

ANGLO COAL SOUTH AFRICA  
**REPORT TO SOCIETY 2006**

**Sustainable coal – moving  
forward together**







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## Report scope

This is Anglo Coal South Africa's fifth annual Report to Society and it uses the Five Capitals model of sustainable development as a framework. Anglo Coal South Africa forms part of Anglo Coal, which is an international coal producer with operations in South Africa, Australia, South and North America. Anglo Coal is a wholly-owned division of Anglo American plc.

The focus of this report is on all the South African operations managed by Anglo Coal for the year ending 31 December 2006. It should be read in conjunction with our Anglo Coal global Report to Society 2006 *Sustainable Coal: Meeting Global Challenges* and the Anglo Coal Australia Report to Society 2006 *Sustainable Coal: Development, Understanding, Practice*.

The three reports have been prepared in accordance with the 2002 guidelines established by the Global Reporting Initiative (GRI). A reference table is provided on page 40, indicating where the indicators may be found. Relevant information is also in the Anglo American plc 2006 Annual Report and Review and the 2006 Report to Society.

There have been significant changes from previous years in the measurement methods applied to some key environmental information, as follows:

- △ We have improved the way we report CO<sub>2</sub> emissions from processes such that they now include CO<sub>2</sub> from spontaneous combustion activities. This has resulted in an increase in CO<sub>2</sub> emissions reported in 2006 compared with previous years;
- △ We have amended the techniques for the measurement of fugitive methane to include additional upcast shafts at the underground operations over a longer measurement period. This has resulted in an increase in methane emissions reported in 2006 compared with previous years; and
- △ We are measuring the amount of flared methane for the first time. The flared methane relates to methane emissions from the Lephalale coal bed methane project, which is in an early stage of development.

KPMG was appointed to provide assurance on selected 2006 sustainable development performance indicators as detailed in the assurance report and Anglo Coal South Africa's compliance with the reporting requirements of the South African Mining Charter. Their independent assurance report is on page 9.

Feedback on this sustainable development report is welcomed, as are enquiries related to the sustainable development initiatives undertaken by Anglo Coal South Africa. Contact details are provided on the inside back cover.

# Chief executive officer's review

It is with great pride that we present this, the fifth annual Report to Society for Anglo Coal South Africa. As a leading South African coal producer, we recognise that the way in which we manage our social, environmental and economic impacts is integral to the achievement of our business objectives.

## **Sustainability as a business driver**

Our improved performance in 2006, both financially and in some of our key sustainability indicators, has reinforced our commitment to embed the principles of sustainable development in the way we operate. In 2006, we demonstrated that many of the solutions to our business challenges are, in fact, those that deliver sustainable outcomes. This is evident in our ongoing programme of continuous improvement, where sustainability-focused innovations have resulted in improved operational efficiencies, reduced production costs and increased productivity.

## **Our employees**

A prerequisite for a successful mining operation is a skilled, committed and engaged workforce. We are fortunate to have built a strong relationship with our employees, based on mutual respect, fairness and equity. In 2006, we restructured the executive leadership, defined our roles clearly and implemented the 'Anglo Coal Way', a programme designed to promote excellence, share best practice and encourage effective communication.

## **Safety**

After working for 11 months without a fatality, it is with great sadness that we report the tragic loss of the lives of seven employees and contractors in 2006. The fatalities, which occurred over an extraordinary seven-week period, have necessitated intense and renewed focus on safety management. As a result, a new safety strategy has been introduced and, while the safety standards encapsulated in the Anglo Safety Way will remain an integral part of our safety culture, we have engaged the services of a company to teach

every one of us – including the executive committee – how to identify hazards, conduct risk assessments and approach safety issues more proactively.

Our organisational culture transformation drive, *Yebo Siyaphambili!* (YS), continued to support the safety improvement plan and assist us in our journey from good to great. YS represents more than simply embedding positive values in our workforce. It is about creating clarity in terms of roles, providing measurable outcomes and rewards. Our operations are encouraged to look constantly at ways to improve safety and it is pleasing to note that a number of our mines reported world-class safety performances.

## **HIV/AIDS**

With South Africa recording one of the highest prevalence rates of HIV and AIDS in the world, prevention and management of the disease are ongoing challenges for all of us.

I am very pleased with the progress we have made in our commitment to managing HIV and AIDS in 2006. By year end, 82% of our employees had participated in the voluntary counselling and testing (VCT) programme, a 14% improvement over 2005. We are now measuring incidence levels to track the conversion figures of previously HIV-negative to HIV-positive employees and, in so doing, will be able to measure the effectiveness of our education programmes.

The opening of the Bhubezi community health centre in Bushbuckridge in Mpumalanga in October 2006 was a highlight. The centre will play a major role in the treatment, education and prevention of HIV and AIDS in the community in which it operates.

## **Taking care of the environment**

As a successful resource business, it is imperative that we take a leading role in protecting the environment and minimising our ecological footprint at our mine sites. We have a responsibility to work with our stakeholders to find acceptable and innovative solutions to broader environmental challenges such as water scarcity and climate change.

In 2006, we made excellent progress with the construction of the Emalahleni water treatment plant.



The plant will take polluted mine water from several of Anglo Coal South Africa's collieries and purify it to supply the Emalahleni local municipality with 20% of its daily potable water requirements. The plant is 85% complete and is on track to meet its completion date at the end of June 2007.

In terms of climate change, the challenge for Anglo Coal South Africa and the coal industry lies in addressing the need to reduce the greenhouse gas emissions that come from the use of coal, while continuing its role as the primary fuel for power generation.

We understand the need to find a balance between meeting growing energy demands and mitigating those impacts that are contributing to the issue of climate change. In this respect, we have a long way to go and the challenge for us remains great. Our focus at the moment is on reducing our on-site carbon dioxide (CO<sub>2</sub>) emissions in line with Anglo American plc's targets of a 10% reduction in CO<sub>2</sub> emissions by 2014 (against a 2004 baseline). We are implementing energy efficiency projects at all our collieries, which will contribute to the achievement of this target.

### **Fostering community relationships**

We are committed to developing long-term beneficial relationships with our communities as the foundation for a sustainable future. The degree to which we are able to satisfy the needs of this diverse group will provide a clear measure of our progress in maintaining our social licence to operate.

The completion of the roll-out of the Anglo American Socio-Economic Assessment Toolbox (SEAT) at all our collieries in 2006 enabled us to engage with new stakeholders and improve relationships with existing stakeholders. During 2007, we plan to undertake a review of the community engagement strategy with the intention of strengthening management focus in this area.

### **Broad-based socio-economic empowerment**

During 2006, we continued to set and meet strong targets in line with the South African government's broad-based socio-economic empowerment charter.

In early 2007, we announced the creation of Anglo Inyosi Coal, a R7 billion broad-based black economic empowerment company. Anglo Coal South Africa will have a 73% holding in Anglo Inyosi Coal, with the remaining 27% held by Inyosi, a new generation consortium with the participation of >85% historically disadvantaged South Africans and >50% women.

### **Looking ahead**

Our attention to all areas of sustainable development will remain a vital part of our journey forward. We will strive to operate in a way that achieves a balance between the needs of all of our stakeholders – those who rely on us to provide them with a stable energy supply, our employees, our communities and our investors – and will continue to address the short- and long-term environmental issues facing us.

I visited all the Anglo Coal South Africa mines during 2006 and met with many of the employees. The positive spirit that was evident wherever I went was encouraging. Having been granted 97% of our prospecting rights by the South African government, it is clear that there is an abundance of opportunities for Anglo Coal South Africa and for all its stakeholders.

I invite you to read about the progress we have made in meeting our sustainable development challenges and our path ahead.



**BEN MAGARA**  
*Chief Executive Officer*  
Anglo Coal South Africa







# Governance and policies

Anglo Coal is a wholly-owned division of Anglo American plc. Through the establishment of strategic objectives and key policies, Anglo American plc's board of directors sets the direction of Anglo American plc and its subsidiaries.

The high-level objectives and policies are applied to Anglo Coal, often as part of a broad Anglo American plc direction, and sometimes as part of a direction that is specific to Anglo Coal.

The chief executive officer of Anglo Coal South Africa is required to submit an annual Letter of Assurance to the chief executive officer of Anglo Coal who, in turn, provides an annual Letter of Assurance to Anglo American plc relating to safety, health and the environment and Anglo Coal's adherence to the Anglo American Good Citizenship Business Principles.

Anglo Coal South Africa has a Safety, Health, Environment and Community (SHEC) Committee whose mandate is to:

- △ drive SHEC leadership and commitment across the business and increase senior management focus on SHEC issues;

- △ develop sustainable development initiatives and opportunities as part of the strategic planning of the business;
- △ provide a high-level review forum for SHEC incidents and initiatives and ratify SHEC standards and policies; and
- △ provide a governance support role on SHEC matters.

A revised organisational structure for the management of safety and sustainable development has been announced and will be implemented in Anglo Coal South Africa in 2007.

## Policies

### **Safety and Sustainable Development Policy**

Our Safety and Sustainable Development Policy supports the Anglo American plc Business Principles. The policy commits to exemplary business performance, providing lasting shareholder value while protecting and enhancing the community's foundations. These foundations are people, the natural environment and society's prosperity into the future.

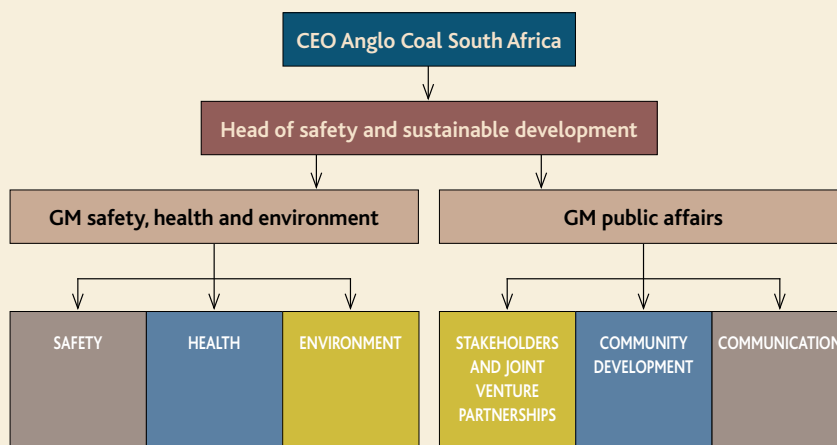
### **Anglo American Good Citizenship Business Principles**

In 2002, Anglo American plc defined and launched a Good Citizenship framework which sets out its Business Principles. Our conduct in Anglo Coal South Africa is underpinned by the following four pillars:

- △ business integrity and ethics;
- △ corporate citizenship;
- △ employment and labour rights; and
- △ safety, health and environmental stewardship.

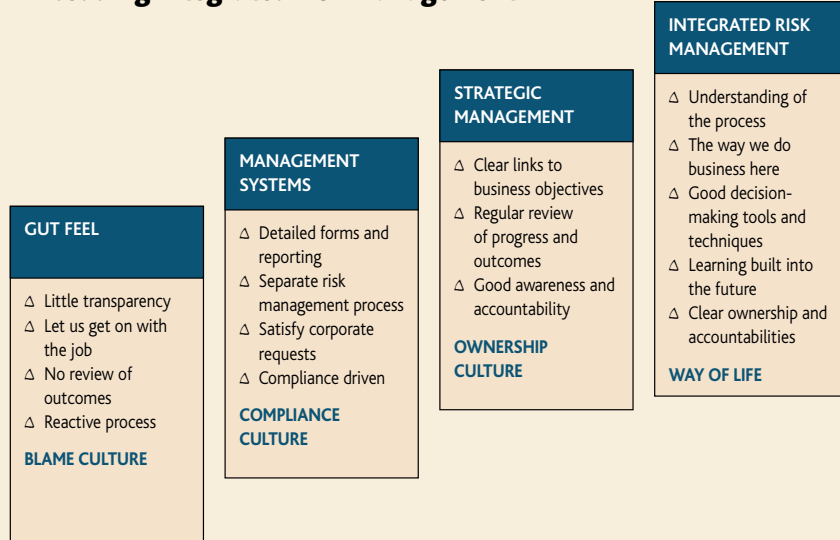
Our Business Principles are fully implemented at all our sites and apply to every operation we manage. The Business Principles can be found at [www.angloamerican.co.uk/corporateresponsibility/](http://www.angloamerican.co.uk/corporateresponsibility/).

## Revised sustainability structure





## Embedding integrated risk management



## Whistle-blowing

The independently-managed 'speakup' facility guarantees anonymity to those reporting irregularities about behaviour that may endanger the health or safety of people, damage the environment, result in failure to comply with business principles or legal obligations, fraud, bribery and corruption, and miscarriages of justice. During 2006, a total of 69 calls were received and, of these, 35 were forwarded to Anglo Coal South Africa for investigation. These comprised:

Concerns by employees	4
Unethical behaviour	14
Human resource issues	15
Enquiries/complaints	1
Suggestions	1

## Management systems

All our mines operate in accordance with occupational health and safety management systems which are in the process of being certified to OHSAS 18001. Our sites also operate in accordance with environmental management systems certified to ISO 14001:2004. All operations which underwent surveillance audits during 2006 successfully retained their certifications. Community issues are managed through community engagement plans and use of the Anglo American Socio-Economic Assessment Toolbox (SEAT) process, which is intended to help operations benchmark and improve the management of local social and economic impacts.

## Integrated risk management

Anglo Coal South Africa is committed to building a business where its key operating processes are underpinned by robust management systems. Risk management is a critical element of the management systems that support enhanced decision-making and improved business performance. By understanding,





Key stakeholder categories		
CATEGORY	STAKEHOLDER	ISSUES
Governmental bodies	National, regional and local governments Municipalities Parks Boards	Compliance Corporate governance Permits, Licenses
Investors	Shareholders and investor community	Capital Corporate governance Profitability
Employees and trade unions	Permanent employees Contract employees Trade unions	Employment conditions Safety Health
Customers	Export: energy and metallurgical Domestic: energy, metallurgical and synthetic fuel	Sustainable coal supply to contract requirements
Partners	Anglo Inyosi Coal Exxaro Richards Bay Coal Terminal Spoornet National Ports Authority	Joint venture and other relationships
Contractors and suppliers	Contract companies Machinery suppliers Consumables suppliers Services suppliers	Supply chain relationships
Community, NGOs and educational institutions	Neighbouring communities Local business forums Tertiary institutions NGOs	Socio-economic development Environment Skills development
Research, industry and other forums	Tertiary institutions Fossil Fuel Foundation of Africa Chamber of Mines of South Africa Coaltech South African Colliery Managers Association Council for Scientific and Industrial Research South African National Energy Research Institute Business Unity South Africa	Technology research and development for sustainable mining practice

prioritising and managing risk, Anglo Coal South Africa aims to safeguard its people, assets, reputation and the environments in which it operates to best serve the long-term interests of all stakeholders. Every Anglo Coal South Africa employee and all contractors are responsible for the effective implementation, monitoring and continuous improvement of risk management practice, which form part of individual employee and contractor performance reviews.

Effective risk management assists us to ensure that potential events, which may affect our ability to achieve our business objectives, are proactively identified and prioritised, and that associated risks are articulated and managed in a consistent manner throughout Anglo Coal. Integrated risk management covers safety, health, environmental, social, financial, legal and reputational outcomes and consequences.

## Stakeholders

We can create value by working more closely with our stakeholders. We acknowledge that we have legal and other obligations to all legitimate stakeholders including shareholders, employees, contractors and the communities in which we operate. Our stakeholder engagement covers a number of sectors, each of which has a significant influence on the way we manage our safety and sustainable development activities. In addition to site-based processes such as the Socio-Economic Assessment Toolbox (SEAT), we are also committed to engaging with government, educational institutions, other mining companies and a number of external initiatives, industry bodies and research groups both through Anglo Coal South Africa and our parent company, Anglo American plc.

# Performance overview

Indicator	2006 Objectives	2006 Performance		2007 Objectives
Safety				
Fatalities	0	✗	7	0
Lost-time injury frequency rate (LTIFR) per 200,000 exposure hours	0	✗	0.31	0
Total recordable case frequency rate (TRCFR) per 200,000 exposure hours	0.84	→	0.88	0.67
Health				
Dust exposure	No exposure >2 mg/m³	→	Fully achieved at opencast operations	No exposure >2 mg/m³
Noise exposure	No exposure >95 dB	→	Ongoing	No exposure >95 dB
HIV/AIDS: employee voluntary counselling and testing	70%	✓	82%	80%
Environment				
CO <sub>2</sub> e emissions <sup>1</sup>	21 kg/saleable tonne	✗	55 kg/saleable tonne	TBA <sup>2</sup>
Total energy use	89 MJ/saleable tonne	→	92 MJ/saleable tonne	90 MJ/saleable tonne
Water used for primary activities <sup>3</sup>	39 l/saleable tonne	✗	51 l/saleable tonne	TBA <sup>4</sup>
Level 2 incidents <sup>5</sup>	n/a	→	23	n/a
ISO 14001 certification	Achieve upgraded certification to ISO 14001:2004	✓	Upgraded certification achieved at all collieries with current certification	Maintain certification to ISO 14001:2004 and achieve certification at Mafube
Black economic empowerment				
BEE procurement	R1.36 billion	✓	R1.69 billion	R2.2 billion

## Notes

- The following are changes in the way we report carbon dioxide equivalent (CO<sub>2</sub>e) emissions in 2006, resulting in an increase in emissions:
  - △ Inclusion of CO<sub>2</sub>e emissions from processes, the main component being emissions from spontaneous combustion at Kleinkopje, Landau and New Vaal collieries, with lesser contributions from emissions related to explosives, water treatment and coal seam gas.
  - △ The extension of the methane monitoring programme installed in 2005 to include additional upcast shafts at several underground operations and monitoring over a longer period.
- Research work to be undertaken in 2007 on methodology for estimating CO<sub>2</sub>e emissions from spontaneous combustion.
- Water used for primary activities in 2006 excludes groundwater recharge and rainfall.
- Target including groundwater recharge and rainfall to be advised once baseline is established.
- Level 2 incidents have moderate impact or disturbance with medium-term effect.

- ✓ Achieved
- In progress
- ✗ Not achieved



# KPMG independent assurance report

Independent assurance report to Anglo Coal South Africa on aspects of the 2006 sustainable development report *Sustainable Coal – Moving Forward Together*.

## Introduction

We have performed our independent assurance engagement of the Anglo Coal South Africa 2006 sustainable development report (the Report) with respect to the following two aspects of the Report: Δ 'Selected 2006 Sustainable Development (SD) performance indicators', indicated below; and Δ Anglo Coal South Africa's compliance with the reporting requirements of the Broad Based Socio-economic Empowerment Charter for the Mining Sector (the Mining Charter).

Our work has been undertaken so that we might state to Anglo Coal South Africa those matters we have been engaged to state in this report and for no other purpose. Accordingly, this report is made in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than Anglo Coal South Africa, for our work, for this report, or for the conclusions we have reached.

## Responsibilities of directors

The directors of Anglo Coal South Africa are responsible for the preparation and presentation of the Report for 2006 and the information and assessments contained within it; for the identification of material SD issues for inclusion in the Report; for determining Anglo Coal South Africa's objectives in respect of SD performance and for designing, implementing and maintaining appropriate performance management and internal control systems to record, monitor and improve the accuracy, completeness and reliability of SD data from which the reported information is derived.

## Responsibility of the assurance provider

Our responsibility is to express our conclusions to Anglo Coal South Africa, based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagements (ISAE 3000): *Assurance engagements other than audits or reviews of historical financial information*. This standard requires us to comply with ethical requirements and to plan and perform our assurance engagement to obtain reasonable or limited assurance, expressed below, regarding the subject matter of the engagement.

Our engagement was carried out by a multi-disciplinary team of safety, health, environmental, stakeholder engagement and assurance specialists who have experience in the mining sector. This team undertakes similar engagements with other South African and international companies and is led by a director who has 10 years of related experience in the mining industry and in sustainability reporting and assurance.

## Basis of work and limitations

The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the subject matter and the purpose of our engagement. In making these assessments we have considered internal controls relevant to the company's preparation and presentation of information in the Report, in order to design procedures appropriate for gathering sufficient evidence to determine that the two aspects indicated above are not materially misstated or misleading. Our assessment of relevant internal controls is not, however, for the purpose of expressing a conclusion on the effectiveness of the company's internal controls.

Anglo Coal South Africa applies the Anglo American plc Safety, Health and Environmental (SHE) reporting guidance, Community Engagement guidelines and Socio-Economic Assessment Toolkits (which jointly constitute Anglo American's sustainability guidance) as the criteria for determining the recognition and measurement of the 'selected 2006 SD performance indicators'. The 'Report scope' section of the Report (page 1) highlights significant changes from previous years in the measurement methods applied to some key environmental information. It is important to understand the 'selected 2006 SD performance indicators' and related statements in the Report, in the context of these limitations. The reliability of SD performance indicators is subject to inherent limitations given their nature and methods for determining, calculating or estimating such data.

We planned and performed our work to obtain all the information and explanations that we considered necessary to provide sufficient appropriate evidence to provide a basis for our reasonable or limited assurance conclusions expressed below, for each aspect of the Report that was the subject of our assurance engagement. No assurance is expressed in relation to the remaining SD performance indicators included in the Report, not covered by our work performed.

Where a limited assurance conclusion is expressed, our evidence gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. We believe that our work performed as set out below provides an appropriate basis for our conclusions.

## Selected 2006 SD performance indicators

### Subject matter and criteria

The SD performance indicators selected by KPMG to be included in the assurance engagement were determined by considering Anglo Coal South Africa's key SD risks, performance areas considered relevant

to management and stakeholder decision-making processes, and our experience of the risks and mitigating approaches associated with reporting SD performance. These are collectively referred to as the 'selected 2006 SD performance indicators', of which here are two distinct categories:

- Reasonable assurance:** The 2006 SD performance indicators selected for purposes of expressing reasonable assurance were: *Total number of work-related fatalities (Page 8); Carbon dioxide (CO<sub>2</sub>) emissions from processes and fossil fuels (Page 30); CO<sub>2</sub> emissions from electricity purchased (Page 30); and Total energy used (Page 26).*
- Limited assurance:** The 2006 SD performance indicators selected for purposes of expressing limited assurance were: *Lost time injury frequency rate (LTIFR) (Page 8); New cases of occupational diseases (Page 20); Employee HIV prevalence rate (Page 18); Number of employees participating in the voluntary counselling and testing (VCT) Programme (Page 18); Number of employees receiving anti-retroviral treatment (ART) (Page 18); Coal mine methane emissions (Page 30); Water used for primary activities (Page 29); Number of level 2 and 3 environmental incidents (Page 26); Number of significant operations with community engagement plans (CEPs) in place (page 35); and Number of socio-economic assessments conducted using the Socio Economic Assessments Toolkit (SEAT) (Page 35).*

The internally developed Anglo American sustainability guidance was used as the criteria for assessing the selected 2006 SD performance indicators.

## Work performed

Our work consisted of:

- Δ Obtaining an understanding of the systems used to generate, aggregate and report the selected 2006 SD performance indicators at three sites: Goedehoop colliery, Landau colliery and New Vaal colliery (collectively referred to as the 'selected sites'), and at head office level;
- Δ Conducting interviews with management, at sites visited in the current and previous year and at head office, to obtain explanations for SD performance data trends and understand the consistency of the reporting processes compared with prior years;
- Δ Testing the accuracy of the aggregation process for the consolidated selected 2006 SD performance indicators at head office; and
- Δ Assessing the reasonableness of assertions made in the Report associated with the selected 2006 SD performance indicators in light of our findings.

## Conclusion

- Δ In our opinion, based on our work described above, the selected 2006 SD performance indicators set out in (a) above for the year ended 31 December 2006, are fairly stated in all material respects on the basis of the Anglo American plc SHE reporting guidance; and
- Δ Based on our work described above, we have no reason to believe that the selected 2006 SD performance indicators set out in (b) above for the year ended 31 December 2006, are not fairly stated in all material respects on the basis of Anglo American's sustainability guidance.

## The Mining Charter

### Subject matter and criteria

Our limited assurance engagement determined whether Anglo Coal South Africa complies with the reporting requirements of the Mining Charter. Anglo Coal South Africa's response to the nine elements specified in the Mining Charter of the Department of Minerals and Energy, are set out in the 'Report on the scorecard' section on Pages 38-39 of the Report.

## Work performed

Our work performed with respect to compliance with the reporting requirements of the Mining Charter consisted of:

- Δ Conducting interviews with management at each of the three selected sites and head office and a review of policies, procedures, management systems and controls to assess the adequacy of the reporting processes over the Mining Charter performance indicators.
- Δ Reviewing the presentation of the selected 2006 Mining Charter performance indicators and associated statements in the Report, in light of our findings from the site and head office work performed.

## Conclusion

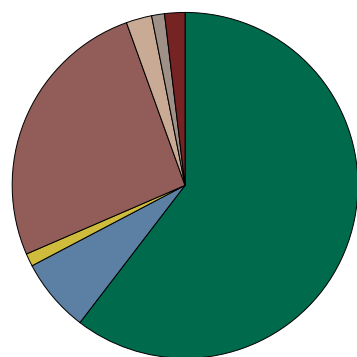
Based on the work described above, we have no reason to believe that Anglo Coal South Africa has not complied with the reporting requirements of the Mining Charter in all material respects on the basis of the Mining Charter scorecard.

KPMG

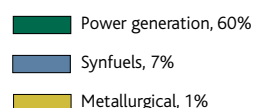
KPMG Services (Pty) Limited  
Johannesburg  
8 May 2007

# Operations and markets

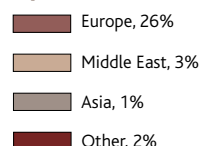
**Coal sales by markets**



**Domestic sales**



**Export sales**



South Africa has the world's seventh-largest resource of recoverable coal reserves (45 billion tonnes), amounting to approximately 5% of the world total. South Africa is also the world's fifth-largest coal producer, with a total production of approximately 240 million tonnes of coal annually (World Coal Institute 2006).

Anglo Coal South Africa owns and manages eight collieries in South Africa and currently manages Mafube colliery, in which it has 50% ownership. The company also has a 27% share in the Richards Bay Coal Terminal and an 11% ownership in Eyesizwe SPV. As part of the landmark Exxaro Resources transaction, Eyesizwe's

assets have been injected into Exxaro, resulting in Eyesizwe having a controlling stake in Exxaro. In early 2007, Anglo Coal South Africa announced the formation of Anglo Inyosi Coal, a broad-based black economic empowerment company in which Anglo Coal has a 73% shareholding.

Our coal production in 2006 was 59.3 million tonnes, of which 68% was supplied to the domestic market, with the largest proportion to Eskom for power generation, and 32% was exported. Our export sales are primarily to large power utility companies in Europe, with significantly smaller sales to the Middle East, Asia and the rest of Africa.

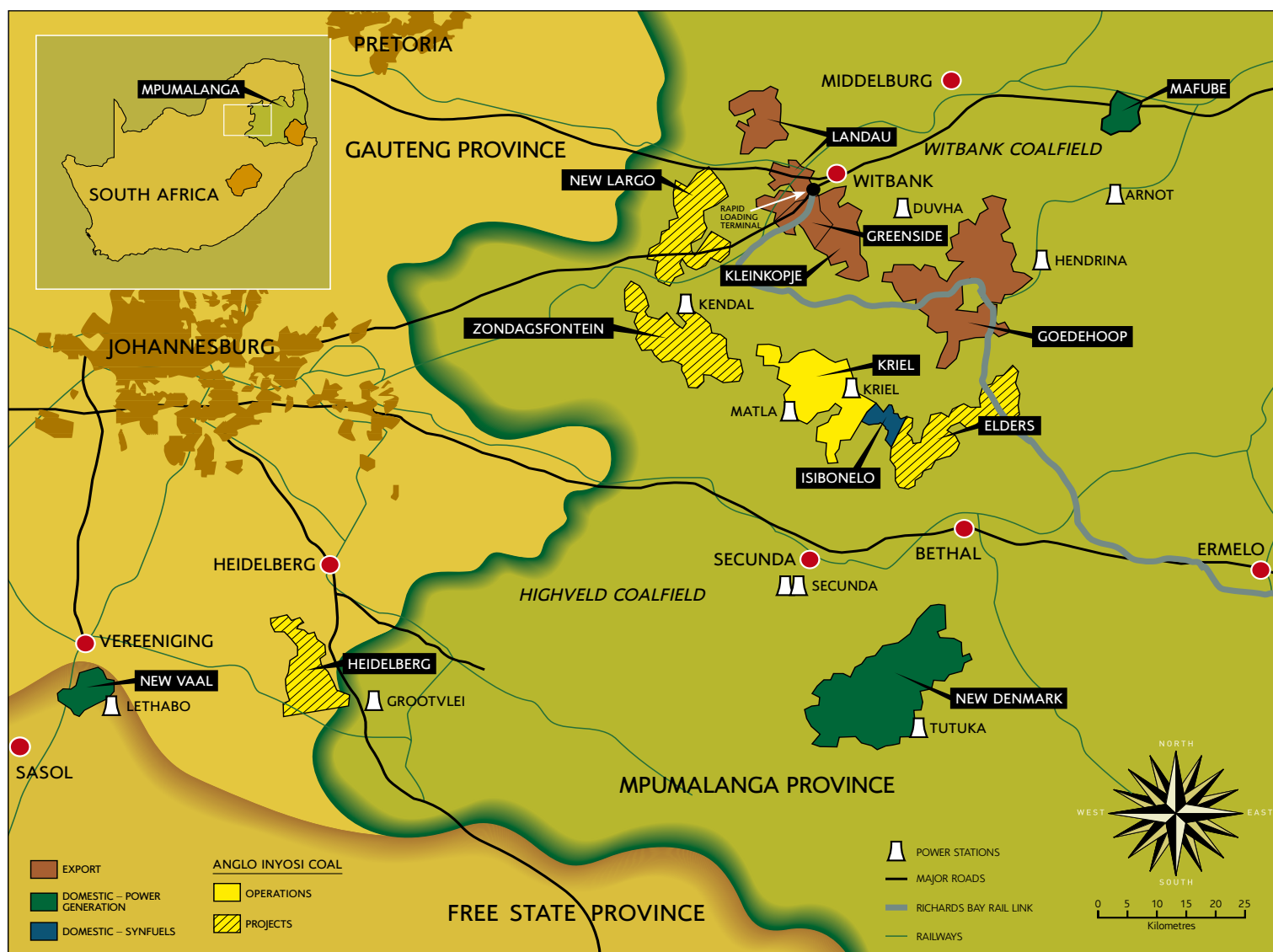
Anglo Coal South Africa	2006 ZAR 000	2005 ZAR 000
<b>Value added</b>		
Turnover <sup>1</sup>	14,925,679	14,613,724
Cost of all goods, materials and services purchased <sup>2</sup>	–10,912,562	–10,490,540
Total value added	4,013,117	4,123,184
<b>Value distributed</b>		
Total payroll and benefits	1,662,507	1,425,570
Interest paid	70,493	97,169
Dividends <sup>3</sup>	606,380	807,652
Total company taxation <sup>4</sup>	469,065	850,811
Reinvestment for maintenance and expansion	1,182,680	926,064
Community projects	21,992	15,918
Total value distributed	4,013,117	4,123,184

**Notes**

1. Turnover excludes inter-company sales.
2. Includes profit and loss on exchange.
3. Dividends were calculated for 2006 by applying Anglo American plc's dividend payout ratio as per 2006 results on Anglo Coal South Africa's net profit.
4. Includes amounts paid to regional councils but excludes the deferred tax provision.



## Operations and new projects



### Changes in operations during the year

To maintain our role as a leading supplier of stable energy to South Africa and to keep up with growing energy demand, a number of new projects were investigated in 2006. The projects were explored largely against the background of the South African government's R84 billion commitment to construct new electricity-generating capacity.

#### ***Mafube colliery***

The Phase 2 Mafube project, which includes the construction of an opencast mine in the Springboklaagte and Nooitgedacht reserves, was approved in 2006. The mine will produce 3 million tonnes per annum of saleable coal for export and a middlings product for Eskom. The mine has been designated as a pilot project to embed a sustainable development plan that will guide management through to closure of the mine.

### Economic review

Our economic impacts relate not only to the return we provide to our shareholders and investors, but also to the range of direct and indirect contributions we make to the economic sustainability of our stakeholders. These include the communities in which we live and work, our permanent and contract workforces, the suppliers of materials and services, and governments which use tax revenues to fund public services.

Details of the contributions we made and key economic indicators are summarised in the table on page 10. Further information about our contributions to our communities is provided on page 36 and our full financial results are contained in the Anglo American plc 2006 Annual Report, located on the website at [www.angloamerican.co.uk](http://www.angloamerican.co.uk).

# Innovation and continuous improvement

## The business case for sustainability

Anglo Coal South Africa recognises that sustainable development goes hand-in-hand with improvements in company performance. In February 2006, we embarked on a strategy of innovation and continuous improvement (CI) as a means of achieving our aim of being a cost-competitive and sustainable business, both now and into the future.

The CI programme has the aim of establishing a formalised process at each of the collieries to map the value chain, identify bottlenecks and areas for improvement and then prioritise and implement identified opportunities.

Many of the projects implemented in 2006 were identified not only as providing significant improvements in productivity and efficiency but also as initiatives that would improve the company's performance in sustainable development. These projects included:

- △ a continuous miner project to reduce dust levels, which has had a positive impact on occupational health;
- △ the installation of demarcation poles that incorporate solar-powered lights to mark haul roads and areas where top soil is to be stripped and placed, resulting in improved productivity;
- △ the installation of an oil filtration system to clean up and re-use recovered oil from hydraulic excavators;
- △ changing angles of centrifuge baskets, which has resulted in improved throughput, lower wear rates, extended basket life, less maintenance, less downtime and a reduction in costs;
- △ the fitting of access platforms to sump pumps to improve safety; and
- △ fitting of proximity devices to detect people close to moving machinery to reduce the risk of accidents.

In addition, large capital projects which are expected to deliver ongoing productivity benefits include:

- △ the Landau road-building project (see case study);
- △ new technology such as magnetic separator replacement that will improve efficiency; and
- △ new generation cutter drums for continuous miners.

*Ntokoza Mogoshoa, from Landau colliery, inspects the tanks in which recovered hydraulic oil is stored before it is cleaned and re-used.*







*The condition of the haul roads was poor prior to the road-building project. Since the upgrading of the roads, improvements have been realised in fuel consumption, productivity and safety performance.*

## Landau road-building project

An analysis of costs on machinery and coal-hauling equipment at Landau colliery revealed that, due to the poor conditions of the roads, the colliery was spending up to 60% more on diesel fuel, maintenance and upkeep costs on the equipment. Landau identified this as an area that, if improved, would result not only in business improvement benefits but would also offer energy efficiencies, a reduction in fuel and other resources, and better safety conditions.

The Landau road-building project was implemented to improve road conditions with detailed investigations into road design and construction methods taking place. A mobile crusher and compactor were purchased to correctly size the road-building material and a contractor was employed to construct the portion of road to the correct design specifications.

With the condition of the road now much improved, the project has resulted in significant cost savings and productivity improvements. Benefits have included:

- Δ improved truck turnaround times;
- Δ decreased fuel consumption and fleet costs; and
- Δ improved safety.

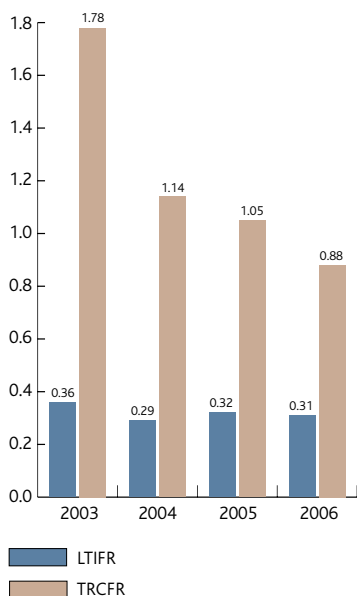
This project has directly benefited the business with a cost saving of approximately R200,000 in diesel consumption and an increase in production of an additional 240,000 saleable tonnes in 2006 – contributing to Landau achieving a new annual record of 4.1 million saleable tonnes. These results have also reduced the company's ecological footprint, demonstrating that positive business and sustainability outcomes are achievable together.



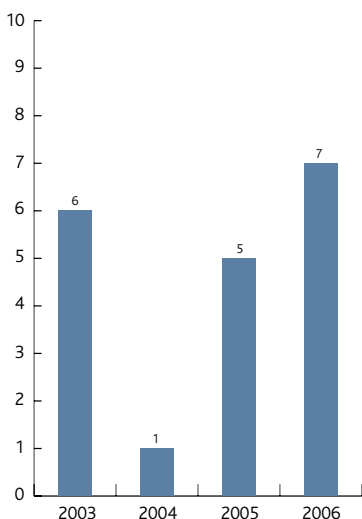
# Safety

## Towards a zero harm culture

### Work-related accidents (per 200,000 exposure hours)



### Work-related fatal injuries (Number of fatal injuries)



*Trainees are taught safe rigging procedures for the lifting of heavy equipment.*

Anglo Coal's vision is to achieve zero harm to its employees and contractors through the effective management of safety.

Anglo Coal has adopted Anglo American plc's three fundamental principles underpinning this vision:

- △ developing a mindset that zero harm is achievable;
- △ there should be no repeat incidents; and
- △ the application of consistent standards, the Anglo Safety Way and Safety Golden Rules.

### Performance

For eleven months, Anglo Coal South Africa sustained a steady safety improvement performance, which came to an end during the last quarter of 2006. Regrettably, we recorded seven fatalities which resulted from five separate incidents. It is with deep sadness that we report the loss of our colleagues and contractor partners.

The total recordable case frequency rate (TRCFR) continued to show a year-on-year improvement since 2005. The lost-time injury frequency rate (LTIFR), however, remained at a similar level to 2005.

A number of our operations met or achieved significant safety milestones, demonstrating that safe operations can be, and are, a reality. These include:

- △ Kriel underground and opencast sections achieved over 13,000 and 7,000 fatality-free production shifts respectively;
- △ Landau and Greenside each achieved over 3,000 fatality-free production shifts; and
- △ Mafube achieved zero lost-time injuries for over two years.



## Safety improvement initiatives

A range of initiatives to improve our safety performance was implemented in 2006, including:

- △ roll-out of the Anglo Safety Way;
- △ safety peer reviews undertaken at six collieries;
- △ recording of high-potential incidents (that have the potential for a fatality or very serious injury) as a leading safety indicator;
- △ sharing of safety best practice within Anglo Coal and the wider Anglo American group;
- △ safety campaigns at the individual collieries (see case studies on pages 16 and 17);
- △ the successful upgrading of safety and operational aspects of drilling activities;
- △ the introduction of best practice standards in rigging and load-handling procedures; and
- △ the appointment of best practice task teams on road haul safety, fall-of-roof accidents and underground close-proximity systems.

## Safety training and management

DuPont safety training for middle and senior management took place in the first quarter of 2006, and site-specific safety training and comprehensive induction training programmes for all employees and contractors are ongoing. Greenside, Isibonelo, New Denmark and Mafube collieries completed the DuPont safety management training in the first quarter of 2006. Safety climate surveys were also conducted by DuPont at these operations during the training sessions. Hazard identification, risk assessment and control (HIRAC) training for employees will be implemented in 2007.

To address the shortage of safety practitioners in South Africa, a new professional safety training programme, compliant with the Mine Qualifications Authority (MQA), was started by the company. Four candidates are currently in training, with one candidate having completed the course, and a further six candidates will commence training in 2007.



During 2006, Goedeboom and Kriel retained their OHSAS 18001 certification. New Denmark, Isibonelo and Landau were awarded certification for the first time. We have set a target for all our operations to be certified to OHSAS 18001 by December 2007.

*Remote-operated stairs have been installed on draglines to provide for safe entry. Petros Mahlangu, a dragline operator at Kriel colliery, is seen close to the lower landing.*



## Greenside fights injuries and puts people first

Greenside is determined to fight its number one competitor – injury. Using boxing as a theme, the colliery held a special event to drive home some important safety messages.

The event, called 'Fight injuries, put people first', was attended by employees and contractors and the special guest was the South African boxing legend, Baby Jake Matlala.

The 147 cm-tall Matlala, known as the 'Little Big Man' of world boxing, began his career in 1980 and was world boxing champion four times before retiring in March 2002. By relating safety messages to the world of boxing, Baby Jake shared his sentiments and advice on being a champion of safety and competing against injury.

The mine's three principles of safety: zero harm, zero repeats and zero negotiations, were interpreted as 'champions don't tolerate injuries' that we should 'learn from incidents' and that 'everybody must play by the rules'.

Baby Jake told the audience about his strong desire to win despite being the shortest boxer in the gymnasium. He explained that significant mental and physical preparation was needed to become a champion and that achieving zero injury status would require the same dedication. He also emphasised that one must always understand the rules and abide by them.

*Right: Vusi Maseko, Greenside colliery's general manager, joins forces with boxing legend Baby Jake Matlala in the fight against injuries.*







## Kriel colliery kicks off an innovative safety campaign

After winning the Anglo American plc chief executive's safety award for large business units in 2004, Kriel colliery wanted to launch a new safety campaign to which all its employees and contractors could relate. Accordingly, a soccer theme was created to tie in with the 2006 FIFA World Cup.

The programme was launched in June 2006 and employees took part in this unique drive which focused on the core safety principles of zero harm, no repeat injuries and simple, non-negotiable rules.

The programme started with participants proudly receiving their 'Kriel United' soccer shirts before entering a hall that had been converted into a 'soccer change house', complete with lockers and benches. Here, a piece of industrial theatre, in which the story of a player who is injured owing to his inability to follow the rules of the game, was presented. A strong emphasis was placed on the message that individual employees can make a difference and that, by looking after each other and working as a team, Kriel could once again become 'league' leaders.

Another highlight of the programme was a talk by soccer sensation Marks Maponyane, who related the success of his 18-year career to the safety theme.

## Landau shifts to better productivity

Fatigue is a major risk factor in opencast mines where heavy equipment operators spend long hours behind the controls. To beat the challenge of fatigue experienced by its equipment operators, Landau colliery changed the length of shifts from 8 to 12 hours. The change in the roster came about after the insights, provided by a Canadian research and consulting firm specialising in the area of shift work operations, were confirmed by Landau colliery. They had established that, for every night shift worked, an hour's sleep would be lost. With the deficit being cumulative, they predicted that night shift accidents would occur when individuals were at their most sleep deprived, usually between their fourth and seventh shift.

Instead of working seven 8-hour shifts, drivers now work two 12-hour day shifts, followed by two 12-hour night shifts and then have four days off. This means that individuals work no more than two successive night shifts, avoiding the build-up of significant sleep deficits. In addition, the importance of good nourishment, rest and abstinence from drug and alcohol usage were promoted and employees are provided with a nourishing booster pack at work.

Some of the positive results obtained by Landau since changing to this shift system include:

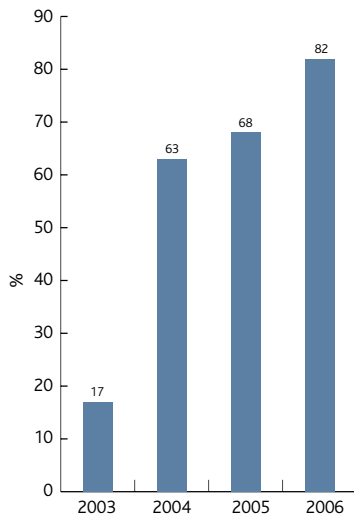
- △ a dramatic improvement in safety, with the mine having achieved 3,600 fatality-free production shifts to date;
- △ a record 282 days without a medical treatment case;
- △ a decrease in absenteeism by as much as 25%;
- △ an increase in productivity;
- △ an improvement in the health of shift workers;
- △ engines are lasting longer as a result of fewer cold starts; and
- △ diesel consumption has dropped as engines are running more efficiently.

A book and DVD have been produced to help employees understand the shift system and assist them with life-change management.

# Health

## Caring for people

### Employee VCT participation



### HIV/AIDS

According to UNAIDS/WHO (2006), approximately 39.5 million adults and children globally are living with HIV, an increase of 7% since 2004, with South Africa and India recording higher prevalence rates than any other country in the world. The management of HIV and AIDS is an ongoing challenge and we estimate the HIV prevalence rate among our employees to be approximately 16%. We recognise that HIV and AIDS affect not only our employees and our business, but impact also on the communities in which we operate.

It has been four years since Anglo Coal South Africa began offering free anti-retroviral therapy (ART) and voluntary counselling and testing (VCT) to employees. At the end of 2006, 338 employees were on ART treatment. During 2006, 6,773 of our employees (82%) participated in VCT compared with 68% in 2005, which reflects an encouraging increase.

The company classifies HIV-positive cases in two categories, the first being new cases where previous tests were negative, and the second being first tests where previous status was unknown. In 2006, 80 new cases were reported and 199 first test cases were recorded. Currently, new cases show that 1.8% of people who were previously HIV-negative tested HIV-positive in 2006. Our goal remains to prevent HIV-negative employees from changing their status to HIV-positive.

Individual operations are involved in strong HIV/AIDS awareness drives. Peer groups have been established, peer educators appointed, industrial theatre has taken place and a number of celebrities have addressed employees. Improvements in VCT participation have resulted, particularly at New Denmark, Kriel, Isibonelo and New Vaal.

As far as the company's involvement in the community is concerned, HIV/AIDS initiatives are seen as most important and the company is engaged in a number of collaborative education programmes with non-governmental organisations (NGOs). Most notable of these are the loveLife, Witbank Powerbelt and the Bhubezi (see case study) projects in which HIV/AIDS education and treatment are provided.

While good progress is being made in the fight against HIV and AIDS, a number of challenges around prevention and treatment remain. These include:

- △ patients not adhering to continued and consistent ART in spite of a strong education process;
- △ HIV-positive patients opting not to disclose their status;
- △ patients being resistant to seeking early treatment, which negatively affects their prognosis;
- △ stigmatisation attached to HIV-positive status; and
- △ trust issues around confidentiality when being tested despite the signing of confidentiality agreements.

*The Virgin group's Sir Richard Branson and young pupils from the Bushbuckridge community celebrate the launch of the Bhubezi community health centre.*





## Engaging with traditional healers

Traditional healers play a significant role in the treatment of HIV and AIDS and Anglo Coal South Africa has invested in efforts to engage actively with them. In addition to encouraging an inter-referral system, two HIV/AIDS training sessions and VCT campaigns were conducted with traditional healers during 2006. Particularly encouraging was the fact that 15 traditional healers tested their status through the VCT programme at Kriel.

## Bhubezi community health centre

Together with the United States government and Sir Richard Branson's Virgin Unite, Anglo Coal has joined hands in a public/private partnership to establish a community health centre that will help fight HIV/AIDS, tuberculosis and malaria.

Named Bhubezi, the isiZulu word for lion, the centre will be situated adjacent to the Sabi Sands game reserve in Mpumalanga and will serve approximately 70,000 people from 21 villages in the Agincourt sub-district of Bushbuckridge.

Members of this dynamic partnership are collectively investing R50 million in the one-stop community health centre that will offer free services to people suffering from HIV/AIDS, tuberculosis and malaria. To ensure the clinic's self-sustainability, all other primary health services will be financed through cost-sharing schemes with patients.

Anglo Coal is donating R5 million towards infrastructure development and will also spend R1 million annually for a period of five years for overall management support.

Bhubezi will also drive economic development by facilitating the creation of local business which will reduce unemployment, build entrepreneurship, tackle the stigma related to HIV/AIDS and create a model for rural AIDS treatment in South Africa.

## AIDS doesn't kill – denial does



**Simon Ndlangamandla**

Simon Ndlangamandla, an assistant nurse employed at Anglo Coal South Africa's Highveld hospital, has inspired countless people with his positive approach to HIV. He is living proof that, with the right attitude and lifestyle, the disease can indeed be beaten.

Simon took a giant leap when he declared his HIV-positive status to a large group of colleagues at the Witbank-based health care facility last year. Although it took him a long time to prepare for the consequences, he felt it was something he needed to do for himself, his patients and the community. When Simon was told the results of his HIV test, he chose to confront the virus head-on, having always believed that AIDS does not kill, but that denial does.

As a nurse, he has worked with patients who, despite being on their deathbeds, stubbornly refuse voluntary counselling and testing. In stark contrast, Simon opted to face the facts and decided that he would remain alive and well, despite his HIV status, so that he can watch his children grow up and pursue further studies. He believes it is important for people to control the disease instead of allowing it to control them.

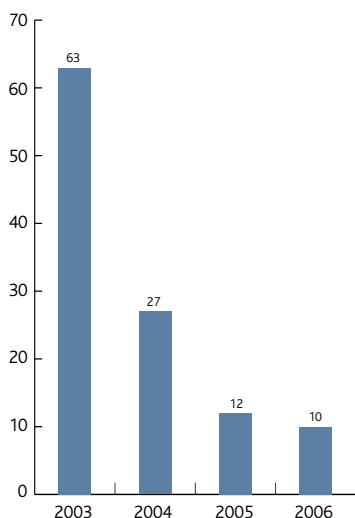
The 40-year-old is as healthy as ever, and has not yet needed to start ART. He lives positively, avoids stress, eats lots of fruit and vegetables, exercises regularly and keeps motivated with the help of his patients, family, friends and colleagues. Simon cannot emphasise the importance of VCT strongly enough and implores people to be tested. He encourages those who are HIV-negative to remain that way, and teaches everyone that being HIV-positive is not the end of the world.



*Chief executive officer Ben Magara prepares to plant a tree at the launch of the Bhubezi community health centre, made possible by a public/private partnership in which Anglo Coal South Africa is participating.*

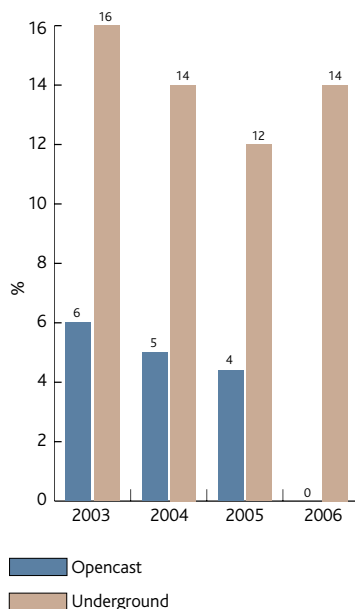
### Noise-induced hearing loss

(Number of new certified cases)



### Employees exposed to dust

(>2.0 mg/m<sup>3</sup>)



## Occupational health

The health and wellbeing of our employees is important to us. In 2006, 23 new cases of occupational disease were recorded, down from 43 in 2005. These consisted of 11 cases of tuberculosis, two cases of pneumoconiosis and 10 cases of noise-induced hearing loss (NIHL). We constantly explore interventions that will minimise work-related health risks. NIHL and lung-related conditions remain our highest risk areas and a number of strategies have been put in place to improve working conditions. Risk mitigation includes the use of personal protective equipment (PPE), regular medical check-ups and the withdrawal of personnel from risk areas when required.

### Noise

We have embarked on a process to eliminate equipment noise above 110 dB and avoid exposing employees to levels greater than 95 dB. The company continues to issue PPE to protect the hearing of all employees exposed to high levels of noise. Despite efforts to address this problem in our underground operations, the number of employees exposed to noise levels above 95 dB increased marginally to 12% in 2006. The number of employees exposed to noise levels greater than 95 dB in opencast operations is currently 6%.

A steering committee of engineering and mining specialists was formed to look at methods to reduce noise levels. A number of trial projects, including the 'silent section' at Kriel colliery (see case study), were initiated and, while early results appear positive, the challenge remains to reduce the noise levels of existing equipment in the short-term and to purchase new, low-noise equipment in the long-term.

### Dust

The company has set a target of zero personal exposure to dust levels above 2.0 mg/m<sup>3</sup> by the end of 2007. Positive progress has been recorded, with zero employees in opencast operations exposed above the target of 2.0 mg/m<sup>3</sup> in 2006. In underground operations, the figure is still too high at 14%.



Right: Martin van Heerden and Chris Storm inspect underground ventilation fans at Kriel colliery.





## Silent section project at Kriel colliery

Following the successful completion of the scrubber silencing project at Kriel colliery, the mine has decided to implement a 'silent section' project aimed at reducing noise levels in a production section by silencing various types of machinery and equipment. The machinery and equipment to be targeted include:

- △ the dust scrubber (work on the dust scrubber has been completed and a 10 dB reduction has been achieved);
- △ the continuous miner flight chain;
- △ the feeder breaker conveyor chain drive sprocket;
- △ the auxiliary fans in use in the section; and
- △ the fitting of tramming to shuttle cars and other mobile equipment.

Once the noise reductions on the items have been implemented, additional sources of noise will be addressed. These include:

- △ the roof-bolter motor and pump compartment;
- △ the load haul dumper (LHD) engine bays; and
- △ the LHD driver cabs (work already done at Goedeheop will be used in the project).

By involving the Council for Scientific and Industrial Research in the project, we aim to complete a baseline survey to determine the current situation and then make changes to single components at a time to determine the effects of these changes. A final survey to determine the net effect of the overall changes will be conducted before rolling out the results of the project to the rest of the industry.

## DuraFan project

The human ear is most sensitive to frequencies between the 500-6,000 Hz range. Auxiliary ventilation fans in underground mine operations often exceed the 85 dB level at these frequency ranges. A further problem encountered in ventilation fans is that noise levels increase by approximately 18 dB every time the air flow speed is doubled. By virtue of its duct construction, the traditional design of ventilation fans provides an excellent channel for the transmission of noise.

With the above in mind, Anglo Coal South Africa contracted Axial Flow to address the problems associated with traditional ventilation fans and a new type of fan, known as the DuraFan, was engineered. The benefits of the DuraFan include the fact that it:

- △ operates at a speed of 1,440 rpm as opposed to 2,880 rpm;
- △ is more environmentally adaptable;
- △ features lower sound pressure levels;
- △ can be installed in existing systems; and
- △ with the reduced operating speed fan, maintenance is reduced.

In addition to the features already mentioned, the DuraFan achieves an increase in energy efficiency from 47% to 70% and, due to its ability to operate at the capacity of a fan 3.5 KW stronger, significant cost savings of around R550, 000 will be delivered. Further savings will also be realised by less downtime and lower repair frequency.





# Our employees

## Yebo Siyaphambili!

Without our employees, we would not be in business. And without transforming the way we do business, we would not be able to harness the full potential of our employees and improve our overall performance. The year saw the successful roll-out of our cultural drive in order to support behavioural change. *Yebo Siyaphambili!* – Yes, we are moving forward together – undoubtedly embraces two important aspects of Anglo Coal South Africa: our employees and transformation. We certainly moved forward together in 2006 and

made great strides in real and meaningful transformation of workplace relationships.

Currently the company is working towards phase 2 of the programme which aims primarily to embed the '*Anglo Coal Way*' across all our operations.

The *Yebo Siyaphambili!* (YS) values are:

- △ performance excellence through people;
- △ fun in action;
- △ innovation (and continuous improvement);
- △ communication in shared vision; and
- △ putting people first.

The results of a climate survey to measure the impact of *Yebo Siyaphambili!* showed improvements in a number of areas, most notably the creation of a culture in which transformation, safety, health and concern for one another are seen as paramount.

These positive changes were further endorsed by the fact that the company improved its position by 20 places (from 79 to 59) in the 2006 'Best Company to Work For' survey conducted by Deloitte.

### Employee statistics

As at 31 December	2005	2006
Number of employees	7,978	8,229
Number of contractors	3,170	2,685
Number of trainees and apprentices	429	519
Graduate development programmes	88	93
Employee turnover %	5.5%	8.5%
Number of scholarships awarded	153	164

*New recruits receive training in lamproom protocol as part of their induction programme.*





***Kriel colliery has several women employed in professional positions. From left to right: Neo Ntseke, Margaret Phatlane, Claire Logan-Delagey and Zandile Mdanda.***

To further embed the YS values, transformation workshops for new employees and refresher workshops have been planned for 2007. In addition:

- △ YS champions in each business area will be identified. These champions will be responsible for the sharing of best practice, facilitating dialogue, protecting values and monitoring the implementation and progress of initiatives;
- △ a culture of accountability will be embedded to ensure implementation of processes;

- △ a team of coaches will be appointed to facilitate team development, training, on-the-job coaching and performance reviews; and
- △ facilitation skills training will take place to ensure common understanding of the continuous improvement process.

Anglo Coal South Africa is an equal opportunity employer which values diversity and actively encourages the employment of all, regardless of gender, age, race or ethnicity. We employ our people according to a range of industrial relations legislation and in keeping with the International Labour Organisation's Principles of Decent Work.

Further information on black economic empowerment in our workforce is on page 38.

## **Women in mining**

At the end of 2006, women accounted for 12% of the workforce and, of these, 50% are in technical fields. Having already achieved the Mining Charter requirement of 10% of the workforce being women in mining (WIM), Anglo Coal South Africa is ahead of the target date and continues to excel. The company has revised its targets upwards and aims to reach 14% by the end of 2007.

WIM committees were established at all collieries and a formalised vision, together with a mission statement, was put in place. Circumstances surrounding pregnancy and the lack of female representation in the boardroom were identified as key issues. A Code of Good Practice for pregnancy in the workplace has been compiled and will be rolled out to all collieries in 2007.

The company encourages the exposure of women to technical fields and continually addresses issues raised by female employees. Women are represented on all employment equity committees.



## Training

It is pleasing to report that all the training and development centres at our collieries successfully retained their ISO 9001:2000 certification during 2006. In an ongoing effort to improve knowledge and skills of our employees, the amount of time spent on training was equivalent to 12 days per employee. This figure represents 8.1% of the company's wage bill. In 2006, 164 higher education scholarships were granted, and 123 of these were awarded to historically disadvantaged South Africans.

### Cadet scheme

Anglo Coal South Africa's cadet training scheme was designed to feed the supervisory pipeline for new and existing operations.

Two programmes were presented during 2006, with 38 cadets completing the programme successfully and four programmes are scheduled for 2007. The programme caters for potential supervisors from all operational disciplines and the diversity of the groups adds value to the process.

The development programme is geared at equipping prospective supervisors with leadership skills. The programme embraces experiential methodology with emphasis on the application of theory and continuous assessment.

The success of the programme is vested in the opportunity for cadets to practise their new-found skills in the work environment under the close scrutiny of an experienced supervisor/mentor. This approach allows cadets sufficient time to come to terms with their new responsibilities before moving to functional positions.

The cadet programme methodology and content have allowed Anglo Coal South Africa to standardise its approach to first-line supervisory development and, as such, the programme lays the foundation for further development and progression through the leadership pipeline.



*Joseph Sibiya, assistant training officer at Anglo Coal Training and Development Services in Witbank, demonstrates the use of the simulator.*

## Simulator training

Anglo Coal Training and Development Services in Witbank has acquired a state-of-the-art simulator that has revolutionised the way in which the organisation's vehicle operators in opencast mines are trained and subsequently perform on the job. The simulator was designed to instruct and evaluate operators on a range of different vehicles including bulldozers, shovels, haul trucks and draglines.

Preliminary test work identified common faults and bad driving habits among some operators and, accordingly, a revised strategy was implemented to cater for both the re-training of existing operators and introductory training for all new employees prior to any pit experience or exposure. Trainees on the simulator are presented with, and taught how to react to, a range of challenging conditions including rain, heavy mist, night driving and slippery driving surfaces. The topography of each mine is fed into the computer, so that the experience is highly relevant to each trainee.

International studies have shown that simulator foundation training accelerates learning by between 40% and 60%. It is anticipated that this technology will be rolled out to all Anglo Coal's operations. Plans are also under way to investigate the acquisition of an underground simulator, and approval of capital expenditure has already been given for the purchase of a dragline simulator.



## Staff retention

Retention of key skills remains an important issue in our industry. To address this, the company continues to develop its workforce from the bottom up and a strategy is in place to retain our employees by making them feel valued. This includes both financial and emotional rewards, making them feel challenged and supported, and creating a brand that is respected and with which they are proud to be associated. The *Yebo Siyaphambili!* drive has made a valuable contribution in this regard.

An improvement in the turnover of artisans has been noted and this can be attributed to more flexible attitudes, increased engagement and career development. We aim to improve our staff retention rates by 50% in 2007.

## Union coverage

The company's strategy to engage with and maintain a positive relationship with the three recognised trade unions, the National Union of Mine Workers (NUM), United Association of South Africa and Solidarity, continues. These three unions currently represent 81% of the workforce. Moving into 2007, the aim is to build on these relationships in order to meet the demands of change in a complex socio-political landscape.

## Disciplinary and grievance procedures

In compliance with the Labour Relations Act, the company has a disciplinary code and procedures in place to detail offences and the corrective actions to be followed in the event of them occurring.

In 2006, 1,216 internal hearings were held as opposed to 1,534 during 2005. The reason for this

decrease can be attributed to the training of full-time shop stewards on the disciplinary code, grievance procedure, dispute resolution and litigation. In the event of a decision impacting on an employee's disciplinary record and/or employment relationship, all employees have access to the South African Labour Court as well as the Commission for Conciliation, Mediation and Arbitration. During 2006, 11 appeals were lodged, compared with 12 in 2005.

## Wellbeing programmes

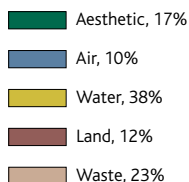
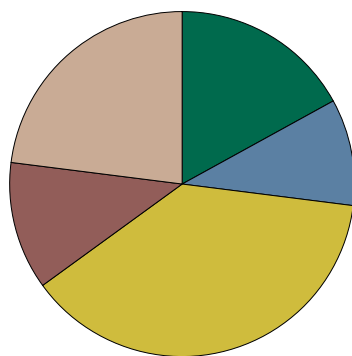
In addition to the occupational health framework, the company has also invested in a range of programmes, incentives and activities aimed at improving and maintaining the physical, mental and emotional wellbeing of the workforce. These programmes have been developed to support employees and their families in making healthy lifestyle choices and provide them with access to services that will assist them in achieving their desired goals. Examples of these include:

- △ the Employee Assistance Programme (EAP), which provides confidential assistance on personal matters ranging from emotional, health and stress-related issues through to trauma, HIV/AIDS and financial counselling. It is positive to note that awareness of the EAP has grown and that, while 90% of cases are remedial rather than preventative, there is less stigma attached to seeking help;
- △ the provision of an annual medical fitness examination for all employees, which not only allows for early identification and treatment of chronic illnesses, but also encourages employees to have VCT for HIV/AIDS. Furthermore, patients are counselled and educated on weight management, healthy eating habits and fitness.

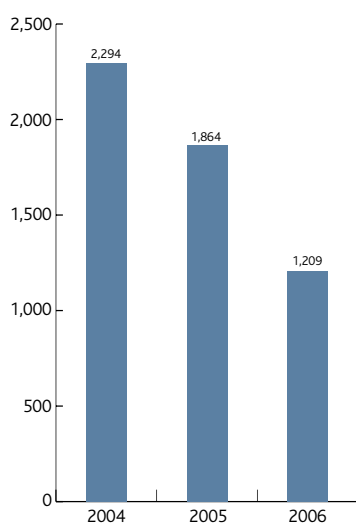
# Environment

## Minimising our footprint

### Environmental incidents



### Environmental incidents (Number of incidents)



We occupy and consume significant amounts of energy, water, land and other natural resources in our mining operations. As a leading coal mining company in South Africa, we acknowledge our role in the responsible use, management and disposal of natural resources in order to preserve the ecosystems. The impact of our operations and the efforts we are making to remediate our disturbance and conserve resources are discussed below.

### Performance

#### Incidents

During 2006, we recorded 1,209 environmental incidents, a 35% decrease from 2005. We recorded no Level 3 (major) incidents, 23 Level 2 incidents and 1,186 Level 1 (minor) incidents. Most of the incidents were water-related due to the high rainfall in the first quarter of 2006, combined with a lack of drainage and storage capacity for excess water in some areas of the operations. Waste incidents comprised the second-largest incident type with oil spillages being the major contributor in this category.

There were no legal environmental actions or prosecutions in 2006. There were, however, three environmental directives: Anglo Coal South Africa received two directives from the Department of Water Affairs and Forestry (DWAF) in April 2006 for discharges of mine water from Landau colliery and the non-operational Arnot opencast mine. Action plans have been implemented at both sites to prevent uncontrolled discharges of mine water. Goedeheop colliery received a directive from DWAF in October 2006 to reassess a dam safety factor, which has since been found to be adequately stable.

#### Complaints

During 2006, 30 environmental complaints were received from the public. The majority of these were in relation to nuisance dust from opencast operations. Any complaints received by the collieries are taken seriously and are dealt with in accordance with the mines' external communications procedure. The

complainant is contacted as soon as possible and the incident is investigated.

Where relevant, corrective and preventative actions are put in place to resolve the issue and a follow-up is conducted with the complainant.

### Energy

Electricity and liquid fossil fuels account for most of our energy consumption. Anglo Coal South Africa has committed to reducing its energy intensity by 15% by 2014 (using a 2004 baseline).

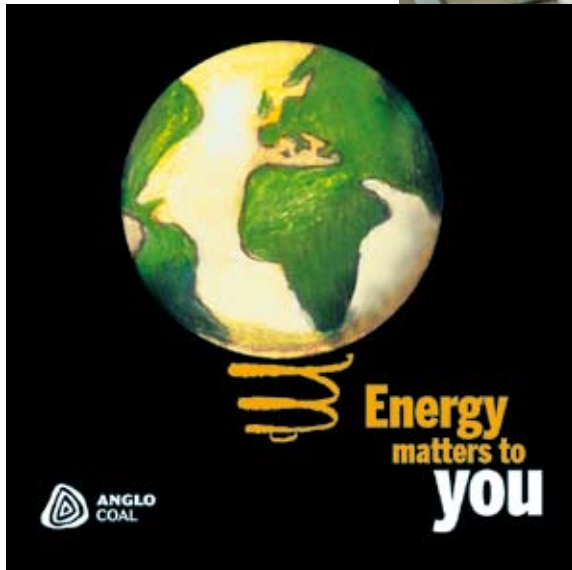
Our total energy consumption for 2006 was 5.5 million GJ, and our energy efficiency was 92.1 MJ/saleable tonne. The energy efficiency target for 2007 has been set at 89.7 MJ/saleable tonne.

In support of the target, a number of initiatives have been implemented:

- △ the appointment of an energy efficiency champion engineer;
- △ all mines now have energy efficiency committees to drive mine energy-saving initiatives and a central energy efficiency committee to co-ordinate them;
- △ the development of a website containing energy-saving guidelines and best practice case studies;
- △ the installation of new metering systems to measure the distribution of electricity throughout the mines;
- △ a pilot study to retrofit old fixtures to speed up the lighting retrofit programme. An additional advantage of this project is that it may leverage Eskom Demand Side Management funding which funds up to 50% of capital expenditure for projects that improve energy efficiency;
- △ publication of an Anglo Coal 'Energy matters to you' booklet to encourage energy-saving initiatives across the company.

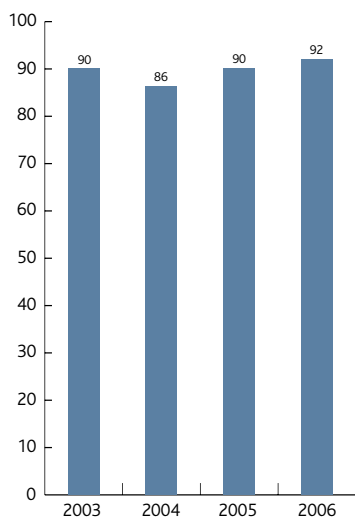
In addition, Anglo Coal South Africa will implement load-shifting and energy-efficiency projects in conjunction with Eskom. These projects will see some 6 MW of energy being moved out of peak times and, should the company be able to sustain energy efficiency targets over a three year period, a 50% financial rebate on related costs will result.





*'Energy matters to you' was published by Anglo Coal to raise awareness of energy-saving opportunities and energy related safety.*

**Energy efficiency**  
(MJ per saleable tonne)





## Emalahleni water treatment plant

Excellent progress was made on the Emalahleni water treatment plant in which polluted mine water from Anglo Coal South Africa's Greenside, Kleinkopje and Landau collieries will be purified. The R296 million plant, which is 85% complete, is on track to meet its completion date at the end of June 2007.

The plant is expected to treat 5 ML of colliery water per day from the end of March 2007 and 20 ML per day by the end of June, with a greater than 99% recovery of water. The treated water will be supplied directly to the Emalahleni local municipality and this public/private partnership will see 20% of the local municipality's daily water requirements being met. In addition, 5 ML of water will be supplied to the adjacent Anglo Coal South Africa mines for the purpose of domestic consumption, which means the mines will become self-sufficient in terms of their water requirements.

The smaller demonstration water treatment plant at Landau colliery has been running for over a year, during which time designs for the main plant were verified and refined. As a result of these refinements, it has become possible to increase the lifespan of the brine disposal pond from four to fifteen years and the water yield from 97% to 99%. In addition, the demonstration plant has been used successfully to train operators and get operating procedures into place.

The dewatered solid waste (gypsum), which results from the reverse osmosis process used to treat the water, will be trucked from the plant and disposed of in the neighbouring Landau colliery's dump in an



environmentally responsible manner. Brine will be pumped into an on-site evaporation basin designed and built according to criteria set by the South African Department of Water Affairs and Forestry (DWAF).

An environmental impact assessment (EIA) was approved in November 2005. The final water use licences are currently in draft form at the DWAF.

With a design capacity to supply 60 ML per day, expansion of the Emalahleni water treatment plant is expected to take place as and when demands from new mining operations and/or local municipalities arise.

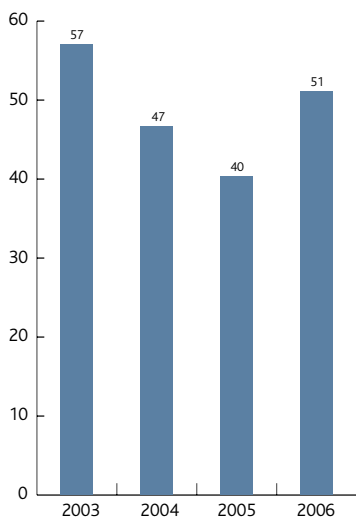
*Above: Project engineer, Martin Maher, inspects some of the 1,500 reverse osmosis membranes in the Emalahleni water treatment plant.*

*Below: Steelwork preparation on one of the 10 ML potable water reservoirs.*





### Water efficiency (Litres per saleable tonne)



## Water

To achieve sustainable development, we require all our operations to reduce their ecological footprint by seeking ways to reduce consumption of the planet's natural resources. In particular, we recognise that we have a responsibility to manage water efficiently. The challenge that we and our stakeholders face is to implement water management practices that make better use of regional water supplies and re-use or recycle more water at our mine sites.

Total new water used for our primary activities in 2006 was 3.1 million cubic metres. The average annual consumption rate was 51.1 litres/saleable tonne, which was 31% above target.

Exceedance of the water consumption target can be attributed to increased water usage associated with:

- △ the development of the Phase 2 Mafube project;
- △ increased potable water usage at Landau when shortages were experienced with the recycled water reticulation system; and
- △ increased potable water usage at Greenside when underground water qualities deteriorated and could not be used for dust suppression.

The water consumption for 2006 is an underestimate, as it does not include water from rainfall and groundwater recharge into underground workings and open pits. Anglo Coal South Africa is currently calculating what portion of rainfall and groundwater recharge is to be assigned to new water. This will be reported in 2007.

### Water management

Anglo Coal South Africa follows a four-step water management plan to ensure best practice implementation at each of the collieries. The plan involves:

1. minimising the use of clean water;
2. ensuring separation of clean and unclean water;

3. implementing re-use and recycling where possible; and
4. the development of water treatment techniques to improve the life-cycle of mine water.

In addition, the company is working with the Emalahleni local municipality in the development of a water treatment plant to provide domestic water to the community from treated mine water (see case study).

*At New Vaal colliery, Daniel Taioe takes a groundwater sample to be sent for laboratory analysis as part of the colliery's water management programme.*



Air quality

Methane and CO<sub>2</sub> emissions

The calculated total carbon dioxide equivalent (CO<sub>2</sub>e) emissions for Anglo Coal South Africa for the year 2006 were 3.3 million tonnes CO<sub>2</sub>e.

CO <sub>2</sub> e by source (000 tonnes)		
	2005	2006
Electricity purchased	773	847
Fossil fuel use	165	168
Processes	Not reported	1,764
Ventilation shaft methane	232	494
Other	Not reported	4
Total CO <sub>2</sub> e emissions	1,171	3,278

The greenhouse gas emissions reported in 2006 increased by a factor of three from 2005. The main reason for the increase is that CO<sub>2</sub>e emissions from processes were reported for the first time in 2006. They consist predominantly of CO<sub>2</sub>e emissions from spontaneous combustion (at Kleinkopje, Landau and New Vaal collieries), with lesser contributions from explosives, water treatment and coal seam gas. In addition, the CO<sub>2</sub>e emissions from ventilation shaft methane have doubled in comparison with the previous year. The reason for this is that the methane monitoring programme initiated in 2005 was extended to include additional upcast shafts at several underground operations and measurements taken over a longer period.

Coal seam gas methane has a global warming potential of 21 times that of CO<sub>2</sub>. Approximate fugitive methane emissions from our mines were 24,000 tonnes. We are investigating ways to capture methane and turn it to productive use, in particular through the continuation of the Lephalale coal bed methane project (see case study).

Lephalale coal bed methane project

Adjacent to Lephalale, in the Limpopo province, is one of the largest coal resources in South Africa. It is envisaged that, due to the thick coal seam, opencast methods will be utilised to access the coal. Because the coal seam aquifer is sealed off from the surface aquifer which the farmers use, Anglo Coal is able to extract methane by dewatering the coal field without jeopardising the farmers' water supplies. During this process, pressure is reduced in the seam and, as a consequence, gas is released and collected in vertical wells.

The company started a pilot project in 2004 to test the feasibility of producing methane from one of southern Africa's best coal bed methane prospects. Exploration holes have been drilled and, more recently, the company purchased a machine to fracture coal and enhance the dewatering and subsequent gas release process.

Two possible economic uses for the gas are currently being considered. The first option is to supply a possible new local power plant with methane for energy generation and the second is to pipe the gas for distribution to end users.

The project fits in with the South African government's strategy of making Lephalale a growth area and, given that Anglo Coal has purchased the farms on which the coal bed is situated, opportunities exist to expand the coal bed methane project.

Community engagement is ongoing, with regular reports being filed with the Lephalale forum. In addition, information on the project has been supplied to the local library and a successful farmer's day has been held.

Our stringent environmental management standards are being implemented during the exploration processes. Anglo Coal predominantly uses farm roads to access the well sites and thus minimises impacts on the natural thorn bush. Where required, the disturbed areas around the drill sites are re-seeded before the onset of the annual rains. We are also working to ensure that we reduce the environmental and visual impacts of the gas wells

within the Bushveld at the Bulklip pilot plant. Following gas well construction, the immediate surrounding area is rehabilitated by removing contaminated soils and re-contouring the surface in preparation for the planting of local indigenous trees and grasses.

Early phase rehabilitation is closely monitored and maintained to establish the plant life around the wells. Although it is still necessary to maintain a cleared area of some 20 m radius as a firebreak around the wells, the environmental impact has been significantly reduced.

Given the successes of the pilot project, a second exploration site is currently being planned.





### **Spontaneous combustion**

Spontaneous combustion (sponcom) of coal is the generation of heat through the oxidation of carbonaceous minerals, which occurs without the application of any obvious external energy source. Sponcom can lead to fire if uncontrolled and it has potential safety, productivity and environmental consequences. These include operational risks in mining such as a decrease in coal quality and increased production costs.

Large opencast coal operations which have been previously mined by underground methods, especially those where flooded bord and pillar workings are present, are susceptible to sponcom. Measures currently used to control and manage sponcom include:

- △ loading out of coal (removing the fuel);
- △ smothering through buffer blasting and cladding (closing the pathway of the oxygen); and
- △ cooling with water cannons (lowering the fuel temperature).

In 2006, the focus remained on understanding and continuously improving the effectiveness of sponcom control strategies. At Kleinkopje colliery, measures have been introduced for each section of the mining process (pre-strip, drilling and blasting, dragline and coaling) to ensure the seamless integration of the sponcom controls with the mining activities. Adherence to these measures, routine reporting and teamwork have resulted in encouraging improvements.

The work on sponcom compiled by Coaltech 2020, a collaborative research programme in South Africa, will be collated into best practice guidelines.

### **Use and emission of ozone-depleting substances**

All operations have undergone audits for CFCs and action plans, where necessary, have been put in place to replace or remove any such substances from the premises. No new products that contain CFCs are purchased or stocked by the company and, as applicable, ozone-depleting products/facilities will be phased out and replaced with acceptable alternatives.

*Soil cladding of exposed old workings at Kleinkopje colliery is used to reduce spontaneous combustion.*





*Land rehabilitation in progress – the process includes levelling of open-cast mine spoil heaps to original surface contours.*

## Land management

### Biodiversity

Promoting biodiversity and protecting the natural environment in which we operate are among Anglo Coal South Africa's key commitments. We consider it imperative to measure and mitigate the impact of our activities on the biodiversity value of land at and surrounding our mining operations. Over the past few years, we have been developing biodiversity initiatives such as Biodiversity Action Plans (BAPs) at our sites. These plans assist us to develop more comprehensive biodiversity inventories, implement and monitor corrective action programmes, and ensure that we adhere to the prescribed criteria when undertaking rehabilitation and closure processes.

As part of the development of the BAPs, we implemented a peer review programme in order to improve on the action plans implemented. These peer reviews were carried out at New Vaal, Isibonelo and Goedehoop during 2006. Two mines will be nominated for peer review in 2007.

In addition to the BAPs, a number of biodiversity programmes were implemented during the year including:

- △ the implementation of a weed control programme; and
- △ the identification of, and commitment to, the protection and translocation of endangered flora growing close to one of Mafube's conveyors.

The South African Department of Environmental Affairs and Tourism (DEAT) is currently identifying

priority conservation and biodiversity areas through initiatives such as the National Grassland Biodiversity Programme and the Upper Olifants River Catchment Wetlands Strategy. Anglo Coal South Africa is following these developments closely and will manage the relevant high biodiversity areas under company charge through already established mine BAPs.

### Rehabilitation

Anglo Coal South Africa's mining activities have altered some 14% of the 113,000 ha of land under its charge. To date, 11% has been rehabilitated to the land capability specified in the mines' regulatory commitments, and rehabilitation continues on the remainder.

As part of our rehabilitation focus, a number of research projects are under way, including the following:

- △ a trial which hopes to establish a case for reintroducing indigenous grassland to rehabilitated lands at Landau colliery;
- △ a project focused on chemical, physical and biological methods of decompacting soil to ensure it reverts to its arable potential;
- △ a trial at Kleinkopje to establish the ability of Vetiva grass (native to the Philippines, but non-invasive and rich in essential oils) to decompact soil; and
- △ laboratory and field trials into Fungcoal technology (the use of fungal microbes to 'dissolve' discard coal).

### Closure

Anglo Coal South Africa recognises the social and environmental challenges posed by the closure of its operations when they reach the end of their lives. Funds to cover the physical costs at closure, based on a closure cost assessment undertaken by an external quantity surveying company, are accumulated for each operation in an Environmental Rehabilitation Fund.

Especially difficult is the rehabilitation of the older mines, many of which started operating over 60 years ago. Some of the planning decisions made at that time affect the complexity, sustainability and cost of closure today. Consequently, Anglo Coal South Africa has come





***The flotation plant at Greenside colliery recovers valuable ultra-fine product coal.***

to understand that the decisions made in the planning stages of opening a new mine are critical to minimising negative environmental and social impacts during the operational phase, as well as to the successful future rehabilitation and socio-economic sustainability of the area post-mining.

In order to assist operations in planning for closure, the Anglo American Technical Division is in the process of finalising a Mine Closure Toolbox. This toolbox has been designed for use in the planning stages of new operations to ensure that the socio-economic and environmental requirements during the operational phase of the operation as well as at closure are incorporated into the mine design and operational

plan. The tools can also be applied to existing operations in order to refine their closure plans.

Once the closure toolbox has been finalised, Anglo Coal will incorporate these tools into the planning phase of new operations and will investigate their use in existing operations.

## **Waste management**

### ***Non-mineral waste***

Four generic waste streams are recognised and managed at our collieries. They include paper, scrap metal, domestic and hazardous (including medical) waste. Although procedures for managing these waste streams are in place, monitoring and reporting are lacking. To address these shortcomings in 2007, improved measurement and reporting of non-mineral waste will be implemented. As a result, we hope to identify opportunities for waste reduction as well as cost and time-saving initiatives.

### ***Mineral waste***

One of the problems associated with mining discard is the fact that coal fines (fine coal powder generated from handling and mining processes) cannot always be processed for sale to an end user. As a result, this coal resource, which could be used as an energy source, ends up as waste. In an attempt to solve this issue, a fine coal flotation plant was commissioned at Greenside colliery in 2006. This plant has added approximately 3% to the washed coal yield for the mine. A similar plant is currently being constructed at Goedeheop colliery and should be in operation during the first quarter of 2007. Mafube colliery is developing a process that will recover coal fines so that part or all of the resulting ultra-fine coal can be added to the end product.

The processing of low-grade coal dumps, which was previously not considered profitable, may now be feasible as a result of improved economics. The company is investigating the possibility of reworking the discard dumps at Greenside as part of a black economic empowerment initiative for the production of a saleable coal product.



## Isibonelo – setting a good example!

Isibonelo colliery recently lived up to its name (which means 'an example to others') when the colliery's wetland rehabilitation project won the environmental category in the Nedbank Capital Green Mining Awards competition.

Nedbank Capital's Green Mining Awards seek to raise the level of involvement in sustainability issues and highlight the good work that is being done by mining companies in terms of minimising environmental impact and uplifting the surrounding communities. Isibonelo was one of three mining



companies to be applauded at the awards ceremony. According to the press release issued by Nedbank Capital, Anglo Coal South Africa's Isibonelo wetlands project was "innovative and extended beyond compliance".

Isibonelo, Anglo Coal South Africa's newest operation, is situated in the Upper Olifants River catchment area in Mpumalanga, with sections of the Isibonelo coal reserves located in wetland areas. During the environmental impact assessment process (which began in 2000), it was apparent that one of the key issues was the impact of mining on the wetlands in the mine reserve area. In order to minimise the impact on the environment, discussions were held with key stakeholders, including government departments, Mondi Wetlands Projects, Working for Wetlands and external wetlands consultants. Together with these stakeholders, a sustainable solution was found.

The first step was to pull back the initial mining footprint to minimise the area of wetland remaining in the mining area. A unique topsoil stripping and mining sequence plan was then designed for the mining blocks remaining in the floodplain wetland. The project's ultimate goal was to protect the wetland adjacent to the mining area, returning as large a portion as possible



to the floodplain wetland and sealing the post-mining wetland from mining spoils.

One of the commitments made by Anglo Coal South Africa was to rehabilitate a degraded wetland area off-site to compensate for an on-site area that is unlikely to be rehabilitated back to wetland post-mining. The colliery has successfully completed the off-site rehabilitation of two degraded wetland sites in the Upper Olifants River catchment area and is investigating further potential off-site rehabilitation sites. Before the commencement of mining activities, a group of local women was hired to dig up bulbous wetland plant species in areas that would be affected and transplant them to special beds located on the mine property. The plants will be used in the rehabilitation of on-site and off-site wetland areas. A number of plants from the mine site were also collected by the South African National Biodiversity Institute for the establishment of a wetland habitat at the Pretoria National Botanical Gardens.

**Left: Isibonelo's Joanna Kuntonen-van't Riet, Dipuo Molamu and general manager Clive Ritchie with the Nedbank Green Mining Award in recognition of the colliery's wetland rehabilitation project.**

**Top: Plant material was transplanted from the wetland site at Isibonelo to this wetland habitat at the Pretoria National Botanical Gardens.**

**Above: A section of the rehabilitated Isibonelo wetland.**



# Community engagement

## Assessing needs and impacts

We are aware that our mine operations have significant impacts on the local services, economies, infrastructure and demographics of the neighbouring towns and communities in which we operate. These present our most material and relevant community challenges and we are committed to engaging effectively with our communities in an effort to gain and maintain our social licence to operate. All operating sites have community engagement plans in place and these are continually being improved.

### **The Socio-Economic Assessment Toolbox (SEAT)**

The Anglo American Socio-Economic Assessment Toolbox (SEAT) is a suite of tools designed to help operations benchmark and improve the management of their social and economic impacts and create opportunities. The assessment consists of a number of questionnaires that enable the site to consolidate information to:

- △ manage socio-economic impacts;
- △ undertake partnerships with government and non-governmental organisations to improve the lives of people associated with our operations;
- △ assist in balancing the depletion of natural resources with the enhancement of local social and human capital;
- △ enhance the social dimension of closure planning;
- △ demonstrate the local development opportunities available to an operation; and
- △ create key performance indicators for local and corporate reporting.

SEAT reports were completed at all collieries during 2006. This process has enabled us to engage with stakeholders in order to understand more fully our impacts on the communities in which we operate.

*Community members at a sewing course, which forms part of Goedehoop colliery's small business development skills training programme.*





*Above: Children at the Middelburg Care Village, which receives financial support from Anglo Coal South Africa.*

*Right: SEAT reports were completed at all collieries during 2006. Illustrated here is the cover of the Isibonelo report.*

## Meeting stakeholders' needs

By engaging with communities, we have been able to identify and prioritise areas of concern. A number of successful projects were implemented during the year with a total of R22 million being spent on community and social development, including investments in:

- △ rolling out the South African Department of Minerals and Energy (DME) initiative of Basa njengo Magogo in order to help combat the pollution from smoke emissions from domestic coal use (see case study);
- △ the continued use of dust suppression systems;
- △ the establishment of a small business development skills training programme in partnership with the South African Department of Labour;
- △ assistance with the set-up of small business ventures including beading, baking, art projects, vegetable farming and chicken farming;



- △ commencement of the building (together with other stakeholders) of a multi-purpose community centre in Middelburg which will provide essential health care services, municipal account payment facilities, a library, postal facilities, a skills centre and entertainment facilities;
- △ the provision of financial support for the Middelburg Care Village where orphans are cared for;
- △ the building of Emalahleni and Kromdraai primary schools in Schoongezicht in partnership with the South African Department of Education;
- △ the building of a laboratory at Kwanotshwela secondary school, a library at Thakazela primary school and a block of classrooms at Maqulusini primary school, all in Vryheid; and
- △ a number of life-skills/home ownership/small business development programmes implemented to reduce the dependency of employees on the mines in the short and long term.

Our strategy going forward is to create an additional 500 sustainable jobs outside of the coal mining environment by the end of 2008 through our community involvement. Although significant progress is being made, further partnerships with stakeholders will enable us to provide increased skills training and small business opportunities to assist in the fight against poverty and unemployment.

## Complaints

No complaints from the community on social issues were recorded during 2006.





## Basa njengo Magogo

Basa njengo Magogo (BnM) – *to make fire like granny* – is a low-cost intervention that allows community members to use what they already have to make a fire, but in a safer, healthier and more environmentally friendly way. Given that state-funded health programmes currently spend some R455 million a year on respiratory tract diseases, there is clearly a real need for the roll-out of the BnM programme. Anglo Coal South Africa has thrown its weight behind this initiative, endorsed by the Department of Minerals and Energy, which targets low-income groups that use coal as their main source of energy.

Anglo Coal South Africa launched its programme in May 2006. The roll-out was undertaken by Palmer development consultants during the winter of 2006 and reached some 12,000 households in the Vosman township adjoining Witbank. Around 26 fieldworkers, consisting of unemployed people from the community, were employed for a period of 3-4 months to perform street demonstrations of the BnM method. These fieldworkers were given training in public speaking and were also trained how to conduct interviews and perform surveys to monitor uptake of the method. They conducted several demonstrations at local schools to teach children, often assigned the chore of fire-making in the home, the simple five-step BnM method.

Traditionally, kindling is placed beneath the coal. The fire burns upwards, releasing the particulates and volatiles in the coal, which are then emitted into the atmosphere. Conversely, by placing the kindling on top of the coal, the particulates and volatiles released from the coal underneath are burnt off as they pass through the 'hot zone' where the fire is burning. Studies conducted by the Council for Scientific and Industrial Research show that this method can reduce

particulate emissions by up to 80% compared with the conventional method. Results from earlier BnM roll-outs indicate an almost 40% reduction in smoke, compared with the conventional method of bottom-up ignition.

Added benefits of the BnM method include the fact that 1 kg less coal per fire is used, the time required to reach cooking temperatures is greatly reduced, the fire lasts longer and it is much safer. Qualitative results from the project show that one month after training:

- △ 65% of households reported less smoke when lighting the fire;
- △ 72% of households reported less smoke in the streets;
- △ 96% of households exposed to training continued to use the method;
- △ households reported savings of between R20 and R50 per month (or 5-28 kg of coal) as a result of using the BnM method.

Through the interaction with the Vosman community during this project, other community needs have been identified. They include proper waste disposal systems, training in bookkeeping for coal merchants and small business projects for fieldworkers. These related initiatives, which create continuity from the BnM project, may be pursued in 2007, alongside a follow-up BnM project to reinforce the method. The project will roll out during 2007 to other areas in which Anglo Coal South Africa has a presence.

*Fieldworkers were engaged to assist in rolling out the BnM method of making a fire in the home for cooking purposes.*



# Report on the scorecard

## The broad-based socio-economic empowerment charter

### Human resource development

To ensure functional literacy of employees, the company has been offering an adult basic education and training programme since 1990. Furthermore, a workplace skills programme provided training profiles for all employees and individual development paths were created for middle and senior management. Progress was made in extending development paths to the balance of employees in the year under review.

Anglo Coal South Africa also assists in human resource development external to the company. As required, we actively support the black economic empowerment (BEE) groups with which we are involved.

Our current strategy of working with Zimele (an Anglo American plc enterprise development company) to create and support new BEE companies is successful and will continue.

### Employment equity

Anglo Coal South Africa is on track to achieve the target of 40% historically disadvantaged South Africans (HDSA) in management by 2009. With our figures currently at 32%, our targets are also ahead of those set by the charter. At the end of 2006, women accounted for 12% of the workforce, and 50% of these women are in technical fields. Women comprise 10% of the management team. These statistics are seen as a benchmark in the industry and are viewed positively by the trade unions who are supportive of our inclusive approach.

### Migrant labour

As a result of recruiting local labour, the number of migrant workers has reduced slightly and now constitutes less than 8% of the total workforce. In general, these employees come from Lesotho, northern KwaZulu-Natal, the Eastern Cape, eastern Mpumalanga and the Limpopo province.

### Mine community and rural development

In line with the company's policy of participating in the government's integrated development plans, all the

collieries completed the Anglo American plc Socio-Economic Assessment Toolbox (SEAT) process in 2006. As a result, they were able to revise their community engagement plans to meet identified needs. In 2006, R22 million was spent on community and social development and R26 million has been allocated for 2007. (Further detail is provided in the section entitled Community engagement on page 35.)

### Housing and living conditions

The company's policy of encouraging home ownership has resulted in less than 12% of employees living in hostel accommodation. This figure is in line with the target of reducing hostel residents by 30% per year. Home ownership assistance is provided in the form of a 'home ownership option' for senior employees and an allowance for other employees. The current home ownership assistance programme is being assessed with the aim of making it more streamlined.

Owing to the ongoing process of converting mine hostels into married quarters, employees are no longer provided with meals. However, the disease management programme for HIV-positive employees includes nutritional supplements as part of the anti-retroviral therapy supplied by the mine.

### Procurement

With BEE companies being given preferred supplier status, an aggressive target of R1.36 billion for BEE spend was set and achieved during 2006. This represents an increase of 26% compared with 2005. The purchase of consumables and services accounted for R1.1 billion, with the purchase of capital items accounting for the balance. As a result of the planned capital expansion projects, our focus on engaging with BEE companies will be greater and R2.2 billion is set to be spent on procurement from these companies in 2007. We have set aggressive procurement targets for the next three years and the forecast is for 60% of Anglo Coal South Africa's discretionary spend to be with BEE companies by 2010.



## Overview of Anglo Inyosi Coal assets

	Resource base (million tonnes)
<b>Projects</b>	
New Largo	875
Elders	376
Zondagsfontein	268
Heidelberg	191
<b>Existing operations</b>	
Kriel	181
<b>Total</b>	<b>1,891</b>

## Ownership and joint ventures

Anglo Coal South Africa has embraced the principle of transformation as a strategic imperative to reinforce its position as a leading coal producer in South Africa. In this regard, we have already played a major role in empowerment in the coal sector through the creation of significant HDSA-managed coal companies. In 2005, we reported 21% HDSA ownership on the attributable-tonnage method, which is currently being verified by the regulatory authorities.

In 2001, Anglo Coal waived its participation rights in the Richards Bay Coal Terminal Phase V expansion in order to facilitate HDSA participation.

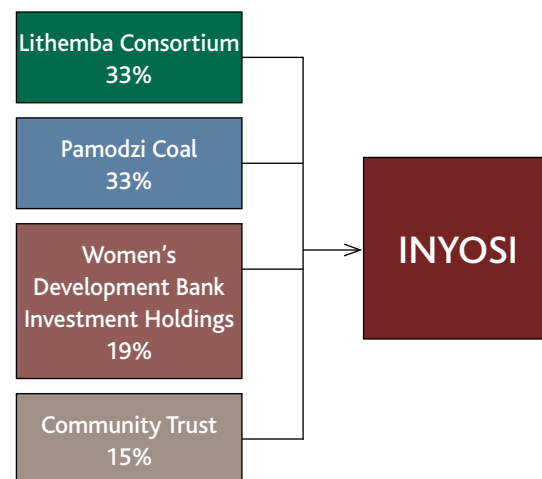
In 2001, Anglo Coal waived its participation rights in the Richards Bay Coal Terminal Phase V expansion in order to facilitate HDSA participation. Mafube colliery, Anglo Coal's 50/50 joint venture, was established in 2004. This is a venture with Eyesizwe Coal, now part of Exxaro, which supplies 1.8 million tonnes of coal to Eskom's Arnot power station. Mafube has a tonnage profile of between 1.2 to 3.4 Mtpa. Construction of the plant, rail load-out station and all related infrastructure is progressing well with the intent of loading the first train of export coal from Mafube colliery in October 2007.

On 8 February 2007, Anglo Coal announced the creation of Anglo Inyosi Coal, an empowered coal company housing key future domestic and export focused coal operations. Anglo Coal has signed a Heads of Agreement with Inyosi, a newly-formed broad-based BEE company. Inyosi will acquire 27% of Anglo Inyosi Coal, creating a company valued at R7 billion and incorporating several key Anglo Coal assets, namely Kriel, Elders, Zondagsfontein, New Largo and Heidelberg.

Anglo Inyosi Coal is expected eventually to have an estimated 4,1 billion tonnes as a total resource base.

Inyosi is led by the Lithemba Consortium and Pamodzi Coal and has a beneficiary base that will benefit in excess of 27,000 individuals, the majority of whom are female HDSAs. Women's Development Bank Investment Holdings (WDBIH) will also be a shareholder and Inyosi will create an independent broad-based Community Trust that will benefit HDSA communities around Anglo Inyosi Coal's operations and marginalised and impoverished communities in the Mpumalanga region.

## Inyosi's shareholders



There is strong emphasis on broad-based black economic empowerment in Inyosi as evidenced by the creation of a Community Trust, the involvement of WDBIH, which is wholly-owned by the WDB Trust whose beneficiaries include impoverished women, and the inclusion of various broad-based groupings within the Lithemba Consortium and Pamodzi Coal. These broad-based groups will receive an annual allocation of up to R5 million to enable the immediate initiation of socio-economic projects.

## Beneficiation

Due to the fact that it is not necessary for our product to undergo beneficiation prior to consumption by customers, no beneficiation targets have been set.

## Reporting

Anglo Coal South Africa considers this report to be compliant with the Mining Charter reporting requirements.

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EN11	Unable to report this year
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SO3	Anglo American plc Report to Society 2006
PR1	Not applicable
PR2	Not applicable
PR3	Not applicable





## Related reports

Anglo American plc  
Report to Society 2006  
A climate of change

Anglo Coal  
Report to Society 2006  
Sustainable Coal: Meeting Global Challenges

Anglo Coal Australia  
Report to Society 2006  
Sustainable Coal: Development, Understanding, Practice

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