemployment, currently 36%, as growth inhibitor that needs to be overcome.

When comparing to 2014, exports have declined rapidly. This is driven predominantly by exports to countries outside of Africa where volumes dropped by over 60% as a result of the global steel oversupply.

When measuring the impact of the Vaal plants on employment in Gauteng it is important to consider the indirect and induced impact of their operation.

Independent economic analysis estimates that 2,820 jobs are supported in direct suppliers of the Vaal plants. When taking an economy-wide view the impact of second-order suppliers and private spending was included. With this view the Vaal plants are seen to support a total of 13,030 jobs within Gauteng highlighting the importance of the Vaal plants to the province employment and economic growth.

From analysing the demographics of the Vaal plant workforce it is clear that employment equity has been and should remain a priority focus area. National and Provincial agendas promote the progression towards a fairly representative workforce as this is key in overcoming past prejudices as a country and society. The Vaal plants’ have shown improvement in proportion of HDSA employees to 62% and female participation to 9% in 2015 (2014 – HDSA: 59%; Female participation: 8%)
Training at ArcelorMittal South Africa forms a comprehensive process starting from basic maths and science education to employee training and development at the plants. The Science Centre has been a beacon of maths and science education for local children and facilitates many bursary awards. In 2015, 120 bursaries were supported by the Vaal plants enabling students to achieve higher education qualifications before entering the work place.

Once at the plants the learnership pipeline, consisting of 925 people, provides the necessary skills to work within ArcelorMittal South Africa and similar companies.

It is a progressive process where candidates earn official qualifications and then move onto the next phase in the pipeline. ArcelorMittal South Africa has made the decision to train beyond its needs, enabling more people to gain access to skills and employment.

Science Centre
Additional maths and science education for high school students
R5.2 million spent
480 Fulltime students (2014: NA)

Bursaries
Sponsorship of talented students for higher education
120 Bursaries supported (2014: 113)

Learner Pipeline²
Nationally recognised training for artisans and production workers
925 People in pipeline (2014: 880)

Employee training
Broad range of training targeted at current employees
56 278 seats offered¹
4 540 People impacted (2014: 4 900)

1. Number of training seats calculated as a sum of attendees at all training sessions conducted for ArcelorMittal South Africa permanent or contract employees.
2. Includes graduates in training, production learners, apprentices, learner technicians, candidate engineers, candidate artisans, technicians.

Figure 52. Vaal plants’ training and contribution to skills development
Source: ArcelorMittal South Africa, BCG analysis

Safety performance saw a slight improvement, with LTIFR decreasing from 0.55 in 2014 to 0.51 in 2015 for the Vanderbijlpark plant.

Vereeniging performed especially poorly in comparison to the ArcelorMittal South Africa average with an LTIFR of 1.06. Vaal plants’ LTIFR is higher when compared to company-wide average however it continues to outperform both local and global peers

Unfortunately, one fatality occurred at the Vanderbijlpark plant due an accident on site, revealing that there is still work to be done to achieve the zero harm ideal.

Figure 53. Vaal plants’ safety performance
5.3 Impact on local communities

As mentioned in the introduction the Vaal plants offer major support to the Emfuleni Local Municipality. This section of the assessment has focused on local recruitment, EME and QSE spend, ESD initiatives and CSI initiatives as an indication of performance. Employment is a key development initiative for the Emfuleni Municipality and Gauteng Province.

In order to contribute positively to local job creation over 80% of new recruits, equating to more than 640 jobs came from areas surrounding the plants. Most new recruits fall into the numerous training programmes where they are empowered with additional skills.

This continual process enables the sustainability of local employment as skilled individuals can move into different roles or look elsewhere for employment.

No. of recruits

Number of recruits 797

646 recruits from local communities

0 200 400 600 800

Others Other local Vaal plants

Figure 56. Local recruitment at Vaal plants’

In 2015 a comprehensive enterprise and supplier development programme was launched to increase the number of small businesses, specifically black-owned, in the ArcelorMittal South Africa supply chain.

Within this programme existing relationships were given more investment and new initiatives were directed towards local communities.

The Vaal plants reached 48 entrepreneurs spending around R7.9 million on business coaching and skills development.

While enterprise development focused on the individual entrepreneur, supplier development focused holistically on the company to promote sustainability and cost competitive growth. Nine suppliers were involved in these programmes at a cost of R3.6 million and many hours of ArcelorMittal South Africa employee time. In addition to ESD, a procurement effort has been made to proactively seek EME and QSE vendors within local communities.

The evidence of this is the number of qualifying vendors used in 2015 - 296 EME and 377 QSE. Across these two groups of vendors a total of R1.26 billion was spent by the Vaal plants. Considering the nature of EME’s and QSE’s a high proportion of them will be from local communities.

These small businesses are extremely valuable to the communities as they support employment and economic development.
Figure 55. Vaal plants’ support local small and medium sized businesses within the community
Source: Arcelormittal South Africa; BCG analysis

<table>
<thead>
<tr>
<th>Number of suppliers</th>
<th>Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exempt micro enterprises</td>
<td>Business with turnover between R10 million – R50 million</td>
</tr>
<tr>
<td>Qualifying small enterprises</td>
<td>Business with turnover between R10 million – R50 million</td>
</tr>
<tr>
<td>Generic enterprises</td>
<td>Business with turnover greater than R50 million</td>
</tr>
<tr>
<td>Unclassified</td>
<td></td>
</tr>
<tr>
<td><strong>Total South African spend</strong></td>
<td></td>
</tr>
</tbody>
</table>

1. From areas surrounding Plants

**Figure 56. ESD created significant value for local communities at the Vaal plants’**
Source: ArcelorMittal South Africa; BCG analysis

**Start up entrepreneur benefit from ESD effort:**

**Civil related entrepreneur - Vereeniging**
ArcelorMittal South Africa established an enterprise development initiative with an entrepreneur from within the local community

Initial focus was on basic compliance measures after which the startup was added to ArcelorMittal South Africa’s vendor database.

Focus then shifted to a supplier development contract linked to the supply of civil related services

Specific initiatives included registration, VAT registration, website establishment, and a personal coaching programme

One year later, this vendor employs 17 full time staff members from the local community

**Outsourcing - Vanderbijlpark**
Outsourcing of non-core functions provide a vehicle through which transformation can be driven

ArcelorMittal South Africa’s in-house Reprographic department presented such an opportunity and was outsourced in 2015

New legal ownership and operations vested within a majority black owned EME structure

After a year, this project has proven a success for both ArcelorMittal South Africa and the entrepreneur involved
Beyond employment and ESD initiatives the Vaal plants retained commitment to corporate social investment. During 2015, R6.3 million was spent across education, health and infrastructure development impacting a total 99,000 people.

Clinic visits and the Science Centre had the greatest impact with other key programmes such as the re-roofing of 132 homes making up the remainder.

The Vaal Science Centre continued to have life-changing impact on 480 full-time students while benefitting another 29,500 learners through educational and life-skills outreach programmes.

Due to the financial pressure at ArcelorMittal South Africa, Corporate Social Investment (CSI) spend has been reduced but local communities have been appreciative of the current situation due to strong relationships and communication.

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**Figure 57. Vaal plants CSI summary**

Source: ArcelorMittal South Africa, BCG analysis

<table>
<thead>
<tr>
<th>Basic education</th>
<th>Infrastructure development</th>
<th>Higher education</th>
<th>Healthcare</th>
</tr>
</thead>
<tbody>
<tr>
<td>31,000 Learners and others supported through science centres</td>
<td>400 People benefit from re-roofed housing</td>
<td>120 University and UoT bursaries</td>
<td>Clinics built in previous years supported 67,000 people</td>
</tr>
</tbody>
</table>

Total number of ~ 99,000 people impacted through various CSI initiatives

---

1. Stats SA Emfuleni average household size 3.1

---

### 5.4 Vaal plants’ Environmental footprint

The environmental impact of the Vaal plants’ operations has been under scrutiny for many years. In this assessment, water abstraction, emissions and environmental capex have been selected as a measure of performance in order to capture the current state as well as improvement efforts.

The majority, >90% of land restoration projects undertaken by ArcelorMittal South Africa in the past ten years have been based in the Vaal plant areas.

The fundamental process of steel production has significant environmental impact due to its raw materials, chemical processes and heat requirements.

Water is key to the cooling of the plants and in 2015, 9.9 billion litres were abstracted from the national water supply. This is 4% less than last year supporting Gauteng’s drive to decrease water consumption.

Emissions from the process have remained fairly stable with dust emissions decreasing from 2014 and SO$_2$ emissions increasing.
In addition to keeping emissions and water use stable the Vaal plants have invested R88 million in a blast furnace stockhouse bag house upgrade, approximately R23 million of which was spent in 2014. This was required to reduce the source of fugitive dust emissions. Further details on this development can be found in the figure below.

**Vanderbijlpark blast furnace stockhouse upgrade**

- Purpose of the upgrade was to reduce the source of fugitive dust emissions
- This required an improvement in dust collection efficiency and abatement of fugitive dust
- The previous system would not extract all the dust generated and needed to be upgraded.

Since the upgrade there has been significant impact

- Visible dust emission from the stockhouse have been eliminated
- Fugitive dust is captured by the new extraction system
- Bag house will cater for future environmental legislation
- Total emissions of the Vanderbijlpark Works have been reduced.
5.5 Vaal plant Conclusion

The Vaal plants have focused on their core business which has continued to positively impact both Gauteng Province and Emfuleni Local Municipality. Employment and production have been preserved with a concerted effort to include local small businesses into the supply chain through Enterprise Social Development (ESD) and preferential procurement.

However, it is clear that the global steel oversupply and rise of steel imports have continued to put pressure on economic performance which has caused necessary adjustments, seen in capex and corporate social investment (CSI) spending. While the Vaal plants have made efforts to reduce environmental footprint, there continues to be a negative impact on the surrounding environment. Overall the Vaal plants are considered to have a mainly positive impact on both Gauteng and Emfuleni. For a complete view, it is import to highlight the Vaal plants’ performance against the development agenda of the Gauteng Province.

Employment, skills development and local community development are front of mind for the province and ArcelorMittal South Africa has aligned itself to contribute to these in addition to the production of steel which supports the reindustrialisation of Gauteng key focus area.

While the assessment is mainly positive it is clear that the environmental footprint of the plants does not align with the environmental agenda of the province.

<table>
<thead>
<tr>
<th>Source of impact</th>
<th>Key targets of plan</th>
<th>ArcelorMittal South Africa contribution to plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic growth engine</td>
<td>Source of impact Key targets of plan ArcelorMittal South Africa contribution to plan</td>
<td></td>
</tr>
<tr>
<td>Direct employment</td>
<td>Create 500K sustainable jobs and entrepreneurship opportunities for youth by 2019</td>
<td>Supports 13K job within Gauteng</td>
</tr>
<tr>
<td></td>
<td>Contribute 1.2 million work opportunities to the national target of 6 million with focus on women, youth, and people with disabilities</td>
<td>Employed 850 new recruits from local communities</td>
</tr>
<tr>
<td>Training</td>
<td>R300 billion spend in post, freight, rail and pipeline capacity development</td>
<td>Decrease in number of people employed</td>
</tr>
<tr>
<td>Skills development and employment</td>
<td>Skill and employ 500K youth, women and people with disabilities in next five years</td>
<td>Training impacted over 5K employees</td>
</tr>
<tr>
<td>Infrastructure development</td>
<td>Over R32 billion budget for next four years including R10 billion for registration of CBD</td>
<td>Reroofed 130 houses</td>
</tr>
<tr>
<td></td>
<td>R17.8 billion committed to build 5 new cities 800K houses to be built in the next year</td>
<td>Limited housing development</td>
</tr>
<tr>
<td></td>
<td>Build 200 clinics by 2019 and increase the number of ward based healthcare teams to over 40</td>
<td>Limited clinic and healthcare investment</td>
</tr>
<tr>
<td>Education</td>
<td>Provide grade R facilities to 200K learners in both public and private sector by 2019</td>
<td>Science centres facilitated 400 full time students and impacted 3.1K in 2015</td>
</tr>
<tr>
<td></td>
<td>Increase bursaries by 25% in partnership with private sector</td>
<td>120 university and UoT bursaries given</td>
</tr>
<tr>
<td></td>
<td>Build 18 new brick and mortar schools</td>
<td></td>
</tr>
<tr>
<td>Compliance with legislation</td>
<td>Ensure compliance with Environmental Management legislation and by laws</td>
<td>Have ensured compliance with legislation and by laws</td>
</tr>
<tr>
<td>Environmental clean up</td>
<td>Air pollution reduction, water quality improvement and aesthetic cleanliness</td>
<td>R24 million invested in environmental improvement projects 2014-2015</td>
</tr>
<tr>
<td>Improve resource efficiency</td>
<td>Move toward “green” and “low carbon” economy by reducing GHG emissions, natural resource use and waste</td>
<td>Limited reduction in emissions since 2013 Majority of land rehab projects in Vaal</td>
</tr>
</tbody>
</table>

Figure 6.0: Vaal plants support implementation of Gauteng’s development agenda

6. Newcastle Factor Report

The Newcastle Works was commissioned in 1920 with a focus on long products for the African market. Since commissioning a legacy of re-engineering and continuous improvement has sustained the global competitiveness of the plant. Being situated in KwaZulu-Natal, the plant makes it a priority to contribute to the strategic agenda of the province (see full assessment in conclusion).

In addition to the provincial agenda, the local Newcastle Municipality relies heavily on ArcelorMittal South Africa for employment, local supplier procurement, taxes and Corporate Social investment spending.

It is within this context that Newcastle’s contribution has been assessed along four pillars covering social, economic and environmental matters.

Each pillar of the assessment is further broken down into a number of impact areas and KPI’s. Each of these impact areas has been evaluated in terms of whether ArcelorMittal South Africa’s impact or performance is mostly positive, a mix of both positive and negative, or mostly negative.

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**Economic growth engine**
Produced 1.5 Mt or, 24% of SA steel production, created R6.6 billion in value through beneficiation

R2.4 billion Provincial Value Add (taxes, wages, local suppliers and indirect contribution.
R13 million contributed in direct municipal taxes, 6% municipal property rates
Exported 0.3 Mt valued at - R1.8 billion

---

**Employer, job creator and skills developer**
4 400 people in direct employment and 740 in indirect employment
6% female employment, 68% HDSA employment and 47% youth employed
Over 34 000 training seats provided; 350 in learnership pipeline
LTIFR of 0.25 and one fatality

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**Impact on local communities**
71% of new recruits from local Newcastle community and 91% from ArcelorMittal South Africa local communities
R700 million spent on 160 EME and 235 QSE within province and R0.6 million on ESD
R3.2 million invested through CSI projects impacting 15 080 people

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**Environmental footprint**
6.08 billion litres of water abstracted
1.6 Kt of dust and 7.9 Kt of SO₂ emissions
R87 million invested in environmental improvement projects over the past two years

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Each pillar and impact area is explored in detail in the following pages.

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Figure 61. Newcastle plants’ factor map
6.1 Economic growth engine

The Newcastle Works performance as an economic growth engine has been assessed using four impact areas covering production, exports, provincial value-add and municipal taxes.

The year 2015 marked the completion of the blast furnace re-lining, an investment of R1.8 billion that is expected to sustain production for over 20 years. With the completion of the re-lining, production increased and moved towards steady state production. Around 1.5Mt of steel was produced, an increase of 150% from 2014 and equivalent to 24% of South Africa’s production – up from 9% in 2014. This production provided R7.0 billion in beneficiation, which is aligned to a key focus area for the South African Government. Additionally, Newcastle’s steel supports the industrial growth initiative of the province through contributions to the construction and manufacturing industries.

Export sales accounted for 20% or 300kt of this production, bringing in roughly R1.8 billion in export revenue which supports the reduction of South Africa’s current trade deficit. Around 40% of exports went to other African countries for use in infrastructure development and manufacturing. Similar to production, exports have risen dramatically since 2014 as a result of increased production after the completion of the re-lining.

This production activity can be translated into economic value contributed to the province by combining local procurement, wages, taxes and an indirect contribution.

Breakdown of 2015 Newcastle Provincial Value Add

Note: Basic iron and steel multiplier for first round contribution is R0.22 million output/R1 million final demands estimated by Quantec Research with final demand assumed to be Newcastle’s local procurement spend, capital expenditure and wages R1.96 billion

Source: ArcelorMittal South Africa, Quantec industry multipliers 2014; BCG analysis

Figure 63. Newcastle plant provincial value add

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1. Indirect contribution - contribution of ArcelorMittal South Africa local plant suppliers.
In 2015 the Newcastle works is estimated to have contributed R2.4 billion (including indirect contribution) to the KwaZulu-Natal Province. The largest component of this contribution was local procurement spend followed by wages which together make up the vast majority. While significant, it is far below the 2014 contribution of R3.5 billion predominantly due to the large capex spent on the re-lining in 2014.

On a municipal level, direct municipal tax contribution of R13 million was made. This is equivalent to 6% of Newcastle Municipality property rate collection and although 30% less than in 2014 it is still a highly valuable contribution.

### 6.2 Employer, job creator and skills developer

The second pillar of the assessment looks at Newcastle as a source of employment and skills development. To get an indication of performance in this field; employment, employment equity, training and safety impact areas have been highlighted.

ArcelorMittal South Africa, being one of the largest employers in Newcastle, it directly employs 4,400 permanent staff, service contractors and hired labourers. Since 2014 the number of service contractors and hired labourers has decreased, partly due to new labour legislation, while the number of permanent employees has increased. This is especially significant due to the high unemployment rate (37%) within the local community.

When measuring the impact of the Newcastle plant on employment in KwaZulu-Natal it is important to consider the indirect and induced impact of the operation. Independent economic analysis estimates that 740 jobs are supported in direct suppliers.

When taking an economy-wide view the impact of second order suppliers and private spending was included. With this view Newcastle is seen to support a total of 5,810 jobs within KwaZulu-Natal, highlighting the importance of the Newcastle Works to the provinces employment rate.

From analysing the demographics of the Newcastle Plant workforce it is clear that employment equity has been and should remain a priority focus area.

National and provincial agendas promote the progression towards a fairly representative workforce as this is key in overcoming past prejudices as a country and society. The Newcastle Plant has shown a much needed improvement in female participation (4% to 6%) but HDSA employment has actually fallen from 69% to 68%.

<table>
<thead>
<tr>
<th>Direct employment</th>
<th>Direct and indirect employment</th>
<th>Economy wide employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of jobs created directly at Newcastle plant (2014: 3,000)</td>
<td>Estimated number of jobs created at Newcastle and suppliers of Newcastle (2014: 4,100)</td>
<td>Estimated number of jobs created directly, indirectly and at secondary suppliers including private spending due to income (2014: 5,100)</td>
</tr>
</tbody>
</table>

1. Includes service contractors and hired labourers working on site. 2. Includes first round and indirect effects

**Figure 64. Newcastle plant contribution to provincial employment**

Source: ArcelorMittal South Africa; Quantec industry multipliers 2014; BCG analysis
Training at ArcelorMittal South Africa forms a comprehensive process starting from basic maths and science education to employee training and development at the plants.

The Science Centre has been a beacon of maths and science education for local children and facilitates many bursary awards. In 2015, 39 bursaries were supported — enabling students to achieve higher education qualifications before entering the work place. Once at the plant the learnership pipeline, consisting of 354 people, provides the necessary skills to work within ArcelorMittal South Africa and similar companies.

It is a progressive process where candidates earn official qualifications and then move onto the next phase in the pipeline.

ArcelorMittal South Africa has made the decision to train beyond its needs enabling more people to gain access to skills and employment.

<table>
<thead>
<tr>
<th>Science Centre</th>
<th>Bursaries</th>
<th>Learner Pipeline</th>
<th>Employee training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional maths and science education for high school students</td>
<td>Sponsorship of talented students for higher education</td>
<td>Nationally recognised training for artisans and production workers</td>
<td>Broad range of training targeted at current employees</td>
</tr>
<tr>
<td>R3.2 million spent</td>
<td>39 Bursaries supported (2014: 31)</td>
<td>354 People in pipeline (2014: 430)</td>
<td>34 428 seats offered(^1)</td>
</tr>
<tr>
<td>518 Fulltime students (2014: NA)</td>
<td></td>
<td></td>
<td>2 568 People impacted (2014: 2 646)</td>
</tr>
</tbody>
</table>

\(^1\) Number of training seats calculated as a sum of attendees at all training sessions conducted for ArcelorMittal South Africa permanent or contract employees.

\(^2\) Includes graduates in training, production learners, apprentices, learner technicians, candidate engineers, candidate artisans, technicians.

Safety, as always, has been a priority and performance has drastically improved by nearly 80%. This is partly as a result of a robust action plan that was put in place following four ArcelorMittal South Africa fatalities in 2014.

The action plan is orientated around four priority areas — hazard and risk mitigation, shop floor communication, avoiding and managing incidents and the measurement and tracking of key indications.

Unfortunately, one fatality was incurred at the Newcastle plant due an accident on site, revealing that there is still work to be done to achieve the zero harm ideal.
6.3 Impact on local communities

As mentioned in the introduction the Newcastle plant offers major support to the Newcastle local municipality. This section of the assessment focuses on local recruitment, EME and QSE spend, ESD initiatives and CSI initiatives as an indication of performance.

Employment is a key development point for KwaZulu-Natal Province and the Newcastle Municipality. Newcastle in particular is dependent on the steel industry and relies on steel manufacturers such as ArcelorMittal South Africa for employment opportunities.

In order to contribute positively to job creation, over 70% of plant recruits came from areas surrounding Newcastle equating more than 530 local jobs. Most new recruits fall into the numerous training programmes where they are empowered with additional skills.

This continual process enables the sustainability of local employment as skilled individuals can move into different roles or look elsewhere for employment.

![Figure 67. Local recruitment at Newcastle plant](image)

Newcastle continued to provide support to four black-owned SME’s, sponsoring the development of compliance related systems as well as securing accompanying accreditation certificates.

These improved quality systems ensure improved marketability and active participation in procurement opportunities which will facilitate growth and sustainability. A major procurement effort has been made to proactively seek EME and QSE vendors.

The evidence of this is the number of qualifying vendors used in 2015 – 160 EME and 235 QSE. Across these two groups of vendors a total of R700 million was spent by Newcastle.

Considering the nature of EME’s and QSE’s a high proportion of them will be from local communities.

These small businesses are extremely valuable to the communities as they support employment and economic development and pride.
### Number of suppliers and Spend

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of suppliers</th>
<th>Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exempt micro enterprises</td>
<td>160</td>
<td>R160M</td>
</tr>
<tr>
<td>Qualifying small enterprises</td>
<td>235</td>
<td>R540M</td>
</tr>
<tr>
<td>Generic enterprises</td>
<td>388</td>
<td>R5,470M</td>
</tr>
<tr>
<td>Unclassified</td>
<td>161</td>
<td>R470M</td>
</tr>
<tr>
<td><strong>Total South African spend</strong></td>
<td><strong>910</strong></td>
<td><strong>R6,640M</strong></td>
</tr>
</tbody>
</table>

1. From areas surrounding Plants

#### Significant value for four black owned SME’s

Three years ago four black owned SME’s were identified for development. After three years of investment and coaching these SME’s are still in operation and support the local community through employment.

Support provided to these businesses during 2015 included the development of compliance related systems as well as the securing of accompanying accreditation certificates.

Improved quality systems ensure marketability and active participation in procurement opportunities.

This allows the SME’s to look for business beyond ArcelorMittal South Africa to support growth and sustainability.

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**Figure 68. Newcastle plant supports local small and medium-sized businesses within the community**

Source: ArcelorMittal South Africa; BCG analysis

**Figure 69. ESD created significant value for local communities at Newcastle plant**

Source: ArcelorMittal South Africa; BCG analysis
Beyond employment and ESD initiatives Newcastle retained commitment to corporate social investment despite challenging economic times. During 2015, CSI spend of R4.2 million was focused on education through the highly successful Science Centre. This had life-changing impact on 518 full-time students while benefitting another 14 500 learners through educational and life-skills outreach programmes.

In addition to the Science Centre, 30 people benefitted from outreach healthcare programmes and two houses were re-roofed in the local community which struggles to provide decent healthcare and housing.

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### 6.4 Newcastle plant Environmental footprint

The environmental impact of the Newcastle Works has been assessed in order to capture the current state as well as improvement efforts. For this reason the performance measures of water abstraction, emissions and environmental capex have been used.

The fundamental process of steel production has significant environmental impact due to its raw materials, chemical processes and heat requirements. Water is essential for cooling the plants and in 2015, 6 billion litres was abstracted from the national water supply, less than 6% from 2103. The anomaly in the rate of water abstraction in 2014, spiking at 9.3kt per ton of liquid steel is due to the blast furnace reline which reduced overall steel production for the plant, despite the fact that other processes continued to run during this time.

Emissions from the operation have increased from 2013 with dust emissions rising to 1.6kt and SO₂ emissions rising to 7.9kt in 2015.
In addition to keeping emissions and water use stable the Newcastle plant has invested R87 million over the past two years in environmental improvements. This is far below the 2013-2014 period amount of R302 million due to the timing of expenditure on the Zero Effluent Discharge (ZED) project. In addition to the completion of the ZED project a new BOF slag disposal facility was developed in 2015. Further detail of this project is highlighted in the figure below.

### Environmental improvement projects

#### By-product disposal

A new BOF slag disposal facility has been established to ensure compliance with DEA legislation requirements. The project required civil works in shaping the landfill, importing and placing clay and/or synthetic layers to line the site for disposing slag.

The capacity of the site is designed to cover future needs (approximately 12 million m³) and will be built in five phases.

#### Water treatment

Newcastle Zero Effluent Discharge (ZED) project was completed in 2015 and promising results are already visible.

This project became necessary when local authorities instructed Newcastle Works that the practice of irrigation was no longer acceptable. As a result a project was put in place to capture, treat and re-use all effluent.

After many challenges the project is finally complete and will have a long term positive reduction in environmental impact in the Newcastle region.
6.5 Newcastle plant Conclusion

ArcelorMittal South Africa’s Newcastle plant has returned to steady performance after the completion of the blast furnace re-lining. While this has jumpstarted an improvement, in production, exports and employment it has also reduced economic value contributed to KwaZulu-Natal as capex spend has significantly fallen. Efforts have been made to uplift local communities through recruitment and preferential procurement. However, it is clear that the global steel oversupply and rise of steel imports have continued to put pressure on economic performance which has caused necessary adjustments, seen in CSI spending and tax contribution. While the Newcastle Plant has made efforts to reduce its environmental footprint, there continues to be a negative impact on the surrounding environment. Overall the Newcastle Plant is considered to have had a mainly positive impact on both KwaZulu-Natal and Newcastle Local Municipality

For a complete view it is important to highlight the Newcastle Works performance against the development agenda of KwaZulu-Natal. Employment, skills development, economic growth and local community development are top of mind for the province and ArcelorMittal South Africa has aligned itself to ensuring its contribution to these in addition to the production of steel which supports the fixed capital formation in KwaZulu-Nata. While the assessment is mainly positive, it is clear that the environmental footprint of the plant does not align with environmental agenda of the province.

<table>
<thead>
<tr>
<th>Source of impact</th>
<th>Key targets of plan</th>
<th>ArcelorMittal South Africa’s contribution to plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact on GDP</td>
<td>Increase GDP to R736 billion by 2020</td>
<td>Revenues have grown since 2013</td>
</tr>
<tr>
<td>Industrial growth</td>
<td>Fixed capital formation to reach 15% of KZN budget (Provincial and municipal)</td>
<td>R1.8 billion spent on blast furnace re-lining 2014-15</td>
</tr>
<tr>
<td>Direct employment</td>
<td>Increase total employment to 3.3 million by 2020</td>
<td>Supports 5 600 jobs within KZN</td>
</tr>
<tr>
<td>Training</td>
<td>Increase NSC pass rate to 80% by 2020</td>
<td>Science centres provided full-time tuition to over 500 learners</td>
</tr>
<tr>
<td>Development into skilled positions</td>
<td>Increase gross enrolment rate in higher education to 23%</td>
<td>39 bursaries awarded</td>
</tr>
<tr>
<td>Sanitation</td>
<td>Eradicate bucket system</td>
<td>Two houses built in local community</td>
</tr>
<tr>
<td>Poverty alleviation</td>
<td>Reduce percentage of population below food poverty line to 10.79% by 2020</td>
<td>Sanitation specific programs limited</td>
</tr>
<tr>
<td>Healthcare</td>
<td>Improve primary health care facilities to meet ideal standards Reduce HIV prevalence to 0.9% by 2020</td>
<td>345 people in the Newcastle plant learner pipeline</td>
</tr>
<tr>
<td>Compliance with legislation</td>
<td>Achieve 80% compliance with Ambient Air Quality standards by 2020 80% of waste water to meet effluent standards by 2020</td>
<td>Have maintained lowest water abstraction per ton of liquid steel rate versus other plants increase in emissions</td>
</tr>
<tr>
<td>Land rehabilitation</td>
<td>Rehabilitate 100Kha annually No increase in provincial Land Degradation Index</td>
<td>Contribute 29Ha towards land rehabilitation</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>Save 7.811GWh through energy efficient interventions by 2020</td>
<td>Plant produced 47.557MWh of self generated electricity</td>
</tr>
</tbody>
</table>

Figure 73. Newcastle supports implementation of KZN’s development agenda
Source: KZN Provincial Growth and Development plan, ArcelorMittal South Africa, BCG analysis
7. Saldanha Factor Report

The Saldanha Works was commissioned in 1998 with a focus on producing extremely clean hot rolled coil (HRC) for the export market. Since commissioning, Saldanha has carved a niche for itself in applications requiring HRC with thicknesses of less than 1.6mm. Being situated in the Western Cape, the plant makes it a priority to contribute to the strategic agenda of the province (see full assessment in conclusion). In addition to the provincial agenda, the local Saldanha Municipality relies heavily on ArcelorMittal South Africa for employment, local supplier procurement, taxes and CSI spending.

It is within this context that Saldanha’s contribution has been assessed along four pillars covering social, economic and environmental matters. Each pillar of the assessment is further broken down into a number of impact areas and KPI’s. Each of these impact areas has been evaluated in terms of whether ArcelorMittal South Africa’s impact or performance is mostly positive, a mix of both positive and negative, or mostly negative.

Economic growth engine
Produced 1 Mt or, 16% of SA steel production, created R3.1 billion in value through beneficiation
R1.3 billion Provincial Value Add (taxes, wages, local suppliers and indirect contribution.
R3 million contributed in direct municipal taxes
Exported 0.6 Mt valued at ~ R3.2 billion

Employer, job creator and skills developer
880 people in direct employment and 710 in indirect employment
14% female employment, 66% HDSA employment and 53% youth employed
Over 6 300 training seats provided; 94 in learnership pipeline
LTIFR of 0 (0 fatalities)

Impact on local communities
Over 83% of new recruits from Saldanha local community
R300 million spent on 117EME and 128 QSE within province and R7 million on ESD
R1.5 million invested through CSI projects impacting 18 300 people

Environmental footprint
2.3 billion litres of water abstracted
0.1 Kt of dust and 2.6 Kt of SO2 emissions

Each pillar and impact area is explored in detail in the following pages.

Figure 74. Saldanha plant factor map
7.1 Economic growth engine

The Saldanha Works performance as an economic growth engine has been assessed using four impact areas covering production, exports, provincial value-add and municipal taxes. The Saldanha operation produced 1Mt of steel, equivalent to 16% of South Africa's steel production. This provided R3.3 billion in beneficiation, which is aligned to a key focus area for the South African Government. Both production (’14: 1.1Mt) and beneficiation (’14: R4.5 billion) have decreased from 2014 due to economic pressures imposed by the global steel oversupply.

The Saldanha Works contributed 21% to ArcelorMittal South Africa steel production (2014: 26%) and 16% to South Africa's steel production (2014: 17%).

In 2015, the Saldanha Works is estimated to have contributed R1.3 billion (including indirect contribution) to the Western Cape economy. This is 10% above the 2014 contribution of R1.1 billion, predominantly due to increased capex spend. Beyond the economic contribution, ArcelorMittal's presence in and support of the Saldanha Bay Port development aligns to the strategic agenda of the province.

On a municipal level, direct municipal tax contribution of R3 million was made in both 2014 and 2015.

This production activity can be translated into economic value contributed to the Western Cape by combining local procurement, wages, taxes and an indirect contribution. In 2015, the Saldanha Works is estimated to have contributed R1.3 billion (including indirect contribution) to the Western Cape economy. This is 10% above the 2014 contribution of R1.1 billion, predominantly due to increased capex spend. Beyond the economic contribution, ArcelorMittal’s presence in and support of the Saldanha Bay Port development aligns to the strategic agenda of the province.

On a municipal level, direct municipal tax contribution of R3 million was made in both 2014 and 2015.

### Breakdown of 2015 Saldanha Provincial Value Add

<table>
<thead>
<tr>
<th>Category</th>
<th>Value (R Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>281</td>
</tr>
<tr>
<td>Tax contribution</td>
<td>5</td>
</tr>
<tr>
<td>Local Capex</td>
<td>130</td>
</tr>
<tr>
<td>AMSA spend on WC local suppliers</td>
<td>450</td>
</tr>
<tr>
<td>Total direct contribution</td>
<td>836</td>
</tr>
<tr>
<td>Indirect contribution</td>
<td>430</td>
</tr>
<tr>
<td>Total provincial Value Add 2014</td>
<td>1,266</td>
</tr>
<tr>
<td>Total provincial Value Add 2014</td>
<td>1,150</td>
</tr>
</tbody>
</table>

**Note:** Basic iron and steel multiplier for first round contribution is R0.54 million output/R1 million final demands estimated by Quantrace Research with final demand assumed to be Saldanha’s local procurement spend, capital expenditure and wages R830 million.

1. Indirect contribution – contribution of ArcelorMittal South Africa local plant suppliers.

Figure 75. Saldanha plant contribution to ArcelorMittal South Africa and South African steel production

Figure 76. Saldanha plant provincial value add

Source: ArcelorMittal South Africa, Quantec industry multipliers 2014; BCG analysis
As Saldanha is export-forced it is understandable that 60% or 600kt of production was exported. Export sales brought in R3.2 billion in revenue, supporting the reduction of South Africa’s current trade deficit. However, absolute exports have decreased by 12%, slightly more than production decreases, from 680kt in 2014. Despite this it is clear that the state-of-the art technologies used in Saldanha ensure their production is still competitive in the global market.

7.2 Employer, job creator and skills developer

The second pillar of the assessment looks at Saldanha as a source of employment and skills development. To get an indication of performance in this field; employment, employment equity, training and safety impact areas have been highlighted.

ArcelorMittal South Africa employs 880 permanent staff, service contractors and hired labourers at the Saldanha plant. Since 2014 the number of service contractors and hired labour has decreased, partly due to new labour legislation, while the number of permanent employees has increased. This is significant to the local community with a 23% unemployment rate.

When measuring the impact of the Saldanha plant on employment in the Western Cape, it is important to consider the indirect and induced impact of the operation. Independent economic analysis estimates 710 jobs are supported in direct suppliers. When taking an economy-wide view the impact of second order suppliers and private spending was included.

With this view Saldanha is seen to support a total of 2 030 jobs within the Western Cape, highlighting the importance of the Saldanha Works.

<table>
<thead>
<tr>
<th>Direct employment</th>
<th>Direct and indirect employment</th>
<th>Economy wide employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of jobs created directly at Saldanha Plant (2014: 960)</td>
<td>Estimated number of jobs created at Saldanha and suppliers of Saldanha (2014: 1 590)</td>
<td>Estimated number of jobs created directly, indirectly and at secondary suppliers including private spending due to income (2014: 1 990)</td>
</tr>
<tr>
<td>880 jobs¹</td>
<td>1 590 jobs</td>
<td>2 030 jobs</td>
</tr>
</tbody>
</table>

Add 710 indirect jobs²
Add 440 induced jobs

Note: Basic iron and steel multipliers for first round employment is 0.56 jobs/R1 million final demand, indirect employment is 0.76 jobs/R1 million final demand, and induced employment is 0.45 jobs/R1 million final demand as estimated by Quantec Research with final demand assumed to be Vaal Plants local procurement spend, capital expenditure and wages of R830 million includes only formal employment.

From analysing the demographics of the Saldanha plant workforce it is clear that employment equity has been and should remain a priority focus area.

National and provincial agendas promote the progression towards a fairly representative workforce as this is key in overcoming past prejudices as a country and society.

The Saldanha plant has shown an improvement in female participation (12% to 14%) while HDSA employment has remained stable at 66%.
Training at ArcelorMittal South Africa forms a comprehensive process starting from basic maths and science education to employee training and development at the plants.

The Science Centre has been a beacon of math and science education for local children and facilitates many bursary awards.

In 2015, 15 bursaries were awarded to support and enable students to achieve higher education qualifications before entering the work place. Once at the plant the learnership pipeline, consisting of 94 people, provides the necessary skills to work within ArcelorMittal South Africa and similar companies. It is a progressive process where candidates earn official qualifications and then move onto the next phase in the pipeline.

ArcelorMittal South Africa has made the decision to train beyond its needs enabling more people access to skills and employment.

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**Science Centre**
- Additional maths and science education for high school students
- R1.5 million spent
- 290 Fulltime students (2014: NA)

**Bursaries**
- Sponsorship of talented students for higher education
- 15 Bursaries supported (2014: 16)

**Learner Pipeline**
- Nationally recognised training for artisans and production workers
- 94 People in pipeline (2014: 106)

**Employee training**
- Broad range of training targeted at current employees
- 6,372 seats offered
- 527 People impacted (2014: 541)

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1. Number of training seats calculated as a sum of attendees at all training sessions conducted for ArcelorMittal South Africa permanent or contract employees.
2. Includes graduates in training, production learners, apprentices, learner technicians, candidate engineers, candidate artisans, technicians.

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**Figure 78. Saldanha plant training and contribution to skills development**

Source: ArcelorMittal South Africa, BCG analysis

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**Figure 79. Saldanha plant safety performance**

Safety, as always, has been a priority and performance has drastically improved in 2015. This is partly as a result of a robust action plan that was put in place following four ArcelorMittal South Africa fatalities in 2014.

The action plan is orientated around four priority areas — hazard and risk mitigation, shop floor communication, avoiding and managing incidents and the measurement and tracking of key indications.

By achieving an outstanding zero fatalities and zero injuries in 2015, Saldanha has continued to outperform both local and global peers in terms of safety performance measured through LTIFR.
7.3 Impact on local communities

As mentioned in the introduction the Saldanha plant offers major support to the Saldanha Local Municipality. This section of the assessment focuses on local recruitment, EME and QSE spend, ESD initiatives and CSI initiatives as an indication of performance.

Employment is a key development point for the Saldanha Municipality and the Western Cape Province. In order to contribute positively to job creation, over 80% of plant recruits came from local areas equating to 49 local jobs. Most new recruits will fall into the numerous training programmes where they will be empowered with additional skills. This continual process enables the sustainability of local employment as skilled individuals can move into different roles or look elsewhere for employment.

Employment is a key development point for the Saldanha Municipality and the Western Cape Province. In order to contribute positively to job creation, over 80% of plant recruits came from local areas equating to 49 local jobs. Most new recruits will fall into the numerous training programmes where they will be empowered with additional skills. This continual process enables the sustainability of local employment as skilled individuals can move into different roles or look elsewhere for employment.

In 2015 a comprehensive enterprise and supplier development programme was launched to increase the number of small business, specifically black owned, in the ArcelorMittal South Africa supply chain.

Within this programme existing relationships were given more investment and new initiatives were directed towards local communities. Saldanha plant reached 28 entrepreneurs spending around R440 000 on business coaching and skills development.

While enterprise development focused on the individual entrepreneur, supplier development focused holistically on the company to promote sustainability and cost competitive growth.

Five suppliers were involved in these programmes at a cost of R7.6 million and many hours of ArcelorMittal South Africa employee time.

A major procurement effort has been made to proactively seek EME and QSE vendors. The evidence of this is the number of qualifying vendors used in 2015 - 117 EME and 128 QSE. Across these two groups of vendors a total of R310 million was spent by Saldanha.

Considering the nature of EME’s and QSE’s a high proportion of them will be from local communities. These small businesses are extremely valuable to the communities as they support employment and economic development.
Beyond employment and ESD initiatives Saldanha retained commitment to corporate social investment. During 2015, R2.1 million was spent across education and healthcare impacting over 18 000 people. The Saldanha Science Centre continued to have life-changing impact on 290 full-time students while benefitting another 12 000 learners through educational and life-skills outreach programmes. As expected, there has been a significant reduction on CSI spend but local communities have been appreciative of the current situation due to strong relationships and communication.
7.4 Saldanha plant Environmental footprint

The environmental impact of the Saldanha Works has been assessed using the performance measures of water abstraction, dust and SO₂ emissions. As the plant was commissioned in 1998 much of the equipment is up-to-date with current environmental best practice and therefore does not require investment capex. Saldanha has maintained its environmental performance and its ZED status.

The fundamental process of steel production has significant environmental impact due to its raw materials, chemical processes and heat requirements.

Water is key to the cooling of the plants and in 2015 2.3 billion litres were abstracted from the national water supply. This is 13% less than last year supporting the Western Province’s drive to decrease water consumption. Emissions from the operation have steadily declined in the past 3 years to >0.1kt dust emissions and 2.6kt of SO₂ emissions.

![Figure 83. Saldanha plant environmental performance](image-url)
7.5 Saldanha plant Conclusion

Saldanha has focused on its core business which has continued to positively impact both the Western Cape and Saldanha Municipality. Employment and production have been slightly reduced while a concerted effort has been made to support and grow local small businesses.

However, it is clear that the global steel oversupply has continued to put financial pressure on the export focused plant. This has caused necessary adjustments, seen in capex and CSI spending. As the plant is newly commissioned the environmental footprint is not drastic but still negatively affects the surrounding areas.

Overall the Saldanha Works is considered to have had a mainly positive impact on both the Western Cape and Saldanha Local Municipality.

For a complete view it is important to highlight the Saldanha Works’ performance against the development agenda of the Western Cape. Employment, skills development and economic growth are top of mind for the province and ArcelorMittal South Africa has aligned itself to contribute to these in addition to the production of steel for strategic industries.

Environmental footprint is another area of focus and while ArcelorMittal South Africa contributes to the green economy through steel supply for renewable energy the by-products of its operations conflict with the overall motive.

<table>
<thead>
<tr>
<th>Source of impact</th>
<th>Key targets of plan</th>
<th>ArcelorMittal South Africa contribution to plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic growth engine</td>
<td>Develop and grow strategic sectors (oil and gas, tourism and agri-processing industries) by R57 billion by 2019</td>
<td>Supports 1 780 jobs in province</td>
</tr>
<tr>
<td>Direct employment</td>
<td>Increase number of jobs in strategic sectors to 597 000 by 2019</td>
<td>Decrease in no of people employed</td>
</tr>
<tr>
<td></td>
<td>Create 18 000 jobs in oil and gas sectors by 2013</td>
<td>53% of Saldanha plant workforce classified as youth</td>
</tr>
<tr>
<td></td>
<td>Provide 112 000 additional social and economic opportunities for youth by 2019</td>
<td>15 bursaries awarded for further education</td>
</tr>
<tr>
<td></td>
<td>Invest over R81 million in teacher development and training in 2015</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Invest R38 billion in youth focused programs</td>
<td>94 people in the Saldanha plant learner pipeline</td>
</tr>
<tr>
<td>Skills development and employment</td>
<td>Increase no of artisan and technical skills qualifications to 10 000 by 2019</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Train 150 artisans and 1 900 semi-skilled candidates by 2019</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>Increase number of NSC passes to 86% by 2019</td>
<td>R1.5 million spent to fund Science Centres</td>
</tr>
<tr>
<td></td>
<td>Target &gt;40% of students achieving access to Bachelor degree studies</td>
<td>Science Centres educate 290 full-time students and impact over 12 000</td>
</tr>
<tr>
<td></td>
<td>&gt;92.5 million to be spent on the building of 82 Grade R classrooms</td>
<td>Limited spend on disability services for social development</td>
</tr>
<tr>
<td>Social development</td>
<td>Increased spending on disability services by over 32.7%</td>
<td>No programmes directed at sport activity participation in local communities</td>
</tr>
<tr>
<td>Engaged and healthy youth</td>
<td>Increase participation in Primary School sport activity to 37% by 2030</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increase in High School sport activity to 51% by 2030</td>
<td></td>
</tr>
<tr>
<td>Green economy</td>
<td>R57 million allocated over the next three years for green economy initiatives</td>
<td>Plant has maintained ZED status</td>
</tr>
<tr>
<td>Environmental awareness</td>
<td>48 environmental sustainability capacity building and awareness raising activities by 2030</td>
<td>Supply steel to Western Cape renewable energy projects</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Limited contribution towards creating environmental awareness in community</td>
</tr>
</tbody>
</table>

Figure 84. Saldanha supports implementation of the Western Cape’s development agenda
Source: Western Cape Province Strategic Plan, Environmental Affairs and Development Planning document, Various Department and Provincial Budget Speeches, Western Cape Provincial Speech 2015, ArcelorMittal South Africa, BCG Analysis
9. Conclusion and way forward for ArcelorMittal South Africa

This ArcelorMittal South Africa Factor Report was developed to provide a balanced view of socio-economic and environmental contribution including areas where ArcelorMittal South Africa has improved or regressed since the last Factor Report was published. The contribution was presented along six key pillars and assessed as positive, negative or a mix of positive and negative.

ArcelorMittal South Africa's most positive impacts are on the economy, as an employer and on enabling South Africa development. Despite financial losses and the stagnating steel market, ArcelorMittal South Africa continues to contribute significantly to SA's GDP and supports employment for almost 90 000 people in South Africa directly and indirectly.

ArcelorMittal South Africa also increased procurement spend with black-owned businesses however there is potential to increase this even further with a number of programmes already initiated. On social indicators, there is a mix of positive and negative performances. ArcelorMittal South Africa provides support for local communities and businesses and has made efforts to improve employment equity. However, more effort is required to increase HDSA and female representation overall and particularly at management level.

Overall, ArcelorMittal South Africa has placed a strong emphasis on transforming the company in all aspects such as employment equity, ownership and procurement spend to address current under-representation. Steel production is a resource-intensive process that produces significant amounts of greenhouse gases, particulates and waste. Due to this inherent reason, the company performs negatively on environmental indicators.

However, ArcelorMittal South Africa strives to reduce its environmental footprint where possible. A good example is the Zero Effluent Discharge (ZED) project at Newcastle which will substantially reduce discharge of water effluents going forward.

Going forward ArcelorMittal South Africa has positioned itself to ensure that it remains a key contributor to the domestic steel industry through two key strategic objectives:

1. Pricing support:

Driving a fair price model in the industry. The model enables steel companies to operate profitably, while incentivising efficiency. In addition, ArcelorMittal South Africa creates developmental pricing for sub-sectors, particularly through rebates.

In the past 10 years, the company has already dispensed over R3 billion in rebates to domestic customers as part of its commitment to South Africa's steel industry.

2. Driving transformation:

ArcelorMittal South Africa is placing significant emphasis in driving transformation of the organisation in line with national goals. The company has set a clear ambition to reach Level-3 B-BBEE status in 2016 through a variety of measures, including (but not limited to) the enterprise and supplier development programme, overall improvement in procurement spending towards B-BBEE compliant suppliers and a revised ownership model.

On some of the strategic initiatives, ArcelorMittal South Africa will focus on the following:

- Ensuring workplace safety
- Improving relations with labour and industry
- Improving relations with government
- Improving relations with communities.
- Ongoing efforts to achieve greater efficiencies
- Further minimise our environmental impact
- Enhancing our sales mix, combined with the introduction of a fair price model for flat steel
- Optimise the company's industrial footprint
- B-BBEE compliance, and
- Customer focus

On key specific interventions, ArcelorMittal South Africa will focus on:

- Increasing double reduce tin product capabilities for the packaging market which requires thinner processing material for productivity improvements and cost reduction (cost: R150 million)
- Converting the continuous annealing line (CAPL) to produce galvanised products for the automotive industry and capture growth in the colour market (R850 million)
- Installing a new colour line for the construction market (R300 million)
- New coke oven battery at Vanderbijlpark to replace two old batteries nearing end of life which will have to be supplemented by imports or swing of market coke production to BF coke quality. This will lead to significant loss of market coke revenue. ($3 billion)
- Reviewing of Saldanha's footprint to adapt to an anticipated lower export pricing scenario. The planned reline of the Corex furnace will be delayed for four years, and instead undergo a less costly campaign extension repair.
- Cold rolling capacity will be increased to accommodate an expanded product range.
**The need for the local steel industry**

Our measurement of ArcelorMittal South Africa’s contribution provides quantitative insights on the need for a domestic steel industry. South Africa’s NDP sets ambitious targets on economic growth, job creation, beneficiation and skills development. A vibrant and growing domestic steel industry can help South Africa achieve its targets.

Using ArcelorMittal South Africa indicators as a basis, every 1,000 tons of steel produced domestically adds R9.2 million to GDP; provides 3 jobs directly and 3 jobs indirectly economy wide; enables domestic procurement spend of R5.3 million of which SME spend R0.5 million; beneficiates R5.2 million of value and contributes R0.13 million in taxes.

On the negative side, every 1,000 tons of domestic steel produces 2,900 tons of CO₂, 0.5 tons of dust, 4.6 tons of SO₂ and abstracts 4.0 million litres of water.

Furthermore, a local steel industry provides the country with security of supply and protection against raw material market volatility. South Africa has the only steel making capabilities in sub-Saharan Africa and therefore importing steel comes with long lead times and transport costs which may slow down steel consumption and hamper economic growth.

South Africa has built up its steel making expertise and infrastructure over a period of 100 years, with its earliest steel plant being established in Vereeniging in the 1910’s.

Losing the domestic steel capabilities and associated skills would take a long time to rebuild. It would take at least 10 years to re-establish the infrastructure, critical and scarce skills, logistics networks and downstream industries required for a viable and thriving local steel industry.

South Africa cannot afford to reach such a situation, as the result would have a severe impact on the economy as a whole.

There have already been casualties among steel producers and downstream businesses as a result of global and domestic pressures on the industry.

In view of forecast continuing global oversupply of steel in the medium term, steel prices are expected to remain low and thus company margins will continue to be under pressure, for at least the next three to five years.

The imperative is now with the government to ensure that the industry continues to remain sustainable and indeed thrive in the future. In turn the industry needs to play its part in stimulating the economy, generating exports and creating employment.

A collaborative approach between the steel providers and government will be an imperative in the short-term to ensure the South African steel industry remains viable and grows in the future.
8. Appendix

8.1 Factor Methodology

The ArcelorMittal South Africa Factor methodology was developed based on the WBCSD sustainability impact factor and specifically adapted for ArcelorMittal South Africa operations.

Four steps framework underpins the methodology

<table>
<thead>
<tr>
<th>Step</th>
<th>Key activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Identify objective(s) for assessment</td>
</tr>
<tr>
<td></td>
<td>Define geographical scope of assessment</td>
</tr>
<tr>
<td></td>
<td>Collect development context information</td>
</tr>
<tr>
<td></td>
<td>Select business to be assessed</td>
</tr>
<tr>
<td>2</td>
<td>Identify sources of impact for each business activity</td>
</tr>
<tr>
<td></td>
<td>Identify relevant indicators for direct/indirect impacts</td>
</tr>
<tr>
<td></td>
<td>Measure impact</td>
</tr>
<tr>
<td>3</td>
<td>Determine level of stakeholder engagement</td>
</tr>
<tr>
<td></td>
<td>Engage with stakeholders to prioritise development issue</td>
</tr>
<tr>
<td></td>
<td>Build hypothesis of business contribution to development</td>
</tr>
<tr>
<td></td>
<td>Test hypothesis with stakeholders and refine overall assessment</td>
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<tr>
<td>4</td>
<td>Identify priority issues for action</td>
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<td>Consider possible management responses and prepare recommendations of management</td>
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<tr>
<td></td>
<td>Decide on way forward</td>
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<tr>
<td></td>
<td>Develop indicators to monitor way forward</td>
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Further details on the methodology can be found in the Appendix.
The WBCSD framework consists of four steps:

1. **Set boundaries:**
The first step in the approach is to set the scope of the overall assessment. This includes clarifying objectives, defining the geographical and economic scope, identifying relevant business areas, and other factors for inclusion.

For the ArcelorMittal South Africa Factor Report the geographic scope was limited to the company’s South African operations and market where operations and the vast majority of its sales occur. Furthermore, a deep-dive was conducted on each of the three main sites: Vaal, Newcastle and Saldanha to assess specific impact of these plants on their local municipalities and provinces.

Most of the assessment focused on ArcelorMittal South Africa's direct operations, but where possible data from sources, upstream and downstream of the company were also considered. This assessment included local communities (within ~30km of the organisation’s plants); ArcelorMittal South Africa’s 2,800 suppliers and their downstream activities as well as economy-wide impacts using published multipliers.

2. **Measure direct and indirect impact**
The next step involves identifying sources of impact for each business activity in scope (in the form of key indicators) and collecting relevant data to measure the impact. A total of approximately 140 indicators were considered for use in the report. These data indicators were based on internally collected and reported information. The most impactful and communicative 113 were ultimately selected for use in the report, which is an increase from 100 metrics used in 2013.

For the ArcelorMittal South Africa Factor report, all sources of impact where grouped in six areas or pillars of influence which highlights the key areas of focus for the company:

- Economic growth engine
- Employer, job creator, and skills developer
- Impact on local communities
- Environmental footprint
- Enabler of South Africa development through the supply of steel
- Catalyst for change in South Africa

Other data sources were also measured and assessed as part of the report. These included benchmarks of select indicators from leading South African industrial companies and global steel companies; information from media publications; South African development agendas as outlined in the national development plan and local provincial development agendas and views of ArcelorMittal South Africa's various internal and external stakeholders with respect to key issues.

3. **Assess the contribution to development**
After the data has been collected and measured, the third step is to assess the impact to development. Each source of impact (represented by an indicator) is assessed to determine whether ArcelorMittal South Africa’s contribution is positive, negative, or both positive and negative.

To obtain a unbiased view, each impact is placed in context and tested from 5 different perspectives to identify the most meaningful, balanced, and communicative representation for that impact.

The five different perspectives considered in assessing each impact area:

- Internal data trends over the last few years
- Contribution to development policies and targets for South Africa and provinces as outlined in the National Development Plan and other policy papers
- Comparison between ArcelorMittal South Africa and local South African industrial and international steel company benchmarks
- An analysis of the various stakeholder views of ArcelorMittal South Africa performance of the given impacts
- Assessment on the public view of the ArcelorMittal South Africa’s performance as indicated by the media.

Additional context was developed by examining some of the details behind the current performance within each impact area, including mitigating factors, planned improvement, priority areas for development, etc. Taking all these perspectives into account a rating of positive, negative, or both negative and positive is attached to each indicator impacts from a socio-economic environment and environmental context. This in turn developed the assessment for overall pillar.

4. **Prioritise management response**
Once the data has been analyzed and assessed appropriate responses to the findings can be developed. High priority action areas can be developed and action plans devised to change performance in once area or another. Long term strategic goals can also be set. Best practice from one area of operations can be leveraged for implementation in another.
Data collection assessment/
follow up

What current internal data is available for given impact?

What is their indicator trend over the last three years?

Benchmarks

How does ArcelorMittal South Africa’s performance compare with local and international peers

Development strategies and policies

To what extent are ArcelorMittal South Africa’s performance and objectives for the indicator aligned with relevant development agenda?

Stakeholders

What is the stakeholder view on ArcelorMittal South Africa’s performance with respect to the relevant indicator?

Media

What does the media say about ArcelorMittal South Africa’s performance with respect to the relevant indicator.

Figure 87. Assessment of ArcelorMittal South Africa’s contribution based on five perspectives

Many areas of impact are today carefully considered before critical decisions affecting ArcelorMittal South Africa’s operations are made – for example any changes or decisions that impact on environmental and legal compliance.

Current and future versions of the report will be an important tool in ensuring that the organisation’s performance in these dimensions is as desired. In addition the report will be used in identifying additional priority areas or opportunities for improving ArcelorMittal South Africa’s footprint, and understanding how to include these in the company’s strategic and operational plans.
## Table of abbreviations

<table>
<thead>
<tr>
<th>Abbr.</th>
<th>Description</th>
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<tbody>
<tr>
<td>AMSA</td>
<td>ArcelorMittal South Africa</td>
</tr>
<tr>
<td>B-BBEE</td>
<td>Broad-Based Black Economic Empowerment</td>
</tr>
<tr>
<td>BO</td>
<td>Black-owned</td>
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<tr>
<td>BOF</td>
<td>Basic Oxygen Furnace</td>
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<tr>
<td>BWO</td>
<td>Black women-owned</td>
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<tr>
<td>CSI</td>
<td>Corporate Social Investment</td>
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<tr>
<td>DEA</td>
<td>Department of Environmental Affairs</td>
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<tr>
<td>EME</td>
<td>Exempted Micro Enterprises</td>
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<tr>
<td>ESD</td>
<td>Enterprise and Supplier Development</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>HDSA</td>
<td>Historically Disadvantaged South Africans</td>
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<tr>
<td>HRC</td>
<td>Hot rolled coil</td>
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<tr>
<td>KZN</td>
<td>KwaZulu-Natal Province</td>
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<td>LTIFR</td>
<td>Lost time injury frequency rates</td>
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<td>NDP</td>
<td>National Development Plan</td>
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<td>NQF</td>
<td>National Qualifications Framework</td>
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<tr>
<td>QSE</td>
<td>Qualifying Small Enterprise</td>
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<tr>
<td>SETA</td>
<td>Skills Education Training Authority</td>
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<td>SME</td>
<td>Small and micro enterprises</td>
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<tr>
<td>UoT</td>
<td>University of Technology</td>
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<tr>
<td>WBCSD</td>
<td>World Business Council for Sustainable Development</td>
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<tr>
<td>ZED</td>
<td>Zero Effluent Discharge</td>
</tr>
<tr>
<td>Mt</td>
<td>Mega tonnes</td>
</tr>
<tr>
<td>kt</td>
<td>Kilo tonnes</td>
</tr>
<tr>
<td>CO₂e</td>
<td>Carbon dioxide equivalent</td>
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</table>
10. Data sources

2013-2015 ArcelorMittal South Africa Annual Financial Results
2013-2015 ArcelorMittal South Africa Sustainability Reports
ArcelorMittal South Africa internal data (HR, Procurement and Logistics, Legal, Marketing, Environmental, Investor relations, Safety, Corporate Social Investment)
National Development Plan
National Infrastructure Development Plan
Climate Change Response
National Youth Policy
Industrial Policy Action Plan
Municipal Integrated Development Plans (Saldanha, Emfuleni, Newcastle)
Western Cape Provincial Strategy
KwaZulu-Natal Provincial Growth and Development Plan
Gauteng State of the Province 2015
Gauteng 10 Pillars of Radical Transformation
Sustainability Reports (multiple companies)
World Steel Association Yearbook 2015
SA Customs and Exercise
Quid Media Database
BCG Analysis
Quantec Research
StatsSA
ArcelorMittal South Africa Stakeholder Interviews