



March 31, 2010

Mr. Silas Kpanan'AYoung Siakor
Director
Sustainable Development Institute Liberia (SDI) /Friends of the Earth – Liberia
Dwazohn, Liberia

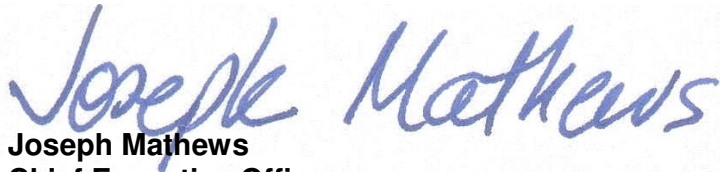
Dear Mr. Siakor,

ArcelorMittal Liberia is pleased to provide its comments and other responses to the points raised in your 12 March 2010 letter. Our response is contained in the attachment.

We welcome the level of engagement that we have had with your organization and look forward to a stronger relationship with you.

Please be assured of our future collaboration.

Sincerely,



Joseph Mathews
Chief Executive Officer

Highlights of the Report

1. ArcelorMittal confirmed it has released a total of US\$ 7 million as at July 2009.¹ The company remitted \$1 million in 2006 because of the renegotiation of the contract, and \$6 million to cover 2007 and 2008 contributions. No payment was made for 2005 because the contract was held up for renegotiation.

Do you disagree? Do you want to provide additional information about this? Has the company disbursed the US\$ 3 m for 2009?

This is correct; the agreement states that ArcelorMittal will disburse \$3 million each year. By the end of February 2010, ArcelorMittal had paid US\$ 13 million to the County Social Development Fund. There was a brief period of around 11 months in 2006/2007 when the Government of Liberia temporarily suspended the agreement during its review. We and all the stakeholders to the agreement are happy that the correct amount has and will continue to be given and we are pleased to be making a significant contribution to Liberia's development.

2. Of the \$7 million released by July 2009 approximately \$4.7 million had been allotted to various projects as at May 2009.

Do you disagree? Do you want to provide additional information about this? Has any new projects being approved since May 2009? Which county and how much is the cost of each project?

No new projects have been approved by the Dedicated Funds Committee since May 2009. We have focused much of our involvement in the Committee in strengthening the due-diligence and review process before funds are allocated to projects. The Dedicated Funds Committee is currently reviewing options of making its funds go further and benefit a greater number of people in the affected areas.

3. ArcelorMittal and the Government of Liberia share equal responsibility for the funds. ArcelorMittal controls 50% of the decision making vote within the DFC.

Do you disagree? Do you want to provide additional information about this?

Decisions are made by consensus in the Dedicated Funds Committee, which constitutes representatives of the Government of Liberia and ArcelorMittal Liberia, in line with the provision of the MDA, which requires that the funds be managed by the Government of Liberia and ArcelorMittal. To ensure that the allocated funds are managed effectively, we have invested lots of efforts in strengthening the capacity of project implementation. Transparent fund

¹ The company provided this breakdown in a meeting with GAAM fact finding mission in July 2009

allocation, fair procurement practices and effective project implementation is essential to the success of the County Social Development Fund. As an example we organised a week-long training of all project managers in September 2009 and were founding partners of the Liberian Extractive Industries Transparency Initiative.

4. ArcelorMittal allowed its signpost to be placed at the intersection of the road constructed between Gbarnga and Kokoya, one of the affected regions in the county, even though the company was aware that this was not amongst projects approved by the Dedicated Funds Committee (DFC) in May 2009.

Do you disagree? Do you want to provide additional information about this?

This is not accurate. ArcelorMittal did indirectly contribute to this project through its annual allocation to the County Social Development Fund. Each completed project is identified by a signpost, indicating details of the project. The signposts are installed by the County Development Management Committees. The Gbarnga-Kokoyah Road Project was also partly funded by money provided to the Bong County Development Management Committee. Therefore, they thought it wise to indicate the nature of support to the project.

5. The DFC is also failing to properly carry out its mandate. The DFC approved projects that did not meet the criteria it established to guide the project approval process. Contrary to these guidelines, the projects that were submitted by the Bong County CDMC and approved by the DFC did not meet these criteria. 100% of the first US\$ 495,000 allotment for Bong County was spent on projects in the provincial capital, Gbarnga, ostensibly to prepare the city for the July 26 2009 Independence Day festivities. All of these projects were hastily implemented to coincide with the July 26 Independence Day celebrations and festivities in Gbarnga.

Do you disagree? Do you want to provide additional information about this?

Although there were certain compliance issues and challenges during the allocation of the US\$ 4.7 million projects, these issues and challenges are now being addressed by the current reform of the County Social Development Fund (CSDF). For example, the management structure of the CSDF is being reviewed to streamline decision-making and to ensure full community participation in decision-making and management of development projects.

6. No project was approved for the communities that under the MDA classify as directly affected by ArcelorMittal operations in Bong County. This includes the communities through which the railway travels and where the rock quarry is located. The guidelines specifically require each CDMC to ensure that no less than 20% of their county's

allocation will be spent annually in communities which have been affected by ArcelorMittal's operations.

Do you disagree? Do you want to provide additional information about this?

This is not accurate. The Kokoyah Road Project (supported by the Bong County allocation) reached communities most impacted by our operations in Bong County. The allocation in Nimba and Grand Bassa Counties meet the 20% criterion. It is very important that the funds from the County Social Development Fund are benefitting communities, as the funds are there to be invested in the future of these communities, and to benefit them also when the mining activity has ceased. We will encourage proposals from the communities in close proximity to our operations to ensure that our continued investment is benefitting those who are most affected.

7. A fact finding mission by ArcelorMittal and the DFC after the Independence Day festivities revealed widespread malpractices and outright misuse of the funds. Various newspapers, citing a leaked report from the DFC, reported on this. This was also confirmed in personal conversations with ArcelorMittal Corporate Social Responsibility officers in Monrovia. Similar concerns also exist in Nimba and Grand Bassa counties. Therefore, not only were the projects badly conceived and some poorly implemented but the management arrangement for the funds needs to be overhauled.

Do you disagree? Do you want to provide additional information about this?

This is an issue that has been raised by the President in her 2010 State of the Union address and efforts are currently underway to overhaul the structures and processes to ensure that there are sufficient safeguards for proper management, accountability, reporting and impact in the beneficiary communities. We are confident that this overhaul will improve future use of the funds.

8. The health facility operated by ArcelorMittal in Yekepa is accessible for villagers from Barpa only if they pay for consultations, but these are too expensive for community members to afford. No other health facility is located within the immediate area to serve local people.

Do you disagree? Do you want to provide additional information about this?

ArcelorMittal is committed to the provision of free medical care for its employees, dependents and contractors, and subsidized medical care to community residents. Community residents pay a small fee for registration and for drug purchase.

The provision of medical care to those not affiliated with the company is not a mandatory requirement for ArcelorMittal. But considering the great need for medical care in the region we have decided to open the facilities also for members of the wider community. Even community residents from across the border in Guinea attend our hospital in Yekepa.

The fees that are charged are comparable to those paid at local health facilities in the area. They include L\$ 25 for registration, maximum of LS\$ 75 for general lab tests and payment for drugs at subsidized rates.

9. According to the MDA, ArcelorMittal is obliged to ‘construct, maintain and operate health facilities in the Concession Area with modern equipment and with procedures with accepted international standards’. ArcelorMittal claims that the facility currently operated in Yekepa satisfies this condition. Yet, according to county officials from Sanniquellie, the facility does not represent these standards despite being referred to as hospital by ArcelorMittal. The company claims it is a full 40-bed hospital, but also states that it will start renovations in 2010. This is in line with the county assessment that the facility is not staffed or equipped at a hospital level – it is simply a walk-in clinic. The only doctor working at the facility resigned in 2009. The county is encouraging the company to staff the hospital with 2 Medical Doctors. The facility is currently operated by an Assistant Physician and 1-2 nurses. Even though this disagreement is primarily between ArcelorMittal and health authorities in the county, the current state of the facility is directly affecting the local communities and breaches the terms of the MDA.

Do you disagree? Do you want to provide additional information about this?

At the time of the GAAM visit to Yekepa the Doctor had recently resigned, since then we have employed a Doctor, a nursing director, a community nurse and 3 registered nurses. At present the hospital is fully staffed for the number of beds it utilizes; as the hospital increases in size it will recruit the required number of staff. During 2010 we will continue renovations on the hospital which we hope to complete by 2011.

10. Schools operated by ArcelorMittal in Yekepa charge US\$ 50 per year for high school, US\$ 25 for junior high school and US\$ 20 per year for elementary school attendance. As these schools offer better education levels than public ones they are the preferred choice of parents. However, the people of Barpa are subsistence farmers, and for many, sending their children to these schools is beyond their financial means. The company health and education facilities are free of charge for company workers, but as no-one from Barpa is employed by the company they cannot benefit from these services.

Do you disagree? Do you want to provide additional information about this?

AML employees and their dependents have free access to schools and health care facilities. Community residents pay fees that are comparable to those paid at

other schools and hospitals in the area. It is not a mandate for ArcelorMittal to provide free education to all children of the region, but we want to offer wider community access to our facilities to contribute to raising the education levels of Liberians. We provide scholarships to help children whose parents are unable to purchase uniforms and the school fee.

Recently, our employees launched the **Sponsor a Child** school support charity, where they contribute money to sponsor children from low income homes in Yekepa. The charity currently sponsors 40 children.

11. When ArcelorMittal fenced off its estate in Buchanan to protect the heavy equipment the company also obstructed access to the town and market for the residents of Barcoline village, extending the traveling time from the village to Buchanan from 20 min to 2 hours each way. A woman delivered her baby on the road because she couldn't get to the health facility in Buchanan in time. The fence was constructed without informing or discussing the issue with the community.

Do you disagree? Do you want to provide additional information about this?

To help ensure the safety of the community residents, we took the decision to temporarily restrict access to the rail yard and workshop facilities. These areas are industrial sites and can pose danger to the general public. This work was discussed with the communities before any fences were erected and alternate roads were also constructed that added at the most about 0.75 miles, equivalent to 15-20 minutes and not 2 hours as mentioned above, in distance but also enabled vehicular traffic to reach outlying villages.

12. The local communities are also dissatisfied with the services provided by the ArcelorMittal-run health facility in Buchanan. According to the MDA, such facility should follow international standards and be furnished with modern equipment. The facility is located in buildings developed by LAMCO to host the previous hospital. Currently, there are no overnight beds provided, the x-ray machine has been removed and the health services occupy only half of the former hospital area with the remaining part of the building turned into company offices. At best it is an outpatient clinic providing services to the company workforce but not for the community. The other health care facility run by the company is available to its expatriate work force only.

Do you disagree? Do you want to provide additional information about this?

This observation is not correct. The Buchanan facility is classed as a Health Clinic by the Ministry of Health. It has a male ward of four beds and a female/child ward of four beds. Patients needing to stay overnight use these wards. The X-Ray machine is still located in the Health Centre and is also used by the Government Hospital on occasion. As per the Yekepa facility,

ArcelorMittal at Buchanan provides free medical care for its employees, dependents and contractors, and subsidized medical care to community residents. Community residents pay a small fee for registration and for drug purchase. These fees are comparable to those paid at local health facilities in the area. The Health Clinic is open 24 hours a day, 7 days per week.

13. Serious labor issues have been reported to GAAM by former employees, such as obligatory 12 hour workdays with 1 hour of unpaid lunch (US\$ 0.38/ hr. of overtime was paid for the unskilled workforce while regular workers overtime was calculated at US\$ 0.58/ hr.). This remuneration level for such effort and length of work under local climatic conditions is inadequate.

Do you disagree? Do you want to provide additional information about this?

Currently, ArcelorMittal employs nearly 500 people in Liberia. On occasion, employees work overtime. When they work in excess of 48 hours per week they are paid at the standard overtime rates prescribed by the Ministry of Labour. Actual payments will depend on their basic wage. Basic wages comply with Ministry of Labour requirements. A lunch break of 30 minutes is included in the standard working day and is paid for. When construction work recommences on our facilities we will make contractual obligations for our suppliers and contractors to provide safe working conditions and to remunerate workers in accordance with market rates.

14. Only one hour of safety training was provided to workers beforehand, resulting in workers not following health and safety instructions. Workers would quite often remove their safety gear and expose themselves to the chemicals used to spray the sleepers. In some cases only those workers directly applying chemicals were provided with protective gear, while fumes from the chemicals would affect all working in the vicinity. According to the workers reports, at one time supervisors brought Vaseline to 'treat' affected workers. In general, the subcontractor held the employees responsible for their injuries.

Do you disagree? Do you want to provide additional information about this?

At ArcelorMittal safety is our number one priority. As you would expect, the level of safety training that we provide is commensurate with the risks associated with the work. If workers do not adhere to safety instructions then we have processes of training and where appropriate discipline. Vaseline was used when handling creosote-impregnated timber sleepers and provided a second means of protecting the workers' skin. The first means of protection were elbow-length gloves. All work related accidents were investigated, lessons learned and corrective action taken as appropriate.

During the railway construction we had an ambulance patrol the railway between Buchanan and Greenhill Quarry, so this facility was available for about 3 hours per day. Work crews had first aiders and first aid kits available to them whilst at work. A fully equipped clinic located halfway between Buchanan and Yekepa at Green Hill Quarry in Bong County provided additional care for workers.

15. While developing its Buchanan workforce, ArcelorMittal also hired a number of people from outside of the county, claiming that there were an insufficient number of qualified workers available locally. According to the local officials, the county tried to encourage the company to reopen and operate the vocational training center run by LAMCO. ArcelorMittal's response to this inquiry was that training provision was beyond the scope of its obligations in Liberia. If such response was indeed provided then it is in breach of the MDA, as ArcelorMittal is indeed obliged to provide training for Liberian citizens for various types of work.

Do you disagree? Do you want to provide additional information about this?

We disagree with this observation. AML is working on the possibility of providing Liberian Citizens with wider access to training and development for various types of work. This is important not only for the future of our operations in the country, but also for strengthening the skills base in Liberia. We are currently negotiating with the Ministry of Education on how to best develop vocational training for Liberians, and we are also currently in discussion with various providers of this service. In addition, we have already sent a group of Liberians for on-the-job training to our operations in South Africa. We are also looking at enhancing the programme at Liberia Swedish Vocational Training Centre. We are hoping to conclude our negotiations and to make a decision by July 2010.

16. During a meeting with ArcelorMittal, GAAM also raised the issue of the East Nimba Nature Reserve that is partially located within the company concession. According to Liberia's Environmental Protection Agency (EPA), mining in the Reserve is excluded under Liberia's law and the company will not be able to receive a permit to mine the Reserve.

Is ArcelorMittal aware of this prohibition?

Yes, we are aware of this. However, we have no intention of mining there.

17. As well as these EPA assurances, GAAM has asked ArcelorMittal to return this area to the Liberian state, as it will not be able to operate there due to its protection status. In response, ArcelorMittal stated that if the company were to do so it would need additional guarantees from the government that the area will not be given to another

mining company. ArcelorMittal argues that the area is best protected if it stays within the company concession.

Do you disagree with this assertion? Do you want to provide additional information about this?

The ENNR remains the property of the Liberian government and is managed by the Forestry Development Authority (FDA). We provide support to the local office on request.

As the MDA guarantees the future safety and protection of the ENNR for at least 20 years we would argue that it may be better protected remaining under the current MDA, unless assurances are made that it would not be handed to other companies that would begin damaging exploration of this site.

18. On 25th August 2008 ArcelorMittal donated 100 pickup trucks to the government of Liberia to support agriculture activities across the country. According to evidence gathered from civil society groups and during the GAAM mission in Liberia, most of these vehicles are used by members of the Liberian legislature for their convenience and not for agricultural purposes, by relevant agricultural personnel or institutions.

Do you agree? If yes, is ArcelorMittal planning to take any steps to ensure that the vehicles are either returned or used for the intended purpose?

The vehicles are at the disposal of the Liberian Government and their use is monitored and enforced by the General Services Agency. Should you have specific queries about their use, it would be best to contact the Government.

19. The donation of 100 pickup trucks by ArcelorMittal, reportedly made upon request by the Liberian President, can be viewed as giving in to demands of public officials and as an improper involvement in political activities in order to retain business.

Do you have any comments to this statement? Do you want to provide additional information about this?

This is simply not the case. As a development partner of Liberia, ArcelorMittal responded to a public request to all mining and exploration companies operating in the country to support the administration's Poverty Reduction Strategy and their challenges to restore basic administrative machinery to effectively govern and reach out to rural parts of the country.

##End##