Paving the way

At Mittal Steel South Africa we are committed to the principles and practice of good corporate citizenship, as introduced by the King II Report on Good Governance (2002). We recognise that as an organisation we are symbiotically linked to the communities and the environment in which we operate and that our challenges and successes are therefore bound up with theirs.

As a primary provider of steel products, we are committed to building a strong culture of sustainability at Mittal Steel South Africa. This, our first sustainability report, represents the start of our journey to formalise, embed and report back to our stakeholders as part of our annual reporting process. We offer it as a fair reflection of our progress thus far, including both successes and shortcomings, and intend to use it as a platform on which to further engage our stakeholders and improve our sustainability performance.

Note that we have used the Global Reporting Initiative’s (GRI) G3 Guidelines (see index appended) to chart our development on the sustainability journey. In following these Guidelines our aim for this report was to identify our stakeholders and the issues most relevant to them and our business, and to outline what we have done to address these issues in the spirit of commitment to our long-term goal of sustainability – for the company and our country’s healthy economic development.
Mittal Steel South Africa recognises that it is an integral part of the communities and country in which it operates and as such, is committed to being a responsible corporate citizen.

We subscribe whole-heartedly to the principles of sustainable business practice as outlined in the Department of Trade and Industry (DTI) Codes of Good Practice and as such, have commissioned this, our first dedicated Sustainability Report, for the period ended December 2006.

Delivery on triple-bottom-line principles is part not only of our business strategy, but also of the mission and vision that underpin our business behaviour across all operations. Our group (Arcelor Mittal) vision of being the most admired steel institution in the world does not pertain only to being admired for our expertise, profitability and leading systems. We believe that we cannot say we have achieved the goal outlined in our group (Arcelor Mittal) vision if we are not admired for our approach to issues of sustainability, environmental and social care as well.
For these reasons, we have invested capital, research, time and resources into correcting many ‘legacy issues’ that present us with environmental and sustainability challenges, and why we continue to invest the same in future sustainability, environmental and social development projects.

One of our biggest sustainability areas of focus is our environmental impact and, although there always remains room for improvement, we are very proud of what we have achieved in the past year. In particular, we are very pleased with the results of our targeted intervention to reduce water usage and pollution at all our plants. It is very gratifying to be able to report that a R222 million Main Water Treatment Plant, commissioned for our Vanderbijlpark operation, has resulted in the plant achieving a zero-effluent discharge status – this remarkable achievement equates to a 46% reduction in water abstraction. A similar project is in progress at the integrated Newcastle plant and our world-class Saldanha operation has been a zero-effluent discharge plant since its inception. These successes are the result of Environmental Master Plans to reduce pollution, the strategies of which will be applied to reduce our air pollution levels in the coming years.

Black Economic Empowerment (BEE) is another key focus area and during 2006, a large portion (R733 million) of our procurement spend went to BEE suppliers. Following the recent finalisation of the Department of Trade and Industry (DTI) Codes of Good Practice, the Mittal Steel South Africa executive team will formulate a Broad-Based Black Economic Empowerment (BBBEE) policy that will drive goals in the coming years to ensure compliance on the new pillars outlined in the Codes.

Education is necessarily close to the hearts of all South African stakeholders and Mittal Steel South Africa supports the government in its initiatives to improve all levels of education in the country. The Mittal Steel Science Centre is an initiative that deserves special mention as a project that encapsulates the holistic approach we have adopted towards corporate social investment. The R8.5 million centre provides a centralised maths and science facility for learners and educators in the Vaal region and plans are already underway to extend its offering during 2007. We aim to develop the programme into a national benchmark for sustainable educational development.

On a related front, I have made a personal commitment to Deputy President, Phumzile Mlambo-Ngcuka, to help realise the Joint Initiative on Priority Skills Acquisition’s (Jipsa) goals to increase the number of professional engineers by 2,400 a year and to raise the number of skilled artisans by 50,000 over the next four to five years. In this regard, we have implemented a number of training and internship interventions that go beyond simply meeting our own need for skilled personnel.

These and many other sustainability projects are outlined in the report that follows. Our pride in our achievements is balanced by the fact that we remain mindful of the many sustainability challenges that we continue to face. However, we are confident that our strategy and commitment to bringing about change will allow us to achieve even greater things in the year to come.

Rick Reato
Chief Executive Officer, Mittal Steel South Africa
The stakeholder approach to sustainability

At Mittal Steel South Africa, we are acutely aware that the decisions we make impact on the lives of many people.

Part of the guiding principles of the International Iron and Steel Institute’s Policy Statement on Sustainable Development includes a commitment by all members, of which we are one, to engage stakeholders and independent third parties in constructive dialogue to help fulfill our sustainable development commitments.

Our group (Arcelor Mittal) vision is to be the most admired steel institution and this includes a desire to be admired for our culture and for the quality, service and management standards embodied in the company. If we are to achieve this recognition we need to ensure open, meaningful stakeholder engagement, addressing their concerns and keeping them informed.
IDENTIFYING OUR STAKEHOLDERS

We identify stakeholders as any group that has a vested interest in the way in which Mittal Steel South Africa conducts its business or related activities. Some parties, such as our employees and the wider communities in which we operate, are directly and personally affected by our actions on a daily basis. Their economic stability, livelihood, health, safety and future depend to a large extent on the success of the company. These people make up an important stakeholder group. But there are other groups who may not be as directly, personally or immediately impacted, but whose stake in our business is no less significant. These include suppliers, customers and shareholders. Their economic future is impacted in various ways by our ability either to use their resources, supply them with the steel products they need, or turn a good profit and pay our dividends. Independent third parties, such as media, who act as watchdogs for the greater good of our society from an economic, social and environmental point of view, make up the third important group of stakeholders.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION

Addressing the concerns of our stakeholders is a key priority and during the year under review we held stakeholder forums to inform them of our strategies and their potential impacts on society. These discussions afforded stakeholders the opportunity to ask questions and bring concerns to our attention.

A POLICY TO TAKE US FORWARD

We are currently in the process of formalising a policy on stakeholder engagement. This stakeholder map and engagement strategy will be implemented in 2007 and will act as a guide for stakeholder engagement practices and community partnerships. It will assist us in setting up formal processes to ensure that the most important issues facing our stakeholders are identified and addressed.

The structure of this sustainability report is based on our stakeholder groupings. We begin with our supply chain, followed by the workplace section, which includes both employees and on-site contractors. The marketplace section addresses our customers, followed by the environment, society and community.
The business of Mittal Steel South Africa

OVERVIEW
Mittal Steel South Africa Limited is the largest steel producer on the African continent, producing 7.1 million tonnes of liquid steel per annum and employing 9,102 staff. Its depth of technical knowledge and managerial expertise has established the organisation as a modern, highly competitive supplier of steel products to the domestic and global markets.

Mittal Steel South Africa is part of the world’s largest steel producer, Arcelor Mittal, which is the world’s number one steel company. With 330,000 employees worldwide and an industrial presence in 27 countries across Europe, the Americas, Asia and Africa, the organisation has a balanced geographic diversity within all the key steel markets, both developing and developed.
It is the leader in all major global markets, including automotive, construction, household appliances and packaging, with leading research, development and technology, as well as sizeable captive supplies of raw materials.

Through this association with Arcelor Mittal, Mittal Steel South Africa has access to world-class research and development, best practice processes and international market leverage to ensure the company remains at the cutting edge of the international steel industry. An alignment with international best practices and a comprehensive understanding of the steel business environment ensures that Mittal Steel South Africa continues to participate and be globally competitive in international markets.

**Key statistics**

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total workforce</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full-time employees</td>
<td>9 102</td>
<td>10 441</td>
</tr>
<tr>
<td>Contractors</td>
<td>1 826</td>
<td>1 243</td>
</tr>
<tr>
<td><strong>Total capitalisation, as on 31 December (Rm)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt – Loans</td>
<td>71</td>
<td>81</td>
</tr>
<tr>
<td>– Finance lease obligations</td>
<td>595</td>
<td>685</td>
</tr>
<tr>
<td>Equity</td>
<td>22 943</td>
<td>19 451</td>
</tr>
<tr>
<td><strong>Total assets, as on 31 December (Rm)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>13 447</td>
<td>12 947</td>
</tr>
<tr>
<td>Capital work-in-progress</td>
<td>1 079</td>
<td>1 313</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>58</td>
<td>74</td>
</tr>
<tr>
<td>Investment in joint ventures</td>
<td>953</td>
<td>912</td>
</tr>
<tr>
<td>Financial assets</td>
<td>262</td>
<td>107</td>
</tr>
<tr>
<td>Loan receivables</td>
<td>4</td>
<td>10</td>
</tr>
<tr>
<td>Assets classified as held for sale</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>4 775</td>
<td>3 907</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>2 088</td>
<td>1 732</td>
</tr>
<tr>
<td>Taxation</td>
<td>179</td>
<td>116</td>
</tr>
<tr>
<td>Cash held by insurance captives</td>
<td>243</td>
<td>674</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>7 507</td>
<td>4 545</td>
</tr>
<tr>
<td><strong>Liquid steel production (’000 tonnes)</strong></td>
<td>7 055</td>
<td>7 261</td>
</tr>
<tr>
<td><strong>Value added (Rm)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To salaries, wages and other benefits</td>
<td>2 243</td>
<td>2 104</td>
</tr>
<tr>
<td>To government</td>
<td>4 469</td>
<td>5 227</td>
</tr>
<tr>
<td>To providers of capital</td>
<td>1 329</td>
<td>2 930</td>
</tr>
<tr>
<td>Reinvested in the group</td>
<td>3 463</td>
<td>2 616</td>
</tr>
</tbody>
</table>
The business of Mittal Steel South Africa continued

OUR PRODUCTS
Mittal Steel South Africa’s products include flat and long steel products, as well as coke and chemicals.

Flat steel products produced by the organisation include hot-rolled coil; cold rolled sheet; galvanised sheet; tin plate; colour-coated sheet; electro-galvanised sheet and plate. Long steel products include wire rod; light/medium sections; Engineering/SBQ bar; billets and ingots; reinforcing bar; seamless tubes; windows and fencing; and forged products.

The flat and long steel products serve industries such as:

- Building and construction;
- Pipe and tube;
- Packaging;
- Automotive;
- Mining, engineering, water and chemicals;
- Furniture and appliances;
- Machinery and equipment;
- Agriculture; and
- Transport.

Mittal Steel South Africa’s Coke and Chemicals Division is involved in the production of market coke and the processing and beneficiation of metallurgical and steel by-products, which produce coal tar pitch sold to aluminium producers, and magnetic-ferrite powder sold in the export market.

OPERATIONS
The organisation has four steel operating plants, in Vereeniging and Vanderbijlpark south of Johannesburg in the Vaal Triangle, Saldanha Bay on the West Coast and Newcastle in KwaZulu-Natal. Each of these has a particular focus area.
• Vanderbijlpark plant

The Vanderbijlpark plant is one of the world’s largest inland steel mills and the largest supplier of flat steel products in Africa. It has a production capacity of 4.5 million tonnes of liquid steel per annum.

The plant’s steel products are manufactured in an integrated process. Raw materials such as iron ore, coke and dolomite are charged to blast furnaces where they are converted to liquid iron. The liquid iron is refined in basic oxygen furnaces while scrap and direct reduced iron is used in electric arc furnaces to produce liquid steel. This is then cast into slabs, which are hot rolled into plates in a plate mill, or into coils in a hot strip mill. The coils are either sold as hot-rolled strip or processed further into cold rolled and coated products, such as hot dip galvanised, electro-galvanised and pre-painted sheet, and tinplate.

Vanderbijlpark has two blast furnaces, three electric arc furnaces and three basic oxygen furnaces.

• Saldanha plant

The Saldanha plant, in close proximity to the deep-sea port of Saldanha, is largely export-focused and produces 1.2 million tonnes of hot-rolled coil (HRC) per annum. The plant is distinguished by merging leading edge technologies to produce high-quality thin and ultrathin hot-rolled coil. Facilities and technologies at Saldanha were specifically designed to produce ‘clean’ steel, with virtually no impurities such as tin and copper. The continuous production chain is exceptionally short, taking only 16 hours from the time iron ore enters the Corex®/Midrex® units to the rolled product.

Saldanha is the only steel mill in the world to have successfully combined the Corex®/Midrex® process into a continuous chain – replacing the need for coke ovens and blast furnaces, and making the plant a world leader in emission control and environmental management.

• Vereeniging plant

Vereeniging is the country’s major supplier of speciality steel products, seamless tubes and forge products, producing 0.4 million tonnes of final product per annum, of which some 23% is exported. It supplies input material for the manufacture of safety critical components (SCCs) for the automotive industry, seamless tubes for the petrochemical, oil and gas industries and profiles for fencing and windows.

The plant’s seamless tubes are manufactured and tested in accordance with America Petroleum Institute (API) standards and meet the requirements of the petrochemical oil and gas industries. Forge products include an extensive range in sizes from 90mm to 1,400mm, including rounds, squares, flats, thick-wall tubes, step-forgings, rings, disks and blocks. Profiles, which are produced at a scaled-down Pretoria operation, include a full range of window sections, which are used for manufacturing of residential and industrial windows. Other products include Y and I standard fencing posts, T-section droppers and palisade fencing sections.

The Vereeniging operation utilises an electric arc furnace in its manufacturing of steel by utilising scrap and direct reduced iron (DRI) as input material.

• Newcastle plant

Newcastle is the country’s foremost supplier of profile products. It is an integrated operation that produces approximately 1.8 million tonnes of liquid steel from iron ore via a blast furnace route. This highly efficient and low cost operation is rated among the lowest billet cash-cost producers in the world.
The business of Mittal Steel South Africa continued

Newcastle produces 1.5 million tonnes of final product annually of which 26% is exported to international markets. A comprehensive range of long products are produced, comprising carbon and alloy steel profiles. These include rod, bar, light, medium and heavy sections as well as billets. The plant has one blast furnace, three basic oxygen furnaces and four rolling mills.

SUBSIDIARIES AND JOINT VENTURES
Mittal Steel South Africa includes a few subsidiaries and joint ventures of which Saldanha (Proprietary) Limited and Macsteel International Holdings BV are the most significant.

The full list of joint ventures and subsidiaries are included in the annual report, Annexure 1 and 2 of the annual financial statements.

ECONOMIC IMPACT
Direct value added to South Africa
Mittal Steel South Africa adds direct value to the following sectors of South Africa society:

<table>
<thead>
<tr>
<th>Employees</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total payroll and benefits paid in South Africa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gauteng</td>
<td>1,667</td>
<td>1,546</td>
</tr>
<tr>
<td>Western Cape</td>
<td>394</td>
<td>379</td>
</tr>
<tr>
<td>KwaZulu-Natal</td>
<td>182</td>
<td>179</td>
</tr>
<tr>
<td>Total</td>
<td>2,243</td>
<td>2,104</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>1,917</td>
<td>1,855</td>
</tr>
<tr>
<td>Pension and medical costs</td>
<td>167</td>
<td>181</td>
</tr>
<tr>
<td>Termination</td>
<td>142</td>
<td>60</td>
</tr>
<tr>
<td>Share-based payment expenses</td>
<td>17</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>2,243</td>
<td>2,104</td>
</tr>
</tbody>
</table>

Public sector

<table>
<thead>
<tr>
<th>Taxes paid of all types in South Africa</th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>South African normal taxation paid</td>
<td>1,497</td>
<td>2,788</td>
</tr>
<tr>
<td>Secondary tax on companies</td>
<td>163</td>
<td>189</td>
</tr>
<tr>
<td>Regional services council levies</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>Rates and taxes paid to local authorities</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td>Value added taxes levied on purchases of goods and services</td>
<td>2,764</td>
<td>2,187</td>
</tr>
<tr>
<td>Total</td>
<td>4,469</td>
<td>5,227</td>
</tr>
</tbody>
</table>

Taxes collected by the group on behalf of the government

| Value added taxes charged on turnover | 2,961 | 2,246 |
| Employees’ tax deducted from remuneration paid | 382 | 331 |
| Total | 3,343 | 2,577 |
### Skill development

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skill development levies</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td>Skill development grants</td>
<td>(11)</td>
<td>(23)</td>
</tr>
<tr>
<td>Total</td>
<td>4</td>
<td>(6)</td>
</tr>
</tbody>
</table>

### Suppliers

*Cost of goods, materials and services purchased*

#### Procurement

*Goods and services with suppliers*

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>1 446</td>
<td>1 608</td>
</tr>
<tr>
<td>Consumables</td>
<td>15 143</td>
<td>12 402</td>
</tr>
<tr>
<td>Hired labour (contractors)</td>
<td>150</td>
<td>137</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>16 739</td>
<td>14 147</td>
</tr>
</tbody>
</table>

#### Customers

*Revenue*

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat products</td>
<td>17 350</td>
<td>16 371</td>
</tr>
<tr>
<td>Long products</td>
<td>7 691</td>
<td>7 161</td>
</tr>
<tr>
<td>Coke and chemicals</td>
<td>1 033</td>
<td>1 057</td>
</tr>
<tr>
<td>Intergroup eliminations</td>
<td>(711)</td>
<td>(605)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25 363</td>
<td>23 984</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>19 646</td>
<td>15 532</td>
</tr>
<tr>
<td>Africa</td>
<td>1 978</td>
<td>2 188</td>
</tr>
<tr>
<td>Europe</td>
<td>857</td>
<td>927</td>
</tr>
<tr>
<td>Asia</td>
<td>2 072</td>
<td>4 398</td>
</tr>
<tr>
<td>Other</td>
<td>810</td>
<td>939</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>25 363</td>
<td>23 984</td>
</tr>
</tbody>
</table>

### Providers of capital

*Distribution to providers of capital*

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid</td>
<td>68</td>
<td>77</td>
</tr>
<tr>
<td>Dividends</td>
<td>1 261</td>
<td>2 853</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1 329</td>
<td>2 930</td>
</tr>
</tbody>
</table>
Driving sustainability

STEEL – NATURAL AND RECYCLABLE
Steel is a material used universally in a range of different industries and applications, making the lives of people around the world easier, safer and more convenient. It is also one of the most recyclable materials in the world, losing very little of its inherent value in the recycling process.

SETTING THE PACE FOR SUSTAINABLE STEEL
Mittal Steel South Africa, as the leading producer of steel locally, is mindful of its responsibility to ensure sustainable development for all its stakeholders, including customers, employees, communities, government, shareholders and the general public. This means improving the quality of life of all stakeholders, now and in the future, and being aware of the interdependence of environmental, social and economic aspects in the decisions that we take.

Our aim is to retain the stability and resources, established over many years, that enable us to deliver the products that customers and society demand, while still respecting the needs of the communities and environments in which we operate.

Many factors come into play in meeting the challenge of sustainability. At Mittal Steel South Africa, we are guided by our values and vision, our strategy, a thorough assessment of the potential future risks facing the company and an engaged stakeholder approach.

VISION AND VALUES
In line with our group (Arcelor Mittal) vision it is Mittal Steel South Africa’s aspiration to become the world’s most admired steel institution. In a world that rightfully demands that business behaves in a socially, environmentally and economically responsible way, such admiration can only be achieved if we focus on all three aspects of our triple-bottom-line performance.

In this regard, our values, listed alongside, also inform the way in which we approach sustainability. We take seriously the fact that, as the global voice of steel, the world looks to us to set the leading example in sustainability and thus influence associated industries, local communities and new markets to do the same. We are determined to find sustainable solutions to challenges and will not give up in our pursuit of this goal, drawing on the combined expertise and knowledge base of the Arcelor Mittal Group in order to achieve success. Our commitment to this issue and the promises we make in this regard can, like all our commitments, be relied upon to be carried out.

STRATEGIC EMPHASIS
Mittal Steel South Africa is dedicated to ensuring the ongoing sustainability of steel, not only for the benefit of the industry, but also for the benefit of the millions of people who use steel in their daily lives. Hence, sustainability is inherent to our business strategy in the same way that it’s inherent to our values.

Our strategic emphasis is to ensure that our steel operations meet or better internationally benchmarked standards to remain a quality, low-cost producer. We strive to develop more responsive products that address the needs not only of our existing customers, but also of current and future...
societies. The performance of our products is fundamental to the safety of any application – the vehicle, appliance, building or bridge – in which they are used. Constant improvement is therefore required to ensure we provide customers with safe, innovative, tailor-made solutions.

OUR VALUES

• **Reliable**: We do what we say. We stand by our promises. In the steel industry, a secure, reliable line of supply is critical to the success of our business and that of our customers. As a reliable and secure employer, we support our employees and their communities.

• **Strong**: We don’t give up. We are determined to achieve our goals and will pursue them single-mindedly regardless of the prevailing wind of opinion.

• **Expert**: Whether in technology, manufacturing, human resources, acquisitions or community activity, we pride ourselves on being the best in our respective fields. Continual learning is key to retaining expertise.

• **Confident**: Great achievements require confidence. We believe in ourselves and what we are doing. We have strength of character and self-belief that gives us the edge.

• **Authority**: We are the voice of steel. The world turns to us to learn about new processes and innovations and to get the facts about our industry. Our authority comes from an objective standpoint built on years of experience.

• **Innovative**: Everybody says they are innovative; we truly are. We not only pioneered the use of DRI in the manufacturing process, we reinvented the steel industry. We encourage experimentation and reward new ideas. Now innovation is a way of life for all of us at Mittal Steel South Africa.

• **Open**: While we always protect our business, we are clear in what we say and encourage transparency in our business dealings given our responsibility to our stakeholders.

Our strategic emphasis includes a commitment to:

• Leverage core processes to drive improvements and cost reductions;

• Pursue attractive downstream investment opportunities;

• Create more value from the marketing end of the value chain;

• Fully align the organisation with the Arcelor Mittal Group culture; and

• Constructively engage external stakeholders.

RISK MANAGEMENT

**The integrated approach**

Mittal Steel South Africa recognises that effective risk management is of utmost importance to its continued profitability and the long-term sustainability of the business and the steel it produces.
During 2006 an Enterprise-Wide Risk Management Policy was approved by the board, thereby creating a framework within which the company can effectively manage all potential exposures. These range from highly technical operational risks to broad-based social and environmental issues. The policy, which follows the guidelines of the King II Report on Corporate Governance and the Code of Practice of the Risk Management Federation of South Africa, was implemented across the entire organisation with uniform assessment, and monitoring and reporting standards put in place.

Enterprise Wide Risk Management in Mittal Steel South Africa is a structured and systematic process that is interwoven into existing management structures and responsibilities. It is an integrated approach to risk management that allows management to compare risks on common scales and within a consistent framework, thereby ensuring that core risks are properly defined, understood and managed. This process ensures that risk management receives the status and attention that it requires from the board.

Whilst we recognise the importance of effective risk management, we acknowledge that risks can also create opportunities and benefits and we trust that our new approach to risk management will underpin and sustain the company’s continued success within a safe and fulfilling working environment.

Board accountability
Mittal Steel South Africa recognises that risk management is ultimately the responsibility of the board. The board is ably assisted in this regard by a risk committee which was established as a sub-committee of the board.

The board is responsible for providing shareholders with the following assurances:

• All the risks are adequately identified;
• The reporting is credible and accurate;
• The risk return trade-off is adequate;
• The risks are effectively managed; and
• The risk management process is aligned with the company’s strategy and performance objectives.

The Risk Management Framework
The different risk management functions are aligned within the policy framework to formulate a cohesive and structured risk management strategy.

The risk management framework determines the following:

• The risk management structure and reporting framework;
• Standard operating procedures that determine how risks are identified, assessed, monitored and reported;
• Intervention protocols;
• The roles and responsibilities of staff responsible for risk management;
• Improving the risk management culture within the company; and
• A compliance function which oversees the effectiveness of the risk management framework.

Organisational structures and reporting framework
Risk management is structured around the following functional risk areas: Sales and Marketing, Commercial, Security, Human Resources, Operations, Financial, Strategic and Environment. Each risk area, department or business unit consists of a dedicated risk manager who reports directly to the general manager or head of each department. The Chief Risk Officer attends all risk committee meetings and prepares a consolidated risk management report that is presented to the executive committee, the risk and audit committees and finally to the board of directors.

Control environment
To ensure an effective risk management process the following controls have been implemented:

• The evaluation of risk mitigation steps or strategies on a quarterly basis;
• Implementation of risk financing measures such as insurance and financial provisions;
• Adherence to the regulatory environment; and
• Business continuity plans to prevent interruption to the business environment.

Embedding and sustaining the risk management process
Mittal Steel South Africa recognises that effective risk management requires that the process, principles and objectives are embedded across the entire organisation. Guidelines for embedding enterprise wide risk management have been disseminated to all general managers and heads of departments.

Risk exposure
Mittal Steel South Africa’s strategic and non-operational risk exposures and integrating actions can be summarised as follows:

• A significant decline in steel prices will necessitate a review of measures to remain within the lowest production cost quartile, and the potential review of sale contract terms.

• Alleged anti-competitive pricing behaviour.

• A sustained decline in domestic demand will be mitigated through pursuing potential export markets.

• The appreciation of the Rand over a long-term period may adversely affect our revenue, this risk can only be effectively managed over the long term by ensuring that Mittal Steel South Africa remain a low cost producer of lowest cost quartile.

• The tax deductibility of the business assistance agreement has been disallowed by the South African Revenue Services. Potential mitigating strategies will depend on the outcome of the Alternative Dispute Resolution meeting that was held in December 2006.
Driving sustainability continued

• Transnet logistical problems are motivated and discussed with Spoorbot on a daily basis.
  Potential mitigation actions include: the investigation of transport alternatives, increased
  stockpiling and alternative blast furnace fuels and mixtures.

• Large asset insurance deductibles will be mitigated by a programme of self-insurance.

• The technical skills shortage is being addressed through a technical skills retention and training
  programme, various sponsorship and bursary programmes and the establishment of a Science
  Centre in the Vanderbijlpark region.

Key operational risks can be summarised as follows:

• Burnthrough;

• Fire;

• Mechanical failure; and

• Systems failure.

Operational risks are mitigated through a comprehensive insurance programme, continuous
maintenance and ongoing monitoring and assessment of the operational environment.

The year ahead
During the year ahead Mittal Steel South Africa will focus its attention on embedding and
sustaining the newly established risk management strategy. The effectiveness of the risk
management process will be the subject of a formal internal audit during 2007 and an
independent assessment at the end of the financial year.
As a large multi-national concern, Mittal Steel South Africa draws on a complex network of suppliers ranging from large corporations to smaller operators. This wide diversity within the supply base implies that we need to identify and address a variety of issues not necessarily common to all. Some issues are driven by national imperatives, e.g. enterprise development, others by international best practice standards, while some are raised by the suppliers themselves. While many issues have yet to be formally identified through a specific stakeholder engagement process, processes and systems for engaging with suppliers, such as the company’s tendering process, are being constantly reviewed and developed to continuously improve on the good governance of our procurement function.

Considering the overriding transformational imperative that drives the development of the South African economy, most of the important issues of current concern to Mittal Steel South Africa relate to the challenges of transforming our supply chain. These are not the only issues; others include the shortage of procurement management skills and responsible business practices within the supply chain.

Our foremost goals:

- Ensure world-class standards of quality;
- Achieve delivery time schedules;
- Reduce total cost of ownership of inputs; and
- Maintain the highest safety standards.

PROCUREMENT IS A WIN-WIN BUSINESS

As a business operating in the heavy industry sector, Mittal Steel South Africa has an obligation to all its stakeholders to produce the best quality product, safely, on time and at a profit to its shareholders. With this in mind, we regard our suppliers as partners in our business, and strive to develop close working relationships with them that result in a seamless production process throughout the supply chain.
ECONOMIC TRANSFORMATION THROUGH PREFERENTIAL PROCUREMENT

In South Africa, formal industry of all kinds has the responsibility of ensuring that companies owned by members from historically disadvantaged groups are given a platform to develop and grow their businesses. In line with the Broad-Based Black Economic Empowerment Act (2003) and the new Department of Trade and Industry (DTI) Codes of Good Practice, Mittal Steel South Africa is committed to preferential procurement from black economic empowered suppliers, and R733 million of its purchase spend went to such companies in 2006.

MEASUREMENT AND STATUS

Following the BBBEE Act and the DTI Codes of Good Practice (DTI CoGP), Mittal Steel South Africa has embarked on a process of stakeholder engagement with existing and potential historically disadvantaged suppliers. Our first step in this regard has been to create a BBBEE database, aligned to the stipulations set out in the DTI CoGP. Once we have the database populated, we will be in a better position to identify issues of mutual concern and implement appropriate initiatives to improve our performance in employing this supply sector.

ISSUES IDENTIFIED IN DEALING WITH EMERGING SUPPLIERS

In the meantime, certain issues have been identified that the company is already working on. These include issues that are of more concern to one party than the other. Amongst others, these are:

• High international standards for the industry and the difficulty of emerging suppliers to meet these;
• The need for Mittal Steel South Africa to procure from suppliers that can meet our standards of consistency and reliability;
• The lack of understanding of Mittal Steel South Africa’s physical processes;
• The difficulty suppliers have with understanding and correctly fulfilling the company’s tender process; and
• The difficulty in identifying suitably qualified suppliers.

INITIATIVES

Information sessions help suppliers

The need to source and use developmental suppliers at times comes into conflict with the need to adhere to internationally accepted standards, as these standards are sometimes too onerous for developmental companies to meet. However, Mittal Steel South Africa believes that it can overcome these challenges by engaging with suppliers in such a way as to help increase their awareness of expected standards, improve their ability to meet these and increase their chances of success during the tendering process.

Information sessions were held during the year at the Vaal Triangle, Saldanha and Newcastle plants. Attended by over 1 200 small and medium enterprises (SME), these sessions aimed to inform existing
and aspirant suppliers about various operational aspects of the Mittal Steel South Africa supply chain, including how to get onto the company’s supplier database, the correct tendering procedure to follow, schedule and terms of payment and barriers to entry. As part of these sessions, we also conducted interactive workshops with suppliers about their needs when interacting with Mittal Steel South Africa. Feedback from these workshops, together with daily interaction with suppliers, will be used to formulate future supply chain policies and improve systems.

Such ongoing stakeholder engagement will continuously inform supplier programmes and initiatives. During 2007, the company plans to again initiate procurement days where BBBEE suppliers will be afforded the opportunity of showcasing their goods and services to buyers, planners and management at Mittal Steel South Africa’s various operations. These events will serve to increase the business opportunities open to BBBEE suppliers and help Mittal Steel South Africa to increase its spend on BBBEE companies.

**Best practices inform Centre of Excellence**

The procurement function was centralised when the company formed a Procurement and Logistics Centre of Excellence (CoE). A first in South Africa, this centre draws on best practices and has been structured to help our suppliers with issues such as the tender process for once-off transactions; contracts and costing of high-volume low-value items; using Total Cost of Ownership (TCO) principles to optimise Value in Use.

The CoE works closely with our suppliers’ businesses and various service departments to ensure a clear understanding of goals. This has helped us to develop good working relationships and to establish service level agreements to guarantee high service levels. Our Raw Material and Commodity teams work with all parties in the supply chain to reverse-integrate the sourcing of critical raw material and other supplies and services. This involves participating in capital expansion projects and jointly managing businesses, and has helped foster joint responsibility for quality, on-time delivery and optimal cost for products.

The current best practice measures will be included in Mittal Steel South Africa’s future BBBEE Development and Procurement policy and strategy, which will guide Preferential Procurement and Enterprise Development. This policy is in draft format and during 2006 was awaiting the finalisation of the DTI Codes of Good Practice.

The TCO model developed at Mittal Steel South Africa has proved so successful that it has been rolled out in the greater international Arcelor Mittal Group; our international colleagues visit the South African operation for training in procurement and logistics best practice.

**FURTHERING SUPPLY CHAIN MANAGEMENT IN EDUCATION**

A lack of sufficiently qualified experts in supply chain management and procurement remains one of the key challenges facing the industry. To improve the level of expertise in this field, Mittal Steel South Africa has partnered with a number of tertiary education institutions to share what we have learned through our Centre of Excellence. The company is in the process of helping to formulate a curriculum for a Bachelor of Commerce degree in Supply Chain Management at the University of South Africa (Unisa) and a Supply Chain Management module to be included in the Wits Business School Master of Business Administration (MBA) programme.
Supply chain continued

RESPONSIBLE BUSINESS PRACTICES
There is growing worldwide pressure on companies from both consumers and watchdog groups to ensure that they are not inadvertently supporting suppliers involved in unethical business practices. Mittal Steel South Africa embraces this responsibility and recognises that part of being a good corporate citizen involves continual monitoring of its supply chain to ensure that the businesses it supports are themselves operating as responsible citizens.

LOOKING TO THE FUTURE
During 2007, Mittal Steel South Africa will use the Preferential Procurement and Enterprise Development pillars within the finalised DTI Codes of Good Practice to formulate interim goals that will help us to become BBBEE compliant.

There is a growing trend towards consumers who demand ethical business practice from the companies whose products they purchase and, in South Africa, there is mounting civil and governmental pressure on companies to account for their procurement and supply chain practices. So it is not only the potentially high costs of non-compliance that drives our commitment to compliance. Building a responsible supply chain that is representative of all demographic groups will open doors of opportunity and increase our sustainability. By establishing itself as a company committed to transformation and as a leader in ethical business practice on all levels, Mittal Steel South Africa can maintain a positive brand image and improve its status as a preferential supplier both locally and internationally.
The workplace

THE PLAYING FIELD
Our people play a vital role in sustaining Mittal Steel South Africa as the foremost steel company in Africa. In the same way that our employees and contractors rely on Mittal Steel South Africa for employment and therefore livelihood, the company relies on the skills, drive, commitment and innovation of people at all levels for its continued existence and success.

SAFETY, HEALTH AND ENVIRONMENTAL (SHE) POLICY PRINCIPLES
• Mittal Steel South Africa is committed to a high standard of corporate governance and operates as a responsible organisation striving for utmost care in safety, occupational health and environmental management both within and beyond the boundaries of its operations.
• The constant threat of hazards can only be dealt with effectively through constant collective vigilance.
• All injuries, occupational diseases, damage and harm to the environment can be prevented.
• In the improvement of safety, occupational health and environmental performance, the focus is on attitudes and behaviour of all employees.
• Employees have the right to a safe, healthy and environmentally friendly workplace.
• Employees are responsible for their own and their fellow workers’ health and safety and for sound environmental care.
• Competency sustained by sound training is an essential element in ensuring the safety and health of employees and good care of the environment.

Mittal Steel South Africa is totally committed to safeguarding the sustainability of this most valuable resource and we acknowledge our responsibility to our employees and the role we have to play in ensuring their welfare, prosperity and development.

STAKEHOLDERS IN THE WORKPLACE
Our workplace stakeholders extend beyond just employees to include their families and dependants. In addition, we realise the importance of contractors to our business and include them as workplace stakeholders.

In order for the company to effectively tackle the challenges it faces, it needs to develop a thorough understanding of the issues that are important to all these stakeholders. This can only be achieved if we engage in honest and meaningful conversation with our workforce and contractors. In this regard, the unions that represent their interests play a vital role in our stakeholder engagement.
Mittal Steel South Africa is committed to fair labour practices and supports a strategy whereby business engages in a partnership with organised labour to share management’s responsibility for the company’s performance and its sustainability over time. A total of 78% of employees are members of one of the recognised unions, namely Solidarity, National Union of Metal Workers of South Africa (NUMSA) and the United Association of South Africa (UASA).

In the past year, Mittal Steel South Africa strengthened its relationship with the unions by the establishment of a leadership forum for executive management and senior union leadership. Furthermore, a union representative was appointed onto the safety, health and environment committee of the board for the first time in 2006. Representation is rotated amongst the three unions on an annual basis. This is an important milestone which will further strengthen our partnership with our unions.

Structures that facilitate management/union consultation (as shown in the diagram alongside) are a standard feature at various levels throughout the company.

**TACKLING THE ISSUES**

Mittal Steel South Africa is confronted by a number of challenges which include:

- Ensuring a safe and healthy environment for our people;
- Attracting, retaining and developing technical and managerial talent;
- Improving employee engagement;
- Responding effectively to the HIV/AIDS pandemic; and
- Delivering on the Broad-Based Black Economic Empowerment imperatives.
STRATEGIC FOCUS AREAS
The following focus areas constitute the agenda for the management of human capital for the immediate future:

- Effective attraction and retention of talent;
- Continuous skills supply and employee development;
- Effective leadership development; and
- Employee engagement.

STRATEGIC LEVEL

Participants
- Directors; and
- National Trade Union Safety Representative

Forum
Board safety, health and environment (SHE) committee (Quarterly)

Issues discussed
- Company SHE performance;
- SHE strategy; and
- SHE interventions.

CORPORATE LEVEL

Participants
- Executive management; and
- National Trade Union leadership

Forum
Mittal Steel South Africa strategic issues (Quarterly)

Issues discussed
- Company performance;
- New initiatives;
- Strategic direction; and
- Business objectives.

BUSINESS UNIT LEVEL

Participants
- BU Management; and
- Shop Stewards.

Forum
- Monthly departmental meetings;
- Safety and health committee;
- Training committee;
- EE committee; and
- Quarterly business participative forum.

Issues discussed
- Operational matters;
- Safety and health issues;
- Skills development issues;
- Employment equity plans and performance; and
- Quarterly BU performance.
RETENTION AND DEVELOPMENT OF TALENT
A skilled workforce contributes immeasurably to the success that Mittal Steel South Africa enjoys as our people enable us to find new and better solutions to challenges of sustainability. Valuing the many contributions made by its human resources, Mittal Steel South Africa focused on the attraction, management, retention and development of our talent pool as a key strategic focus area in 2006. In particular, the technical skills shortage and the impact on our workforce of large scale restructuring during the last few years were given priority.

Mittal Steel South Africa realised that solutions will not be found in the short term but rather that we need to adopt an integrated approach to systematically pursue the goal of establishing ourselves as an employer of choice in a fast-changing world. We are currently reviewing all our human resource policies and practices to ensure they are relevant to the various strategic initiatives being pursued by the company. Our recruitment and development initiatives will be aligned with our skills plan to ensure optimum utilisation of resources.

BUILDING MORALE AFTER RESTRUCTURING
Employee engagement
Rather than adopting a piecemeal response strategy to these challenges, Mittal Steel South Africa realised that a holistic approach was required. The company launched an initiative to re-engage with its employees. Thus far we have completed a pilot study on a selection of staff and operational environments, as well as the design of an organisation-wide employee engagement strategy. A roll-out plan for the rest of the company is in its final stages following the information gathered through these initiatives and we will begin implementation during 2007.

Leadership commitment and involvement
As part of its holistic approach to tackling the challenge of low staff morale, the executive management team has committed itself to collectively champion the human capital strategic agenda. The executive management team held a workshop in October 2006 dedicated to formulating a human capital strategy. Every aspect of the people management framework, philosophy, policies and practices was scrutinised internally to get to the real issues and we have reached consensus on the key people challenges as well as appropriate initiatives to address them.

Individual executive directors and general managers were assigned as team leaders of key initiatives in the various strategic focus areas. A dedicated forum (human resources committee) comprising the company’s top leadership meets on a monthly basis to drive and monitor implementation of all people-related strategies and interventions.

Key labour agreements extended
In 2006, Mittal Steel South Africa continued to restructure the business in order to increase its performance, based on international benchmarks. This restructuring, which was successfully completed in 2006, will keep the company on a competitive footing in the global market. A total of 817 employees were granted an attractive voluntary separation package and left the company to pursue other opportunities. Voluntary separation was the only means used to achieve employee reduction. As a result no employee was forcefully retrenched.
The two year no forced retrenchment agreement came to an end in 2006 and was extended to 2007. This year has also seen the extension of the long-term wage agreement to June 2008.

Continuous skills supply

In order to retain talent, it is vital that we value and nurture our current employees. During 2006, people management was elevated to one of top management’s key focus areas and we employed a number of initiatives in this regard.

Management agreed on a sustainable approach to ensure a continuous supply of diverse talent. As a short-term measure with regard to vacancy management, when external recruitment is required, it is biased in favour of candidates from designated groups in terms of the Employment Equity Act. The effects of this approach are evident if one compares the external and internal appointments for the year.

<table>
<thead>
<tr>
<th>Event</th>
<th>Black/female candidates</th>
<th>White males</th>
</tr>
</thead>
<tbody>
<tr>
<td>External recruitment</td>
<td>59 %</td>
<td>41 %</td>
</tr>
</tbody>
</table>

The technical skills pool

As far as the provision of technical talent is concerned, the company is continuing with its Engineering bursary programme which provides a steady flow of young engineers at entry level. Young graduates follow a dedicated engineer-in-training programme that complies with the requirements of the Board for Professional Engineers before they are assigned to permanent positions. In this area as well priority is given to increase the number of candidates from designated groups in terms of the Employment Equity Act.

<table>
<thead>
<tr>
<th>Programme</th>
<th>In process</th>
<th>Studies completed</th>
<th>Annualised cost per bursar</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Black/female candidates</td>
<td>White males</td>
<td>Black/female candidates</td>
</tr>
<tr>
<td>Bursars</td>
<td>32</td>
<td>9</td>
<td>R56 000</td>
</tr>
<tr>
<td>Engineers-in-training</td>
<td>28</td>
<td>3</td>
<td>R305 373</td>
</tr>
<tr>
<td></td>
<td>27</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

An in-house technical training centre, accredited with the MERSETA (Manufacturing, Engineering and Related Services Sector Education & Training Authority), offers artisan training courses. We recently increased the centre’s capacity to accommodate an extra 100 learners over and above our normal requirements in 2007. The centre trains artisans not only to address internal needs, but also in support of the country’s Joint Initiative on Priority Skills Acquisition (Jipsa). This initiative aims to increase the number of professional engineers by 2 400 a year and to raise the number of skilled artisans by 50 000 over the next four to five years. Jipsa is chaired by Deputy President Phumzile Mlambo-Ngcuka. In this way we hope to help address the skills shortage in the country and contribute to Jipsa’s goals.

<table>
<thead>
<tr>
<th>Learner category</th>
<th>Black/female candidates</th>
<th>White males</th>
<th>Average cost per learner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learner artisan</td>
<td>111</td>
<td>18</td>
<td>R50 974</td>
</tr>
<tr>
<td>Learner technician</td>
<td>10</td>
<td>–</td>
<td>R34 782</td>
</tr>
</tbody>
</table>
The workplace continued

<table>
<thead>
<tr>
<th>Skills supply status</th>
<th>Technicians</th>
<th>Artisans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Black/ female candidates</td>
<td>White males</td>
</tr>
<tr>
<td>Internal pipe-line</td>
<td>10</td>
<td>–</td>
</tr>
<tr>
<td>Resignations</td>
<td>10</td>
<td>26</td>
</tr>
</tbody>
</table>

In 2005 the company developed a training delivery model for Learner technicians and in the year under review, this strategy was taken to a new level. In collaboration with the universities of technology in our operating areas, we will provide continuous education for selected senior and master artisans to enable them to obtain a national diploma in engineering. This initiative provides career opportunities for artisans interested in developing their careers to become technicians and also contributes to the retention of technical staff with plant knowledge.

<table>
<thead>
<tr>
<th>Intake: artisan-to-technician conversion</th>
<th>Black/ female candidates</th>
<th>White males</th>
<th>Total intake</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>12</td>
<td>9</td>
<td>21</td>
</tr>
<tr>
<td>2005</td>
<td>41</td>
<td>44</td>
<td>85</td>
</tr>
</tbody>
</table>

A talent pool for staff divisions

This year saw the first intake of thirteen young, recently graduated, external candidates who were placed on a 24-month intensive internship training programme. Twelve of them came from previously disadvantaged groups. The internship programme affords them the opportunity to gain hands-on practical experience in their field. Apart from being exposed to business processes, they also undergo a structured learning programme with dedicated coaches and mentors. At the end of the programme, these learners will have been exposed to theoretical and practical training, as well as an inside working knowledge of Mittal Steel South Africa, making them ideal candidates to fill available professional positions. On completion of the internship programme, they will be placed in various departments within the company and continue to be mentored and developed with a long-term view of filling future management positions in finance, sales and marketing, and procurement and logistic functions.

Continuous employee development

In 2006, the company identified the need to increase the depth of skills in various business disciplines and hence took a decision to start a continuous academic development initiative for employees from 2007. This will take the form of a bursary scheme for existing employees to enrol for relevant undergraduate degrees and will be supplemented by training programmes offered by the Arcelor Mittal University’s on-line training initiative.

Leadership development

Management and leadership development is regulated by our parent company, Arcelor Mittal’s Global Executive Development Programme (GEDP). This is a corporate initiative on talent management to enhance local bench strength and to build a globally mobile resource pool.
We recently completed a comprehensive analysis of the current leadership capability and bench strength in Mittal Steel South Africa and, as a result, various managers will be attending relevant training programmes locally and abroad to ensure alignment with the global Arcelor Mittal Leadership Framework. This model is based on focused interventions on an individual, team and organisational level and targets the three building blocks considered critical for leadership development:

- Business acumen;
- Relationship management; and
- Personal effectiveness.

<table>
<thead>
<tr>
<th>Formal management development training programmes</th>
<th>2006 participation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target group</td>
<td>Black/ female candidates</td>
</tr>
<tr>
<td>Senior management</td>
<td>13</td>
</tr>
<tr>
<td>Middle management</td>
<td>20</td>
</tr>
<tr>
<td>Front-line management</td>
<td>43</td>
</tr>
</tbody>
</table>

Knowledge management
Globally, Arcelor Mittal has outstanding knowledge management systems that allow information sharing on best practices and research and development from its global operations as well as industry partners. Apart from weekly, networking forums with world wide participation on marketing and operations priorities, Mittal Steel South Africa participates in Knowledge Management Programmes (KMPs) on a regular basis. These three- to four-day workshops bring functional experts in a particular discipline from across the Arcelor Mittal Group together to share knowledge, experiences and best practices for application across the business. KMPs addressing process technology and best practices in both operational and staff support disciplines were attended by Mittal Steel South Africa employees during the report period.

DIVERSITY MANAGEMENT
Since the inception of the Broad-Based Black Economic Empowerment (BBBEE) initiative, Mittal Steel South Africa has been taking a proactive role in ensuring the best possible approach is followed. The Codes of Good Practice as determined by the Department of Trade and Industry (DTI) inform our approach to employment equity to ensure we have a diverse workforce.

In 2005, the company set itself employment equity targets to be achieved over a three-year period. Various barriers to achieving these targets were also identified. These included a shortage of suitably qualified candidates from the designated groups in the technical/engineering disciplines; limited career advancement opportunities due to continuous labour reduction over the years; insufficient focus on individual development; and inefficient talent pipe-line planning.

In order to address some of these challenges, we selected 90% of our candidates for engineering bursaries, artisan training and graduate-in-training initiatives from historically disadvantaged backgrounds. We believe this long-term approach is more sustainable even though its benefits will take time to manifest themselves.
We have also made a concerted effort to recruit the best candidates from designated groups for positions that become available. However, the current scarcity of technically qualified personnel in the labour market means recruitment of such skills remains a challenge. Nevertheless, we experienced a marginal improvement in our diversity profile, largely because, on average, the attrition rate of employees from designated groups balanced the gains made via internal promotions and external recruitment. Looking to 2007, we have dedicated funds in the budget for the accelerated development of high-potential candidates from designated groups for middle and senior management positions.

<table>
<thead>
<tr>
<th>Occupational level</th>
<th>2006 % black</th>
<th>2006 % EE*</th>
<th>2005 % black</th>
<th>2005 % EE*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior management</td>
<td>17</td>
<td>17</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td>Professionals</td>
<td>21</td>
<td>35</td>
<td>19</td>
<td>32</td>
</tr>
<tr>
<td>First-line management</td>
<td>21</td>
<td>30</td>
<td>21</td>
<td>30</td>
</tr>
<tr>
<td>Other</td>
<td>61</td>
<td>65</td>
<td>61</td>
<td>65</td>
</tr>
</tbody>
</table>

*Including white females

**SAFETY – A DRIVING CONCERN**
Mittal Steel South Africa believes that safety is an integral part of its operations and that continuous improvement in this aspect is essential for the success of our organisation. We are committed to providing a safe and healthy workplace for our employees, visitors, contractors and labour broker employees, not only because we believe that it is moral, humane and ethical to do so, but also for important reasons of sustainability. By keeping employees and contractors safe from injury we are also protecting a valuable skills and talent resource. A good safety record helps to improve employee morale and increases Mittal Steel South Africa’s status as an employer of choice.

Our safety improvement programme involves training, mentoring and communication to all stakeholders and this helps to establish awareness and competence in health and safety issues. We believe that all injuries and occupational diseases can be prevented, hence our ultimate goal is for zero injuries and occupational diseases.

**Safety, health and environment (SHE) policy**
The fact that safety is a key area of concern is evident by the high level of commitment that the company’s leadership affords it. The SHE committee of the board is chaired by a non-executive director and attended by the CEO, COO, executive director Human Resources and various general managers from Mittal Steel South Africa’s production units. We believe that employee organisations have a critical role to play in the safety improvement programme and in 2006 a union representative was included, on a permanent basis, as a member of the SHE committee of the board.

**Implementation**
The committee meets on a quarterly basis and its function is to assist in setting standards, reviewing operational performance and advising on strategic options for further improvement. Decisions taken by the committee are cascaded down to employees at all levels via the general managers of each of the plants.
The committee also approved the existing SHE policy, which sets guidelines for effective safety strategies and procedures. The policy, which was widely communicated, is applicable to our own employees, visitors, contractors and labour broker employees performing work on our behalf.

The committee is supported by various specialised sub-committees and operational forums whose collective purpose is to ensure effective day-to-day coordination and implementation of SHE requirements throughout the organisation. These committees are part of a complex sub-structure which ensures the establishment of uniform SHE standards in the organisation.

**Involvement of contractors in the SHE programme**

Mittal Steel South Africa views contractors as key stakeholders when it comes to safety and the company includes contractor injuries in its internal and published statistics. All initiatives aimed at improving safety performance are equally applied to contractors and labour broker companies. Bonuses are derived from the combined safety figures for employees and contractors and this ensures that managers are further incentivised to increase contractor safety awareness and adherence to SHE policy guidelines.

A specific contractor safety management intervention, based on best practice in contractor safety, was launched in 2006 to ensure that all role players involved in contract work are aware of the company’s SHE requirements for executing contract work in a safe and environmentally friendly manner. This programme, covering all aspects of contract work from contractor selection to post contract evaluation, will be completed during the first half of 2007.

**Safety performance**

Mittal Steel South Africa’s primary safety performance indicator is the disabling injury frequency rate (DIFR) which includes lost time injuries and restricted work-day cases. During the past year, we improved our DIFR per million man-hours to 3.2, an 18% improvement on our 2005 performance. This performance reflects ongoing efforts to improve safety at all our operations.

Tragically, three contractors (two at Vanderbijlpark and one at Newcastle) and one full-time employee at Vereeniging were fatally injured during the year. We are saddened by these incidents, which occurred despite our increased efforts to eliminate work-related fatalities on our sites. Corrective actions were implemented to prevent recurrence of similar incidents. We remain committed to our goal of zero injuries.

Our overall performance for 2006 is reflected below.

**Disabling injury frequency rate (DIFR) per million man-hours (employees and contractors)**

```
Disabling injury frequency rate (DIFR) per million man-hours
(employees and contractors)
```

- **2002**: 6
- **2003**: 5
- **2004**: 4
- **2005**: 3
- **2006**: 2
Key developments in 2006

During 2006, we achieved significant progress in implementing our overall safety improvement plan. The aim of this plan is to achieve a sustainable positive safety culture throughout the organisation and we were encouraged by some of the positive developments that have emanated from this initiative. The following key initiatives were implemented during the year under review:

- **Management visibility programme**
  The role of management remains the most important element in establishing a positive safety culture and performance. In 2006 we implemented management safety walkabouts where managers, including senior management, spend dedicated time in the operations observing and discussing aspects of safety with employees on the shop floor.

  These safety tours demonstrate management’s commitment towards safety and provide employees with an opportunity to discuss their suggestions and issues with management. They also present management with an opportunity to assess the impact of the safety improvement programme on the shop floor.

- **Safety standards**
  We continued to review our safety standards to reflect changes in our environment and to include best practices. Our incident investigations and analysis indicated the need to review certain standards and to improve understanding by all employees and contractors on our sites.

  The standards reviewed include those associated with the health and safety of contractors, isolation and lock-outs, rail safety, working at heights, confined-space work and pre-task assessments. The implementation of this initiative was supported by an extensive training and awareness programme.

- **Competence**
  We believe that management is ultimately responsible for safety performance and should lead by example. We therefore further improved our performance management system to align it with this belief. In addition to our normal key safety performance indicators, we included a personal safety improvement plan in every manager’s performance contract. We also put significant effort into ensuring that our employees understand and appropriately execute their safety responsibilities.
• Training and awareness
Our health and safety training programme focuses on equipping employees with the necessary knowledge and skills to deal with the risks inherent to our operations. In 2006, our executive committee, under the leadership of the Chief Executive Officer, attended a safety workshop facilitated by Du Pont Safety Resources, where the role of senior management in implementing the safety programme was discussed and clarified.

• Indicators of performance
In addition to our injury statistics we implemented proactive safety indicators which focus on identification and correction of unsafe acts and conditions. We will continue to benchmark our methods to measure and record safety performance parameters to align with best practices.

• Health and safety management systems
We continued to make progress in implementing internationally recognised standards for managing health and safety. All our operations are certified under the OHSAS 18001 health and safety management system, an internationally recognised standard. The achievement of this milestone has assisted in establishing a uniform safety standard across our organisation.

COMPETENT IN SAFETY
In addition to our normal safety training, more than 5 000 employees were trained and declared competent in the behaviour audit process commonly known as the Safety Management Audit Technique (SMAT).

HEALTH AND WELLNESS
Occupational health and hygiene feature prominently in our SHE policy and programmes. The key sustainability indicator used in this regard is the occupational disease frequency rate (ODFR) which measures the number of occupational diseases reported per million man-hours worked.

A commitment to finding solutions
Managing and eliminating undesirable impacts that our operations may have on the health of employees, contractors and other stakeholders remains an important element of our health strategy. The company’s workplace health assessments cover all health risks inherent to our operations. Our occupational health and hygiene monitoring programme addresses issues relating to noise, exposure to chemicals and biological agents, ergonomics, heat and other physical and psychological hazards. Every work area is assessed in accordance with established health and hygiene standards and employees’ input is taken into account in making decisions to manage the identified risks.

The workplace health assessments for 2006 indicated that noise, dust and heat exposure remain our most critical and prevalent health hazards. To mitigate the risks to our employees, we promptly implemented engineering-corrective measures and ensured the proper use of personal protective equipment, where necessary. This was supported by an extensive training and awareness programme for employees and contractors.
The workplace continued

A comprehensive risk-based medical surveillance programme is in place to continuously monitor the health of our work force. Collectively, these interventions help the company to identify trends and highlight problems that require solutions.

**Occupational health performance**

The graph below illustrates the number of occupational diseases and frequency rates for the past five years. Mittal Steel South Africa is extremely proud of the significant improvements that have been made over time and these have strengthened our belief in our strategy to reduce occupational health problems. The downward trend in the ODFR is as a result of a number of interventions including engineering changes to our work environment, a massive awareness campaign, and stricter controls for the wearing of personal protective equipment. We will continue to monitor the processes and interventions that have been put in place and make changes and adjustments where necessary.

**Occupational health statistics**

![Graph showing occupational health statistics]

*Note: Occupational disease frequency rate (ODFR) calculated per million man-hours worked*

**Employee wellness**

Mittal Steel South Africa’s renewed emphasis on an integrated approach to the effective management of human capital highlighted the need to invest more holistically in the health of our employees. During 2007, we will roll-out programmes that have been outlined in a new employee wellness strategy. These include a disability management and substance abuse management programme. The HIV/Aids programme has already been implemented.

**Tackling the challenge of HIV and Aids**

Mittal Steel South Africa recognises that the HIV epidemic poses one of the greatest risks to the sustainability of our operations. Prevalence testing carried out during 2003/2004 on 85% of the workforce revealed a prevalence of 10%.
Our most important goal is to reduce the impact of the epidemic on our organisation and employees, and our strategy has thus been based on a behavioural change policy driven by the following three thrusts, which make up the offering of the support programme:

- Promoting personal knowledge of HIV status by employees;
- Facilitating access of HIV-positive employees to a support programme which monitors consistent compliance with treatment procedures as offered by external treatment networks; and
- Institutionalising effective governance structures to enhance visible leadership and advocacy at all organisational levels.

The target for the Know-Your-Status campaign in 2006 was 40% of the total workforce. At the end of the year under review, 94% of the target was achieved, with 4% of the cases testing HIV positive. The low prevalence of the disease in the tested population compared to the previous prevalence of 10%, as well as a relatively low take-up of the employee support programme by HIV-positive employees, are a concern. These behaviours still reflect high levels of distrust and fear of discrimination. A dedicated and sustainable behaviour change strategy is envisaged for 2007 to tackle these challenges.

Educational and awareness programmes are running on an ongoing basis. The following methods and media are being used:

- Poster campaigns to sensitise employees on their rights, importance of knowing their status and HIV and Aids prevention;
- Articles in the company or BU specific house journals;
- Industrial theatre as part of special events;
- Personal testimonies by HIV-positive individuals with a public profile;
- Personalised information during counselling part of the voluntary counselling and testing (VCT) events; and
- The availability of free condoms.

A behavioural change programme is visualised for 2007 – 2008 to target the vulnerable group of employees and address stigmatisation and perceptions in order to improve their access to VCT and support programmes.
Our impact in the marketplace

Managing the impact of our products and services in the marketplace is an important feature of being a responsible corporate citizen and Mittal Steel South Africa is continually looking for ways to optimally price and maximise the benefits of our products. This not only helps to improve the desirability and, therefore, sustainability of steel as a material, but also helps to ensure that it can be used as a tool to further the cause of sustainable development in other spheres.

STAKEHOLDER ISSUES
In identifying the key sustainability issues regarding its impact in the marketplace, Mittal Steel South Africa has drawn on a number of forums.

On the one hand government, through the Department of Trade and Industry (DTI) Codes of Good Practice, has provided a framework outlining the requirements of good corporate citizens within South African business and industry. These include the need to develop black empowered enterprises, which will not only help Mittal Steel South Africa to become compliant with the DTI’s Codes, but also help to secure its place in a transformed South African economy that allows for meaningful participation by black people.

Government, through the Competitions Commission and Competitions Tribunal, also acts as a watchdog on issues regarding the pricing and competitiveness of industry. The competitive nature of Mittal Steel South Africa’s steel prices is currently under scrutiny following matters brought to the Tribunal, and this has raised this issue to a high level of priority.

Other watchdog entities such as independent environmental groups and the media, as well as the general public and the communities in which Mittal Steel South Africa operates, have highlighted the importance of corporate responsibility in protecting the environment from harm. This has emphasised the need for responsible product stewardship that will ensure that our products do not cause harm to the environment at any point in their lifecycle.

With these concerns in mind, Mittal Steel South Africa has identified the following key marketplace sustainability issues:

1. **Product pricing**: pricing products in such a way that our domestic customers remain competitive in relation to international customers.

2. **Product stewardship**: cradle-to-grave product management to ensure products do not harm people or the environment.

3. **Enterprise development**: helping to develop and grow upstream and downstream steel enterprises, particularly among BBBEE companies.

4. **Product value**: producing products that improve the lives of customers and contribute towards sustainable economic growth.
PRODUCT PRICE: FINDING THE PRICE BALANCE

**World steel prices**

Global steel prices are largely influenced by the demand in China, whose steel production and demand for raw materials have increased dramatically in the past few years. Growing economies such as those in the Middle East and India have also contributed significantly to the world demand for steel and this demand, in turn, has increased the input costs of steel producers such as Mittal Steel South Africa. In the past, prices were lower but so were input costs. These world trends have initiated a market shift that has served to increase the overall cost structure in the global steel industry, contributing to higher prices than before.

**Domestic demand**

At home, Mittal Steel South Africa is awaiting the outcome of a matter brought before the Competitions Tribunal regarding the competitiveness of our steel prices. On the one hand, pricing needs to enable the growth of South Africa’s local infrastructure and ensure the country’s overall competitiveness in the overseas export market. On the other hand, it needs to be balanced with international drivers outlined above and more local factors such as the expected growth in local demand for steel, ahead of the government’s multi-billion rand infrastructure development programme. This includes the expansion of the electricity system, the upgrade and construction of new rail infrastructure and the refurbishment and building of stadiums for the 2010 Soccer World Cup. While this increase in local demand will reduce the company’s steel available for exporting, we aim to expand our facilities to meet the increased local market demand as well as to increase our exports to sub-Saharan Africa.

SEE ENVIRONMENTAL SECTION

For further examples of how Mittal Steel South Africa’s by-products are being disposed through environmentally friendly means.

**A new pricing model**

Historically, Mittal Steel South Africa’s steel prices were dictated by an import price parity model. According to this model, the company benchmarked its domestic prices against the next best alternative for the domestic market. However, prior to the Competitions Tribunal matter and following concerns raised by government, the DTI and customers, Mittal Steel South Africa adopted a new pricing model in January 2006. This developmental pricing model aims to put South African customers on an equal footing with customers elsewhere in the world and, as such, benchmarks our prices against domestic prices from a basket of four countries, namely China, Germany, the United States and the Commonwealth of Independent States (former USSR). An average is calculated based on prices in these countries and then converted to Rands using the exchange rate.

**A more stable steel environment**

While steel prices might, on average, be higher, Mittal Steel South Africa believes that the global outlook on steel is more positive than in the past. Global consolidation that has taken place across the steel sector (the Mittal Steel Company N.V. and Arcelor SA merger is a leading example) will serve to stabilise the industry. Although we will still see similar steel cycles as we have done in the past, the troughs and peaks of these cycles will be flattened, reducing the risk of boom and bust-type undulations. Ultimately, a more stable industry is a more sustainable industry and one that will serve customers better over the long term.
PRODUCT STEWARDSHIP
The steel products made by Mittal Steel South Africa find their way into hundreds of products, industries and applications. Although we do not have control over them when they leave our operations, we believe it is our responsibility to ensure that the products we make do not have a negative impact on society and the environment. There are two main issues we need to manage: recycling and waste/by-products.

Recycling
Steel is fortunately one of the most recyclable materials in the world and Mittal Steel South Africa has proactively initiated large-scale successful recycling projects such as Collect-A-Can. We also purchase large quantities of steel scrap that are melted in our furnaces together with internally generated scrap as part of our steelmaking process. The demand for steel scrap created a thriving scrap dealing industry in South Africa which employs thousands of people.

Waste and by-products
Our most pressing sustainability issue in this regard is the environmental impact of waste and by-products. However, the steelmaking process produces waste and by-products in the form of slag. Although some of this material is still disposed on waste sites, we are continually investigating new ways of processing it to increase its usability.

The new brick-making plant opened in Vanderbijlpark is a prime example of how this cradle-to-grave approach to product management can reap sustainable rewards for multiple stakeholders. The initiative is the result of research conducted into how to make better use of Basic Oxygen Furnace (BOF) slag. With its high sulphur content, BOF slag is unsuitable for conventional bricks bound for plastering and painting, because the sulphur causes peeling of the paint. Multi-Serv, one of Mittal Steel South Africa’s existing customers, now uses the slag to make blocks for separation and retaining walls that don’t require painting. The company has identified a BBBEE partner for the business, which will supply Mittal Steel South Africa and other external customers with these bricks. In a true win-win situation, Mittal Steel South Africa is thus able to reduce the impact of waste on the environment, provide a BBBEE company with ongoing business and increase its own BBBEE scorecard ranking.

DEVELOPING ENTERPRISES FOR A STABLE SUPPLY CHAIN
Developing black empowered enterprises plays a key role in opening up previously unexplored local markets for Mittal Steel South Africa, establishing a consistent supply network and increasing its compliance with the DTI Codes of Good Practice.

With this in mind, the company is in the process of establishing a downstream development fund to the value of R250 million. This fund has been earmarked for Qualifying Small Enterprises (QSE) that participate in the steel industry and its objective will be to fill the funding gaps that commercial financial institutions are unable to fill. It will receive R50 million in annual funding, which will be used to help develop start-up ventures and existing businesses that manufacture finished goods such as gas cylinders, stoves, kitchenware, window frames, fencing and palisades, garage doors, steel housing and automotive components. Over the next five years, we hope to establish an enterprise development forum in partnership with external stakeholders – in particular institutions of higher learning. This forum will guide the development and growth of qualifying
small enterprises in the engineering field and ensure continued support through developmental interventions such as:

- **Mentorship**: on-the-job business exposure to sub-contracting opportunities and mentor-protégé business partnerships;
- **Networking**: business exposure at BBBEE vendor exhibitions; and
- **Workshops**: sponsored courses on project management, quality management, financial management and tendering.

We believe that this intervention will have far-reaching implications in creating a sustainable pool of small enterprises, particularly in areas identified under the Jipsa programme.

**PRODUCT VALUE: STEEL AS A SUSTAINABLE MATERIAL**

The steel produced by Mittal Steel South Africa provides customers with one of the strongest and most versatile materials known to man. It can be recycled over and over again, no matter how old it is, without losing its inherent strength or value. Steel also provides the vehicle through which man has been able to develop sustainable solutions to the challenge of using limited resources, energy and materials efficiently. It helps to foster development and add value to our everyday lives in countless different ways, including:

- **Water**: the inadequate supply of clean safe drinking water, particularly in rural communities, is one of the biggest developmental challenges facing the country. Steel rainwater storage tanks, filters at water treatment plants and steel pump and pipe infrastructure all contribute towards making fresh water accessible to more South Africans.
- **Agriculture**: the mass mechanisation of farming, due in part to steel products has ensured food security in urban South Africa and enabled the economy to develop a thriving food export market. It also offers hope for rural communities who currently rely on inadequate subsistence farming methods.
- **Environment and energy**: With the threat of global warming and climate change comes the need to make more efficient use of natural resources. Steel, used in the construction of wind turbines and solar panel systems, helps to make clean and renewable energy available. The recyclability of steel allows steel producers to conserve energy in the production process and remove steel scrap from the environment.
- **Housing**: Lightweight, durable steel structures, such as those Mittal Steel South Africa is currently researching for a joint project with South African Women in Construction, may help to meet South Africa’s pressing need for safe, strong, low-cost housing. Already, many thousands of obsolete shipping containers are used to improve life and business in the informal sector, from cell phone kiosks to training centres.

**CONCLUSION**

In 2007, Mittal Steel South Africa will continue to work towards providing steel products that benefit society and towards developing small enterprises within the steel industry, all the while adhering to the principles of sustainable business practice. The relevant DTI Codes of Good Practice will inform the formulation of policies and strategies that govern our behaviour in the marketplace.
Committed to caring for the environment

Mittal Steel South Africa is committed to sound environmental management and the principles of sustainable development (environmental pillar) are included in our safety, health and environment (SHE) policy which provides the framework for setting objectives and targets within the group.
TARGETING A LEGACY OF ENVIRONMENTAL CHALLENGES

Many of Mittal Steel South Africa’s environmental challenges are the residual consequence of a legacy of previous environmental management approaches, rather than current poor environmental policies. The company is committed to meeting the challenge of rectifying these ‘legacy issues’ by bringing to bear the world-class knowledge, expertise and systems with which it currently approaches environmental management.

BACKGROUND

The issue of environmental damage is becoming increasingly prominent as concerns grow about the damage caused by air and water pollutants. Destruction of habitat due to pollution and the effects of industry have brought about a sharp decrease in biodiversity and an increase in the extinction rate of many species. The global steel industry is a significant emitter of greenhouse gases and we recognise that we have a responsibility to contribute towards the achievement of environmental sustainability.

The Kyoto Protocol, which came into effect in 2005, served to draw attention to the seriousness of the problem and the urgency with which it needs to be dealt. The international agreement, which builds on the United Nations Framework Convention on Climate Change, has set targets and timetables for cutting greenhouse gas emissions. Although classified as a developing nation, South Africa has signed the protocol and has a role to play in emission credit trading.

The steelmaking process uses a considerable amount of carbon and as such, it is a significant contributor to CO₂ emissions. In addition, steelmaking places huge demands on water resources and can contaminate them with pollutants. The waste products rendered when steel is made can further pollute the environment if not managed properly.

As a global corporate citizen concerned about the welfare and sustainability of the environment, Mittal Steel South Africa accepts its responsibility to take active steps to curb the destruction of the planet. As such, we are committed to decreasing air emissions; energy consumption; targeting waste through material efficiency and recycling; and developing systems and processes that will afford our plants zero-effluent discharge status.

THE STAKEHOLDER APPROACH TO ENVIRONMENTAL SUSTAINABILITY

One of the challenges involved in tackling the world’s environmental problems lies in the fact that the environment belongs to everyone and no one in particular. On a macro level, the stakeholders include governments, scientists, international environmental groups and independent third party ‘watchdog’ organisations appointed to protect the interests of the environment, of which the United Nations is the most prominent. Engaging with these stakeholders allows an organisation like Mittal Steel South Africa to remain aware of the latest developments in environmental protection, as well as the expectations it is required to meet.

The International Iron and Steel Institute (IISI), the global forum for the steel industry, engages with these high level stakeholders on behalf of its members, of which Mittal Steel South Africa is just one. In response to the United Nations Framework Convention on Climate Change, it
formulated a Sustainable Development policy that supplied a framework for the identification of key sustainability indicators which the world steel industry could pursue. As a member, Mittal Steel South Africa subscribes to this commitment, using it as a guide and benchmark to drive sustainability developments in the organisation.

Mittal Steel South Africa has also been engaged in conversations on sustainability with the South African government, a key stakeholder tasked with protecting our local environment for the current and future use of all South Africans. The company’s Environmental Master Plans were formulated in conjunction with government and authorities at a national and provincial level. Where the focus has to date been on water-related pollution, the focus is now shifting to air pollution and the company intends to implement an emission reduction strategy to account for work conducted to date and future improvement projects in order to reach the required emission reductions.

The company has accepted that its biggest social responsibility is to reduce pollution levels, especially at its older plants in the Vaal Triangle. As such, our environmental strategy takes into consideration the wellbeing of communities in the areas in which we operate, as well as legislation.

POLICY AND COMMITMENTS
Mittal Steel South Africa is committed to sound environmental management and the principles of sustainable development (under the Environmental pillar) are included in our Safety Health & Environment policy, which provides the framework for setting objectives and targets within the group. This policy is given the highest level of consideration, having been established by the executive committee, which is chaired by the Chief Executive Officer.

As part of the company’s environmental strategy, long-term objectives were formulated during 2006 and various projects are planned at our manufacturing facilities to ensure achievement of these objectives. Our environmental objectives are:

- To improve energy efficiency by 15% by 2014. The year 2000 is to be considered the baseline;
- To reduce CO₂ emissions per tonnes of crude steel produced by 7% by 2014. The year 2005 is to be considered the baseline;
- To achieve and maintain ambient PM10 dust levels of 40μg/m³ (annual average) measured along the fence line;
- To reduce water abstraction per tonne of crude steel produced by 40% by 2010. The year 2005 is to be considered the baseline; and
- To achieve a material efficiency rate of 95% by 2010.

Both the SHE policy and these objectives are underpinned by worldwide best practices, benchmarking and engagement with stakeholders on environmental issues. They are also in line with the IISI Policy on Sustainable Development as outlined in 2003 and subscribed to by Mittal Steel South Africa. The company played an active role in the development of sustainability indicators, together with other IISI members in order to provide a systematic means of measuring
progress within the iron and steel industry. Data collected can be used to benchmark the industry against world standards, and to benchmark individual companies against each other, against world standards and against their own previous performance. Mittal Steel South Africa pursues the following sustainability indicators to measure its progress:

- Energy intensity;
- Greenhouse gas emissions;
- Particulate and sulphur dioxide (SO₂) emissions to atmosphere;
- Water consumption and abstraction;
- Steel recycling;
- Material efficiency; and
- Environmental management system (EMS) certification.

In addition to the pursuance of the above indicators the company has increased its focus on reducing air emissions, hence a revised air emission reduction strategy will be implemented during 2007.

**ENERGY CONSUMPTION AND CO₂ EMISSIONS**

We have accepted the challenge to reduce CO₂ emissions to the atmosphere, something that is inextricably linked to energy consumption. If our plants can use energy more efficiently and make use of gases that are traditionally flared into the atmosphere as waste, our consumption and emission figures can still be reduced significantly. Given the cost of energy, this issue is driven by business needs for sustainability and profitability as well.

It is an issue that has the highest level of commitment from the organisation. A strategy incorporating various improvement projects was drafted in 2006 after the establishment of a dedicated energy management department. This group was tasked with identifying and implementing opportunities to reduce energy consumption and associated CO₂ emissions. One of the most important projects currently in the planning phase is the construction of a 130 Megawatt power plant at the Vanderbijlpark plant, which will utilise large volumes of gas that are currently flared to the atmosphere. The associated CO₂ saving will amount to 670 000 tonnes per annum.

**ISO 14001 CERTIFICATION**

All Mittal Steel South Africa’s major manufacturing facilities are certified in accordance with the ISO 14001 standard for environmental management systems, with the exception of the satellite Dunswart and Pretoria operations. Whilst Pretoria Works is not scheduled for certification due to closure of operations, Dunswart is in line to achieve this milestone by 2008. Calculations show that 96% of our employees work in ISO 14001 certified facilities, a figure that is higher than the world average for the steel industry of 89%.
We were able to compile comprehensive CO₂ inventories for all production facilities:

**CO₂ emissions at Mittal Steel South Africa**

![CO₂ emissions graph]

**Energy consumption of Mittal Steel South Africa**

![Energy consumption graph]

---

**VARIABLE SPEED DRIVE PUMPS SAVE ENERGY**

A variable speed drive allows a company like Mittal Steel South Africa to save on energy consumption. While an ordinary speed drive pump can only run at one speed and with a fixed pumping capacity, a variable speed drive has the capacity to adapt to different load sizes, pumping slower if there is less water and thus saving energy and reducing emissions. A project to implement such pumps has been initiated at the Saldanha plant.

---

**Committed to caring for the environment** continued
EMISSIONS TO AIR
We have accepted the challenge to reduce emissions to the atmosphere and a strategy incorporating various improvement projects will be implemented in 2007. One of the obstacles encountered as part of the strategy compilation is that air pollution inventories for the manufacturing facilities lack sufficient detail as to various pollutants. With one or two exceptions, data on ground-level and fugitive emissions was also not adequate at our manufacturing facilities. Part of the strategy will address the need to compile comprehensive inventories for all the production facilities during 2007. This will form part of a risk-based approach that will assist with the prioritisation of improvement projects and will also enable us to better quantify our impact on the receiving environment in years to come.

Good progress was made in monitoring pollutants in the ambient air at most of our manufacturing facilities over the past three years. Ambient monitoring systems were installed at the Vereeniging plant to establish the status quo during 2006. Levels measured at the Vanderbijlpark and Newcastle plants during 2006 and in previous years are unfortunately higher than the levels proposed in the new air pollution legislation but, having identified the problem, we are confident that our new strategy will reduce these to the required level.

Making progress
The company has taken a bold step in its environmental strategy to adopt a long-term goal of achieving annual average PM10 values of below 40 μg/m³ in ambient air. Already, progress has been made.

• Vanderbijlpark plant
  The Vaal Triangle, in which Mittal Steel South Africa’s Vanderbijlpark and Vereeniging plants are situated, has been declared a Priority Airshed Area and the company has made significant strides in achieving the goal of cleaner air in this area:
  – The discontinuation of dosing spent pickling liquor at the sinter plant during the first quarter of 2006 has reduced particulates by more than 40% or 4 355 tonnes per annum.
  – The coke plant gas and water cleaning project scheduled for completion by end of Q1: 2007 at a cost of R310 million will also have a tremendous positive impact, reducing sulphur dioxide (SO₂) emissions by 43% or 5 863 tonnes per annum.
  – The sinter clean gas project has been delayed due to the mechanical failure of a key component during commissioning of the system. This has now been corrected, with the anticipation that the first module will be in operation by end of Q2: 2007, and the complete system by end 2008. Once complete, it will reduce particulate emissions by a further 2 781 tonnes per annum (28% of base load of 2004), and SO₂ emissions by a further 3 679 tonnes per annum (27% of base load of 2004). The total cost of this project will amount to R270 million.

• Vereeniging plant
  A project has been approved to install a new dust and fume extraction system at the electric arc furnace meltshop of the Vereeniging plant. Although it is difficult to quantify the anticipated improvement in dust emissions, Mittal Steel South Africa is confident that the visible emissions escaping from the meltshop will be a thing of the past, and that PM10 emissions in the surrounding area will reduce significantly. The cost is R80 million.

• Newcastle plant
  This operation is in the process of completing a sulphur recovery plant for coke oven gas which will result in a 30% to 40% (around 1 600 tonnes per annum) reduction in SO₂ emissions. Total project costs amount to R48 million.
Committed to caring for the environment continued

Particulate emissions of Mittal Steel South Africa 2006

SO₂ emissions of Mittal Steel South Africa 2006
WATER USAGE AND POLLUTION

Water

Because steelmaking is water intensive, Mittal Steel South Africa acknowledges its responsibility to save water, something of particular importance in a water scarce country. By re-using water, our operations can become zero-effluent discharge plants and this is where we have focused our attention with the implementation of an Environmental Master Plan, to which the company committed R1 billion. The first implementation phase of this plan tackled the challenge of reducing water usage and pollution, while the second phase in the form of a revised emission reduction strategy will concentrate on reducing air pollution.

The results of this Master Plan have paid off. The progress and achievements made the Vanderbijlpark plant something of which Mittal Steel South Africa is extremely proud. In a R222 million project commissioned in 2006 a water treatment and desalination facility – the Main Water Treatment Plant – resulted in the operation achieving a zero-effluent discharge status. This remarkable achievement equates to a 46% reduction in water abstraction and, as the Vanderbijlpark plant is the biggest plant within the group, this reduction manifests itself significantly in the water abstraction figures for the organisation.

A similar project is in progress at the integrated Newcastle plant. All treatment processes are completed, apart from a crystalliser plant which will be completed in 2008, and the operation is well on its way to achieving the same zero-effluent discharge status. This will contribute towards further abstraction reductions for the group.

The integrated Saldanha operation has been a zero-effluent plant since its inception; comprehensive water treatment and desalination processes ensure that all process effluent is re-used. The plant has a water consumption figure of 2.2m^3/tonnes of crude steel produced – an accomplishment comparable with world-class figures.

A water consumption strategy will be finalised for the Vereeniging plant, the smallest plant within the group, in order to improve its effluent quality and consumption.

Water abstraction of Mittal Steel South Africa (m^3/tonnes crude steel)

Only the company’s Newcastle and Vereeniging operations have effluent streams that are still released into natural waterways, the biggest effluent having ceased in March 2006 with the commissioning of the Vanderbijlpark Main Water Treatment Plant. Both the Newcastle and Vereeniging plants have experienced effluent quality challenges, which is why we are
implementing a water consumption strategy at Vereeniging and a zero-effluent discharge project at Newcastle.

**Challenges presented by desalination**
The total re-use of water unfortunately presents other challenges, one of which is the increase in salt production due to desalination. All salts from Mittal Steel South Africa plants are currently disposed of at permitted hazardous waste facilities. Looking forward, investigations are underway into processes that will allow the separation of more useful salts like NaCl and CaSO₄ (gypsum) from the less desirable salts in order to reduce this waste stream.

**BY-PRODUCTS, WASTE MANAGEMENT AND MATERIAL EFFICIENCY**

**By-products**
Mittal Steel South Africa produces over 7 million tonnes of liquid steel per year. During the steelmaking processes, a total of 5 million tonnes per year of by-products arise, for which there are currently three destinations: sales to external customers; internal re-use (or recycling); and disposal (or storage). Re-use, both internally and externally, is the most desired destination for Mittal Steel South Africa’s by-products. External sales of by-products contribute to Mittal Steel South Africa’s income while internal recycling contributes to raw material cost reduction in the iron and steel production processes.

The largest portion of by-products comprises various slags and, after metal recovery and processing, these materials are used as aggregates in the civil industry, clinker replacement in the cement industry and as a liming substance in agriculture. The tar, benzene, ammonium sulphate and other chemical compounds that are generated in the coking process during iron manufacture are purified and also sold to the chemical and civil industries. Some by-products such as dusts and sludges still have a significant iron content and are sold into various markets. It is encouraging to see that certain by-products have become the preferred material in the various markets Mittal Steel South Africa services.

**Mittal Steel South Africa by-products (million tonnes)**

![Mittal Steel South Africa by-products chart](chart)
We currently sell and recycle 65% of the by-products generated, compared with 60% and below of previous years. The remainder – pure waste – is disposed of, predominantly in landfills. Non-hazardous waste is disposed of at the manufacturing facilities and hazardous waste at external and internal facilities that conform to legislated requirements.

**Material efficiency**

Mittal Steel South Africa’s material efficiency rate is currently about 75% but this is being closely monitored and we are committed to achieve an efficiency rate of 95% by 2010. This figure is inextricably linked to by-products that simply cannot be sold or re-used i.e. pure waste. This is calculated as the liquid steel tonnage produced minus the waste tonnage, divided by liquid steel tonnage and expressed as a percentage. So the material efficiency percentage will increase as waste decreases. The active management of this indicator therefore motivates our manufacturing facilities to reduce the amount of waste.

In order to achieve its material efficiency objective, Mittal Steel South Africa created a dedicated service section within the Coke and Chemicals division to conduct research and identify opportunities in this field. At the Vanderbijlpark plant, a clay brick manufacturing facility was completed in 2006 and the first commercial sales from this plant will commence early in 2007. During the initial stages dolochar, a by-product from Directly Reduced Iron (DRI) kilns, will be used together with clay, but it is envisaged that various other undesirable by-products could become preferred raw materials for this process.

At the Newcastle Works, Basic Oxygen Furnace (BOF) slag has developed into the aggregate of choice for highway construction (the N3 highway in particular, amongst others). Transport costs of the BOF slag still remain a challenge and limit the use to a certain radius around Newcastle. Mittal Steel South Africa often finds itself in competition with various quarries for the supply of aggregate, but as it becomes more difficult to commence with new quarry operations, and because Mittal Steel South Africa’s aggregates are more attractive from a sustainability perspective, our targets are within reach.
Committed to caring for the environment continued

Looking forward
Focus areas and projects to achieve Mittal Steel South Africa’s material efficiency target during 2007 include:

• Developing further markets for Basic Oxygen Furnace (BOF) and Electric Arc Furnace (EAF) slags;
• Separating carbon from the dolochar waste stream for use in the steelmaking processes;
• Improving the recycling of undesirable by-products in the sinter processes; and
• Improving on the efficient use of raw materials which have a cost benefit.

RECYCLING
Mittal Steel South Africa actively tracks the amounts of scrap steel being consumed for the production of crude and new steel products that are of value to society. We are proud of the fact that we produce a product that is the most recycled material in the world according to a worldwide study conducted by the International Iron and Steel Institute. More than 95% of all steel products are recycled at some stage during their life cycle with the remainder ending as sunken ships, foundation reinforcing, iron oxide or rust and on disposal sites. The value offered to society by our products together with the high recycling potential puts our industry on the right path towards sustainable development.

On average 19% of scrap steel is used in our processes to produce crude steel. This figure could be interpreted as low, but one needs to consider the nature of Mittal Steel South Africa’s processes and the availability of scrap. When considering the current demand for steel, both locally and abroad, only about 50% of steel can be produced from scrap steel, necessitating the more energy-intensive iron ore route to be followed to produce the remainder.

LAND RESOURCES AND BIODIVERSITY
Mittal Steel South Africa’s manufacturing facilities and the land surrounding them often sustain a rich tapestry of wildlife due to our ownership of large tracts of undisturbed land, the application of site greening activities and environmental awareness amongst our employees and contractors. The Spreeuwalle Dunefield at our Saldanha plant is an example of a pristine coastal zone which Mittal Steel South Africa has protected as these specific habitats are fast disappearing on the west coast of South Africa. On the larger tracts of land surrounding our facilities, commercial farming activities including game keeping are exercised within strict environmental requirements to ensure the sustainable use of land. A land management agreement is in place with a specialist company to render this service to Mittal Steel South Africa.

Mittal Steel South Africa’s remediation effort currently focuses on four historic or ‘legacy’ disposal (landfill) sites which pose a potential threat to the environment and need to be managed. Various investigations were conducted to determine the footprint of these sites and a fair amount of investigative work will flow over into 2007. Unfortunately, many of the disposed materials found on these sites cannot be recycled or sold, making treatment and re-disposal on lined disposal sites the option of choice, especially for materials that are potentially hazardous.
The final stage of the Master Plan to reduce ground and water pollution will take effect with the planned closure and remediation of the existing waste disposal sites at Vanderbijlpark. Mittal Steel South Africa will utilise new waste disposal facilities that will be lined in accordance with the latest regulations.

Due to the fact that our operations date back to 1922, some of Mittal Steel South Africa’s landholdings could be classified as contaminated. We regard land as a valuable resource for future generations and, where the condition of historically degraded land constitutes a potential environmental risk, we take steps to manage this. The Pretoria Works is in a state of partial decommissioning and rehabilitation with one coke battery and a rolling facility still in operation. Mittal Steel South Africa is in the process of transforming this old plant into an industrial hub for light industry, a process that commenced in the late 1990s. Large amounts of slag were reclaimed, processed and sold to the civil industry from the Pretoria site to date as part of the remediation process.

LISTENING TO CONCERNS AND ENSURING COMPLIANCE

<table>
<thead>
<tr>
<th>Operation</th>
<th>Issue</th>
<th>Resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanderbijlpark plant</td>
<td>Notice from the local Municipality about the presence of naphthalene in the sewage water.</td>
<td>This problem was solved when leaking pipes were found and repaired.</td>
</tr>
<tr>
<td></td>
<td>Notice from the Department of Environmental Affairs and Tourism about fugitive emissions escaping through the meltshop roof and questions posed relating to maintenance in the coke area due to unacceptable levels of fugitive emissions.</td>
<td>A new dust and fume extraction system at the electric arc furnace meltpshop has been approved at a cost of R80 million. A long-term strategy to replace existing battery operations with latest technology is in progress.</td>
</tr>
</tbody>
</table>
Committed to caring for the environment

<table>
<thead>
<tr>
<th>Operation</th>
<th>Issue</th>
<th>Resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vereeniging plant</td>
<td>Directive issued by the Department of Environmental Affairs and Tourism that control measures need to be implemented at the Dunswart plant (DRI kiln) to reduce fugitive emissions, specifying the product handling plant, dust spilling from conveyors and an ineffective mechanical sweeper.</td>
<td>Some of the solutions are longer-term and we can state that the problem has been partially solved.</td>
</tr>
<tr>
<td></td>
<td>Notice issued by the Department of Water Affairs and Forestry that during January, February and March the effluent guidelines were exceeded regarding iron (Fe), sodium (Na), oil, fluoride (F⁻) and chloride (Cl⁻). During August and September effluent guidelines were again exceeded.</td>
<td>The situation generally has improved with only fluoride exceeding the standard for prolonged periods. Plans to reduce the fluoride levels are in progress.</td>
</tr>
<tr>
<td></td>
<td>The Department of Water Affairs and Forestry issued a directive prohibiting the further disposal of electric arc furnace (EAF) dust at the Vaal landfill site due to its hazardous nature.</td>
<td>Mittal Steel South Africa took immediate action and this dust is now disposed of at an approved hazardous waste facility.</td>
</tr>
</tbody>
</table>

The Newcastle and Saldanha operations did not receive any directives or notices of non-compliance, although Saldanha received one complaint regarding fugitive emissions escaping through the meltshop roof. Actions to implement an optimal solution are in progress.

A court case on the damages claim filed by two owners of smallholdings on the western part of the Vanderbijlpark plant was postponed indefinitely and no progress was made during 2006. The claim relates to alleged health and commercial losses suffered as a result of environmental pollution. A settlement was amicably reached with one of the complainants which leaves one family as an applicant in this case. We will continue with our positive cooperation in this process.
Society and community as stakeholders

OUR CSI APPROACH
Corporate Social Investment (CSI) is centralised within the company and driven by a CSI policy that outlines goals and focus areas. Mittal Steel South Africa takes a holistic approach to corporate social investment, focusing on projects that will achieve maximum impact in meeting the broad range of community needs.

OPEN ENGAGEMENT
Mittal Steel South Africa recognises the importance of regular and open communication with its CSI stakeholders. Only by engaging with them in a meaningful way can we achieve our goal as a caring corporate citizen of meeting the needs and improving the lives of the people most immediately affected by our business. In identifying what these needs are, the company engages in a consultative process with partners and stakeholders on both national and local level.

With regards CSI, Mittal Steel South Africa sees its stakeholders as the community members in the areas in which it operates, particularly those historically disadvantaged ones, as well as national and local government. Government imperatives that highlight general social development challenges inform Mittal Steel South Africa’s CSI projects and focus areas, while a CSI committee in each plant identifies local community needs through direct engagement with stakeholders.

In particular, the engagement forums in place at the Vanderbijlpark plant are especially effective. They include quarterly business participative forums with trade unions where social issues are discussed, as well as a forum with the Emfuleni Local Council which meets every second month.
Boipatong Township has a public participation forum which was initiated to address environmental issues but that is also used to discuss community issues. This forum meets on an annual basis and includes councillors, community members, Mittal Steel South Africa representatives and Vanderbijlpark Estate Company (Vesco) staff.

Work still remains to be done at Mittal Steel South Africa’s other plants, where formalised community forums are not yet in place. To rectify this, a proposal on the establishment of stakeholder forums has been compiled and will be presented to company management for implementation in 2007.

Mittal Steel South Africa’s CSI programme is underpinned by the following principles:

- Addressing socio-economic imbalances;
- Contributing to meaningful transformation;
- Aligning objectives with government programmes such as ASGISA (Accelerated and Shared Growth Initiative of South Africa);
- Empowering historically disadvantaged communities to become self-sufficient; and
- Promoting employee participation in social projects.

Multiple challenges
Mittal Steel South Africa’s main operating areas are situated in the Vaal Triangle (specifically Vanderbijlpark and Vereeniging), Newcastle and Saldanha and our key stakeholders are the communities living in these areas. Not only do they make up the majority of our labour force, but their homes, schools, hospitals and broader living environment fall within close proximity to our plant operation and are thus most directly impacted by them. These communities, particularly those that fall into the historically disadvantaged group, face multiple challenges including poverty, HIV and Aids, poor infrastructure, lack of skills training and education facilities and very high levels of unemployment. The search for solutions to these problems drives many of Mittal Steel South Africa’s CSI initiatives.
Vanderbijlpark and Vereeniging

The Vanderbijlpark and Vereeniging communities are in relatively close proximity and face similar challenges. The Vanderbijlpark townships of Boipatong, Bophelong, Evaton, Loch Vaal, Sebokeng, Sharpeville, Tshepiso and the Vanderbijlpark suburbs are home to approximately two million people. Community members in Vereeniging number around 1.8 million people who reside in the Vereeniging suburbs, Meyerton, Eikenhof, Walkerville, Henley-on-Klip, Randvaal, Risiville, Suikerbosrand, Sicero, Roshnee, Rust-Ter-Vaal and Orange Farm.

One of the biggest challenges facing these communities is unemployment and the attendant problems of poverty. Forty-eight percent of the economically active population is unemployed and 46% live below the poverty line. Education is the other major challenge; the secondary schools in the area had the worst Matric performance in Gauteng in 2006 and this will negatively impact on the next generation’s ability to pull itself out of the poverty cycle that currently exists.

Newcastle

Around 900,000 people live in the Newcastle suburbs, Madadeni, Blaubosch, Ozisweni, Utrecht and Paulpietersburg. Newcastle is in the province hardest hit by the HIV and Aids epidemic and the disease and its attendant problems of orphaned and vulnerable children, a need for home-based care and a reduction in the economically active, 'breadwinning' sector of society make themselves felt in these communities.

Saldanha

Saldanha is home to about 90,000 people who reside in the communities of Saldanha, Langebaan, Veldrif and Vredenburg. These communities also experience education-based challenges, with maths and science performance in particular being an area of concern. Although Saldanha’s HIV and Aids infection rate appears to be lower than in the Vaal or Newcastle areas, a high unemployment rate remains a common problem.

FOCUS AREAS

Mittal Steel South Africa’s primary CSI focus areas are education (with special emphasis on maths and science), housing and job creation, while health (mainly HIV and Aids), environment and sport development are secondary. In addition to being driven by engagement with stakeholders, government imperatives and community needs, these focus areas were derived by the need to align CSI initiatives with Mittal Steel South Africa’s business strategy. For example, education forms a key focus area because it meets the business’ need for qualified engineers, technicians and artisans, while job creation is important to combat periods in the past where Mittal Steel South Africa was forced to downsize some of its operations.

A SYMBIOTIC RELATIONSHIP

Mittal Steel South Africa’s business and the communities in which it operates exist in a closely bound symbiotic relationship, the successes and challenges of one having a direct impact on the welfare of the other. This is particularly true because the company is often the chief industry and source of employment in many of the communities in which it operates. Without Mittal Steel South Africa, these communities would struggle to exist and without the communities from which it draws its labour, skills and expertise, Mittal Steel South Africa too would face an uncertain future. Therefore, for the business to be sustainable, it is imperative that it operates in stable and thriving communities.

Benefiting the country

This said, however, it is important to note that Mittal Steel South Africa’s CSI interventions are not based only on meeting its own needs. The company recognises the importance of a healthy
Society and community as stakeholders continued

The education and training initiatives are useful examples of this ‘overflow effect’. Mittal Steel South Africa’s various training programmes will educate more people than Mittal Steel South Africa itself will require, in this way adding to the country’s talent pool in the engineering disciplines. For example, our intake of artisans is double what the company requires for its own purposes. In addition to our university bursary scheme, we also provide training to non-bursaried graduates who require hands-on experience in order to become more eligible for employment.

SPEND
Although the CSI budget has not yet been linked to percentage of company profit after tax, this is a key priority for 2007, especially following the new Code of Good Practice issued by government. During 2006, however, great strides were made to motivate an increase in CSI spend. The total CSI spend for the 2006 financial year amounted to R23.6 million, which is an increase of 103% over the spend for 2005 of R11.6 million. This increase allowed for, amongst other things, the establishing of our flagship project, the Mittal Steel South Africa Science Centre.

INITIATIVES
Education
Education accounts for the biggest area of spend in Mittal Steel South Africa’s CSI portfolio at 42.96%, with R10 million being spent on education-related CSI projects in 2006. Most of these projects focused on improving the maths and science skills pool, either at secondary or tertiary level, in response to a countrywide shortage of skills in the engineering fields. This situation is largely due to the fact that learners do not follow the science disciplines and because there are

Vesco (Vanderbijlpark Estate Company) Community Services, a Section 21 company with a long history of community partnership with Mittal Steel South Africa, acts as an agent for the company in the management and implementation of many of its CSI projects.
inadequate facilities and a shortage of qualified educators in many schools, particularly those that serve historically disadvantaged communities. This shortage directly affects Mittal Steel South Africa’s sustainability as the company relies heavily on skills from the engineering sector. In addition, a lack of graduates sufficiently skilled in the fields of maths and science has a knock-on effect on the infrastructural and economic development of the country as a whole, thus negatively impacting South Africa’s sustainability and ability to be globally competitive.

**Mittal Steel Science Centre – towards sustainable education**

In order to make a sustainable contribution towards addressing the problem, Mittal Steel South Africa initiated the Mittal Steel Science Centre in 2006, in partnership with the Gauteng Department of Education. This flagship project accounted for R8.5 million of the 2006 CSI budget and provides a centralised maths and science facility for learners and educators in the Vaal region. It is equipped with state-of-the-art classrooms, laboratories and an interactive science exhibit centre, where learners have the opportunity to experience hands-on experiential learning, something most of them are unfamiliar with.

Since opening in July 2006, the centre hosted 1 250 Grade 10 learners from 12 schools, who received tuition in the Department of Education curriculum in maths and science. In order to ensure that its benefits extend beyond one class, the centre trains maths and science educators to improve their subject knowledge and teaching ability.

Although still in its pilot phase, the Mittal Steel South Africa Science Centre is already showing great promise of success. Pre- and post-testing conducted on the same group of learners revealed that their mathematics performance improved by an average of 300% in the 17 weeks that the centre was operational. Of equal significance is the fact that the majority of learners are showing a genuine interest in the sciences.

Mittal Steel South Africa aims to develop the programme into a national benchmark for sustainable educational development. In 2007 the programme will be expanded to include 600 additional learners from 15 new schools, including a new intake of Grade 10s. As part of ongoing evaluation of the efficiency of the programme, all classes will be evaluated before and after they receive instruction.

**Other education initiatives**

Other projects in the education field included participation as an exhibitor in the Science Unlimited 2006 education week targeted at learners, educators and parents, particularly those at under-resourced black schools, as well as tertiary students and educators. R500 000 was spent on this project that reached over 40 000 learners, encouraging them to consider selecting mathematics, science and technology subjects for the Senior Certificate and at tertiary level. It helped to make learners aware of the variety of sciences and technologies and fostered awareness of career paths and entrepreneurial opportunities offered in the fields of science, engineering and technology. A further R520 000 was spent on tertiary education support for post-graduate students interested in research in metallurgy. Other initiatives also included the R100 000 West Coast Science and Maths project, initiated by the Saldanha operation, aimed at improving the standard of mathematics and science in secondary schools so as to help school leavers become more employable. It has the added benefit of creating a pipeline for technical staff and a potential recruitment pool for bursars.

**Environment**

Concerns about our impact on the environment contribute to one of the leading sustainability issues for Mittal Steel South Africa and as such, environmental CSI projects made up the second largest portion of the 2006 budget at 22.65% with a total spend of R5.3 million. The largest
portion of this amount, R5 million was spent on the Collect-A-Can project. A joint venture launched in the early 1990s in partnership with Nampak, this project aims to recover and recycle tin cans. It has proved to be one of the most successful recycling initiatives, not only in South Africa but in the world. A further R229 000 was spent on addressing air pollution and safety needs in Mittal Steel South Africa’s communities, in an attempt to decrease the smoke and emissions from coal fires in the townships. Gas provides a far cleaner fuel alternative and the company initiated a project to supply subsidised steel for much-needed gas cylinders.

**Housing**

Lack of housing is one of South Africa’s biggest developmental challenges and one of the most pressing needs facing the communities in which Mittal Steel South Africa operates. During 2006, R5 million was spent on two key projects that address local and national housing needs respectively.

Locally, Mittal Steel South Africa has been involved in the development of the Chief Albert Luthuli Township, east of Benoni, for the past five years. This project has provided homes for over 900 families who have been relocated there from squatter camps. We are currently in the process of developing a community centre and bus terminal in the township.

In response to the national need for housing development, Mittal Steel South Africa has entered into a project with the South African Women in Construction (SAWIC), to train women in the construction sector to build lightweight steel frame structures. Research conducted by the company on lightweight steel structures revealed that these frames allow for homes that are on average 40% cheaper and quicker to build than alternative structures. The company has signed a memorandum of understanding with SAWIC members and started the process of gaining approval from government authorities to ensure that the steel frame structures will meet the standards of the Department of Housing.

This project is an excellent example of Mittal Steel South Africa’s holistic approach to solving multiple challenges through one CSI initiative. Not only will it provide much-needed affordable housing to many South Africans, but it will create jobs for female business and for the downstream steel industry.

**Job creation and SME development**

In order to alleviate poverty and prevent crime in its surrounding communities, Mittal Steel South Africa focuses on creating sustainable jobs that will empower communities to lift themselves out of the cycles of poverty that they currently experience. During 2006 approximately R920 000 was spent on such projects. These included the West Coast Business Development Centre, a flagship job creation project which helps to establish small businesses. In this area where unemployment is widespread, Mittal Steel South Africa helps aspiring entrepreneurs to identify business opportunities and then provides hands-on assistance with training, drafting of business plans and facilitating access to funding. By monitoring the small businesses over time and providing relevant advice and assistance, the company hopes to help them develop into sustainable entities.
that will create jobs for others in future. Lessons learned on this project may pave the way for similar initiatives to be launched in Mittal Steel South Africa’s other operating areas where unemployment is a common challenge.

Health

HIV and Aids are the biggest health challenges facing the communities in which Mittal Steel South Africa operates. Following the very successful implementation and roll-out of its internal Employee HIV/Aids programme (see Workplace section), the company extended its assistance to families and communities of employees. HIV-positive individuals are placed on a support programme that provides dietary and immune supplements, testing and medical advice as well as monitoring. HIV co-ordinators have been appointed to ensure these people have access to government’s ARV programmes. They monitor each patient on therapy, ensuring that they arrive to collect their medication and that they take it as instructed.

Sport development

The Vesco Sport Development Fund, worth R350 000, was established by Mittal Steel South Africa in 2006 in order to encourage employees and community members to lead a healthier lifestyle and participate in sport. In addition, various events were sponsored to enable historically disadvantaged groups to participate in a variety of different sport disciplines that included:

- **Golf:** historically disadvantaged individuals were introduced to golf, a game that holds great potential for enjoyment but that has historically been reserved for the more privileged;
- **Athletics:** the Mittal Steel South Africa Athletics club hosted numerous athletic meetings; and
- **Soccer:** the Mittal Steel South Africa Vanderbijlpark Soccer Club was established during 2006 and participated in the industrial league for the first time, finishing the year top of the log.

During the year under review, the project reached approximately 1 000 employees and the same number of community members.

LOOKING TO THE FUTURE

Past experience has shown that spreading funds and resources too thinly over too many projects can dilute the impact and effectiveness of the company’s resources. Mittal Steel South Africa’s CSI policy was revised during 2006 to make provision for the change in focus from a decentralised to a more centralised approach. This will allow us to focus our spending on fewer projects, but with a greater level of involvement and bigger impact, such as the Mittal Steel South Africa Science Centre.

During 2006 the company underwent a CSI benchmarking exercise that was conducted on all Arcelor Mittal companies globally. The feedback report is currently in process and will outline areas of best practice and identify specific challenges and strategies for intervention.
# Reference to GRI G3 guidelines

The following index shows where the reader can find information relating to the itemised Global Reporting Initiative (GRI) G3 Guidelines.

<table>
<thead>
<tr>
<th>GRI indicator</th>
<th>Topic</th>
<th>Page</th>
<th>Section heading within the Sustainability Report in italics or comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Organisation’s vision and strategy</td>
<td>12</td>
<td>Setting the pace for sustainable steel</td>
</tr>
<tr>
<td>1.2</td>
<td>Statement from the CEO</td>
<td>02</td>
<td>Message from the CEO</td>
</tr>
<tr>
<td>2.1</td>
<td>Name of reporting organisation</td>
<td>06</td>
<td>The business of Mittal Steel South Africa</td>
</tr>
<tr>
<td>2.2</td>
<td>Major products and/or services, including brands if appropriate</td>
<td>08</td>
<td>The business of Mittal Steel South Africa</td>
</tr>
<tr>
<td>2.3</td>
<td>Operational structure of the organisation</td>
<td>08</td>
<td>The business of Mittal Steel South Africa</td>
</tr>
<tr>
<td>2.4</td>
<td>Description of major divisions, operating companies, subsidiaries and joint ventures</td>
<td>08</td>
<td>The business of Mittal Steel South Africa</td>
</tr>
<tr>
<td>2.5</td>
<td>Countries in which the organisation’s operations are located</td>
<td>06</td>
<td>The business of Mittal Steel South Africa</td>
</tr>
<tr>
<td>2.6</td>
<td>Nature of ownership; legal form</td>
<td>06</td>
<td>The business of Mittal Steel South Africa</td>
</tr>
<tr>
<td>2.7</td>
<td>Nature of markets served</td>
<td>08</td>
<td>The business of Mittal Steel South Africa</td>
</tr>
<tr>
<td>2.8</td>
<td>Scale of the reporting organisation (including breakdown of number of employees; Products produced/services offered (quantity or volume); Net sales; and Total capitalisation (broken down in terms of debt and equity)</td>
<td>10</td>
<td>The business of Mittal Steel South Africa</td>
</tr>
<tr>
<td>2.9</td>
<td>List of stakeholders</td>
<td>04</td>
<td>The stakeholder approach to sustainability</td>
</tr>
<tr>
<td>2.10</td>
<td>Contact person(s) for the report, including e-mail and web addresses</td>
<td></td>
<td>Tami Didiza – <a href="mailto:tami.didiza@mittalsteel.com">tami.didiza@mittalsteel.com</a></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><a href="http://www.mittalsteelsa.com">www.mittalsteelsa.com</a></td>
</tr>
<tr>
<td>2.11</td>
<td>Reporting period</td>
<td>02</td>
<td>Message from the CEO</td>
</tr>
<tr>
<td>2.12</td>
<td>Date of most recent previous report (if any)</td>
<td>n/a</td>
<td>This is the first report</td>
</tr>
<tr>
<td>2.13</td>
<td>Boundaries of report (countries/regions, products/services, divisions/facilities/joint ventures/subsidiaries) and any specific limitations on the scope</td>
<td></td>
<td>All South African operations</td>
</tr>
<tr>
<td>2.14</td>
<td>Significant changes in size, structure, ownership, or products/services that have occurred since the previous report</td>
<td>n/a</td>
<td>This is the first report</td>
</tr>
<tr>
<td>2.15</td>
<td>Basis for reporting on joint ventures, partially owned subsidiaries, leased facilities, outsourced operations, and other situations that can significantly affect comparability from period to period and/or between reporting organisations</td>
<td>n/a</td>
<td>This is the first report and there are no situations that can significantly affect comparability</td>
</tr>
<tr>
<td>2.16</td>
<td>Explanation of the nature and effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods)</td>
<td>n/a</td>
<td>This is the first report</td>
</tr>
<tr>
<td>GRI indicator</td>
<td>Topic</td>
<td>Page</td>
<td>Section heading within the Sustainability Report in italics or comment</td>
</tr>
<tr>
<td>---------------</td>
<td>----------------------------------------------------------------------</td>
<td>------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>2.17</td>
<td>Decisions not to apply GRI principles or protocols in the preparation of the report</td>
<td>01</td>
<td>Paving the way</td>
</tr>
<tr>
<td>2.18</td>
<td>Criteria/definitions used in any accounting for economic, environmental and social costs and benefits</td>
<td>n/a</td>
<td>Targeted for future reporting</td>
</tr>
<tr>
<td>2.19</td>
<td>Significant changes from previous years in the measurement methods applied to key economic, environmental and social information</td>
<td>n/a</td>
<td>This is the first report</td>
</tr>
<tr>
<td>2.20</td>
<td>Policies and internal practices to enhance and provide assurance about the accuracy, completeness and reliability that can be placed on the sustainability report</td>
<td>n/a</td>
<td>Targeted for future reporting</td>
</tr>
<tr>
<td>2.21</td>
<td>Policy and current practice with regard to providing independent assurance for the full report</td>
<td>n/a</td>
<td>Targeted for future reporting</td>
</tr>
<tr>
<td>2.22</td>
<td>Means by which report users can obtain additional information and reports about economic, environmental and social aspects of the organisation’s activities, including facility-specific information (if available)</td>
<td></td>
<td>Personal communication with head office</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Tel: +27 16 889 9111</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Fax: +27 16 889 2472</td>
</tr>
<tr>
<td>3.1</td>
<td>Governance structure of the organisation</td>
<td></td>
<td>Annual Report</td>
</tr>
<tr>
<td>3.2</td>
<td>Percentage of the board of directors that are independent, non-executive directors</td>
<td></td>
<td>Annual Report</td>
</tr>
<tr>
<td>3.3</td>
<td>Process for determining the expertise board members need to guide the strategic direction of the organisation, including issues related to environmental and social risks and opportunities</td>
<td></td>
<td>Annual Report</td>
</tr>
<tr>
<td>3.4</td>
<td>Board-level processes for overseeing the organisation’s identification and management of economic, environmental and social risks and opportunities</td>
<td>14</td>
<td>Driving sustainability</td>
</tr>
<tr>
<td>3.5</td>
<td>Linkage between executive compensation and achievement of the organisation’s financial and non-financial goals (e.g., environmental performance, labour practices)</td>
<td></td>
<td>Annual Report</td>
</tr>
<tr>
<td>3.6</td>
<td>Organisational structure and key individuals responsible for oversight, implementation and audit of economic, environmental, social and related policies</td>
<td></td>
<td>Annual Report</td>
</tr>
<tr>
<td>3.7</td>
<td>Mission and values statements, internally developed codes of conduct or principles, and polices relevant to economic, environmental and social performance and the status of implementation</td>
<td>12</td>
<td>Driving sustainability</td>
</tr>
<tr>
<td>3.8</td>
<td>Mechanisms for shareholders to provide recommendations or direction to the board of directors</td>
<td></td>
<td>Annual Report</td>
</tr>
</tbody>
</table>
### Reference to GRI G3 guidelines continued

<table>
<thead>
<tr>
<th>GRI indicator</th>
<th>Topic</th>
<th>Page</th>
<th>Section heading within the Sustainability Report in italics or comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.9</td>
<td>Basis for identification and selection of major stakeholders</td>
<td>04</td>
<td>The stakeholder approach to sustainability and within each section of the report</td>
</tr>
<tr>
<td>3.10</td>
<td>Approaches to stakeholder consultation reported in terms of frequency of consultations by type and by stakeholder group</td>
<td>04</td>
<td>The stakeholder approach to sustainability and within each section of the report</td>
</tr>
<tr>
<td>3.11</td>
<td>Type of information generated by stakeholder consultations</td>
<td>04</td>
<td>The stakeholder approach to sustainability and within each section of the report</td>
</tr>
<tr>
<td>3.12</td>
<td>Use of information resulting from stakeholder engagements</td>
<td>04</td>
<td>The stakeholder approach to sustainability and within each section of the report</td>
</tr>
<tr>
<td>3.13</td>
<td>Explanation of whether and how the precautionary approach or principle is addressed by the organisation</td>
<td>14</td>
<td>The precautionary principle is inherent to this section</td>
</tr>
<tr>
<td>3.14</td>
<td>Externally developed, voluntary economic, environmental and social charters, sets of principles, or other initiatives to which the organisation subscribes or which it endorses</td>
<td>14</td>
<td>Driving sustainability</td>
</tr>
<tr>
<td>3.15</td>
<td>Principal memberships in industry and business associations and/or national/international advocacy organisations</td>
<td>39</td>
<td>Committed to caring for the environment</td>
</tr>
<tr>
<td>3.16</td>
<td>Policies and/or systems for managing upstream and downstream impacts, including: Supply chain management as it pertains to outsourcing and supplier environmental and social performance; and Product and service stewardship initiatives</td>
<td>17 and 34</td>
<td>Our supply chain and Marketplace</td>
</tr>
<tr>
<td>3.17</td>
<td>Approach to managing indirect economic, environmental and social impacts resulting from its activities</td>
<td>18, 20, 34, 38</td>
<td>Our supply chain, Committed to caring for the environment and Marketplace</td>
</tr>
<tr>
<td>3.18</td>
<td>Major decisions during the reporting period regarding the location of, or changes in, operations</td>
<td>17</td>
<td>Centralisation of procurement function and the Centre of Excellence</td>
</tr>
<tr>
<td>3.19</td>
<td>Programmes and procedures pertaining to economic, environmental and social performance</td>
<td>Throughout the report, but also targeted for future reporting</td>
<td></td>
</tr>
<tr>
<td>3.20</td>
<td>Status of certification pertaining to economic, environmental and social management systems</td>
<td>41</td>
<td>Workplace and Committed to caring for the environment</td>
</tr>
</tbody>
</table>

### ECONOMIC PERFORMANCE INDICATORS

<table>
<thead>
<tr>
<th>GRI indicator</th>
<th>Topic</th>
<th>Page</th>
<th>Section heading within the Sustainability Report in italics or comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC1</td>
<td>Net sales</td>
<td>10</td>
<td>The business of Mittal Steel South Africa</td>
</tr>
<tr>
<td>EC2</td>
<td>Geographic breakdown of markets</td>
<td>10</td>
<td>The business of Mittal Steel South Africa</td>
</tr>
<tr>
<td>EC3</td>
<td>Cost of all goods, materials and services purchased</td>
<td>10</td>
<td>The business of Mittal Steel South Africa</td>
</tr>
<tr>
<td>GRI indicator</td>
<td>Topic</td>
<td>Page</td>
<td>Section heading within the Sustainability Report in italics or comment</td>
</tr>
<tr>
<td>---------------</td>
<td>------------------------------------------------------------------------</td>
<td>------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td>EC4</td>
<td>Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements</td>
<td></td>
<td>Targeted for future reporting</td>
</tr>
<tr>
<td>EC5</td>
<td>Total payroll and benefits (including wages, pension, other benefits and redundancy payments) broken down by country or region</td>
<td>10</td>
<td>The business of Mittal Steel South Africa</td>
</tr>
<tr>
<td>EC6</td>
<td>Distributions to providers of capital broken down by interest on debt and borrowings and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed</td>
<td>10</td>
<td>The business of Mittal Steel South Africa</td>
</tr>
<tr>
<td>EC7</td>
<td>Increase/decrease in retained earnings at end of period</td>
<td></td>
<td>Annual Report</td>
</tr>
<tr>
<td>EC8</td>
<td>Total sum of taxes of all types paid broken down by country</td>
<td>10</td>
<td>The business of Mittal Steel South Africa</td>
</tr>
<tr>
<td>EC9</td>
<td>Subsidies received broken down by country or region</td>
<td>10</td>
<td>The business of Mittal Steel South Africa</td>
</tr>
<tr>
<td>EC10</td>
<td>Donations to community, civil society and other groups broken down in terms of cash and in-kind donations per type of group</td>
<td>11</td>
<td>The business of Mittal Steel South Africa</td>
</tr>
</tbody>
</table>

**ENVIRONMENTAL PERFORMANCE INDICATORS**

<table>
<thead>
<tr>
<th>GRI indicator</th>
<th>Topic</th>
<th>Page</th>
<th>Section heading within the Sustainability Report in italics or comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN1</td>
<td>Total materials used other than water, by type</td>
<td></td>
<td>Targeted for future reporting</td>
</tr>
<tr>
<td>EN2</td>
<td>Percentage of materials used that are wastes (processed or unprocessed) from sources external to the reporting organisation</td>
<td>46</td>
<td>Committed to caring for the environment</td>
</tr>
<tr>
<td>EN3</td>
<td>Direct energy use segmented by primary source</td>
<td>42</td>
<td>Committed to caring for the environment</td>
</tr>
<tr>
<td>EN4</td>
<td>Indirect energy use</td>
<td></td>
<td>Targeted for future reporting</td>
</tr>
<tr>
<td>EN5</td>
<td>Total water use</td>
<td>45</td>
<td>Committed to caring for the environment</td>
</tr>
<tr>
<td>EN6</td>
<td>Location and size of land owned, leased, or managed in biodiversity-rich habitats</td>
<td>48</td>
<td>Committed to caring for the environment (size not included)</td>
</tr>
<tr>
<td>EN7</td>
<td>Description of the major impacts on biodiversity associated with activities and/or products and services in terrestrial, freshwater and marine environments</td>
<td>39</td>
<td>Committed to caring for the environment</td>
</tr>
<tr>
<td>EN8</td>
<td>Greenhouse gas emissions</td>
<td>41</td>
<td>Committed to caring for the environment</td>
</tr>
<tr>
<td>EN9</td>
<td>Use and emissions of ozone-depleting substances</td>
<td>41</td>
<td>Committed to caring for the environment</td>
</tr>
<tr>
<td>EN10</td>
<td>NOx, SOx, and other significant air emissions by type</td>
<td>43, 44</td>
<td>Committed to caring for the environment</td>
</tr>
<tr>
<td>EN11</td>
<td>Total amount of waste by type and destination</td>
<td>46</td>
<td>Committed to caring for the environment</td>
</tr>
<tr>
<td>EN12</td>
<td>Significant discharges to water by type</td>
<td>45</td>
<td>Not reported by type; targeted for future reporting</td>
</tr>
<tr>
<td>EN13</td>
<td>Significant spills of chemicals, oils and fuels in terms of total number and total volume</td>
<td></td>
<td>Targeted for future reporting</td>
</tr>
</tbody>
</table>
Reference to GRI G3 guidelines continued

<table>
<thead>
<tr>
<th>GRI indicator</th>
<th>Topic</th>
<th>Page</th>
<th>Section heading within the Sustainability Report in italics or comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN14</td>
<td>Significant environmental impacts of principal products and services</td>
<td>39</td>
<td>Committed to caring for the environment</td>
</tr>
<tr>
<td>EN15</td>
<td>Percentage of the weight of products sold that is reclaimable at the end of the products’ useful life and percentage that is actually reclaimed</td>
<td>48</td>
<td>Committed to caring for the environment</td>
</tr>
<tr>
<td>EN16</td>
<td>Incidents of and fines for non-compliance with all applicable international declarations/conventions/treaties and national, sub-national, regional and local regulations associated with environmental issues</td>
<td>49, 50</td>
<td>Committed to caring for the environment</td>
</tr>
</tbody>
</table>

SOCIAL PERFORMANCE INDICATORS: LABOUR PRACTICES AND DECENT WORK

<table>
<thead>
<tr>
<th>GRI indicator</th>
<th>Topic</th>
<th>Page</th>
<th>Section heading within the Sustainability Report in italics or comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>LA1</td>
<td>Breakdown of workforce, where possible, by region/country, status (employee/non-employee), employment type (full time/part-time) and by employment contract (indefinite or permanent/ fixed term or temporary). Also identify workforce retained in conjunction with other employers (temporary agency workers or workers in co-employment relationships), segmented by region/country</td>
<td>21</td>
<td>The workplace</td>
</tr>
<tr>
<td>LA2</td>
<td>Net employment creation and average turnover segmented by region/country</td>
<td>22</td>
<td>The workplace</td>
</tr>
<tr>
<td>LA3</td>
<td>Percentage of employees represented by independent trade union organisations or other bona fide employee representatives broken down geographically OR percentage of employees covered by collective bargaining agreements broken down by region/country</td>
<td>22</td>
<td>The workplace</td>
</tr>
<tr>
<td>LA4</td>
<td>Policy and procedures involving information, consultation, and negotiation with employees over changes in the reporting organisation’s operations (e.g. restructuring)</td>
<td>23, 24</td>
<td>The workplace</td>
</tr>
<tr>
<td>LA5</td>
<td>Practices on recording and notification of occupational accidents and diseases, and how they relate to the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases</td>
<td>29, 32</td>
<td>The workplace</td>
</tr>
<tr>
<td>LA6</td>
<td>Description of formal joint health and safety committees comprising management and worker representatives and proportion of workforce covered by any such committees</td>
<td>28</td>
<td>The workplace</td>
</tr>
<tr>
<td>LA7</td>
<td>Standard injury, lost day and absentee rates and number of work-related fatalities (including subcontracted workers)</td>
<td>29</td>
<td>The workplace</td>
</tr>
<tr>
<td>GRI indicator</td>
<td>Topic</td>
<td>Page</td>
<td>Section heading within the Sustainability Report in italics or comment</td>
</tr>
<tr>
<td>---------------</td>
<td>-------</td>
<td>------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>LA8</td>
<td>Description of policies or programmes (for the workplace and beyond) on HIV/Aids</td>
<td>32 – 33</td>
<td>The workplace</td>
</tr>
<tr>
<td>LA9</td>
<td>Average hours of training per year per employee by category of employee</td>
<td>25</td>
<td>The workplace</td>
</tr>
<tr>
<td>LA10</td>
<td>Description of equal opportunity policies or programmes, as well as monitoring systems to ensure compliance and results of monitoring</td>
<td>27</td>
<td>The workplace</td>
</tr>
<tr>
<td>LA11</td>
<td>Composition of senior management and corporate governance bodies (including the board of directors), including female/male ratio and other indicators of diversity as culturally appropriate</td>
<td>28</td>
<td>The workplace</td>
</tr>
</tbody>
</table>

**SOCIAL PERFORMANCE INDICATORS: HUMAN RIGHTS**

<table>
<thead>
<tr>
<th>GRI indicator</th>
<th>Topic</th>
<th>Page</th>
<th>Section heading within the Sustainability Report in italics or comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR1</td>
<td>Description of policies, guidelines, corporate structure and procedures to deal with all aspects of human rights relevant to operations, including monitoring mechanisms and results</td>
<td>Targeted for future reporting</td>
<td></td>
</tr>
<tr>
<td>HR2</td>
<td>Evidence of consideration of human rights impacts as part of investment and procurement decisions, including selection of suppliers/contractors</td>
<td>36</td>
<td>Our supply chain</td>
</tr>
<tr>
<td>HR3</td>
<td>Description of policies and procedures to evaluate and address human rights performance within the supply chain and contractors, including monitoring systems and results of monitoring</td>
<td>Policy pending following finalisation of DTI Codes of Good Practice</td>
<td></td>
</tr>
<tr>
<td>HR4</td>
<td>Description of global policy and procedures/programmes preventing all forms of discrimination in operations, including monitoring systems and results of monitoring</td>
<td>Policy pending following finalisation of DTI Codes of Good Practice</td>
<td></td>
</tr>
<tr>
<td>HR5</td>
<td>Description of freedom of association policy and extent to which this policy is universally applied independent of local laws, as well as description of procedures/programmes to address this issue</td>
<td>Policy pending following finalisation of DTI Codes of Good Practice</td>
<td></td>
</tr>
<tr>
<td>HR6</td>
<td>Description of policy excluding child labour as defined by the ILO Convention 138 and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring</td>
<td>Targeted for future reporting</td>
<td></td>
</tr>
<tr>
<td>HR7</td>
<td>Description of policy to prevent forced and compulsory labour and extent to which this policy is visibly stated and applied as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring</td>
<td>Targeted for future reporting</td>
<td></td>
</tr>
</tbody>
</table>
### Reference to GRI G3 guidelines

#### SOCIAL PERFORMANCE INDICATORS: SOCIETY

<table>
<thead>
<tr>
<th>GRI Indicator</th>
<th>Topic</th>
<th>Page</th>
<th>Section heading within the Sustainability Report in italics or comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>SO1</td>
<td>Description of policies to manage impacts on communities in areas affected by activities, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring</td>
<td>52</td>
<td>Society and community as stakeholders</td>
</tr>
<tr>
<td>SO2</td>
<td>Description of the policy, procedures/management systems and compliance mechanisms for organisations and employees addressing bribery and corruption</td>
<td></td>
<td>Annual Report</td>
</tr>
<tr>
<td>SO3</td>
<td>Description of policy, procedures/management systems and compliance mechanisms for managing political lobbying and contributions</td>
<td></td>
<td>Targeted for future reporting</td>
</tr>
</tbody>
</table>

#### SOCIAL PERFORMANCE INDICATORS: PRODUCT RESPONSIBILITY

<table>
<thead>
<tr>
<th>GRI Indicator</th>
<th>Topic</th>
<th>Page</th>
<th>Section heading within the Sustainability Report in italics or comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR1</td>
<td>Description of policy for preserving customer health and safety during use of products and services and extent to which this policy is visibly stated and applied, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring</td>
<td></td>
<td>Targeted for future reporting</td>
</tr>
<tr>
<td>PR2</td>
<td>Description of policy, procedures/management systems, and compliance mechanisms related to product information and labeling</td>
<td></td>
<td>Targeted for future reporting</td>
</tr>
<tr>
<td>PR3</td>
<td>Description of policy, procedures/management systems and compliance mechanisms for consumer privacy</td>
<td></td>
<td>Targeted for future reporting</td>
</tr>
</tbody>
</table>