



## **XSTRATA RESPONSE TO BENCH MARK FOUNDATION REPORT ON PLATINUM MINING INDUSTRY IN THE RUSTENBURG AREA, NORTH WEST PROVINCE OF SOUTH AFRICA**

### **Background**

The Bench Mark Foundation Report on the platinum mining industry in the Rustenburg area of South Africa raises many pertinent issues of sustainability. However, it is important to state at the outset that Xstrata Alloys has only very limited involvement in the platinum industry in South Africa and no platinum interests in the North West province. Currently, Xstrata's only exposure to the platinum industry is through the Mototolo joint venture with Anglo Platinum, situated in the Limpopo province. Xstrata has entered into a black economic empowerment partnership with Kagiso Trust Investments, through which Kagiso has taken a 26% share in Xstrata's 50% stake in the project. The project was commissioned in October 2006 and prior to the formation of the Mototolo joint venture, Xstrata had no previous involvement in platinum mining.

Xstrata's activities in the Rustenburg area pertain exclusively to chrome mining and ferrochrome production. Xstrata Alloys also owns a fully integrated vanadium operation (Rhovan), which is situated close to Brits and Pretoria. For completeness, we have also referred to Rhovan in our response.

It is also important to note that Xstrata plc was formed through an initial public offering on the London Stock Exchange in March 2002, and is therefore a relatively new entrant to the mining sector. The company has grown rapidly from this time to become the world's fifth largest mining group.

In line with our policy of open engagement and commitment to sustainability, Xstrata agreed to be interviewed by the Bench Mark Foundation's researchers, despite not being involved in the platinum mining industry in the region under review. Sustainable development is an integral component of our approach to managing economic, environmental and social issues associated with our operations and we believed that participation in the research would enable us to share our experiences in the sustainable management of mining and metals operations, and would provide us with an overview of best practices implemented by other companies in our sector.

Because of the length and detail of the Bench Mark report, we will only respond on the main issues it raises. In addition to the information provided in this response should be read in conjunction with Xstrata's comprehensive Group Sustainability Report, published annually, which provides detailed information about the Group's sustainability targets, performance, policies and practices. The 2006 Sustainability Report is available from our website at [www.xstrata.com/sustainability](http://www.xstrata.com/sustainability), together with a range of other information including Xstrata's policies, HSEC standards and information about our best practice HSEC assurance programme, through which every managed operation is independently audited against Xstrata's Business Principles, HSEC policy and 17 HSEC standards at least once every three years.

### **Employee Working Conditions**

As set out in our Business Principles and HSEC policy, Xstrata has an absolute commitment to the health and safety of its employees. All employees are empowered to refuse to do work they believe to be endangering their safety. This has been accompanied by thorough training that enables our employees to identify and mitigate hazards in the workplace. We have also implemented industry-leading behaviour-based safety training programmes and specific fatality prevention programmes that have resulted in marked improvements in our safety records, including a reduction of 30% in the total recordable injury frequency rate from 11.5 to 8.0 per million hours worked and no fatalities in 2006. This injury rate was the lowest recorded by any of Xstrata's five global commodity businesses in 2006. The report erroneously states that Xstrata Alloys' safety record was the worst in the industry in 2005 and we have independently contacted the Bench Marks report authors to correct this factual inaccuracy.

As you will see from the commentary provided in the safety chapter of the 2006 Sustainability Report, safety is our primary consideration and an area to which we dedicate considerable time, effort and resources. This is particularly the case in South Africa, where comprehensive fatality prevention plans and major hazard management plans have been implemented over the last two to three years, to address key causes of previous incidents and "near misses". Further details of these programmes are provided in the 2006 Sustainability Report.

### **HDSA Ownership**

Xstrata is the first global diversified major mining company to achieve the targets set by the Mining Industry Charter in terms of ownership by Historically Disadvantaged South Africans (HDSAs). Merafe Resources have a 20.5% participation in Xstrata's chrome business, which will increase to 26% over time. Kagiso Trust Investments have a 26% participation in Xstrata's 50% share of the Mototolo JV with Anglo Platinum as previously mentioned. In January 2007, the Bakwena Ba Mogopa Traditional Community, the surface rights holders of the Rhovan vanadium operation, took up a 26% participation in the fully integrated operation.

The report notes that mining companies “seem to regard the 26% as the maximum”. This is not necessarily the case at Xstrata. African Rainbow Minerals have a 36% participation in Xstrata’s South African coal business. This will increase as new assets are developed, as evidenced by the additional 6% ARM gained through the development of Goedgevonden Colliery. At the beginning of last year, ARM’s participation stood at 20%.

## **Employment Equity and Staff Education & Development**

Xstrata is fully supporting the principles of the Mining Industry Charter and the Employment Equity Act among others, which are instruments that assist all companies to become equal opportunity employers while recognising the imbalances of the past, and the need to redress them.

In the Xstrata employment equity context, HDSAs include African people of all genders, women of all races and the disabled Xstrata has set upon a training and development drive to assist HDSAs to acquire skills and access opportunities in the workplace, both at Xstrata and elsewhere. This program has enabled Xstrata to achieve HDSA management representation in excess of 30% in leadership positions ranging from supervisory to executive (E-Level) levels. Xstrata recognises that there is still insufficient HDSA representation within senior management, and is seeking to address this in the short to medium term through accelerated career paths for high-performing individuals.

We also recognised the need to provide proper university and other technical training to high school leavers, especially from the communities in which the company has operations. The full scholarships and other forms of educational assistance we award have a strong bias towards historically disadvantaged groups. These are for engineering, economic and computer science undergraduate degrees.

The general weakness of the school system as evidenced by the quality and quantity of high school graduates is of concern to Xstrata. To help mitigate this, we are sponsoring programmes from the primary level upwards that seek to address and improve school management, a key contributor to the failure of the system. We are also sponsoring programmes that address skills shortages among teachers, especially in the areas of mathematics and physical science.

Internally, all employees have access to company financial assistance for job-related further education and training at tertiary institutions of their choice. Adult Basic Education, computer and artisan training is available for all operational employees and contractors.

## **Health, Safety and Environment**

Xstrata's world class HSEC Assurance Programme independently audits every managed operation against Xstrata's Business Principles, HSEC policy and 17 HSEC Standards. The audit is very stringent, holding management and other related employees responsible for health, safety, environmental and community management as part of their Key Performance Areas. Even though these standards exceed local legislative safeguards and the requirements of ISO9001, 14001 and OHSAS18001, all Alloys smelters have also achieved third party certification against these international standards as further evidence of our commitment to best practice health, safety and environmental standards and performance.

Air emissions at Xstrata Alloys smelters are an important aspect of the HSEC Assurance Programme. In addition, through our Sustainable Development department, we actively participate in the development of air pollution standards and permit requirements in the North West Province. The Department of Environmental Affairs and Tourism recently undertook inspections at all our smelting operations to ascertain the control and mitigation measures we are applying against pollution of the environment. While a formal report is yet to come, they indicated that they are fully satisfied with Xstrata's performance. We also expressed our willingness to work with them to set the best benchmarks possible, against which industry can evaluate its performance.

The average exposure to personal dust in 2006 was 0.98mg/cubic metre at Xstrata Alloys operations, against our target of <2.0mg/cubic metre. All employees and contractors receive training in appropriate PPE use and compliance is actively monitored on an ongoing basis.

Xstrata Alloys health, safety, environmental and community targets for 2007, together with a full scorecard tracking performance against 2006 targets is provided on pages 6-9 of the 2006 Sustainability Report.

## **Wellness, HIV and AIDS Management**

The report states that Xstrata Alloys prefers to support external NGOs and government programmes as part of its HIV and AIDS strategy. In addition to this, Xstrata Alloys has adopted a workplace wellness programme which includes individual health risk assessments and an HIV and AIDS management programme directly aimed at its employees. By 2008, Xstrata Alloys is targeting 80% participation in voluntary counselling and testing (VCT). HIV positive employees will receive counselling and treatment, be entitled to the confidentiality of their status and protected against any form of discrimination as articulated by company policy. Xstrata Alloys has the support of its unions for this programme. Again, further details are provided in the 2006 Sustainability Report.

## **Housing and other living conditions**

Xstrata Alloys does not have hostels, but takes cognisance of the issues raised by the report resulting from the abolition of hostels. Our strategy is to encourage and assist property ownership by employees close to their places of work. .

Informal settlements are a reality of economically productive urban areas, and Rustenburg is no different. Xstrata believes that through working with local government authorities, this challenge can be overcome. We have completed baseline socio-economic studies on the communities in which our operations are situated, and this information has been used to formulate Social and Labour Plans that will be implemented in cooperation with local authorities.

## **Procurement from communities and small businesses**

Xstrata Alloys sees procurement from HDSA and mining community-based enterprises as perhaps the biggest opportunity to advance the aims of the Mining Industry Charter and create broad-based socio-economic prosperity. To this end, we currently spend 40% of discretionary procurement with HDSA-owned and managed companies, and we are aiming to increase this to 50% by the end of the 2007 financial year.

Xstrata Alloys has invested in the training and development of SMME owners in order to assist them to qualify for work at Xstrata, and to also manage their business affairs properly. In some other instances, we have provided material assistance in the form of business development consultants, who ensure that these companies operate on sound business principles.

We also actively encourage our non-HDSA major suppliers to partner with smaller HDSA-owned businesses for work they do for Xstrata. On many occasions, we have ring-fenced portions of contracts in order to encourage BEE partnerships between established and smaller HDSA-owned suppliers. This has helped to bring much needed skills to the smaller operators, who are later able to compete for work on their own.

## **Conclusion**

Xstrata Alloys welcomes the Bench Marks Foundation report as an important step in the integration of business and sustainability objectives. It is regrettable that the report contained a number of inaccuracies and we have raised these directly with its authors. Nonetheless, we believe that the report will assist industry participants, government authorities and NGOs to identify areas in which there can be further cooperation for community development and environmental management.

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