



# Strategy and Sustainable Development

Xstrata's primary business objective is to create superior shareholder value by growing and managing a diversified portfolio of metals and mining businesses. Our mission recognises that to continue to grow and create value over the long term, we must operate ethically and responsibly, through mutually beneficial partnerships with our stakeholders. Our Statement of Business Principles sets out the ethical framework for our activities.

## Strategy and Sustainable Development

Our commitment to the principles of sustainable development is based on our belief that operating responsibly and to the highest international standards, regardless of our location, mitigates risks, creates opportunities and enhances our reputation and competitive position. In particular, a strong reputation for operational and environmental excellence and industry-leading community engagement enables us to gain access to new resources, maintain a social licence to operate from the communities associated with our operations, attract and retain the best people and access diverse and low-cost sources of capital.

Xstrata differentiates itself from its industry peers by devolving maximum responsibility and authority to its commodity business units. We believe this directly benefits our operations by creating a strong sense of local ownership, where entrepreneurial managers are empowered and incentivised to address site-specific challenges and seize opportunities. Each commodity business is fully resourced to function as an independent business and is accountable for all aspects of its operations from exploration to post-closure remediation, within defined authority levels and the Group's governance framework.

We are committed to continuous improvements in our health, safety and environmental performance and to sharing the benefits of our activities locally, so that we leave behind a positive legacy of stronger, more sustainable communities once mining activities cease.

Xstrata has grown primarily through acquisition. When we acquire operations or companies we follow a comprehensive and proven integration process to ensure that HSEC risks and opportunities are identified and properly managed. We aim to improve the performance of acquired businesses in line with our HSEC policy and standards, to ensure a consistently high level of performance across the Group.

A detailed description of Xstrata's Group and commodity business strategies, the principal risks and uncertainties facing the business and key performance indicators to measure our progress are set out in the 2006 Annual Report. The Chief Executive's Report on pages 4 and 5 of this

Sustainability Report sets out our strategy, successes and future challenges in embedding sustainable development principles into our business.

The consideration of sustainability risks, challenges and opportunities is integrated in the way we manage our business. Each commodity business has developed a sustainable development strategy and incorporates non-financial, social and political risks into risk management processes. The strategic imperatives and risks identified are being integrated into our annual budgeting, overall strategic and business planning processes.

### Key Sustainability Challenges

The sustainability challenges listed have been selected due to their potential or actual materiality to our present or future business. Issues have been identified through internal reviews by commodity business management, together with feedback from a range of stakeholders.

#### Climate change

As the world's largest producer of export thermal coal and a significant consumer of

electricity, particularly in our metallurgical operations, climate change is one of the most pressing challenges we face. Our key challenges are to reduce the direct and indirect greenhouse gas emissions from our operations, and to play an active role in investing in and advocating wider support for the development of technological solutions to minimise the emissions generated by our customers from burning coal as a source of energy.

#### Workplace safety and fatality prevention

The elimination of injuries and fatalities from our business remains a key challenge, particularly but not exclusively in South Africa, where the majority of fatal and critical incidents have occurred. To support the progress made through process safety and leadership programmes, we are focusing on the behaviour of our managers, employees and contractors in approaching and managing risk, through sustained, intensive fatality prevention and major hazard management programmes. We are also increasing our influence on and monitoring of the safety performance of contractors.

### Our Values and Beliefs

We aim to operate with zero harm to our people, the environment and local communities

Work-related incidents, illnesses and injuries are preventable

Foreseeable hazards and environmental impacts must be identified, the associated risk assessed, and where reasonably practical eliminated, or otherwise controlled

There is a safe and correct way of doing every task, however urgent or important

We are responsible for our own actions and the occupational health and safety of our fellow workers

Health, safety and environmental performance and community engagement can be continually improved

## Strategy and Sustainable Development



Laboratory work at the Nikkelverk refinery in Kristiansand, Norway.

### HIV and AIDS

HIV and AIDS continue to present the greatest health risk to our workforce and the communities associated with our operations in Southern Africa and in a number of other high risk areas, including the Dominican Republic. In South Africa, we have extended our innovative workplace programmes to communities and recently signed a first-of-its-kind agreement with the regional South African health authorities to work together in a public-private partnership to expand our programmes further. Further detail about these initiatives is provided in the Workplace and Our People chapter of this report.

### Water use and quality

Xstrata operates in a number of arid regions, namely in Australia, Peru and the Andean region in north Chile where our key challenge is to minimise raw water extraction, improve water efficiency and increase the proportion of water recycled on site. In water-abundant areas such as Canada and Central America, our principal challenge is to improve water quality, share excess water with

communities, other operations or stakeholders and control water flows in extreme weather events.

### Air emissions

Xstrata's primary air emission is sulphur dioxide (SO<sub>2</sub>) emissions from metallurgical smelting operations. Each relevant installation measures and seeks to reduce emissions on a continuous, sustainable basis. Our copper and lead operations at Mount Isa, Australia comprise the majority of the Group's SO<sub>2</sub> emissions, together with smelting operations acquired from Falconbridge in Chile and Canada. A number of targeted initiatives are under way to capture or reduce SO<sub>2</sub> and other emissions, in particular at the Mount Isa and Altonorte (Chile) operations.

### Biodiversity conservation and land management

One managed operation and two non-operational sites (including acquired operations) are adjacent to protected areas for biodiversity. A number of other operations have identified threatened or vulnerable species or habitats in neighbouring areas. Every operation is

required to develop and actively implement a biodiversity conservation plan. A particular area of focus in 2007 is the development of a biodiversity offset programme to compensate for the conversion of the McArthur River Mine in Australia from an underground to an open cut operation. The conversion requires the diversion of a 5.5 kilometre section of the seasonal McArthur River.

### Access to resources in more challenging locations

Xstrata's Mission to continue to grow and create value for our shareholders depends on our ability to secure access to resources to replace our current mining operations. Increasingly, new deposits are located in less politically or socially stable areas of the world, with less well developed regulatory regimes and socio-economic institutions. Effective due diligence and the ability to assess socio-political and environmental risks are essential to operating successfully in more challenging locations. Xstrata's sustainable development framework and Business Principles set global standards for our operations in line with or exceeding the requirements of national legislation, regardless of location.

### Closure planning and closed site management

Following the acquisition of Falconbridge, Xstrata's businesses now manage 44 closed sites that require ongoing maintenance and treatment of water run-off from the site. In addition to ensuring adequate financial provisions are made for responsible and sustainable closure of operations, detailed closure planning takes place several years in advance of the anticipated cessation of operations, integrating social, economic, environmental and community health issues and including stakeholder consultation.

## Key Sustainability Opportunities

In addition to assessing the key sustainability challenges and risks facing Xstrata, our businesses also consider opportunities to create value for shareholders and make a positive contribution to sustainable development. These include:

- Improving energy and resource efficiency at our operations to optimise the use of resources in providing society's basic materials
- Recycling base and precious metals, through our dedicated facilities in Canada, the US and Asia. This ensures that natural resources are efficiently used and reused, prolonging their life cycle, recouping additional value and reducing waste. An expansion of the plant is also under way at Sudbury Smelter, Canada
- Developing and marketing proprietary technologies to increase the efficiency of metals and mining operations, through:
  - Xstrata Technology's smelting, refining, grinding and processing products, many of which are industry leaders, are marketed to metals and mining companies globally, including Xstrata's own operations
  - Xstrata Process Support develops processing solutions for Xstrata's operations to improve efficiency and solve processing bottlenecks
  - Proprietary technological solutions are developed by Xstrata's commodity businesses to improve efficiency. An example is the Premus technology developed by Xstrata Alloys to reduce the energy intensity of ferrochrome production, currently in use at Xstrata's Lion Ferrochrome and Lydenburg plants in South Africa
- Contributing financially and advocating wider industry and governmental support for the development and implementation of clean coal technologies, to reduce the greenhouse gas emissions from using coal as a source of energy, enabling coal to continue to fuel economic and social development in a carbon-constrained world
- Identifying market opportunities for our products or by-products arising from advances or trends in sustainable development, for example the potential market for vanadium for use in redox batteries used in wind turbines, the use of coal-seam methane to generate electricity, or the use of nickel in flue gas desulphurisation scrubbers in coal-fired power plants.

Xstrata Nickel's Falcondo operation supports local farmers to grow crops and preserve forest through the Falcondo Foundation, Dominican Republic

