



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

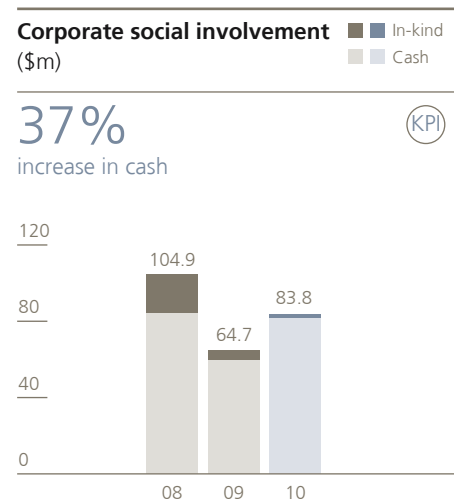
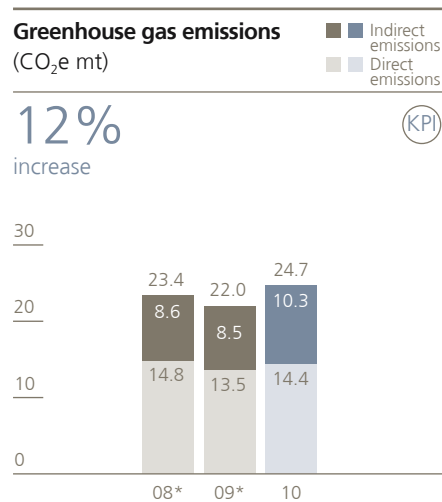
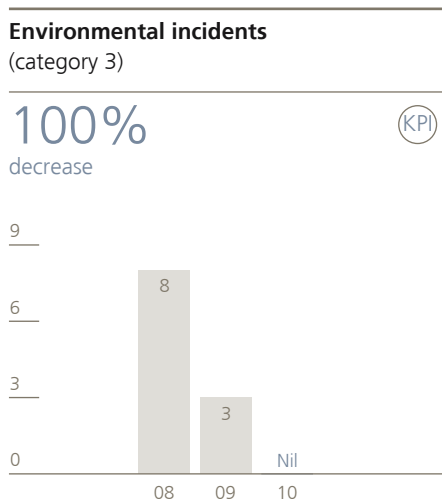
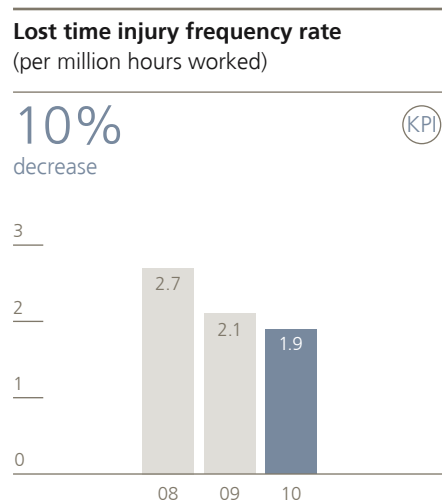
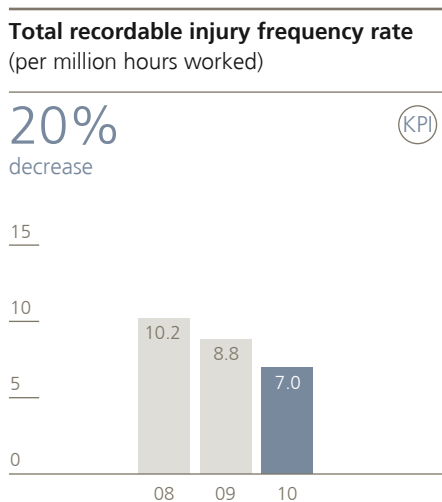
We create sustainable value for our shareholders by delivering transformational growth and by applying operational excellence to our portfolio.



2010 overview

- 20% reduction in total recordable injuries to 7 per million hours worked[#]
- 10% reduction in lost time injuries to 1.9 per million hours worked[#]
- Three fatalities at managed operations
- Zero category 3, 4 or 5 environmental incidents for first time
- Greenhouse gas emissions increased by 12% as production levels rose
- Recycled water use rose by 11%
- Voluntary corporate social involvement of \$84 million to support communities
- 20 major growth projects in implementation, representing \$18 billion investment
- Net earnings of \$5.2 billion and record real cost savings of \$541 million
- Dow Jones Sustainability Index Sector Leader for fourth consecutive year

Including contractors.



(KPI) The Board regularly monitors a range of non-financial KPIs to assess performance against sustainable development targets and strategic objectives. See pages 38-41 of the Annual Report 2010 for further details.

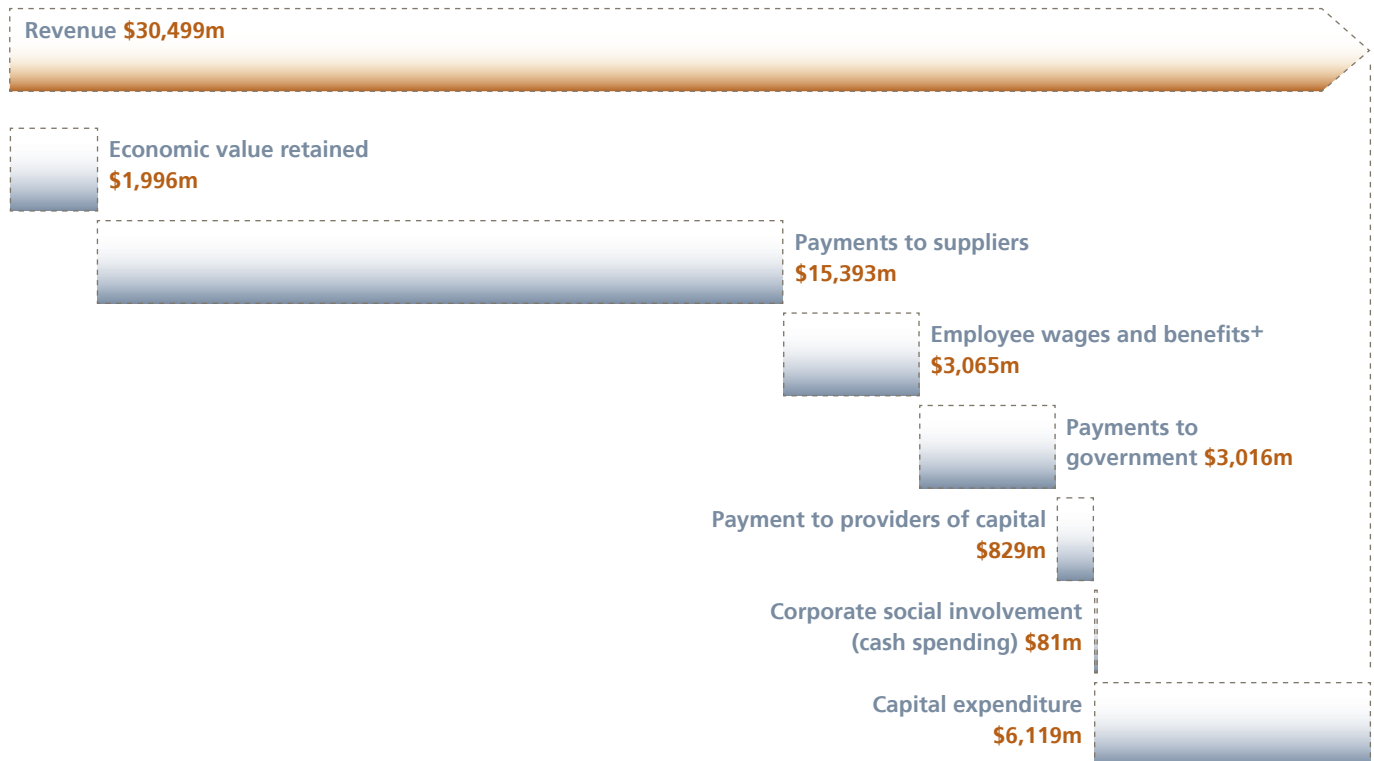
Including contractors.

* Restated data.



Xstrata Coal's Mount Owen mine in New South Wales, Australia, has used best practice rehabilitation techniques to transform mine areas into woodland communities.

Our economic contribution



+ Excluding taxes remitted at the cost of the Group.

Global operations

Area of operation

Assets by region \$m
(% of Group total)

Revenue by region \$m
(% of Group total)

North America

6,257 10%

6,504 21%

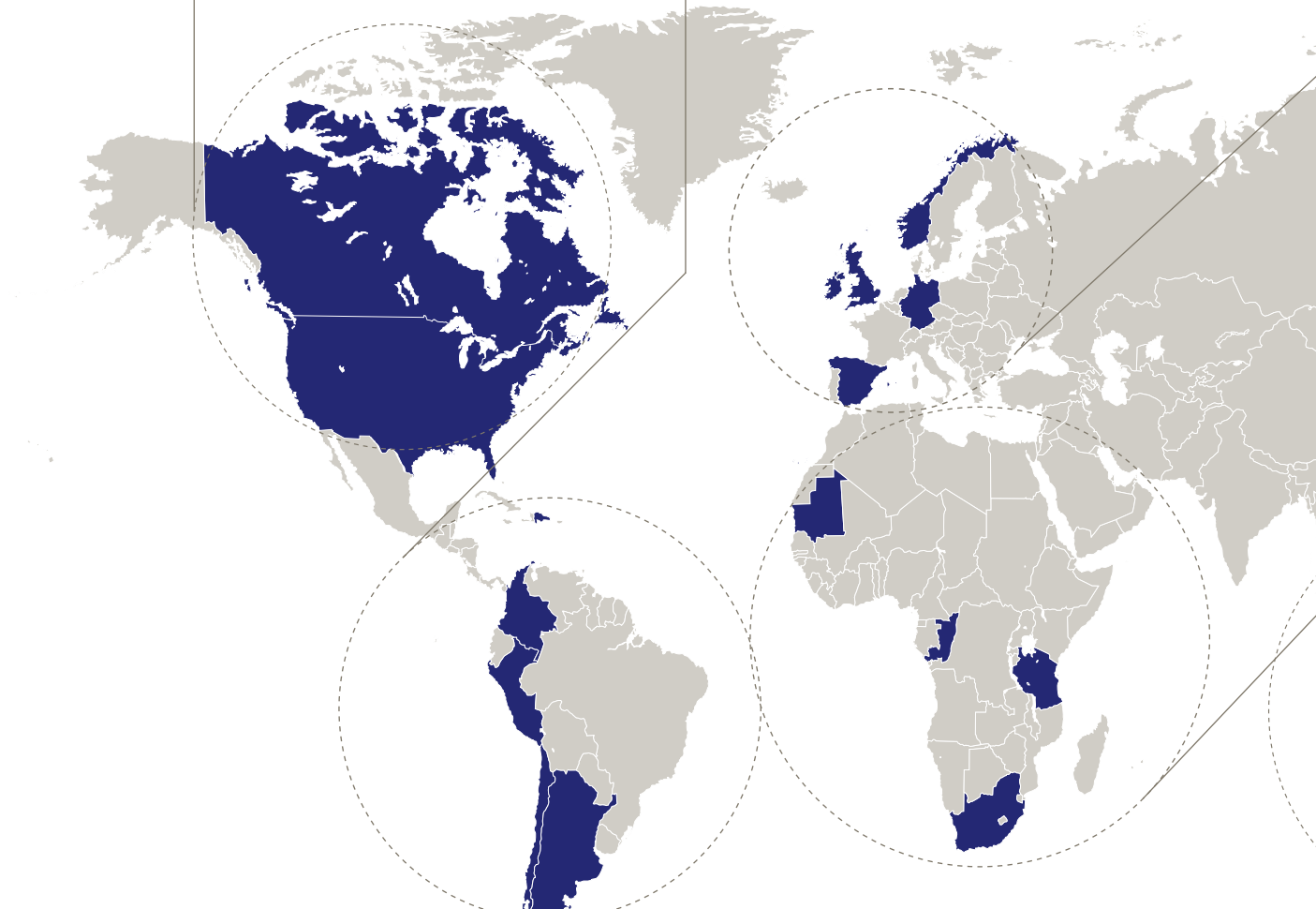
Canada: copper, nickel, zinc and lead mining and smelting operations and Xstrata Process Support
USA: recycling operations

South America

19,702 30%

8,744 29%

Chile: copper mining and smelting operations and projects
Peru: copper and copper-zinc operations, copper growth projects
Colombia: thermal coal operation
Argentina: copper operation and project
Dominican Republic: ferronickel mining and processing operation



Commodity business

Operating profit \$m
(% of Group total)*

Revenue \$m
(% of Group total)

Number of employees
(excluding contractors)

Alloys

353 5%

1,894 6%

8,337

Xstrata Alloys is the world's largest producer of ferrochrome, a leading producer of primary vanadium and has a growing platinum group metals business. Xstrata Alloys also owns carbon operations which supply key raw materials to its ferrochrome smelters. Xstrata Alloys' operations are based in South Africa.

Copper

3,820 50%

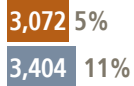
14,004 46%

11,483

Xstrata Copper is the fourth largest global copper producer, with mining and processing facilities and growth projects located in Australia, Chile, Peru, Argentina and Canada. It also manages a recycling business (Xstrata Recycling) with offices in North America, Europe and Asia. Xstrata Copper's world-leading portfolio of growth projects includes Las Bambas in Peru, Tampakan in the Philippines, El Pachón in Argentina and Frieda River in Papua New Guinea.

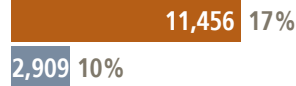
* Includes unallocated expenditure.

Europe



Spain: zinc smelter
Norway: nickel refinery
Germany: zinc smelter
UK: lead refinery
Ireland: zinc exploration project

Africa



South Africa: ferrochrome, vanadium, platinum and coal operations
Tanzania: nickel exploration project
Islamic Republic of Mauritania: iron ore project
Republic of Congo: iron ore project

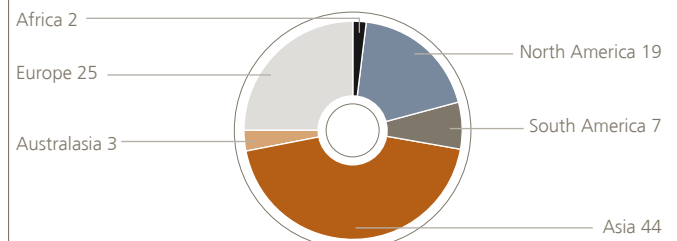
Australasia



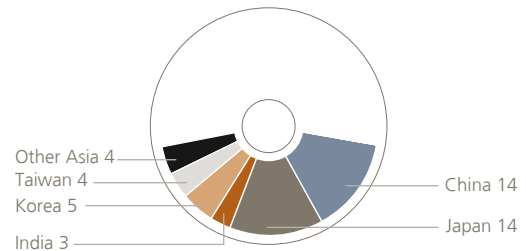
Australia: copper, zinc and lead mining and smelting operations; separate coal mines and nickel operations and Xstrata Technology
New Caledonia: nickel project
Philippines: copper project
Papua New Guinea: copper project



Revenue by destination 2010 (%)



Revenue by destination Asia split 2010 (%)



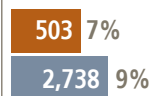
Coal



10,473

Xstrata Coal is the world's largest exporter of thermal coal and a significant producer of premium-quality hard coking coal and semi-soft coal. Headquartered in Sydney, Australia, Xstrata Coal has interests in over 30 operating coal mines in Australia, South Africa and Colombia and an exploration project in Nova Scotia, Canada.

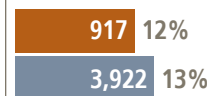
Nickel



3,340

Xstrata Nickel, headquartered in Toronto, Canada, is the fifth largest global nickel producer and one of the world's largest producers of cobalt. Xstrata Nickel's operations include mines and processing facilities in Canada, operations in Australia, a ferromanganese mine and processing facility in the Dominican Republic and a refinery in Norway. Xstrata Nickel's portfolio of growth projects includes Kabanga in Tanzania and Koniambo in New Caledonia.

Zinc



4,645

Xstrata Zinc is one of the world's largest miners and producers of zinc. Xstrata Zinc's operations span Spain, Germany, Australia, the UK and Canada, and an interest in the Antamina copper-zinc mine in Peru.

Technology Services



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Xstrata Technology Services provides proprietary technologies and specialist services in the areas of mining, mineral processing and metals extraction to major mining companies worldwide and to Xstrata's own operations to improve efficiency and reduce operating costs.

Chief Executive Officer's report

“Sustainability is core to delivering our organic growth strategy.”

Mick Davis
Chief Executive Officer



Mining, by its very nature, presents significant and often complex sustainability challenges. Our operations involve the extraction and processing of non-renewable natural resources and can impact on the environment in a number of ways. By way of example, mining and refining processes are energy-intensive, with many varied and serious potential safety hazards. Operations are often large-scale and located in remote regions, with major implications for local communities. The majority of our coal customers generate electricity from the coal we produce using processes that lead to significant greenhouse gas emissions.

Nonetheless, despite its complexities, mining can be conducted in a way that is economically, socially and environmentally sustainable over the long run. Our products provide society with the basic materials required for economic development, many of which can be recycled and reused. We aim to use the resources we mine and that our operations require efficiently and responsibly. And our activities and investments create lasting social and economic benefits for the communities and countries in which we operate that extend beyond jobs and taxes to include skills and enterprise development, improved infrastructure and enhanced access to education and health services, amongst others.

Xstrata's mission is to grow and manage a diversified portfolio of metals and mining businesses with the single aim of delivering industry-leading returns for our shareholders. This can only be achieved in a consistent manner over the long run if we deliver shared value for our stakeholders, operating our business in a responsible, ethical manner. Sustainability is a core part of our approach to operational excellence and is, I believe, an important indicator of the overall quality of our operational management. As a member of the International Council on Metals and Mining, we are committed to superior business practices and collaborate with our industry peers to address our industry's sustainability challenges.

The strong reputation we have built for operating responsibly, openly, ethically and in partnership with our stakeholders enables us to gain access to new resources, manage risks and opportunities associated with our projects and moving into new geographies, improve efficiency and attract the best candidates to work with us.

Our underlying sustainability strategy is simple – to integrate sustainability leading practices into our policies and standards, risk management, strategy and business planning and auditing and assurance processes. In 2010, we further integrated sustainability risks into our overall enterprise risk management systems and brought together in-depth audits of financial and sustainability risks under our internal audit function.

Organic growth strategy to create shared value

Xstrata's strategy is now predominantly focused on delivering growth from our industry-leading portfolio of near-term and earlier stage organic growth projects. We successfully commissioned three major new mines in 2010, including the underground Nickel Rim South operation in Canada, which achieved a world-class safety performance throughout its development, including over five years without a single lost time injury. The Xstrata Board approved a further ten expansion projects during the year and we are currently implementing some 20 expansion projects in six countries. Our growth strategy has led us into new countries and new commodities, for example our acquisition in 2011 of controlling stakes in iron ore projects in Mauritania and the Republic of Congo.

Our investments in major new operations or expansions will have a profound impact on Xstrata as a business, substantially increasing volumes, decreasing costs and providing robust returns for our shareholders. These investments also have the potential to deliver significant benefits for the communities and countries in which we operate. Sustainability is core to delivering our organic growth strategy. If we fail to demonstrate the benefits of our presence, we will equally fail to deliver the full potential of our growth projects and risk encountering delays, difficulties recruiting and retaining skilled personnel, permitting issues, lack of support for our activities and potential security issues, amongst other problems.

Performance in 2010

Xstrata achieved a number of successes in 2010. Our business delivered its second strongest financial performance with pre-exceptional net earnings of some \$5.2 billion. Xstrata was named Mining Sector Leader for the fourth consecutive year in the Dow Jones Sustainability Index, 'Super-Sector' Basic Resources Leader for the second time and our 2009 Sustainability Report was awarded PWC's Building Public Trust award.

Our businesses reviewed and further strengthened the major hazard and operational integrity plans that are a vital component of our efforts to eradicate the causes of critical incidents and our injury performance improved by 20% year-on-year. We recorded no moderate or more serious environmental incidents for the first time. We continue to improve and refine our engagement with and support for local communities and we developed a global Code of Conduct to provide additional guidance on working ethically. Our operations contributed over \$3 billion in taxes and royalties to national and local governments and a further \$3 billion in salaries and benefits to employees. We prioritise local suppliers as far as possible and to maximise community participation in our supply chain spending of over \$15 billion.

However, we continue to face a number of challenges. Most importantly of all, I am deeply saddened to report that three people lost their lives at our managed operations. A further seven people were fatally injured in two incidents at non-managed joint venture operations during the year. Already in 2011, four people have been fatally injured at our operations. Each of these incidents is a devastating blow to all of us at Xstrata and improving our safety performance remains our main priority.

Other priorities include the operational and commercial challenges associated with climate change, water management, ensuring we employ leading practice community engagement processes and attracting and retaining skilled and competent employees – especially for our major project developments – in an increasingly tight labour market.

Ongoing focus on safety

Every safety incident is preventable and Xstrata's Board and management firmly believe that our aim of operating a fatality-free business, while challenging, is realistic and achievable. We have a number of specific initiatives underway to achieve this objective. Initiatives such as Xstrata Coal's SafeCoal programme, Xstrata Copper's focus on improving already low injury rates or Xstrata Nickel's renewed commitment to Zero Harm are led by the Chief Executive of each commodity business and emphasise visible safety leadership, supported by effective communications campaigns (see page 44 for details of Xstrata Coal's SafeCoal initiative).

Our organic growth strategy requires a particular focus on the risks associated with large construction projects, including a rapidly changing work environment and large but temporary contractor workforces on site. Remote regions in emerging economies represent another focus for safety programmes, where cultural and educational issues can influence our employees' perceptions of safety, and require us to find innovative ways of addressing underlying causes and inculcating a safety culture.

Climate change

Climate change continues to represent both a significant challenge and risk for our business. Xstrata's greenhouse gas emissions rose by 12% in 2010, as we increased production volumes in response to improved market conditions. Our programmes at existing operations continue to identify incremental improvements as set out in this report, but the reality is that these programmes must first offset increasing energy and fuel intensity at ageing operations as mines become deeper, grades decline and haulage distances increase. Opportunities to yield substantial improvements at ageing operations are scarce and not always feasible, meaning we must look to our new operations and expansion projects to achieve a step change in energy and carbon intensity. As our operational footprint grows, we are seeking opportunities to employ more efficient technologies, equipment and plant design to improve energy and water efficiency at new or expanded operations .

As the world's largest producer of export thermal coal, Xstrata has a significant interest in the successful outcome of technologies to reduce the carbon impact from burning coal as an energy source. We are investing almost \$200 million in low emissions technologies, both through industry initiatives and independent investment. Progress to prove technologies at a commercial scale has been hampered by the lack of a clear carbon price signal and uncertain government support. Initial capital costs for these technologies are undoubtedly high, but we believe that safe, cost-competitive solutions can be realised. Their successful development will depend on supportive government policy, stakeholder collaboration and ongoing investment in research and development.

Chief Executive's report *continued*

The mining industry has an important role to play in the global debate about climate change and I am pleased that in 2010 the members of ICMM committed to collaborate and engage fully on this issue. Work is continuing in 2011 to define a leadership position and will be followed by engagement with others to enhance the constructive role leading mining companies can play in addressing this important issue. Clearly, governments also play a significant role. It is hoped that, over time, a consistent set of principles will emerge for their intervention. It is important that despite constrained government finances, climate change is not used as an opportunity to raise taxes but rather, that governments engage in partnership with industry to address this great challenge.

Water as an emerging issue

As we expand our footprint at a number of operations and in new locations, water management is growing in importance for Xstrata, particularly in water-scarce locations. It also continues to be an important topic for engagement with our stakeholders.

Water issues vary widely from one site to another, depending on the nature and quantity of water available and the intensity of water usage by industry, agriculture and communities. All Xstrata operations are required to implement water management plans, monitor water quality and improve the intensity with which we use water at our operations. In 2010, we increased the amount of recycled water we use in place of fresh water by 11% compared to 2009.

In water-scarce areas, our sites are increasingly collaborating at the local level with government, communities, farmers, universities, other companies and customers to improve the quality and availability of water. Recent examples include initiatives at our coal operations in the Hunter Valley, Australia and in South Africa and at copper sites in north Chile and southern Peru. At an international level, Xstrata has endorsed the UN Global Compact's CEO Water Mandate, a public-private initiative between the UN, governments, civil society organisations and business to share best practices and forge multi-stakeholder partnerships to address problems relating to access to water and sanitation.

Creating shared value for communities

Over and above the direct socio-economic benefits of our activities for local people, we seek additional opportunities to create mutual benefits, for example by investing in training, primary and secondary education, environmental, health and community or enterprise development initiatives, in partnership with communities and government, that address the most pressing needs of those communities. The most successful initiatives become sustainable over time and provide our operations with clear benefits, for example by developing a local, well-educated, skilled future workforce and by securing broad-based support for our activities. In 2010, we invested around \$84 million in community initiatives over and above expenditure to mitigate specific impacts or to engage with communities in the normal course of our operations.

Early and comprehensive stakeholder engagement processes are critical at the planning stage of our projects. In areas with elevated risks for human rights and security, we use the Voluntary Principles on Security and Human Rights to conduct human rights training for our own and contractor security personnel and to engage with public security forces. In 2010 this included assisting with the roll-out of training for police and army personnel deployed in the Tampakan project area in the Philippines, in partnership with the Philippine Government's Commission on Human Rights.

Securing access to skills

Multi-billion dollar capital expenditure programmes have recently been unveiled across the mining industry in response to improved economic conditions. This significant step-up in activity has exacerbated the challenges of recruiting and retaining workers with the skills to develop major infrastructure and mining operations. Our commodity businesses are tackling this challenge in a number of ways. We have sequenced our activities to the greatest extent possible in each region to facilitate a smooth transition of contractors from one mining project to the next, as in the development of Antapaccay and Las Bambas in southern Peru where skilled workers will transfer from Antapaccay as construction completes to the nearby Las Bambas project. Xstrata Copper has entered into strategic partnerships to secure the equipment and skilled workers required for its extensive range of growth projects. Across the business we are also developing effective incentive and retention measures for the successful completion of on-time, on budget projects in the face of steep competition for skills.

This report sets out a balanced and comprehensive account of our activities and approach to these and the many other sustainability challenges we encounter as a major, multi-national mining group.

The culture we seek to create at Xstrata is one of continuous improvement. To this end, we have implemented a requirement for annual reviews of climate change strategies and plans, biodiversity conservation and land management plans, waste and water management plans amongst others. These reviews and the specific SD improvement plans developed for each managed operation in 2010 have identified a number of areas in which we can do better. I look forward to reporting on the results of those and other initiatives set out in this report next year. As ever, I welcome your feedback on this report or any aspect of Xstrata's sustainability performance.



Mick Davis
Chief Executive Officer

2010 Group scorecard and 2011 targets

We aim to achieve and maintain the highest standards of health, safety and environmental performance at our operations, and to work in partnership with local communities for mutual benefits, supporting the principles of sustainable development.

Continuous improvement of both our assets and our operational performance, including sustainability, is a core objective of Xstrata's approach to doing business.

We set sustainable development (SD) targets that are meaningful in both relative and absolute terms and that focus on our material SD risks and opportunities. Performance against these targets is monitored carefully and as an integral part of our enterprise-wide risk management framework.

The following Scorecard reflects the targets set for Xstrata Group and our performance against these. In alignment with the company-wide targets, each of our commodity businesses reviews and sets annual SD targets and tracks performance against these. The commodity business scorecards are presented on pages 105 to 116.

2010 targets

2010 performance

2011 targets

Assurance and strategy

All managed operations to undergo third party SD Standards audit at least once every three years with findings presented to the Board HSEC Committee

→ All sites were audited in the 3 years from 2007 to end 2009. In 2010, audit protocols were updated and each site reviewed progress against SD improvement plans. Audits have resumed in 2011 and all managed sites will be audited by end 2013 (see page 20 for further details)

All managed operations and projects to undergo third party SD Standards audit at least once every three years with findings presented to the Board HSEC Committee

SD Standards audits to achieve a score of >65%

→ All sites were audited in the 3 years from 2007 to end 2009. In 2010, audit protocols were updated and each site reviewed progress against SD improvement plans. Audits have resumed in 2011 and all managed sites will be audited by end 2013 (see page 20 for further details)

Health, safety, environment and community elements in individual Standards to score >50% in third party SD Standards audits

Group internal audit to conduct annual in-depth audits of prioritised SD risks with findings presented to the Board's Audit and HSEC Committees

✓ Audits of priority SD risks in commodity business internal audit plans completed

At all managed operations and projects, Group Internal Audit to complete in-depth audits of SD risks identified by risk and materiality

SD improvement plans for all managed sites and projects will be reviewed by commodity business management and a consolidated report submitted to the Group Executive and the Board HSEC Committees in 2010

✓ SD improvement plans in place at all managed operations and commodity business management reviews completed by Q1 2011. Consolidated performance reports provided and submitted to the Group Executive and Board HSEC Committees

Site SD improvement plans for all managed operations will be reviewed by commodity business management and consolidated reports will be submitted to the Group Executive and the Board HSEC Committees

All managed operations to review closure plans annually

✓ Closure plan reviews completed at all managed operations apart from Xstrata Nickel's Falcondo and Raglan operations where the reviews were substantially completed and will be finalised in 2011

All managed operations to document an annual review of site closure plans

All managed operations to maintain risk-based internal and external audit schedules for major waste storage facilities

✓ Target achieved

✓ Target substantially achieved

✗ Target not achieved

→ Target result not yet known

2010 Group scorecard and 2011 targets *continued*

2010 targets	2010 performance	2011 targets
Safety		
No fatalities	<p>✘ Three fatalities in 2010: one contractor fatality at Xstrata Alloys (Lion ferrochrome plant); one contractor fatality at Xstrata Coal (ATCOM East project); and one employee fatality at Xstrata Coal (Tavistock underground)</p>	No fatalities
19% reduction in Group TRIFR (≤7.1)	<p>✔ 20% reduction in TRIFR (7.0)</p>	20% reduction in 2010 Group TRIFR (≤5.6); 20% reduction in 2010 Group LTIFR (≤1.5)
16% reduction in Group DISR (≤178)	<p>✘ 11% reduction in DISR (189)</p>	20% reduction in 2010 Group DISR (≤151)
No safety fines, penalties or prosecutions	<p>✘ Two safety fines in 2010: one fine issued to Xstrata Copper's Horne smelter in Canada (\$388) and one fine issued to Xstrata Copper's Mount Isa copper mines in Australia (\$31,089) (see page 45 for details)</p>	No safety fines, penalties or prosecutions
Health		
Ongoing target to reduce the number of employees exposed to material occupational health hazards	<p>✔ All commodity businesses have targeted programmes in place</p>	All commodity businesses to complete annual review of site management plans for material occupational health hazards
Zero cases of occupational illness/disease from exposure to current occupational hygiene hazards	<p>✘ 62 occupational illnesses reported by Xstrata Alloys, Xstrata Coal and Xstrata Copper (see page 46)</p>	Zero cases of occupational illness/disease from exposure to current occupational hygiene hazards
All sites to implement and/or maintain wellness or fit-for-work programmes	<p>✔ All businesses have programmes in place</p>	All sites to maintain and develop wellness or fit-for-work programmes
All businesses to continue to support and promote major community health programmes e.g. HIV/AIDS, malaria, TB, healthy lifestyles, cancer prevention	<p>✔ Programmes have been established at Xstrata Alloys, Xstrata Coal, Xstrata Copper and Xstrata Nickel, as well as at Xstrata Zinc Australia. Xstrata Zinc's operations in Canada, Germany and the UK are yet to identify community health support opportunities that are not presently being met by existing government services</p>	All businesses to continue to support and promote major community health programmes e.g. HIV/AIDS, malaria, TB, healthy lifestyles, cancer prevention

2010 targets

2010 performance

2011 targets

Climate change and energy

Annual review of commodity businesses' climate change strategy, targets and plans

✔ Annual review of commodity businesses' strategies and plans completed

All commodity businesses to document an annual review of climate change strategy, targets and plans

All managed operations to meet site energy and carbon intensity reduction targets

⚠ Not all of the targets set to mature in 2010 have been met (see pages 108 to 110)

All managed operations to document an annual review of energy improvement plans

Biodiversity conservation

No loss of IUCN red list/endangered species on the leases of managed operations

✔ No losses identified

No loss of IUCN red list/endangered species on the leases of managed operations

Review biodiversity conservation and land management plans annually

⚠ Only one commodity business fully met target

All managed operations to document an annual review of biodiversity conservation and land management plans

Water management

All operations in water-scarce regions to maintain a water management plan with targets to reduce water intensity

✔ Water management plans and intensity targets established at all managed operations in water scarce regions

All managed operations in water scarce regions to document a review of water management plans including targets to reduce water intensity

Environment general

No category 3, 4 or 5 environmental incidents

✔ No category 3, 4 or 5 environmental incidents

No category 3, 4 or 5 environmental incidents from managed operations and projects

No environmental fines, penalties or prosecutions

⚠ Four fines issued: Xstrata Coal: Rolleston mine, Australia (\$1,842), Xstrata Copper: Kidd Metallurgical (\$30,339) and Horne smelter (\$7,247) in Canada, and Ernest Henry mine (\$92,081) in Australia (see page 62 for further details)

No environmental fines, penalties or prosecutions

All managed operations to maintain waste management plans with waste to landfill reduction targets

✔ Waste management plans and targets established at all managed operations

All managed operations to maintain waste management plans with waste to landfill reduction targets

Overview

Strategy and governance

Ethics and human rights





Our people

Environment

Community

Additional information

2010 Group scorecard and 2011 targets *continued*

2010 targets	2010 performance	2011 targets
Social		
Set aside a minimum of 1% annual Group profit before tax for CSI	 1.2% of Group profit set aside in 2010 (\$84 million)	Set aside a minimum of 1% annual Group profit before tax for CSI
Stakeholder engagement plans reviewed annually	 Plans reviewed in Xstrata Coal, Xstrata Nickel and Xstrata Zinc. Review process not yet completed at Xstrata Alloys or Xstrata Copper	All managed operations and projects to document an annual review of their stakeholder engagement plans
Security and human rights		
All commodity businesses to report on implementation of the Voluntary Principles on Security and Human Rights	 Reporting undertaken in all commodity business units	All commodity businesses to document an annual review of their compliance with the Voluntary Principles on Security and Human Rights
All operations in higher risk areas for human rights to complete training for third party security personnel	 Training complete in Xstrata Alloys, Xstrata Coal and Xstrata Nickel. Xstrata Copper has provided training to >90% of security personnel at Tampakan and all security personnel at Frieda River have been trained. Xstrata Zinc has no operations in high risk areas	All managed operations in higher risk areas for human rights to provide human rights training to all new third party security personnel prior to deployment

About this report

This report covers Xstrata Group's sustainability performance for calendar year 2010. It is our seventh annual Group Sustainability Report.

Scope

This report covers all managed operations – i.e. those over which we have direct control and set and implement policy and standards. Xstrata also owns an interest in several operations where we influence and monitor policy and standards but have no direct management control. A senior Xstrata manager sits on the Board and relevant committees of non-managed operations and ensures they operate to the standards set by our sustainable development framework.

Our commodity businesses publish regional, divisional and, in some cases, site-specific annual sustainability reports. See all current and previous reports on our website at www.xstrata.com/sustainability/reports.

Audience

Our sustainability reports provide a broad range of information about our sustainable development policies, practices and performance. They are aimed primarily at existing and prospective shareholders, as well as socially responsible investment analysts and investors.

Other audiences include governments, inter-governmental bodies, industry organisations, trade unions, employees and their families, communities associated with our operations, contractors and contracting partners, development and non-governmental organisations (NGOs), suppliers, customers, joint-venture and business partners and the media.

Scorecards and targets

As in previous reports, we have included a scorecard showing how we performed against 2010 targets and targets for 2011. Group-level performance summary and targets are at the front of the report (beginning on page 9), while the compilation of all the scorecards and targets for the commodity businesses are included on pages 105 to 116. We reorganised this report in this manner to reflect its focus on Group-wide sustainability material issues and performance.

Data

Consolidated data in the report cover all managed operations. We also report limited material data such as critical safety incidents from non-managed operations, and refer to non-managed operations in the narrative and case studies as appropriate.

We report complete data totals for managed operations on a 100% basis rather than proportional amounts that are based on the percentage of ownership. All managed operations record data in Xstrata's proprietary online sustainability database, which is validated at commodity business and Group level. Our comprehensive performance data sheet is available on our website and summary key data can be found on page 103.

All data include continuing operations and data for operations acquired during the year from the date of acquisition unless otherwise stated.

Conversion factors and sources for energy and greenhouse gas emissions data have been independently verified by Environmental Resources Management (ERM).

Over time, our data collection system continues to mature and improve, which results in better data accuracy. We strive to report on data trends over time; however, for some metrics this not possible.

We include a number of restatements in this report. The metrics subject to restatement are training hours; minor environmental incidents; energy consumption; water withdrawal, recycling and discharge; air emissions; and community complaints. There are a number of the restatements relating to water. These have resulted from improvements to the reporting definitions and continuing improvements in the reporting of water metrics. Restatements are identified with an asterisk on the appropriate graphs (see, for example, training hours chart on page 53). Restatements are generally corrections of previous errors that are discovered during the process of compiling 2010 data. Unless otherwise stated all dollar amounts refer to US dollars.

Acquisitions and disposals

In February 2010, Xstrata completed the sale of the Group's 70% interest in El Morro SCM, the holder of the El Morro copper-gold exploration project in Chile.

In March 2010, Glencore exercised its option to acquire the Prodeco coal operations.

In June 2010, the Kidd Metallurgical copper and zinc plants in Ontario, Canada were permanently shutdown.

In August 2010, the Group announced a cash offer for Sphere Minerals Limited (Sphere) and Xstrata gained control of Sphere, in November. Sphere is a West African focused iron ore company with interests in three iron ore projects in Mauritania.

Further details are available in our annual report.

About this report *continued***Defining report content**

We apply the principles of inclusivity, materiality and responsiveness as defined by the AA1000 AccountAbility Principles Standard 2008 (AA1000APS) in our reporting. We are committed to being accountable to our stakeholders; see discussion of stakeholder engagement beginning on page 20.

In our reporting, we prioritise topics or issues with the potential to affect the long-term success of our business or the sustainability of the economies, environments and communities in which we operate – i.e., our most material issues. We also strive to fully address those topics that our stakeholders perceive to be most material. We aim to provide a complete and balanced view of our performance that includes challenges as well as successes.

To identify the material issues for Xstrata and our shareholders, we review many sources of information in determining the structure and content of this report and the relevance of the issues it covers. These sources include:

- The Xstrata Business Principles, Sustainable Development Framework, policies, procedures and audits;
- The results of our business risk assessment process;
- Feedback on our sustainability performance and reporting, as well as industry or company-specific issues raised by employees, contractors, customers, suppliers, business partners and investors, communities, NGOs and the media through our engagement processes;
- Key topics and challenges reported by peer companies or raised by industry associations;
- A review of key issues covered in the media for Xstrata and its sector peers; and
- External initiatives and best practice guidelines, including:
 - The Global Reporting Initiative (GRI) G3 guidelines and its Mining and Metals sector supplement;
 - The International Council on Mining and Metals (ICMM) SD principles;
 - The United Nations Global Compact;
 - The Millennium Development Goals;
 - The Dow Jones Sustainability Index questionnaire;
 - UN Universal Declaration of Human Rights;
 - The Voluntary Principles on Security and Human Rights;
 - ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy; and
 - OECD Guidelines for Multinational Enterprises.

Applying the GRI

This report meets application level A+ of the GRI G3 Sustainability Reporting Guidelines, including the Mining and Metals sector supplement. The GRI Index can be found beginning on page 117.

International Council on Mining and Metals

Xstrata plc is a member of the ICMM, and like all members we have committed to the ICMM Sustainable Development Framework. We have included the ICMM assurance requirements within the scope of our external assurance programme to provide independent assurance that the ICMM commitments are met.

Independent assurance

Ernst & Young has independently assured Xstrata's reported application of the GRI G3 Sustainability Reporting Guidelines, and the AA1000APS principles of materiality, inclusivity and responsiveness in preparing this report. Ernst & Young also reviewed the alignment of Xstrata's policies and standards with the ICMM sustainable development principles.

See the signed assurance statement beginning on page 100.