

AGM round-up

ArcelorMittal South Africa Limited



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1. Introduction

Date of AGM: 24 May 2024

Chair of the Board: Mr Bonang Mohale

Type of AGM: **Hybrid** (in-person and online attendance permitted), conducted by ComputerShare

Useful links:

- [Notice of AGM](#)

2. Key takeaways

- *ArcelorMittal SA's AGM governance lags its peers, with the chair closing the AGM before all questions were addressed. This is surprising given the high levels of civil society engagement at its AGMs in recent years.*

3. AGM governance

Just Share attended ArcelorMittal South Africa (AMSA)'s AGM for the first time in 2024. AMSA's hybrid AGM was hosted by ComputerShare,¹ and those attending in-person did so at the company's offices in Vanderbijlpark. The company is lagging its peers from an AGM governance perspective.

Two of the three AGM service providers in South Africa have the functionality available that allows stakeholders other than shareholders to attend hybrid AGMs electronically. ComputerShare is one of the service providers that provides this service. This is easily done by registering as a guest via the ComputerShare portal,² which opens 30 minutes before an AGM starts. AMSA elected not to make this option available for its AGM. Stakeholders wanting to attend the AGM had to contact the company secretary before the AGM to request permission to attend.

Given the material public interest in the operations and environmental and social impacts of JSE-listed companies, and the increasing practice of allowing stakeholders other than shareholders to attend AGMs, companies should make their AGMs easily accessible to all those who wish to attend. This approach to stakeholder engagement is encouraged in the King Report on Corporate Governance (King IV),³ and demonstrates an awareness of the importance of transparency and accountability.

The chair of AMSA's board closed the meeting before all the questions addressed to the board had been answered. Just Share had submitted a written question at the start of the second Q&A session, which was not answered. Just Share was subsequently told by a representative of ComputerShare that this was because "time ran out". This is unacceptable.

¹ <https://www.computershare.com/za>

² www.meetnow.global/za

³ <https://www.iodsa.co.za/page/king-iv>



Just Share attends many AGMs, some of which continue for hours while boards ensure that all shareholders' questions are addressed. AMSA has fallen significantly behind its peers in the governance of this AGM.

4. Q&A sessions

AMSA made provision for two Q&A sessions. The first Q&A session was provided to answer questions directly related to the resolutions on the ballot. The chair gave shareholders in the room an opportunity to ask questions, and then opened up to shareholders attending electronically.

The second Q&A session was opened after voting had taken place and was an opportunity for any general questions. The chair again first invited shareholders in the room to ask questions and then opened questions to shareholders attending electronically.

Board independence

A shareholder raised concerns about AMSA's board independence, noting that only 50% of the board are truly independent non-executive directors: with 40% being non-executive directors, and 10% being executive directors. The shareholder asked AMSA about its timelines to increase the percentage of independent non-executive directors on the board.

CEO Kobus Verster noted that the Human Resources Committee deals with the succession strategy for the board and that AMSA intends to add more directors due to "expected exit or rotation of directors" in the next financial year. He concluded that AMSA will also try to "restore the independence of the board" and "all committees." Chair Bonang Mohale emphasised the importance of an independent board.

ArcelorMittal (global) providing financial support for AMSA

A shareholder asked for the board and executives' views on the role of ArcelorMittal (global), as AMSA's largest shareholder, in providing financial support for the South African subsidiary's decarbonisation pathway.

In response, the CEO noted the South African government's "inability" to support or fund companies' decarbonisation efforts, and that AMSA is trying to push for clarity on issues such as the carbon tax and how offsets will be applied. He also said that ArcelorMittal (global), as its biggest shareholder, is supportive, despite being a separate operating entity. It provides AMSA with technical, operational, and financial support.

Green hydrogen

The shareholder also questioned AMSA's future reliance on green hydrogen in its decarbonisation pathway, in circumstances where green hydrogen is unlikely to become commercially viable or available in South Africa, and the risks posed to the company by its stated requirement for external



(purchased) green hydrogen to make green steel. The shareholder asked whether the feasibility study for green hydrogen production at Saldanha could be made public, and whether a similar study was being carried out for Vanderbijlpark. The questioner also asked about the opportunity for AMSA to be “first mover” on the export of green primary iron ore for the making of green steel at scale. She asked the board whether it is doing enough to be considered a good corporate citizen, considering the King IV guidance on the responsibilities of governing bodies in responding to climate change.

In response, the CEO acknowledged the lack of optimism, especially in Europe, around green hydrogen in relation to steel production, and the fact that the “commercial logic is not yet there.” He pointed out that AMSA’s roadmap, at least up to 2034, is not dependent on green hydrogen. It focuses on renewable energy and transitioning to electric arc furnaces. Thereafter, it becomes more dependent on developments in technology and “commercial refinement”, including carbon capture and utilisation (CCU), which he said is “probably one of the most viable options”. While the company is focusing on executing its other strategies, hydrogen will “most likely become available in South Africa”. Finally, he said that the company’s furnaces will be hydrogen-enabled so that when it does become viable, they may switch over to green hydrogen. In the interim, AMSA will use natural gas.

Regarding the feasibility studies, the CEO said that this was commercial information that the company was not comfortable to disclose. He said there is potential for green hydrogen production at Saldanha, but that this was not yet ready – it was planned for the medium-term.

Minimum emission standards

The board was also asked about the company's plans for addressing the risk of more stringent sulphur dioxide (SO₂) limits that could be imposed on it as a result of pending litigation.⁴

The CTO, Werner Venter, claimed that the shift to electric arc furnaces and renewable energy would help to bring down the company’s SO₂ footprint, as will its decreasing reliance on Eskom.

Addressing job losses

A shareholder asked what the company plan is to reskill and/or reabsorb the employees at risk of losing their jobs as a result of the closure of AMSA’s steel rod business. According to the shareholder posing the question, some 3 500 employees could be affected.

In response, Verster noted that AMSA continues its discussion with representatives of labour, but that these had so far not been successful. According to Verster, “both labour and AMSA’s position of solidarity is very clear,” however, labour’s position is to “rather accept job losses, than no salary increases”. Verster concluded by noting the work AMSA is doing to “prolong the Longs business and eventually to keep it open”.⁵

⁴ <https://cer.org.za/news/the-minister-of-forestry-fisheries-and-the-environment-and-national-air-quality-officer-face-legal-action-over-alleged-permitting-of-excessive-hydrogen-sulfide-pollution-by-arcelor-mittal-south-afric>

⁵ AMSA integrated annual report 2023, p. 14.



5. Just Share's questions

5.1. Capital expenditure on CCU

Just Share pointed out that AMSA's decarbonisation roadmap, published in January 2023, pursues two high-level strategies for the decarbonisation of its operations in the medium- to long-term: one is to use CCU and low-carbon blast furnaces, and the other is to pursue the green hydrogen opportunity at Saldanha.

However, despite decades of experimentation and huge expenditure, none of the many CCU "pilot projects" anywhere in the world have been successful in the development of commercially viable CCU, at scale. Commercial CCU projects running today capture approximately 0.1% of fossil fuel emissions globally.⁶ As much as CCU is generally failing to provide any results, it is even more unlikely to materialise as a viable option for steel production, given the many stages of the process that will require carbon capture.

AMSA reports its commitment to transparency and frequent communication around its CCU projects. To this end, Just Share asked the company to provide more detail and a clear distinction between the capex devoted to green hydrogen versus the more "experimental" technologies, including on research and development.

As reported, the chairman closed the meeting without responding to this question.

Just Share will follow up with management to get a response to this question.

6. Voting results

All resolutions tabled at the 2024 AGM passed with the required support from shareholders.

7. Relevant resources

7.1. Just Share

7.1.1. SO₂-related resources

- **Compliance:** Just Share opposes Sasol's appeal against compliance with air pollution laws (August 2023)
- **Op ed:** "Minimum" emission standards minimised again: Sasol's air pollution appeal succeeds (April 2024)

7.1.2. Governance-related resources

- **Guide (Just Share):** Best practices for South African virtual annual general meetings (May 2020).

⁶ See https://res.cloudinary.com/dbtfcnfij/images/v1700717007/Global-Status-of-CCS-Report-Update-23-Nov/Global-Status-of-CCS-Report-Update-23-Nov.pdf?_i=AA and <https://globalcarbonbudget.org/fossil-co2-emissions-at-record-high-in-2023/>



7.2. Other relevant resources

- **Report:** ArcelorMittal and the Responsibility of Stakeholders in the Steel Value Chain, Centre for Environmental Rights (May 2024)
- **Report:** The real co\$ of steel, Fair Steel Coalition (May 2024)
- **Fact sheet:** Tackling climate change: The Role of the Steel Industry in South Africa, Centre for Environmental Rights (May 2022)

End