



Sustainable development



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Ongoing sustainable development policy across the whole Arcelor Group

Arcelor's sustainable development strategy

Arcelor's sustainable development strategy is fully compliant with the definition of sustainable development contained in the Bruntland report (1987): "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Arcelor's management team has customized this definition, based on the 4 Ps: **Profit**, because without it there is no development; **People**, because it is the men and women of the company who make the company; **Planet**, because the preservation of the environment is a priority for any responsible company; and **Partners**, because it is the creation of value for all partners that will ensure Arcelor's long-term success.



Arcelor has developed eight priority areas of action based on the 4 Ps:

1. Profitable growth through producing and marketing steel products
2. Management of risk and safety, including the safety of our products and the health of our employees
3. Protection of the environment and the preservation of scarce resources
4. Open dialogue with all partners
5. Skills development around common values of quality and efficiency
6. Innovation to create value and support sustainable development
7. Strict compliance with corporate governance rules
8. Responsible citizenship



Arcelor's commitments

Arcelor's sustainable development approach is based on various commitments and charters, which define the Group's missions and values and those of its entities, along with the obligations of each Group employee. Arcelor applies sustainable development standards in all countries in which it operates

2002

- Definition of the Arcelor Environmental Policy (page 83)
- Adoption of the Arcelor Health and Safety charter (page 78)

2003

- Signature of the United Nations Global Compact (page 71)
- Adoption of the Arcelor Principles of Responsibility, based on the United Nations Global Compact

- Update of Arcelor's General Purchasing Terms and Conditions, with the inclusion of clauses concerning the compliance of Group suppliers and subcontractors with the United Nations Global Compact and Arcelor's sustainable development principles.

2004

- Definition of the panhealth policy

2005

- Adoption of the Arcelor Code of Ethics (page 98)
- Signature of a Worldwide Agreement on Principles of Corporate Social Responsibility with the International Metalworkers' Federation (IMF) and the European Metalworkers' Federation (EMF), covering Arcelor's social and sustainable development principles (page 91)
- Signature of a strategic partnership in China with the United Nations Development Programme (UNDP) to promote energy efficiency and environmental protection (page 83)

Giving sustainable development responsibility to all staff

Giving each Arcelor employee responsibility for sustainable development is central to the policy adopted by Arcelor's Management Board. Sustainable development must enable employees worldwide to apply best practice in the economic, employee-relations, environmental and social fields, and enable Group entities to share the same procedures and standards.

Sustainable development is guided by the Group's Management Board and implemented by a Sustainable Development Division. This Division works in close collaboration with all Group functions and departments, including the Group Management Board, Finance, Investor Relations, Environment, Health and Safety, Business Risk Control, Human Resources, Innovation and Research, Procurement, Communication, General Secretariat, Legal and Ethics. The aim of this collaboration is to make sustainable development an integral part of the organizations, information systems, behaviour and objectives of each Arcelor unit.

Each year, quantitative and qualitative targets are set by the Management Board for each component of the Group sustainable development strategy, and progress is monitored by the Management Board using scorecards.

To increase the awareness and involvement of all staff, there is a strong emphasis on sustainable development in the training provided by Arcelor University, in the Group's sector and trade conventions, on the intranet, in internal newsletters, and in the programme of site visits by the Management Board.

Sustainable development

Ongoing sustainable development policy across the whole Arcelor Group

Socially responsible investment: best-performing company in the steel industry

In 2005, the main corporate social responsibility (CSR) rating agencies recognized Arcelor's performance and its commitment to sustainable development.

Arcelor was the only steelmaker in the Global100 Most Sustainable Corporations in the World list presented during the World Economic Forum in Davos.

Arcelor is a constituent of the Dow Jones Sustainability Index World, alongside Dofasco, and of the FTSE4Good Global and Europe indexes.

The company is also part of Vigeo's Aspi Eurozone index and Ethibel's Pioneer Sustainability Index World index.

Exame magazine named Acesita, Belgo and CST, which make up Arcelor Brasil, as three of Brazil's top ten companies in terms of social responsibility.



Arcelor and the United Nations Global Compact



Arcelor joined 2,500 companies around the world by signing the United Nations Global Compact in September 2003.

The Global Compact (www.unglobalcompact.org) was launched in 2000 by the UN Secretary-General. It aims to incorporate a set of fundamental values relating to the Universal Declaration of Human Rights, international labour standards, environmental protection and the fight against corruption into business practices.

Signatory companies commit individually to applying the Global Compact's ten principles and to promoting their diffusion among all stakeholders.

Human rights

Principle 1: Business should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

Labour standards

Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: The effective abolition of child labour; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Business should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10: Business should work against all forms of corruption, including extortion and bribery.

Arcelor's sustainable development strategy and Principles of Responsibility, upheld by the Group's Management Board, are fully in line with the Global Compact's ten principles. Arcelor's eight sustainable development principles reflect its determination to reconcile its economic (Profit), social (People) and environmental (Planet) strategies, for the greater good of all its Partners.

A key aspect of Arcelor's commitment to the Global Compact is the promotion of the ten principles among the Group's subcontractors and suppliers. In 2004, the Arcelor Purchasing Division introduced a set of elementary obligations for suppliers concerning human rights, labour standards and environmental protection. The Sustainable Purchasing program now allows Arcelor's Purchasing Division to evaluate suppliers using a scorecard that checks compliance with each of Arcelor's commitments and values in terms of sustainable development and the Global Compact.

To support the adoption of the tenth Global Compact principle, Arcelor adopted a Code of Ethics in 2005. This Code defines the behaviour required of each Group employee, in particular with regard to combating corruption (alongside its Principles of Responsibility), and an early warning / whistleblowing procedure (see page 97 of the corporate governance chapter).

Sustainable development scorecard

Performance indicators for each of Arcelor's eight sustainable development principles have been developed and introduced across the entire Group.

The remuneration of Group managers is partly based on movements in these indicators.

The Management Board pays special attention to annual improvement plans in each of the eight areas of sustainable development.

This dynamic approach to sustainable development contributes to creating an Arcelor culture based on ongoing improvement and excellence, and ensures greater mobilization of the Group's entities, greater involvement of managers and personnel, and faster dissemination of know-how and best practice between entities.

Main achievements in 2003	Main achievements in 2004	Main achievements in 2005	Targets
1. Group profitability			
Improvement in return on capital employed (ROCE): 8.5% compared with 6.7% in 2002	Record ROCE: 27.4%	ROCE maintained at the high level of 26.5% despite a €4bn increase in capital employed	<ul style="list-style-type: none"> • Normalized EBITDA of €7bn • Sustainable cash flow of €4.4bn per year • Dividend pay-out ratio of 30% • Efficiency gains of €2.2bn
Significant reduction in debt	Further significant reduction in debt	Further significant reduction in debt	
Synergy targets exceeded	Synergy targets exceeded	Synergy targets exceeded	
2. Health and safety and risk management			
38% reduction in accident frequency among Arcelor employees relative to 2002	32% reduction in accident frequency among Arcelor employees relative to 2003	35% reduction in accident frequency among Arcelor employees relative to 2004	Accident frequency rate below 3 for 2006 Eventual objective of zero accidents
		21% reduction in accident frequency among subcontractor staff relative to 2004	20% reduction in accident frequency among subcontractor staff
Safety Convention attended by staff representatives	Bilbao Health And Safety Convention and implementation of initial action plans	Update of the Health And Safety Charter as part of work initiated in the Bilbao Convention	Implementation of the health policy
Identification of major risks and action plans for all Group business model processes	Identification of major risks and action plans for all Group business model processes	Definition of Arcelor's risk universe (dynamic Group risk consolidation model)	Deployment of a risk management policy
Mapping of major risks at Group and business unit level	Mapping of major risks at Group, business unit and site level	Integration of sustainable development risks into Arcelor's risk map	Integration of risk maps into reporting tools
3. Protection of the environment and scarce resources			
ISO 14001 certification for all large production units	Certification of 96% of production units and 50% of finishing units	ISO 14001 certification of 97% of production and 68% of finishing units	ISO 14001 certification of 100% of production and finishing units
Stabilization of CO ₂ emissions	Stabilization of CO ₂ emissions	Implementation of ULCOS project	Reduction in CO ₂ emissions in Europe by 25% by 2012 compared with 1990
Recovery of 95% of by-products	Recovery of 95% of by-products	Recovery of 98% of by-products	Recovery of 98% of by-products

Main achievements in 2003	Main achievements in 2004	Main achievements in 2005	Targets
4. Dialogue with partners			
Dialogue with staff representatives, involving proposals and consultation work, as part of the European Works Council	Assessment of the European Works Council's operations	Ongoing dialogue with all Group partners	Ongoing dialogue with all Group partners
Employee-relations statistics teams for all Arcelor managers in Europe; satisfaction survey for staff in Brazil	Monitoring of employee-relations statistics teams	Monitoring of employee-relations statistics teams	Extension of the employee relations statistics teams to all staff categories
Open days in all large production sites	Open days in all large production sites	Open days in all large production sites	Open days in all large production sites
5. Skills development			
Launch of Arcelor University (700 managers receiving training in 2003)	Enhanced Arcelor University multicultural programmes and training plans	Development of distance training tools	Broader range of staff training
Introduction of enhanced training plans as part of site restructuring	Initiative to promote employability as part of restructuring	Continued implementation of enhanced training plans	Continued implementation of enhanced training plans
6. Innovation and quality			
Establishment of Arcelor Scientific Council	First Innovation I-R&D prize awarded for the most innovative ideas and research projects in the Flat Carbon sector	An innovation day, attended by more than 200 researchers, to generate innovative projects based on new ideas	<ul style="list-style-type: none"> • Promote and reward creativity • Make the most of Arcelor's scientific and technical knowledge • Increase research synergies with customers and partners. • Accelerate R&D and the implementation of R&D results by clients • Increase satisfaction among Group customers
Concentration of R&D activities within market-oriented research centres organized by project team (Flat Carbon): launch	Concentration of R&D activities within market-oriented research centres organized by project team (Flat Carbon): completion	Completion of the 2005 innovation project to combine Arcelor's R&D efforts within market-oriented multidisciplinary Research Centres, with the aim of reducing time-to-market and increasing familiarity with markets	
European steel technology platform: development of project with partners	European steel technology platform: launch and set-up of two committees (steering and support), along with five task forces made up of around 60 experts to prepare the strategic research agenda	Launch of the Sovamat (Social Value of Materials) project as part of the European steel technology platform, aimed at quantifying the social value of materials for society and defining new assessment methods	
7. Corporate governance			
Approval and distribution of Principles of Responsibility	Survey on the distribution and application of Principles of Responsibility within the Group (early 2005)	Distribution of a Code of Ethics relating to individual behaviour requirements	Campaign to raise awareness of the Code of Ethics and introduction of whistleblowing procedures
Transparency on the remuneration of Group executives	Compliance with the most stringent international corporate governance principles	Compliance with the most stringent international corporate governance principles	Compliance with the most stringent international corporate governance principles
		Self-assessment by the Board of Directors	Implementation of decisions taken on the basis of self-assessment by the Board of Directors
		Creation of an expanded corporate governance area on the www.arcelor.com website	Enhancement of the corporate governance area on the www.arcelor.com website
8. Responsible citizenship			
Assistance plans for all restructuring projects	Assistance plans for all restructuring projects	Assistance plans for all restructuring projects	Assistance plans for all restructuring projects
Support for cultural, sports and solidarity projects in all regions in which the Group operates	Extension of the bone marrow transplant partnership from France to Brazil	Partnership with Brazil's National Cancer Institute (INCA)	Strengthening of social ties in countries in which the Group operates

Arcelor sustainable development key performance indicators

This table summarizes the sustainable development performance indicators implemented across the Group. They are based on the GRI (Global Reporting Initiative) (see page 103, cross-reference table) and sector reference bases. The indicators cover all consolidated Arcelor companies, unless otherwise mentioned. Data relating to previous years have not been adjusted to take account of changes in the scope of consolidation affecting results, unless otherwise mentioned.

Principles	Indicators	2002	2003	2004	2005
Principle 1 - Group profitability (page 76)					
Profitability	ROCE (return on capital employed) (%)	6.6	8.5	27.4	26.5
Debt	Gearing (%)	0.75	0.55	0.20	0.07
Efficiency gains	Synergies (€ m relative to 2001)	190	405	560	700
Dividend	Gross dividend per share (€)	0.38	0.40	0.65	1.20
Principle 2 - Health and safety and risk management (page 77)					
Safety	Number of fatal accidents due to specific risks (Arcelor employees and contractors)	4	0	6	0
Safety	Number of serious accidents (lost time > 2 months, Arcelor employees and contractors)	-	-	198	151
Safety	Accident frequency rate, Arcelor employees (number of lost-time accidents per million hours worked)	9	5.5	3.7	2.4
Safety	Accident frequency rate, contractors	-	-	7.5	5.9
Safety	Accident severity rate, Arcelor employees (number of workdays lost to accidents per thousand hours worked)	0.42	0.35	0.26	0.23
Product safety	Number of steel safety data sheets	393	431	446	495
Product safety	Number of by-product safety data sheets	31	63	84	97
Risk Management	Percentage of Arcelor business model covered by risk management	68	100	100	100
Risk Management	Level of identification and control of major risks	Corporate	Corporate + business units	Corporate + business units + Sites	Corporate + business units + Sites
Principle 3 - Protection of the environment and of scarce resources (page 81)					
Environmental Management System	Percentage of employees working in an ISO 14001-certified environment	80	96	97	98
Environmental Management System	Percentage of production sites with ISO 14001 certification	61	77	92	97
Air pollution	Ducted dust (kg/tonne steel)	0.26	0.27	0.25	0.27
Air pollution	SO ₂ emissions (kg/tonne steel)	1.11	1.05	1.17	1.17
Air pollution	NO _x emissions (kg/tonne steel)	1.22	1.16	1.11	1.14
Air pollution	CO ₂ emissions (tonne/tonne steel)	1.50	1.50	1.55 ¹	1.56
Water	Water discharge (outflow) (m ³ /tonne steel)	4.4	4.15	3.74	5.89
Water quality	Chemical oxygen demand (COD) (g/tonne steel)	238	190	190	179
Water quality	Suspended matter (g/tonne steel)	149	118	93	155
Residues	Residue eliminated through discharge or incineration (kg/tonne steel)	-	42.6	31.6	32.0
Residues	Stored residue (kg/tonne steel)	-	46.8	33.5	33.5
Principle 4 - Dialogue with partners (page 87)					
Dialogue	Percentage of employees having access to a dialogue/consultation/representation/expression of grievances structure	100	100	100	100
Dialogue	Establishment of programmes for meeting with stakeholders and NGOs at the major production plants	Yes	Yes	Yes	Yes
Dialogue	Percentage of major plants holding open days	100	100	100	100

¹ Specific greenhouse gas emissions (CO₂) have increased due to the expansion of the Arcelor scope of consolidation in 2004. On comparable basis, the level of CO₂ emissions was 1.50. Capture of atmospheric CO₂ is not deducted from specific emissions. It is estimated at 1.25% of emissions.

Principles	Indicators	2002	2003	2004	2005
Principle 4 - Dialogue with partners (continued) (page 87)					
Manager satisfaction	Implementation of employee-relations statistics teams	No	Yes	Yes	Yes
Customer satisfaction	Implementation of customer satisfaction surveys	Yes, per sector	Yes, per sector	Yes, per sector and market	Yes, per sector and market
Partner satisfaction	Organization of image/reputation surveys in the vicinity of major production plants	Yes	Yes	Yes	Yes
Principle 5 - Skills development (page 89)					
Multicultural group	Number of nationalities in the workforce	35	40	45	47
Multicultural group	Total workforce at 31 December, full-time-equivalent	104,241	96,294	94,478	96,256
Employment	Percentage of employees working under a temporary contract	Not consolidated	2.70	2.85	3.7
Employment	Average length of service of employees (years)	22	21.5	21.2	19.3
Employment	Average age of employees (years)	Not consolidated	44.8	44.8	44.3
Employment	Percentage of women in executive positions	7	8.2	8.4	12.3
Employment	Percentage of women in the total Group workforce	10	10	10	8
Training and mobility	Training (number of hours per employee per year)	30.6	39.6	40	40
Remuneration	Percentage of workforce having a financial interest in the company's earnings	50	58.6	61	64
Remuneration	Percentage of the workforce subject to yearly performance assessment (interview etc.)	35	37.6	39	42
Remuneration	Percentage of managers subject to yearly performance assessment	77	82	84	91
Principle 6 - Innovation and quality (page 93)					
Innovation	Arcelor gross research expenditure (€ m)	153	143	130	138
Innovation	Estimated global research efforts by Arcelor + partners in joint projects (€ m)	-	194	182	197
Innovation	Percentage of R&D devoted to the environment (%)	-	38	39	40
Principle 7 - Corporate governance (page 97)					
Corporate governance	Number of Board of Directors meetings	5	8	7	7
Corporate governance	Average attendance of directors at Board meetings (%)	90.6	87	89.7	86
Corporate governance	Number of Audit Committee meetings	5	8	5	6
Corporate governance	Average attendance of Audit Committee members (%)	100	97	85	92
Corporate governance	Number of Appointments and Remuneration Committee meetings	4	6	5	3
Corporate governance	Average attendance of Appointments and Remuneration Committee members (%)	100	87.5	95	100
Corporate governance	Independent Board members	9 out of 15 + 3 staff representatives	9 out of 15 + 3 staff representatives	11 out of 15 + 3 staff representatives	11 out of 15 + 3 staff representatives
Corporate governance	Number of nationalities represented on the Board	6	6	6	6
Principle 8 - Responsible citizenship (page 99)					
Restructuring/employment	Percentage of sites benefiting from redeployment plans in the event of closure or reduced activity (%)	100	100	100	100
Support for social projects	Budget for supporting/sponsoring social projects (€ m)	8	8	8	12

Principle 1: Group profitability

Objectives

Building on its excellent return on assets, Arcelor has set ambitious new targets as part of its 2006-2008 value creation plan, the key aspects of which are:

- A normalised EBITDA target of €7bn, with potential for additional improvement
- Sustained cash flow of €4.4bn per year over the cycle
- A progressive dividend policy, with a standard payout rate of 30%
- Earnings-enhancing acquisitions generating ROCE of over 15%
- A commitment to return surplus cash to shareholders, including cash from non-core business disposals

(*) *Free cash flow after maintenance investment and before development investment and dividends*

Financial performance trends

Without financial performance, Arcelor cannot achieve sustainable development.

Since it was created in 2002, Arcelor has generated combined efficiency gains and synergies of €1.9bn, including €421m in 2005.

The Group has hit its merger-related synergy target of €700m one year ahead of schedule.

It reduced its net debt from €6.5bn (proforma) at end-2001 to €2.5bn at end-2004 and €1.3bn at end-2005.

ROCE was 26.5% in 2005.

Financial strength as a driver of growth and shareholder value

Arcelor's development strategy is based on high-value-added products and an investment policy that ensures excellent returns on capital employed. Arcelor pays special attention to carrying out the right amount of investment. It avoids overinvesting by keeping a firm grip on investment, so as not to threaten the Group's dividend policy. It avoids underinvesting by ensuring that production assets are well maintained and at the leading edge of technology, by developing new products and by investing in growth.

A balanced investment model combining growth with the creation of shareholder value

In 2005, Arcelor brought into service a new automotive steel galvanizing line at the Mardyck site in France. This facility was created by converting an existing electrogalvanizing line, and required half the investment of building a new line.

Principle 2: Health and safety and risk management

Objectives

- Prevention and control of major risks
 - Full implementation of Seveso directives
 - Absolute safety of plants, processes and products
- Significant reduction in frequency and severity of workplace accidents
 - Zero tolerance of serious accidents or deaths in its businesses
 - Frequency rate: LTA frequency (lost-time accidents per million hours worked) < 3
 - Severity rate: number of workdays lost to accidents per thousand hours worked < 0.25
- Total safety of products in use

Health and safety performance

Arcelor's accident frequency rate fell by 35% in 2005. The 2005 figure was 2.4, even better than the target of 3 set by the Group's Health and Safety Division. Since Arcelor was created in 2002, accident frequency has fallen by more than 73%.

The injury severity rate of workplace accidents affecting Arcelor staff fell by 22.5% in 2005. Since 2002, this figure has declined by 45%.

Arcelor has several initiatives to reduce workplace accidents among the staff of suppliers and subcontractors (Safety Partners, Shared Vigilance etc.). As a result, accident frequency among subcontractor staff fell by 21% in 2005.

A strong commitment to health and safety

As soon as it was created in 2002, Arcelor drew up a Safety Charter that applies to all consolidated companies. It covers the fields of Health, Safety, Industrial Security and Product Safety, and concerns not only Group personnel, but also subcontractors working on sites, persons living near facilities, customer personnel working with Arcelor products, and consumers. The staff representative bodies that co-signed this charter are closely involved in its distribution and implementation among both Arcelor and subcontractor staff.

The charter was updated in 2005 following work initiated by the Bilbao Convention in 2004, in which management and staff representatives discussed health and safety issues.

Arcelor Global Health and Safety Policy

Arcelor is committed to the sustainable development of steel in a socially responsible way. Arcelor's Global Health and Safety policy, in partnership with the employees' representatives, expresses this ambition and supports the long-term development of the company.

This global concern includes all aspects of the human life and extends beyond the boundaries of the company. It also takes in account the causes of diseases linked to interpersonal relationships (stress etc.).

Arcelor aims to achieve the wellbeing of everyone associated with its business:

- The wellbeing of all persons is a prerequisite for the long-term development and success of Arcelor;
- The wellbeing of all persons requires efficient prevention of industrial and health risks in an operational environment with high risk awareness;
- The wellbeing of all persons requires organizational process controls that will prevent or limit the effects of accidents and incidents.

This global commitment concerns the company's employees, service providers in the Arcelor plants, communities near the installations, customers using the products, as well as end users.

Arcelor has the ambition to become a world class leader in the management of health and safety for all its partners.

Consequently, Arcelor affirms that:

- Health and safety are an integral part of everyone's responsibility during planning as well as implementation activities.
- No other priorities shall be higher than health and safety.
- Health and safety are primarily the responsibility of management but requires the participation and involvement of everyone, with the common goal of reducing the risks in a process of continuous improvement.

In order to achieve this ambition, Arcelor intends to:

1. Identify, evaluate, eliminate or minimize industrial and health risks by involving the employees' representatives during the planning and implementation phases;
2. Make available to all the means and resources necessary for carrying out tasks safely;
3. Give the right to all employees or service providers to demand compliance with health and safety procedures; insist that management create a work environment that allows everyone to exercise this right;
4. Emphasize safe behaviour and enhance the personal commitment of everyone to respect health and safety rules and regulations: every Arcelor employee has a fundamental responsibility to ensure a safe and healthy workplace;
5. Provide training to increase knowledge;
6. Develop partnerships with customers regarding toxicology and eco-toxicology;
7. Ensure that all related internal and external communications are open and free;
8. Set an example in meeting legal and regulatory obligations.

Guy Dollé
 Chief Executive Officer
 Luxembourg, 18 March 2002
 1 January 2005 update

Employee and subcontractor safety

Health and safety policy

The Bilbao Convention in February 2004 witnessed the launch of the Panhealth policy, which involves a broad vision encompassing both safety and health. It prompted the creation of a group of occupational health specialists to identify best practice in terms of preventing illness at the operational level, to identify psychosocial illnesses (including stress) in three pilot sites and to create an occupational illness database.

The Pamplona Convention took place on 21-22 April 2005. It provided an opportunity to review progress made by the Group since the Bilbao Convention, and to bring together again Arcelor's management, staff representatives and occupational health specialists to discuss health and safety issues. Subjects included the prevention of work accidents among employees and subcontractors, stress at work, lifestyles (rest, sport, diet), prevention of addictions (alcohol, tobacco, illegal and prescription drugs), repetitive strain injury and occupational illnesses.



Anyone who witnesses a dangerous situation must report it to the relevant persons. Arcelor employees and contractors must work together to improve overall safety conditions.

Experience feedback (REX) sheets

The causes of each industrial accident are systematically studied and analyzed in detail. Experience feedback sheets are then written up and distributed throughout the Group. This provides substantial assistance in reducing the risk of accidents. In 2005, 216 sheets in several languages were circulated among management and site health and safety officers.

Safety audits and certification

A single internal safety audit method (Defined, Understood, Operational - DUO) was introduced in 2005. It was implemented throughout 2005, and implementation across all Group sites will be completed in 2006. A team of 74 safety auditors has been formed to carry out this implementation in compliance with the OHSAS 18001 framework.

Many Arcelor sites have already obtained OHSAS 18001 certification, such as Eurogal (Liège, Belgium), Juiz de Fora (Belgo Mineira, Brazil), Vega Do Sul (Brazil), Etxebarri (Vizcaya, Spain), Arcelor Corrugados Lasao (Spain) and Arcelor Profile Europe (Luxembourg).

Initiatives concerning the wearing of seatbelts

In 2005, Arcelor made wearing seatbelts and harnesses a priority. The simple act of fastening a belt or putting on a harness can save lives, and must become second nature.

The wearing of seatbelts is required of all staff, inside and outside plants. Awareness-raising and poster campaigns, along with seatbelt checks within sites and at site exits, were introduced across all sites in 2005.

At the same time, initiatives to raise awareness about the wearing of safety harnesses were introduced in production plants, and specific Group-wide charters were drawn up in 2005. The aim was to reduce the number of falls, which are responsible for a third of fatal accidents within the Group.

Safety of production facilities

Arcelor's European operations include 16 Seveso sites. The safety teams are extremely attentive to all of these sites. A precise inventory of all persons involved in crisis management is drawn up. This allows each person to be mobilized and to co-ordinate their initiatives in the event of a serious accident. The Arcelor Communications Division has published precise directives to manage crisis communication and supports Arcelor University in teaching all site managers how to set up a crisis centre and build a multi-skills team to handle a crisis.

Many Arcelor teams, both in France and elsewhere, took part in the GESIM (Groupement des Entreprises Sidérurgiques et Métallurgiques) safety challenge in 2005. Every year, several hundred proposals to improve safety are implemented across the Group's various sites as part of the GESIM initiative.

Health and Safety Awards: ProfilArbed Belval and API Etxebarri recognized for their good noise prevention practices.

ProfilArbed Belval was one of five companies to receive a 2005 Luxembourg Health and Safety Award. The award was made during the 2005 European "Stop that noise" week.

ProfilArbed was recognized for its efforts during the construction and commissioning of the Medium Section Mill in Belval. Those responsible for this project anticipated European legislation and took into account noise risks from the outset. The systems used aimed to protect staff and local residents, and were complemented by noise mitigation measures. They represent a benchmark for the Arcelor group. API Etxebarri won the award in the Spain category.

Product safety

Steel does not constitute a health hazard. It does not emit hazardous volatile or allergenic substances, does not have its own electric or magnetic field, and some treatments even make it fit for food use. Unlike other competing materials, steel – and more particularly its main component of iron – is officially recognized by the European Commission as being environmentally-friendly, i.e. not constituting a particular threat to the environment in any form (iron, soluble or insoluble oxides and salts).

Application of the Risk Management System

The purpose of the Business Risk Control (BRC) Division, through its Risk Management Development unit, is to help managers formalize their risk management practices and integrate them transparently in their day-to-day management. The aim is to reduce the risks arising from their decisions, benefit from related opportunities and give them a competitive advantage. BRC offers assistance in identifying high-risk areas, provides operational staff with a set of effective internal control practices and, via its internal audit activities, ensure these practices are applied. It also periodically gives management an independent opinion on the global level of risk control. Arcelor BRC consists of a network of 70 people, organized in accordance with the principles of subsidiarity and independence. The economic, social and environmental aspects of sustainable development are an integral part of BRC's risk-mapping activities, which cover 190 risk types in Arcelor's activities. This mapping is currently being revised. Major risks relating to strategy, management, operations, finances and external events are now identified and managed both at corporate level and by the business units and the sites. Internal audit assesses risk management and the internal controls put in place, along with the proper implementation of risk management plans.

Principle 3: Protection of the environment and of scarce resources

Objectives

- Compliance with all legal and regulatory requirements
- ISO 14001 certification for all production facilities
- Significant contribution to reduction of greenhouse gases (CO₂, etc.)
- Reduction of pollutant emissions and environmental nuisances (discharges, dust, SO₂, etc.)
- Reduction of water consumption/raw material extraction (ore, etc.) and improvement of energy efficiency
- Encouragement for the recycling of steel and by-products wherever possible
- Incorporation of environmental value-added into our steel products and solutions

Environmental performance trends

Arcelor maintained its environmental efforts in 2005 although, as in 2004, results were affected by changes in the scope of consolidation. The main events in this respect were the disposals of the Azpeitia and Getafe sites in Spain, which affected the proportion of steel produced in electric-arc furnaces, and the start of operations at the Carinox steelworks in Charleroi in late 2005, which had a negligible impact on the Group's overall results. Acesita's results were consolidated as of November 2005, but had only a limited impact on average performance.

Emissions to air

Atmospheric emissions (ducted dust, sulphur oxides and nitrogen) remained very similar to 2004 levels.

There were two main highlights in 2005:

- The secondary dust removal system at the Sidmar plant in Ghent was extended in 2004, with one converter installed in July and a second in October. The full impact of this effort was seen in 2005, with the volume of dust recovered rising from 929 tonnes in 2004 to 2,301 tonnes in 2005. This dust was previously discharged into the atmosphere. In addition, ducted dust emissions reported in 2005 totalled 1,231 tonnes. The comparison between these figures show the potential scale of diffuse dust emissions, which will be assessed again starting in 2006.
- A bag filter was installed at the Fos-sur-Mer facility, processing half of its smoke emissions. Sulphur oxide emissions are also reduced by injecting lime upstream of the filter. Since the filter did not come into service until the end of the year, there was no apparent impact on 2005 emissions. However, a substantial reduction in ducted dust and related metal emissions is expected.

Water discharges

The comparison between 2004 and 2005 results is affected by changes in scope, due to the consolidation of Acindar. This plant, located in the Rio Paraña region of Argentina, has access to huge water resources and has an open circuit system that uses water on a very large scale.

2004 data, adjusted for changes in scope, show discharges of 5.63m³ per tonne of steel, very similar to the 2005 figure. Similarly, at constant scope, COD and suspended matter discharges were 215g/t and 165g/t respectively. As a result, slight progress was achieved in 2005.

At end-2004, the site in Juiz de Fora (Brazil) completed the reorganization of its water networks, enabling it to achieve a substantial increase in recycling. Wastewater discharges fell from 505,000m³ in 2004 to 62,800m³ in 2005 (74 litres per tonne).

Four of the Group's steel production sites (Bergara, Olaberria and Zumarraga in Spain and Piracicaba in Brazil) have totally closed their water circuits, while the Monlevade site in Brazil has discharges of less than 100 litres per tonne of steel.

For 2006, the Group has adopted an initiative to make water usage assessments more reliable.

Residues

Results in 2005 were very similar to those in 2004, in terms of the quantity of waste discharged (still 10kg per tonne lower than in 2003) and the quantity stored. However, despite the overall stability in stored residues, trends varied widely between sites:

- In 2004, the Dunkirk site benefited from opportunities to reuse steelwork slag and sharply reduced its stocks of crystallised slag. In 2005, however, amounts placed in storage rose back to previous levels.
- The Sidmar site reduced amounts placed in storage by more than 50%. It also invested in a system to inject silica into steelwork slag in order to stabilise it and make it easier to reuse. This investment should have an impact in 2006.
- The Eko Stahl site continued to reprocess old slag stocks, and was able to use large quantities itself in civil engineering operations (landfill covering, creation of a noise-reduction embankment).

In 2005, the Group's internal audit department audited residue management at 11 sites providing a good cross-section of the Group's geographical locations and activities.

CO₂ emissions

CO₂ emissions reported in the key performance indicators cover all steel production sites, i.e. 11 integrated plants including Acesita, and 21 electric-arc steelworks, with total crude steel production of 46 million tonnes in 2005. They also cover all cold-rolling and coating plants. The reported specific emission figures correspond to total emissions of 72 million tonnes of CO₂, including:

- Direct CO₂ emissions (from Group chimneys)
- Emissions from the combustion of gases that are produced in the steelmaking process and exported to power plants or other users, in order to assess the overall impact of our activity
- Emissions relating to grid electricity purchases, taking into account the CO₂ equivalent per kWh in each country

Environmental protection: one of Arcelor's main priorities

Consistent environmental standards applied at each Arcelor entity

In order to promote environmental excellence in all its entities, the Arcelor Group drafted an environmental charter as soon as it was created in 2002. This charter focuses on minimizing impacts and nuisances generated by production, developing environment-friendly products, ensuring transparency, and raising stakeholders' awareness of environmental issues. The charter applies to all Group entities.

Environmental Policy

Arcelor's mission is to develop, produce and sell steel in all its various forms and grades, along with processed steel products and associated products, to the satisfaction of its customers and while respecting the environment. It aims to add value by harnessing the intrinsic properties of steel.

Steel is the material of choice for environmental protection. Not only it is environmental-friendly but it also outperforms other materials in terms of recyclability. Environmental excellence is promoted by the following principles, which are to be incorporated into all the Group's activities and assured by means of an environmental management system:

1. Sustainable development, providing a long-term balance between the environment, the economy and social wellbeing;
2. Continuous improvement in environmental performance, including permanent concern for the surroundings and maximum prevention of disturbances
3. Development, improvement and application of production methods whose environmental impact is as low as is reasonably possible
4. Development and manufacturing of products that focus on environmental performance during their use and subsequent recycling, in close collaboration with customers and suppliers
5. Efficient use of natural resources and energy
6. Commitment of each individual in the organization, and management in particular, to environmentally-friendly production and compliance with legislation and Arcelor's commitments
7. Development of environmental awareness through information and training
8. Transparent and open communication with all stakeholders concerned

Luxembourg, 18 February 2002
Guy Dollé, Chief Executive Officer, Arcelor

Signature of a strategic partnership in China with the United Nations Development Programme.

On 7 November 2005, as part of its acquisitions strategy in high-growth markets like China, Arcelor signed a strategic partnership with the United Nations Development Programme, focusing on environmental issues in Shandong, Jiangsu, Qinghai and Sichuan provinces. Joint initiatives will be developed to increase energy efficiency – implementation of the Kyoto Protocol's Clean Development Mechanisms, capacity building etc. – and protect the environment.

Minimizing the environmental impact of production sites

Implementing a monitoring plan

To optimize collection and monitoring of environmental performance indicators, Arcelor has adopted a single intranet-based environmental information system that allows reporting and identification of best practices within the Group. This monitoring system was awarded second prize in the Industrial Environment Awards of FEDIL, the Luxembourg trade association representing the manufacturing, construction and business services industries.

A very high level of ISO 14001 certification

In order to promote the adoption of a continuous improvement approach by the Group's entities, the Arcelor Environment Division has set the objective of obtaining ISO 14001 certification for all of the Group's production sites. Each new Group acquisition must obtain ISO 14001 certification within two years. At end-2005, 97% of Arcelor's 90 production sites had this certification.

The scope of ISO 14001 is gradually being extended to cover finishing sites. 68% of the Group's 57 finishing sites are now ISO 14001-certified. They will all be certified by end-2006.

A major drive to reduce CO₂ emissions

The Arcelor Group's production sites are implementing a growing number of projects to improve the process for producing steel from iron ore, in order to reduce CO₂ emissions. Arcelor reduced its CO₂ emissions by 18% in absolute terms and by 23% per tonne of crude steel between 1990 and 2004. In comparison, within the framework of the Kyoto Protocol, Europe has committed itself to reduce its emissions by 8% between 1990 and 2008.

Arcelor is in favour of decreasing greenhouse gas emissions and the principles of the Kyoto Protocol. However, Arcelor has criticized the protocol's implementation in Europe, and in particular the directive on CO₂ credits. This directive puts the burden on industry alone, and the burden differs between industrial sectors. The allocation of CO₂ credits per country, and even per region, runs counter to the worldwide approach of large sectors such as steel. Furthermore, the steel industry's major efforts to reduce greenhouse gases were not taken into account by the authorities. Nevertheless, Arcelor negotiated voluntary commitments over the 2005-2007 period and should have CO₂ credits corresponding to steel production quantities by the end of 2007. Arcelor does not intend to be a major trader of CO₂ credits. In the longer term, only a worldwide approach to reducing greenhouse gas emissions will allow the reductions requested by the scientific community to be obtained while ensuring the continued existence of the European steel industry.

Finding a breakthrough technology

The future of the steel industry will hinge on its capacity to change its processes – in particular those for producing iron from ore – in order to significantly reduce CO₂ emissions and meet the expectations of society in 2030-2050.

In late 2001, Arcelor set up a think-tank as part of an ambitious project to develop breakthrough technologies. This project is co-ordinated by the International Iron and Steel Institute (IISI) and is based on regional initiatives. In Europe, Arcelor heads the ULCOS (Ultra Low CO₂ Steel-making) project, which brings together around 40 partners consisting of companies, research centres and universities. It is evaluating all feasible techniques such as gas recycling in blast furnaces, the use of hydrogen and biomass, and techniques for separating and storing CO₂ in suitable geological structures.

Using renewable energies

Through its Brazilian subsidiaries, the Arcelor Group is a major player in the field of renewable energies. CAF Santa Barbara, a subsidiary of Belgo Mineira, owns plantations covering 127,000 hectares in the states of Minas Gerais and Bahia, Brazil. In December 2004, the plantations received Forest Stewardship Council certification for sustainable cultivation as part of a reforestation program.

With 80,000 hectares planted with eucalyptus trees, these plantations produce timber – for use in furniture and as treated wood – and charcoal, which is used in small, local blast furnaces. Due to the carbon

captured during the growth of eucalyptus trees, producing cast iron using charcoal is carbon-neutral, i.e. it does not result in any additional CO₂ being released into the atmosphere and has no climate change impact.

In 2005, 900,000m³ of charcoal was produced, and CAF is planning to double charcoal production by 2010.

Acesita's forestry subsidiary (Acesita Energetica) operates plantations representing around 95,000 hectares of eucalyptus, and produces around 800,000m³ of charcoal, which is used in a blast furnace at the Timoteo plant.

In 2005, Belgo started building two charcoal blast furnaces with total capacity of 360,000 tonnes per year. These blast furnaces will feed Belgo's electric-arc steelworks, where an increase in capacity is planned.

Transportation

Transportation accounts for only 0.2% of the Group's total CO₂ emissions. Transportation is 50% by rail, 25% by sea, 5% by barge and river and 20% by road.

Maximizing the environmental value added by our products and by-products

Steel is different from other materials: it is not only the most recycled material in the world, with collection rates up to 90% depending on usage, but it also has the property, once collected, of being indefinitely recyclable.

Steel gives its customers significant environmental value added. Lighter steels allow cars to reduce fuel consumption and polluting emissions. Steel allows dry construction sites. It also allows food packaging and beverage cans to be recycled. Arcelor's baseline – "Steel solutions for a better world" – symbolizes this respect for the environment.

Conversion of by-products

Though classified as waste in most regulatory texts, Arcelor handles by-products through a strict quality management system. 94% of residues are directly re-used or stored in anticipation of subsequent use. They are used to manufacture products such as cement and concrete, fertilizer and soil ameliorants, roads, dykes, rock wool for insulation, glass, ceramics, pigments, magnets, plastics such as polystyrene, electrodes for the aluminium industry and electric steel plants, and cosmetics. Some are recycled by Arcelor to manufacture cast iron or steel.

Arcelor has a dedicated internal organization to stimulate synergies and intensify sharing of best practices in by-product management between its industrial units.

A plan for reducing unconverted residues has been developed by all production sites that produce more than 50kg of unconverted residue per tonne of steel.

A few examples of steel by-products and their use:

- Slag is a basic ingredient of green cements and allows cement plants to reduce their CO₂ emissions by 2 million tonnes per year. Green cements offer greater strength and durability than standard Portland cements.
- Cinder is used to make aggregates for road construction (ballast), or fertilizer.
- By-products containing iron, carbon or limestone are reused in the production process (325,000 tonnes/year).
- Zinc contained in dust is recovered by the non-ferrous metals industry.

Protecting the natural environment around the Arcelor sites

The Arcelor production sites cover areas of several hundred hectares. Many of these areas play host to fragile ecosystems. Protecting these natural areas is an integral part of Arcelor's environmental policy: each site uses all means to provide the best protection of these natural spaces. For example, since 1993 the steel facility at Fos sur Mer (France) has used a management system for the 531 hectares of its natural park, in partnership with the Tour du Valat Research Center (www.tourduvalat.org), intended to preserve the exceptional flora and fauna of its site. A large proportion of the 800-hectare Sidmar site (Belgium) comprises a natural reserve which includes ponds, green areas, sandy loam and woodland. Sidmar runs an active reforestation policy (more than 800,000 trees were planted between 1970 and 2000) and pays special attention to protecting the fauna on the site.

Across all its production sites, Arcelor has almost 3,000 hectares of natural space, including 1,360 in Europe and 1,962 in Brazil. In addition, CAF has 81,600 hectares and Acesita Energetica 281,000 hectares of green areas around water resources that are "legal reserves" or covered by permanent preservation rules.

In Brazil, all Arcelor Brasil entities have implemented advanced biodiversity management programmes. The environment division is currently drawing up a common methodology for taking biodiversity into account more effectively. This will allow harmonized monitoring of all action plans launched at site level.

Rehabilitating industrial wasteland

Arcelor performs ongoing surveillance and monitoring of soil pollution. It has an active policy of booking provisions to cover environmental risks.

Risks covered mainly concern soil protection and clean-up measures, ground and surface water, the processing of residues and other environmental measures. Provisions are booked in accordance with local and/or national regulatory standards.

Since 1986, Arcelor has used its specialized subsidiary Bail Industrie to conduct in-depth environmental diagnoses of its sites, to manage clean-up work, and to monitor surveillance plans concerning the quality of surface water and groundwater.

The expertise of Bail Industrie is recognized outside the Group. It is consulted in areas such as the protection of resource water by working parties from the French Ministry of the Environment and Sustainable Development, and it also helps to draft standards with AFNOR.

To support restructuring initiatives, the Group has set up Arcelor Real Estate Belgium, which will rehabilitate the sites concerned in the Wallonia region as part of a public-private partnership with La Foncière Liégeoise.

Principle 4: Dialogue with partners

Objectives

Establishment of close, transparent dialogue at all levels of the Group

- Employee representatives on the Board of Directors
- European Works Council and local committees

Exchange of information with external partners

- Long-term partnerships with customers
- High-quality reporting to shareholders and institutions
- Regular exchanges with a range of constituencies (government, local committees, NGOs, etc.)

Strong principles

The importance of dialogue with all Arcelor partners is underlined in the "4Ps" approach to sustainable development: alongside People, Planet and Profit, Arcelor adds Partners to show the importance it places on ongoing constructive dialogue with each of its partners. Each site manager is responsible for developing a dialogue with both internal and external partners.

Promoting dialogue with employees

European Works Council (EWC)

Arcelor considers social dialogue at the highest level to be a key factor for success. In May 2002, it set up a European Works Council, just a few weeks after the Group was created. The employer section consists of ten members of the Board. The workers are represented by 47 employee representatives (as well as 47 substitutes). A permanent representative of the European Metalworkers' Federation (EMF) takes part in the Council's activities.

Working with Arcelor's Human Resources Division, the EWC publishes a quarterly newsletter, "Dialogue", which covers EWC activities and illustrates the shared commitment of the employer and employee groups to creating an open space for expressing the different partners' opinions.

To help the EWC members fully assume their role as a source of proposals and consultation, they receive special training in areas such as comparative labour legislation and intercultural management. In 2004, two new training days were added on the theme of "strategy and innovation". This provided an opportunity for European Works Council members to discover the research and innovation model used by Arcelor and its customers. In 2005, training courses on sustainable development and social responsibility were held, to improve interaction between the company and its stakeholders.

In 2005, the EWC worked on the following areas: health and safety (follow-up work on the Bilbao Convention held in February 2004 and organization of the 2005 Pamplona Convention, launch of action plans and preparation for the "World Safety Day" taking place on March 29 2006 across all Arcelor sites), economics and strategy (the Group's production capacities), and the environment (CO₂).

After two years of existence, the EWC conducted its first operating review in 2004, with the help of two outside experts, including one from the European Metalworkers' Federation. The review was conducted using a survey developed jointly by the experts and by representatives of the Board members and the

employees. In addition to the survey, interviews were held with members of the Board and of the Select Committee. 80% of the people questioned in the employee group were satisfied with the way the EWC functions. The results also showed that the EWC improved dissemination of information within the Group, and helped instigate a cross-border employee-relations dialogue.

Dialogue at each production site

Arcelor aims to respect local employee-relations traditions, and conducts close dialogue with employee representatives from business units and plants. The importance of this dialogue becomes apparent during industrial reorganization. As the Group's strategic decisions will lead to several major reorganizations of labour, this dialogue has been intensified according to local legislation and specific issues. Each time, the objective was to manage change for each employee affected by these necessary industrial transformations.

Promoting dialogue with customers

Regardless of the specific issues affecting each business area and each market, Arcelor maintains special relations with its customers, in order to create value with them in a "win-win" approach.

To achieve this, Arcelor sets up dedicated customer teams in charge of managing all technical, logistical and commercial aspects of customer relationships by using its skills in each phase of customer projects. Members of these teams are sometimes embedded in the customer's development team, and focus exclusively on meeting customer requirements and generating value for them.

The Group therefore pays great attention to customers' needs and concerns. It has also focused its R&D efforts on providing them with steel solutions that meet their requirements, particularly in terms of overall cost reduction, product recyclability, energy efficiency, safety and environmental protection. Action plans to increase customer satisfaction and loyalty were introduced in 2005 across all the Group's business sectors.

Promoting dialogue with individual and institutional shareholders

Arcelor provides clear, regular and transparent information to individual and institutional shareholders and to the financial markets. It tailors its reporting to the needs of each audience through an active financial communication policy, which involves a range of media including roadshows, a shareholders' guide, newsletters and toll-free phone lines.

More information on this subject can be found in the "Market information and financial reporting policy" chapter, page 16.

Promoting dialogue with local residents

Arcelor's sites are increasingly reaching out to the residents living near its sites, both to solve any nuisance problems, and to increase resident awareness of issues such as environmental protection.

Several times a year, each site organizes meetings between the site's managerial staff and local residents, officials and associations. Open-house days are also organized in plants, allowing tens of thousands of visitors to get to know Arcelor better and to increase their understanding of the action plans being deployed at the operational level. Permanent sustainable development spaces are starting to appear in production sites, allowing themed events to be organized for all audiences, dealing with the various key aspects of sustainable development.

Promoting dialogue with society

Throughout 2005, Arcelor took part in a number of industry task forces and think-tanks, both national and international, with a particular focus on sustainable development. These included IISI, Eurofer, national steel federations, European Japan Centre for Industrial Cooperation, CSR Europe, Entreprise pour l'Environnement and MEDEF in France and Union des Entreprises Luxembourgeoises in Luxembourg. In 2005, Arcelor continued to support the publication by IISI (International Iron and Steel Institute) of a sustainable development report including a set of consolidated industry sustainable development indicators.

Principle 5: Skills development

Objectives

- Support for employee development programmes:
 - Training to foster multi-skilling and versatility
 - Training/development of managers and supervisors (Arcelor University)
- Initiatives to build on shared core values (delivering quality to customers; efficiency and profitability; partnership, dialogue and openness; respect for people and the environment; ethical approach to business)
- Development of a fundamentally people-centric and efficient approach to relationships within the business (fewer levels of management, teamwork, quality improvement groups, etc.):
 - Dialogue between each head and his/her team at least once a month
 - Individual meetings about operating procedures with each member of staff

Social performance trends

Geographical breakdown of the workforce	December 2005
France	26,645
Belgium	15,405
Spain	13,225
Germany	9,197
Luxembourg	5,911
Other EU15 countries	3,028
EU25	1,153
Other European countries	254
North America	1,109
South America	20,245
Far East	84
TOTAL	96,256

Sector breakdown of the workforce	December 2005
Flat Carbon Steels	45,883
Long Carbon Steels	20,313
Stainless Steels and Alloys	13,679
A3S (Arcelor Steel Solutions & Services)	11,055
Other businesses	5,326

Employment status in 2005	
Engineers and managers	8.0%
Office workers	34.3%
Manual workers	54.6%
Other	3.1%
TOTAL	100%

In 2005, a single HR information system came into operation, to facilitate reporting of HR data covering all of the Arcelor Group. To make reporting more reliable and exhaustive, the system is linked with the financial reporting carried out by management controllers. Following the introduction of this new calculation methodology, substantial changes have occurred in some indicators relative to previous years.

The workforce increased in 2005 due to the integration of Acesita (4,754 employees) and new hirings (5,851). These new staff more than offset the reduction arising from restructuring (Arco plan in Spain, restructuring of the hot phase in Liège, restructuring of Ugitech, closure of Isbergues) and natural wastage (4,132).

The breakdown between engineers/managers, employees and workers was stable in 2005.

Arcelor social model

Compliance with main international principles

Observance of the Universal Declaration of Human Rights and the ILO declaration relative to principles and fundamental rights is at the heart of Arcelor's Principles of Responsibility. The Group intends to promote the wellbeing of its employees, respect the cultural diversity of its teams, and reject all forms of discrimination. This commitment can be seen through Arcelor's signing of the United Nations Global Compact. In 2005, Arcelor also became the first steel company to sign a Worldwide Agreement on Principles of Corporate Social Responsibility with the International Metalworkers' Federation (IMF), the European Metalworkers' Federation (EMF) and the European Federation of Managers in the Steel Industry (FEDEM). This agreement demonstrates Arcelor's commitment to applying high social standards in all its operations. It is an official statement of Arcelor's commitment to fundamental employee rights, such as freedom of choice of work (no forced or compulsory work), non-discrimination, banning of child labour, freedom of association and the right to collective bargaining. It confirms Arcelor's intention to fulfil its key sustainable development principles: health and safety (nothing takes precedence over health or safety), the environment (environmentally friendly production), communication (transparency with all stakeholders), dialogue between management and labour and industrial and economic change (forward planning and skills development). This agreement is applicable to all Arcelor subsidiaries. In addition, Arcelor will encourage its commercial partners (subcontractors and suppliers) to comply with the principles of this agreement.

Respect for diversity and non-discrimination are realized as part of Arcelor's day-to-day activities. Historically, the proportion of women working in highly industrial sectors like steel has always been very low. At Arcelor, however, the proportion is rising steadily. In 2002, women made up 7% of the workforce, rising to 8.2% in 2003, 8.4% in 2004 and 12.3% in 2005. The Group's recruitment policy aims to support this rising trend. In its recruitment, Arcelor matches the ratio of men to women seen in the higher education institutions from which it recruits, and is now making efforts to achieve a better gender balance at each hierarchical level.

In France, Arcelor signed the Diversity Charter of the Institut Montaigne (www.institutmontaigne.org) in 2004. This charter is intended to combat all forms of discrimination and to recruit and promote persons from diverse cultural and ethnic backgrounds.

Multiculturalism is an everyday fact in the Group, with no less than 60 nationalities represented. Arcelor's Management Board features three different nationalities, and its Board of Directors six different nationalities. The mobility cells operating at Group level and the job listings on the Arcelor intranet promote cultural mixing and experience-sharing within the various Group entities.

Organization

As a multinational group, Arcelor has a worldwide Human Resources Management Committee which works to meet the Group's employee relations performance targets through effective implementation at the operational level.

It is supported by the skills of dedicated management development, compensation and benefits, and social relations teams.

Skills development

Developing the skills of all personnel is key to Arcelor's industrial and sales performance. Local training policies tailored to specific needs and opportunities are implemented everywhere in the company.

Needs are defined on the basis of industrial and commercial projects, as well as on personnel expectations as they emerge, for example, in personal interviews.

Skills development is increasingly tied to the deployment of best practice within the company. It is not only a question of training. It also depends on work organization, with the implementation of independent teams and greater responsibilities for each person at every level.

Skills development also produces staff that are better qualified and more adaptable. These attributes are very valuable in preparing them for career progressions and mobility within a Group that is expanding internationally and that is reorganizing its business activities.

Arcelor's various professions and functions were mapped in 2005 to get a better view of the skills required in each of Arcelor's functions, and to facilitate movement between professions and internal mobility. Arcelor extended its concept of assisted international mobility packages from managers to manual workers for specific missions in 2005.

In 2004, Arcelor set up a system for identifying and grooming high achievers among its managers. This system prepares the next generation of managers for the medium term, and the initiative was stepped up in 2005.

Arcelor's training programmes bolster employees' core skills. These programmes are centralized at Group level within Arcelor University, which offers the Group's engineering and managerial staff both technical and management training, complementing training available locally.

26 different training courses were held in 2005, including the integration of young recruits (Open Your Steel; Understanding Steel), career development support for managers (Young Manager Programme; Operational Manager Programme), specific senior management programmes (Campus, Executive Seminars), and an MBA in partnership with ESCP-EAP. There were also professional support training courses and a programme of skills-sharing with other companies. These training programmes were carried out both in class and remotely (e-learning).

Arcelor University uses teachers from within the Group and from outside organizations (HEC, ESCP, EMLyon, Esade, Cranfield, University Catholique de Louvain etc.).

At the operational level, skills development also involves the creation of skills and expertise communities, known as Agoras. For example, Galv'agora, is the community for all Group galvanizing staff, enabling them to identify experts, get answers to questions, pass their skills on to colleagues and achieve progress in their operations.

Remuneration

Arcelor's remuneration policies are designed to reward both performance and skills.

Managers are evaluated according to their performance and the results obtained in industrial safety, environmental protection, and employee satisfaction based on the MBO (Management by Objectives) model that is common to the entire Group.

A wide-ranging project was launched in 2004 to harmonize remuneration policies for the Group's entire manager population, in particular concerning performance-related pay and non-monetary benefits. This project was completed in 2005.

In 2006, Arcelor will launch the AESOPE 2006 employee share ownership plan, under which all employees of all Arcelor entities with more than 250 employees and over which the Group has majority control will have the opportunity to buy shares. At end-2005, 0.9% of Arcelor's capital was owned by Group staff.

Employment and skills planning to optimize restructuring

In line with the founding traditions of the Group and as formulated in its Worldwide Agreement on Principles of Corporate Social Responsibility, Arcelor is committed to medium-term management of employment, which involves:

- support for reorganization through proactive skills management among the staff affected
- in major restructuring projects:
 - focus on career and geographic mobility within the Group
 - limits on outplacement through optimal use of local opportunities
 - support for the economic redeployment of the local labour forces affected

To anticipate changes in the main professional segments, career committees have been set up in the Group relating to management and finance, metalwork in flat carbon steels, and HR. These committees are designed to prepare the professional segments concerned to deal with demographic, technical and organizational changes over the next 5 to 10 years.

Wellbeing at work: preparatory work to manage stress in the workplace

Following trials at four pilot sites (Stahlwerke Bremen, Imphy, Olaberria and Genk), work on dealing with stress in the workplace has been carried out by the social innovation department of Arcelor's HR division. The results will be implemented across all Group sites in 2006, with the support of staff representatives.

Principle 6: Innovation and quality

Objectives

- Active contribution to the renewal of the Group's steel product and solutions offering
- Help to improve production processes, through continuous or breakthrough change
- Development of know-how across the Group
 - Product enhancement in partnership with customers
 - Sharing of best practice
 - Implementation of continuous improvement plans
- Improved research and development efficiency and reduced time-to-market (objectives of the 2005 Innovation Project completed last year)
- Development of programmes in line with the strategic priorities of business sectors and Arcelor's sustainable development strategy
- Development of partnerships with customers: 200 currently in place
- Development of external co-operation:
 - Joint studies with other industries and other steelmakers
 - Partnerships with universities and research institutes
 - Public-private joint ventures

Innovation: a core business

Arcelor employs more than 1,300 research staff worldwide, including 1,100 in Europe in Maizieres-les-Metz (France), Ghent and Liège (Belgium) and Aviles (Spain). The Flat Carbon Steels accounts for 80% of Arcelor's innovation and R&D effort, Stainless Steels 15% and Long Carbon Steels 5%. The Group also has almost 150 engineers embedded within major customers, of which 60% carry out research in the automotive industry and 40% in the packaging, construction and manufacturing industries.

Arcelor's net research spending increased to €137.61m in 2005.

On average, the Group develops 20 new steel solutions (including 12 in flat steels) and creates 35 new products (25 in flat steels) per year. Half of the steel products that Arcelor offers to carmakers have been introduced in the last five years.

Arcelor has developed numerous research partnerships worldwide. It currently has 15 automotive steel and process projects underway with Nippon Steel in Japan. Under this technological alliance, the two companies have a combined research staff of 2,500, equal to 60% of global steel research resources.

Promoting innovation dedicated to the environment and safety

40% of Arcelor's research is geared specifically toward the Group's environmental policy. This research has a direct environmental impact: reduced consumption of energy and raw materials, less polluting discharges from plants, and development of products that comply with future environmental standards. It also has an indirect impact, through products that anticipate the expectations of the Group's customers, such as very-high-tensile steels that increase automobile safety and which, being lighter, allow lower vehicle CO₂ emissions, and steels with properties that allow customers to remove certain stages of their production process (e.g. steel coated with organic matter).

In terms of processes, Arcelor has launched the ULCOS (Ultra-Low CO₂ Steelmaking) project, which aims to select and develop technologies allowing a drastic reduction in CO₂ emissions during steel production. This project, which brings together 48 partners in Europe, enjoys financial support from the European Commission. Arcelor is the project's co-ordinator.

R&D teams have also focused on several environmental projects such as controlling harmful emissions from iron ore agglomeration and coking plants, improving recyclability of scrap at basic oxygen furnaces, and reducing temperature dispersion in galvanization furnaces.

Steel solutions for a better world

Arcelor steel is a product that contributes to sustainable development. Steel solutions mean a series of services that supplement the Group's products, to better fulfil customer expectations.

The environmental impact of Arcelor's steel solutions in terms of recyclability, durability, weight reduction and robustness is tightly controlled. The same is true for the production methods used in the various Group entities.

Steel solutions in construction

Steel does not emit hazardous, volatile or allergenic substances. Structural steel does not have its own electric or magnetic fields. The influence of steel beams on magnetic fields in a building is insignificant in terms of hazardous effects for humans and animals.

Steel adds significant value in terms of environmental protection. It allows:

- a reduced quantity of construction materials and lower transportation requirements due to the reduced weight of structures
- reduced construction times due to prefabrication
- reduced waste on site by allowing "dry" assemblies
- building designs that incorporate the disassembly and reuse of structural elements
- recycling and extraction of materials from the waste chain

Steel enhances the aesthetic qualities and versatility of buildings. It allows:

- thin load-bearing elements, thus increasing the usable area in buildings
- the design of versatile, audacious and exceptional structures

Steel has a generally favourable environmental impact. The lifecycle analysis of a steel building compared with a concrete building shows a 41% reduction in water consumption during the construction phase. A steel structure allows half as many trips by truck to and from the site, and produces 57% less inert waste. Using advanced external insulation techniques, steel allows significant energy savings and easier maintenance and upgrading throughout the life of the building. At the end of its life, steel offers easy recycling possibilities. Overall, the savings generated during construction (which accounts for 92% of consumed energy) show that steel's environmental impact is highly favourable (for more information, see www.constructalia.com).

Concerning the building and construction market, Arcelor has focused its R&D efforts on projects that demonstrate the performance capabilities of a number of construction systems for energy-efficient buildings, such as ventilated double roofs, and on reduced-weight materials, such as beams and sheet piling

Steel solutions for the automotive industry

Steel is the most widely-used material in the automotive industry, with flat steels accounting for 40% of the weight of a vehicle and 98% of the body in white. It offers significantly enhanced safety through its impact resistance, and increased environmental friendliness through its recyclability.

Safety: Increasingly stringent crash standards require huge increases in energy absorption. To meet these challenges, more resistant materials are required. Steel currently offers resistance of over 1,000 MPa. Very-high tensile steels (VHT) currently account for more than 30% of steels used on the body in white. Arcelor makes a constant contribution to improving vehicle safety. The Group's VHP (very high performance) and VHT steels are recognized by automotive manufacturers as playing an active part in improving safety performance in the most demanding crash tests.

Environment: It takes less energy to produce steel than other materials. Steel is a non-toxic metal that can be recycled indefinitely and easily due to its magnetic properties. The increased use of very high tensile (VHT) steels and new generations of steel allow the weight of a body in white to be reduced by 25-50%.

Durability: Arcelor's coated steels allow manufacturers to offer warranties of up to 30 years.

Evolving technology: almost 30 different grades of steel can be specified on a body in white, depending on the performances required. Half of Arcelor's automotive steel products are less than 5 years old.

In the **Automotive** industry, R&D has focused on promoting steel solutions through the use of demonstrators such as ABC (Arcelor Body Concept), which illustrate the weight reduction potential developed by Arcelor. R&D has also focused on providing customer support for working these steels and integrating them into new vehicles.

These new steel grades allow major weight savings that directly reduce vehicles' polluting emissions (roughly 10% on a standard "segment C" vehicle). They also allow enhanced passenger safety in these vehicles by meeting all EuroNCAP 5-star crash-test criteria and the American standards for rollover and rear impact.

Steel solutions for packaging

Safety: Steel packaging offers excellent protection for content such as canned foods, beverages, powdered milk for infants, coffee, or any other product. Its solidity makes it the ideal packaging material for all types of products. Its robustness allows it to withstand impacts. It is impermeable by light, gases and micro-organisms, preventing damage to the contents over the long term. Its tamper-proof qualities guarantee complete safety for consumers.

Environment: Steel's magnetic properties facilitate recycling, regardless of how the used packaging is processed: selective sorting, composting, or incineration. Cans have become much lighter over the past ten years, and so use less material when originally made. Lastly, steel packaging can be easily recycled into new steel products.

Arcelor continued to update its packaging offering in 2005 through an expanded range of steels with high tensile and high ductility characteristics, allowing reduced thickness and therefore lighter packaging, along with easier working. A new line of steels with very low tensile properties and very high ductility has been launched, allowing designers to give free rein to their imaginations, by making new shapes possible. The infinite recyclability of steel is also a key aspect that can be exploited for each of its applications.

Steel solutions for household appliances

Steel allows intrinsic cost reductions to be achieved in appliances, and also enhances appearance, acoustics, ease of use and energy efficiency. It is also better for the environment. The WEEE European directives applicable as of 2006 concerning the recycling of electrical and electronic appliances is a wonderful opportunity for promoting the economic and environmental advantages of increased steel use in the design of household appliances, thanks to the infinite recyclability of the material.

Arcelor has focused on developing and expanding its range of environmentally friendly products for household appliances.

Total quality and TPM

All Arcelor sites use a total quality approach and have ISO 9001 certification. Each site ensures quality every day by setting objectives – such as customer satisfaction and observance of production lead times – as part of Annual Development Plans (ADP). Quality methods require the participation of all staff, who

are required to take ownership of quality processes. Despite high quality levels, Arcelor continues to introduce new methods to stimulate its continuous improvement objectives.

Arcelor has used JIPM's TPM (Total Plant Maintenance) method since 1995 to promote industrial excellence in terms of reliability, customer satisfaction, safety and environmental protection. TPM fits perfectly with Arcelor's commitment to sustainable development. TPM enhances organizational credibility and creates social ties within organizations. It ensures consistent service and improved quality for customers, along with higher yields and lower logistics and maintenance costs. It also minimizes the environmental impact of production. All Arcelor's Flat Carbon Steel production sites are committed to TPM.

In 2005, Japan Institute of Plant Maintenance (JIPM) awarded 169 excellence prizes to plants applying the TPM method, including 14 Arcelor flat carbon steel plants in Europe.

In order to foster exchanges of best TPM practice in the Stainless Steel sector, the Inox Progrès Continu challenge, which is the first of its kind, was organized on 15 March 2005 and involved a number of operators and managers.

Principle 7: Corporate governance

Objectives

- Split between the functions of Chairman and Chief Executive Officer
- Establishment of Board-level committees to promote transparency and professionalism
 - Audit Committee
 - Appointments and Remuneration Committee
- Definition of qualification criteria for independent directors
- Compliance with international corporate governance recommendations
- Clear definition of principles regarding commitments made by the Group and its entities and its entities (mandatory two-signature system, up-to-date table of authorized signatories for the parent company and entities, legal validation for all contacts, etc.)

Achievements

Arcelor is dedicated to applying the principles of good corporate governance, and is maintaining its efforts to ensure transparency and improve the quality of distributed information. In its annual report, the Group includes the Report of the Chairman of the Board of Directors on corporate governance and internal control procedures (see page 105). Detailed information is provided on the members of the Board of Directors, the remuneration of Board and Management Board members, and Internal Audit procedures.

An area dedicated to corporate governance has been added to the www.arcelor.com website. This area now provides a wide range of reference documents concerning the company.

A Board self-assessment procedure was launched at the beginning of 2005. Self-assessment concerns the organization and follow-up of Board meetings, the composition of the Board, the missions and operations of the Board, the remuneration of its members, and the running of the Audit Committee and the Nominations and Remuneration Committee.

Code of Ethics

In 2005, Arcelor drew up a Code of Ethics, which defines basic values and ethical behaviour standards for each Group employee worldwide. This is an official document, forming part of Arcelor's Principles of Responsibility and its commitment to the United Nations Global Compact, particularly in terms of the tenth principle relating to efforts to combat corruption. While the Principles of Responsibility set out guidelines for Arcelor's behaviour, the Code of Ethics refers to the individual behaviour of each employee.

An Ethical Compliance Officer was appointed in mid-2005 to implement the Code of Ethics. The Code, translated into all the Group's major languages, has been disseminated among all employees using media such as brochures, pocket cards, posters and the intranet, along with an explanatory note from the CEO detailing its most important points. A campaign to inform staff and raise their awareness about the Code has been introduced, involving numerous conferences, workshops and seminars. A network of ethics correspondents, able to answer any ethics-related question in a given region or country, has been set up and will be rounded out in 2006. The roll-out of early warning and whistleblowing systems (including a telephone number, email address and mail address) started in late 2005, and will be completed in 2006. These systems will complement the existing possibility for employees to seek confidential ethical advice from their hierarchical superior, the local ethics correspondent or the Ethics Compliance Officer.

Arcelor's Code of Ethics

Compliance with laws and regulations

We will always conduct our business in full compliance with applicable international, national and local laws and regulations.

Health and safety

We will promote a healthy, safe working environment. Safety will come first in all our business decisions and we will accept no compromise in this area.

Equal opportunities

We are committed to equal employment opportunity and fair treatment of employees. We will not tolerate any form of discrimination or harassment.

Respect for the environment

We will act with the utmost respect for the environment, working to keep environmental impact to a minimum wherever we operate.

Fair trading

Relationships with our customers, suppliers and competitors will be based on the principles of fairness and honesty.

Conflicts of interest and integrity

We will avoid any situation where personal interests might in any way conflict with the interests of the business, particularly with regard to financial interests, activities outside Arcelor, family relationships and the receipt or offer of gifts and hospitality.

Shareholders and the stockmarket

We will uphold shareholders' rights. We will not trade in the shares of any listed company within the Arcelor group, directly or indirectly, on the basis of information not publicly available.

Confidentiality and information

We will not divulge any confidential information concerning the Group or its business. Only authorized staff are to respond to requests from the press and others. In this, they will abide by the principles of openness, honesty and responsibility. All information disclosed will be accurate and complete, and presented in accordance with generally accepted accounting principles.

Safeguarding assets

We will use Group assets with respect, avoiding any form of waste or misuse. We will not use them for any purpose not directly related to Arcelor's business.

Records

We will keep all necessary records of the business and its transactions.

Principle 8: Responsible citizenship

Objectives

- An approach that fosters respect for the Group's multicultural characteristics
- Respect for the cultures of individual countries
- Encouragement of active involvement in social projects
- Development of retraining programs and industrial redevelopment of sites following plant closures.
- Targeted support and sponsorship programmes at the local, national and international levels
- Initiatives to allow access to plants as part of a commitment to transparency

Responsible approach to industrial reorganizations

In keeping with the traditions of Arcelor's founding entities, industrial reorganizations are announced several years in advance, and are based on in-depth strategic reviews carried out jointly with the people concerned.

This principle of forward planning supports Arcelor's efforts to handle these reorganizations in a socially responsible manner, working with the European Works Council and staff representation bodies. The aim is to work with these bodies to find the best possible solutions and to anticipate the impact of restructuring on employees.

Arcelor's long-term strategy involves industrial reorganization at several European sites lasting until 2010. The strategy was defined when the Group was created in 2002, and has involved disclosures and consultations enabling Arcelor and staff representative bodies to limit the impact on employees and to deal with it on a long-term basis.

The steel industry involves heavy investment in equipment that has a long lifespan (more than 15 years). As a result, Arcelor gives itself as much time as possible to develop in-depth dialogue with staff representative bodies, the public authorities and other stakeholders. The aim is to provide a solution to each employee affected by reorganizations and to give fresh stimulus to the local labour forces affected.

In these industrial reorganizations, Arcelor prioritizes restructuring methods that have no direct impact on labour, such as early retirement. When these methods are insufficient, labour management measures are used. Arcelor tries first to find solutions other than redundancies, such as internal transfers, redeployment, the spreading of planned measures over time, reorganization of labour or alterations and reductions in working hours.

Internal transfers between Group entities and sectors is the first line of action, and Arcelor has an internal unit specializing in this activity. Special training plans are created for staff affected by restructuring or who cannot be transferred internally, and assistance with personal projects is provided. This approach has also improved internal mobility, and is an integral part of the Horizon 2008 agreement signed by three unions in January 2005. In addition, given trends in the average age of plant workers, internal transfers have become the basic method for handling reorganization.

Restructuring can also have a major impact on local labour forces. Arcelor is often one of the biggest employers in the regions where it operates, and is committed to developing replacement activities, in conjunction with governments, local authorities and local organizations. For example, this includes the creation of local training programmes, efforts to redeploy sites and employees, job creation assistance and initiatives to find new owners to take over activities, depending on the methods best suited to local and national needs.

SODIE (Société pour le Développement de l'Industrie et de l'Emploi) helps redeploy local labour forces. Arcelor is a minority shareholder of SODIE alongside Alpha.

SODIE was founded in 1983 by the two French steel companies Usinor and Sacilor, which are now part of Arcelor. The aim was to offset the economic and social consequences of restructuring at these two companies. In particular, SODIE's brief is to help create jobs and transfer employees in areas affected by industrial reorganization. It does this by providing financial assistance in the form of loans and grants to companies setting up or expanding in areas undergoing job losses. These companies must have plans that will create jobs. SODIE also canvasses companies to encourage them to move into areas affected by redundancies. At the same time, employees of companies undergoing restructuring who want to create their own businesses are given long-term assistance in terms of both human resources and finances.

By setting up SODIE, Arcelor invented the concept of the workforce redeployment company. SODIE has shown that such companies are viable and effective. It is continuing to innovate, and is now developing its employee transfer activities in addition to its redeployment efforts.

Since the early 1980s, the Arcelor group has provided assistance to more than 8,500 projects in France, which have yielded almost 95,000 jobs.

In 2005, efforts to revitalize local labour markets - including initiatives in Belgium - are likely to lead to the creation of almost 6,000 jobs.

Arcelor is using the extensive experience of its founding entities (Arbed in Luxembourg, Aceralia in Spain and Usinor in France) in this field.

Examples of socially responsible redeployment

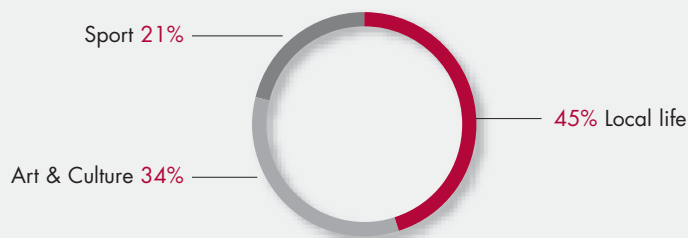
- The closure of Arcelor's l'Ardoise plant in France was a project that involved all stakeholders and started 18 months before production was due to cease (2004). The redeployment of staff and the revitalization of the local labour force were co-ordinated. Most employees found new jobs with other Group companies, while others opted for outplacement or took the opportunity to set up their own business. Arcelor's redeployment commitment is to match redundancies with local job creations by 2008. A convention has been signed with the French government. This convention is being implemented by SODIE and the work and labour department of the regional government.
- In Biache, in Northern France, the closure of an Arcelor plant in 2002 was accompanied by a commitment to find a solution for all employees, either through internal transfers or outplacement, or by supporting personal projects. Other employees were able to take early retirement. The redeployment of the site as an industrial and craft park is now well underway.
- As part of the same effort, in the Lorraine region of France, service company H&E (see below) was set up in 1999 to provide a long-term solution for surplus employees, particularly the oldest and most vulnerable, for whom transfers were difficult or impossible.
- At the European level, Arcelor has carried out similar experiments in the various countries in which it operates: SODIE also operates on Arcelor's behalf in Belgium, while Arcelor's European Works Council started a review of the Group's restructuring in 2005.

In September 2005, Arcelor organized an evening debate on the theme of redeployment and the responsible management of restructuring. The debate took place in Paris and was attended by Guy Dollé (Arcelor CEO), Odile Quintin (Director-General of the European Commission), François Loos (French Industry Minister) and Nicole Notat (chairman of Vigéo). The debate covered the innovative example of Hommes & Emplois, the Arcelor subsidiary set up in 1999 to ensure the professional redeployment of more than 200 former Group employees whose employability was limited by health issues, age (over 50) or lack of qualifications, following an industrial reorganization. H&E offered individual support to each person, in order to find them a satisfying job that was suited to their potential. H&E focuses on two business areas: finishing work in the construction industry and document digitization.

H&E has developed well, and has gradually become a new tool in managing surplus staff, particularly older employees and those in vulnerable positions, in cases where there is no redundancy plan or where the plan does not allow the transfer of staff in a socially and economically satisfactory manner. Just over five years after it was created, H&E has 195 staff and revenues of €3.65m.

H&E's example shows that there are alternatives to redundancies and early retirement. It has benefited 200 people, sparing them from the trauma of redundancy and sparing the community from the economic cost of restructuring, since H&E employees pay tax and do not claim unemployment benefits. This results in a saving for the public authorities, and therefore the taxpayer, of €140,000 per person employed by H&E.

Supporting society



In 2005, Arcelor spent more than €12m on sponsorship in all countries in which it has production sites. Programmes are managed either locally at site level, and feature heavy employee involvement, either through the Belgo, Acesita and CST foundations in Brazil or at the corporate level.

Arcelor sponsored a large number of humanitarian, cultural, educational and sporting organizations and events in 2005. These include the French bone marrow transplant association, the Brazilian league against cancer, the Luxembourg Red Cross and the Luxembourg Philharmonic Orchestra, the SIDMAR Prize for Scientific and Medical Research, the Corporate Funding Programme and the Festival of Flanders in Belgium and the Prince of Asturias' foundation in Spain. Arcelor is also extending its efforts in Brazil through the Belgo and Acesita foundations.

2005 was the "Year of Brazil in France". Arcelor was actively involved in this cultural exchange programme between France and Brazil, and supported various contemporary art exhibitions, in order to raise awareness of the cultural wealth of modern Brazil.

Arcelor also signed a strategic partnership with the Bilbao Guggenheim Museum and joined the museum's Board of Directors in 2005. Arcelor has strong roots in the Basque country, and actively supports the region's culture. Through this partnership, the museum permanently houses seven steel sculptures by Serra, one of the region's leading contemporary artists.

Bone marrow donor bank

In 1988, a partnership agreement was signed with France Greffe de Moelle, an bone marrow transplant association founded by two Nobel Prize winners in physiology, Professors Jean Bernard and Jean Dausset, to register bone marrow donors. Transplants of stem cells are the only way to cure certain forms of leukaemia. As a result, registers of compatible donors substantially increase transplant opportunities and the chances of patients' recovering.

Since Arcelor was created in 2002, the Group has continued this commitment and contributed to the development or creation of stem cell donor registers in France, Spain, Italy, Belgium and Luxembourg. National files of potential donors and an international computer network connecting them is the cornerstone for a worldwide fight against leukaemia through stem cell transplants. In 2004, Arcelor increased its commitment to Brazil by supporting INCA (Brazil's national cancer institute) in its initiative to develop the country's bone marrow donor register.

In 2005, Arcelor's Brazilian units supported Brazil's bone marrow transplant partnership. More than 23,000 staff signed up to REDOME, INCA's national register of bone marrow donors. Of these, 11,670 were from Belgo, 416 from Vega do Sul, 5,641 from CST and around 5,800 from Acesita.

REDOME currently has around 150,000 registered donors, which remains low given the size of Brazil's population. Arcelor's aim is to help expand the register to 250,000 donors.

Arcelor Dunkerque has long partnered blood and bone marrow donor initiatives. The company's staff are heavily involved in this life-saving commitment. This commitment was shown by two major events in 2005:

- On 10 September, managers of the Dunkirk and Mardyck plants were presented with "Entreprises Partenaires de la Vie" trophies by the French blood donor federation.
- On 18 September, the Les Foulées du Grand Large road race took place. This event has been supported by Arcelor for 18 years, and is in aid of the French bone marrow transplant association. In 2005, the event's patron was top cyclist Laurent Thirionet, who won four medals in the 2004 Paralympics, has been European champion several times and holds the world 1-hour cycling record.

GRI correspondence table

The Arcelor sustainable development report has been prepared for all consolidated companies. To improve usability, the table below shows the correspondences between Arcelor's sustainable development reporting and the headings proposed by the Global Reporting Initiative (www.globalreporting.org)

Arcelor sustainable development report	Pages	Global Reporting Initiative
Messages from Joseph Kinsch and Guy Dollé	2	1.2 + 2.9 + 3.9
Corporate governance and internal control procedures	105	3.1->3.6 + LA11
Shareholders	16	3.8
Ongoing sustainable development policy across the whole Arcelor Group	68	1.1 + 2.10 ->2.16 + 3.7 + 3.14 + 3.15 + 3.20 + SO2->SO4
Global Compact	70	3.14 + 3.16 + EN33 + LA14 + HR1->HR7 + LA10 + LA11 + LA14 + SO2 + SO3
Sustainable development scorecard	72	1.1 + 3.19 + 3.20
Key performance indicators	74	3.19 + 3.20
Principle 1: Group profitability	76	EC1
Principle 2: Health and Safety	77	3.20 + LA5->LA7 + LA15 + PR1
Principle 3: Environmental Protection	81	3.16 + 3.20 + EN2 + EN5 + EN8 + EN10->EN12 + EN14 + EN27 + EN34
Principle 4: Dialogue with all partners	87	2.9+3.9 + 3.10 + LA4
Principle 5: Skills development	89	LA1->LA4 + LA9 + LA10 + LA16 + LA17
Principle 6: Innovation and quality	93	3.16 + PR1 + PR2 + EN14 + EN16
Principle 7: Corporate governance	97	LA13 + LA4 + 3.1->3.6
Principle 8: Responsible citizenship	99	EC10+S01 + LA4 + LA16

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