



ArcelorMittal

# Economic Sanctions Compliance Overview

Last updated on April 6<sup>th</sup>, 2011

## Overview of Economic Sanctions Programs

This Compliance Overview supplements and provides compliance guidance in support of ArcelorMittal's Economic Sanctions Guidelines. The first part of this overview provides a general description of the principal economic sanctions programs imposed by the United Nations Security Council, the European Union, and the United States. It focuses where appropriate on economic sanctions applicable to the steel and mining industry. The next part is a country-by-country inventory of current economic sanctions programs with guidance as to actions ArcelorMittal should take to ensure compliance with these programs. This overview does not cover export laws of any country.

This is a broad overview of the current complex topic of economic sanctions. At any time, new sanctions programs may be added, and existing sanctions programs may be substantially modified. Application of the rules outlined in this guidance to specific ArcelorMittal transactions or questions is a fact-specific process that is not susceptible of broad generalizations, given the nuances and differences within each economic sanctions program discussed below. Economic sanctions are political in nature, and are generally interpreted and enforced according to prevailing political and policy considerations.

## General Overview of Economic Sanctions Programs

### UN Security Council Sanctions

Under the UN Charter, the Security Council has the power to impose mandatory economic sanctions that must be adhered to by all countries. Generally, although economic sanctions imposed by the UN Security Council are mandatory for all countries, they are implemented and enforced through national laws. (For example, several of the U.S. economic sanctions programs described below are designed to satisfy U.S. obligations to carry out UN Security Council resolutions.) UN Security Council sanctions therefore generally lack most procedural details, instead leaving the implementation to national governments to enact appropriate measures in accordance with their own laws and regulations.

UN Security Council sanctions programs range in their scope and relevance for ArcelorMittal, from partial or complete arms embargoes to list-based asset freezes to comprehensive country-wide sanctions. Each of the UN Security Council economic sanctions programs currently in place is administered by a

Sanctions Committee, which maintains a current list of individuals and entities targeted by the sanctions (the "UN Security Council Lists"). Current versions of each of the UN Security Council Lists and additional information on UN Security Council sanctions are available online at <http://www.un.org/sc/committees>.

### European Union Sanctions

The European Union has the power to impose economic sanctions (known within the European Union as "restrictive measures" or "negative measures") that have the force of law within its twenty-seven member countries. EU economic sanctions originate with a European "common position" that is followed by EU regulations. A common position must be adopted unanimously, and although EU member countries may abstain from the vote and thus exempt themselves from the application of the common position, they are obliged not to take measures that would defeat the purpose of the common position. Sanctions regulations require only a qualified majority of votes to be enacted. Depending on the type of economic sanctions employed and whether the powers involved are exercised at the EU or the national level, responsibility for implementation of economic sanctions will depend either on individual member countries or on the EU itself.

EU sanctions may be imposed against foreign countries as well as against individual entities or persons. EU sanctions are currently in place against a range of countries, entities, and individuals, both within Europe and elsewhere, as described below. The European Union maintains a Consolidated List of Persons, Groups and Entities subject to EU Financial Sanctions (the "EU Consolidated List"), which may be accessed online at [http://eeas.europa.eu/cfsp/sanctions/consol-list\\_en.htm](http://eeas.europa.eu/cfsp/sanctions/consol-list_en.htm). Additional information on EU trade sanctions is available online at [http://eeas.europa.eu/cfsp/sanctions/docs/measures\\_en.pdf](http://eeas.europa.eu/cfsp/sanctions/docs/measures_en.pdf).

### U.S. Economic Sanctions

The U.S. Department of the Treasury, Office of Foreign Assets Control ("OFAC") administers the main U.S. economic sanctions programs against targeted countries, organizations, and individuals. As U.S. economic sanctions are intended to further the foreign policy goals of the United States, the exact sanctions vary considerably from program to program, and OFAC may modify the scope of a given economic sanctions program over time. In addition, the political nature of OFAC's mandate allows it wide latitude to interpret and enforce economic sanctions based on prevailing U.S. foreign policy and political calculations. Additional

information on OFAC sanctions is available online at <http://www.ustreas.gov/offices/enforcement/ofac>.

Although a non-U.S. company such as ArcelorMittal is generally not *directly* bound by U.S. economic sanctions (even though it is listed on a U.S. exchange), the company nonetheless must consider the effects of U.S. economic sanctions on its relationships with U.S. persons to whom U.S. economic sanctions apply. However, U.S. economic sanctions laws and regulations do apply directly to ArcelorMittal's U.S. subsidiaries and operations, as well as to any officers, directors, or employees of ArcelorMittal or its subsidiaries who are U.S. citizens or permanent residents or who are physically located within the United States (even temporarily) regardless of their citizenship.

U.S. sanctions laws and regulations also can apply to U.S. investors in ArcelorMittal or its subsidiaries, and to any U.S. lenders, underwriters, contractors, financial advisors, technical experts, law firms, suppliers, or customers of ArcelorMittal or any of its subsidiaries. As a result, in addition to ensuring that its U.S. subsidiaries are not involved in any transactions related to sanctioned countries or persons, ArcelorMittal should expect to find that U.S. persons, including U.S. lenders and underwriters, will require ArcelorMittal to make certain representations before engaging in transactions with ArcelorMittal. Through these U.S. constituencies, U.S. economic sanctions therefore may have indirect application to ArcelorMittal, and thereby have the intended chilling effect on the company's dealings in or with countries targeted by OFAC sanctions.

The scope of economic sanctions varies over time and from program to program. Generally, U.S. sanctions prohibit the direct or indirect export of virtually all U.S. products, technology, and services to targeted countries, as well as direct and indirect imports from the targeted countries to the United States. (There are certain exceptions for imports of goods from targeted countries where the goods are "substantially transformed" in a third country, which could apply to some forms of refining steel products.) Dealings with Blocked Persons are similarly prohibited, and require that any property (including debts, contracts, and other forms of property) associated with a Blocked Person be "frozen" or "blocked" should it come into the possession of a U.S. person. These blocking requirements also apply to property in which the governments of Cuba or Sudan have an interest, or property in which any Cuban national outside the United States (even those not associated with the Cuban government) have an interest.

To ensure compliance with U.S. economic sanctions, a non-U.S. company such as ArcelorMittal with U.S. operations, employees, or directors should implement appropriate compliance procedures for all U.S. operations, as well as for all U.S. persons otherwise associated with ArcelorMittal (e.g., employees working outside the United States U.S. branches and subsidiaries). These procedures are discussed below under "Ring Fencing" and Individuals.

OFAC prohibitions may be waived by OFAC, at its discretion, either through a "general license" or a "specific license." A "general license" is an exception to the prohibitions that is published in the regulations. Transactions covered by a general license may be executed by U.S. persons (subject to the terms of the general license) without further OFAC approval. For example, OFAC has issued a general license permitting most business transactions in territory administered by the regional Government of South Sudan, despite the economic sanctions in place against Sudan as a whole. A "specific license" is issued by OFAC on a case-by-case basis to a specific individual or company, allowing a particular transaction (or type of transaction) that otherwise would be prohibited. OFAC sometimes publishes "Statements of Licensing Policy" that indicate the type of transactions it is likely to approve. A company may apply for a specific license absent a relevant Statement of Licensing Policy, but it will be important to explain why OFAC should depart

from its normal policy, which it rarely does for ordinary commercial transactions.

Penalties for OFAC sanctions violations can exceed \$250,000 per violation, and OFAC may identify more than one violation for a single prohibited transaction; criminal penalties are rare but can lead to imprisonment and severe fines. OFAC violations may also impose political and public-relations costs.

As discussed in greater detail below, the scope of economic sanctions programs varies greatly from program to program, and can be classified as either "country-based" or "list-based" programs. Although the exact scope of prohibitions and exceptions varies from program to program, these two categories of sanctions regimes have some common features.

## Country-Based Sanctions

Currently, there are no country-wide economic sanctions programs imposed by the UN Security Council. Existing UN Security Council economic sanctions programs should not prevent ArcelorMittal from selling its products, opening new sales offices, or establishing new joint ventures in any particular jurisdiction, so long as no targeted individuals or entities are involved.

The EU's country-based sanctions are limited and described below.

The broadest sanctions programs by the U.S. are country-based programs directed against Cuba, Iran, and Sudan. "Country-based" economic sanctions programs prohibit almost all transactions between U.S. persons and the targeted country. That prohibition extends to transactions between U.S. persons and the targeted country's representatives or state-owned companies, and, in some cases, citizens no matter where located. The U.S. also maintains less severe country-based sanctions program against Burma (Myanmar), Libya, North Korea, and Syria. These country-based programs could impact ArcelorMittal's ability to sell its products, open new sales offices, or establish joint ventures in the targeted countries, depending upon the involvement of U.S. subsidiaries or U.S. persons associated with ArcelorMittal.

A special case of nationality-based sanctions is the Arab League Boycott of Israel. The United States and some other nations have counter measures to this program. Compliance with these measures are particularly complex and should not be attempted without Legal Department supervision. Anytime any ArcelorMittal unit receives a request for information or to take any action in support or in any way related to the Arab League Boycott, the Legal Department should consult counsel and take no further action on the request until advised by the Legal Department.

### Burma (Myanmar)

EU sanctions against Burma include an arms embargo as well as a travel ban and asset freeze against members of the Burmese government and entities associated therewith. The sanctions also prohibit financing of or the acquisition of an ownership stake in and some dealings with Burmese state-owned enterprises. The EU sanctions also prohibit the import into the territory of the European Union of certain metals (gold, tin, iron, copper, tungsten, silver, lead, manganese, nickel, and zinc) and the export to Burma of any equipment for use in the mining industry.

U.S. sanctions against Burma consist of a limited country-based program as well as a prohibition on all transactions with the Burmese government. These sanctions prohibit new investment in the development of Burma's natural resources and also prohibit U.S. persons from investing in third-country companies that derive a predominant share of their profits from natural resource exploitation in Burma. Although the Burma sanctions prohibit the import to the United States of any Burmese goods or services, exports from the United States to Burma are not barred. In addition, the sanctions block the assets of persons affiliated

with the Burmese government, including assets owned by three Burmese banks that conduct international transactions.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Burma, and should avoid business transactions that involve any individuals or entities listed thereon or any entities owned or controlled by the Burmese government.
- ArcelorMittal should decline to import any metals restricted by European Union sanctions and to export any mining equipment to Burma.
- ArcelorMittal should ensure that none of its U.S. subsidiaries and no U.S. persons associated with the company (including U.S. citizen employees, officers, or directors) are involved in any way with business transactions involving Burma, nor should U.S. persons approve or facilitate any such transactions
- Because of the complexity of European Union and U.S. economic sanctions against Burma, ArcelorMittal should consult with economic sanctions counsel before acquiring any ownership stake in a Burmese business.

## Cuba

There are no UN Security Council or European Union economic sanctions with respect to Cuba. Moreover, certain of the U.S. sanctions against Cuba run contrary to countermeasures that have been implemented in several countries, including the European Union and Canada. See counter measures below.

U.S. sanctions against Cuba comprise the broadest program administered by OFAC to date, not only in the transactions prohibited, but also in the persons to whom they apply. Unlike other sanctions programs, the Cuba sanctions apply to foreign subsidiaries of U.S. companies. Further, not only are transactions with the Cuban government and with Cuba prohibited; transactions with Cuban nationals located anywhere outside the United States are disallowed. Similarly, a blocking requirement is in place for property in which any Cuban national outside the United States has an interest. In addition, U.S. citizens are barred from almost all travel to Cuba, a provision found in no other U.S. sanctions program.

In addition to economic sanctions administered by OFAC, the United States also has enacted the Helms-Burton Act, which targets persons outside the United States who engage in business dealings (or “traffics”) in Cuban property that was expropriated from a U.S. national. Helms-Burton has two key provisions. Title III provides a cause of action in U.S. courts that allows U.S. nationals with an ownership interest in expropriated Cuban property to sue those who “traffic” in such property for up to three times the value of the property (plus court costs and legal fees). Because of the political and legal controversy over the extraterritorial application of Title III, its provisions have been suspended since Helms-Burton took effect. Title IV excludes persons from the United States who “traffic” in expropriated property located in Cuba. Where a corporation is deemed to have “trafficked” in expropriated property, the exclusion applies to officers, principals, and controlling shareholders of the entity, as well as their spouses and minor children. Although to date only two companies’ executives remain barred from the United States (Sherritt International of Canada and Grupo BM of Israel), other companies have withdrawn from projects in Cuba after receiving Title IV warning letters from the U.S. State Department.

- ArcelorMittal should ensure that none of its U.S. subsidiaries and no U.S. persons associated with the company (including U.S. citizen employees, officers, or directors) are involved in any business transactions involving Cuba. U.S. persons located in counter measure countries present special issues discussed below.

## Iran

UN Security Council sanctions against Iran focus on that country’s nuclear and ballistic missile programs, and include prohibitions on exports and training in these areas, as well as a travel ban and asset freeze for designated individuals associated with these programs. UN sanctions also target Iran’s Revolutionary Guard Corps and shipping of prohibited cargo. Although the Security Council sanctions do not target key Iranian banks (including Bank Melli and Bank Saderat) as the OFAC sanctions do, the Security Council has called for “vigilance” when dealing with these banks, given their connections to the Iranian state and its WMD programs and for States to prohibit the provision of financial services that support Iran’s nuclear program.

The United States first imposed sanctions against Iran following the 1979 hostage crisis, and OFAC has updated and strengthened this country-based program on several occasions. Current U.S. economic sanctions against Iran prohibit almost all imports and exports between the United States and Iran. Additionally, several key Iranian banks have been designated as Blocked Persons for their roles in Iran’s weapons of mass destruction programs, and accordingly any U.S.-dollar denominated transactions involving these banks will be blocked by the U.S. bank through which it is eventually routed for dollar clearing.

Additionally, the U.S. has enacted the Iran Sanctions Act, which provides for sanctions against non-U.S. companies that are determined to have significantly contributed to Iran’s ability to develop its petroleum resources (including natural gas, oil or gas tankers, and products used to construct or maintain pipelines used to transport oil or gas) or that provided Iran with goods, services, technology, or support that directly and significantly facilitates Iran’s ability to refine petroleum products or import refined petroleum products (including any direct and significant assistance with respect to the construction, modernization or repair of petroleum refineries). Exports or transfers of goods, services, technology, or other items to Iran where the exporter has knowledge that the export would contribute materially to Iran’s efforts to acquire or develop weapons of mass destruction or enhance its advanced conventional weapons capabilities are also prohibited. The Iran Sanctions Act also requires companies bidding on U.S. government contracts to certify that they and all entities under their ownership or control are not engaged in sanctionable conduct.

Sales of steel products for use in Iran’s energy, defense or nuclear sectors could fall within the scope of the Iran Sanctions Act, depending on the end-use of such products. Accordingly, it is ArcelorMittal’s policy to conduct due diligence to identify end-uses and end-users of products.

EU sanctions against Iran implement and exceed the requirements of the UN sanctions program by imposing severe restrictions on foreign trade and financial transactions with Iran. EU sanctions do not only restrict the provision of goods or services connected to Iran’s nuclear program, impose a travel ban and asset freeze on individuals associated with the program, provide for inspections of certain shipments between Iran and the European Union and impose a general arms embargo against Iran. They also prohibit the sale, supply or transfer in Iran or to Iranian-owned enterprises of certain equipment and technology as well as related technical and financial assistance for key sectors of Iran’s oil and natural gas industry. The EU sanctions against Iran widely affect the energy, financial (including insurance) and transport sectors.

- ArcelorMittal should make no steel sales nor provide any services, technology or support into Iran where the end-user is in the energy, defense or nuclear sectors, to avoid Iran Sanctions Act enforcement and non-compliance with other programs such as the EU sanctions regime.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Iran, and should avoid business transactions that involve any individuals or entities listed thereon. ArcelorMittal also should ensure that it does not export any products or services restricted by the UN Security Council, the European Union, or OFAC to Iran.
- ArcelorMittal should not use any Iranian banks currently targeted by UN Security Council, European Union, or U.S. economic sanctions, or conduct transactions relating to Iran that are denominated in U.S. dollars and involve any targeted banks.
- ArcelorMittal's U.S. subsidiaries and U.S. persons associated with the company (including U.S. citizen employees, officers, or directors) should not be involved in any business transactions involving Iran.

## Libya

UN Security Council sanctions against Libya impose a travel ban and asset freeze on key figures in the Qadhafi regime, as well as an arms embargo with respect to Libya.

EU sanctions against Libya include an arms embargo, a ban on trade in equipment that might be used for internal repression, as well as a travel ban and asset freeze on designated individuals and entities.

US sanctions impose an asset freeze and prohibit all transactions with certain designated individuals and entities, as well as the government of Libya, its agencies, instrumentalities and controlled entities, and the Central Bank of Libya. An OFAC general license authorizes transactions with financial institutions owned or controlled by the government of Libya that are organized under the laws of a country other than Libya, provided the transactions do not otherwise involve the government of Libya or any person whose property and interests in property are blocked.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Libya, and should avoid business transactions that involve any individuals or entities listed thereon.
- ArcelorMittal should ensure that none of its U.S. subsidiaries and no U.S. person associated with the company (including U.S. citizen employees, officers, or directors) are involved in any way with business transactions involving the government of Libya, its agencies, instrumentalities and controlled entities, or the Central Bank of Libya, nor should U.S. persons approve or facilitate any such transactions.

## North Korea

With the intention to force North Korea to suspend all nuclear missile programs, and abandon all nuclear weapons and weapons programs or other weapons of mass destructions, the United Nations imposed a broad travel ban and asset freeze targeting North Korean government officials, as well as imposing an arms embargo on North Korea. In addition, UN Security Council sanctions prohibit the sale of "luxury goods" to North Korea.

EU sanctions against North Korea include an arms embargo as well as a ban on the sale of luxury goods and an asset freeze against certain members of the North Korean government and entities, especially those associated with defense and the development of nuclear technology.

U.S. sanctions targeting North Korea are very limited, and prohibit only transactions (including investments) with the North Korean government and persons affiliated therewith, as well as transactions involving vessels that are North Korean-flagged.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against North Korea, and should avoid business transactions that involve any individuals or entities listed thereon.

- ArcelorMittal should ensure that none of its U.S. subsidiaries and no U.S. persons associated with the company (including U.S. citizen employees, officers, or directors) are involved in any business transactions involving North Korea.

## Sudan

UN Security Council and European Union sanctions against Sudan focus on the conflict in Darfur, and impose a travel ban and asset freeze on Sudanese individuals and entities connected with that conflict. Additionally, an arms embargo is in effect.

OFAC sanctions against Sudan stem from that country's support for international terrorism. The sanctions have been modified on several occasions and in 2006 were restricted to permit most business transactions with the Southern Sudan and Darfur regions. The Sudan sanctions are a country-based program and prohibit nearly all trade between U.S. persons and Sudan.

The U.S. Sudan sanctions prohibit all transactions with the Sudanese government, and require that all Sudanese government property be blocked. (This includes not only the central government and its political subdivisions, but also the Sudanese central bank, and any parastatal entities controlled by the Sudanese government.) However, the U.S. Sudan sanctions explicitly do not apply to transactions with the regional government of Southern Sudan, and transactions involving Southern Sudan, Darfur, and several other discrete geographic regions are also subject to a general license (except transactions involving the petroleum or petrochemical sectors, which remain prohibited).

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Sudan, and should avoid business transactions that involve any individuals or entities listed thereon.
- ArcelorMittal should ensure that none of its U.S. subsidiaries and no U.S. persons associated with the company (including U.S. citizen employees, officers, or directors) are involved in any business transactions involving Sudan, except where such transactions are explicitly excepted from OFAC sanctions against Sudan.

## List-Based Sanctions

"List-based" economic sanctions programs prohibit transactions between covered persons and specific individuals and entities allegedly engaged in disfavored activities including narcotics trafficking, international terrorism and proliferation of weapons of mass destruction. List-based programs exist against specific government officials and their associates (or in some cases, rebel groups and businesses associated therewith) in the Balkans, Belarus, the Democratic Republic of Congo, Egypt, Eritrea, Guinea, Iraq, Ivory Coast, Liberia, Somalia, Syria, Tunisia and Zimbabwe. The targets of these programs appear on lists administered by governmental agencies and intergovernmental organizations including, among others, the UN Security Council Lists, the European Union Consolidated List, the UK Treasury Consolidated List, the Canadian Sanctions List, the World Bank's Listing of Ineligible Individuals, the U.S. Specially Designated Nationals ("SDNs") and Blocked Persons List and several other U.S. Government lists. ArcelorMittal has acquired and implemented a commercial screening software ("Sanctions Database") of these lists which is located at the Legal Department and other locations within the business segments of ArcelorMittal.

## Belarus

European Union and U.S. economic sanctions against Belarus target President Lukashenko and his government's supporters, following election malfeasance and anti-democratic practices. Each of these sanctions programs is list-based rather than country-wide.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Belarus, and should avoid business transactions that involve any individuals or entities listed thereon.

### **Bosnia-Herzegovina**

European Union and U.S. economic sanctions against Bosnia-Herzegovina target war criminals, individuals who threaten or obstruct peace, and individuals or entities deemed to support these two groups. Each of these sanctions programs is list-based rather than country-wide.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Bosnia-Herzegovina, and should avoid business transactions that involve any individuals or entities listed thereon.

### **Côte d'Ivoire**

UN Security Council, European Union, and U.S. economic sanctions against Côte d'Ivoire target individuals responsible for human rights violations and individuals or entities deemed to support them. Each of these sanctions programs is list-based rather than country-wide.

EU sanctions also target the ports of Abidjan and San Pedro. This means that an offence would be committed under EU law by a vessel calling at one of these ports if an EU corporate or national made payment of port dues or other disbursements/expenses to the port. An offence would still be committed if the port dues are paid by that party's agent.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Côte d'Ivoire, and should avoid business transactions that involve any individuals or entities listed thereon.

### **Croatia**

European Union and U.S. economic sanctions against Croatia target war criminals, individuals who threaten or obstruct peace, and individuals or entities deemed to support these two groups. Each of these sanctions programs is list-based rather than country-wide.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Croatia, and should avoid business transactions that involve any individuals or entities listed thereon.

### **Democratic Republic of Congo**

UN Security Council, European Union, and U.S. economic sanctions against the Democratic Republic of Congo target individuals and entities responsible for widespread violence and atrocities in the country's ongoing civil war. Each of these sanctions programs is list-based rather than country-wide.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against the Democratic Republic of Congo, and should avoid business transactions that involve any individuals or entities listed thereon.

### **Egypt**

European Union sanctions against Egypt target the persons and entities believed to be responsible for misappropriation of Egyptian State funds and consequently for depriving the Egyptian people of the benefits of the sustainable development of their economy and society and for undermining the development of democracy in the country.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Egypt, and should avoid business transactions that involve any individuals or entities listed thereon.

### **Eritrea**

European Union sanctions against Eritrea contain prohibitions on providing technical assistance, training, financial and other assistance relating to military activities. They also target persons and entities who violate the arms embargo established by the UN in 2009, thus providing assistance to armed opposition groups within the country. The list of designated individuals and entities is not yet made available.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Eritrea, and should avoid business transactions that involve any individuals or entities listed thereon.

### **Guinea**

European Union sanctions against the Republic of Guinea target persons and entities linked to the National Council for Democracy and Development (NCDD), believed to be responsible for the violent repression in 2009. It contains an asset ban as well as a prohibition on providing technical and financial assistance related to certain military equipment.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Guinea, and should avoid business transactions that involve any individuals or entities listed thereon.

### **Iraq**

UN Security Council, European Union, and U.S. economic sanctions against Iraq target members of former president Saddam Hussein's government as well as individuals and entities associated therewith. Each of these sanctions programs is list-based rather than country-wide.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Iraq, and should avoid business transactions that involve any individuals or entities listed thereon.

### **Liberia**

UN Security Council, European Union, and U.S. economic sanctions against Liberia target members of former president Charles Taylor's government, individuals and entities associated therewith, and other individuals and entities responsible for violence during Liberia's civil war. Each of these sanctions programs is list-based rather than country-wide.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Liberia, and should avoid business transactions that involve any individuals or entities listed thereon.

### **Macedonia**

European Union and U.S. economic sanctions against Macedonia target war criminals, individuals who threaten or obstruct peace, and individuals or entities deemed to support these two groups. Each of these sanctions programs is list-based rather than country-wide.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Macedonia, and should avoid business transactions that involve any individuals or entities listed thereon.

### **Montenegro**

European Union and U.S. economic sanctions against Montenegro target war criminals, individuals who threaten or obstruct peace, and individuals or entities deemed to support these two groups.

Each of these sanctions programs is list-based rather than country-wide.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Montenegro, and should avoid business transactions that involve any individuals or entities listed thereon.

### **Serbia**

European Union and U.S. economic sanctions against Serbia target war criminals, individuals who threaten or obstruct peace, and individuals or entities deemed to support these two groups. Each of these sanctions programs is list-based rather than country-wide.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Serbia, and should avoid business transactions that involve any individuals or entities listed thereon.

### **Somalia**

UN Security Council, European Union and US economic sanctions against Somalia target individuals and entities designated by the United Nations (UN) as engaging in or providing support for acts that threaten the peace, security or stability of Somalia.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Somalia, and should avoid business transactions that involve any individuals or entities listed thereon.

### **Syria**

UN Security Council, European Union, and U.S. economic sanctions against Syria target individuals believed to be responsible for causing instability in Lebanon, including through support for international terrorism and involvement in the assassination of former Lebanese Prime Minister Hariri. Each of these sanctions programs is list-based rather than country-wide.

The US also prohibit the exportation and re-exportation of virtually all US-origin items (products, software and technology) to Syria, without an export license, which is unlikely to be granted.

- ArcelorMittal should ensure that none of its U.S. subsidiaries and no U.S. persons associated with the Group are involved in any business transactions involving the government of Syria.
- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Syria, and should avoid business transactions that involve any individuals or entities listed thereon.

### **Tunisia**

European Union sanctions against Tunisia target the persons and entities believed to be responsible for misappropriation of Tunisian State funds and consequently for depriving the Tunisian people of the benefits of the sustainable development of their economy and society and for undermining the development of democracy in the country.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Tunisia, and should avoid business transactions that involve any individuals or entities listed thereon.

### **Uzbekistan**

European Union sanctions against Uzbekistan were repealed in December 2009.

### **Zimbabwe**

European Union and U.S. economic sanctions against Zimbabwe target the government of Robert Mugabe and its supporters. Each

of these sanctions programs is list-based rather than country-wide. European Union sanctions against Zimbabwe also include a ban on trade in equipment that might be used for internal repression and an asset freeze on designated individuals and entities.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against Zimbabwe, and should avoid business transactions that involve any individuals or entities listed thereon.

### **International Terrorists/WMD Proliferators**

UN Security Council, the European Union, and U.S. economic sanctions target international terrorists, individuals and entities associated therewith, and supporters thereof. Additionally, U.S. economic sanctions target individuals and entities connected with the proliferation of weapons of mass destruction. Each of these sanctions programs is list-based rather than extending to an entire country.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against international terrorists, and should avoid business transactions that involve any individuals or entities listed thereon.

### **Narcotics Traffickers**

The United States has imposed sanctions targeting narcotics traffickers around the world, using a list-based platform.

- ArcelorMittal should review the Sanctions Database to ensure compliance with economic sanctions against narcotics traffickers, and should avoid business transactions that involve any individuals or entities listed thereon.

## **Other Sanctions Programs**

There are three other economic sanctions programs which, due to their limited scope, should not, in most cases, pose compliance problems for ArcelorMittal.

### **China**

European Union sanctions against China are limited to an arms embargo, and thus should not impact ArcelorMittal.

### **Moldova**

European Union sanctions against Moldova are limited to a travel ban on certain individuals and thus should not impact ArcelorMittal.

### **Sierra Leone**

UN Security Council and European Union sanctions against Sierra Leone are limited to a travel ban and arms embargo on rebels and thus should not affect ArcelorMittal.

## **Facilitation**

Importantly for ArcelorMittal, a non-U.S. company with significant U.S. operations, OFAC sanctions also generally prohibit U.S. persons from “approving or facilitating” dealings with sanctioned countries. Such prohibited “approval” or “facilitation” includes having a U.S. person or U.S. company refer prohibited business (i.e., business with a person or country targeted by U.S. economic sanctions) to a non-U.S. parent or affiliate. OFAC’s prohibition on “approval” and “facilitation” also bars a U.S. person from altering its policies or procedures to steer business to a non-U.S. affiliate, including by eliminating requirements that the U.S. person approve such business.

The prohibition on “facilitation” also bars U.S. persons from investing either in targeted countries or entities. The definition of investment can be broader than the acquisition of an equity

interest, and may include acquiring certain debt instruments or contributing funds in other ways. In addition, U.S. persons are prohibited from investing in third-country companies doing a “preponderance” of their business with targeted countries or persons. (Although determining whether a company conducts a “preponderance” of its business with sanctioned countries or persons is a fact-specific exercise, in general this will not be the case where revenues, profits, and assets associated with sanctioned country business constitute less than 10 percent of the company’s overall figures.) To the extent that ArcelorMittal sells its products, operates sales offices, or establishes joint ventures in sanctioned countries, it should ensure that its U.S. subsidiaries and U.S. persons associated with the company are isolated from these sanctioned country activities.

## Ring Fencing

Given ArcelorMittal’s global nature and independently managed units, there may be many situations where sanctions applicable to parts of the group may not be applicable to other parts of the group. However, given the concept of facilitation discussed above, unless great care is exercised, parts of the ArcelorMittal group only indirectly involved in a transaction may be exposed to sanctions enforcement risks. In addition, ArcelorMittal’s investors and creditors may be particularly concerned about sanctions enforcement risk if business is conducted with targets of sanctions programs. Enforcement risks can arise if the unit conducting a transaction uses administrative, funding, IT, manufacturing or other facilities or personnel from a unit subject to sanctions. In many situations, the desired business can be conducted if the unit conducting the transaction is “ring fenced” from any facilitation by units subject to sanctions. The process requires a detailed analysis of the particular transaction, the sanctions involved and the relationships among various units and their supervision. Great care is required to properly ring fence a unit and insure the fence structure is maintained over time. Advice of experienced counsel is also required.

## SEC Disclosures

The staff of the Division of Corporate Finance (Staff) of the U.S. Securities and Exchange Commission (“SEC”) has sharply increased its scrutiny of disclosures made by issuers such as ArcelorMittal about their business dealings with certain countries disfavored by the U.S. Government. This initiative is led by the Office of Global Security Risk (“OGSR”) created by the SEC at the urging of U.S. Congress. OGSR proceeds mainly through questions and comments to issuers that have already mentioned a disfavored country in filed disclosure documents. A number of issuers have been required to provide additional disclosures as a result. The expanded disclosures are intended to inform the investing public of dealings in these countries, even when such dealings, under a traditional materiality analysis, are both financially immaterial and legal. OGSR reviews disclosures about dealings in the four countries designated by the U.S. Department of State as “state sponsors of terrorism”: Cuba, Iran, Sudan, and Syria. Issuers are required to disclose information that is material to the reasonable investor. SEC staff members have publicly advised that OGSR will not change the traditional materiality analysis. In addition to quantitative factors, OGSR considers “qualitative” aspects of materiality. That is, OGSR asks issuers to consider whether sales that are financially immaterial may nevertheless be material to reasonable investors for other reasons. In practice, this analysis appears to conclude that all sales to countries identified as state sponsors of terrorism, however small in absolute or relative terms, are per se material. Indeed, such a rule seems to have been contemplated by the Congressional report, which declared that “a company’s association with sponsors of terrorism and human rights abuses, no matter how large or small, can have a material adverse effect on a public company’s

operations, financial condition, earnings, and stock prices, all of which can negatively affect the value of an investment.”

A number of U.S. states and municipalities have adopted law that encourages pension funds and other investors to divest securities of companies doing business in countries identified as state sponsors of terrorism. Such programs rely on the OGSR mandated disclosures.

## Individuals

Non-EU and non-U.S. companies of the ArcelorMittal group should ensure that EU and U.S. individuals affiliated with such companies do not incur personal liability as a result of their work for these companies.

ArcelorMittal employees, officers, and directors who are citizens or residents of the EU or U.S. should not have any role in business dealings with countries or entities targeted by any applicable sanctions programs.

The compliance measures required below are focused on the issue of individuals (i.e., citizens and permanent resident aliens) who are engaged (either as a director, officer, or employee) by a company outside the individual’s country of citizenship or permanent residence. These guidelines do not address activities by individuals temporarily located within the United States or EU.

Additionally, the compliance measures required below are general guidelines. The recusal policy must be tailoring to suit the particular business situation. A recusal policy will not be sufficient to isolate individuals if the company does a predominant percentage of its business in sanctioned countries.

### Economic Sanctions Recusal Policy for U.S. Individuals

1. U.S. individuals should not work on projects, directly or indirectly, in any capacity involving countries, or persons, or entities subject to U.S. economic sanctions.
2. U.S. individuals should not manage, supervise, or make decisions on projects involving countries, or persons, or entities subject to U.S. economic sanctions.
3. U.S. directors should not vote on projects involving countries, or persons, or entities subject to U.S. economic sanctions, and the minutes of meetings of the Board of Directors should reflect that such directors did not vote (e.g., absent or abstain).
4. U.S. individuals should not participate in internal or external discussions of projects involving countries, or persons, or entities subject to economic sanctions, and if U.S. individuals participate in aspects of a meeting or teleconference that do not concern projects involving countries subject to U.S. economic sanctions, minutes or notes should reflect their absence or non-participation in those aspects that do concern projects involving countries, or persons, or entities subject to U.S. economic sanctions. In particular, U.S. directors should absent themselves from deliberations on projects involving countries subject to U.S. economic sanctions, and the minutes of meetings of the Board of Directors should reflect that absence.
5. U.S. individuals should not travel on company business to countries subject to U.S. economic sanctions.
6. U.S. individuals should not meet on company business with persons, or entities, or nationals of countries subject to U.S. economic sanctions.
7. U.S. individuals should not sign contracts on projects involving countries, or persons, or entities subject to U.S. economic sanctions.
8. U.S. individuals should not provide legal advice on projects involving countries, or persons, or entities subject to U.S.

economic sanctions (except with respect to compliance with U.S. economic sanctions).

9. U.S. individuals should not engage in any activities that could be perceived of as approving or facilitating projects or business activities involving countries, or persons, or entities subject to U.S. economic sanctions.
10. U.S. individuals should not approve or sign invoices, checks, or other payment instructions for projects involving countries, or persons, or entities subject to U.S. economic sanctions.
11. U.S. individuals should not perform contracts in support of projects involving countries, or persons, or entities subject to U.S. economic sanctions.
12. If any property in which a country, or persons, or entities subject to U.S. economic sanctions has an interest comes into the possession or control of an U.S. person, that person should arrange with the Legal Department to determine whether that property must be blocked.
13. U.S. directors, officers, or employees who have general responsibilities that would normally pertain to projects involving countries, or persons, or entities subject to U.S. economic sanctions (e.g., approving the project budget) should be relieved of those responsibilities with respect to projects involving countries, or persons, or entities subject to U.S. economic sanctions. For U.S. directors or officers, the Board of Directors (excluding U.S. directors) should decide to whom to assign the responsibilities with respect to projects involving countries, or persons, or entities subject to U.S. economic sanctions. For U.S. employees, such decisions should be made by their immediate non-U.S. supervisors or managers.
14. U.S. individuals should be expected to comply with U.S. economic sanctions and should be encouraged to raise appropriate questions with their supervisors or managers, or with the Legal Department. U.S. individuals should not be subjected to any discipline for complying with U.S. economic sanctions or for raising appropriate questions about such compliance.

EU individuals should insure that they are not involved with any business transaction that is contrary to EU sanctions and should consider this US recusal policy as a suggested procedure in such circumstances.

## Counter Measures/Blocking Statutes

Several jurisdictions have enacted countermeasures, also known as “blocking” statutes, to counteract certain extraterritorial aspects of sanctions law of other countries, particularly U.S. economic sanctions. The most complex application of blocking laws to U.S. sanctions arises under U.S. sanctions prohibitions or facilitations of business with Cuba or Iran. These issues are factually complex and need analysis by experienced counsel. Key Blocking Statutes are European Council Regulations 2271/96 (which addresses U.S. sanctions against Cuba, including the Helms-Burton Act, as well as the Iran Sanctions Act), Canada’s Foreign Extraterritorial Measures Act (which addresses U.S. sanctions against Cuba, including the Helms-Burton Act), and Mexico’s Law to Protect Trade and Investment (which addresses U.S. sanctions against Cuba, including the Helms-Burton Act). ArcelorMittal’s compliance with these countermeasures by entities within these jurisdictions raises complex legal issues. Generally, U.S. individuals located in counter measures countries (EU, Canada and Mexico) can avoid issues by recusing themselves from any business related to Cuba or Iran pursuant to the previous section of this overview.

Subsidiaries located in the EU, Canada or Mexico of ArcelorMittal’s U.S. incorporated or headquartered companies present complex issues under Blocking Laws particularly as to U.S. sanctions targeting Cuba. Accordingly, the Legal Department should be consulted before any action is taken by U.S. companies or their subsidiaries in a blocking jurisdiction concerning Cuba or Iran.

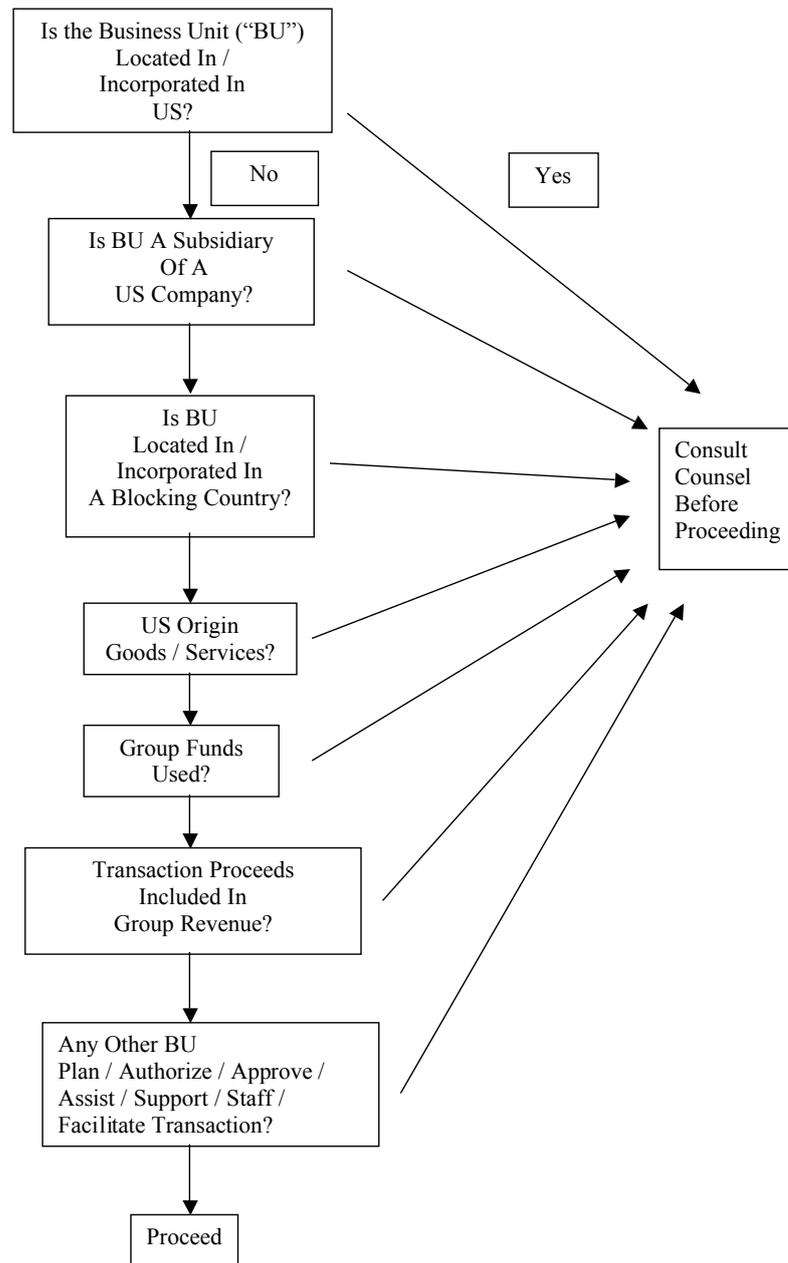
## Updating of this Overview

The Legal Department will update this Overview from time to time based upon changes in the regulations or organizational developments.

### Annexes:

Country-Based Decision sequence, List-based Decision Sequence.

## Country-Based Decision Sequence (in relation to US country-based OFAC Sanctions)



## List-Based Decision Sequence

