



ArcelorMittal

Integrated Annual Review 2018

“Smarter, circular,
lower-emissions.
This is how we are
inventing the steels
of the future.”

Performance at a glance

EBITDA

\$10.3bn

2018	\$10.3 billion
2017	\$8.4 billion
2016	\$6.3 billion

NET INCOME

\$5.1bn

2018	\$5.1 billion
2017	\$4.6 billion
2016	\$1.8 billion

FREE CASH FLOW

\$891m

2018	\$891 million
2017	\$1,744 million
2016	\$264 million

ACTION 2020 – Cumulative Ebitda improvement (\$bn)

\$1.6bn

2018	\$1.6 billion
2017	\$1.5 billion
2016	\$0.9 billion

NET DEBT

\$10.2bn

2018	\$10.2 billion
2017	\$10.1 billion
2016	\$11.1 billion

NET DEBT / EBITDA RATIO

1.0x

2018	1.0x
2017	1.2x
2016	1.8x

CAPEX

\$3.3bn

of which, environmental and energy capex \$0.7bn

INVESTMENT IN RESEARCH AND DEVELOPMENT

\$290m

2018	\$290 million
2017	\$278 million
2016	\$239 million

SAFETY – LTIF

(incidents per million hours worked)

0.69*

2018	0.69
2017	0.79
2016	0.83

CO₂ EMISSIONS INTENSITY (tonnes per tonne of steel)

2.12

2018	2.12
2017	2.12
2016	2.14

DUST EMISSIONS

(ducted kg per tonne of steel)

0.61

2018	0.61
2017	0.67
2016	0.67

WOMEN IN MANAGEMENT

(managers and above)

12%

2018	12
2017	12
2016	12

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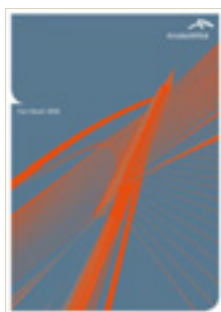
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About this report

This 2018 Integrated Annual Review describes the context for and progress of ArcelorMittal as the world's largest steel and mining company. It covers the year 1 January 2018 to 31 December 2018, and aims to outline our key considerations in creating value for our stakeholders now and in the future. We aim to reflect the guiding principles of the International Integrated Reporting Framework (IIRC). We also report in line with the Global Reporting Index (GRI) Sustainability Reporting Standards 2016, the United Nations Global Compact (UNGC), and the European Union's Directive 2014/95/EU on non-financial reporting. For details, please see Our approach to reporting on [page 56](#).

Our reporting

Our Integrated Annual Review is a central element in our commitment to engage stakeholders and communicate our financial and non-financial performance. It forms part of our wider approach to reporting at a global and local level, supported by reports that provide details on specific areas of our work or are designed for the use of specific stakeholder groups. Please find details of our other reporting below.



Fact Book

Reporting Index
(coming soon)Climate Action Report
(coming soon)

Basis of Reporting




Annual Report



20F

Section 1

OUR BUSINESS



“ArcelorMittal steels are the material of choice for the future – because we innovate, we work with our customers and, above all, we lead.”

Lakshmi N. Mittal
Chairman and CEO

Chairman's statement

Welcome to ArcelorMittal's 2018 Integrated Annual Review.



As the world's leading steel and mining company, our world-class suite of increasingly sophisticated steel solutions has an intrinsic role to play in societal development, facilitating advancement across the multiple sectors we serve. Our goal is not to simply meet our customers' requirements, but to anticipate and respond to emerging trends in order to ensure that steel remains the world's material of choice, and ArcelorMittal the world's preferred steel supplier. By harnessing our deep steelmaking experience, sharing knowledge and expertise across our global operations and leveraging our research and development prowess, we aim to do this in a manner that is as efficient and effective as possible. Proving successful in this enables us to return value to our shareholders, while also delivering on our responsibility to make a positive contribution to civic society and our broader stakeholder base.

The fundamental purpose of this report, which aligns with the principles and concepts of integrated reporting, is to explain the broad-based value that ArcelorMittal creates, and how we are evolving and adapting our business and operations to address the challenges and opportunities presented by the modern world. An increasingly important part of this is sustainable development, delivering on our social and environmental commitments and demonstrating that our business can be a positive, contributing force in the low-carbon, circular global economy the world needs.

In order to achieve these goals we have four strategic priorities against which we measure our progress in this report: improving our health and safety performance; maintaining our focus on deleveraging and achieving our financial targets; delivering against our Action 2020 strategic plan; and embedding sustainable development throughout our business.

Safety – our highest priority

Since the creation of ArcelorMittal safety has been our number one priority. It is therefore pleasing that our 2018 lost-time injury frequency rate of 0.69 was the lowest level we have ever recorded. This figure betters industry standards and has vastly improved over the past decade, proving that our safety policies and procedures are strong and the safety training that we consistently deploy through our global operations is making a positive difference. Yet it is with deep regret that 10 valued colleagues lost their lives last year. We must do better. Nothing is more important than the health and safety of our employees. Our performance in several of our reporting segments proves that zero fatalities which is our objective, is possible. I'm therefore convinced this can become a reality and can reassure you that we are fully focused on achieving this objective group-wide. Continuing to progress our efforts to instill a safety-first culture at all our global operations is critical to future progress.

A strong financial performance in positive market conditions

For many years the global steel industry has suffered from chronic overcapacity. While this challenge persists the significant, permanent supply-side reform we have witnessed in recent years has gone some way to delivering the structural improvement necessary to ensure sustainably healthy market conditions. We also saw a continuing response last year from governments worldwide to address unfair trade, particularly the Section 232 measures that were introduced in the United States and the EU safeguard measures imposed in response. As the only truly global player in an industry in which approximately

Chairman's statement

Improved business and improved strategy – ArcelorMittal well positioned for success

Global Steel Industry	ArcelorMittal Balance sheet	ArcelorMittal Portfolio	ArcelorMittal Sustainable Development
<ul style="list-style-type: none"> ● Trade responses to unfair competition ● Capacity reduced ● Consolidation occurring 	<ul style="list-style-type: none"> ● Net debt reduced ● Investment grade rating recovered ● Deleveraging to continue 	<ul style="list-style-type: none"> ● Action2020 ● Votorantim acquired ● Ilva acquired 	<ul style="list-style-type: none"> ● 10 SD outcomes ● SD governance ● Global R&D ● Low-carbon transition strategy ● Listening to stakeholders
Strengthened	Strengthened	Strengthened	Strengthened

one-third of material produced is consumed in a different country, ArcelorMittal has consistently called for action to address unfair trade and ensure that all steel producers, irrespective of where they operate, compete on a level playing field. It was therefore encouraging to see positive developments in the two critical issues of overcapacity and unfair trade in 2018. These factors, alongside stable global economic growth and increased steel demand combined to create a positive market environment in 2018, with global utilisation rates healthy and steel spreads above historical averages.

Against this backdrop ArcelorMittal delivered its best financial performance for several years, with Ebitda of \$10.3 billion and net income of \$5.1 billion being driven by a strong performance from our steel business.

Sector-leading balance sheet strength and an enhanced operating platform

While market conditions played an important role in our improved financial performance, many of the measures that we have taken to structurally improve our resilience and earnings potential are equally visible in our results. Regaining our investment grade credit rating was our stated financial priority for several years, so to have achieved this in 2018 was pleasing, and validates the progression I believe the group has made in recent years. Further deleveraging remains a priority, but the strong financial platform we now have has enabled us to progress selective investment in the best opportunities to enhance our long-term earnings potential, and ultimately create a stronger, more resilient group.

“Our focus is to ensure that ArcelorMittal is not just successful today, but that our success endures long into the future. We have a natural advantage in that our product, steel, is a critical material in today’s world, and has all the credentials to remain the preferred material for a sustainable future.”

The most visible examples of this last year were our acquisitions of Ilva in Italy and Votorantim in Brazil, both of which were complex, multi-year acquisition processes. To finally have been able to welcome them and their employees to the group was a satisfying achievement. Ilva strengthens our European flat steel operations, provides us with a production presence in Europe’s second largest steel consuming market and represents an exciting, large-scale turnaround opportunity. Votorantim enhances our long products footprint in Brazil, making us the clear market leader in an exciting emerging market. I am confident that both acquisitions will add considerable value to our company in the coming years.

We also continue to progress several organic growth opportunities, having carefully selected those that will enable us to increase our ability to produce and sell higher margin, higher-added value steel solutions to customers in markets with attractive growth and demand dynamics. For example, we are investing in Europe, to improve our ability to produce our industry leading range of advanced and ultra-high strength steels and have multi-year investment programmes in Mexico and Brazil, designed to enhance our ability to meet the increasingly sophisticated needs of steel consumers in those domestic markets.

All these initiatives are being undertaken with a singular goal in mind: to fundamentally strengthen the resilience and sustainability of our business and ensure we prosper in all market conditions. In addition to these investments, central to this goal is our ongoing, five-year strategic plan, Action 2020. To date, we have delivered \$1.6 billion of our \$3 billion Ebitda improvement target. The plan is on track to achieve its objectives, although we do need to improve the reliability of our assets in order to meet our volume growth targets, something that is an important focus for the group in 2019.

Sustainable development for long-term success

Our focus is to ensure that ArcelorMittal is not just successful today, but that our success endures long into the future. We have a natural advantage in that our product, steel, is

a critical material in today’s world, and has all the credentials to remain the preferred material for a sustainable future. We place a significant emphasis on innovation and research and development (R&D) to ensure we continue to lead the industry in product development and steelmaking process innovation. But today, business, and particularly heavy manufacturing industries, are facing increasing pressure to demonstrate they can positively contribute to a world that needs to decarbonise if we are to meet the targets set out in the 2015 Paris Agreement.

For the steel industry that is no easy task. Decarbonising steelmaking will depend on fundamentally changing how steel is made. It will involve advancing breakthrough technologies that either: capture and store or re-use carbon; replace coal with alternative, sustainable sources of carbon; or use hydrogen as an agent to reduce iron ore, hence removing carbon from the steelmaking process entirely. We are developing a low-emissions technology strategy, on which we will elaborate in our inaugural Climate Action report that will shortly be published and are currently building several industrial-scale pilot projects, with a total investment of over €250 million, based on smart carbon or zero-carbon technologies. You can read more about our approach and projects on [pages 28 to 31](#) in this report.

But the reality is that we cannot make the transition to low-carbon steelmaking alone. Policy, energy and technology development will all be key to determining lower emissions pathways for steelmaking. Sectors such as energy, which is more advanced in its decarbonisation journey due to the development of renewable energy technology, have received a vast amount of public support in investment and production subsidies. It is natural to expect a similar effort will be required to decarbonise steelmaking. In particular we advocate policies that: give steelmakers priority access at preferential access to affordable renewable energy; funding to support technological development; and the implementation of a green border adjustment in Europe to level the playing field and mitigate the competitive impact on European steelmakers of the EU Emissions Trading Scheme.

Chairman's statement

Carbon aside, we are also working and investing to mitigate other environmental impacts from the steelmaking process. Our aim is always to comply or better regulatory limits in the regions in which we operate, and to continually reduce emissions of all kinds – dust, NO_x and SO_x being three key areas – while also being responsible in our use of other precious natural resources, such as water. Last year, we invested \$405 million in environmental capital expenditure, a record level that demonstrates the extent of our commitment.

Innovating to meet customer demands

A key aspect of our approach to sustainable development is innovating to meet long-term customer demands. Not only is this focus central to maintaining our market leadership, but as our customers are subject to the same environmental and societal scrutiny we are, the sustainable benefits of our products are becoming of increasing importance. In this regard, the launch of Steligence®, a new scientific, peer-reviewed approach to how we combine and market our products to the construction sector, was a breakthrough development for ArcelorMittal in 2018. It brings together all our construction-focused products into one commercial offering, providing customers sustainable and cost-effective building solutions now, while promoting the reuse of steel components at the end of the building's life. Steligence® has the potential to halve the embedded carbon footprint of a building, which is particularly significant, when we consider the built environment is responsible for more than 40% of the world's carbon emissions. Although this is a brand-new business division, I am excited by its potential and believe, over time, it will prove to add considerable value to our construction product offering.

Driving industry certification standards in customer reassurance

A further critical strand of our customer-focused sustainable development strategy is our ongoing work to provide customer reassurance through the development of a global industry certification standard, ResponsibleSteel™, which aims to develop a complete 'mine to metal' chain of assurance against multi-stakeholder established social and environmental standards.

As a founding member and co-chair of the initiative, we have played a central role in its development. Much was achieved last year in terms of developing draft versions of the standard which we anticipate will launch before the end of this year. All our Flat Europe steelmaking plants have undergone readiness assessments against the standard, with positive results. I am convinced that our work on this initiative will not only provide customers with the reassurance they require but will also provide us with a material competitive advantage.

Positioned for long-term success

Market conditions softened towards the end of 2018, with these dynamics carrying into the beginning of this year. However, general market dynamics are still positive and we forecast continuing demand growth in 2019. The structural industry improvement I discussed earlier has enhanced the steel industry's resilience, reducing an element of volatility, although overcapacity does remain and we continue to see elevated levels of imports into our markets, particularly in Europe. We therefore need to remain watchful on these issues and I continue to advocate for a strong reaction to any actions that infringe trade regulations. However, I take confidence from the marked improvement and progress we have made in recent years to our balance sheet and operating platform which leaves us well positioned to capture the opportunities and address the challenges the market presents.

Our strategic priorities, are well established and our focus for the year ahead and beyond is clear. ArcelorMittal is a more resilient, more focused business than it ever has been.

Finally, as always, I would like to thank my fellow Board members and every one of our employees globally. Our success in 2018 was due to their collective effort. I believe we have the best people in the industry and am confident in their ability to help us to create long-term value for our shareholders and for society.



Lakshmi N. Mittal
Chairman and CEO

Big picture – understanding trends and risks

A growing global economy and improved steel demand in 2018 helped underpin a positive year for the steel industry, and for ArcelorMittal, despite a background of trade tensions and political uncertainty.

Underlying industry, economic and social trends continue to shape the steel marketplace and our operating environment in general. These range from demand dynamics and structural overcapacity issues, to the growing expectation that businesses should show what, and how, they contribute to the global sustainable development agenda, including in the area of climate action.

Our operating environment: overview of 2018

Apparent steel consumption

Global apparent steel consumption (ASC) grew further in 2018 after robust growth in 2017, reflecting increases in demand in most markets with the notable exceptions of Mexico, South Africa, South Korea, Turkey and Venezuela. Overall, 2018 global ASC is estimated to have grown over 2.8%. We expect world excluding China ASC to grow again in 2019 due to strong demand growth in South American and developing Asian markets.

Steel production

In 2018, despite trade tensions, global steel production grew 4.6% to a new peak of 1.81 billion tonnes. In 2018, China accounted for 52% of global steel production, East Asia 11%, EU28 9%, NAFTA 7%, India 6%, CIS 5% and the rest of the world 9%.

Demand in China

Demand dynamics in China have substantially affected the global steel business for several years. Since 2016, however, while demand has remained high, significant steel-producing capacity in China has been closed, and authorities have introduced increasingly rigorous environmental policies. In 2018, Chinese demand grew by approximately 3.5%, supported by the strength of machinery output and a better than expected real estate market.

Focus on carbon

The IPCC (Intergovernmental Panel on Climate Change) released a special report in 2018 on the impacts of global warming of 1.5 °C above pre-industrial levels and related global greenhouse gas emission pathways. It added further momentum to the global scrutiny by governments, investors and other stakeholders on climate action, and on the role of business in reducing carbon emissions and mitigating climate change, as well as on businesses' preparedness for the risks and opportunities of the transition towards to a low-carbon economy (see Addressing the carbon challenge, [page 28](#)).

Transparency and the global sustainable development agenda

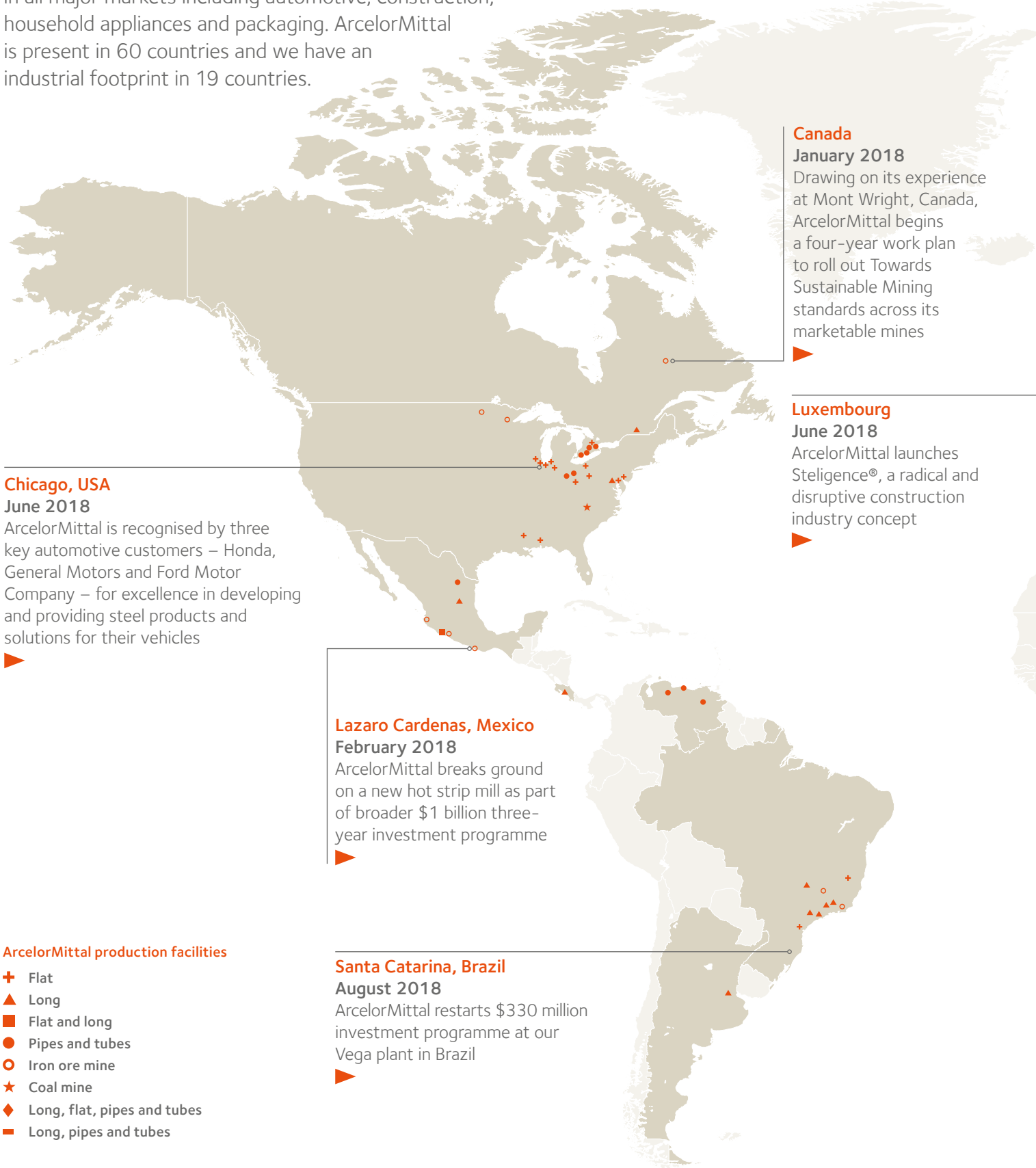
Business came under continuing scrutiny as to its contribution to sustainable development, frequently measured against the UN's Sustainable Development Goals (SDGs). A coalition of investors and the UN, the World Benchmarking Alliance, is one of several organisations analysing companies' performance and publishing key data and insights to encourage sustainable business practices. An overall trend towards transparency and assurance continues to grow among consumers, customers and other stakeholders (see Reassuring our customers, [page 40](#)).

Environmental regulation

Higher air emissions standards in countries including China and the US continue to underline the importance of environmental compliance, while regulators in many countries are responding to increased, and more frequently expressed, concerns from communities and other stakeholders (see Anticipating and responding to key social and environmental trends, [page 42](#)).

Our operations

ArcelorMittal is the world's leading steel and mining company. We are committed to producing steel in a safe and sustainable way, and we are the leading supplier of quality steel products in all major markets including automotive, construction, household appliances and packaging. ArcelorMittal is present in 60 countries and we have an industrial footprint in 19 countries.



Canada
January 2018
 Drawing on its experience at Mont Wright, Canada, ArcelorMittal begins a four-year work plan to roll out Towards Sustainable Mining standards across its marketable mines

Luxembourg
June 2018
 ArcelorMittal launches Steligençe®, a radical and disruptive construction industry concept

Chicago, USA
June 2018
 ArcelorMittal is recognised by three key automotive customers – Honda, General Motors and Ford Motor Company – for excellence in developing and providing steel products and solutions for their vehicles

Lazaro Cardenas, Mexico
February 2018
 ArcelorMittal breaks ground on a new hot strip mill as part of broader \$1 billion three-year investment programme

Santa Catarina, Brazil
August 2018
 ArcelorMittal restarts \$330 million investment programme at our Vega plant in Brazil

ArcelorMittal production facilities

- + Flat
- ▲ Long
- Flat and long
- Pipes and tubes
- Iron ore mine
- ★ Coal mine
- ◆ Long, flat, pipes and tubes
- Long, pipes and tubes

Ghent, Belgium**June 2018**

ArcelorMittal and LanzaTech break ground on €150 million project to revolutionise blast furnace carbon emissions capture

**Brussels, Belgium****December 2018**

ArcelorMittal calls for green border adjustment to address climate change while securing the competitiveness of European steel mills

**Luxembourg****October 2018**

ArcelorMittal agrees sale to Liberty House of several assets that form a divestment package agreed with the European Commission related to ArcelorMittal's acquisition of Ilva

**Berlin, Germany****June 2018**

ArcelorMittal participates in inaugural multi-stakeholder forum of industry certification standard, ResponsibleSteel™, with customers, governments, civil society organisations, steelmakers, trade unions and academics

**Tokyo, Japan****October 2018**

ArcelorMittal wins two Worldsteel 'Steelie' awards – *Excellence in Sustainability* for its water stewardship plan in Brazil, and *Excellence in Lifecycle Assessment* for Steligençe®

**Italy****November 2018**

ArcelorMittal completes acquisition of Ilva, Italy's largest steel manufacturer, and forms ArcelorMittal Italia

**India****March 2018**

ArcelorMittal signs joint venture formation agreement with Nippon Steel to acquire Essar Steel India Limited

**October 2018**

Essar Steel's Committee of Creditors approves ArcelorMittal's acquisition of Essar Steel

**Mumbai, India****April 2018**

ArcelorMittal named *Steel Sustainability Champion* by Worldsteel

**Cannes, France****October 2018**

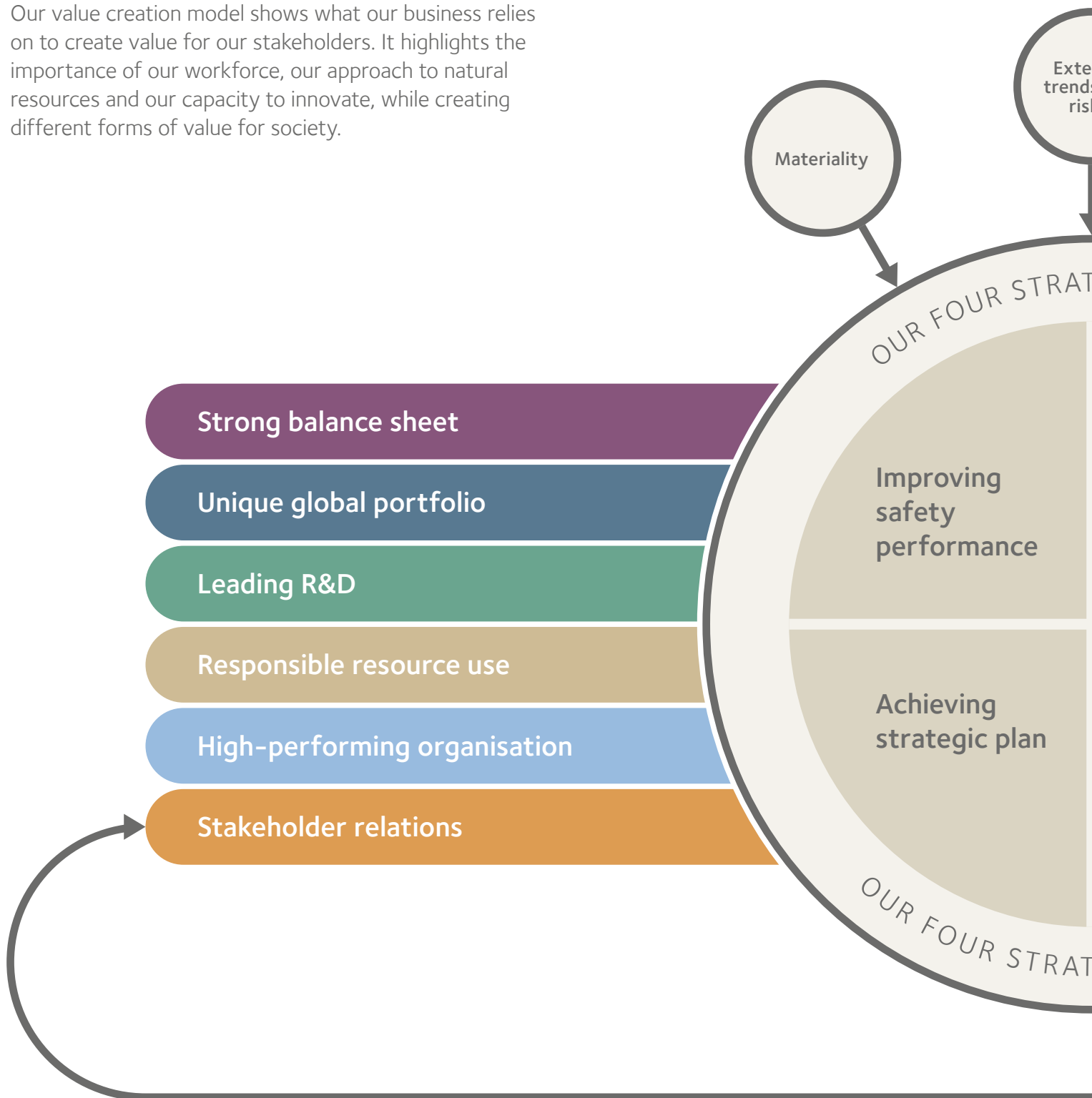
ArcelorMittal's ground-breaking health and safety video wins top award at Cannes corporate film festival

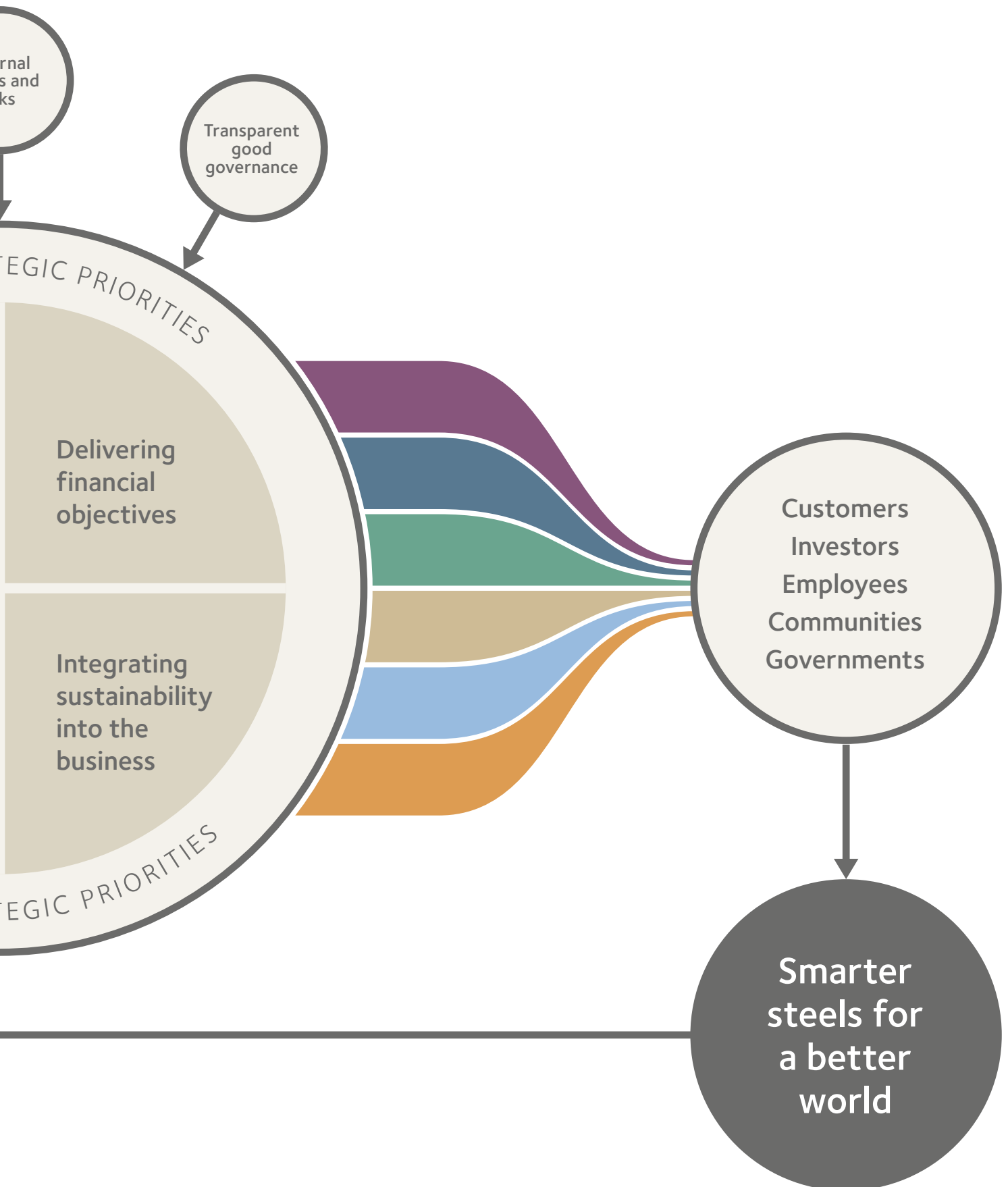


A full list of subsidiaries can be found in our 20F which is available from our download centre

How we create value

Our value creation model shows what our business relies on to create value for our stakeholders. It highlights the importance of our workforce, our approach to natural resources and our capacity to innovate, while creating different forms of value for society.





Summary of value creation 2018

► Full performance data can be found in the **Fact Book** and online

Value drivers	Role	Strategic priority
Strong balance sheet (Financial capital)	Enables flexibility in capital allocation to ensure investment in our asset base and progressively increase shareholder returns over the long term	Delivering financial objectives
Unique global portfolio (Manufactured capital)	Enables the company to derive value through our leading position in steel markets with favourable structures and dynamics	Achieving strategic plan Integrating sustainability into the business Delivering financial objectives
Leading R&D (Intellectual capital)	Enables continuous evolution of steelmaking processes and ongoing development of world-class steel solutions in order to remain the steel supplier of choice for our customers	Achieving strategic plan Integrating sustainability into the business
Responsible resource use (Natural capital)	Enables efficient production of steel, and maximises the value of by-products while building and maintaining the trust of our stakeholders	Integrating sustainability into the business
High performing organisation (Human capital)	Enables our employees to feel safe, respected and valued, to develop their skills, be committed to their work and able to perform at their best	Improving safety performance Integrating sustainability into the business
Stakeholder relations (Social capital)	Essential to maintain our licence to operate with our customers, host governments, investors and communities	Integrating sustainability into the business

Assets and action in 2018	Outputs and outcomes
<ul style="list-style-type: none"> Established capital allocation framework 	<ul style="list-style-type: none"> Strengthened balance sheet: <ul style="list-style-type: none"> Regained investment-grade credit rating Net debt / Ebitda ratio of 1.0x – a record level Recommended dividend of \$0.20 per share Net debt of \$10.2bn Strong financial performance: <ul style="list-style-type: none"> Ebitda of \$10.3bn Net income of \$5.1bn Free cash flow of \$0.9bn
<ul style="list-style-type: none"> Further strengthened asset portfolio: <ul style="list-style-type: none"> Ilva and Votorantim acquisitions complete \$3.3bn capex Our bid for Essar selected 	<ul style="list-style-type: none"> \$1.6bn of cumulative Action 2020 gains 83.9 mt of steel shipments 58.5 mt of own iron ore production Operational presence in Italy, Europe's second largest steel market
<ul style="list-style-type: none"> \$290m spend on R&D 1,400 R&D employees 11 R&D centres operational 38 R&D projects for sustainable development (SD) in the pipeline 	<ul style="list-style-type: none"> Launch of Steligen[®] initiative 32 lifecycle assessment studies 70 new patents 26 new products for sustainable development
<ul style="list-style-type: none"> 118.3 mt iron ore, 47.9 mt coal, 28.2 mt coke used 28.6 mt scrap recycled \$0.7bn environmental and energy capex allocated 2,196 PJ primary energy consumed in steelmaking CO₂ transition strategy developed Environmental plans in development at all major sites 	<ul style="list-style-type: none"> CDP grade B achieved 9.5 mt CO₂ avoided due to blast furnace slag reuse in cement industry 37.2 mt CO₂ avoided due to use of scrap 5.6% progress towards 2020 CO₂ target 2.12 t CO₂ per tonne of steel 203 mt absolute CO₂ footprint 6.7% reduction in dust intensity over three years (steel) 6.1% reduction in NO_x intensity over three years (steel) 0.8% reduction in SO_x intensity over three years (steel) 2.9% reduction in waste to landfill over three years (steel)
<ul style="list-style-type: none"> 10% incentive plan for CEO office based on LTIFR Focus on reporting potential severe injuries and fatalities (PSIFs) 208,583 employees 56 hours of training per employee Women make up 33% of the Board of Directors Signed #EmbraceDifference pledge by European Round Table of Industrialists 94% of employees completed human rights training 	<ul style="list-style-type: none"> LTIFR down to 0.69* 10 fatalities More PSIFs reported Women were 27% of recruits in exempt population 6% vice presidents are women 12% women in succession plans for key position Inclusion in Bloomberg Gender Diversity Index
<ul style="list-style-type: none"> Preparation for ResponsibleSteel[™] certification across all steel segments Preparation for Towards Sustainable Mining standard at marketable mines 27 operations with a local confidential whistleblowing system Numerous stakeholder surveys and engagement events 	<ul style="list-style-type: none"> \$30.5m total community investment spend \$4.8bn total tax contribution Over 21 awards from stakeholders Forthcoming publication of Climate Action report in response to TCFD

*Following further review, subsequent minor changes have been noted to this indicator which are not considered material.

Section 2

OUR PROGRESS



“Nothing is more important than the health and safety of our employees. Continuing our efforts to instil a safety-first culture at all our global operations is critical to future progress.”

Lakshmi N. Mittal
Chairman and CEO

Improving our safety performance

“While we have made improvements in our overall safety performance, we have not succeeded in preventing fatalities in our operations in 2018. This is both tragic and unacceptable. Our focus is on translating our best practices across all our sites, and we cannot rest until all our people can work in a safe environment. With my leadership colleagues, I am driving the campaign to ensure that a culture of vigilance and mutual accountability, in which every individual takes responsibility for the actions of those around them, prevails throughout our business.”

Lakshmi N. Mittal
Chairman and CEO



Fewer accidents, but much more to do

Improving safety, and specifically preventing fatalities, is a key focus for everyone in the company. Not only do we owe it to each other as ArcelorMittal people to work safely – we also know safety is an essential element in our ambition to build a high-performing organisation. And it matters to stakeholders beyond our business – to the communities in which we operate, and to investors. That’s why safety is – and always will be – our highest priority.

Our overall number of accidents has continued to fall and we achieved our lowest ever level of lost-time injuries in 2018. No level of accidents is acceptable to our business, however, and so this progress is overshadowed by the regret felt throughout the business at the loss of 10 colleagues in fatal accidents in 2018. These tragedies have reinforced our determination to eliminate all fatal and potentially fatal accidents from our operations.

In 2018, we took a range of measures designed to strengthen our culture of vigilance, improve our reporting, especially of potential serious injuries and fatalities (PSIFs), and deepen our analysis and understanding of the root causes of these incidents. These improvements all form part of our overall safety ambition to eliminate accidents, which is embodied in our global safety programme, Journey to Zero.

This issue is addressed through

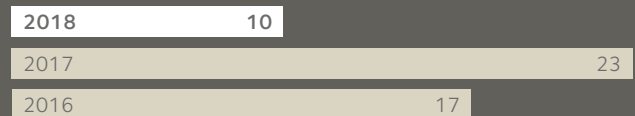


SD Outcome 1:
Safe, healthy, quality working lives for our people

▶ [READ MORE](#)

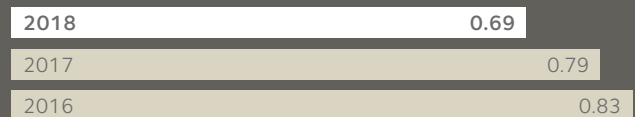
Fatalities

10



LTIFR (Number of lost-time injuries per million hours worked)

0.69*



*Following further review, subsequent minor changes have been noted to this indicator which are not considered material.

Improving our safety performance

In 2018, we improved our proactive reporting of PSIFs from 1,697 to 2,744. Our aim is to continue to increase this reporting of PSIFs and reduce our LTIFR to 0.62 and with the inclusion of Ilva in our group to 1.0.

A shared ambition – Journey to Zero

Journey to Zero aims to create a culture of shared vigilance in which risks and hazards are understood and monitored, best practices are shared, and appropriate action is taken at every level. It has driven consistent and significant improvement in our lost-time injury frequency rate (LTIFR), from 3.1 incidents per million hours worked in 2007, to 0.69 in 2018 – our safest year on record. This compares favourably with the broader steel industry – according to Worldsteel Association figures, the LTIFR across its members in 2017 was 0.97.

But this improvement has not translated into our most important objective – eliminating fatalities. We've recognised that we need to build on the information LTIFR gives us – a 'lagging indicator' of incidents that have already happened – by developing a better focus on 'leading indicators', particularly reports of potentially serious incidents which did not, but could have, led to a fatality or grave injury (see facing page).

Building a safer culture

As part of our emphasis on potential incidents, we have focused on training and culture. We need every employee, at all levels, to develop the skills to recognise, log and analyse potential incidents. This has been an important element in a series of initiatives in 2018, which include:

- More and better detection, recording, and understanding of hazards and risks in order to prevent incidents;
- Improved safety leadership practices, supported by the launch of our Target 21 online safety leadership programme;
- The continued roll-out of our Take Care! training programme, which delivers experiential training through modules designed to embed an instinctive safety culture, and enables us to track participation across each segment;
- The launch of our innovative safety film, 'We choose the safest way';
- Improved communications to employees using social media.

Strong safety governance

Safety is one of five sustainability themes overseen by a committee of our Board of Directors each quarter. Our joint Global Health and Safety Committee (GHSC), made up of union reps (from IndustriAll and ArcelorMittal) and senior managers from ArcelorMittal which held 12 meetings in 2018, receives monthly reports on our safety performance, and in September 2018 it launched a designated sub-group to improve the learning process. When a fatality occurs, all levels of management are informed of the circumstances, and a comprehensive review process including the GHSC, ensues. Wherever appropriate, we take steps to improve our Fatality Prevention Standards for specific activities. For example, in 2019, our Fatality Prevention Standard is being modified to take into account learnings from latest fatalities.

Focus on a healthy workforce

Alongside its objective of eliminating accidents, our Journey to Zero programme aims to encourage healthy lifestyles, foster wellbeing and reduce occupational diseases to zero. We run a range of initiatives at our sites to prevent health issues arising from microclimatic conditions and the handling of chemicals. We also address issues such as smoking and drug and alcohol use, through programmes such as the "Mina Viva" project, developed at ArcelorMittal Mineração Serra Azul mine, which won the Protection Brazil 2018 Award in the Quality of Life at Work category. Find out more about our approach to employee health.

CASE STUDY: Spotting potential risks, preventing the most serious accidents



Robin Paulmier, our global head of health and safety, describes the importance of reporting and analysing incidents that are known as PSIFs (potential serious injuries and fatalities) – and why a sustained rise in reported PSIFs since 2017 shows encouraging progress.

Something has gone wrong – but thankfully no-one has been injured. It is a situation that occurs in any workplace – but it should never be ignored. We're focused on using such incidents as a critical tool in preventing future accidents that do lead to harm, and even fatalities – which is why we've encouraged employees across the business to report these incidents in greater numbers than ever before.

Being proactive

We want all our employees to ask themselves what could have happened in such situations, whatever the actual consequences, and to help us build our understanding of the causes of accidents.

Our data shows us that at sites which have recorded zero fatalities, our people proactively detect and manage twice as many PSIFs as at sites which have had one or more fatalities. By helping sites to proactively detect more potentially unsafe situations, we're in a much better position to manage them.

Watch the award-winning We choose the safest way

Our new safety video, We choose the safest way, has been watched by more than 230,000 people since its launch in 2018. It also won a gold medal at The Cannes Corporate Media & TV Awards.

[▶ READ MORE](#)

Supporting our people

In practice, this means enabling people to better record and benchmark potentially unsafe situations within our company-wide database. We provide safety training to reduce risk tolerance and foster greater safety leadership, and we're spending more time on analysing the quality of risk assessments and safety meetings.

Our work has had an impact since we started our stronger focus on PSIFs in 2017. In 2018, the number of PSIFs recorded proactively increased from an average of 142 per month in 2017 to 205 per month. Reactive PSIFs – which are recorded when an incident has actually happened and are a known indicator of the risk of fatality – fell 16% in the same period. PSIFs are now a KPI for the business and, alongside fatalities and LTIFR, are reported monthly to the Board.

Using the data to make us safer

Of course, PSIF data in itself doesn't save lives. But the habit of noticing the potential for severe injury to yourself or your co-workers, and the process of flagging it up so that everyone can learn from the situation, can make a real difference. It is too early to prove that our focus on PSIFs has contributed to our safety improvements in 2018, but we believe that spotting the potential for harm is a crucial objective as we continue our journey to zero accidents.



Delivering our financial objectives and achieving our strategic plan – Group CFO's statement

2018 was a positive year for ArcelorMittal, in which we delivered a strong financial performance and made significant strategic progress in expanding and strengthening our operating platform. Our achievements show the value of a diverse, world-class steel and mining asset portfolio, and the benefits of a strong balance sheet and the disciplined approach we are taking to capital allocation.

Positive market dynamics support a strong financial performance

Our performance was supported by a healthy demand environment in 2018. Global apparent steel consumption (ASC) grew by 2.8% last year, with good levels of ASC growth in each of our operating markets. In China, which broadly accounts for half of global steel consumption, demand exceeded many industry observers' expectations, with ASC increasing by 3.5%.

The other contributing factor to 2018's positive market environment was the benefits of the structural industry improvement we have seen over the past two to three years. Although the issue of overcapacity persists, the capacity rationalisation initiatives undertaken in China have made a meaningful impact, helping to improve industry utilisation rates and lifting steel spreads – the difference between the basket of raw materials used to produce steel and steel selling prices – to levels above historical averages.

▶ Read more about our external operating context on [page 7](#)

\$10.3bn

Ebitda in 2018

+22%

increase on 2017



Against this market backdrop, we delivered our best financial performance for many years. Ebitda was \$10.3 billion, an increase of 22% compared to 2017. Operating income was \$6.5 billion (2017: \$5.4 billion) and net income was \$5.1 billion (2017: \$4.6 billion), which represented a 12% return on equity. All three profitability metrics were at the highest level we have reported since 2008.



“To conclude, 2018 was a positive year for ArcelorMittal. Our financial performance was the best for many years, our balance sheet significantly strengthened, and our strategic initiatives are progressing. A key focus in the year ahead is to successfully execute our turnaround and improvement plans at our recent acquisitions and ensure excellent project delivery in our organic investment programme. Achieving this will further strengthen our ability to create sustainable, long-term value.”

Aditya Mittal
President and CFO, ArcelorMittal,
and CEO ArcelorMittal Europe

Delivering our financial objectives and achieving our strategic plan – Group CFO's statement

Capital allocation framework priorities

PROGRESS

1 Robust balance sheet

Net debt target of \$6bn – a level that should support positive free cash flow in all market environments and investment-grade credit metrics throughout the steel cycle

Investment grade rating restored

– Priority to maintain it
Strengthened balance sheet
 – Net debt / Ebitda ratio of 1.0x lowest ever level
Net debt of \$10.2bn

2 Investing in strengths

Investing in high-return opportunities with focus and discipline to grow the free cash flow potential of the business

Strengthened operating platform

– Ilva; Votorantim
Investing internally in high-growth opportunities
 – Mexico: \$1bn three-year investment programme
 – Brazil: c. \$0.3bn high-added value capacity expansion
 – Other CAPEX projects

3 Shareholder returns

Committed to increasing shareholder returns once net debt target achieved

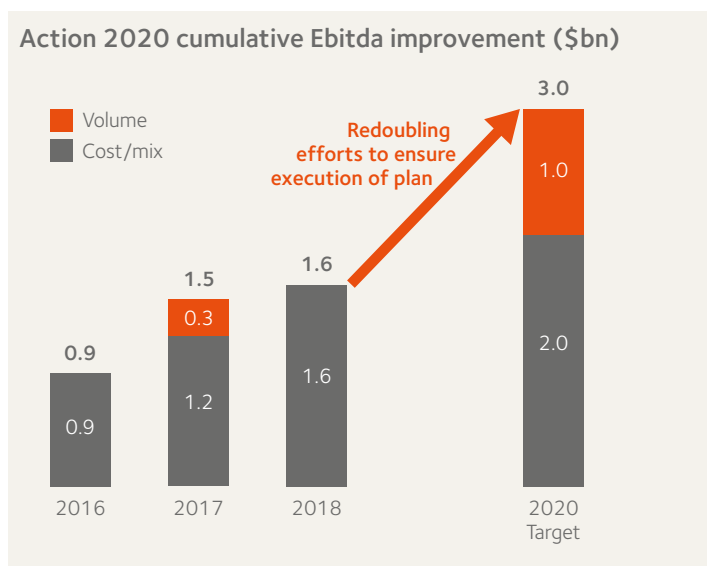
Dividend increased to \$0.20 per share

Sector-leading balance sheet strength

Alongside these encouraging financial returns, we also made solid progress in further strengthening our financial platform in 2018. Our financial priority for several years has been to restore our investment grade credit rating. We achieved this in early 2018, with all three credit ratings agencies upgrading us to investment grade. This development was welcome recognition of the improvement we have delivered in our financial performance in recent years and the progress we are making with our strategic and structural improvement initiatives. Having worked very hard to restore this rating, we will continue to prioritise deleveraging to ensure it is maintained. The other tangible sign of the progress we have made in strengthening our balance sheet is our year-end net debt to Ebitda ratio, which was 1.0x, the lowest level since the creation of ArcelorMittal. To put this progress into perspective, three years ago this ratio was 3.0x.

Today, I believe we have arguably the strongest balance sheet in our sector. However, despite this significant improvement we are committed to further deleveraging, having set ourselves a net debt target of \$6 billion. Our progress towards this target was impacted in 2018 by a larger than anticipated investment of \$4.4 billion in working capital. This investment reflected two trends: firstly, the improving market conditions we were operating in throughout the majority of 2018, meaning higher valuations on our raw material and steel stocks; and secondly, a lower than anticipated seasonal working capital release in the final quarter of the year as apparent steel demand softened, resulting in an increase in our inventory levels. As a result, we ended the year with \$1 billion of surplus working capital that I expect to release over the course of this year. This investment limited our free cash flow generation to \$0.9 billion and meant net debt at the year-end was \$10.2 billion, a similar level to 12 months ago.

“Our year-end net debt to Ebitda ratio was 1.0x, the lowest level since the creation of ArcelorMittal.”



Our net debt target has been set at \$6 billion as this is the level we believe will sustain investment grade credit metrics throughout the steel cycle. It will also provide the strongest platform for consistent, sustainable shareholder returns. Once we reach our target, we are committed to increasing capital returns to shareholders to reflect a proportion of free cash flow. We were, however, able to make a further, progressive step in our base dividend, with the Board recommending an increase to \$0.20 per share.

Strengthening our operating platform and selectively investing in high-return opportunities

While we retain our bias towards deleveraging, our strong financial footing did enable us to progress several initiatives to invest in projects which strengthen our operating platform and enhance our ability to create long-term, sustainable value. We completed two major acquisitions last year, Votorantim in Brazil and Ilva in Italy. Both are quality assets which enhance our leading position in key markets. The acquisition of Votorantim brings our Brazilian long products steelmaking capacity to over 5 million tonnes and strengthens our position in one of the world's premier emerging markets. The integration has gone according to plan and we are on track to capture identified synergies of c. \$110 million this year. Our acquisition of Ilva provides us with a large-scale primary steel production footprint in Europe's second largest steel consuming market. Work is underway to rehabilitate the asset, materially improve its operational and financial performance and address the environmental issues that have blighted its recent past.

In the short term, our focus is on achieving a 6 million tonne production run-rate, with crude steel production being supplemented by semi-finished imports in order to maximise utilisation of the company's finishing facilities. Over time, I am very confident that Ilva – now called ArcelorMittal Italia – will prove to add significant value to our European business.

Organically, we continue to invest in projects that will enhance our ability to better serve our customers and increase the proportion of higher-added value, higher margin products we sell. Our \$1 billion investment programme in Mexico, where we are constructing a new hot strip mill to cater to growing domestic flat steel demand, and our \$330 million investment programme at our Vega unit in Brazil, are good examples. We expect these investments, when complete, to contribute c. \$250 million and c. \$100 million of additional annual Ebitda, respectively.

Action 2020: Our five-year strategic plan

Elsewhere, three years into our five-year strategic plan, Action 2020, we have delivered \$1.6 billion of our \$3 billion Ebitda target. Although we made progress in cost efficiencies and increasing the proportion of higher-added value products we sell, regrettably the volume progress we had made in previous years was reversed due to operational disruptions that resulted in production losses. However, we will be focusing closely on this area in 2019 and so remain confident of achieving our Action 2020 objectives.

Positioned to create sustainable, long-term value

To conclude, 2018 was a positive year for ArcelorMittal. Our financial performance was the best for many years, our balance sheet significantly strengthened, and our strategic initiatives are progressing. A key focus in the year ahead is to successfully execute our turnaround and improvement plans at our recent acquisitions and ensure excellent project delivery in our organic investment programme. Achieving this will further strengthen our ability to create sustainable, long-term value.

Aditya Mittal

President and CFO, ArcelorMittal, and CEO ArcelorMittal Europe

Delivering our financial objectives and achieving our strategic plan – Group CFO's statement

CASE STUDY: ArcelorMittal Italia – a strategic opportunity to create value

In November 2018, we assumed full management control of Ilva S.p.A. in Italy, forming ArcelorMittal Italia, a new business cluster within ArcelorMittal Europe – Flat Products. Through the combination of a comprehensive investment plan and access to ArcelorMittal's global scale and expertise, this acquisition represents a new start for the business, for its employees, and for its new neighbours.

ArcelorMittal Italia at a glance

10,700 employees

3 production sites

8m tonnes steel production capacity

€2.4bn capital investment plan

Building a sustainable future through investment and expertise

To us, the opportunity presented by ArcelorMittal Italia is clear. Not only does it include the largest, and only integrated, steelmaker in Italy, but its main production facility in Taranto is strategically well-located, sitting next to one of Europe's largest deep-water ports. It gives us a primary production presence in Italy, Europe's second largest steel consuming market, and significant steel finishing capacity, in Taranto, Novi Ligure and Genova.

Our new sites, and the communities around them, draw on more than a century of steelmaking heritage – but in the years leading up to our acquisition, Ilva faced severe environmental and productivity challenges.

Our bid for Ilva was founded on a vision of a sustainable future. It included investment commitments of €2.4 billion, a detailed environmental plan, and a commitment to expand the product range with targeted investment in high-quality products. It also included an investment in a new research and development centre in Taranto, and a long-term commitment to our employees and the community.

Investing in a cleaner, stronger asset

We want to make a rapid impact on production levels and productivity while also meeting the expectations of our stakeholders for better performance.

Crude steel production at Taranto is limited to 6 million tonnes per annum until we meet the provisions of the Integrated Environmental Authorisation set out by the Italian Government, which involves completing our €1.15 billion environmental investment programme. We have already begun works on our environmental investments, which will be phased between 2018 and 2023. The plan is designed to address the most urgent issues around the quality of air and water we share with our neighbours, while also focusing on energy consumption, noise abatement, soil quality, and the use of our by-products. The investments support our aim of increasing our production from Taranto to 8 million tonnes per year from 2023, and during this improvement process we will maximise the productivity of our finishing lines by supplementing the crude steel produced at Taranto with steel from other ArcelorMittal plants.

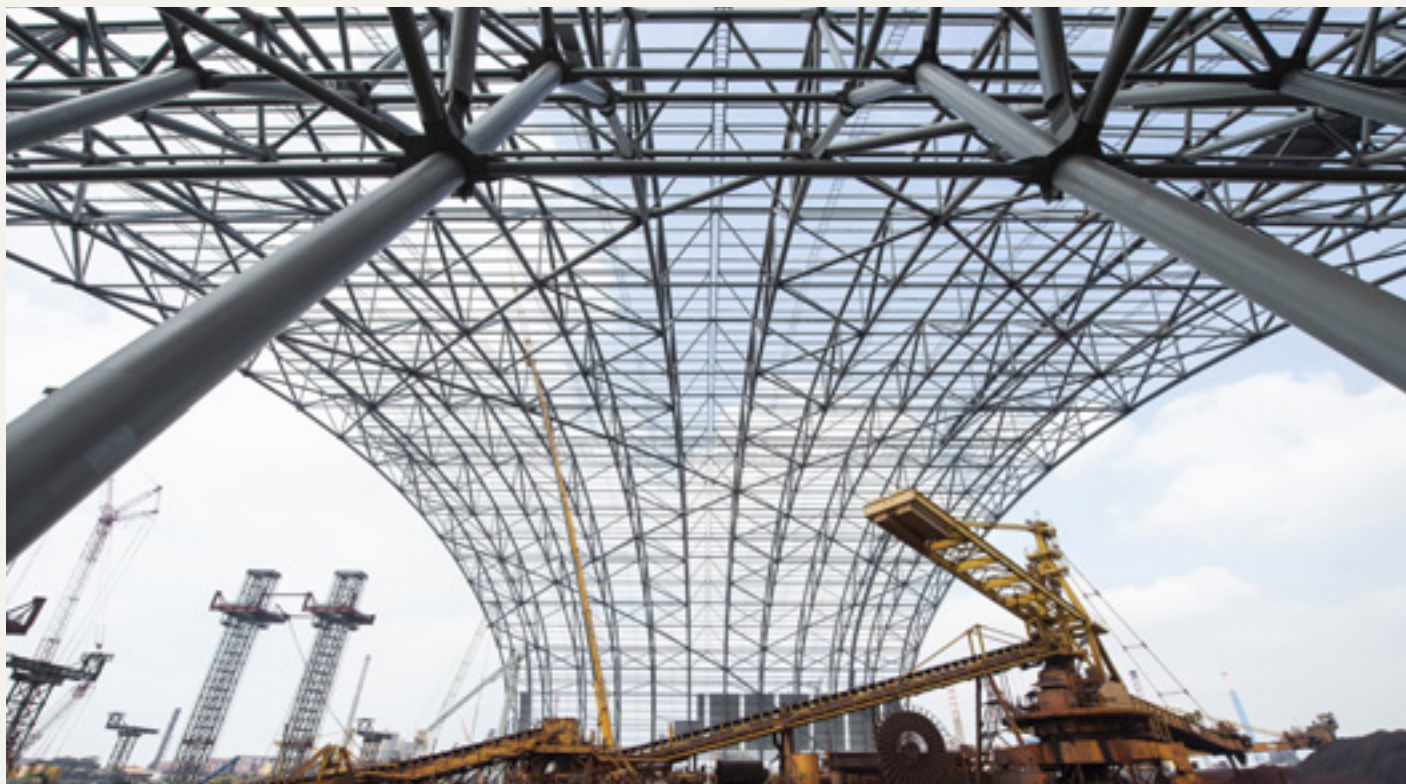
Focus on productivity

We are drawing on the expertise and wide asset base of ArcelorMittal Europe to optimise the performance of our steel plant and its blast furnaces and sintering plant, and of our finishing lines.

Sharing best practice and benchmarking our performance will help us drive ArcelorMittal Italia's efficiency, and ensure we provide our customers in Italy and beyond with a reliable supply of high-quality products. And our €1.25 billion industrial investment plan, phased alongside our environmental investments, is designed to help drive productivity.

"ArcelorMittal Italia's Taranto site is the largest integrated steel plant in Europe, uniquely placed to serve Italy, Southern Europe and beyond. It has faced productivity and environmental challenges, which we do not underestimate – but we have a strong record of rehabilitating under-performing assets, and I am confident that we will succeed in rapidly improving our operational, financial and environmental performance while building stronger relationships with the communities we work in. That will create value for our company, our stakeholders, and the wider economy."

Matthieu Jehl
CEO, ArcelorMittal Italia



Constructing the coverage for our raw materials stockyard in Taranto.

Building relationships with employees and our neighbours

We want to make ArcelorMittal Italia a business of which our employees and neighbours can be proud, and we're confident that a safe, sustainable steel business can bring great benefits in terms of employment, procurement, taxation, and regional and national prosperity.

As safety is our highest priority, we have already begun the work to align safety procedures for our 10,700 employees with our global standards, and we have carried out risk assessments at all our sites. By the end of 2018, we had reached over 7,500 employees with health and safety training.

At the same time, we are working to understand the needs and concerns of our new neighbours, and exploring ways to ensure that the value we create at ArcelorMittal is shared by those around us. This has so far included town hall meetings with 2,200 employees, an active media campaign, and consultation with 130 suppliers.

Highlights of our seven-year, €1.15 billion environmental investment plan

- €300m at our raw materials storage areas including coverage of our primary raw materials stockyard at Taranto
- €200m for dust reduction at our coke batteries
- €172m for a range of remediation measures, including asbestos removal and management of historic residues
- €167m in wastewater treatment
- €128m to enclose conveyor belts and buildings
- €40m for our fire prevention upgrade plan
- €35m in sinter primary de-dusting
- €30m for GRF area and steel plants' de-sulphurisation

Highlights of our €1.25 billion industrial investment plan

- €260m to restore a blast furnace
- €250m mechanical and automation upgrades for our finishing production tools
- €100m for maintenance of our hot steel mill, plate mill, annealing and cold mill
- €60m to improve our power plant
- €20m to produce advanced high strength steels at Genova

Integrating sustainability into the business

The world, our customers and our industry, are all transforming – and the pace of change is accelerating. We believe our steels will play a vital and valuable role in the decarbonised, circular, and sustainable economy of the future. At the same time, society's expectations of us are increasing and it has never been more important to listen and respond carefully in order to ensure we are contributing to the UN's Sustainable Development Goals (SDGs).

Increasing stakeholder scrutiny

Over recent years, we've listened carefully to our stakeholders both locally and globally, and we know that their expectations of us are on the rise. We are acutely aware of the importance of how we interact with community stakeholders near our sites and that new generations expect far more from us than jobs and tax revenues. Globally, the world is in transition and the way our business and our industry interacts with other sectors will transform into a far more circular resource system.

Maintaining the trust of our stakeholders has become a key value driver to our business, and one that our senior executive management and the Board recognise as something we need to work for across all areas of sustainable development – health and safety, climate change, environment, social, and customer reassurance. The Board now has direct oversight of all these thematic areas and is driving the deepening of our strategic approach for each one.



\$652m

Environmental and energy capex

1,400

People working in global R&D

7%

Three-year reduction in dust/tonne steel



“We’ve made great progress in building our understanding of sustainable development, and in embedding it in the way we do business. While we still have further to go, we believe we are building a unique, integrated marketing offer – with ArcelorMittal as the supplier of choice for innovative steel products, made with trusted raw materials, in ways that meet stakeholders’ sustainability expectations.”

Brian Aranha

Executive vice president, head of strategy, CTO, R&D, CCM, global automotive, communications and corporate responsibility

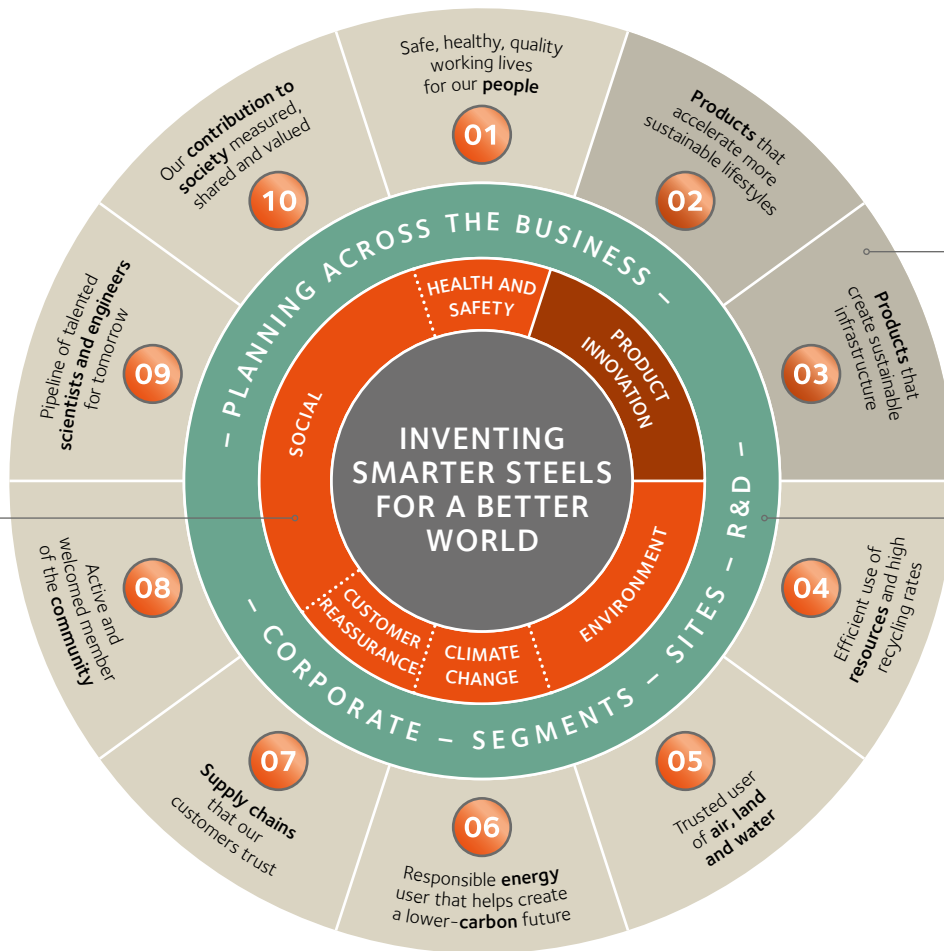
Integrating sustainability into the business

How we manage sustainable development

This wheel shows the relationship between the five governance themes through which our Board of Directors oversee SD and the planning process across the business in order to achieve our 10 SD outcomes.

10 SD outcomes

Our 10 SD outcomes describe the business we need to become if we are to bring optimal value to all our stakeholders. These outcomes have provided the framework for engaging our workforce on SD issues since 2014, and supporting the development, management and reporting of sustainability issues across our operations, based on a continuous materiality process. [See page 55.](#)



Governance

The Appointments, Remuneration, Corporate Governance & Sustainability Committee (ARCGS) of the Board oversees the company's management of sustainable development issues on a quarterly basis against these five themes.

The Board also oversees the product innovation agenda.

Planning

Segments and sites are asked to consider sustainable development as a strategic driver within their business plans and set priorities accordingly. These will consist of social and environmental elements related to the local context.

We are working to improve the systems we use to report to the ARCGS on our progress against the five governance themes.

Driving value across the business

By integrating sustainability into our business in the following ways, and working with our stakeholders, we will drive financial, social, and environmental value.

Addressing the carbon challenge

We are committed to transitioning to low-emissions steelmaking in line with the Paris Agreement. We believe the combination of our breakthrough technologies and the support of good public policy can make this transition a reality. [See page 28.](#)



Reassuring our customers through standards and certification

Through our leading role in developing multi-stakeholder environmental and social standards, we're reassuring our customers that these products are responsibly made from trusted sources of raw materials. [See page 40.](#)



High-performing people, in a high-performing organisation

Finding, keeping and supporting the right people with the right skills will be central to our long-term success. [See page 32.](#)



Anticipating and responding to key social and environmental trends

We need to listen to our stakeholders to operate responsibly, and reduce our negative environmental impacts, working with local communities to support socio-economic development and value creation. [See page 42.](#)



Innovation to support customers and society

Through world-class R&D, we're offering customers innovative steels that make the most of steel's qualities, boosting our high-added value product portfolio and helping our customers contribute to sustainable development. [See page 36.](#)



Our 10 SD outcomes are well-aligned with the UN's 17 SDGs – the global articulation of what all parties must work to achieve so people everywhere can enjoy a good quality of life. By pursuing our 10 SD outcomes, integrating sustainability into the business, and improving long-term value for our stakeholders, we are contributing to the SDGs in many cross-cutting ways. Our [Reporting Index](#) maps these.

Integrating sustainability into the business

Addressing the carbon challenge



“We believe our steel will have a vital role to play in the low-emissions society of the future – and in the transition that is already underway. At the same time, we are committed to reducing the carbon footprint of steelmaking in line with the Paris Agreement. We are confident that with the right policy support, our technologies can make this a reality.”

David Clarke

Vice president, head of strategy and chief technology officer

The demand for primary steel will continue to grow: steel will be key in the transition to a lower-carbon economy. So how do we meet that demand, while bringing about the reduction in global greenhouse gas (GHG) emissions that is needed to meet the objectives of the Paris Agreement on climate change?

A material at the heart of the low-carbon economy

Our modern, specialist steels are already helping to make products more carbon-efficient. Lifecycle analysis shows steel to have a lower global warming potential than many competing materials. And, because it is recyclable and recoverable, steel is well-suited to a low-carbon, circular economy.

At the same time, the chemistry of primary steelmaking has, up to now, meant that it emits high levels of carbon emissions. The steel industry currently generates approximately 7% of the world's CO₂ emissions. Whatever the long-term sustainability benefits of steel, we know this footprint has to be reduced. And we know we face reputational and regulatory risks if we do not make this a priority for our business.

When considering what our response should be, many observers consider increasing the use of scrap as a positive emissions reduction strategy. Unfortunately, almost all scrap is already used, and stocks only make up less than 30% of today's steel production, globally. Our analysis indicates that by 2050, scrap stocks will increase to around 50% of global steel demand. So making more recycled steel from scrap will contribute a very limited amount to the overall solution. Not only that, but primary steel will continue to be needed for decades to come. The challenge for steel, therefore, must be to reform the way primary steel is made.

This issue is addressed through

06

SD Outcome 6:
Responsible energy user that helps create
a lower carbon future

▶ [READ MORE](#)

\$247m

capex in energy and carbon improvements allocated across 26 projects

19

new processes developed by our R&D division to support carbon and energy efficiency

Rising to the challenge of low-emissions steelmaking

Over the last 150 years, the way steel has been made has frequently evolved, and the process continuously improved. Today, close to optimal energy efficiency levels have been achieved, while materials efficiency is exemplary, with almost all end of life scrap and by products both recycled and reused. We believe that the next transition – to very low-emissions steelmaking – is not only possible but we have the potential technology to achieve it.

We have identified three main technological pathways that could take us there: the use of waste sources of carbon in place of coal, together with carbon capture utilisation (CCU); electrolysis or hydrogen-based steelmaking powered by large volumes of renewable energy; and carbon capture and storage alongside the continued use of fossil fuels.

Circular carbon thinking

We call the first of these the ‘circular carbon pathway’ – and we believe we are leading the industry in advancing it. Circular carbon enables a cycle of waste carbon – including waste biomass and plastic to be used in the blast furnace – as a valuable resource to replace fossil fuels and produce commercially viable products such as bio-oils, chemicals, plastics and bio-fuels at scale.



We are pursuing this pathway in various ways. Our partnership project with LanzaTech at our €150 million industrial-scale demonstration site in Gent converts waste carbon monoxide from blast furnace gas into ethanol, which can be used in place of fossil fuel-based commodities for the production of transport fuels, plastics and chemicals. Our Torero project, also in Gent, uses bio-waste in the blast furnace in place of coal. And our IGAR technology in Dunkirk reforms waste carbon gases to use as a reductant again in the blast furnace. These technologies are all described in our forthcoming Climate Action report.

Options with clean power

As well as carbon, hydrogen can also be used to reduce iron ore though very large amounts of clean energy are required to produce the hydrogen, as well as related infrastructure. We are exploring this approach at our R&D centre in Hamburg, Germany and in March 2019, we announced a €65 million demonstration project to run a DRI plant on 100% hydrogen, with an annual production of 100,000 tonnes.

Iron ore can also be directly reduced by using electricity alone. With sufficient access to clean energy, this electrolysis technology could pave the way to carbon-free steelmaking. ArcelorMittal has developed this technology at our Maizières Global R&D centre in France, and demonstrated that steel making with electrolysis requires less power than the manufacture of hydrogen from water. It is therefore a very promising technology with the potential for deep reductions in CO₂ emissions from steelmaking and could provide a more efficient alternative to hydrogen steelmaking. ArcelorMittal is the lead company of the Siderwin project. Together with 11 European partners, and funding from the European Union's Horizon 2020 programme, Siderwin will construct a industrial scale demonstration of this technology.

Driving wider carbon reductions through low-emissions product innovation

Our innovative products and processes already help customers reduce their carbon footprint. We describe our progress in Innovation to support customers and society.

▶ READ MORE

Integrating sustainability into the business

“Moving away from carbon is a huge challenge. We need to be smart and think outside the box. Our low-emissions innovation programme is broad and flexible enough to transform tomorrow’s steelmaking industry in an affordable way.”

Carl De Maré

Vice president, technology strategy

Supportive policy is essential

Progress towards low-emissions steelmaking is eminently possible but it will remain slow without the right policy frameworks to drive it. These must include green border adjustments to prevent decarbonised steel in one market being undercut by imported, higher carbon steel from another, effectively causing carbon leakage. It also means access to large amounts of clean energy at affordable prices as well as access to financial support and incentives. A more detailed explanation of our policy recommendations will be outlined in our forthcoming Carbon report.

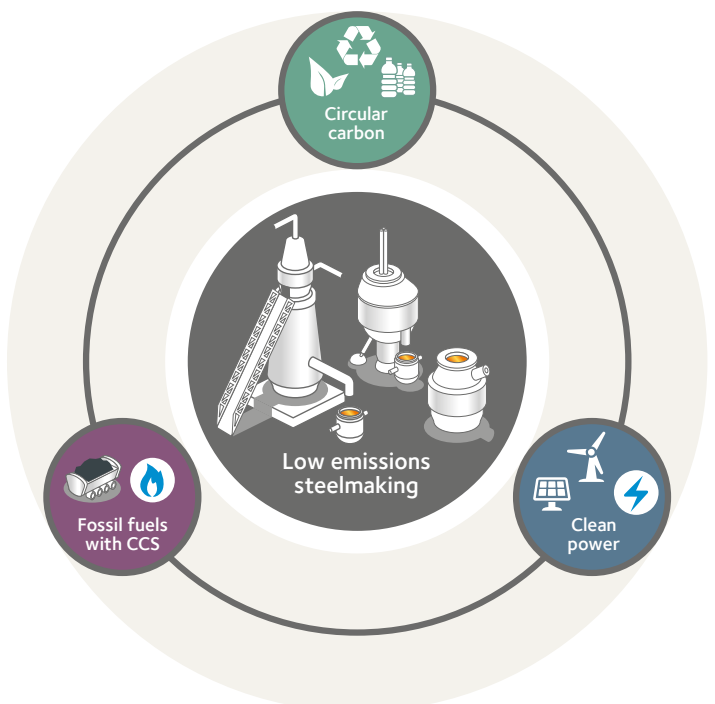
Part of the wider conversation on carbon

We are engaging with our customers and investors as well as policymakers and global organisations to build an understanding of our outlook for low-emissions steelmaking. This includes organisations such as the We Mean Business coalition, the World Business Council for Sustainable Development, CDP, the Science-Based Targets Initiative and the International Energy Association.

Prepared for the future

In different parts of the world, different policies will emerge to support the transition to low-emissions steelmaking. With our broad portfolio of technologies in development, we believe that we are in a unique position to respond to policies that emerge, whether they support the circular use of carbon, a transition driven wholly by clean power, or one that involves carbon capture and storage.

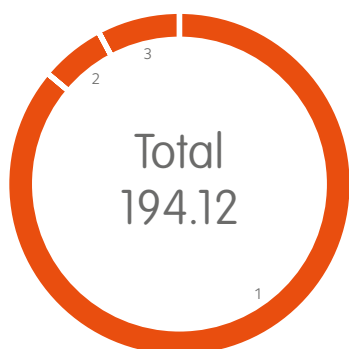
All our segments are in the process of developing detailed corporate action plans and we expect to announce a group wide 2030 target next year.



Board oversight of climate change risks and opportunities

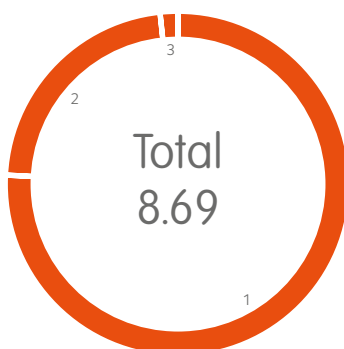
Our ARCGS Committee oversees our transition strategy and carbon performance.

▶ [READ MORE](#)



Absolute CO₂e footprint – steel (million tonnes)

1 Scope 1 167.35
2 Scope 2 12.12
3 Scope 3 14.65



Absolute CO₂e footprint – mining (million tonnes)

1 Scope 1 6.60
2 Scope 2 1.95
3 Scope 3 0.14

2.12t CO₂/ts
CO₂ emissions intensity

Underlying progress in 2018

Our absolute CO₂e footprint for our steel and mining operations saw a 2% decrease against 2017. This was primarily due to a fall in emissions from our mining operations, as well as a reduction in steel output. Since 2007, this has decreased by 17%.

For our steel operations, our carbon footprint has reduced by 21% since 2007 – despite the fact that over this period the share of our production from the integrated route has increased from 77% to 83%, in response to changes in structural market demand. The integrated route uses coal to reduce iron ore for primary steel making.

So, despite the fact that we are making more steel in this way, any increase in emissions has been more than outweighed due to improvements in the technical carbon efficiency of our steel plants. As a result, we have managed to achieve a relatively constant average carbon intensity since 2007. Today this stands at 2.12 tonnes of CO₂ per tonne steel.

We set ourselves a target of reducing our carbon intensity by 8% between 2007 and 2020. This relates only to those sites we operate today that we operated in 2007.

Progress against this target by the end of 2018 was 6%. This is disappointing since we know, as explained above, that the underlying carbon efficiency of our plants has improved far more.

We are now focusing our efforts on building a roadmap to underpin a new medium-term 2030 target, which will be based on further technical efficiencies and the application of our portfolio of breakthrough technologies to reduce emissions. We are confident that with the right policy support, we have the building blocks to achieve ambitious reductions in carbon emissions, as our forthcoming Climate Action report will outline.

In our mining operations, our project to capture, concentrate and burn coal-bed methane for heat and power generation at our coal mine in Kazakhstan was approved in 2018. The expected impact on our greenhouse gas emissions is expected to be significant. The initial focus of this joint venture between

Satbayev University and ArcelorMittal Temirtau will be the geological exploration of methane reserves and its extraction from coal mines. This gas can then be used to produce electricity in gas power stations or in converted vehicles.

In addition to this, we approved a range of projects to reduce CO₂ emissions from our mining operations by a total of 3.25 million tonnes per year.



Using renewable energy

Wind turbines at our Ghent, Bremen and Hamburg plants, and 15 hectares of solar panels at Fos-sur-Mer, already generate renewable energy on our own land. And at our Hamburg site, a “time shift” process regulates the power consumption of the electric arc furnace to absorb surplus electricity from nearby wind power generation.

We are actively exploring the potential for power purchase agreements to supply our steel plants with renewable energy wherever prices are competitive. In 2018, we concluded an agreement to purchase electricity from two solar farms in Spain expected to generate 8.6GWh.

Integrating sustainability into the business

High-performing people, in a high-performing organisation



“As a leading global industrial company, we operate in an extremely competitive landscape. We want to publicly demonstrate our commitment to recruit, retain and develop the best talent by building an inclusive culture and a strong and diverse talent pipeline.”

Bart Wille

Executive vice president, head of human resources

Finding, keeping and supporting the right people has always been key to building a high-performing organisation. That means being an aspirational place to work, and ensuring employees feel safe, respected and valued. It also means building a culture that helps employees develop throughout their careers, and keeps them committed, motivated, equipped with the right skills, and eager to perform at their best.

This is an area where no business can afford to stand still. We're proud of the strong teams we have built at ArcelorMittal. But the world of work is continually changing, and the expectations of employees and potential recruits change with it. There is strong demand for the best talent. Our future success – and the future value we create for society – depends on making sure we continue to attract people whose skills and commitment will help drive outstanding performance.

This issue is addressed through

01

SD Outcome 1:
Safe, healthy, quality working lives for our people

▶ [READ MORE](#)



A diverse workforce and an inclusive culture

Ensuring we have an inclusive culture is not just the right thing to do – it is also a critical way for us to support our ambition to be an employer of choice. With our global reach and presence in more than 60 countries, it is essential that we attract the best people from the widest possible talent pool. Our **diversity and inclusion policy** makes clear our ambition to recruit and support people of all cultures, generations, genders, ethnic groups, nationalities, abilities and social backgrounds. In 2018, we were one of 50 companies from the European Round Table of Industrialists (ERT) to sign the **#EmbraceDifference** pledge to promote diversity and inclusion in the workplace.

Supporting women as leaders

We are committed to recruiting, retaining and promoting talented women within our business – and we know this is an area we can strengthen further. While 33% of our Board of Directors are women, only 12% of management are women.

In 2018, our Board agreed to track a number of KPIs relating to women in leadership positions to help us, and our stakeholders, measure progress. This includes the proportion of succession plans for senior management filled by women as well as the percentage of new recruits in exempt population that are women. We also began an internal benchmarking project to consult employees and compare the diversity and inclusion policies and initiatives in place at 11 of our sites.

12%

Women in succession plans for key positions

\$64m*

Training budget in 2018

*Not including Taranto and Ilva remedies



We have a number of programmes designed to develop women as leaders, including training, mentoring and coaching and networking. We encourage our female leaders to act as role models for more junior women. The ArcelorMittal University also runs Women@ArcelorMittal, a programme that includes an online learning channel, webinars and face-to-face training.

Ensuring we build and keep the right skillsets

Succession planning and employee development are central to our high-performance ambitions. We aim to build a clear career pathway for employees, supported by ongoing initiatives to build their technical capabilities through training. We also aim to identify people with leadership potential, and manage the succession of key roles as part of our overall strategic workforce planning process. Communicating the opportunities available to employees – what's known as our employee value proposition – is an important area of work for 2019.

At the same time, we need to keep a clear focus on developing and retaining the skills in engineering and science that will keep us at the forefront of innovation and performance. Areas including lifecycle analysis, robotics, data analysis, nanotechnologies, circular economics and 3D metallurgy are all critical to our success. The skills required for an increasingly digitalised industry need to be supported by the ability to adapt to change, exploit new technology and thrive in a complex workplace.

The ArcelorMittal University plays an important role, through its range of online and classroom leadership, management, functional and technical programmes. More widely, the importance of skills in STEM (science, technology, engineering and mathematics) is reflected in our focus on STEM in our global community investment strategy.

ArcelorMittal was included in the Bloomberg Gender Equality Index for the first time in 2019.

▶ READ MORE

Integrating sustainability into the business

High-performing people, in a high-performing organisation

“The number of jobs requiring STEM skills is likely to grow by about one million across the world by 2025. Business investment in STEM education is key to the growth of economies and our communities – and to our future success.”

Nicolás de Abajo

Head of global R&D centres

Global focus on STEM skills

Building a pipeline of talented scientists and engineers is an important theme of our SD strategy. We know that people with STEM skills will play a critical part in building a sustainable future for society at large, for the steel industry and for our business.

Around the world in 2018, we invested \$10m in STEM projects, which range from seeking to inspire children to explore STEM concepts, offering guidance and encouragement to schools and students considering STEM, and supporting and attracting undergraduates and graduates with relevant skills. These projects include initiatives that specifically focus on women and girls, who are historically underrepresented in STEM professions. A global internal STEM network draws on experts from across the business to share best practice on STEM outreach.

- We have partnerships with a wide range of technical schools and universities, including Brown University and MIT in the US, Cambridge in the UK, Lausanne in Switzerland, McMasters in Canada, and the China Central University.
- In 2018 R&D hosted more than 90+ engineering students on long-term internships, and 40 PhD students.
- In 64% of the countries in which we operate, we run STEM projects focused on women and girls (2017 internal survey).

ArcelorMittal supports a range of STEM-focused awards. In 2018 they included:

- the ArcelorMittal Environment Award in Brazil, dedicated to raising awareness of environmental issues among elementary school students
- the Prix des Innovateurs in France, which rewards young entrepreneurs or researchers for innovative projects
- “The Challenge”, a 48-hour hackathon jointly organised with Microsoft, which awards €8,500 in prize money for creative solutions to an industry-based problem.

Engaging with employees

An open and continuous dialogue helps to create a working environment based on mutual trust, understanding and respect – and to ensure that the rights of workers are protected. We conduct a range of surveys to gauge employees’ opinions, attitudes and levels of satisfaction, and feedback is given to our executive leadership.

We work closely with trades unions, and collective labour agreements covered 94% of our workforce in 2018. Yet despite this, over the year there were four strikes organised by our unions that lasted more than one week. All of them concerned pay negotiations, and took place at three different sites in France and one site in Belgium. With our unions, we were able to resolve these disputes and reach mutual agreements. As a fair and responsible employer, we are committed to maintaining a continuous dialogue with all of our social partners, in a spirit of transparency and mutual respect.

We continued to investigate and resolve grievances relating to workforce issues, through line management and through our whistleblowing lines. In 2018, our global assurance team received 158 such complaints, of which 27 were substantiated.

This issue is addressed through

09

SD Outcome 9:

A pipeline of talented scientists and engineers for tomorrow

▶ [READ MORE](#)

CASE STUDY: Building a business that capitalises on digital opportunities



What does it mean for our organisation and for our people to have a 'digital mindset'? What benefits is that mindset bringing us now, and what will it bring in the future? Nicolás de Abajo, our head of global R&D centres, describes ArcelorMittal's strategic focus on digitalisation.

To see the future, look around you...

If I were speaking to an engineer of the future, I would say: Look around you. The world you live in is a fascinating mix of material and digital dimensions. These are evolving very fast and in an unprecedented way. Solutions to the world's biggest challenges will be dictated by how both these dimensions interact with each other.

In mining and steelmaking, digitalisation is transforming the very way in which the fabric of society is designed and made.

As an organisation, we've been embracing the potential of digitalisation for several years. But now the opportunities are expanding exponentially. Global R&D is focusing on launching digital transformation projects throughout all aspects and segments of the business. We need to digitalise our entire company as a critical part of our strategic focus on building a high-performing organisation.

Transforming manufacturing for higher yields and lower impacts

In manufacturing we're making exciting progress, with global R&D working closely with our production sites. Our ArcelorMittal big data platform and artificial intelligence (AI) algorithms are helping us in vital areas such as defect recognition and quality assurance, which will lead to higher yields and lower environmental impacts, including CO₂.

Deep learning technology is also helping us detect defects to enable predictive maintenance. Combining artificial vision with analytics is enabling us to improve safety and monitor environmental impacts at our production sites.

And the enormous potential of 3D printing for steel clearly relies on digital expertise.

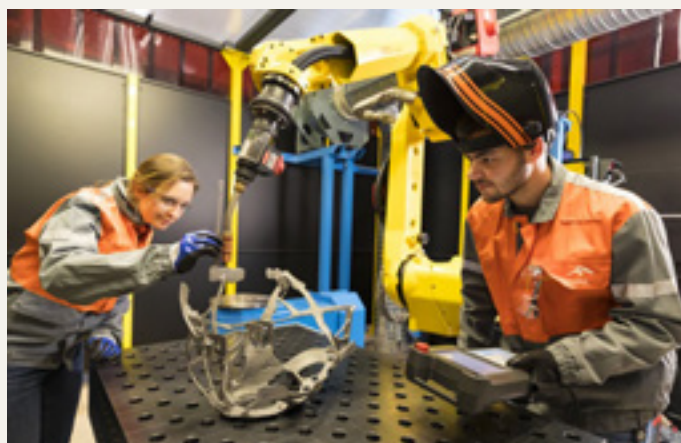
There are other transformations enabled by digital thinking. Better analytics are helping our sales teams with their forecasting. Adopting common platforms and AI is transforming our supply chain and logistics. And, while this area is still evolving, blockchain technology could well have a role to play in providing customers with reductions in transactional costs as well as supply chain assurance.

Global R&D works in all these areas with a clear focus on creating platforms and tools that are rapidly scaled across the whole Group and in very different business areas. This is one of the major benefits of digitalisation: replicability.

Rapid change requires a digital mindset at every level

Despite all this progress, we know that industry is only beginning to see the opportunities of digitalisation – for instance in the 'internet of things' – and the pace of change is going to keep accelerating. So it is clear that a digital mindset needs to be everywhere. It is key to how we work now, and to the skills we need in the future.

We're already recruiting people with profiles that would never have been seen in the steel industry even a few years ago. And each of us in the business must be a digital leader, able to identify digital opportunities for value creation and differentiation, drive the development of new capabilities and make full use of our digital capacity. We all have the potential to become 'disruptive innovators' and I am sure we have the right people and the right ideas to do it.



Integrating sustainability into the business

Innovation to support customers and society



“We are living in transformative times. Technology is opening up previously unthought of possibilities for steel as a central material in a sustainable tomorrow. What will that look like? I believe the only way to predict the future is to invent it.”

Greg Ludkovsky
Vice president, head of research and development

Our customers increasingly know they need to develop products that meet the sustainability expectations of society. Steel is strong, durable, versatile, and formable. It is also easily recoverable, and infinitely recyclable – qualities that are ideal for the products and infrastructure of a circular economy.

Through world-class R&D, we offer customers innovative solutions that make the most of steel’s qualities – and through our leading role in developing multi-stakeholder environmental and social standards, we want to give them assurance that these products are sustainably made from trusted raw materials. We see this combination as a unique competitive advantage: making us the supplier of choice for innovative products and processes that meet and exceed the sustainability expectations of our customers.

This issue is addressed through

02 SD Outcome 2:
Products that accelerate more sustainable lifestyles

▶ [READ MORE](#)

This issue is addressed through

03 SD Outcome 3:
Products that create sustainable infrastructure

▶ [READ MORE](#)

21

technology awards in 2018, including the Honda R&D Americas Inc.’s Excellence in Innovation Award

70

patents filed in 2018

\$290m

invested in future business through R&D in 2018

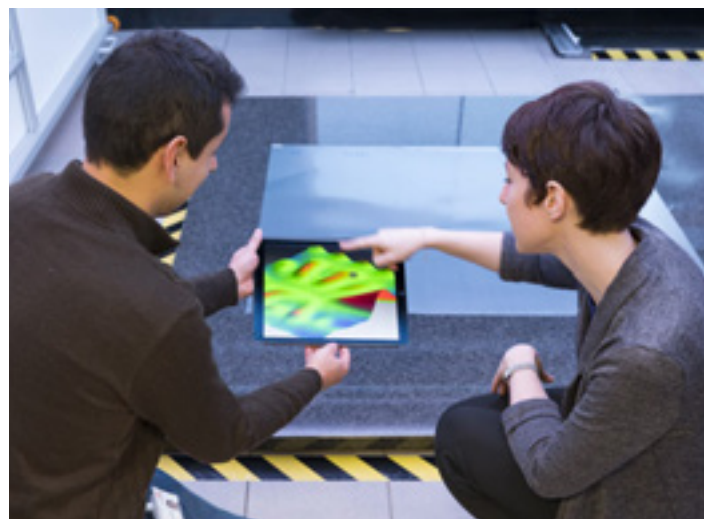
Innovation is a core strength of our business. Through innovative thinking, closer relationships with customers, continuous improvement and breakthrough technologies, our Global R&D team is helping us lead the way in developing the steel products and processes that enable sustainable infrastructure and lifestyles – and that drive ArcelorMittal's commercial success.

Delivering for customers today – and tomorrow

Our Global R&D team develops technologies that are transforming whole areas of our business, and those of our customers. They include:

- closed loop, low-emissions steel production
- environmental product credentials
- big data, analytics and robotics
- breakthrough construction solutions
- electric vehicle components.

Our customers across sectors including automotive, construction, transport, energy and packaging are always looking for better products and ways to reduce their social and environmental impacts. No new project is approved by Global R&D without demonstrating, using our Sustainability Innovation tool, that it contributes positively to sustainable development. That means R&D plays a vital role in supporting our strategic focus on both high added value (HAV) products, and our 10 SD outcomes.



Bringing automotive expertise to innovation in other sectors

Innovation has made us leaders in the manufacture of steel products designed to meet the evolving commercial, social and environmental needs of the automotive industry.

S-in-motion® enabled us to pioneer advanced high strength steel (AHSS) grades and manufacturing processes that help automotive customers make weight savings while retaining strength, so they meet demanding safety, CO₂ and fuel economy targets. Our electrical steels for electric motors, and steel solutions tailored to the specific designs required by electric vehicles, demonstrate our commitment to leading innovation in steel for electric and hybrid vehicles, too.

We bring the same innovative mindset behind S-in-motion® to other sectors. In 2018, we launched Steligence®, a new concept for the holistic use of steel in construction, helping customers design buildings with steel that use less material, embody less CO₂ and improve occupancy value. A full description of this deliberately disruptive new offer – which will enable significant social and environmental benefits as well as cost efficiencies for customers – is on [page 39](#).

We also develop innovative solutions for both renewable and conventional energy customers, including advanced line pipe steel, steel specifically designed for wind turbines, and our patented Magnelis® anti-corrosion steel coating for photovoltaic (PV) modules. Specialised steels, coatings and solutions play a vital role in a range of infrastructure applications, including rails, bridges and road safety barriers. Customers in the packaging sector continue to explore and expand the use of specialised steels that are stronger and can therefore be produced with reduced thickness and weight.

► Find out how our focus on digitalisation is transforming how we think, what we make, and the way we work.

Integrating sustainability into the business

Innovation to support customers and society

26

New products and solutions launched to support sustainable lifestyles and infrastructure

32

Lifecycle analysis studies conducted in 2018 for steel products and the processes used to produce them, all guided by ISO standard 14040-44

Innovation offer highlights in 2018

Industry	Offer highlight	Benefit to customers and society
Automotive – conventional and electric	S-in-motion®	New and cost-efficient steel grades, processes and applications that further reduce the weight of the basic vehicle structure and modules to improve fuel economy and reduce CO ₂ emissions without compromising vehicle safety, performance or cost performance.
Automotive – electric	iCARE®	A range of innovative and environmentally friendly electrical steels for the automotive market. Our goal is to meet anticipated demand for electric vehicles by 2020.
Construction	Steligence®	A new concept exploring the best use of steel in construction and giving architects and engineers access to advances in steel technology which enable efficiencies and lower social and environmental impacts. See page 39.
Renewable energy	Magnelis®	A patented and high-performance anti-corrosion steel coating highly suited for many applications including PV frames used to generate solar energy, as well as a number of other applications including automotive.
Packaging	TH650N	A new steel that exhibits hardness up to six times that of aluminum, and excellent formability; test results in 2018 show that when used in combination with TS550, the designed solution can reduce the weight of aerosol cans by around 17%.

Measuring the benefits of steel over its full lifecycle

Like us, our customers need to understand, and demonstrate, the real sustainability benefits of new products. One of our key tools in this area is lifecycle analysis (LCA), which analyses the environmental footprint of products, including CO₂ emissions, from manufacture, through use, to final disposal and recycling. LCA helps customers assess sustainability value at the product development stage, particularly in comparison to competing materials such as aluminium and concrete.

We've developed global expertise in LCA, which is an important asset to customers. For example, LCA is a requirement of Environmental Product Declarations (EPD) for construction products in Europe. Our EPDs are reviewed by third parties and validated by the Institut Bauen und Umwelt, the Institute of Construction and Environment, and are made available through ArcelorMittal Europe's Constructalia website. We're also leading the development of a methodological framework for EPDs in Brazil, where we published our first EPD in 2018.

CASE STUDY: Steligence®: building a sustainable future for construction



What kind of buildings will enable future generations to live sustainably? Who will build them – and what steel technologies do they need? Olivier Vassart, chief executive officer – Steligence®, describes how our disruptive new concept for steel in construction is transforming the potential of modern buildings and bringing us closer than ever to customers.

When you look at a building as a whole object – at every aspect of the way it is designed, constructed and used – you can see enormous, transformational opportunities through the use of steel. That concept is at the heart of the Steligence® philosophy.

By treating a building as a holistic entity and bringing together our innovation with the architects, engineers and construction experts involved in the process as a whole, from the design stage all the way to the construction, we can create enormous sustainability and efficiency gains.

And we can create new kinds of buildings, with flexible, transformable uses. It is an opportunity to put construction at the centre of the circular economy, and to build a sustainable business around a sustainable construction industry that delivers for future generations.

Steel technology that brings benefits to customers and society

Steligence® gives architects and engineers access to real advances in steel technology. And it enables them to take maximum advantage of those solutions by considering the lifecycle, the recyclability and, ultimately, the re-usability of a building and its components at the earliest stage in the design process.

That means buildings designed using the Steligence® philosophy are quicker to assemble and potentially easier to disassemble. This will lead to significant efficiencies and cost savings. Innovative steel solutions also enable more building storeys within a given height than with traditional building systems and materials, reduced costs for foundations because of the lower weight of steel and composite buildings, and far longer uninterrupted spans between columns, meaning the internal floorspace is more easily adaptable to any current or future use.

A vision of sustainability

We think customers will see this as a win-win opportunity. There are clear cost benefits. And like us, they recognise that climate change, energy regulations, and resource scarcity are creating imperatives for the industry to transform itself.

The potential carbon benefits alone are very exciting. Society needs buildings – but their embedded carbon footprint is currently too high. By using Steligence® optimally, we believe customers could reduce the carbon footprint of a building by 40% over its lifecycle. So, it is entirely feasible to build a cheaper building, with a significantly improved environmental footprint.

Personally, I see steel's unique potential for reuse as particularly important. Modular steel components that can be used again and again – these present great opportunities to enable the circular economy. We're already exploring this concept in the design of our own headquarters in Luxembourg.

Joining up our innovation with customers' needs

So, how are we putting this philosophy into action? By focusing on customers. We've brought together expertise from our R&D and other sales and marketing functions to create a new division that helps us get closer to all the stakeholders involved in creating a new building.

It is a way of working that has brought enormous benefits to our customers in the automotive sector. The construction industry, of course, is very different, and traditionally involves a wide range of disciplines. Bringing together the expertise required to meet the needs of such a differentiated industry has never been done before. That's why Steligence® is so radical, so ambitious – and so exciting.

▶ ArcelorMittal launches Steligence®, a radical and disruptive construction industry concept.

Integrating sustainability into the business

Reassuring our customers through global standards and certification



“It is easy to imagine a near future in which certification for most steel products is a normal expectation from many customers. In such a market, I expect us to have benefited significantly from our leadership.”

Alan Knight

General manager, head of corporate responsibility and sustainable development

Consumer-facing brands want to be able to tell the full story of their product with confidence, which means knowing that our steel – and the raw materials it is made from – is the result of a value chain in which all key stakeholders’ expectations are met in terms of the law, human rights, and social and environmental standards. This is a critical strand of our sustainable development strategy.

Leading the way in supply chain assurance

Customers have a wide range of expectations, but the underlying trend is towards greater levels of assurance, especially for mined raw materials. We are convinced this provides us with a competitive advantage. Working with peers in the steel and mining industries, and with other stakeholders, we aim to be leaders in the development of a ‘mine to metal’ chain of assurance against multi-stakeholder environmental and social standards.

Building multi-stakeholder standards for steel production and mines

Many other sectors have demonstrated the value of well-designed standards that drive positive change across the value chain, and we want steel to do the same. If the trends we see now continue, assurance standards could shape the way our industry works very quickly.

We have taken leadership roles in the formation of ResponsibleSteel™ and IRMA (Initiative for Responsible Mining Assurance), which are working to establish multi-stakeholder standards for steel production and mines. We are also committed to assessing our marketable mines against Towards Sustainable Mining (TSM), the Mining Association of Canada’s responsible mining programme, and in 2018, we joined the Responsible Minerals Initiative.

This issue is addressed through

07

SD Outcome 7:
Supply chains that our customers trust

▶ READ MORE

“If you can show your customer the whole sustainable journey of their product from ‘mine to metal’, you have a critical competitive advantage.”

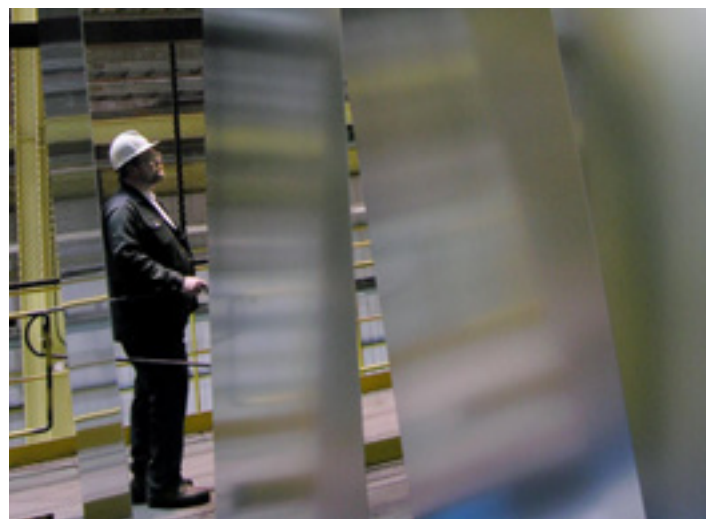
Brian Aranha

Executive vice president, head of strategy, CTO, R&D, CCM, global automotive, communications and corporate responsibility

At the same time, we have worked to encourage co-operation between standard-setters at IRMA, TSM and ResponsibleSteel™. In the same spirit, the Responsible Minerals Initiative has joined forces with ICMM to create a working group to shape the debate. Members include miners, mineral users from the auto and electronic sectors and several mining schemes (IRMA, TSM, ICMM, RJC, ASI, ResponsibleSteel™).

Due diligence in our own value chain

As we continue to play our part in these multi-stakeholder, customer-focused initiatives, we are also committed to driving standards in our own supply chain.



We continue to improve our supplier process to be better aligned to the OECD’s guidelines on due diligence. Since 2011, our Code for Responsible Sourcing has set out minimum standards for its suppliers, and described how it will work with suppliers to achieve them. Every year, we assess our core strategic suppliers against our Code, and in 2018, this involved 405 suppliers.

Over the past year, we have deepened our mapping of the social and environmental risks in our raw materials supply chain, analysing these by supplier, by country, and by material. This has been a challenging piece of work given the complexity of our supply chain. We have also worked with Worldsteel to create tools for our industry on supply chain due diligence.

Key activities in 2018

ResponsibleSteel™	The steel industry’s first global multi-stakeholder standard and certification programme.	As a founder member, we began testing the first draft of the new ResponsibleSteel™ standard at several of our European operations in 2017, expanding the pre-audits globally in 2018.
IRMA (the Initiative for Responsible Mining Assurance)	An initiative that aims to certify social and environmental performance at mine sites globally using an internationally recognised standard.	As a member of the IRMA steering committee, we participate in the multi-stakeholder expert panels shaping its standards. The standard and self-assessment platform were both launched in June 2018.
Toward Sustainable Mining (TSM)	A sustainable mining standard established by the Mining Association of Canada (MAC) and recognised worldwide.	In 2018, we committed to assessing all our marketable mines against TSM. Our Mont Wright iron ore mine has already completed this process. We also began training at other relevant sites as part of a progression that will result in published assessments beginning in 2021.
The Tin Working Group (TWG)	A multi-stakeholder collaboration on sustainable tin production in Indonesia.	We continue to support the local advisory committee as it conducts pilot projects on health and safety and land reclamation.
The World Steel Association’s supply chain task force	A working group formed by the industry association whose members produce c. 85% of global steel production.	We chaired the working group as it developed a toolkit for helping members map and conduct due diligence of their supply chain.
Responsible Minerals Initiative (RMI)	A multi-stakeholder resource addressing responsible mineral sourcing issues.	As a steering committee member, we play an active role in discussions around shared standards and encouraging cooperation between assurance organisations.

Integrating sustainability into the business

Anticipating and responding to key social and environmental trends



“We are leaders in steels. We need to help lead the way to a better future, for our neighbours, our investors, and society as a whole.”

Frank Schulz

Vice president, head of governmental affairs, real estate, environment and legal

Behind the UN Sustainable Development Goals (SDGs) is a vision of progress that ‘leaves no-one behind’. We will only be successful if we keep our focus on making steels in ways that work for society, without creating harmful carbon footprints, or negative social and environmental impacts.

A time of opportunity

Steel has much to offer the circular economy. It doesn’t rely on scarce raw materials, it is durable, it is reusable, and it is almost endlessly recyclable – a permanent material. Its versatility means that it is already enabling city infrastructure, energy systems and transport systems. Over 85% of end-of-life steel is recycled.

Through innovation in our products and processes, we aim to ensure ArcelorMittal’s steel grows its role in the sustainable economy, creating new opportunities for our business, and further value for communities and other stakeholders.

A time of responsibility

At the same time, reducing our carbon footprint is one of the biggest challenges we face, and we describe our approach to lower-carbon steel on [page 29](#). Our neighbours and other stakeholders have other expectations too, around our use of resources, our impacts on air, land and water, and the wider contribution we make to society.

Our environmental performance is improving, but we are aware that communities are expressing concerns over our impact on the environment and those around us. We need to engage in open conversations about the challenges we face, and discuss the best ways to respond to stakeholders, so that we can balance the financial demands of our business with the needs of others now and in the future.

Resource efficiency and the circular economy

04

SD Outcome 4:
Efficient use of resources and high recycling rates

▶ READ MORE

ArcelorMittal believes that a lower-carbon world is also a circular one when it comes to resources. As well as pioneering low-carbon technologies, we are finding new ways to close resource loops in steelmaking and in synergy with other industries. We take advantage of steel's ability to be recovered, recycled and re-used, and we also look at the resources we use and produce throughout the steelmaking process, and look for advantages for cost, carbon and other aspects.

Capturing the potential of these by-products will be key to a sustainable future for our business. We already use much of the process gases, slag, dust and sludges we produce in our internal processes. We also look beyond our business, because many by-products are a valuable resource to industrial partners producing cement, chemicals, fertiliser, glass, and other products; while the process gases from steelmaking are used to heat homes in many communities around our plants.

We continually look to do more, both to reduce our resource input, and to minimise outputs that end up as waste. For some resources, we need to find ways to create value from by-products where markets for them do not currently exist. For others, we need the innovation of our R&D teams to develop new solutions that focus on resource efficiency. Our developments in this area in 2018 are summarised in the table on [page 44](#).



Recycling steel

Because it is magnetic, steel is relatively easy to recover from waste systems and is, compared to many materials, almost endlessly recyclable. On average over 85% of steel worldwide is recovered and recycled. In 2018, we used 28.6 million tonnes of scrap, meaning that some 37.2mt CO₂ was avoided. One day, all steel may be produced from recovered scrap, creating a perfect resource loop, reinforcing our belief in steel's suitability for the circular economy. However, we need to be honest with stakeholders. For that to happen, the world needs to create a large enough pool of available scrap steel. With current trends in steel demand, this won't happen until the end of the century.

Today, demand for steel is three times higher than the supply of scrap. That means the majority of steel still needs to be made from iron ore (a description of the steelmaking process can be found in our [Fact Book](#)). This is why we prioritise the pursuit of low-carbon technological pathways for primary steelmaking, described on [page 29](#).

9mt CO₂

avoided by cement industry due to use of 12mt blast furnace slag in place of clinker

37mt CO₂

avoided through the use of 29mt of scrap in our steelmaking

Integrating sustainability into the business

Anticipating and responding to key social and environmental trends

Highlights of by-product efficiency

Where	What	How
Global: projects ongoing in 2019	Applying breakthrough carbon capture and utilisation (CCU) technology to create new value from carbon gases from the steelmaking process	Numerous technologies in development including: <ul style="list-style-type: none"> ● Partnership with LanzaTech in Gent, Belgium, where an industrial-scale demonstration aims to use waste carbon monoxide to produce ethanol ● Vasco 2 in Fos-sur-Mer, France, which is testing the viability of using flue gases to grow microalgae, which could be converted into bio-crude or valuable chemicals ● IGAR in Dunkirk, France, where we are capturing carbon gases from the coke ovens and reforming them to be used in place of coal in the blast furnace. These projects are described on page 29 .
Global: research completed in 2018	Using slag as ballast in offshore wind turbine foundations	Using slag to replace ballast made from natural stone and sand. Research demonstrated that its environmental impact is neutral compared with natural stone and avoids the ecosystem disruption that can result from extracting natural stone or sand.
Dunkirk: engineering began in 2018	Recycling up to 85% of blast furnace sludge and producing zinc by-products, with an initial target of treating 15,000 tonnes per year	Applying CIROVAL, a breakthrough hydrometallurgy process developed with our partner Paul Wurth to isolate valuable sintering raw materials in the sludge, reducing energy costs, disposal costs, raw material inputs and CO ₂ emissions.
Dunkirk: new facility opened in 2018	Processing 750,000 tonnes of granulated slag per year for use by cement industries	Granulating blast furnace slag to create a partial replacement for Portland cement which directly avoids CO ₂ emissions of 766kg per tonne of slag. The process uses the site's waste off-gas instead of natural gas to dry the material, allowing further carbon reductions. This project is a partnership with Ecocem.
Ghent, Fos, and Bremen steel sites: trialled or operational in 2018	Use of by-products and reducing noise and dust impacts	Using slag from the furnaces to build internal and external protective walls.
Dabrowa Gornicza: installation in 2018	Recovering the pressure from blast furnace flue gas to generate emission-free electricity	Installing two top pressure recovery turbines with a 25MW total capacity at a joint venture power station, through our partnership with energy company Tameh.

<h1 style="color: #e67e22;">0.61</h1> <p>dust kg/tonne steel</p> <p>2017: 0.67 2016: 0.67</p>	<h1 style="color: #e67e22;">1.12</h1> <p>NO_x kg/tonne steel</p> <p>2017: 1.17 2016: 1.26</p>	<h1 style="color: #e67e22;">1.86</h1> <p>SO_x kg/tonne steel</p> <p>2017: 1.66 2016: 1.91</p>
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Land and water

Water is crucial to our steelmaking processes. Where plants are in areas of water stress, this is even more important, both for our operations and for our stakeholders' livelihoods.

Our neighbours are also potentially affected by our use of land, particularly through our mines. The safety of mine tailings dams is a particular focus, especially following the recent Vale tailings dam tragedy in Brazil (see case study on [page 49](#)).

Our impact on biodiversity can be less overt given that most steel operations are located in urban areas. Nonetheless, we run a range of programmes aimed at protecting and enhancing ecosystems.

When it comes to our use of land and water, our aim is to ensure we comply with regulations, and work responsively with local stakeholders. Key developments in this area include:

<p>Water security, Brazil</p>	<p>Our water masterplan is resulting in dramatic reductions in water intake despite steel production increases. As well as working with local communities and regional water stakeholders to build collective resilience, we are developing our own with a desalination plant in Tubarão. This won the 2018 Steelie Award for 'Excellence in Sustainability'.</p>
<p>Water security, South Africa</p>	<p>Drought has been a factor for our Saldanha site in the Western Cape for a number of years, prompting water supply restrictions for local industry. Working closely with municipal authorities, we have investigated alternative water sources such as treated sewage water and groundwater, and developed a comprehensive water management plan.</p>
<p>Biodiversity, USA</p>	<p>We worked with a local partner to develop a forest management plan for 400 hectares of woodland and wetlands, identifying a range of wildlife stewardship projects as well as economic opportunities.</p>
<p>Biodiversity, Liberia</p>	<p>We have developed a programme to share agricultural conservation techniques with local communities around the East Nimba Nature Reserve, adjacent to our mining operations. Also, a local forest cover assessment in 2018 evidenced the positive impacts of our Biodiversity Conservation Programme.</p>

Addressing concerns over air quality

We know that air quality is among the most salient issues for the communities around our operations, and that concerns in this area present a risk to our reputation. It is also a continuing and increasing focus for regulators, with recent developments in regulation in China, Europe and the US, among others. Other stakeholders, including investors, are paying close attention to this aspect of environmental performance.

Our goal is to be fully compliant with regulatory standards, to listen to concerns wherever they are raised, and to respond appropriately, including by acknowledging where our standards have fallen short. Our ambition is for all our sites to have an environmental plan to which they are accountable to the community as well as to the leadership of the business.

At the same time, we make significant environmental investments around the world to address air quality and reduce both ducted and diffuse emissions. In 2018, ArcelorMittal's Investment Allocation Committee approved 33 projects totalling \$405 million for new investment in environmental capital projects, most of them aimed at reducing our contribution of emissions to air.

Global R&D has developed industry-leading techniques aimed at reducing dust and other emissions, including ducted and diffuse dust emissions from yards and other facilities, and we continue to expand on their use.

In 2018, both our dust and NO_x emission intensity continued their downward trend, with a three-year reduction of 6.7% and 6.1% respectively.

SO_x emissions intensity has been more challenging for a number of reasons both due to the type of coal that we have mined during the year and the maintenance of our desulphurization plants. Overall, whilst we have achieved a 0.8% reduction in our SO_x intensity over the past three years, we saw an unacceptable increase in 2018, and we will intensify our efforts to improve in the coming years, with investment plans across a number of sites.

There is, however, more that we need to do. While attributing the sources and impacts of emissions in industrial areas is often complex, what is clear is that we have a duty both to comply with regulations, and to make every effort to address the concerns of communities.

This issue is addressed through



SD Outcome 5:
Trusted user of air, land and water

[▶ READ MORE](#)

\$405m

for capex in environmental projects
(most aimed at improving air quality)

Integrating sustainability into the business

Anticipating and responding to key social and environmental trends

Responding to air quality concerns in 2018

	Engagement with stakeholders	Our investment
Asturias (Spain)	We established a community liaison committee with the Gijon neighbourhoods to discuss their concerns. The group meets quarterly to analyse environmental incidents and to share information relating to pollution.	We have installed the world's first use of an innovative chemical treatment to reduce diffuse emissions in the unloading of sinter material in blast furnace bunkers. This is part of an environmental masterplan that targets a 34% improvement in dust emissions by 2019 (baseline 2017), and a further 22% by 2022. It includes a €214 million environmental investment programme described here .
Fos-sur-Mer (France)	We acknowledge stakeholder concerns around emissions, and our non-compliance with regulations concerning emissions from our coke plant. We regularly meet community representatives through Commissions Locales d'Informations et d'Echange (CLIE), and keep them updated on our progress.	In 2018, we instituted a €14 million improvement programme to refurbish all our coke ovens. By the end of the year, 108 of the 126 ovens in the coke plant were within regulatory limits; the remaining 18 ovens remained non-compliant, so the site was subject to a fine in December 2018. We completed the work on the remaining ovens in the first quarter of 2019, and have deployed new technologies to ensure emissions are predictable, limited and below regulatory limits, including visual auditing using digital camera technology.
ArcelorMittal Italia, formerly Ilva (Italy)	We became the new owners of Ilva in Taranto, Italy, in November 2018 and published our manifesto to our stakeholders with commitments to employees on environment, transparency and collaboration. We aim to develop a transparent and continuous dialogue to understand community priorities and concerns and undertook an extensive stakeholder mapping in 2018, which included 'town hall' meetings with 2,200 employees, an active media campaign and consultation with 130 suppliers.	Alongside our own ambitions to improve its environmental performance, we have a contractual obligation to invest €1.15 billion to address longstanding concerns over air emissions in Taranto .
Tubarão (Brazil)	Stakeholder engagement is an integral part of our environmental masterplan and we liaise continuously with local authorities and other stakeholders. In 2018 we agreed to support a study by the Federal University of Espírito Santo to identify the relationship between pollutants and asthma cases in Vitória.	We are working on 14 large environmental projects as part of the 'air master plan', which was extended in 2018 as part of the agreement with the public attorney and state government. In addition, we are developing a seawater desalination plant in Tuburão .
Temirtau (Kazakhstan)	We are actively cooperating with local air quality monitoring organisations, and are extending our monitoring systems across the plant, following concerns raised by communities and regulators. We also hold events where community members can ask and learn more about the plant. We have been part of a multi-stakeholder process led by the governor of Karaganda to produce a comprehensive environmental plan for the area.	A \$198 million investment plan aims to ensure compliance with environmental regulations and reduce dust emissions by 80% compared with 2018 levels by 2022. This programme is described here .



\$30.5m

invested in community projects

“What do the people around us care about – and how do they want to engage with us? Listening to our neighbours, and responding fairly and correctly as partners in development, is key to our success.”

Nicola Davidson
Vice president, communications and corporate responsibility

Listening to communities

However efficient our resource use, whatever our environmental performance, and no matter how much we invest in our local communities, we will not be able to create shared value unless we listen to what our neighbours have to say about our operations, and understand their perspective.

We want to be welcomed as good neighbours who actively engage with local stakeholders, and who make a positive contribution to communities. Many of our stakeholders acknowledge the economic and social value we create through employment, procurement, taxation, and our sustainable development initiatives – but we know that these impacts are not always felt in the communities where we are based. Our aim is to listen to the concerns of stakeholders at site, country, and segment level, and to give communities confidence that we will treat them fairly and address the impacts we have on them and their environment.

We are working to share examples of best practice on community engagement, such as our quarterly Community Liaison Committee in Avilés, Spain, and our multi-stakeholder forum in Poland which follows AA1000 methodology, across the business.

Responding to community expectations

We respond to reasonable expectations from our community stakeholders and work with them to find constructive solutions to the issues they raise. Our work to strengthen local supply chains, for example, is summarised in the table on page 48. In each country of operation, we report locally on the range of community initiatives we undertake, and believe such programmes benefit our relationship with the local community.

In 2018, we invested \$30.5 million in community projects. Two thirds of which went beyond our contractual agreements with host governments.

This issue is addressed through

08 SD Outcome 8: Active and welcomed member of the community

▶ [READ MORE](#)

This issue is addressed through

10 SD Outcome 10: Our contribution to society measured, shared and valued

▶ [READ MORE](#)

Integrating sustainability into the business

Anticipating and responding to key social and environmental trends

Strengthening our oversight in 2018

In 2018, we have focused on strengthening our overall management approach, in order to increase our corporate oversight of local sites' stakeholder engagement plans and grievance-handling mechanisms and developing a social monitoring framework.

This considers the most material community issues across our operations', enabling us to make sure best practice is shared between sites.

We have also identified priority sites where we need to do further work to understand stakeholder expectations, and strengthen community engagement. Examples are given here and in the tables on [page 46](#).

Our contribution to society

In 2018, our economic contribution to society amounted to nearly \$75 billion. Of this, almost \$56 billion went to our suppliers across the world and over \$9 billion to our employees. Our total tax contribution was nearly \$5 billion.

\$4,849m

paid in income tax and other taxes

Working with communities

Mexico	In 2018, we continued to engage stakeholders at our Las Truchas mine in Pena Colorada. Following the expiration of the lease agreement for some of the surface rights, Ejido representatives had blockaded the site in September, resulting in the temporary closure of mining operations. In November, a temporary arrangement was agreed and in February a new lease agreement valid until May 2019 was negotiated.
Brazil	In early 2019, to ensure their safety we evacuated local residents downstream of our Serra Azul tailings dam as a precautionary measure following the Vale Feijão accident. Since then we have worked hard to secure their livelihoods. See the case study on page 49.
Liberia	We agreed a new \$7 million vocational training centre in Yekepa. We also engaged with local communities around our mine sites to gauge perceptions of our impact.
South Africa	Combining community investment with our global focus on STEM, our Science Education Centres reach more than 20,000 students each year with programmes and events that include initiatives aimed at students and young people in less advantaged local communities.
Worldwide	To support local economic development, ArcelorMittal has established a number of local supplier initiatives, including the Integrated Program for Supplier Development and Qualification in Brazil, the Minority and Women Business Enterprises Program in the US, and the Enterprise and Supplier Development Program in South Africa, which is supported by the Company's "incubation hub." It has developed public-private partnerships in the US, Ukraine, and Poland.

CASE STUDY: Ensuring the safety of our tailings storage facilities

The tragedy of the Vale Feijão dam failure prompted all mining companies to examine the monitoring systems at their tailings storage facilities (TSFs). ArcelorMittal has 21 TSFs, of which 14 are active and seven are dormant.

We employ a strong governance model based on the MAC (Mining Association of Canada) guidelines for TSFs. Our global tailings stewardship programme employs three types of audit – in-house at site level, in-house at corporate level, and a third, entirely independent audit – and these are aimed at providing a ‘triple check’ of our TSFs against our corporate standard and international guidelines (including ANCOLD, MAC and CDA).

Following the Feijão accident, our particular focus was on Serra Azul, where our TSF is the only one in our portfolio that uses a upstream ‘wet’ dam construction. The TSF had been dormant since 2012 and possesses significantly lower moisture content than that reported for the Feijão TSF. Applying early concerns from the Feijão TSF failure, we stress-tested the Serra Azul dam model safety factors. Consequently, we decided to err on the side of caution and evacuate the local community downstream of the dam, enabling us to carry out further testing and safely implement any mitigation measures.

This is a disruption to the community, for which we are sorry, but we are convinced that it has been the right thing to do.

And we are working hard to ensure that we look after the needs of the affected people. After moving households located approximately 5km from the dam into hotels, we set up an emergency response plan to look after their livestock and business assets, and to ensure the children have continued access to education. By March 2019, a phased plan to rehouse the families has begun, following international best practice.

We are currently reviewing our approach to decommissioning the Serra Azul TSF in order to maximise safety.

Our tailings transition plan

Across all our TSFs, we have developed an approach to optimise their safety.


- 1 No new wet tailings dams.
- 2 Accelerate the use of non-wet disposal such as thickened paste tailings or dry stack tailings options where possible. We already employ this approach in Mexico and Brazil iron ore mines.
- 3 Optimise the use of radar and satellite monitoring to heighten the sensitivity of remote monitoring and enable transparent access to this data.

These three principles are underpinned by our strong TSF governance system.



Section 3

TRANSPARENCY AND GOOD GOVERNANCE




“We see integrity and reputation as key assets to our business. Good governance will continue to be a major focus – and to drive our success.”

Lakshmi N. Mittal
Chairman and CEO

Governance

We place a strong emphasis on good corporate governance, and aim to maintain a culture of integrity that ensures compliance and the sensible management of business risks. Demonstrating responsibility and respect for our colleagues and all stakeholders, and actively listening and responding to their concerns, are central to our business.

 [Read more about Governance here](#)

Governance structure

ArcelorMittal S.A., the parent company of the Group is a public limited liability company (société anonyme) incorporated in Luxembourg. It is governed by a Board of Directors in accordance with the requirements set out in the Company's Articles of Association.

The Board of Directors oversees the governance and direction of the business. Responsibility for the implementation of the company strategy, the overall management of the business and all operational decision-making is delegated to the CEO Office, which comprises the Chief Executive Officer, Mr. Lakshmi N. Mittal, and the President and Chief Financial Officer, Mr. Aditya Mittal, and further supported by five other executive officers.

The Board of Directors is composed of nine directors, of which eight are non-executive directors and five are independent directors. The one executive director on the Board is Mr. Lakshmi N. Mittal, the Chairman of the Board and Chief Executive Officer. To ensure strong governance, a Lead Independent Director is appointed to support the Chairman in setting the agenda for Board meetings. He meets the independent directors regularly before every Board meeting.

In 2018, the former Appointments, Remuneration & Corporate Governance (ARCG) committee added Sustainability to its scope and was renamed the Appointments, Remuneration, Corporate Governance and Sustainability Committee (the ARCGS), reflecting our emphasis on integrating sustainable development throughout the business. The Board's Audit and Risk committee and the ARCGS are each comprised exclusively of independent directors.

Board of Directors

We describe the background and experience of each board member in our Annual Report. The Board of Directors is of the view that its members have the appropriate range of skills, knowledge and experience, as well as the degree of diversity that enables it to govern the business efficiently.

The Board's composition and its members' skills are reviewed on a regular basis and in line with the expected development of the business. Additional skills and experience are actively sought when appropriate. The Board is also involved in succession planning.

The Company Secretary, Henk Scheffer, oversees compliance with statutory and regulatory requirements.

Name	Age ⁴	Date of joining the Board ⁵	End of term	Position within ArcelorMittal
Lakshmi N. Mittal	68	May 1997	May 2020	Chairman of the Board of Directors and Chief Executive Officer
Vanisha Mittal Bhatia	38	December 2004	May 2019	Director
Jeannot Krecke	68	January 2010	May 2019	Director
Suzanne P. Nimocks ^{1,2}	59	January 2011	May 2019	Director
Bruno Lafont ^{1,2,3}	62	May 2011	May 2020	Lead Independent Director
Tye Burt ^{1,2}	61	May 2012	May 2021	Director
Michel Wurth	64	May 2014	May 2020	Director
Karyn Ovelmen ^{2,3}	55	May 2015	May 2021	Director
Karel de Gucht ^{2,3}	64	May 2016	May 2019	Director

1. Member of the Appointments, Remuneration, Corporate Governance and Sustainability Committee.

2. Non-executive and independent director.

3. Member of the Audit and Risk Committee.

4. Age as of 31 December 2018.

5. Date of joining the Board of ArcelorMittal or, if prior to 2006, its predecessor Mittal Steel Company NV.

Governance

In line with the worldwide effort to increase gender diversity on the boards of directors of listed and unlisted companies, the Board of Directors of ArcelorMittal set the goal to increase the number of women on the Board to at least three by the end of 2015. This target was accomplished with the election of Mrs. Karyn Ovelmen in May 2015. As a result, out of nine members of the Board, women represented 33.33% in 2018.

Details of the Directors' remuneration can be found in our Annual Report.

Chairman and CEO

Being a company registered in Luxembourg, ArcelorMittal S.A. complies with the 10 Principles of Corporate Governance of the Luxembourg Stock Exchange and international best practices in all its aspects.

At their Annual General Meeting in 2007, the shareholders decided to combine the roles of the Chairman of the Board of Directors and of the Chief Executive Officer approving the nomination of Mr. Lakshmi N. Mittal for both positions. Since having the same person in both roles proved to be a good choice for the Company, the decision was confirmed several times with strong majority, most recently at the Annual General Meeting of 2017. The Board of Directors believes Mr. Mittal's strategic vision for the steel industry in his position as Chairman and for ArcelorMittal in his role as CEO is a key asset for the Company that provides significant shareholder value.

The governance structure is further strengthened by the Lead Independent Director whose role is to provide leadership to the Board, to act as liaison between the Board and management, and to identify guidelines for the conduct of the directors.

Risk management

ArcelorMittal has set up a process of risk identification and management, in which risks are owned and managed by line management. The risk function facilitates conversations and helps the monitoring of action plans. Critical risks are escalated through existing reporting lines, and critical risk decisions are not dissociated from the other decisions.

The Audit and Risk Committee is established by and among the Board to ensure that the interests of the shareholders are properly protected in relation to risk management, internal control and financial reporting. The Committee assists the Board of Directors with the oversight of risks to which the ArcelorMittal Group is exposed and in the monitoring and review of the risk-management framework and process.

Our Risk Factors are outlined in our [20F report, item 3D on page 9](#).

Sustainable development

Fully integrating sustainable development (SD) into the business is essential to reach our aim of achieving long-term value for our shareholders and other stakeholders, while maintaining a profitable market share.

In 2015, ArcelorMittal introduced a new sustainable development framework including 10 SD outcomes. The Board of Directors oversees progress towards these, while the ARCGS monitors the overarching strategy to ensure that corporate functions and business segments contribute to achieving the targets under five management themes [see page 26](#).

The approach includes:

- A set of key performance indicators (KPIs) for every business segment to report against, to be verified by third-parties and overseen by the Board of Directors;
- An expectation that SD is integrated into each business segment plan, acting on its material SD issues;
- Corporate initiatives on SD for the benefit of the Group, for example to accelerate progress towards low-carbon steelmaking; to innovate steel solutions for a positive SD impact; and to develop a 'mine to metal' chain of assurance against multi-stakeholder environmental and social standards;
- A robust articulation of our approach and progress through clear narrative and transparent, third-party assured reporting.

In 2018, climate change was identified as one of the above five themes to be overseen by the ARCGS. The ARCGS nominated senior officers to take responsibility for its low-carbon transition strategy, its carbon performance, and its work on advocating for the introduction of carbon-related government policies. They are supported by corporate functions covering strategy, technology, R&D, corporate responsibility and communications, all of which are represented on the Carbon and Environment Group and report to one executive vice-president, who works closely with the CEO and CFO on climate issues. The Company also convenes a number of working groups on particular topics, tracks stakeholder expectations as well as long-term trends and considers their implications for the business, as described [here](#).

Business ethics

We encourage our employees to be good corporate citizens, acting with integrity in everything they do. We strive to create a positive culture in which everyone wants, and knows how, to do the right thing.

Our commitment to integrity is embodied in our Code of Business Conduct and is supported by a comprehensive framework of policies and procedures in areas such as human rights, anti-corruption and insider dealing. These documents reflect the principles and concepts of the UN Global Compact, the OECD Guidelines on Multinational Enterprises and UN Sustainable Development Goal 16 – Peace, justice and strong institutions.

Compliance and our Code of Business Conduct

Our Code of Business Conduct defines what acting with integrity means in practice. It applies to all directors, officers and employees of ArcelorMittal S.A. and its subsidiaries worldwide. Based on a training matrix, our employees undergo training on the Code of Business Conduct and other aspects of compliance every three years. In 2018, 87.5% of ArcelorMittal's employees worldwide have completed the training on the Code of Business Conduct, and 90.4% have done their mandatory anti-corruption training.

We continuously monitor legal requirements and best practices in the USA, the European Union, Luxembourg and all countries where we operate, and make improvements to our corporate governance standards and procedures when necessary.

Confidential reporting of breaches

Employees as well as other stakeholders can report any breaches of our policies and procedures through the confidential whistleblowing facility on our corporate website.

We also have confidential whistleblowing hotlines in our 30 major countries of operation. From these systems, in 2018 we received 145 complaints relating to alleged fraud. All allegations were referred to and duly investigated by our Global Assurance Department. Following review by the Audit and Risk Committee, none of these complaints were found to be significant.

		2016	2017	2018
Employees trained on Code of Business Conduct	(%)	81	85	87.5
Employees trained on anti-corruption*	(%)	76	82	90.4
Employees trained on human rights*	(%)	84	66	94.1
Whistleblowing systems	Number	30	30	27

*% of employees in appropriate functions targeted for training

Human rights

We developed our first human rights policy in 2010 and reviewed it regularly in line with the United Nations Guiding Principles on Business and Human Rights and the UK Modern Slavery Act.

Our current policy was approved by the Board of Directors in June 2017. It draws on the UN Universal Declaration of Human Rights, the International Bill of Human Rights, the core Conventions of the International Labour Organization, and the UN Global Compact. It also aims at incorporating the UN SDG 8's focus on decent working conditions, including target 8.7 on eradicating modern slavery. The policy includes commitments to workers, local communities and business partners and covers health and safety, labour rights and the rights of indigenous people. In line with these undertakings, safety, the Company's top priority, makes up 10% of the incentive scheme for the CEO Office.

We require all employees in appropriate functions to undergo human rights training every three years. In 2018, 94.1% of the Company's relevant workforce had completed up-to-date human rights training, up from 66% in 2017.

We provide our stakeholders – including employees, contractors, and community members – with the facility to raise a grievance of any kind through a confidential grievance mechanism at site-level, or through whistleblowing lines at country-level. We also have a central whistleblowing line on our corporate website.

In 2018, we continued to deepen our understanding of the relevant risks in our supply chain by strengthening our supply chain risk management and audit processes. The most salient human rights risk was identified in the raw materials part of our supply chain and this is also the focus of interest for our customers. We actively contribute to the development of ResponsibleSteel™, a third-party certification standard as well as several mining certification standards to ensure that our sites and our supply chain uphold international human rights, environmental and governance standards.

Stakeholder relations

Since we endeavour to be transparent and honest with all our stakeholders and make all efforts to take their interests into account, we engage with them regularly, including through this report.

We identified our key stakeholders in an exercise undertaken in 2014: customers, workforce, governments, investors and communities. The top non-financial issues raised by these stakeholders continue to be safety and climate change.

We discuss these issues on [pages 15](#) and [28](#) of this report.

To facilitate engagement with our stakeholders, at country-level, we carry out stakeholder surveys on a regular basis. We also organise a Speak Up! survey every two years across all our sites to get feedback from our employees. In 2018, we also surveyed a wide group of managers at all levels of the organisation to gather ideas on how to develop further our employer brand.

Each business unit measures the satisfaction of its customers. We also engage with investors throughout the year via roadshows, round tables, surveys and one-to-one conversations.

Transparency and balance

Reporting is central to our promise of openness with stakeholders. We are committed to applying best practice standards in corporate governance, in our dealings with shareholders and other stakeholders, and with respect to transparency, balance and quality of disclosure and reporting. This commitment underpins this Integrated Annual Review. Our materiality process is described in the subsequent section.

We also published a number of country sustainability reports in 2018, alongside our disclosures to the CDP (formerly the Carbon Disclosure Project) on climate change and water, and a number of investor and customer surveys. In 2018, we published our Report on Payments to Governments in respect of Extractive Activities for the year ended 31 December 2017. We also report in line with the Mine Safety Disclosure Requirements of the Dodd-Frank Act.

Summary of the materiality process for our integrated report

We developed our strategic framework for materiality in 2014, and conducted an in-depth analysis of global sustainability challenges, reputation surveys, commercial challenges and business disruptors as part of a series of strategic conversations about steel and sustainable development across the business. As a result of this process, we developed our 10 sustainable development outcomes (SD outcomes), which cover a range of topics that ArcelorMittal considers material to both stakeholders and our business (see table).

Since then, our 10 SD outcomes have formed the framework for our stakeholder engagement and reporting at corporate, segment and site level. We also assess stakeholder expectations against this framework as an ongoing materiality process at all levels of the business to better understand the various contexts in which we operate. This feeds directly into ArcelorMittal's strategic decision-making.

Our assessments, which are consolidated at corporate level, include:

- Tracking relevant trends and topics; using the 10 SD outcomes as a foundation we continually assess social, environmental and technological trends to understand emerging topics that might impact our business now and in the future;
- Assessing stakeholder expectations through a variety of channels to understand how important key topics are for stakeholders and to their relationship with ArcelorMittal;
- Identifying the 'hot topics' and key stakeholder concerns that require an executive response at site and commercial level, or which should be overseen at group executive and Board level;
- Disclosure at group or country level according to level of materiality.

Our overall aim is that our materiality process gives us an understanding of the importance of key topics to our stakeholders at each level of the business, and the implications for our ability to achieve our 10 SD outcomes and so create value. We report these key topics externally, and they are managed and reviewed internally with oversight from the executive board.

01 Outcome 01	<ul style="list-style-type: none"> – Occupational health and safety – Employee development – Gender diversity – Human rights (workforce)
02 Outcome 02 and 03 Outcome 03	<ul style="list-style-type: none"> – Product innovation – LCA studies
04 Outcome 04	<ul style="list-style-type: none"> – Recycling – Waste and by-products – Process innovation
05 Outcome 05	<ul style="list-style-type: none"> – Air emissions – Water efficiency in stressed areas – Tailings dam management – Biodiversity (mining) – Process innovation
06 Outcome 06	<ul style="list-style-type: none"> – Carbon – Energy – Process innovation
07 Outcome 07	<ul style="list-style-type: none"> – Due diligence on environment, workforce, ethics and human rights issues in our supply chain – Customer reassurance via third-party standards and certification
08 Outcome 08	<ul style="list-style-type: none"> – Community trust – Community health – Community investment – Human rights (community)
09 Outcome 09	<ul style="list-style-type: none"> – STEM talent pipeline
10 Outcome 10	<ul style="list-style-type: none"> – Economic and social impact
Transparent Good Governance	<ul style="list-style-type: none"> – Disclosure – Ethics and integrity – Stakeholder relations

Our approach to reporting

Integrated reporting framework

This 2018 Integrated Annual Review describes the context for and progress of our business as the world's largest steel and mining company, and so outlines what the key considerations are in creating value for our stakeholders now and in the future. Through this report we aim to reflect the guiding principles of the International Integrated Reporting Framework (IIRC). We detail the alignment with the IIRC framework in our reporting index.

UN Sustainable Development Goals (SDGs)

There is significant alignment between our 10 SD outcomes and the 17 UN SDGs. We contribute to many of the SDGs and we have identified five where ArcelorMittal has a key role to play as outlined on [page 27](#). As first steps, we have mapped our SD outcomes against the SDGs. The next step is to take a strategic approach to our contribution to them. We highlight developments in more detail on our website.

EU directive on non-financial reporting

European Union law requires large companies to disclose certain information on the way they operate and manage social and environmental challenges. Directive 2014/95/EU lays down the requirement for disclosure of non-financial and diversity information by large companies. As a company registered in Luxembourg, we are guided by the Luxembourg implementation of the directive, using the IIRC framework to guide our reporting on risks and materiality.

Global Reporting Initiative (GRI)

We continue to report in line with the GRI across our reporting landscape, including this Integrated Annual Review, our ongoing online narrative reporting, and our local sustainability reports. We are now using their latest guidelines – GRI Sustainability Reporting Standards 2016 – and you can find details in our reporting index. Whilst we cover those Standards that are material on a global scale within this report, many more are material to stakeholders in certain countries, and most meaningfully reported within our country SD reports. Most of these used the GRI G4 guidelines in 2018.

Reporting format

We believe that online reporting is the most practical and efficient way to communicate with the widest number of stakeholders, and we have produced this report as an interactive, downloadable pdf. To bring our Integrated Annual Review further in line with the IIRC principle of conciseness, we have focused the content on the progress of the year and our outlook; where appropriate, we signpost the reader to further information published elsewhere online.

UN Global Compact

“We have supported the United Nations Global Compact since 2008. This Integrated Annual Review serves as our communication on progress of our implementation of the 10 UN Global Compact principles.”

Lakshmi N. Mittal
Chairman and CEO

Scope, boundaries and methodologies

This Integrated Annual Review covers ArcelorMittal S.A. and its significant operating subsidiaries, excluding joint ventures and associates where we do not have operating control, except for those noted below. A list of these subsidiaries, joint ventures and associates can be found within our Form 20F filed with the US Securities and Exchange Commission.

All data is reported for the period from 1 January to 31 December 2018. Our reporting cycle is annual, and the previous annual review and sustainable development report were published in April 2018.

Financial data – basis of presentation

Financial information has been extracted from the consolidated financial statements. The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets, derivative financial instruments, biological assets and certain assets and liabilities held for sale, which are measured at fair value less cost to sell and inventories, which are measured at the lower of net realisable value or cost and the financial statements of the Company's Venezuelan operations, for which hyperinflationary accounting is applied (see our Form 20F). The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union and are presented in US dollars with all amounts rounded to the nearest million, except for share and per share data.

Non-financial data – basis of reporting

We report on a large number of non-financial metrics in our SD performance table. The methodology behind the calculation and reporting of these indicators, and our reporting boundaries, are set out in our [Basis of Reporting document](#).

Changes to scope and boundaries in 2018

Our 2018 performance data excludes any sites from our organisational perimeter from the date on which they were idled.

On 1 November 2018, ArcelorMittal assumed full management control of Ilva S.p.A. in Italy, forming ArcelorMittal Italia, a new business cluster within ArcelorMittal Europe – Flat Products. This acquisition has been consolidated into the financial data in this Integrated Annual Review. Non-financial data is not consolidated.

Our facility at Frydek Mistek went out of scope on 28 February 2018.

In 2018, we no longer report on Absenteeism rate as a meaningful indicator of employee health.

Forward-looking statements

This review may contain forward-looking statements that represent the expectations, beliefs, plans and objectives of ArcelorMittal's management regarding its financial and operational performance in 2018 and beyond, and assumptions or judgements based on such performance. Future performance expectations are forward-looking and accordingly involve estimates, assumptions, judgements and uncertainties. Many factors may cause actual results or outcomes to differ materially from the expectations of our management. These risk factors are set out in the Form 20F, filed each fiscal year with the US Securities and Exchange Commission.

Assurance statement

We believe that independent assurance leads to quality and process improvements, and reassures readers and ArcelorMittal's management that the information we publish is accurate and material, and therefore contributes to building trust and credibility with key stakeholders.

This is the tenth year that our sustainable development reporting has received independent assurance.

In 2018, we asked our group non-financial auditors, DNV GL, to provide limited assurance on the following sustainability performance indicators, in accordance with the International Auditing and Assurance Standards Board's International Standard on Assurance Engagements – Revised (ISAE3000 Revised):

- CO₂ intensity (steel), tonnes CO₂/tonne of steel
- Absolute CO₂e footprint (total), million tonnes CO₂
- Absolute CO₂e footprint (steel), million tonnes CO₂
- Primary energy consumption, Petajoules
- Fatalities, number
- Lost-time injury rate (Fr), per million hours worked
- Industrial operations (including mining) certified to OHSAS 18001/ISO 45001, %
- Women recruited (exempt), number
- Women in management (manager and above positions), number
- Women in key management succession plans (General Managers and above positions), number

DNV GL provides an independent third-party assurance statement. This assurance covers the specified data in the Fact Book and on the relevant pages of this report.

Reporting index

Our 2018 Integrated Annual Review aims to reflect the principles and guidelines of the International Integrated Reporting Council's integrated reporting framework, and the Global Reporting Initiative Sustainability Reporting Standards 2016. It also reflects how ArcelorMittal contributes to the UN SDGs, and serves as our 2018 communication on progress of our implementation of the United Nations Global Compact (UNGC) principles.

Details of how it meets these various frameworks can be found [here](#).

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DNV·GL

Independent Limited Assurance Report

to the Directors of ArcelorMittal Société Anonyme

DNV GL Business Assurance Services UK Limited (“DNV GL”, “us” or “we”) were engaged by ArcelorMittal Purchasing S.A.S. to provide limited assurance to ArcelorMittal Société Anonyme (“ArcelorMittal”) over Selected Information presented in the ArcelorMittal Factbook 2018 (the “Report”) for the reporting year ended 31 December 2018.



Our Conclusion: Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Selected Information is not fairly stated and has not been prepared, in all material respects, in accordance with the Criteria.

This conclusion relates only to the Selected Information, and is to be read in the context of this Assurance Report, in particular the inherent limitations explained below.

Our observations and areas for improvement will be raised in a separate report to ArcelorMittal’s Management. Selected observations are provided below. These observations do not affect our conclusion set out above.

- For Lost Time Injury Frequency Rate, the evidence we reviewed supported a performance figure that was lower than the reported performance. The difference is immaterial, and results from updates to data reported from specific sites after the initial collection of year-end data. We recommend that additional data collection system functionalities are introduced, to retain an audit trail of changes to data and the basis for calculations in the future.
- The data for percentage of sites certified to OHSAS 18001 is currently based on a historic survey. We understand that a system is being implemented to improve the data collection process.
- A number of omissions and areas for improvement were identified in the Basis of Reporting document, which could potentially impact the consistency of how data is reported in the future. The majority of these changes have been addressed, and we understand that this document will continue to be updated during the coming year.
- ArcelorMittal may wish to consider implementing an online database, similar to that which is already in place for health and safety, for improving the accuracy and completeness of environmental, social and community data. Such a system could reduce the risk of errors arising from manual manipulation of data, and from data entry issues.
- Neither the Basis of Reporting nor the Factbook currently define the sites and legal entities covered by the data. We recommend that a list of sites and legal entities are included and also aligned with those used for 20-F reporting.
- We recommend that all emissions factors used for environmental data are reviewed and updated on an annual basis, to ensure that the latest emissions factors are in use.
- In line with increasing stakeholder expectations, ArcelorMittal may wish to consider additional environmental performance improvement targets for selected high materiality indicators.
- ArcelorMittal may wish to consider a broader range of high materiality KPIs for external assurance in the future.

Selected information

The scope and boundary of our work is restricted to the Key Performance Indicators included within the Report (the “Selected Information”), listed below:

- CO₂ intensity (steel), *tonnes CO₂/tonne of steel*
- Absolute CO₂e footprint (total), *million tonnes*
- Absolute CO₂e footprint (steel), *million tonnes*
- Absolute CO₂e footprint (mining), *million tonnes*
- Primary energy consumption (steel), *Petajoules*
- Fatalities, *number*
- Lost-time injury rate (Fr), *per million hours worked*
- Industrial operations (including mining) certified to OHSAS 18001, %
- Women recruited (exempts), *number*
- Women in management (manager and above positions), *number*
- Women in key management succession plans (General Managers and above positions), *number*

To assess the Selected Information, which includes an assessment of the risk of material misstatement in the Report, we have used ArcelorMittal’s Basis of Reporting (the “Criteria”), which can be found [here](#). We have not performed any work, and do not express any conclusion, on any other information that may be published in the Report or on ArcelorMittal’s website for the current reporting period or for previous periods.

Our competence, independence and quality control

DNV GL established policies and procedures are designed to ensure that DNV GL, its personnel and, where applicable, others are subject to independence requirements (including personnel of other entities of DNV GL) and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL holds other contracts with ArcelorMittal, none of which conflict with the scope of this work. Our multi-disciplinary team consisted of professionals with a combination of environmental and sustainability assurance experience.

SAFER, SMARTER, GREENER**Standard and level of assurance**

We performed a **limited** assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 revised – ‘Assurance Engagements other than Audits and Reviews of Historical Financial Information’ (revised), issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain limited assurance.

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We planned and performed our work to obtain the evidence we considered sufficient to provide a basis for our opinion, so that the risk of this conclusion being in error is reduced but not reduced to very low.

Basis of our conclusion

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information; our work included, but was not restricted to:

- Assessing the appropriateness of the Criteria for the Selected Information;
- Conducting interviews with ArcelorMittal management to obtain an understanding of the key processes, systems and controls in place to generate, aggregate and report the Selected Information;
- Site visits to the following sites to review process and systems for preparing site level data consolidated at Head Office for the Selected Information listed on the previous page: ArcelorMittal Asturias, Spain, ArcelorMittal Burns Harbor, USA, ArcelorMittal Calvert, USA, ArcelorMittal Dabrowa Gornicza, Poland, ArcelorMittal Dofasco, Canada, ArcelorMittal Duisburg, Germany, ArcelorMittal Krakow, Poland, ArcelorMittal Kryvyi Rih, Ukraine, ArcelorMittal Mineração Serra Azul, Brazil, ArcelorMittal Tubarão, Brazil.
- DNV GL were free to choose the sites on the basis of materiality and their contribution to the Group’s overall data;
- For Asturias, Dofasco, Duisberg, Kryvyi Rih, Serra Azul and Tubarão, we undertook a review of data collection systems using 2017 data as 2018 data was unavailable at the time of the site visits.
- Performing limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported;
- Recalculating the Selected Information using suitable conversion factors and/or as established by ArcelorMittal’s Criteria;
- Reviewing data at source and following this through to consolidated Group data;
- Reviewing that the evidence, measurements and their scope provided to us by ArcelorMittal for the Selected Information is prepared in line with the Criteria; and
- Reviewing the Report with regard to the Criteria.

Inherent limitations

All assurance engagements are subject to inherent limitations as selective testing (sampling) may not detect errors, fraud or other irregularities. Non-financial data may be subject to greater inherent uncertainty than financial data, given the nature and methods used for calculating, estimating and determining such data. The selection of different, but acceptable, measurement techniques may result in different quantifications between different entities. Our assurance relies on the premise that the data and information provided to us by ArcelorMittal have been provided in good faith. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Independent Limited Assurance Report.

Responsibilities of the Directors of ArcelorMittal and DNV GL

The Directors of ArcelorMittal have sole responsibility for:

- Preparing and presenting the Selected information in accordance with the Criteria;
- Designing, implementing and maintaining effective internal controls over the information and data, resulting in the preparation of the Selected Information that is free from material misstatements;
- Measuring and reporting the Selected Information based on their established Criteria; and
- Contents and statements contained within the Report and the Criteria.

Our responsibility is to plan and perform our work to obtain limited assurance about whether the Selected Information has been prepared in accordance with the Criteria and to report to ArcelorMittal in the form of an independent limited assurance conclusion, based on the work performed and the evidence obtained. We have not been responsible for the preparation of the Report.

DNV GL Business Assurance

DNV GL Business Assurance Services UK Limited is part of DNV GL – Business Assurance, a global provider of certification, verification, assessment and training services, helping customers to build sustainable business performance. www.dnvgl.co.uk/BetterAssurance

DNV GL Business Assurance Services UK Limited

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ArcelorMittal

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We welcome your feedback on this report.
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