

# Community

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# Community

“Our Sustainable Development Standards describe our expectations of our businesses regarding community engagement and support.”

We work closely with the communities our operations affect, making sure we recognise their rights and respect local laws, customs and culture. We actively seek to engage communities, and we discuss our activities honestly with communities to gain their support and ensure we understand and address their concerns.

## Community

Our mining and metals operations and projects around the world each play a significant role in their local communities. Our presence brings benefits to regions that are often remote and underserved, by stimulating economic development, creating jobs, and improving infrastructure such as roads, schools and hospitals. At the same time, we work to avoid or minimise any negative impacts on local people, such as public health risks and the need to resettle communities.

Getting this balance right is essential to ensure we bring broader social and economic benefits, as set out in our Sustainable Development Policy. Helping our neighbours to understand our work, the benefits it brings and our efforts to reduce negative impacts is just as important. Without gaining broad support from local communities our activities could face delays, increasing project development costs, reducing production and operating profit and damaging our corporate reputation.

Managing the social impacts of major project development will be critical in delivering our strategy as we enter a more intensive period of organic growth. We have ten new projects and expansions already in development and a number of others due to be presented to the Board for approval in 2010 and undergoing feasibility studies. Our sustainable development framework aims to ensure these projects deliver net social and economic benefits for their local communities.

### Policy and approach

Our approach is to support and work closely with the communities our operations affect, making sure we recognise their rights and respect local laws, customs and culture. We actively seek to engage communities, and we discuss our activities honestly with communities to gain their support and ensure we understand and address their concerns.

We engage with all communities affected by a project or operation in a manner appropriate for the local culture. We work with them to identify and evaluate their needs and concerns and to address any related impacts, risks and opportunities at every stage of a project's life cycle: before exploration; during development, operations, expansions and changes; and finally before they are closed. We always work with the community to plan ahead when closing an operation and this often

continues after closure, for example, when reassigning land for communal use or discussing ongoing environmental remediation work. We review decisions made during earlier phases of a project's life cycle during each later phase to ensure we are still taking the best approach.

Social and human rights baseline studies and risk assessments identify the impacts our operations have, both positive and negative. The table on page 85 lists the benefits we bring to communities, as well as the main drawbacks we must manage. We work in close cooperation with communities, governments, non-governmental and development organisations involved in community projects. We prioritise support for the most vulnerable groups and those most affected by our operations.

Our Sustainable Development (SD) Standards describe our expectations of our businesses regarding community engagement and support. We audit each site's performance against our SD Policy and Standards as part of our SD Assurance Programme.

Leocadio Ochoa Criollo and Anacleta Aisa Galoso working at a community greenhouse project supported by Xstrata Copper's Las Bambas project in Peru



## Social and economic benefits and impacts

Activity/issue	Social and economic benefits	Social and economic impacts
Indigenous peoples and cultural diversity	<ul style="list-style-type: none"> <li>Employment opportunities</li> <li>Support for initiatives to protect heritage or build social capacity</li> <li>Improved state protection or services</li> </ul>	<ul style="list-style-type: none"> <li>Marginalisation of indigenous or local communities</li> <li>Changes to traditional culture and customs</li> <li>Damage or reduced access to sacred sites</li> </ul>
Resettlement	<ul style="list-style-type: none"> <li>Improved housing, infrastructure and services</li> <li>Improved income generation opportunities</li> <li>Ongoing support for health, education and social wellbeing of resettled communities</li> </ul>	<ul style="list-style-type: none"> <li>Disruption of moving to a new location</li> <li>Social disintegration or cultural breakdown</li> <li>Loss of access to resources and employment if poorly managed</li> </ul>
Public health	<ul style="list-style-type: none"> <li>Contribution to improved healthcare infrastructure</li> <li>Health and wellness programmes that extend to employees' families and communities</li> </ul>	<ul style="list-style-type: none"> <li>The introduction or increase of infectious diseases, emissions, noise and dust</li> </ul>
Corporate social involvement	<ul style="list-style-type: none"> <li>Sustained support for initiatives that benefit communities</li> </ul>	<ul style="list-style-type: none"> <li>Risk of dependency on company-funded projects</li> </ul>
Socio-economic development	<ul style="list-style-type: none"> <li>Royalties and taxes paid to local, regional and national governments</li> <li>Returns to shareholders including pension funds and other capital providers</li> <li>Contribution to improved local infrastructure and services, such as roads, schools and hospitals</li> </ul>	<ul style="list-style-type: none"> <li>Disputes between communities and governments over the distribution of funds from mining</li> <li>Influxes of people to work at our operations, leading to increased crime rates, social problems such as substance abuse, increased traffic and pressure on local services</li> </ul>
Procurement and enterprise development	<ul style="list-style-type: none"> <li>Spending on goods and services with priority given to local companies</li> <li>Promotion of enterprise development</li> </ul>	<ul style="list-style-type: none"> <li>Loss of traditional economic activities</li> <li>Disputes with Xstrata or between suppliers over our budget allocation and spending decisions</li> </ul>
Job creation and skills development	<ul style="list-style-type: none"> <li>Employment opportunities, particularly for local people</li> <li>Wages and benefits paid to employees and contractors</li> <li>Improved employees' skills and ability to secure good jobs in the mining industry or in other sectors</li> <li>Indirect job creation e.g. in service industries</li> <li>Establishment of additional companies in the region offering further employment opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Increased migration to a region</li> <li>Inflated housing, food and service costs caused by wage increases and higher demand</li> <li>Loss of employment and investment following mine closure</li> <li>Risk of economic dependency on finite operations</li> </ul>



Xstrata Copper's Frieda River project in Papua New Guinea is building relationships with local communities and government through regular meetings

**Consultation**

Community consultation is a key part of our risk management and business planning process. We take this seriously and understand the need to behave in a transparent, culturally appropriate manner.

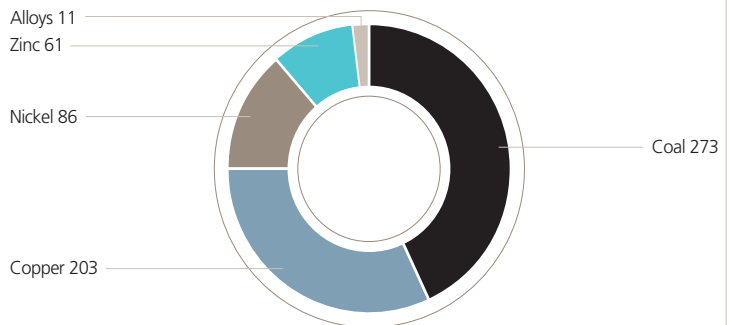
We meet with communities at all stages of a project or operation to discuss their concerns and expectations, identify their needs and work together to address these. When appropriate, we work with communities to identify local cultural heritage sites and make plans to protect them. Our projects and operations invite local people to sit on participatory environmental committees to jointly monitor our environmental impacts.

We require all managed projects and operations to have a community engagement plan in place, in line with our social and community engagement standard. At the end of 2009, all alloys, coal, nickel and zinc operations had an engagement plan in place. Xstrata Copper's operations in northern Chile are still to review their stakeholder engagement plan. Xstrata Copper North Queensland's engagement plan was finalised in the first quarter of 2010.

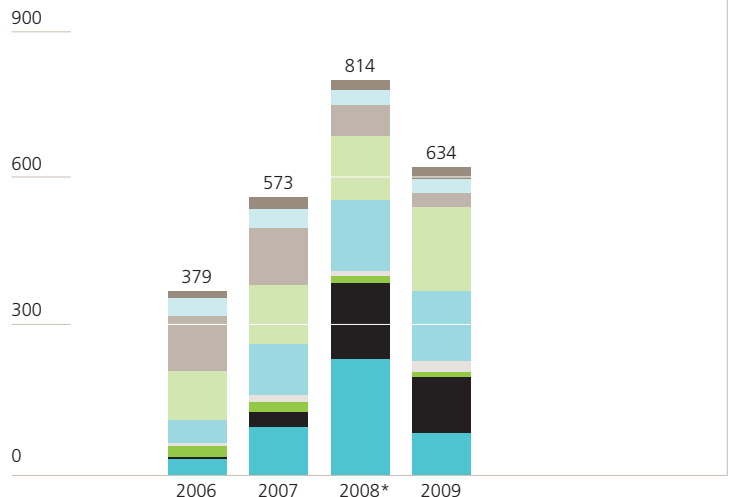
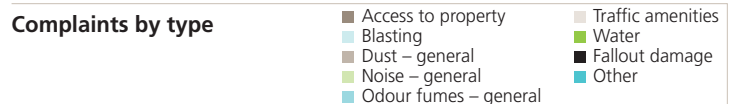
During 2009, as part of our response to the economic downturn, a number of our operations were closed or suspended. Our stakeholder engagement at these sites addressed the potential impacts on neighbouring communities.

The development of new growth projects and expansion of existing operations involves proactive consultation with communities and other stakeholders throughout the development to ensure support for our activities and incorporate feedback into our planning processes.

**Complaints by business (2009)**



**Complaints by type**



\*Indicates restated figure

**Enquiries and complaints**

Our Sustainable Development assurance programme requires all managed operations to have in place a grievance and conflict resolution process for community members and others to make complaints and enquiries, anonymously if preferred. These processes must include clear procedures for registering, evaluating and responding appropriately to all complaints and enquiries.

In 2009, our operations received 634 complaints from local people, 22% fewer than in 2008 (814).

The overall reduction is mainly due to a large drop in the number of complaints to the copper business as well as a small reduction of complaints against the alloys and zinc businesses. The coal business



**Tamatumani organisational change programme**

Xstrata Nickel's Raglan mine in Northern Quebec, Canada has a target to recruit 20% of its workforce from the local Inuit community over a five-year period.

Since its launch in 2008, the innovative Tamatumani organisational change project is aimed at providing long-term employment opportunities to significant numbers of Inuit. 'Tamatumani' is an Inuit term, meaning 'second chance to do better' or 'action plan – phase two.'

For Inuit staff, Tamatumani creates entry-level positions, such as miners, environmental technicians, apprentice carpenters, plumbers, machinery

mechanics, welders and cooks, and provides various skill-based training programmes to help workers succeed. Technical training is enhanced by essential-skills training in advanced reading, writing and maths. Additional training modules, covering topics such as employer expectations and French as a second language, further support the integration of Inuit candidates into the workforce. A team of employees is dedicated to helping these individuals acquire the needed skills and support to progress within the organisation.

In 2009, 30 entry-level positions were created under the project. As of 2009, Inuit employment at Raglan had doubled to over 100 employees since the mine opened in 1998. Approximately 63% of the students who have participated in the Raglan Stope School since its inception in 1998, have retained employment at Raglan.

We and our partners, including the Kativik Regional Government and the Kativik School Board, recognise the need to invest significantly in people, talent and skills to ensure Raglan's long-term success and the Tamatumani programme enjoys a high profile within Raglan operations and in the surrounding communities.

received 33% more complaints than in 2008, primarily about noise, while complaints about the nickel business almost doubled, with 18 complaints relating to access to property at our Kabanga project in Tanzania and 34 complaints relating to fallout and fumes at our Sudbury smelter in Canada.

We received 1,526 pieces of unsolicited positive feedback across the Group in 2009, more than twice the amount received in 2008. All feedback, both positive and negative is reviewed as part of each site's and commodity business's annual strategic review.

Our operations also record broader feedback such as the amount of media coverage they receive, the number of stakeholder meetings held and people attending and general enquiries.

In 2009, our nickel project in Koniambo, New Caledonia, updated its policy and system for managing and responding to enquiries and complaints. The site received 12 complaints in 2009, including one significant demonstration and half-day road blockade. Representatives from Koniambo and the security contractor involved in the blockade met with demonstrators over a period of three months to listen to their concerns to resolve the issue.

**Indigenous people**

Our projects and operations span 19 countries worldwide, many of which interact with indigenous communities and other vulnerable or previously disadvantaged groups. Projects and operations in Canada, New Caledonia,

Papua New Guinea, Peru, Australia and South Africa regularly come into contact with these stakeholders. We respect the culture, customs, interests and rights of all communities associated with our operations.

Some sites are on or near land that has been or continues to be occupied by indigenous people for hundreds of years. This land can contain valued artefacts or hold special cultural significance for local communities. We work with indigenous groups to assess the cultural significance of all new mining or exploration sites prior to disturbance, and are committed to protecting any significant sites or artefacts found. We work with local communities on an ongoing basis to draw up and maintain cultural heritage management plans.

Where appropriate, our businesses give priority to indigenous and previously disadvantaged communities during recruitment, and often provide training to enhance the skills available in the community. Some operations in areas with significant populations from these groups have targets for the proportion of the workforce they represent.

We also earmark funding to provide employment opportunities, bursaries, training and enterprise development programmes specifically for indigenous and previously disadvantaged groups. For example, in Australia, Xstrata offers university scholarships in mining-related subjects worth AUD10,000, which are only open to indigenous students and also provides funding to help develop leadership skills among young leaders of indigenous communities.

Applicable operations run training courses to raise employee awareness of cultural diversity and local indigenous communities.

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### Artisanal and small-scale mining (ASM)

Artisanal and small-scale mining (ASM) ranges from informal subsistence mining by individuals to small, formal commercial mining operations. It tends to take place in the developing world, particularly in remote, rural areas where there is little alternative work. In many countries ASM is deemed illegal and operates informally. In others, formal permits or titles are awarded by the state but illiteracy and other development issues often make it impossible for artisanal miners to obtain the relevant documentations.

Artisanal workers are often poorly educated, lack expertise, rely on crude equipment and are subject to little or no regulation. Environmental damage from unchecked air, land and water pollution, soil erosion and deforestation is common. Health and safety practices and protective equipment are often basic or non-existent.

We adhere to the International Council on Mining and Metals' guidance to appropriately manage ASM relationships and to create a secure environment for our operations. We are committed to identifying the concerns and needs of the communities local to our activities and to contribute to their socio-economic capacity and sustainable development.

ASM is currently present at Xstrata Copper's Tampakan project in the Philippines.

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### Resettlement

It is sometimes necessary to relocate households or whole communities living or working on land affected by our projects and operations. This is one of the most challenging and sensitive impacts of our activities, but also presents substantial opportunities for social and economic development when properly managed. We seek to avoid – or at least minimise – the need to move people, but when we can find no alternative, we follow the International Finance Corporation Standards on Land Acquisition and Involuntary Resettlement.

With careful planning, we believe the social and economic benefits can outweigh the drawbacks of moving. We communicate openly, honestly and appropriately with communities to ensure they are fully informed of our plans and the options available to them before any decisions are made. We also ensure they understand all the potential benefits and drawbacks of resettlement. We work closely with affected households to find a suitable new area for them to live and work, and to ensure that relocation provides opportunities for long-term development.

We commit to providing an equivalent or improved standard of living. We ensure that people's occupancy is secure in the long term, for example, by giving them the title to the property, and pay a fair price for any assets such as buildings and land that are not directly replaced. We aim to ensure new settlements have suitable infrastructure and services such as transport links, schools and hospitals.



New homes constructed in Rietspruit, Mpumalanga by Xstrata Coal South Africa

We continue to consult affected households throughout relocation and while assessing whether the process has been successful. We provide ongoing support for the health, wellbeing and education of resettled households, as well as training and access to credit as appropriate so people can restore or improve their livelihoods. We fully document all agreements and procedures and provide a grievance mechanism for people to raise concerns, and to provide a fair and impartial means of resolving any disputes.

### Performance

In 2009, we resettled 116 households in four locations. The majority took place at Xstrata Coal South Africa sites, including 91 households at its Southstock operation and 19 households at Goedgevonden.

Plans to extend Xstrata Coal's Southstock mine in South Africa meant that 91 households living on three settlements on Xstrata Coal property next to the mine would have to be relocated. After consulting householders, all agreed to relocate to the Rietspruit suburb, which would minimise disruption to their livelihoods and improve their living conditions. We built 120 houses with running water, sanitation, electricity and new electric stoves and fenced off the surrounding land. Relocation took place on 10 March 2009, and each family is in the process of receiving the title deeds of their new home as proof of ownership.

We established resettlement action plan forums to ensure relocation went smoothly, including elected community leaders, government officials and Xstrata Coal representatives. We also commissioned an external consultancy to help improve our understanding of the actual and potential impacts and benefits of the resettlement.

Xstrata Coal also resettled 19 households at its Goedgevonden mine. Xstrata Alloys relocated six households from an informal settlement at its Maloma anthracite facility in Swaziland. We carried out all these resettlements in line with the International Finance Corporation (IFC) Standards on Land Acquisition and Involuntary Resettlement.

Business	Division	Site	Households resettled
Alloys	Swaziland	Maloma anthracite	6
Coal	South Africa	Goedgevonden	19
Coal	South Africa	Southstock	110
Coal	South Africa	Tweefontein	15

Communities and campaign groups in Peru often have concerns about the impacts of mining on the environment and local people, who are often very poor. By working hard to engage with communities and being clear about the benefits our presence will bring, Xstrata Copper's Las Bambas exploration project is maintaining positive community relations despite the need to relocate an entire community.

After more than two years of consultation, on 29 December 2009 we reached agreement on resettling the Fuerabamba community near the Las Bambas project. The agreement covers the replacement of land for agriculture and livestock farming as well as the provision of new housing, to ensure continuing economic development. The community will also benefit from improved education, healthcare and sanitation, as well as job and training opportunities. Local people are learning a variety of trades that will prove useful to the new community, including carpentry, dressmaking, hospitality, construction, mechanics and agriculture. Physical relocation will take place in 2010.

At Xstrata Copper's Tampakan project in the Philippines, we are developing a similarly comprehensive plan for resettling local people. The plan proposes strategies and activities in housing and infrastructure development; livelihood and enterprise development; healthcare; education; and capability building. As well as applying the IFC Standards, the plan also incorporates local standards such as those provided by the Asian Development Bank. We are in the process of finalising a strategic partnership with the United Nations Conference on Human Settlements to ensure relocation at Tampakan meets the best international standards.

## Public health

Health issues can arise in the communities associated with our operations either because of widespread disease in the area or due to historic contamination from sites we have since acquired.

We aim to address any health risks that may affect our workforce, their families and communities. We work with local people, public health authorities and others to help prevent, protect against and educate the public about health risks and widespread diseases.

We also seek to minimise any health risks our operations might pose to the broader community through comprehensive air quality and dust monitoring programmes, initiatives to remediate historic contamination and community information campaigns.

The major widespread diseases prevalent in the areas around our operations are HIV/AIDS, malaria and tuberculosis (TB), primarily in South Africa.

We work with communities, public health authorities and others to improve awareness and protect employees, their families and communities from public health risks and widespread diseases.

We have processes in place to minimise any health risks our operations pose to the broader community. These include comprehensive air quality and dust monitoring programmes, community information campaigns and initiatives to remediate areas of historic contamination.

### HIV/AIDS

A number of our operations are in locations with a high prevalence of HIV/AIDS. In South Africa, where we employ over 26,000 people and contractors, up to one in five adults is HIV positive. HIV/AIDS is also prevalent to a lesser extent in Tanzania, where we have a nickel exploration project.

We provide confidential, voluntary counselling, testing and treatment for employees and contractors in areas with a high or growing prevalence of HIV/AIDS. See the Our People section for more detail.

Major public health issues such as HIV/AIDS need to be tackled holistically. We also work with governments, charities, health providers, unions and companies in the region to provide community members with testing and treatment.

For example, Xstrata Coal South Africa and its partner Re-Action! collaborate with the local government of the Mpumalanga Province, non-governmental organisations and the United States President's Emergency Plan for AIDS Relief (PEPFAR) to strengthen community-based health services, particularly for HIV/AIDS and TB. The partnership is active in three districts in the Mpumalanga Province, where there are many remote mining operations with high numbers of migrant labour. Mpumalanga has a widely dispersed population of 3.5 million, making the provision of health services a challenge. Approximately one in four adults in the province is HIV positive.

The area's main healthcare facility, the Lydenburg hospital near the Xstrata-Merafe Chrome Venture's Lydenburg smelter, urgently needed resources to



Nurse Tshibi Mahlonoko discussing health issues at the Xstrata-funded, community clinic in Breyten, South Africa

## Community *continued*

tackle these problems, due to a lack of facilities, basic equipment, transport and skilled healthcare workers. As part of its work with the partnership, Xstrata has funded the construction of a HIV/AIDS clinic and a pharmacy at the hospital at a cost of ZAR5.3 million. With a staff of eight people including a full-time doctor plus nurses and counsellors, the new Wellness Centre provides comprehensive care for HIV/AIDS patients.

### **Malaria**

Malaria is the one of the main health risks facing Xstrata Nickel's Kabanga project in Tanzania, a joint venture with Barrick. In addition to the workplace initiatives we have in place, we support initiatives to fight malaria in the broader community. An Xstrata-funded project team is investigating options to strengthen local health infrastructure for malaria, as well as HIV/AIDS and other public health risks, to try and tackle them before the project reaches the construction stage.

Our Frieda River copper project in Papua New Guinea is tackling malaria through the Health Island Programme, set up through direct engagement with local communities and government agencies. The engagement process empowered local communities to determine their greatest health threats and solutions with the help of local agencies. As a result, local villages now have installed drainage systems and cleared undergrowth, noticeably reducing the number of malaria-carrying mosquitoes.

### **Lead**

Mount Isa in Queensland, Australia, is a unique situation with lead occurring from natural mineralisation, industrial activities and historic mining practices in the 1940s and 1950s which contributed to low-level contamination in some areas.

Our Mount Isa operations have in place a range of environmental initiatives to limit impacts to the environment and local community and are continuing to work with the local and State governments to raise community awareness on living safely with lead.

In recent years, Xstrata Mount Isa Mines has approved important new initiatives to better understand, and further limit, potential impacts from our operations with projects such as the Lead Pathways Study and Smelter Emissions Project.

### **Lead screening**

Xstrata Mount Isa Mines has offered free, independent and confidential blood-lead testing for local residents since 1993.

With our support, in 2006 Queensland Health launched a lead screening programme to test 400 Mount Isa children between the ages of one and four. In May 2008, Queensland Health presented the report which showed that 11% had blood lead levels above the World Health Organisation (WHO) recommended level of less than 10 micrograms per decilitre. Since the release of that report, we are aware of the positive results Queensland Health has been achieving by intervening to assist a small minority of parents to keep children's blood lead levels low.

Queensland Health is currently conducting a follow-up lead screening programme of Mount Isa children between the ages of one and four.



The Living With Lead Alliance is a community initiative supported by Mount Isa Mines

Xstrata fully supports this initiative and will continue to support initiatives that aim to assess and, where necessary, improve the health and well-being of the Mount Isa community.

### **Environmental initiatives**

Xstrata Mount Isa Mines is doing everything possible to ensure the sustainable management and ongoing safety of its operations by delivering a range of continuous, pro-active environmental initiatives. Since taking ownership of the Mount Isa operations in mid-2003, Xstrata has invested in excess of AUD250 million on over 150 environmental initiatives.

A key focus for Xstrata Mount Isa Mines is delivering initiatives that prevent the risk of lead leaving the operational site. Xstrata Mount Isa Mines has a strict 'clean-in/clean-out' policy for all employees and contractors working in lead exposure areas. Showering is mandatory for employees and contractors in these areas on completion of shift, and work clothes are left on-site and laundered by the company.

The site also has an on-site fuelling station and servicing facility to limit the need for light vehicles to leave the mine site. For light vehicles that need to leave the site, car wash bays are available to clean vehicles before leaving to further reduce the risk of lead being taken into the community.

Xstrata Mount Isa Mines' Air Quality Control system monitors Mount Isa's ambient air quality levels via a comprehensive network of wind/weather stations in and around Mount Isa. Information from these monitoring stations is analysed and used to direct, or shut down, operations at Xstrata Mount Isa Mines' lead and copper smelters and Incitec Pivot's acid plant.

We will continue to develop and implement proactive environmental initiatives that limit any potential impacts to the environment and local community.

### **Living with Lead Alliance**

In December 2007, Xstrata joined with Queensland Health, the Department of Environment and Resource Management (then EPA), Betty Kiernan MP and the Mount Isa City Council to form the Living with Lead Alliance.

The Alliance aims to provide people in Mount Isa with the information they need, so they can put in place simple measures to help them stay healthy in an environment with naturally occurring minerals such as lead.

In 2009, the Alliance:

- Carried out a public information campaign including print, radio and television adverts;
- Established an Indigenous Health Working Group and an Alliance local support group;
- Became a partner of the Mount Isa Safe Community Advisory Team;
- Developed educational material including brochures, posters, factsheets, bumper stickers, magnets and a promotional mascot;
- Introduced a regular Alliance e-newsletter; and
- Met with local schools, nurseries and community groups to discuss the Alliance and living safely with lead.

Plans for 2010 include:

- Launching a LEADSmart education programme in local schools;
- Helping Queensland Health to promote its follow-up blood-lead testing programme for local children;
- Introducing a pregnancy working group;
- Coordinating education sessions for local health professionals; and
- Progressing funding for Greening Mount Isa initiatives.

For more information on the Alliance, visit [www.livingwithlead.com.au](http://www.livingwithlead.com.au).

### Lead Pathways Study

In late 2006, Xstrata Mount Isa Mines commissioned an independent study into the potential for lead to reach the community through land (Phase 1), air (Phase 2) and water (Phase 3), assessing any potential risk to human and ecological health.

The Lead Pathways Study is an independent research programme being carried out by the University of Queensland's Centre for Mined Land Rehabilitation in collaboration with the National Research Centre for Environmental Toxicology.

In July 2009, the independent research team published a peer-reviewed report into Phase 1 of the study, which explored lead pathways through land. This concluded that the risk to human health from historical mine sediment is low. Despite this finding, we have invested around AUD2.7million to remove over 160,000 tonnes of soil containing historical mine sediment from the Leichhardt River. We will continue to act on recommendations from the Lead Pathways Study.

The report on Phase 3 of the study, on water pathways, is due in early 2011. The independent research team has indicated that the report into Phase 2, on air pathways, will be released in the second half of 2011, due to the complexity of the study.

### Smelter Emissions Project

In July 2007, Xstrata Mount Isa Mines established the Smelter Emissions Project to assess the feasibility of further improving the capture and treatment of emissions from its lead and copper smelters. The Project involves a process of identifying opportunities to reduce emissions, and implementing operational and engineering controls to realise those opportunities.

To date, Xstrata Mount Isa Mines has invested in excess of AUD21million on initiatives as part of the Smelter Emissions Project and we plan to continue building on the significant progress made to further reduce emissions from our lead and copper smelters.

## Corporate social involvement

Each year we fund community initiatives near our operations. We support programmes for community development, enterprise and job creation, health, education and the environment, as well as culture and arts.

Our approach is to provide stable and continuing financial support at all stages of the economic cycle, giving priority to initiatives in remote areas and less-developed regions. We set aside at least 1% of Group profit before tax and, in years where profits are higher, we retain a portion of this to ensure there are still funds available for community initiatives in less profitable years.

Of the money earmarked for spending each year, our commodity businesses distribute the majority to the regions most in need. The balance is used to fund Group level initiative programmes associated with our London and Zug offices and to provide funds for an emergency relief fund.

In 2009 donations from this fund included a donation of AUD1million to the Australian Red Cross 2009 Victorian Bushfire Fund. In 2010, Xstrata donated \$500,000 to the Haiti earthquake appeal and a donation of \$1million to support relief efforts following the Chilean earthquake.

All managed projects and operations develop a corporate social involvement (CSI) plan to ensure our giving contributes to sustainable development in local communities. We develop these plans in collaboration with local government, development organisations and communities themselves and review their effectiveness at least once a year. Where necessary we amend plans to ensure we meet our objectives and targets. Each operation assesses local community needs, prioritises initiatives to support, and ensures that partner organisations have the capacity to meet agreed outcomes. All acquired operations must develop and implement their CSI plan within 12 months of joining Xstrata.

We monitor CSI plans and the resulting outcomes for local communities by reviewing progress reports from partner organisations and gathering feedback from community members and others. We also track local socio-economic indicators such as income per family, nutrition and literacy levels, and children's performance in school exams. More established programmes are typically evaluated by external bodies such as universities and non-governmental organisations.

## Our policy

Our Sustainable Development Policy states that we will contribute a minimum of 1% of Group profit before tax each year to fund initiatives that benefit the communities associated with our operations, particularly those located in remote areas or in regions with a lower level of social and economic development and infrastructure. We manage our funding so that our community initiatives receive stable and continuing financial support.

Funding is provided for initiatives in one or more of the following areas:

- Enterprise and job creation;
- Education;
- Environment;
- Health;
- Social/community development; and
- Culture/art.

Our corporate social involvement expenditure is intended to provide a demonstrable benefit to the broader community. Xstrata has a policy of not making political donations of any kind.

## Volunteering

Some of our businesses have programmes in place to recognise and encourage employee volunteering. For example, employees at Xstrata Copper's Canadian operations can boost the impact of their volunteer work by applying for cash donations to the programmes they support. Xstrata Copper donates up to CAD1,000 to social projects where employees volunteer.

## Performance

In 2009, we set aside \$59 million or 1.5% of Group profit before tax. We contributed a total of \$64.7 million, including \$5.4 million of in-kind contributions, for example, of equipment or management time, to support initiatives that benefit the communities in which we operate. The charts opposite show the amount spent on initiatives in each geographic region in which Xstrata operates and by category. Our spending was higher than the amount of money set aside, as we used some of the reserve built up in more profitable years.

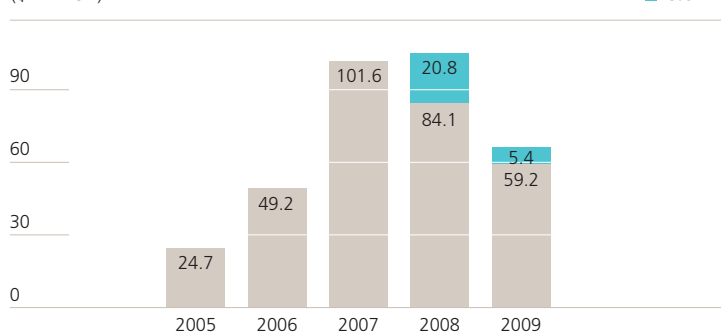
There were many examples of corporate social involvement in each of our focus areas in 2009. Here are just a few examples.

## Community development

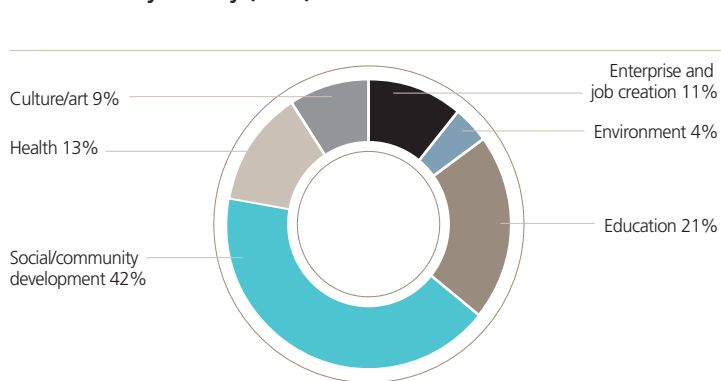
Xstrata Copper's Alumbra mine in Argentina has a comprehensive community programme that aims to improve farming practices in the region. For example, the mine is supporting the implementation of a comprehensive irrigation system to support improved agricultural production throughout the area.

Xstrata Alloys' Elands site in South Africa is implementing a number of community development projects as part of a CSI plan drawn up following a social and economic baseline study conducted when we acquired the site at the end of 2007. Reviewed quarterly, the plan is supporting diverse local community projects including a tree nursery,

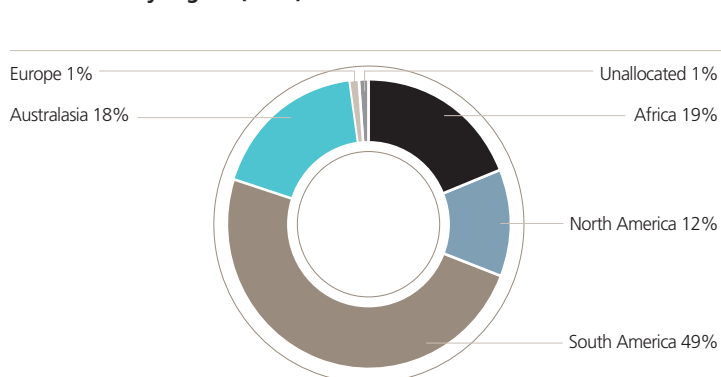
**Corporate social involvement**  
(\$ million)



**Investment by activity (2009)**



**Investment by region (2009)**



a water resources optimisation project, a brick-making yard, and a car wash. Xstrata Alloys also supports the Nkholeng Poultry Project near its Mototolo mine, which now employs 11 people, as well as a beadwork and needlework project, skills development for local professionals such as teachers, and a food parcel scheme for underprivileged schools near its Rustenburg Chrome Smelter.

### Enterprise and job creation

Xstrata Copper's Southern Peru division has invested more than \$13.2 million in agriculture and livestock projects in the area, helping subsistence farmers to build businesses and generate revenue for the first time. For example, our Tintaya operation provided \$1.3 million to build a dairy processing plant, creating a new industry in the area that will enable almost 400 small local milk producers to sell their milk on a much larger scale. The plant will allow farmers to increase the shelf-life of their milk through pasteurisation, and to build up their businesses by producing other dairy products such as cheese, yoghurt and butter. As well as funding the new plant, Xstrata employees have volunteered their time to help build skills among the plant's workers.

### Health

Xstrata Copper's Tampakan project in the Philippines is helping to introduce public healthcare programmes to improve access to medical services and contribute to sustainable development in the community. The project's corporate socio-economic sustainability team, together with the company physician and in partnership with the municipal health office, visits communities to raise awareness of health issues such as family planning, immunisation, and the importance of medical and dental check-ups.

In 2009, Xstrata provided medical and dental care, iodine and vitamin A supplements, an immunisation programme, pre-natal check-ups, family planning advice and other related healthcare services to almost 19,000 people in total.

### Culture and arts

Xstrata Coal is the major sponsor of a new aboriginal cultural centre in the Hunter Valley in New South Wales. Construction of the Minimbah Teaching Place began in 2009 in Xstrata Coal's Beltana voluntary archaeological conservation area. We will provide AUD600,000 over the next two years to develop the facility. The centre will share the cultural heritage of the area's large indigenous populations with school groups, tourists, interest groups and the community. It will host arts, crafts, music, dance and story-telling, and teach survival skills to school children based on aboriginal culture. The centre will also store and display artefacts salvaged from mining areas.

### Education

The school dropout rate in the Pointe-de-l'Île area of Montreal, near Xstrata Copper's CCR refinery, is among the highest in the Province of Quebec. In response, the company is supporting a programme run by the Pointe-de-l'Île School Board to encourage more teenagers to stay in school. The aim is to ensure young people complete their education and become an asset to the community. Measures include steering more students towards vocational training rather than academic study, using workshops to reduce repeat suspensions and encouraging 16 and 17-year-old students at risk of dropping out to attend special meetings or seek summer jobs.

Between April 2007 and March 2009, 93 students joined the programme and just 17 abandoned their studies. Xstrata Copper's support for the programme amounts to CAD105,000 annually from 2007-10, for which the CCR refinery received an Initiative Award from the local economic development agency SODEC.



Xstrata Copper's Southern Peru division supports programmes to improve farming practices

## Economic development

The mining industry provides jobs, skills and training, pays taxes and royalties, buys goods and services from local businesses, and helps to develop and improve infrastructure in local communities. This can make a sustainable contribution to improved health, prosperity and living standards.

Our Sustainable Development Policy commits us to helping countries and communities to reap these benefits. We put in place community strategies and social involvement plans at all sites to bring these contributions to fruition and ensure our presence creates sustainable benefits that continue once our operations cease. We also carry out baseline studies and risk assessments to identify and evaluate socio-economic impacts on local communities and the surrounding region at each stage of an operation's life cycle, and use the results to anticipate and avoid any negative impacts.

Many of our operations are in developing regions with high unemployment and little infrastructure or state support. We also operate in remote or rural areas. Mining may be one of the only employers and sources of foreign investment in these regions, and is often a country's primary income generator. The difference our presence makes in people's lives is especially significant in these remote or developing regions. Our initiatives aim to support the development of small and medium businesses, alternative income generating opportunities and increasingly we work in partnership with government, NGOs, international donors and others.

### Taxes and royalties

In many cases, countries would be unable to develop their mineral resources without foreign investors. Even once they are developed, mining communities and wider populations often do not benefit from the wealth these resources should provide. The result is often social and political conflict or economic stagnation. This so-called resource curse can deter further investment and slow progress, as well as preventing communities from lifting themselves out of poverty.

## Community *continued*

Some of the wealth minerals generate is distributed through the taxes and royalties we pay to local, regional and national governments. In addition, some of our operations have profit-sharing or other financial agreements with local communities. The Raglan agreement between Xstrata Nickel and local Inuit communities in Quebec commits us to pay a fixed annual sum plus a share of profits to the Raglan Trust. In June 2009 this amounted to CAD6.8 million, bringing the total to CAD65.4 million since we signed the agreement in 1995.

These taxes and royalties comprise a substantial part of our contribution to socio-economic development. At the same time, we have a legitimate responsibility to our shareholders to put in place an efficient capital structure and ensure Xstrata provides an attractive return on investment.

Our Business Principles commit us to the maximum transparency possible in financial reporting without compromising our competitiveness. We publicly report our financial, operational and sustainability performance in accordance with all relevant legislation and leading practices. We support the Extractive Industries Transparency Initiative (EITI), which promotes public reporting of company payments and government revenues in the extractives sector. Peru is the only EITI candidate country where we currently operate.

In addition to the direct economic contribution we make through taxes and royalty payments, our operations and projects often develop and maintain infrastructure such as roads and utilities for their own use which benefit local communities.

### **Infrastructure development**

We work with governments to ensure the appropriate infrastructure is available for productive, efficient operations, and in many cases this infrastructure also benefits nearby communities and other industries.

Xstrata Alloys has drilled boreholes to provide clean water in response to a cholera outbreak at the beginning of 2009 in the communities surrounding its Lion Smelter in South Africa. We drilled 21 boreholes in total between September and December 2009, and fitted each with a hand pump.

We also made several repairs to water pipelines in the area. In addition, we installed boreholes at a school, a healthcare centre and a poultry farm. All the boreholes can supply up to 35,000 litres of water per hour to the community. Xstrata has spent ZAR1.1 million on the project to date.

In the Dominican Republic, Xstrata Nickel has repaired roads in communities throughout the region, and installed a new access road for a municipal landfill. We have also improved flood prevention measures in the area to protect communities from the Juma River flooding during the rainy season.

### **Procurement**

With supply chain spending across our global operations of almost \$12.5 billion, our procurement can have a significant economic impact on countries, regions, communities and individual companies.

Our Business Principles commit us to honour all contracts with suppliers and customers and pay commercial rates for goods and services, within agreed timescales. Our commodity businesses have policies and practices in place to support suppliers from the local community or wider area, as appropriate. Factors affecting supplier selection include experience and technical ability, environmental, safety and labour standards, local expertise and workforce, capacity, reliability and reputation, innovation, method of work, cost and quality.

Our corporate social involvement programmes support community members to establish small and medium enterprises, and we help smaller companies to gain the skills required to become suppliers of goods or services to Xstrata and other customers.

As a decentralised business, we do not have a Group procurement function. This gives our commodity businesses and operations more flexibility to purchase products and services locally based on their specific requirements. Commodity businesses do join together to increase their buying power and achieve efficiencies where this makes commercial sense.

Our businesses give preference to companies owned or operated by historically disadvantaged South Africans (HDSA) in all discretionary spending in the country. We also support HDSA suppliers by providing management training and sharing technology and expertise to ensure they meet our standards. Where no appropriate HDSA supplier is available, we encourage mainstream suppliers to partner with HDSA companies.

We work with suppliers, contractors and business partners to assess whether their health, safety, environment and community performance, training and practices meet our standards. All suppliers must complete a vendor application that includes a health, safety, environment and community component. In each commodity business's sustainable development team personnel evaluate this component in applications from potential new suppliers to assess whether an audit is required. They then notify operations if an audit is deemed necessary.

### **Financial assistance**

Xstrata receives financial assistance from governments in the form of fuel rebates, research and development tax concessions and training grants, including:

- In Australia, diesel fuel rebates, which amounted to more than \$30 million for Xstrata Coal alone;
- Xstrata Alloys in South Africa received workplace training grants of more than \$1 million;
- In New Caledonia, Xstrata Nickel's Koniambo project's local training development programmes received \$1.3 million;
- In Spain, research and development grants to fund improved sulphur dioxide capture rates amounted to \$1.8 million; and
- Xstrata Zinc's Brunswick mine in Canada received \$350,000 to develop programmes to support the impending closure of the mine.

## Economic value added

2009 \$ million	Group	Argentina	Australia	Belgium & Norway	Canada	Chile	Colombia	Germany	Peru	South Africa	Spain	UK	USA	Other*
Revenues	22,732	1,256	6,025	743	4,696	3,503	743	281	1,545	2,302	904	490	240	4
Payments to suppliers (operating costs)	12,473	626	1,836	576	3,487	2,114	217	231	447	1,570	716	325	222	106
<b>Economic value added</b>	<b>10,259</b>	<b>630</b>	<b>4,189</b>	<b>167</b>	<b>1,209</b>	<b>1,389</b>	<b>526</b>	<b>50</b>	<b>1,098</b>	<b>732</b>	<b>188</b>	<b>165</b>	<b>18</b>	<b>(102)</b>
Payments to government (royalties and taxes)**	1,273	70	653	6	0	83	224	4	131	79	15	1	0	7
Employee wages and benefits†	2,888	47	1,028	54	599	140	72	27	135	391	74	288	5	28
Payments to providers of capital (dividends and interest)	371	9	3	0	38	2	0	0	7	7	4	73	229	(1)
Community investment (cash spent)	59	5	9	0	6	8	5	0 <sup>‡</sup>	11	11	1	0 <sup>‡</sup>	0	3
Capital expenditure	3,624	43	1,042	14	510	377	75	4	159	536	47	0	0	817
<b>Economic value retained</b>	<b>2,044</b>	<b>456</b>	<b>1,454</b>	<b>93</b>	<b>56</b>	<b>779</b>	<b>150</b>	<b>15</b>	<b>655</b>	<b>(292)</b>	<b>47</b>	<b>(197)</b>	<b>(216)</b>	<b>(956)</b>

\* Other includes Brazil, Dominican Republic, New Caledonia, Papua New Guinea, Philippines, Republic of Congo, Switzerland and Tanzania.

\*\* Refers to tax paid (cash payments) in 2009; may differ from income statement taxation charges.

† Amounts less than \$1m not shown.

‡ Permanent employees excluding contractors.

## Enterprise development

Supporting community members to establish small and medium enterprises (SMEs) makes an important contribution to economic development and is a key part of our approach. These SMEs grow to supply Xstrata and other businesses in the same area. This not only helps increase wealth in the regions where we operate, but can also diversify our supply base, reducing the risk of interrupted supply.

Our businesses support enterprise development through various initiatives, including the provision of loans with preferential terms, start-up and bridging capital, as well as training and knowledge-sharing. We also provide management expertise in areas such as project management, business planning, cash flow management, legal compliance and help finding financial advice and assistance.

Xstrata Alloys in South Africa runs an enterprise development programme which supported 21 SMEs in 2009. Of these companies, 18 were start-ups and three are existing enterprises. Of the companies supported, 18 now supply Xstrata and other businesses in the region with goods and services including logistics, cleaning and catering, and light equipment. In 2009, Xstrata Alloys exceeded its target for 65% of its discretionary procurement to come from HDSA companies, achieving 74%.

## Job creation

Our projects and operations employ a significant number of people. This brings particular benefits in remote and less-developed regions where there is little alternative work and many people lack skills. We recognise the importance of recruiting local people and giving them the skills to increase their wealth and improve their chances of remaining employed.

In 2009, we recruited 2,411 people compared with 3,409 in 2008. Most of the jobs were in the coal, copper and alloys businesses.

Our businesses give preference to local residents where possible (and where legal) when hiring. Some operations have formal agreements with local communities, unions or regional authorities to maximise local employment or hire a specified proportion of local people. For example, Xstrata Alloys has agreements with some tribal authorities in South Africa to recruit between 60% and 70% of new hires from local tribal areas. In total, 63% of the people hired in 2009 were from local communities.

In regions such as Peru and the Philippines, where there are high numbers of unskilled people, community members share the available positions on a rotational basis. We select and manage employees for this system in cooperation with community leaders or tribal authorities.

Many projects and operations have community skills and training programmes, which again focus on regions with high unemployment or a large proportion of unskilled workers. These programmes equip community members with the necessary skills to find work or become a supplier to Xstrata and other companies.

See the Our People and Strategy and governance sections for more information about our employment practices and efforts to support employees and communities at operations we have closed, suspended or placed into care and maintenance.