Company leadership

Mr PM Makwana (Mpho) (44)

Independent non-executive chairman

6/6[1] | 3/3[1] | 1/1[1]

Appointed board chairman on 5 February 2013

BA Admin (Hons)

Value added to the board: governance, stakeholder relations and transformation best practice

The board held six meetings during the past financial year which included a board strategy session. Attendance by directors at board and committee meetings is set out on this page.

- Board
- Audit and risk
- SHE
- Remuneration, social and ethics
- Nominations
- B-BBEE

[1] *Chairman*
[2] *Attended by invitation*

Mr DCG Murray (Chris) (70)

Independent non-executive director

6/6 | 5/5[1] | 3/3 | 3/3 | 3/3 | 1/1

Appointed to the board on 11 May 2007

BCom, CA, MBL

Value added to the board: financial understanding and risk management

Mr PS O'Flaherty (Paul) (52)

Chief executive officer (CEO)

4/4 | 2/2[2] | 2/2 | 2/2[2] | 2/2[2] | 1/1

Appointed on 1 July 2014

BCom, BAcc, CA(SA)

Value added to the board: strategic leadership and financial insight

Mr MJ Wellhausen (Matthias) (57)

Chief financial officer (CFO)

6/6 | 4/4[2]

Appointed CFO on 2 March 2013

Resigned with effect from 15 March 2015

MA Economics

Value added to the board: global markets and financial management expertise

Mr DK Chugh (Davinder) (58)

Non-executive director

6/6 | 3/3 | 2/3[2] | 1/1

Appointed to the board on 1 May 2002

BA, LLB, BSc (Hons), MBA

Value added to the board: in-depth knowledge of group strategy and marketing

Mr JRD Modise (Jacob) (48)

Independent non-executive director

6/6 | 2/2[2] | 1/1[2] | 3/3[1] | 3/3 | 1/1

Appointed on 1 October 2013

BCom, BAcc, CA, MBA, AMP

Value added to the board: governance and sustainability best practice

Adv FA du Plessis (Fran) (59)

Independent non-executive director

6/6 | 5/5 | 3/3[1]

Appointed on 4 May 2011

BCom, LLB, CA(SA), BCom (Hons)

Value added to the board: legal and financial expertise

Mr LP Mondi (Lumkile) (52)

Non-executive director

5/6 | 1/1[2] | 3/3

Appointed on 11 May 2007

MA Economics, BCom (Hons) Economics

Value added to the board: macro-economic insight and governance

Mr S Maheshwari (Sudhir) (50)

Non-executive director

0/6

Appointed to the board on 25 November 2005

Resigned with effect 31 March 2015

BCom (Hons) CA, CS

Value added to the board: understanding of group strategy and financial management

Mr GP Urquijo (Gonzalo) (53)

Non-executive director

5/6 | 0/3 | 0/3[2]

Appointed on 27 May 2011

Economics and Political Science, MBA

Value added to the board: group strategy and global markets insight

Ms NP Mnxasana (Nomavuso) (58)

Independent non-executive director

6/6 | 4/5 | 2/3

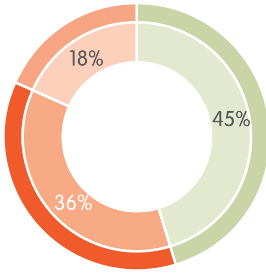
Appointed on 1 October 2013

BCom, BCompt (Hons), CA(SA)

Value added to the board: sustainability best practice and risk management expertise

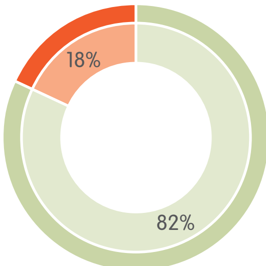
Board membership

- Independent non-executive directors
- Non-executive directors
- Executive directors



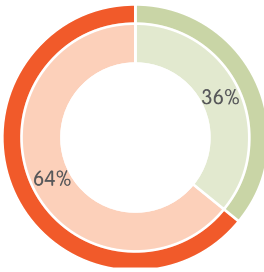
Board gender representation

- Male
- Female



Board diversity including international directors

- Black
- White



Corporate governance

Overview

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

The board supports the principles set out in the King Code and Report on Governance for South Africa (King III). A report setting out how the company has applied the 75 principles of King III during the period under review, and highlighting any exceptions, is available online.

Although the company has complied throughout the reporting period with all provisions of King III, the board recognises that practices and procedures to ensure the highest standards of corporate governance can always be improved. Hence, the board will continually review the company's own standards against those in a variety of jurisdictions.

The board's governance policies and procedures are continually updated to ensure ongoing adherence to the JSE Listings Requirements, King III and current legislation. This year the board approved revised board and committee terms and references. Key board activities, changes and achievements this year were the following:

- An independent service provider conducted a board effectiveness review. In addition, board and committee self-assessments were undertaken;
- An interim board sub-committee, the B-BBEE committee, was established;
- The board approved comprehensive board and committee work plans;
- The board changed the frequency of financial reporting to shareholders from quarterly reporting to six-monthly reporting in accordance with the Companies Act and the JSE Listings Requirements with effect from 10 September 2014.

The board of directors

A clear division of responsibility exists at board level, as captured in the formal board charter which provides evidence of the balance of power between the independent non-executive chairman, chief executive officer and non-executive directors. The roles of chairman and chief executive officer are separate. The chairman provides overall leadership to the board without limiting the principles of collective responsibility for board decisions. The chairman has no executive functions.

The chief executive officer is responsible for developing and recommending to the board a strategy and vision for the company, as well as an annual business plan and budget to support the strategy. The board rigorously interrogates the strategy and provides input. The chief executive officer exercises final executive authority to run the company efficiently on a day-to-day basis, and is the leading interface between the board and executive management.

The board, through the nominations committee, has considered that the executive and non-executive directors together have the range of skills, knowledge and experience necessary for them to govern the business effectively. Directors exercise objective judgement on the affairs of the company independently from management but with sufficient management information to enable proper and objective assessments to be made.

The nominations committee assists the board in ensuring that the board comprises individuals whose background, skills, experience and characteristics will assist the board in meeting the future needs of the company.

The directors understand their fiduciary duty to act in good faith and in a manner that the directors reasonably believe to be in the best interests of the company. Each decision made is based on all the relevant facts provided to the board at the time.

Membership

For the year under review, the board consisted of 11 members: five independent non-executive directors (Messrs PM Makwana, DCG Murray, JRD Modise, Ms NP Mnxasana and Ms FA du Plessis), four non-executive directors (Messrs DK Chugh, S Maheshwari, GP Urquijo and LP Mondi) and two executive directors (Mr PS O'Flaherty and Mr MJ Wellhausen).

Changes to directorate

Appointments to the board are made in a formal and transparent manner, with the assistance of the nominations committee. Changes in the directorate are as follows:

- Mr PS O'Flaherty was appointed CEO and executive director on 1 July 2014 following Ms N Nyembezi-Heita's resignation as CEO and executive director on 18 February 2014.
- Following Mr O'Flaherty's appointment as CEO, Dr HL Rosenstock (who was appointed as interim CEO on 19 February 2014) stepped down from the board as interim CEO and executive director on 1 July 2014.
- Mr G van Zyl was appointed acting CFO following Mr MJ Wellhausen's resignation as CFO on 15 March 2015.
- Mr S Maheshwari resigned as non-executive director with effect from 31 March 2015

Independence of directors

King III provides that assessment of the independence and performance of directors who have been serving on the board for more than nine consecutive years should be more rigorous than for those who have been appointed more recently. As at 31 December 2014 none of the company's independent directors had served for that length of time.

The independent non-executive directors are considered by the board to be independent in mind, character and judgement.

Board of directors

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

- Retain full and effective control of the company;
- Give strategic direction to the company;
- Monitor management in implementing plans and strategies, as approved by the board;
- Appoint the CEO and executive directors;
- Ensure that succession is planned;
- Identify and regularly monitor key risk areas and key performance indicators of the business;
- Ensure that the company complies with relevant laws, regulations and codes of business practice;
- Ensure that the company communicates with shareowners and relevant stakeholders openly and promptly;
- Identify and monitor relevant non-financial matters;
- Establish a formal and transparent procedure for appointment to the board, as well as a formal orientation programme for incoming directors;
- Regularly review processes and procedures to ensure the effectiveness of internal systems of control and accept responsibility for the total process of risk management; and
- Assess the performance of the board, its committees and its individual members on a regular basis.

The chairman

The chairman is an independent non-executive director and is free of any conflicts of interest. The chairman's role and functions are formalised and include:

- Setting the ethical tone for the board and the company;
- Providing overall leadership to the board;
- As chairman of the nominations committee, identifying and participating in selecting board members and overseeing a formal succession plan for the board, the CEO, the CFO and certain key management appointments;
- Together with the company secretary, formulating a yearly board work plan;
- Ensuring that the directors are aware of their fiduciary duties as directors of the board;
- Ensuring that complete, timely, relevant, accurate and accessible information is placed before the board to enable it to reach an informed decision;
- Ensuring that decisions by the board are executed; and
- Ensuring that good relations are maintained with the company's major shareholders and stakeholders.

Chief executive officer

The CEO is an executive director on the board and sets the tone in providing ethical leadership and creating an ethical environment. The CEO plays a critical role in the operations and success of the day-to-day business of the group. Board authority conferred on management is delegated through the CEO, in accordance with approved authority levels. The CEO's role and functions are formalised, and include:

- Appointing the executive team and ensuring proper succession planning and performance appraisals;
- Developing the company strategy for consideration and approval by the board;
- Developing, recommending and implementing the annual business plans and the budgets that support the company's short and long-term strategies; and
- Establishing an organisational structure for the company to enable execution of its strategic planning.

Retirement and re-election of directors

One-third of directors are subject, by rotation, to retirement and re-election at the annual general meeting in terms of the company's memorandum of incorporation. Messrs PM Makwana, DCG Murray and LP Mondi retire and, being eligible, have offered themselves for re-election.

In accordance with the company's memorandum of incorporation the appointment of Mr PS O'Flaherty as a director of the board will be confirmed by shareholders at the forthcoming annual general meeting.

Company secretary

The company secretary is Premium Corporate Consulting Services (Pty) Ltd, which advises the board on the appropriate procedures for the management of meetings and the implementation of governance procedures. The company secretary provides the board collectively, and each director individually, with guidance on the discharge of their responsibilities in terms of legislation and regulatory requirements applicable to South Africa. On a quarterly basis, the board is informed of changes to legislation, regulation and best practice by means of a formal written update provided by the company secretary.

The company secretary and chairman of the board ensure that the affairs of the board are managed effectively. Appointment and removal of the company secretary are dealt with by the board.

The company secretary monitors directors' dealings in shares, and ensures adherence to closed periods for share trading.

Board committees

While the board remains accountable and responsible for the performance and affairs of the company, it delegates to management and board committees certain functions to assist it in discharging its duties properly. Each committee acts within approved written terms of reference under which authority is delegated by the board. The chairman of each committee reports at each scheduled meeting of the board, and minutes of committee meetings are provided to the board. The board committees are as follows:

Audit and risk committee

The audit and risk committee report, required in terms of section 94(7) of the Companies Act, is set out on page 82 of this integrated report.

Safety, health and environment committee (SHE)

The SHE committee has been mandated to assist the board in ensuring sound management of safety, health and environmental matters.

The committee comprised Adv FA du Plessis (chairman), Mr DCG Murray, Ms NP Mnxasana and the CEO. Representatives of both the Numsa and Solidarity unions attend meetings as permanent invitees. The general managers of all business units, the chief operating officer, the group manager: health, safety and wellness as well as the group manager: environment are permanent invitees of the committee.

The committee met three times during the year under review. It rotates its visits between plants to ensure site visits by committee members. The main duties of the committee are to:

- Ensure that the management of safety, health and the environment in the company is aligned with the overall business strategy of the company;
- Consider and approve corporate safety, health and environmental strategies and policies;
- Ensure that committee members are informed about all significant impacts on the company in the safety, health and environmental field and how these are managed (process and activities);
- Monitor the company's safety, health and environmental performance, progress and improvement; and
- Ensure adequate resources are provided to comply with SHE policies, standards and regulatory requirements.

Remuneration, social and ethics committee

The remuneration, social and ethics committee report is on page 72.

Nominations committee

The nominations committee is chaired by the chairman of the board and consists only of independent directors: Messrs PM Makwana (chairman), DCG Murray and JRD Modise. The CEO, Messrs DK Chugh and GP Urquijo, the general manager: human resources and the vice president: human resources of the global ArcelorMittal group attend the meetings by invitation.

The functions of the nominations committee are to:

- Ensure that the procedures for appointments to the board are formal, transparent and in accordance with the JSE Listings Requirements, the memorandum of incorporation and the Companies Act;

Corporate governance continued

- Regularly review the board structure, size and composition and make recommendations to the board on the composition of the board in general, and any adjustments that are deemed necessary, including the balance between executive, non-executive and independent non-executive directors;
- Identify and nominate candidates for the approval of the board to fill board vacancies (executive and non-executive directors) as and when they arise;
- Be responsible for succession planning, in particular for the chairman and executive directors;
- Agree, and put in place, a performance contract with the chief executive officer;
- Formalise the annual performance reviews of the board as a whole, the respective board committees and individual board members;
- In the exercising of its duties, have due regard for the principles of governance and code of best practice; and
- Deal with any other nominations matters formally delegated by the board to the committee from time to time.

Interim committee: B-BBEE committee

The B-BBEE committee consists of Messrs PM Makwana (chairman), DCG Murray, JRD Modise, DK Chugh and the chief executive officer.

The committee was formed to monitor the company's performance in improving on its B-BBEE scorecard and to provide an "umbrella view" of how the company is performing against each of the seven identified pillars of the B-BBEE Code. The committee seeks to help management to move forward the process of improving the company's B-BBEE rating.

Share dealings by directors and management

In line with statutory and regulatory obligations and best practice, directors and management may not deal directly or indirectly in the company's shares during specific closed periods. These closed periods operate from year-end to the announcement of annual results, and from half-year end to the announcement of interim results. Restrictions on share dealings are also applied during any other period considered sensitive in terms of the requirements of the JSE Ltd.

Directors and the company secretary require the prior approval of the chairman or chief executive officer before dealing in the company's shares.

Ethics

Fair and ethical business practices are at the heart of our values. These principles are entrenched in our Code of Business Conduct and reinforced by specific policies and training programmes on issues such as anti-trust and anti-corruption behaviour.

The anti-corruption guidelines establish procedures for handling concerns about possible corrupt practices and provide guidance on how to fight and prevent corruption. All senior executives and staff in relevant sections of the business are required to be trained in the application of these guidelines.

Anti-competitive behaviour is monitored according to anti-trust guidelines. All senior executives and staff in relevant sections of the business are trained in the application of these guidelines.

In the past year the remuneration, social and ethics committee reviewed our performance and strategy relating to social and economic development, including the company's standing in terms of the goals and purposes of:

- the 10 principles set out in the United Nations Global Compact Principles;
- the OECD recommendations regarding corruption;
- the Employment Equity Act; and
- the Broad-Based Black Economic Empowerment Act.

The committee also received reports on, and considered, the company's:

- promotion of equality, prevention of unfair discrimination, and reduction of corruption;
- contribution to the development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
- record of sponsorship, donations and charitable giving.

The functions and responsibilities of the remuneration, social and ethics committee include:

- Social and economic development, including the company's standing in terms of the goals and purposes of:
  - the 10 principles set out in the United Nations Global Compact principles;
  - the Organisation for Economic Co-operation and Development (OECD) recommendations regarding corruption;
  - the Employment Equity Act; and
  - the Broad-Based Black Economic Empowerment Act.
- Good corporate citizenship, including the company's:
  - promotion of equality, prevention of unfair discrimination, and reduction of corruption;
  - contribution to the development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
  - record of sponsorship, donations and charitable giving.
- The environment, health and public safety, including the impact of the company's activities and of its products or services.
- Consumer relationships, including the company's advertising, public relations and compliance with consumer protection laws.
- Labour and employment, including the company's standing in terms of the International Labour Organisation.
- Protocol on decent work and working conditions; and the company's employment relationships with and its contribution toward the educational development of its employees.
- To draw matters within its mandate to the attention of the board as occasion requires.
- To report, through one of its members, to the shareholders at the company's annual general meeting on the matters within its mandate.
- To review areas of compliance such as conflicts of interest (to be considered annually by the board) and insider trading concerns.
- To receive and consider, on an annual basis, the report of the combined assurance process.

- To annually review the Ethics Code and note training done by management on the Code.

Over the past year, 47 ethics-related incidents were reported to Forensic Services (2013:50). Of these, 39 were found to have been unsubstantiated or were referred back. Eight allegations were substantiated.

Corrective action taken this year resulted in four dismissals, five final warnings, one written warning and one case of corrective counselling. Two employees resigned as a result of forensic investigations. Action taken by the internal forensic services team resulted in recoveries or savings of R28 million.

A formal process is in place to track and report incidents, while also ensuring that recommendations are fully implemented by management. We have zero tolerance for performing or concealing fraudulent and/or illegal acts, as defined in the company's anti-fraud policy.

Since 2013, 1 859 employees and vendors have received training in fraud awareness and prevention. A fraud awareness week was held in November and publicised across the company.

A fraud whistleblower line (0800 001 672) is operated by Global Compliance on behalf of the company.

Further detail on our ethics, human rights and anti-fraud policies, including the ArcelorMittal South Africa Code of Business Conduct, is available here.

This year no donations – either financial or in kind – were made to political parties. Such donations are strictly governed by an ArcelorMittal group policy which requires prior written approval by responsible officebearers and the regular maintenance of political donations registers and the signing of regular compliance certificates.

In the new three-year cycle, which started on 1 January 2013, 1 859 AMSA employees underwent fraud awareness training. Nine anti-fraud awareness training sessions for various employees of all levels were held during the fraud awareness week in November 2014, which covered 282 employees in total. Various posters with the whistleblower hotline number, email address and website are visible within our buildings. An email was sent to all users of company and 8 300 flyers were distributed across all plants, two weeks prior to the fraud awareness week, with information regarding the week.

The CEO distributes, on an ongoing basis, group notices to all employees which highlight forensic issues identified, creating awareness of fraud and its consequences and advertising the hotline numbers.

Human rights

In the year reviewed none of our operations were identified as having human rights violations, including violations of the right to exercise freedom of association and collective bargaining, or to have been at risk for child, forced and compulsory labour.

One allegation concerning human rights at Vanderbijlpark Works was made during the year.

Our close relationship with suppliers provides an opportunity to positively influence their environmental and social conduct, and we see this as an important part of our responsibility as a good corporate citizen. This year no instances were identified where the possibility existed for suppliers to infringe human rights as defined by our human rights policy and internationally accepted covenants and declarations. No specific human rights issues were raised at the board or senior executive levels.

Our global code for responsible sourcing was developed in collaboration with customers, suppliers, peer companies and NGOs. It outlines the minimum standards with which we expect suppliers to comply in the areas of health and safety, human rights, ethics and environmental responsibility.

It applies to our suppliers and contractors, their affiliates and to all of the products and services that we purchase. We encourage our suppliers to promote the requirements of the code within their own supply chains.

The ArcelorMittal human rights policy complements and brings together the human rights aspects from other company policies and guidelines. These include our code of business conduct, the health and safety, environment and human resources policies and the anti-corruption guidelines.

The human rights policy sets out the principles underlying our actions and behaviour in relation to human rights, and applies to all employees and subcontractors working at our sites.

Key stakeholders include:

- Employees: We are committed to respect the human rights of our employees. We develop our employment policies with the aim to achieve uniform worldwide application of the relevant aspects contained in the International Human Rights Declarations. We are committed to train our employees to be aware of, respect and protect human rights in the workplace and in the local communities directly impacted by our operations.
- Business partners: We seek to respect and promote human rights when engaging with subcontractors, suppliers, customers, joint ventures and other partners. We will do this, as appropriate, through proactive engagement, monitoring and contractual provisions.
- Local communities: We seek to respect human rights and to develop an understanding of the cultures, customs and values that prevail in our local communities by developing an inclusive and open dialogue with the people affected by our operations.

Specific provisions include:

- Promoting health and safety.
- Promoting freedom of association.
- Eliminating forced or compulsory labour.
- Abolishing child labour.
- Eliminating unlawful discrimination in the workplace.
- Eliminating harassment and violence.
- Providing competitive compensation.
- Upholding conditions of employment.
- Avoiding involuntary resettlements.
- Respecting indigenous people's rights.
- Adopting proportionate security arrangements.
- Developing practices for land and water use.

Statement of King III compliance

The board, through the audit and risk committee, has satisfied itself with the extent of the company's compliance with King III for the financial year ended 31 December 2014.

The company complies with the King Code's recommendation of ensuring that the board comprises a majority of non-executive directors, the majority of whom are independent.

A statement on the company's compliance with King III is available here.

Risk management report

We recognise that effective risk management is critical to our continued profitability and the long-term sustainability of our business. Our Enterprise Risk Management (ERM) policy is aligned with the ArcelorMittal group risk management policy, world best practices, the King III Codes and the ISO 31000 standard. In May 2014 the board reviewed and approved a revised ERM policy.

The revised policy accommodates the continuous improvement processes and principles which the company implemented during the past year, including:

- control effectiveness audits to verify current controls;
- implementation of inherent and desired risk ratings on operational risks;
- revision of training documentation and the scheduling of structured training and risk identification sessions; and
- changes to our internally developed risk database to accommodate the changes implemented.

The objective of this policy is to enhance our ability to manage the uncertainties faced in our business. In the long run this will create greater confidence in the company's capacity to seize opportunities, alleviate risks and achieve sustainable successes.

In addition to the continuous risk management improvement process, the following actions were implemented:

Industrial audit on asset risks

An industrial audit was conducted to identify the top asset risks per operational centre that could have a significant impact on the availability of plants. Ten out of 62 risks identified in 2013 as priorities were mitigated with 19 risks in the process of being mitigated in 2014. Thus, 47% of top risks had been wholly or partially mitigated in the 2013/2014 period. New asset risks identified in 2014 were assessed and included in the risk registers. Risks identified as being part of the company's top exposures will be highlighted and addressed accordingly.

Outcomes from these audits were shared and discussed with relevant segment and group managers. The information shared clearly highlighted the capital requirements needed to address the top exposures per operational centre. Risks identified were also shared among our sister companies in the group's Asia, Africa and CIS (ACIS) segment for benchmarking purposes.

Interlock investigation

The Vanderbijlpark BOF fire in 2013 initiated an interlock investigation into areas handling liquid steel. The investigation entails a cross-site assessment of all software and programmable logic controller interlocks to confirm that interlocks are correctly designed to prevent emergency situations.

Actions resulting from the investigation are implemented to address process safety with emergency procedures being adapted accordingly. Progress on the implementation of corrective actions is discussed at quarterly chief operating officer risk meetings.

Best practice procedures

Experts from ArcelorMittal group drafted best practice procedures based on lessons learned from incidents such as the BOF fire. Areas where these procedures are applicable are assessed and improvements implemented.

Baseline (process flow) risk identification and assessment

Jobs will change and hazards will change with them. New machinery, incidents, changes in legislation, relocations to new environments, procedural changes, speed of production, organisational changes and even the capabilities of operators are all variables that require re-study. A formal baseline risk review process was initiated in 2014 as a supplement to the continuous risk identification and assessment process adopted by the company.

Structured risk management awareness training

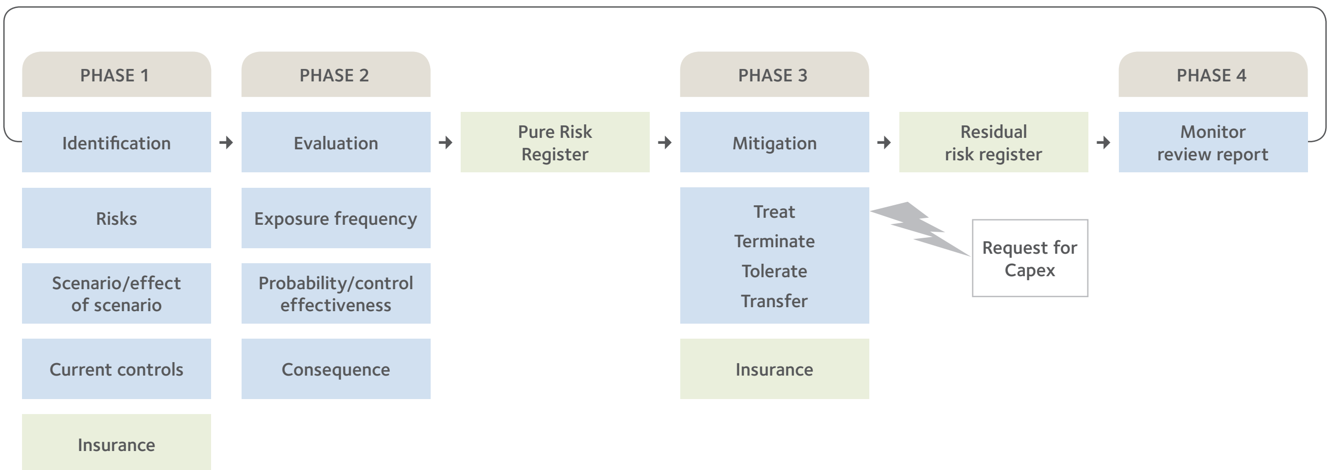
A structured process was followed to train/re-train all applicable employees in the basic principles of risk management as well as on the enterprise risk application database. Training focused on changes adopted by the company as part of the continuous improvement process and on the importance of ensuring the integrity and detail of information in the risk database.

2014 risk highlights

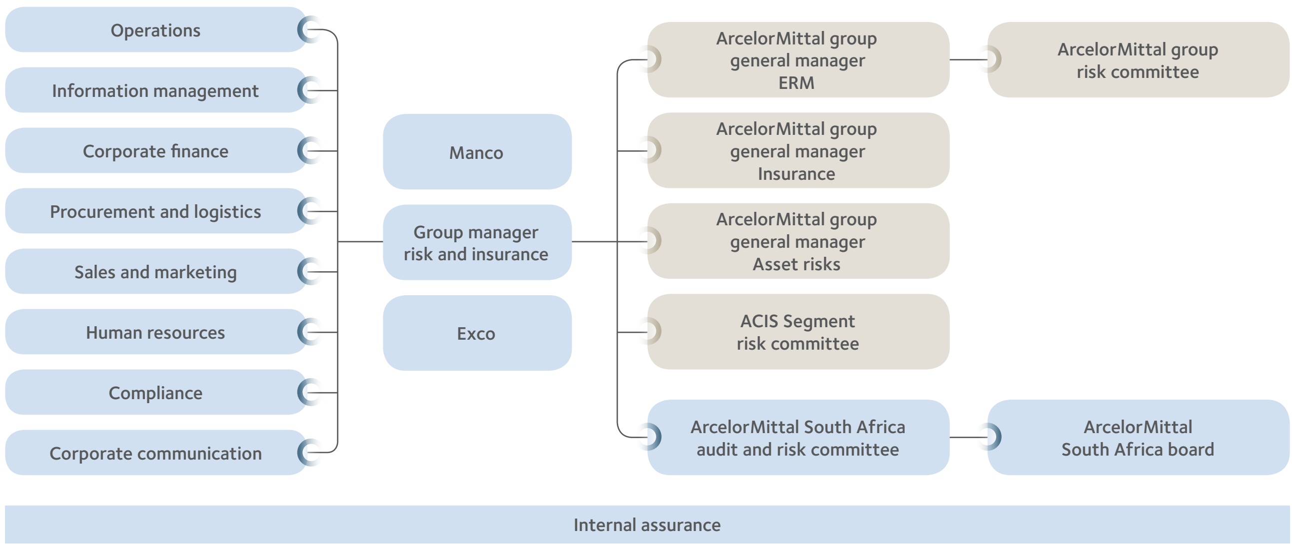
Board accountability

Our board is ultimately responsible for risk management and has an audit and risk management committee which oversees risk policies and strategies. Risks reported to the board are also reported to the segment audit, risk and governance committees and to the group risk committee. IT forms an integral part of risk management, the board bearing responsibility for IT governance while delegating to management the implementation of the IT governance framework.

Organisational structures and reporting framework



The risk management reporting process is:



Risk management is structured around the following functional risk areas: sales and marketing, procurement and logistics, human resources, finance, strategic, legal, health and safety, environment and operations. The risk management process is divided into four distinct phases:

The link between the risk database and capital process, which allows for risk-based budgeting and capital allocation, is an important part of our risk management process.

Each risk area, department or business unit has a risk officer who reports directly to the head of each department. The manager: risk and insurance attends all high-level risk committee meetings and prepares a consolidated risk management report that is presented monthly to the management committee and, on a quarterly basis, to the executive committee, the audit and risk committee and the board.

Project risk management

A project risk management process undertaken ahead of the Newcastle blast furnace reline identified 25 risks that it was considered might have had material impacts on the project. Risks such as working at heights during installation work, salamander not done fully and a shortage of specialised contractors were identified through a detailed risk identification and assessment process undertaken with the reline team. Detailed mitigation actions were drafted where the risks were fully or partly under the control of the project team.

With the significant time and cost overruns experienced, it became apparent that mitigation measures, particularly as they related to the contractors' access to specialist skills, were materially deficient. A follow-up investigation was undertaken to learn and share experiences so as to prevent similar risks materialising during future relines.

Business continuity management (BCM)

The business continuity management policy we have implemented is aligned with world best practices, the King III Codes and the ISO 22301 standard. This policy outlines our approach to the implementation and management of business continuity. The purpose of this policy is to provide a basis for understanding and implementing business continuity within ArcelorMittal South Africa and to provide confidence in the organisation's dealings with stakeholders.

Business continuity plans are implemented according to the risk profile of the company. This year operational business continuity plans were implemented and tested at Saldanha following the implementation of such a plan at Newcastle in 2013. Similar plans will be implemented at the other operating sites in 2015.

Insurance

Our insurance department, with the assistance of external consultants and using recognised international procedures and standards, undertakes regular loss prevention audits of all of the company's plants and operations.

Operational risk exposure is measured by risk consultants using a vulnerability index. Loss surveyors evaluate the three main categories: management, fire protection and process safety (with 39 subcategories) to determine the company's vulnerability index. Our vulnerability index has reduced by a significant 19.5% over the past five years. Action plans are drafted and are part of the risk management process.

We have an insurance programme in place which is underpinned by an approved insurance policy that provides insurance cover for losses above agreed deductibles at competitive costs (measured and determined both locally and abroad). Insurance cover is, in principle, risk-based as is outlined in the policy. As a result of our claims history, we have seen significant increases in our asset cover deductibles, above our risk-bearing capacity. We continuously investigate different vehicles to reduce the impact on the company and our customers. These include the structuring of the captive cell, deductible buy-down, spread loss facilities, etc.

Continuous improvement

To improve the robustness of the ERM process we continuously review our risk management performance. A maturity model is used across the ArcelorMittal group to monitor the maturity of risk management processes. We are currently assessed in the top 10 in the ArcelorMittal group.

Risk management report continued

The following actions to improve the maturity of our risk management process are being pursued:

- Scheduling of baseline risk identification sessions to supplement existing continuous identification and assessment processes.
- The development of a risk dashboard for risk reporting purposes.
- Analysis of group technical benchmark information to determine unplanned reliability as an input to risk identification.
- Analysis of group technical audit information as an input to the risk assessment process.
- Embedding of the current control audit process.
- Benchmarking of risk management processes.

We actively participate in knowledge management programmes where risk lessons are shared with other facilities within the ArcelorMittal group. These programmes inform the ongoing improvement of our risk management process.

Outlook

We recognise that effective risk management requires ERM processes, principles and objectives to be aligned and embedded across the organisation. We have made substantial progress in aligning the methodology and reporting process. Expanding the risk database contributed to streamlining the alignment and reporting process.

In the year ahead we will focus attention on improving the robustness of the process by, among other measures, continuing baseline risk identification sessions, improving the risk control effectiveness approach and expanding on the combined assurance process.

The effectiveness of the improved risk management process will be subject to a formal internal assessment and risk maturity audit in 2015.

Most significant risk exposures

The top strategic residual risks, as identified through our ERM process, which could impact our sustainability, are detailed in the diagram below.

2014 risk management highlights included:

- There were no catastrophic operational incidents in the year;
- Nineteen of the top asset risks where capital was required were mitigated in 2014; almost 50% of these were in Newcastle;
- The vulnerability rating improved on average by 2.7% on sites surveyed in 2014. At year-end the steel vulnerability rating stood at 42.2% against a 2015 target of 40%;
- The risk management maturity level, as assessed by internal audit, improved from 2.4 to 2.54. This rating is defined (in terms of ISO 31000) as "managed" with a target of becoming "sustainable".

2015 risk focus areas

- Continuation of the drive to reduce top asset risks. Ten out of 62 risks identified in 2013 as priority were mitigated with a further 19 risks mitigated in 2014. It is planned to mitigate the remaining 33 in 2015/16;
- New asset risks identified in 2014 will be assessed and included in the risk registers. Risks identified as being among the company's top exposures will be highlighted and addressed accordingly;
- Business continuity management: Completion of the operational business continuity plans will be driven in 2015. Newcastle (pilot) and Saldanha have been completed with the other operational units to be done in 2015;
- Risk identification and assessment with a focus on the identification of training techniques. Training in specific risk identification and assessment techniques such as SWIFT and HAZOP will be done in 2015. The intent is to strengthen and align the risk identification process. Training in management of change (MOC) principles will also be a focus area for 2015. (The biggest gap found during audits related to MOC.)

ArcelorMittal South Africa risk dashboard: January 2015

	Risk name	Current risk temperature (Cold / Warm / Boiling)	Within control?	Losses tolerable?	Control effectiveness (Weak / Very good)	Independent assurance 1st	2nd	3rd	Action progress (Started / Completed; 0% 25% 50% 75% 100%)	Owner
1	Long-tail Competition Commission issues		Yes	N/A		Y	Y	Y		General counsel
2	Market demand and price decline		Part	No		Y	Y	N		CMO
3	Availability of energy		No	Yes		Y	Y	Y		COO
4	Increased competitor activity		Part	No		Y	Y	N		CMO
5	Environmental and occupational health impacts from operation		Yes	N/A		Y	Y	Y		COO
6	Insufficient input material supply		Part	No		Y	N	Y		GM, P&L
7	Increased input cost		Part	No		Y	Y	Y		GM, P&L
8	Catastrophic plant failure		Yes	No		Y	Y	Y		COO
9	Contract performance		Yes	No		Y	N	Y		GM, P&L
10	Safety performance		Yes	No		Y	Y	Y		COO

Measures taken to mitigate our top strategic measures:

Control details (Controls currently implemented)	Action details (Additional actions to reduce the risk)
• Group compliance training on ArcelorMittal policies, anti-trust, anti-corruption, and economic sanctions	• Appropriate legal defences being adopted • Relationship building
• Adequate market intelligence, including: – Monitoring of imports – Strategy discussions with customers – Arbitration meetings – Consumption modelling with customers – Monitor leading market indicators	• Target market approach • Further development on an ongoing basis in Africa over land market • Target projects (e.g. infrastructure) • Strategic sessions with customers • Further improvement of service KPIs (OTD, pricing) • Investment into working capital
• Optimise electricity consumption within ArcelorMittal South Africa • Monthly discussion between industry and Eskom • Standard NRS048 "Emergency energy supply for South Africa" implemented • Emergency electricity network exists in Newcastle • Change in Vanderbijlpark works footprint	• Energy business improvement wave to explore energy efficiency improvements requiring no or low capital
• Monitoring of market activities and review of strategies accordingly • Improved customer service and reliability • Feedback from customers and developing account plans accordingly (target market approach)	• Implementation of target market approach and industry plans • Shorten lead times and improve on-time delivery • Supply stability by continued focus on improvements, maintenance and operational expenditure requirements • Improve B-BBEE status by implementing identified actions
• Projects implemented, e.g. waste disposal site (Vanderbijlpark), sinter clean gas (Vanderbijlpark), coke oven clean gas and water (Vanderbijlpark), EAF dust extraction system (Vereeniging) • Emission measurement • Closure of EAF and Battery 3 in Vanderbijlpark • Improved PPE at coke ovens	• Individual action plans to partially remediate but are behind with capex programmes due to lack of available funds – major projects include: – Newcastle zero effluent discharge (ZED) project – Vanderbijlpark coke battery projects (eg coal water treatment and battery tightness) • Ongoing shop floor audits for incorrect use of PPE and violations of standard operating procedures • Periodic medical surveillance
• Internal logistics improvement plan to address turnaround times • Road transport as alternative • Monthly forum between TFR and ArcelorMittal South Africa • Inventory management • Daily weekly and monthly planning meetings • Integrated transport plan • Logistics operations centre (LOC) with TFR on site • Alternative supply of critical input material	• Joint optimisation project between management of ArcelorMittal and Transnet Freight Rail to improve service delivery • Review and maintain safety stock levels to serve as contingency
• Weekly stock planning meetings • Target stock days • Optimise internally generated material (e.g. scrap)	• Base volume to be negotiated (rail and road) – thus focus should be sustainable logistics performance • Strategic partnership • Increase Africa supply • Leakage prevention initiatives
• Asset risk management process to mitigate risks • Preventative maintenance	• Monitoring of operational drivers during monthly reviews • Business improvement process • Implementation of actions to reduce asset risks through prioritised capex plan • Increased focus on process safety and passive plant protection (industrial audit) • Increased focus on current controls
• Dedicated resource to manage contracts • Identification of long-term, high-value and high-risk contracts using a rule-based approach • Comprehensive contracting guideline drafted • Spent matrix control in place for key commodities. SAP controls implemented • Software solution in SAP (contract lifecycle management) to effectively manage contracts • Management of contract register, deployment of Qlikview • Contract management process with contract owners implemented	• Draft contract manual • Renegotiate all logistics road contracts • Contract management audit
• Driving the adherence to fatality prevention standards • Close out of IRCA and cross site audit findings • Visual felt leadership • Improved focus on leading indicators • Management presence on the shop floor	Journey to zero incidents by: • Driving FPS standards – Level 3 at all sites in 2015 • Implementing more practical training with focus on the behaviour of employees and language medium

Remuneration report

This remuneration report outlines our remuneration philosophy and provides detail on pay structures and how we reward executives, salaried and bargaining-unit employees. It covers the guaranteed and variable remuneration of salaried and bargaining-unit employees, and the key decisions taken by the remuneration, social and ethics committee (RSEC) during the year under review.

The remuneration context in 2014

Sluggish steel demand, lack of recovery in the domestic market, cheap imports and the effects of the global economic recession, coupled with the impact of the Newcastle Works blast furnace rebuild, contributed to another year of poor financial performance.

Our company faces many daunting challenges. These we are resolved to confront and overcome (as outlined in the CEO's message on page 25 and the "Driving profitability" section on page 44). Remuneration plays an important role in rewarding executives and staff for delivery on strategic business objectives and in the creation of a high-performance culture (see page 52), which is essential to our survival and growth. In the context in which we find ourselves at present, while keenly aware of the need to retain and incentivise talent, we are equally mindful of the need to cut costs in our drive to create sustainable value.

Remuneration philosophy

Our remuneration philosophy seeks to balance the need to reward performance appropriately, fairly and competitively (and thereby attract and retain skilled employees) while remaining mindful of our responsibility to deliver value to shareholders.

This philosophy is underpinned by the following principles:

- We consider external equity and internal parity to ensure the fair formulation and execution of the remuneration policy;
- Appropriate benchmarking against internal and external comparatives ensures that total reward structures are externally competitive and support our retention efforts;
- Rewards are market competitive when compared with a selection of peer companies of similar size and scope, and are benchmarked at the market median of this peer group;
- Cost impact and budget constraints drive internal equity;
- Pay-for-performance structures serve to motivate employees, teams and functional areas;
- We balance the need for individual reward design flexibility with regulatory constraints in the execution and deployment of all reward programmes; and
- We communicate our remuneration philosophy, policies, practices and general principles to all employees clearly and transparently.

We periodically review the remuneration philosophy to ensure it continues to be aligned with our evolving business strategy, changing market conditions and the corporate governance requirements of King III. There were, however, no material changes to the philosophy made during the year under review.

Remuneration, social and ethics committee

The remuneration, social and ethics committee (RSEC) met three times during the period under review.

The committee monitors the company's activities in respect of the environment, health and safety (including employee and public) and does so while having regard to any relevant legislation, other legal requirements or prevailing codes of best practice. The committee has recommended certain improvements in these processes to be implemented in the forthcoming year.

At each of its meetings, the committee received reports from management, and in turn reports on relevant matters within its mandate to the board.

The roles, responsibilities and the work plan for the committee are set out in a comprehensive terms of reference approved by the board.

As part of the board appraisal conducted, the committee assessed its effectiveness through the completion of a self-assessment process. The board and committee discussed the results of the self-assessment process and actions were taken and processes put in place to improve the areas identified.

The objectives and responsibilities are aligned with the committee's statutory functions as set out in the Companies Regulations 2011 and form the basis of an annual work plan. In summary the committee has a duty to:

- Monitor social, economic, governance, employment and environmental activities of the Group;
- Bring matters relating to these activities to the attention of the board as appropriate; and
- Report annually to shareholders on the matters within the scope of its responsibilities.

The committee has adopted appropriate formal terms of reference as its mandate, has regulated its affairs in compliance with this mandate, and has discharged all of the responsibilities set out therein.

The committee was mandated by the board to develop and approve the remuneration policy for the company.

In addition to executing its social and ethics responsibilities, RSEC's key activities and achievements during the year included reviewing and acting on:

- The framework for the remuneration of executive and senior management;
- Targets and rules for performance-related pay schemes;
- General salary increases and mandates for negotiations with trade unions;
- Ensuring a proper system of succession planning for top management, and monitoring the succession planning in the rest of the organisation;
- Confirming appointments to senior management positions;
- Employment equity plans for implementation; and
- Matters relating to corporate culture and management performance in terms of retention and talent development.

Remuneration design structure

Our remuneration structures are designed to align the value, significance and contribution of the job with the remuneration mix.

A job evaluation system is used to assess each job's relative worth to the organisation. This is then aligned with the pay structure.

This system means that the proportion of fixed pay to variable pay differs between lower-level and higher-level job categories. Employees in lower-level categories receive higher fixed pay and lower variable pay while for top-level jobs a greater emphasis is attached to variable remuneration. This ensures that we incentivise and reward high performance while shifting a greater proportion of risk to top-level, higher-paid employees.

We embrace the total-reward concept, which incorporates fixed pay, short-term and long-term incentives. Executives and employees are rewarded for their contribution through:

- The payment of industry-competitive annual packages (fixed salary and company benefits);

- Variable annual, bi-annual or monthly performance reward programmes; and
- Long-term cash-based equity schemes for senior management.

The remuneration mix

Guaranteed pay

The guaranteed remuneration of "package" category employees is on a total cost to company basis and includes basic salary, travel and other allowances as well as contributions to retirement savings, death and disability risk insurance and medical aid cover. These annual packages are usually determined with effect from 1 April each year and are informed by parameters approved by the board, differentiated pay levels, and factors such as inflation, changes in market pay and individual performance. While remuneration is benchmarked against peer employers, the results of individual annual performance reviews may allow employees to earn a salary above the market median for their position.

As detailed above, straitened economic conditions this year continued to impact our profitability. These challenges were exacerbated by the delay in completing the Newcastle reline. The underperformance of the business this year led us to implement an across-the-board pay increase of 3% in April 2014, including a targeted pay adjustment for critical skills and glaring pay anomalies within the package pay categories. This pay increase was below market pay adjustments, which averaged 6%. We continue to conduct market pay benchmarks and review changes in legislation to inform our pay strategy.

We have analysed the recently promulgated Employment Equity Act regulation on equal pay for equal work and are implementing corrective pay measures to maintain compliance with this new legislative requirement, effective from 1 February 2015.

The guaranteed remuneration of bargaining-unit employees is negotiated with the National Union of Metalworkers of South Africa (Numsa) and Solidarity. During the year we successfully concluded an overall one-year wage agreement of 7.4% with unions, which was within budget and backdated to 1 April 2014. Given that the duration of the agreement is one year, we will begin the process of negotiating a new wage agreement with unions in Q2 2015. Unionised employees' pay progression is governed by competency-based remuneration, allowing for pay adjustments up to three times per annum in accordance with the individual's assessed competency level. This pay progression model for the bargaining unit has been implemented since 2003.

Variable pay

Variable pay structures include the performance bonus plan, the productivity bonus scheme, the medium-term incentive scheme and the long-term incentive scheme. These allow us to incentivise, recognise and reward high-performing employees at all levels.

The performance bonus plan – package employees

The performance bonus plan gives package-category employees an annual performance bonus based on company and individual performance reviews. A performance scorecard is used to measure financial (ebitda and free cash flow) and non-financial (health and safety, and business-specific measures - BSMs) performance, weighted respectively on a 70/30 basis. This is outlined in the table below, which also demonstrates the threshold, target and stretch levels to be achieved against the business plan.

	Performance levels			Performance measure and weights				
Role	Threshold 80%	Target 100%	Stretch 120%	Ebitda	Free cash flow	Health and safety	BSM	Total
CEO, COO and CFO	20.0%	40.0%	60.0%	40%	30%	10%	20%	100%
General managers	15.0%	30.0%	45.0%	40%	30%	10%	20%	100%
Group managers	10.0%	20.0%	30.0%	40%	30%	10%	20%	100%
Managers	8.8%	17.5%	26.3%	40%	30%	10%	20%	100%

Our aim is to align our objectives and key performance for all areas, including cascading and measuring annual, monthly and daily performance, in driving our high-performance culture.

Specific business measures for 2014 were cascaded to all departments which consisted of:
- Domestic market share;
- Achieving imperative elements of the B-BBEE codes;
- Management gains;
- Cost optimisation;
- Working capital efficiency; and
- Prudent allocation of capex.

The bonus participation for senior executives ranges from 15% (at 80% threshold) to 60% (at 120% stretch) of total cost to company. Individual performance scores are also used as multipliers to determine the final bonus amount.

The current management bonus plan will remain in place for the duration of 2015 other than business specific measures.

Productivity bonus scheme – bargaining-unit employees

The productivity bonus scheme is negotiated for bargaining-unit employees with trade unions as part of wage agreement negotiations. It seeks to drive improved safety and productivity by rewarding bargaining-unit employees for achieving monthly KPI targets that include:
- Safety
- Throughput
- Quality

The extent to which individual employee performance is measured against these three targets is determined by employees' ability to influence safety and productivity in their areas.

As part of wage negotiations with unions during the year we further enhanced line of sight for the productivity bonus scheme. In terms of these enhancements, the safety target will now be measured and rewarded separately from ebitda. This is the same principle that is applied to the short-term incentive scheme for salaried employees.

The productivity bonus payment is determined as a percentage of the monthly base salary and a maximum payment of 7% is applied.

Remuneration report continued

Production and maintenance bonus – production employees

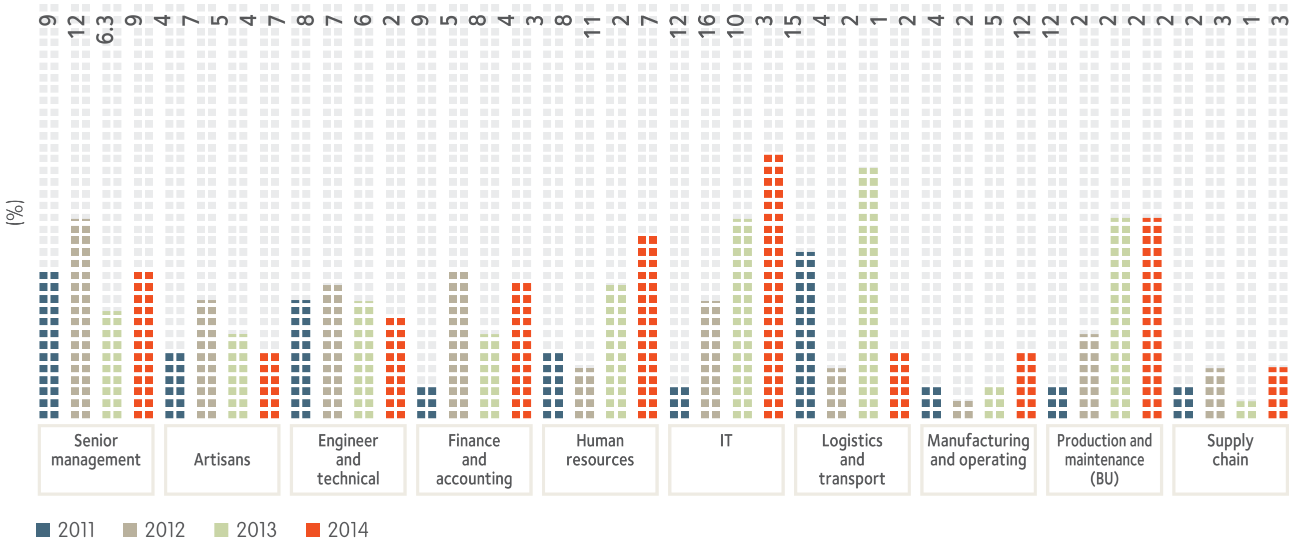
In order to further enhance our reward offering and drive our performance culture, an additional element was added to the productivity bonus. Middle managers linked directly to the production of steel are measured in the same way as their staff members and incentivised in driving safety, quality and throughput. This monthly productivity bonus payment is determined as a percentage of monthly salary with a maximum of 5% achievement.

The medium-term incentive scheme

The medium-term incentive scheme is aimed at retaining critical scarce skills in various key specialist positions below senior management. Participants need to have been in employment for three years from the date of the first payment and, where necessary, are required to participate in a formal mentorship and coaching programme to develop successors. The scheme has been successful in retaining key skills in engineering and technical areas with a reduced labour turnover of 2% when compared with an 8% labour turnover in 2009. The scheme comes to an end in May 2015 and no major impact is expected on current employee turnover. We have also expanded this offering to retain our government-certificated engineers; it will be implemented in early 2015.

The average overall voluntary labour turnover remains at 4% as reflected below:

Voluntary turnover – 2011 to December 2014



2011 – 3% 2012 – 4% 2013 – 4% 2014 – 4%

The long-term incentive plan – local employees

The long-term incentive plan (LTIP) which has been in operation since 2012, is a conditional share scheme that awards participating employees shares in ArcelorMittal South Africa. This supports the closer alignment of management and shareholder interests.

The scheme's participants may be divided into two groups:

- Designated members of the executive committee, who receive LTIP shares based on performance conditions: return on capital employed (ROCE) and total cost of employment per tonne (TCOE/t), which are equally weighted; and
- Senior management, who receive LTIP shares based on service conditions which include ongoing employment and individual performance.

All LTIP shares vest after a period of three years provided the individual employee has continued to be employed in the company during this time and achieved the required performance conditions. There is provision for proportional awards when there is a change in the effective control of the company, or when an employee is retrenched, retires, or dies while in service.

The potential annual share allocation to senior managers and designated executives varies between 20% and 100% of guaranteed pay. The remuneration, social and ethics committee also approved performance targets for ROCE and TCOE/t for the conditional shares issued to designated executives, namely the CEO and general managers; these shares vest at the end of 2017. The achievement of these targets over the three-year period entitles designated executives to 100% of the LTIP allocation.

LTIP shares allocated to senior management during 2014 are shown on page 77 of this report. The international executives participate in the ArcelorMittal group share scheme according to international mobility policy.

The current LTIP plan will remain in place for additional awards in 2015 with the following changes that RSEC approved:

- Revise the TCOE/t current performance threshold from 80% to 95%; capped at 115%, and reduce the performance interval from 20% to 5%; capped at 115%.
- Cascade ROCE and TCOE/t performance conditions to manager roles by linking 50% of LTIPs allocated to performance conditions.

Average of three years will change to annual performance determination, yet three-year vesting condition will remain.

The following table shows the performance conditions and vesting scale for LTIP issued in 2015:

	TCOE						ROCE				
Intervals			95%	100%	105%	115%		80%	100%	120%	140%
Eligibility	Allocation	Weight	Payout % TCOE				Weight	Payout % ROCE			
CEO	100%	50%	12.50%	25%	37.50%	50%	50%	12.50%	25%	37.50%	50%
General managers	80%	50%	12.50%	25%	37.50%	50%	50%	12.50%	25%	37.50%	50%
Group managers*	30%	25%	6.25%	12.50%	18.75%	25%	25%	6.25%	12.50%	18.75%	25%
Managers	20%	25%	6.25%	12.50%	18.75%	25%	25%	6.25%	12.50%	18.75%	25%

** 50% of share allocations based on performance conditions.*

Executive retention

A once-off executive retention payment potentially costing R3.8 million was implemented in September 2013. This once-off cash equivalent will be payable to qualifying executives in August 2016.

ArcelorMittal South Africa share option plan

The group and company operate the Management Share Trust, which consists of an option share plan for the benefit of the group's and company's senior management, including executive directors.

This scheme was effective from 12 December 2005 to present. Share options are offered at market prices on the grant date and are released in three annual tranches of 33.3%, 33.3% and 33.4%, commencing on the first anniversary of the offer date and expiring after 10 years. This is an open plan.

The option plans are equity-settled as each share option converts into one ordinary share of ArcelorMittal South Africa Limited on exercise. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is calculated in accordance with employees' role grading within the company and group as approved by the remuneration committee of ArcelorMittal South Africa and as incorporated within the trust deed of the Management Share Trust. Upon resignation, the share options lapse immediately. Upon death, the options lapse within six months.

The administration of participant transactions of both the share option and the long-term incentive plans are outsourced to EOH Human Capital Solutions (Pty) Ltd, an external service provider.

There were no share option grants made in 2014 or 2013 and as at 31 December 2014, all share options had vested.

International executive share plans

International executive mobility share plan

The ArcelorMittal group issued equity-settled share options over its own shares, denominated in USD, to its executive employees seconded to ArcelorMittal South Africa.

Restricted/performance stock unit plan

The ArcelorMittal group commenced with the restricted/performance stock unit plan in 2011. The stock units are issued for the benefit of senior executives of the group seconded to ArcelorMittal South Africa. The restricted stock unit entitles the holder of the unit to receive one ArcelorMittal group share on or after the vesting date of the restricted stock unit, subject to the vesting conditions being met. Restricted stock units vest after three years of continued employment within the group. Performance stock units vest upon continued employment as well as specific performance conditions being met. This plan replaces the Executive International Mobility Share Option Plan. Please refer to note 33 of the annual financial statements for additional information.

Contractual arrangements

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

The chief executive officer's period of notice for termination of employment is two months on either side while executive directors and senior executives are also required to give two months' notice on either side, in line with the standard terms and conditions of employment, unless otherwise specified.

Non-executive directors

Non-executive directors do not receive short-term or long-term incentives. They are appointed based on proposals submitted by the nominations committee to the board and shareholders for approval and their term of office is three years. One-third of all directors retire at the annual general meeting, but they are eligible for re-election.

RSEC is responsible for setting the fees and determining the terms of service for the chairman and non-executive directors. The fees for non-executive directors are reviewed annually and informed by market best practice and the time commitment and responsibilities associated with each role. Non-executive directors receive an annual fee and a fee for attending board meetings while the chairman receives an annual fee that includes remuneration for attendance at all board and board committee meetings. Non-executive directors do not participate in any type of incentive scheme nor do they receive any medical and pension-related benefits.

A resolution proposing an increase in non-executive directors' fees was approved by shareholders on 29 May 2014. RSEC is currently reviewing non-executive directors' fees for 2015 and a proposal will be put to the board in May 2015.

Remuneration report continued

Remuneration of directors and prescribed officers

This is a summary of the remuneration of directors, prescribed officers and the highest paid senior employees (who are not directors) for services rendered to ArcelorMittal South Africa Ltd.

	Notes	Salary R	Retirement funding R	Short-term incentives[1] R	Equity incentives[2] R	Other[3] R	**Total remuneration 2014 R**	Total remuneration 2013 R
Executive directors								
PS O'Flaherty	4	1 722 691	142 985	–	116 683	5 279	**1 998 733**	–
MJ Wellhausen	5	3 218 672	–	1 260 000	518 841	713 547	**5 711 060**	3 321 796
N Nyembezi-Heita	4	540 147	44 833	–	–	5 651 237	**6 240 365**	5 539 396
Sub-total		5 481 510	157 818	1 260 000	635 524	6 370 063	**13 950 158**	8 861 192
Prescribed officers and highest paid employees								
WA Nel		2 155 676	178 924	1 318 167	431 680	149 582	**4 260 222**	2 967 940
TG Nkosi		2 084 048	172 978	589 500	314 457	27 514	**3 214 690**	2 701 206
RH Torlage		2 018 469	171 444	1 001 167	200 065	257 253	**3 721 679**	2 678 238
HL Rosenstock		2 373 804	–	675 000	425 562	447 126	**3 921 492**	2 660 894
KS Kumar		2 051 037	–	572 000	312 385	101 192	**3 084 995**	2 491 044
JM Lotter		1 621 610	134 596	446 000	251 150	134 035	**2 587 391**	1 854 257
Sub-total		12 304 644	657 942	4 601 834	1 935 299	1 116 702	**20 790 469**	15 353 579
Total		17 786 154	845 760	5 861 834	2 570 823	7 486 765	**34 740 627**	24 214 771

1 The short-term incentives relate to benefits for the December 2013 financial year, paid in April 2014.
2 Further detail on the equity incentives can be found under directors' unexercised share options and LTIPs in the table that follows.
3 Other includes medical benefits, separation payments, leave encashments, business travel claims, settlement allowance, housing benefits, international mobility allowance and hardship allowance. Included in Other is a separation payment of R4 653 838 and leave entitlement of R992 490 paid to N Nyembezi-Heita.
4 N Nyembezi-Heita resigned as chief executive officer effective 18 February 2014. PS O'Flaherty was appointed chief executive officer with effect from 1 July 2014.
5 MJ Wellhausen resigned as an executive director and chief financial officer of the company with effect from 15 March 2015. Gerhard van Zyl has been appointed as acting chief financial officer with effect from 15 March 2015.

Remuneration of directors and prescribed officers

	Notes	Directors' fees R	Committee fees R	Other R	**Total remuneration 2014 R**	Total remuneration 2013 R
Non-executive directors						
DCG Murray		153 912	332 010	1 985	**487 907**	452 046
FA du Plessis		153 912	223 872	97 165	**474 949**	381 914
LP Mondi	6	153 912	115 434	–	**269 346**	264 998
NP Mnxasana	7	153 912	158 576	–	**312 488**	90 948
PM Makwana	8	1 113 654	76 956	–	**1 190 610**	880 000
JRD Modise	7	153 912	233 200	–	**387 112**	128 260
ND Orleyn	9	–	–	–	**–**	247 651
M Macdonald	10	–	–	–	**–**	164 792
MJN Njeke	8	–	–	–	**–**	85 556
Total		1 883 214	1 140 048	99 150	**3 122 412**	2 696 165

Directors' remuneration is not paid to the non-executive directors in the employment of the international ArcelorMittal group and have therefore not been disclosed in this note.

6 LP Mondi's remuneration is paid directly to the Industrial Development Corporation.
7 Appointed on 1 October 2013.
8 MJN Njeke retired as non-executive director and chairman of the board on 4 February 2013. PM Makwana joined the board as independent non-executive director and chairman with effect from 5 February 2013.
9 Resigned on 1 October 2013.
10 Retired on 29 May 2013.

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

Options issued to directors, prescribed officers and the highest-paid senior employees (who are not directors), which form part of the 15,9 million (2013: 38,4 million) shares allocated to the Management Share Trust, are as follows:

The following table reflects the status of unexercised options held by executive directors, prescribed officers and the highest-paid senior employees, the gains and as a result of past awards during the year ended 31 December 2014.

Name of executive	Award type	Award date	Number of allocations at the start of the year	Number of allocations made during the year	Number of allocations at the end of the year	Number of allocations vested at the end of the year	Issue price (R)	Present value of unvested share units at the end of the year (R)
PS O'Flaherty	LTIP	05/08/2014	–	53 473	53 473	–	35.80	1 412 222
			–	53 473	53 473	–	–	1 412 222
WA Nel	Share options	10/02/2011	14 010	–	14 010	14 010	87.20	–
		07/11/2011	17 310	–	17 310	17 310	67.00	–
	LTIP	14/11/2013	94 096	–	94 096	–	40.47	2 485 075
		27/05/2014	–	81 263	81 263	–	34.89	2 146 156
			125 416	81 263	206 679	31 320	–	4 631 231
TG Nkosi	Share options	10/02/2011	18 650	–	18 650	18 650	87.20	–
		07/11/2011	13 840	–	13 840	13 840	67.00	–
	LTIP	14/11/2013	84 728	–	84 728	–	40.47	2 237 666
		27/05/2014	–	52 131	52 131	–	34.89	1 376 780
			117 218	52 131	169 349	32 490	–	3 614 446
RH Torlage	Share options	08/11/2006	29 563	–	29 563	29 563	83.88	–
		12/12/2006	2 946	–	2 946	2 946	82.02	–
		20/11/2007	16 770	–	16 770	16 770	133.50	–
		10/11/2008	16 770	–	16 770	16 770	73.75	–
		02/11/2009	15 250	–	15 250	15 250	106.50	–
		29/09/2011	53 500	–	53 500	53 500	59.00	–
		07/11/2011	35 153	–	35 153	35 153	67.00	–
	LTIP	14/11/2013	31 304	–	31 304	–	40.47	826 739
		27/05/2014	–	51 669	51 669	–	34.89	1 364 578
			201 256	51 669	252 925	169 952	–	2 191 317
JM Lotter	LTIP	14/11/2013	70 452	–	70 452	–	40.47	1 860 637
		27/05/2014	–	40 938	40 938	–	34.89	1 081 173
			70 452	40 938	111 390	–	–	2 941 810

Notes:
1. Share options vest within three years and are exercisable within 10 years from the date of issue.
2. Only those share options granted since the date of becoming an executive director or prescribed officer have been disclosed in this note.
3. No options were exercised during the year.
4. All share options have vested at the end of the period. All share options are "out of the money", therefore the present value is nil at 31 December 2014.

Remuneration report continued

International executives restricted stock unit (RSU)/performance stock unit (PSU) plans

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

Name of executive	Award type	Award date	Number of allocations at the start of the year	Number of allocations made during the year	Number of allocations at the end of the year	Number of allocations vested at the end of the year	Issue price (USD)	Present value of unvested share units at the end of the year (USD)
MJ Wellhausen	RSU	29/03/2013	2 500	–	2 500	–	13	27 800
		27/09/2013	2 500	–	2 500	–	14	27 800
		17/12/2014	–	4 000	4 000	–	11	44 480
	PSU	29/03/2013	1 500	–	1 500	–	13	16 680
		27/09/2013	2 750	–	2 750	–	14	30 580
		17/12/2014	–	4 000	4 000	–	11	44 480
			9 250	8 000	17 250	–	–	191 820
HL Rosenstock	RSU	29/03/2013	2 000	–	2 000	–	13	22 240
		27/09/2013	2 000	–	2 000	–	14	22 240
		17/12/2014	–	4 000	4 000	–	11	44 480
	PSU	27/09/2013	800	–	800	–	14	8 896
		17/12/2014	–	4 000	4 000	–	11	44 480
			4 800	8 000	12 800	–	–	142 336
KS Kumar	RSU	01/09/2011	2 000	–	2 000	–	21	22 240
		29/03/2013	2 000	–	2 000	–	13	22 240
		27/09/2013	2 000	–	2 000	–	14	22 240
		17/12/2014	–	2 000	2 000	–	11	22 240
	PSU	27/09/2013	800	–	800	–	14	8 896
		17/12/2014	–	2 000	2 000	–	11	22 240
			6 800	4 000	10 800	–	–	120 096

Limited assurance report

Limited assurance report of the independent auditor, Deloitte & Touche, to the directors of ArcelorMittal South Africa Ltd on their sustainability performance indicator disclosures as presented in the integrated annual report for the year ended 31 December 2014.

Scope of our work

We have undertaken a limited assurance engagement on selected ArcelorMittal South Africa Limited (AMSA) sustainability indicators presented in the integrated report for the year ended 31 December 2014 (the report).

The selected sustainability performance indicators are as follows:

Social

- Lost-time injury frequency rate;
- Total number of work-related fatalities;
- Total number of permanent employees;
- Demographics of permanent employees based in South Africa, by race;
- Group corporate social investment (CSI) spend; and
- Total number of employees within the AMSA development pipeline.

Environmental

- Total direct energy consumption (tonnes);
- Total indirect energy consumption (TWh);
- Total greenhouse gas emission (Scope 1 and Scope 2) (tCO_2e); and
- Carbon emission intensity per tonne of liquid steel.

Economic

- Externally verified broad based black economic empowerment (B-BBEE) scorecard.

Production performance

- Liquid steel capacity utilisation.

Directors' responsibility

The directors are responsible for the preparation of the integrated annual report for the year ended 31 December 2014. This responsibility includes the identification of stakeholders, stakeholder requirements, and material issues, for commitments with respect to sustainability performance and for the design, implementation and maintenance of internal control relevant to the preparation of the report that is free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express our limited assurance conclusion on the above sustainability performance indicators for the year ended 31 December 2014 based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" (ISAE 3000). This standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected key performance indicators are free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3000 involves assessing the suitability, in the circumstances, of AMSA's use of internally developed methodologies as the basis of preparation for the selected key performance indicators, assessing the risks of material misstatement of the selected key performance indicators whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the selected key performance indicators.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures we performed were based on our professional judgement and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records. Given the circumstances of the engagement, in performing the procedures listed above we:

- Interviewed management and senior executives to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- Inspected documentation to corroborate the statements of management and senior executives in our interviews;
- Reviewed the process that AMSA has in place for determining material selected key performance indicators to be included in the report;
- Tested the processes and systems to generate, collate, aggregate, monitor and report the selected key performance indicators;
- Performed a controls walkthrough;
- Inspected supporting documentation on a sample basis and performed analytical procedures to evaluate the data generation and reporting processes against the reporting criteria;
- Evaluated the reasonableness and appropriateness of significant estimates and judgements made by the directors in the preparation of the key performance indicators;
- Undertook site visits; and
- Evaluated whether the selected key performance indicators presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at AMSA.

This engagement was conducted by a multidisciplinary team including health, safety, environmental and assurance specialists with extensive experience in sustainability reporting.

We do not express a reasonable assurance opinion about AMSA's selected key performance indicators.

Our independence and quality control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. In accordance with International Standard on Quality Control 1, Deloitte maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our conclusion

Based on the procedures we have performed and evidence we have obtained, nothing has come to our attention that causes us to believe that for the year ended 31 December 2014 the selected key performance indicators set out above are not prepared, in all material respects, in accordance with the Global Reporting Initiative (GRI) guidelines, supported by AMSA's internally developed guidelines.

Restriction of liability

Our work has been undertaken to enable us to express a limited assurance conclusion on the selected sustainability information to the directors of ArcelorMittal South Africa Ltd in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than AMSA for our work, for this report, or for the conclusion we have reached.

Deloitte & Touche

Deloitte & Touche
Registered Auditors

Per – AN le Riche
Partner

10 March 2015

National Executive: *LL Bam Chief Executive, *AE Swiegers Chief Operating Officer, *GM Pinnock Audit, DL Kennedy Risk Advisory, *NB Kader Tax, TP Pillay Consulting, *K Black Clients & Industries , *JK Mazzocco Talent & Transformation, *MJ Jarvis Finance, *M Jordan Strategy, S Gwala Managed Services, *TJ Brown Chairman of the Board, *MJ Comber Deputy Chairman of the Board

A full list of partners is available on request

*Partner and Registered Auditor