



About Xstrata

Mission statement

We will grow and manage a diversified portfolio of metals and mining businesses with the single aim of delivering industry leading returns for our shareholders.

We can achieve this only through genuine partnerships with employees, customers, shareholders, local communities and other stakeholders, which are based on integrity, co-operation, transparency and mutual value-creation.

Who we are

Xstrata is a global diversified mining group, listed on the London and Swiss Stock Exchanges, with its headquarters in Zug, Switzerland.

What we do

Our businesses maintain a meaningful position in seven major international commodity markets: copper, coking coal, thermal coal, ferrochrome, nickel, vanadium and zinc, with additional exposure to gold, cobalt, lead and silver. The Group also comprises a growing platinum group metals business, iron ore projects, recycling facilities and a suite of global technology products, many of which are industry leaders. Xstrata's operations and projects span 20 countries.

How we operate

We believe that operating to leading standards of health, safety and environmental performance, contributing to the development of sustainable communities and engaging with our stakeholders in two-way dialogue, regardless of our location, enhances our corporate reputation and is a source of competitive advantage. We balance social, environmental, ethical and economic considerations in how we manage our businesses.

How we create value

We create sustainable value for our shareholders by delivering transformational growth and by applying operational excellence to our portfolio.



Ethics and human rights

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We aim to operate with integrity towards our employees, our business partners and the communities that we interact with

Margaret Skhosana at Xstrata Coal's adult basic education and training centre, South Africa.

Ethics and human rights

Management and strategy

Operating ethically and in a manner that fully respects human rights is both the right thing to do and good business sense; it enhances our licence to operate, helps us attract and retain the best talent and avoids costly delays in our projects and operations. We aim to operate with integrity towards our employees, our business partners and the communities that we interact with and to operate with the maximum transparency commercially possible.

Our Statement of Business Principles is the basis for our approach to ethical business conduct. The document sets high standards, and stipulates our behaviours in protecting human rights in the day-to-day management of our business. We expect our employees, contractors, suppliers, joint venture partners and other business partners to be familiar with and to comply with these principles. The document is available in 15 languages.

We have zero tolerance for bribery, corruption or fraud and we do not allow any form of political donations with company funds. Our principles, commitments and management approach are stipulated in our company-wide Bribery, Fraud and Corruption Policy and associated Code of Conduct. These principles and policies also apply to non-managed operations in which Xstrata has a stake, and we require the suppliers that wish to do business with us to respect them too.

As a global company, we interact with a wide variety of stakeholders and we strive at all times to understand and meet stakeholder expectations with respect to ethics and human rights. We support and have aligned our SD management framework with the UN Universal Declaration of Human Rights, the International Labour Organisation Conventions and the 10 universally accepted principles of the UN Global Compact in the areas of human rights, labour, the environment and anti-corruption. For an index cross-referencing our reporting to the UN Global Compact commitments and to the ICMM principles, see page 117.

We aim to comply in full with the laws and regulations in each country in which we operate and in particular will comply with the UK Bribery Act, the US Foreign Corrupt Practices Act and such similar laws existing in or applying to other jurisdictions in which we operate. In addition, we operate in accordance with Xstrata's SD Framework, aspiring to achieve the highest international standards regardless of location and without exception.

Xstrata operates in several regions where security issues make it necessary to protect our sites and employees. We apply the Voluntary Principles on Security and Human Rights to help ensure our security measures are reasonable and responsible, and we conduct human rights risk assessments at all locations. Identifying risk and preventing human rights incidents is important for the safe and unhampered operation of our facilities.

Ethics

During 2010, we finalised our new Code of Conduct, which grew from and elaborates upon our Business Principles. Training will take place across all our commodity businesses to familiarise all employees with the Code of Conduct in 2011. The Code is designed to serve as guidance for all employees, contractors and business partners regarding ethical behaviour – putting our Business Principles into practice.

The Code of Conduct document describes in detail Xstrata's policies on a number of topics including:

- Gifts and hospitality;
- Payments to public officials;
- Specific areas or situations which may present the risk of bribery and fraud occurring, as ascertained by regular evaluation and assessment, by reference to the countries in which Xstrata operates, its business operations and business practices; and
- Dealing with specific business issues in a transparent and ethical manner.

The Code of Conduct also explains the procedures for approval, recording and accounting of payments, gifts and hospitality, as well as the sanctions and penalties that may apply to individuals and/or to Xstrata in the event of breaches of the rules, including disciplinary sanctions that may be imposed.

Bribery and corruption

We do not tolerate any incident of bribery or fraud committed by Xstrata employees, contractors, suppliers, joint venture partners and other business partners, either from within or outside the Group, and will take consistent and swift action (including dismissal and legal action) against those persons committing bribery or fraud, irrespective of length of service or position. All operations are required to closely monitor this issue and to have systems in place to prevent occurrence, and where this fails, to deal with the situation.

As an integral part of our internal control function and risk management framework, our Internal Audit teams regularly test the adequacy of the processes and procedures that our operations have in place to prevent bribery and corruption and review the risk identification process on a quarterly basis. Attention is focused on known high-risk locations, as well as functions such as procurement and interactions with government and regulators. Assessments take into account the level of risk in the country or region, the policies and practices of other companies operating in the region and the integrity and transparency of government, suppliers, contractors and other business partners. We do not allow any form of political contributions.

Transparency

Our Business Principles confirm our commitment to the maximum transparency that is commercially possible. We publicly report our financial, operational and SD performance regularly and in accordance with all relevant legislation and leading practice standards.

Ethics and human rights *continued*

Xstrata supports the Extractive Industries Transparency Initiative (EITI) to increase transparency regarding company payments and government revenues in the extractives sector. Peru is the only EITI candidate country in which Xstrata operated in 2010. The Peruvian government has approved the EITI Action Plan but has not yet implemented it.

We report royalties and taxes paid to governments on a country-by-country basis (see page 98).

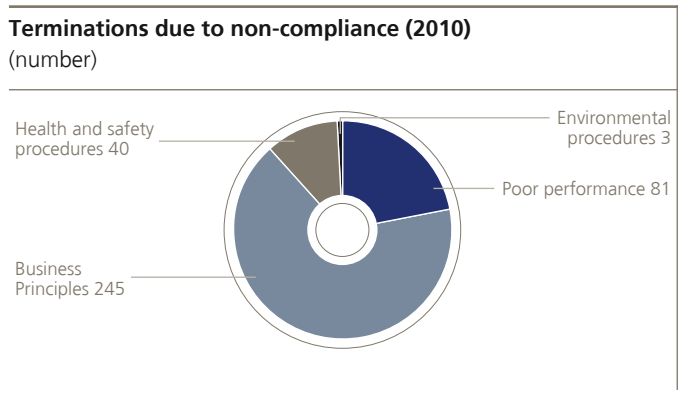
Free enterprise

We are committed to free enterprise in the mining sector. To support this and to ensure that our people abide by this principle, Xstrata provides a web-based training programme to all relevant employees every two years around the topics of competition and fair trade. All participants must achieve a score in excess of 70%. The programme covers all major anti-trust and competition issues and uses simulated situations and questions to test employees’ understanding of competition law and appropriate behaviour when dealing with customers, competitors, trade associations, suppliers and distributors.

No issues related to anti-competitive behaviour arose in any of our operations during 2010.

Non-compliance

In 2010, sites terminated a number of individuals for non-compliance with the requirements of Xstrata’s SD Framework (see graph below). Possible breaches of Xstrata’s Business Principles are investigated by Group Internal Audit and in 2010 these investigations resulted in four terminations: two for theft and fraudulent actions; one for a human rights violation; and one for bribery and corruption.

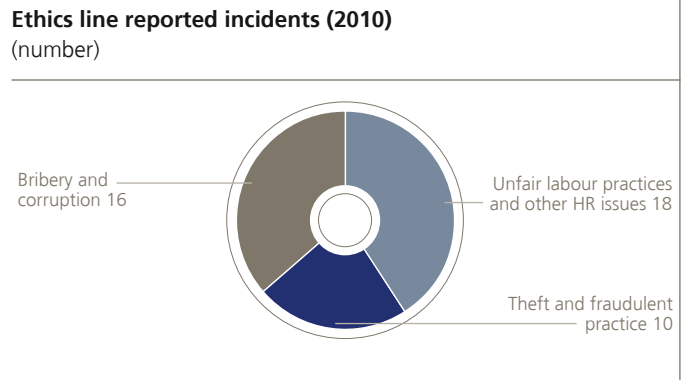


Ethics Line

Each Xstrata employee and contractor is responsible for acting in accordance with our Business Principles. The Xstrata Ethics Line is a confidential whistleblowing facility operated independently by KPMG. The line exists for employees, contractors, suppliers, customers or business partners to report any breaches of Xstrata’s Business Principles, policies or prevailing legislation in confidence.

A freephone number is provided for every country in which the Group has managed operations and calls are reported on an anonymous basis to the Global Head Internal Audit and Risk, who reports directly to the Audit Committee. Ethics Line details are published on the back page of our Statement of Business Principles and are communicated throughout the Group.

In 2010, 44 incidents were reported through the Ethics Line. All reported incidents are fully investigated by our Group Internal Audit department. The number of incidents reported has increased by 30% since 2009, with the bribery and corruption and unfair labour practices categories increasing the most. There were no reported instances of abuse of company assets in 2010.



Human rights

A number of the countries in which we operate – Colombia, the Dominican Republic, Papua New Guinea, Peru, the Philippines and South Africa – are considered moderate or high risk from a human rights perspective.

The primary human rights issues relevant to our operations include:

- **Labour:** The rights of our employees and contractors to fair remuneration, equal pay for equal work, freedom of association, safe and healthy workplaces, non-discrimination and protection of their legal rights;
- **Security:** The conduct of security organisations protecting our operations at certain specific locations where there is a threat to our people or assets, and the conduct of public security forces who operate within our operations’ areas of influence during the execution of their duties; and
- **Communities:** The impact our operations may have on communities, including disputes relating to the use of land and mineral assets, micro-inflation, displacement of communities, influx of migrant workers, impacts to culturally sensitive resources, access to resources and economic benefits.

All sites are required to undertake human rights risk assessments. For high-risk locations, risks must be reviewed annually. These assessments are closely associated with community engagement activities. Operations in high-risk locations are also required to establish performance standards for all contractors (including third-party security personnel), conduct training to promote compliance and monitor performance against the standards.

No human rights abuses were identified at Xstrata operations in 2010.

Voluntary Principles on Security and Human Rights

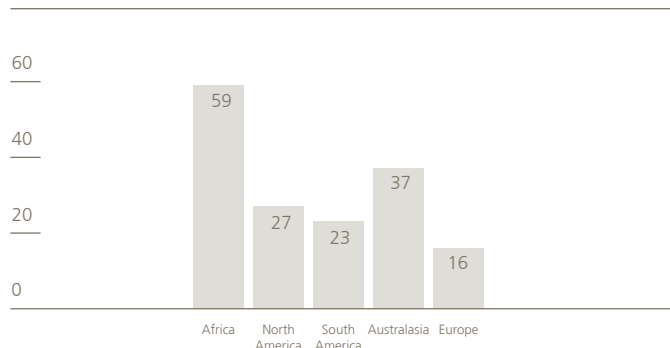
Xstrata is committed to implementing the Voluntary Principles on Security and Human Rights (VPs) across our global operations.

The stated aim of the VPs is “to guide companies in maintaining the safety and security of their operations within an operating framework that ensures respect for human rights and fundamental freedoms.” Among other aspects, the principles highlight the role companies can play in promoting respect for human rights and assisting host governments with security sector reforms and strengthening the rule of law.

Human rights training

Human rights training by region (2010)

(% of workforce)



A total of 28,920 employees and contractors undertook human rights training during the course of 2010, representing approximately 41% of the total combined employee and contractor workforce. We focus our training and awareness-raising efforts on those regions and countries where our risk assessments suggest the greatest potential for human rights abuses exist. In 2010 we prioritised our operations in South Africa, Colombia, the Philippines, Dominican Republic and Australasia. We use the findings from these risk assessments to select relevant and locally appropriate topics for our training programmes.

The Tampakan project is located in the Philippines, in a high-risk region for security. SMI (the operating company) has worked together with local communities, public and private security forces to improve security in the region. Local communities asked the Philippines authorities to establish volunteer reserves (CAFGU) in the region to further enhance security. CAFGU groups comprise community members who are comprehensively trained to form volunteer reserve forces. Any mobilisation of forces is closely controlled by the Philippines army. SMI is not involved in the management, recruitment or training of these forces. In 2008, SMI adopted the Voluntary Principles on Security and Human Rights, implemented training for all SMI and private security personnel and raised awareness of the VPs among national government agencies, non-governmental organisations and other mining companies.

In 2010, SMI continued to provide VPs training to its private security personnel and this training will continue in 2011. In partnership with the Philippine Government’s Commission on Human Rights, SMI assisted with the roll out of VPs training to Philippine National Police and Philippine Armed Forces personnel deployed in the Tampakan project area, that commenced in December 2010.

Child and forced labour

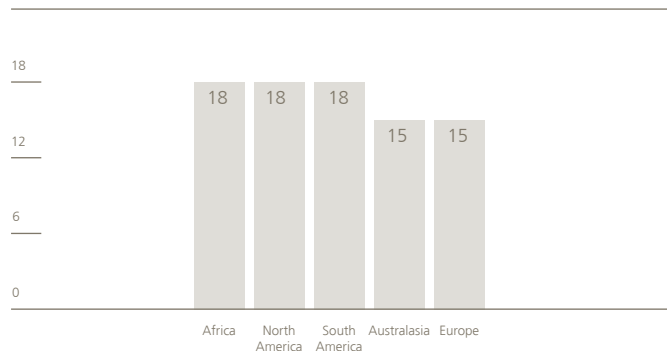
Child labour is a common problem in a number of the regions in which we have operations, in particular Brazil, Tanzania and the Dominican Republic. Xstrata’s Statement of Business Principles upholds the elimination of all forms of forced or compulsory labour and prohibits any form of child labour.

None of Xstrata’s managed operations have been found to have significant risks for incidents of forced, tied or compulsory labour. No cases of under-age or forced labour among employees or contractors has come to our attention during 2010.

All operations report the age of the youngest employee and the minimum working age permitted in the relevant jurisdiction. In general, we employ people aged 18 or older. In 2010, two 15 year olds were employed; one at Newlands coal operation in New South Wales, Australia through a structured work placement for local students and the other at the Nikkelverk site in Norway who is a school-based apprentice working two days per week while attending school for three days per week.

Age of youngest employee by region (2010)

(years)



Voluntary Principles provide foundation for protecting human rights in Colombia

The Cerrejón coal mine in Colombia, a joint venture with Anglo American and BHP Billiton, has taken significant steps toward establishing stability and security. A Human Rights Impact Assessment and formal implementation of the VPs were completed during 2010. We developed performance indicators to monitor implementation of the VPs and shared them with other Colombian companies to pilot as well.

Training was provided to private security service providers, public forces (including the police and fire services), community and employees on the VPs. The training sessions also included information and discussions that supported the development of a better understanding of the customs and traditions of the Wayuu people, the community living near to Cerrejón. By the end of 2010, 1,821 private security personnel (74% of the total security force) had participated in 16 training sessions and 22 workshops, two introductory workshops had been held with the national army, nine educational workshops reached 810 children, and two workshops had been held with employees.

As a complement to the human rights training, Cerrejón has established a formal grievance procedure. Cerrejón is participating with three other major global companies, in a pilot project led by John Ruggie, former director of the UN Global Compact and now professor at Harvard's Kennedy School of Government. Implementing the Ruggie guidelines has helped Cerrejón to incorporate international social standards for managing grievances. With the input of employees, contractors and community members, Cerrejón has established a complaints register for potential security and human rights breaches.

Cerrejón Coal Company in Colombia.



1,821
private security personnel
underwent human rights
training in 2010



Human rights training at Cerrejón coal operation in Colombia.