safety

Sustainable Development Report 2006

Serving global industry by manufacturing products through safe and sustainable processes that protect the environment and enhance the quality of life of individuals and their communities.

health

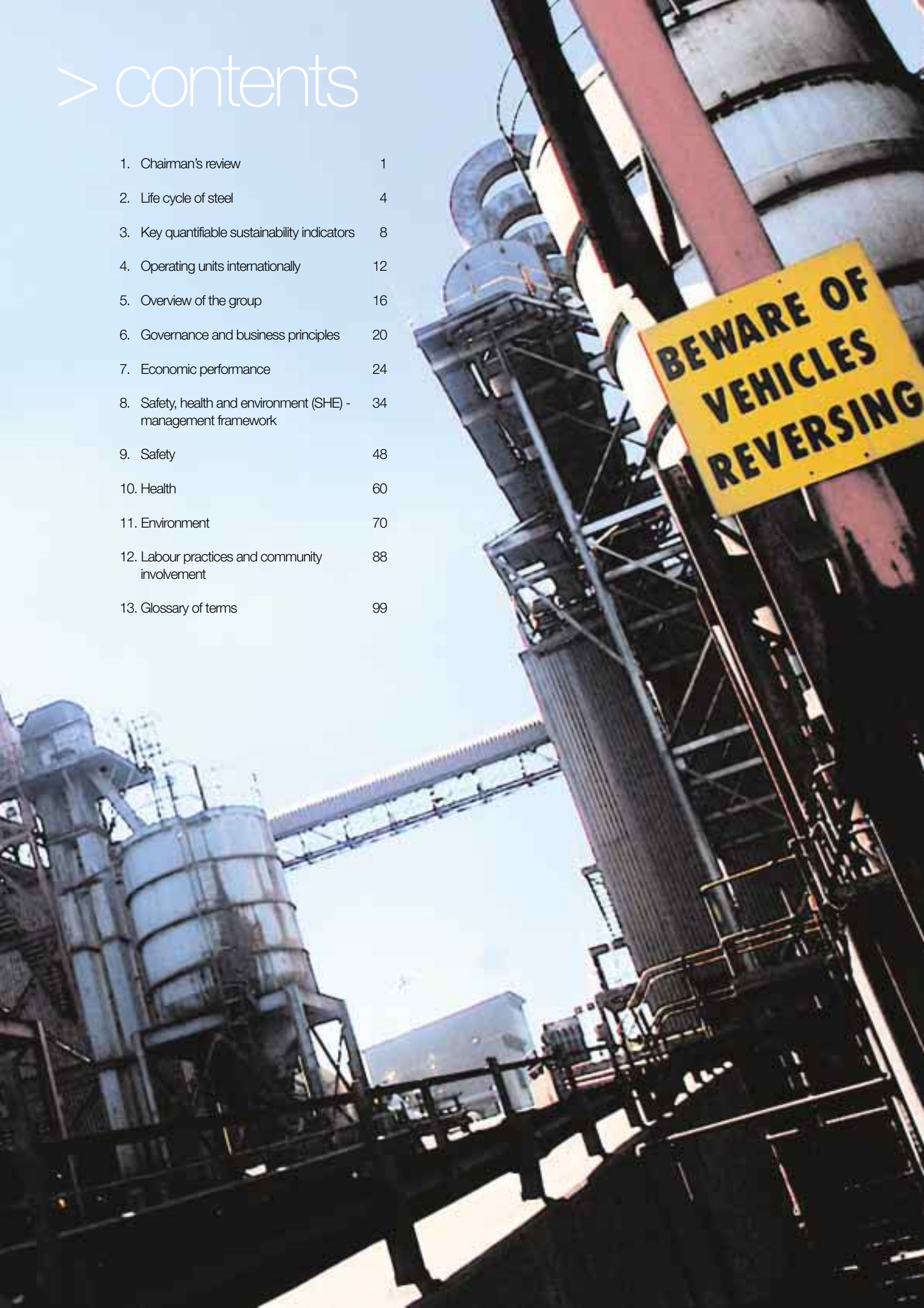
community

environment

SCAW METALS GROUP

The Directly Reduced Iron (DRI) plant at Scaw's Union Junction site in Germiston, South Africa.

> contents




SCAW

Tony Harris, executive chairman, Scaw Metals Group.

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> Chairman's review: sustainable development report 2006

For the Scaw Metals Group the health and safety of employees, the protection of the environment, delivering value to shareholders and having due regard for the communities in which we operate are top priorities.

Sound Safety, Health and Environmental (SHE) management is integral to how the group conducts its business. The group has endeavoured to develop an interdependent safety culture where individual and team effort, as well as the associated accountability regarding the goal of zero lost time injuries, is reinforced.

continued...

Tony Harris engages with employees.

Chairman's review > community is a top priority

The SHE management systems of all material sites are ISO 14001 and OHSAS 18001 certified. The implementation of an electronic action management system, to ensure effective management and coordination of SHE activities on an international basis, is currently under way.

The number of lost time injuries has decreased from 30 in 2005 to 25 in 2006. The behavioural approach has been fully entrenched and integrated into the formal safety management system. Safety Fundamentals Training based on the Group Safety Strategic Plan and Safety Improvement Plan for line managers and supervisors is being rolled out across the group, and 12 sites and 825 managers have been trained to date. The Scaw Metals Group endeavours to become the safest steel production and processing operation in the world - a safety benchmark in the steel industry.

The group focused on the efficient use of resources. Overall the group achieved a reduction in natural gas consumption from 44.5 m^3/tonne reported in 2005 to 42.11 m^3/tonne in 2006. Increased production of directly reduced iron (necessary during periods of steel scrap shortages) resulted in an increased use of coal as a reductant. The group achieved a reduction in specific electricity consumption from 2.84 to 2.82 GJ/tonne. The water consumption per tonne of product produced has decreased from 1.46 m^3/tonne to 1.42 m^3/tonne of product produced.

Process waste is regarded as a valuable by-product. Progress has been made with the recycling of process waste with the commissioning of a char waste recycling plant. This plant resulted in the recycling of 30% of process waste generated. In addition, the group is focusing on sustainable rehabilitation of land, and the prototype Rietfontein Phytoremediation Project is an example of this.

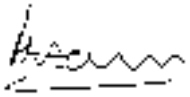
The group is involved in various community upliftment projects and continues to invest in people. Scaw South Africa's community training centre has to date equipped 209 young underprivileged individuals with welding or computer literacy skills.

The group expanded with the acquisition of the AltaSteel operation in Alberta, Canada in February 2006. The group is operational in 11 countries across the world and currently employs approximately 7 500 people.

The company spend on Black Economic Empowerment (BEE) companies continues to grow. The South African operations announced a BEE transaction early in 2007. Those operations were corporatised into a new company known as Scaw South Africa (Proprietary) Limited.

We strive towards continual improvement and, therefore, any comments that you may have on this report would be highly appreciated. Please complete the postcard provided and return it to me.

Sincerely,



Tony Harris
Executive chairman - Scaw Metals Group

Life cycle of steel

> just as the cicada changes form through the process of metamorphosis, so steel is transformed into a host of different products

2

Every new steel product contains recycled steel and in some countries the recycle rate is as high as 85%.

Scaw Metals Group sales are almost 1.5 million tonnes annually. Union Junction produces over half-a-million tonnes of liquid steel each year from steel scrap and directly reduced iron from its rotary kilns. The scrap steel in all forms is processed by a large shredder, shear and baler to ensure it is the optimum size to be used in the various furnaces.

> life cycle of steel

Steel scrap is delivered to Scaw South Africa's Union Junction operation where it is cleaned, shredded and processed before being passed on for manufacture and conversion into a wide range of value-added steel products.

Products	Markets
Rolled steel Cast steel and alloy iron products Cast steel railway wheels Locomotive frames and railway components Grinding media Steel wire rope Wire and strand Chain Earthmoving components	Deep level and surface mining Offshore oil exploration Power generation Railway industry Construction Elevators Electrical reticulation Automotive industry Marine and fishing Agriculture Forestry

3

Key quantifiable sustainability indicators > seeds of perpetuity


1


2


3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7


8

> key quantifiable sustainability indicators

Economic performance	2005	2006
Group value added statement	$m	$m
Turnover	1 008.40	1 206.50
Less: Paid to suppliers for materials and services	708.50	818.90
Total value added	299.90	387.60
Value distribution		
To employees for wages and related costs	160.10	201.00
To providers of capital for interest	2.00	0.50
To government for company taxation	33.10	49.20
To reinvestment to maintain and expand the group	72.10	80.70
To shareholders	32.60	56.20
Total distributed and retained	299.90	387.60

Black economic performance: Procurement from BEE vendors	2005	2006
Capital goods	0.6%	0%
Consumables	13.1%	16.5%
Services	10.2%	9.2%
Total	12.1%	15.8%

Safety performance	2005	2006
Fatalities	1	1
Lost time injuries (LTI)	30	25
Lost time injury frequency rate (LTIFR)	0.27	0.29
Unsafe acts and conditions (% of total observed acts)	10%	6%

Health performance	2005	2006
Noise induced hearing loss	70	20
Silicosis	0	0
Chronic obstructive airways disease	0	0
Occupational tuberculosis	5	1
Occupational asthma	0	0
Contact dermatitis	0	0

Environmental performance	2005	2006
Water consumption (m^3/tonne)	1.46	1.42
Total energy consumption (GJ/tonne)	10.29	11.01
Electricity consumption (GJ/tonne)	2.84	2.82
Gas consumption (m^3/tonne)	44.50	42.11
CO^2 emissions (tonne/tonne)	1.18	1.14
Waste recycling (tonnes)	811 913	1 144 221

Photographs: 1. Locomotive frames. 2. Rolled product. 3. Steel wire rope. 4. Ground engaging tools. 5. Bright bar. 6. Cast steel railway wheels. 7. Large diameter chain. 8. Grinding media.

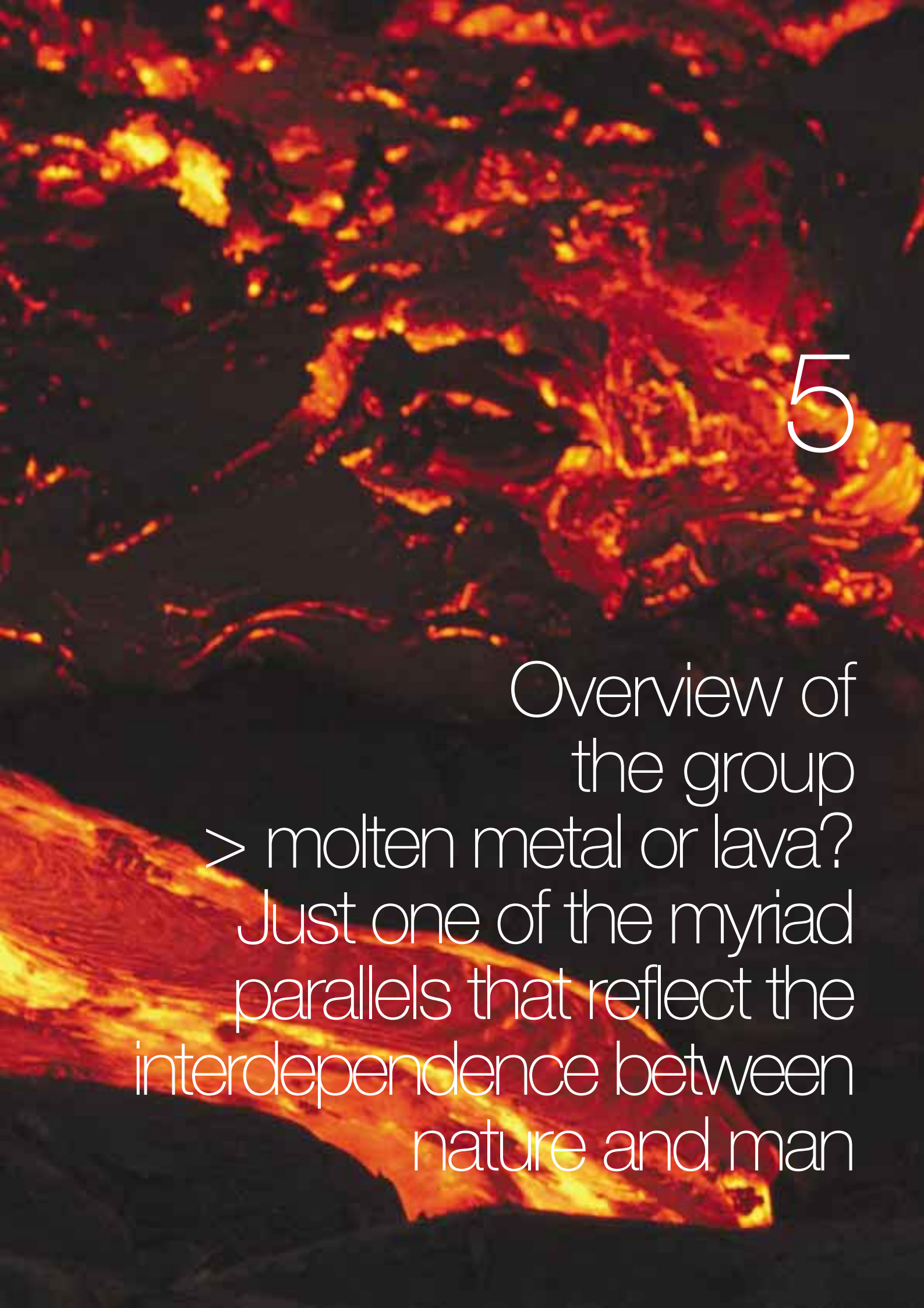
> Operating units internationally

4

> operating units internationally

Distribution network	
South Africa	
Cape Town	Durban
East London	Johannesburg
Klerksdorp	Kuruman
Mossel Bay	Newcastle
Pietermaritzburg	Port Elizabeth
Richards Bay	Witbank
Namibia	
Windhoek	
Zimbabwe	
Bulawayo	Harare
Australia	
Sydney	Perth

Factory sites worldwide	
South Africa	
Rolled and Cast Products	Germiston and Benoni
Scrap Processing operations	Germiston
Flather Bright Steel	Springs
Steel Wire Rope	Johannesburg
Wire and Strand	Germiston
Fibre Products	Durban
Chain Products	Vereeniging
Consolidated Wire Industries (50% interest)	Vanderbijlpark
Zambia	
Afrope Zambia	Kitwe
Zimbabwe	
Haggie Zimbabwe	Kwe Kwe
Chile	
Proacer (50% interest)	Santiago
Moly-Cop	Talcahuano, Mejillones
Peru	
Moly-Cop Adesur	Lima, Arequipa
Mexico	
Moly-Cop	Guadalajara
Canada	
Moly-Cop	Kamloops
AltaSteel	Edmonton
Philippines	
Moly-Cop	Taguig
Australia	
Haggie Reid	Sydney
PWB Anchor	Melbourne
Donhad (40% interest)	Perth, Newcastle, Townsville
Italy	
GSI Lucchini (30% interest)	Piombino



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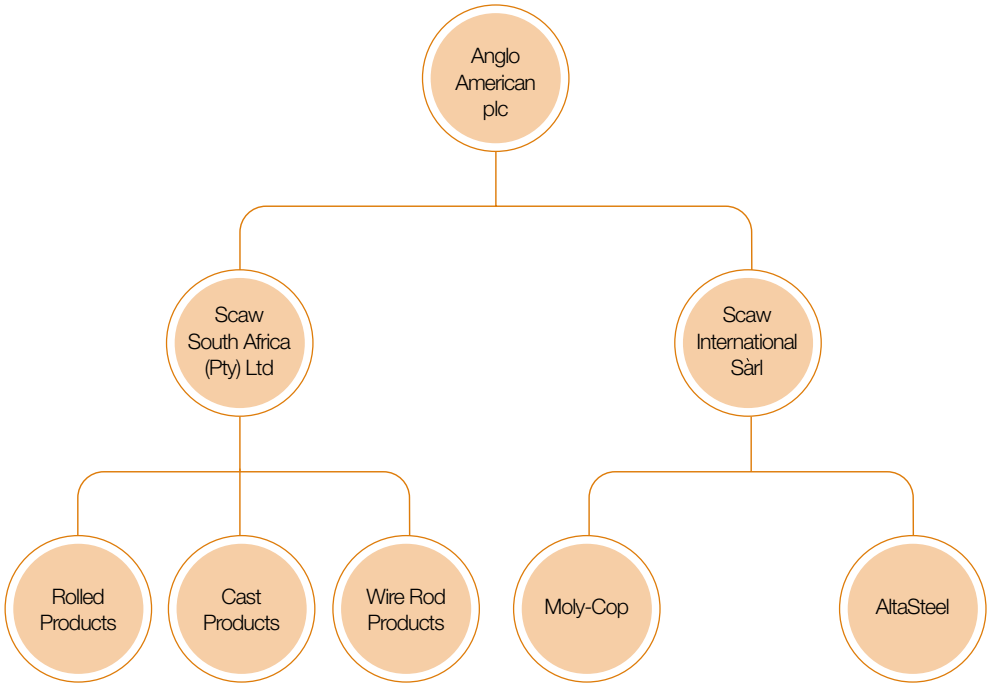
Overview of the group > molten metal or lava? Just one of the myriad parallels that reflect the interdependence between nature and man

> overview of the group

Scaw Metals was established in Johannesburg, South Africa in 1924 and moved to the Union Junction site in Germiston in 1939. In 1964 Scaw was acquired by Anglo American and in 1983 Scaw acquired a joint controlling interest in the listed company Haggie Limited. In 1998 Scaw acquired 100% of Haggie Limited and then delisted the company. In 2002 Moly-Cop, the forged steel grinding media division of GSI (USA), was acquired, extending the group's presence to Canada, Chile, Italy, Mexico, Peru and the Philippines, and expanding its presence in Australia. In 2006 Scaw acquired AltaSteel, a wholly-owned subsidiary of Stelco situated in Edmonton, Canada.

Today Scaw is a large, diversified steel and engineering group with operations around the world. The South African facilities produce the following products: Rolled steel products, steel wire rope, wire and strand, cast high chromium alloy iron and forged steel grinding media, steel and high chromium alloy iron castings, and carbon and low-alloy steel chain and fittings. The group's other operations in Australia, Canada, Chile, Mexico, Peru, the Philippines, Zambia and Zimbabwe produce a narrower range of related products.

Scaw Metals Group structure



From left: Locomotive frame, grinding media, steel wire rope and bead wire.




Rod moving onto the cooling bed.

Governance and business principles > all our days are governed by the path of the sun


6

Isaac Moraliane, crane driver at Union Junction.

> governance and business principles

Governance

The Scaw Metals Group is committed to complying with Anglo American's "Good Citizenship: Our Business Principles" and safety, health and environmental policies. These are published widely and are incorporated in new contracts, letters of appointment and induction training of new employees. They are also promoted through the Scaw Metals' newsletter, **Scaw Junction**, and in the interaction between management and employees.

Communication with stakeholders is promoted actively and regularly through a number of channels such as this publication and **Scaw Junction**, both of which are sent to employees, key suppliers, customers, community representatives and entities associated with the group.

Scaw Metals participates in Tip-Offs Anonymous™ and InTouch®, and continues to publicise these "whistleblowing" schemes to facilitate business integrity and ethics.

Every year significant donations are made to community engagement projects aimed at enhancing the well-being and capacities of communities associated with the business.

Sustainable development risks are managed through the Integrated Risk Management (IRM) System, ISO 14001 for the environment and OHSAS 18001 for health and safety. These processes allow for the prioritisation of risks and the identification of risk management strategies to mitigate the effects of risk on the business. The group is also very conscious of sustainable development issues and seeks to make a positive impact on the social, economic and environmental context in which it operates.

The Human Resource department, in collaboration with management, is committed to combating unfair discrimination and to promoting opportunities for workers from disadvantaged backgrounds.

Business principles

The core values that underpin the business

As an employer Scaw Metals sets out to attract, develop and retain the best people. All employees and contractors must perform their duties to the highest standards of integrity and ethics. The group will not tolerate unfair discrimination and will promote workplace equality. There is no tolerance of injuries to employees and contractors.

As an investment the business regards providing superior returns to shareholders and honouring its social and environmental responsibilities as complementary and mutually reinforcing.

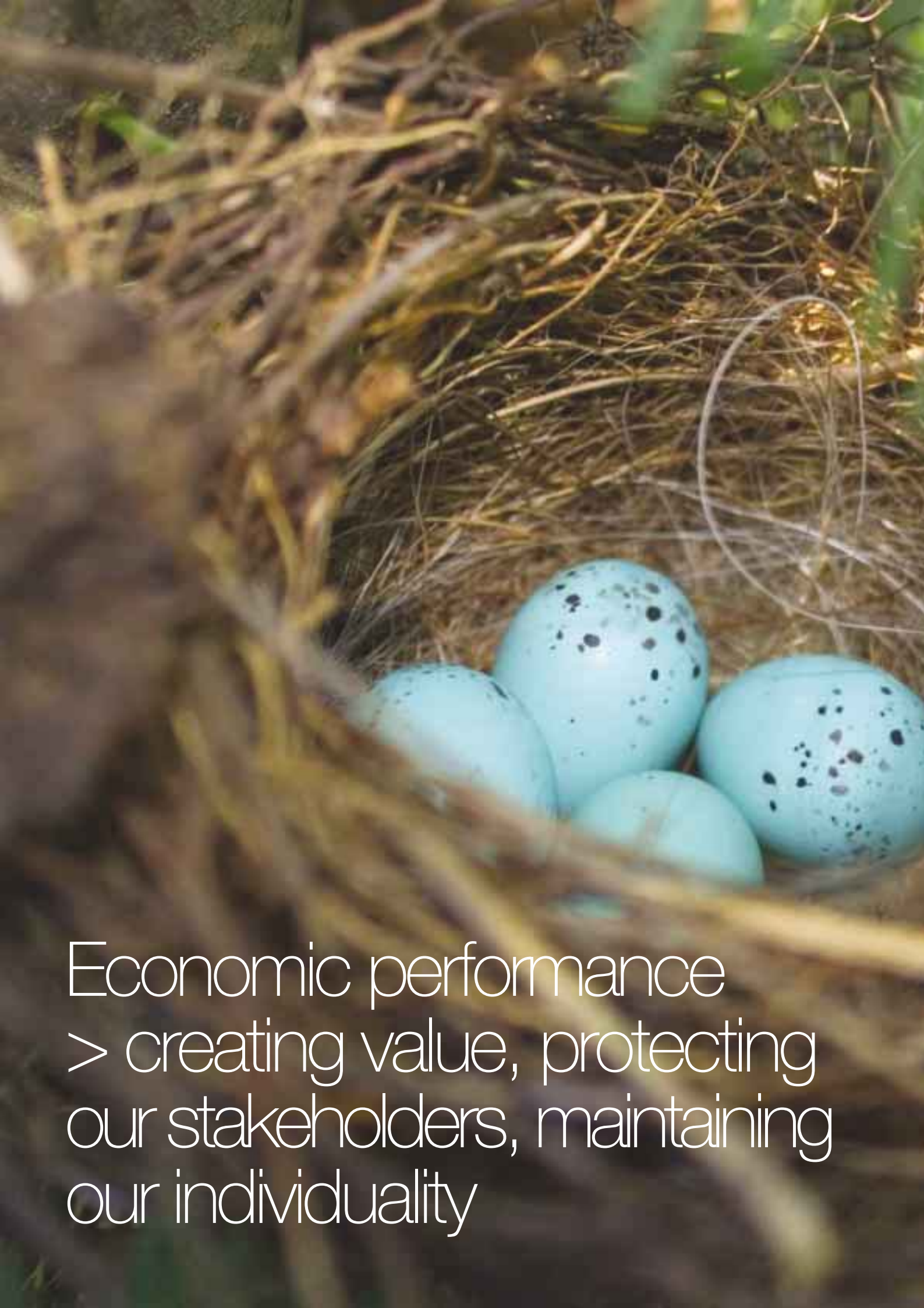
As a good corporate citizen Scaw Metals seeks to contribute to the well-being of the communities in which it operates and is committed to the principle of sustainable development. It will comply with all applicable laws and will not engage in any forms of corrupt or anti-competitive practices.

In the world of commerce the group seeks mutual benefit in its relationships with customers, partners, contractors and suppliers. It aims to be the supplier and partner of choice.

External audit

All sites are subject to external audit and peer review, and independent assurance at least annually in a number of areas including finance, quality, safety, health and environment.

From left: Rassie Erasmus at Union Junction. Middle: Abel Nkomo, heat treatment foreman (left) and James Memela, fettling foreman at Benoni Works. Right: Preparing a sand core.



Economic performance > creating value, protecting our stakeholders, maintaining our individuality


7

> economic performance

Products and earnings

Group value added statement	2005 Rm	2005 $m	2006 Rm	2006 $m
Turnover	6 428.10	1 008.40	8 166.00	1 206.50
Less: Paid to suppliers for materials and services	4 516.10	708.50	5 542.40	818.90
Total value added	1 912.00	299.90	2 623.60	387.60
Value distribution				
To employees for wages and related costs	1 020.80	160.10	1 360.20	201.00
To providers of capital for interest	12.80	2.00	4.20	0.50
To government for company taxation	211.10	33.10	332.90	49.20
To reinvestment to maintain and expand the group	459.40	72.10	546.00	80.70
To shareholders	207.90	32.60	380.30	56.20
Total distributed and retained	1 912.00	299.90	2 623.60	387.60

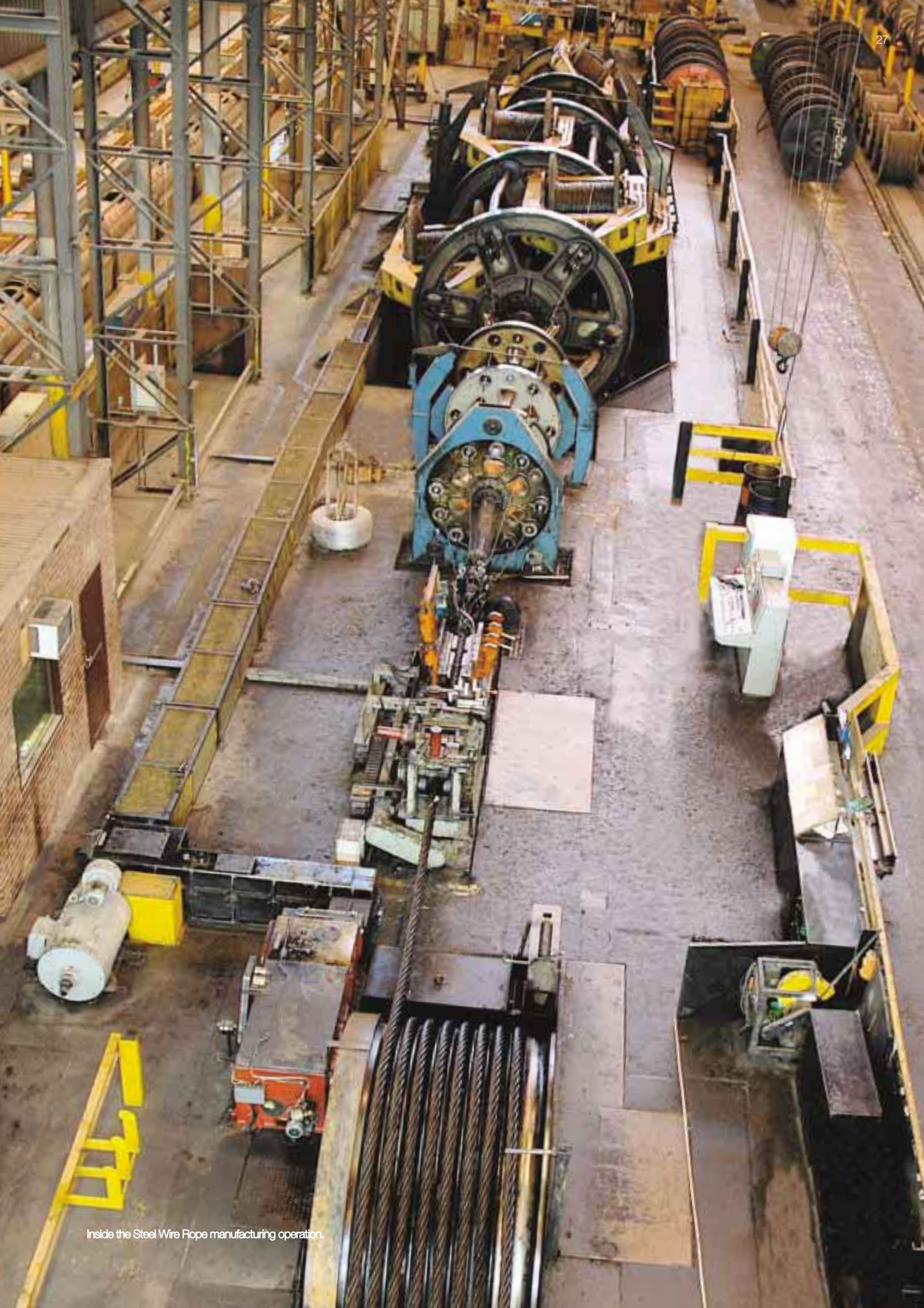
The group value added statement shows how value added by the Scaw Metals Group in the year to December 2006 was allocated among the different stakeholders in the business.

Further points to make in respect of the value added statement are as follows:

- During the year to December 2006 products with a value of R662m / $97.9m were exported from South Africa (2005 - R553m / $86m), generating significant foreign currency.
- A total of R3.5m / $0.5m was spent on Scaw's activities in the communities around its operations (2005 - R1.8m / $0.3m).

Left and centre: Ball and ring assembly. Right: 36mm long link chain for Portnet.





Inside the Steel Wire Rope manufacturing operation.

The Nelson Mandela Bridge in Johannesburg is supported by over 100 tonnes of steel strand made by Scaw's Wire and Strand operation in Germiston, South Africa.

Represented graphically and showing the year to December 2005 as a comparison, the distribution of value among the stakeholders was as follows:

Scaw Metals Group Value Added 2005

- 54% Employees
- 11% Government
- 24% Retained
- 11% Shareholders

Scaw Metals Group Value Added 2006

- 51% Employees
- 13% Government
- 21% Retained
- 15% Shareholders

As can be seen from the charts, the largest portion of value added (51% in 2006) was distributed to employees by way of wages and related costs.

21% was retained in 2006 in order to support and secure Scaw Metals' future growth and development.

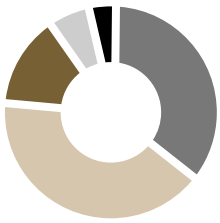
Geographical analysis of activity

Scaw Metals is active in many countries around the world, either through its global manufacturing and distribution operations or as a supplier to its export customers.

49% of Scaw's product is sold within South Africa and 51% outside South Africa

- 49% South Africa
- 51% Rest of the world

Sales outside South Africa are broken down as follows:



- 35% North America
- 41% South America
- 14% Asia and Australia
- 6% Europe
- 4% Rest of Africa

Cost savings

The Scaw Metals Group has an ongoing cost reduction programme in place.

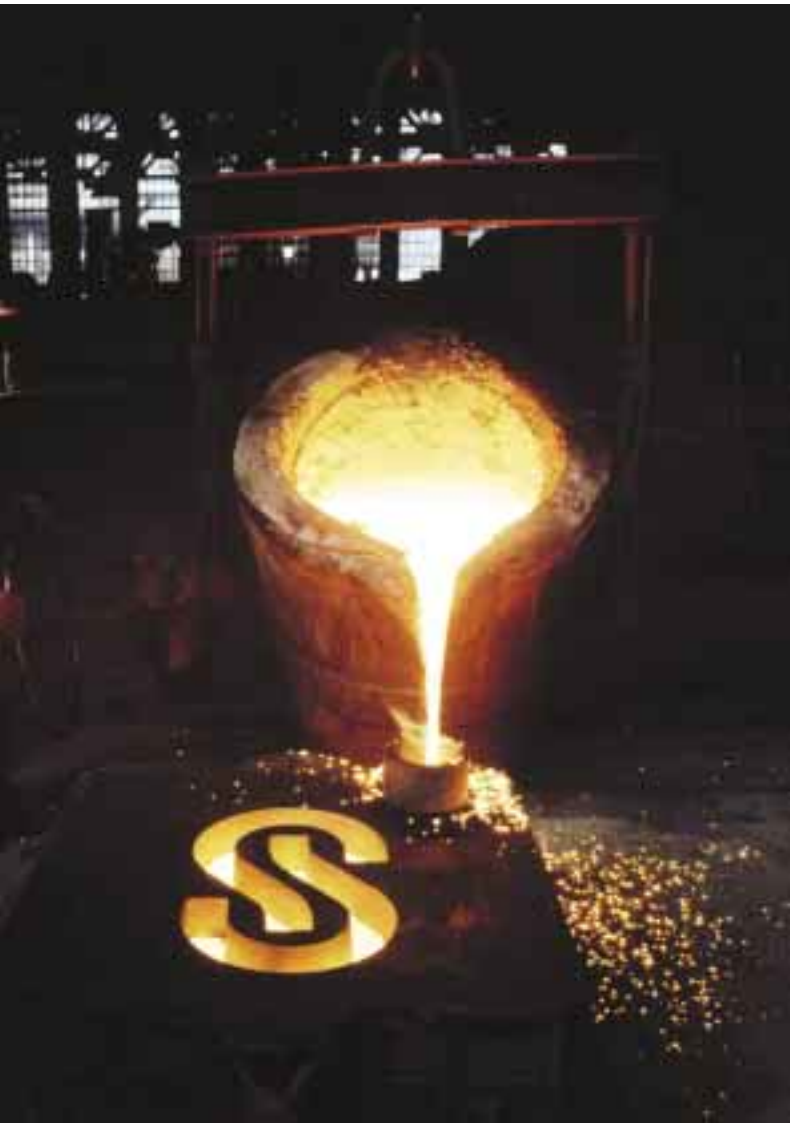
During the year to December 2006, Scaw Metals achieved cost savings of R124m /$20.0m. These savings were generated in part by the group's increasingly efficient use of natural resources.

Black Economic Empowerment (BEE)

Scaw South Africa (Pty) Limited has adopted the Anglo American Black Economic Empowerment (BEE) Procurement Guidelines and continues to actively seek suppliers that have empowerment credentials. The total value of goods and services purchased in 2006 from BEE suppliers as a proportion of total spend increased to 15.8% from 12.1% in 2005.

Small and medium (SMME) BEE suppliers are contracted to provide cleaning, transport, printing and painting services. During the year a number of Scaw's major raw material suppliers concluded empowerment transactions which should result in a further increase in the proportion of total spend with black empowered suppliers in 2007.

Photographs clockwise:
Steel billet is core to the group's product range.
Cast steel railway wheels are made at Union Junction, Germiston, South Africa.
Rod is manufactured at Scaw's operations in South Africa.



SCAW METALS GROUP

ANGLO AMERICAN

IZINGWE

SOUTHERN PALACE GROUP OF COMPANIES

SHANDUKA Group

ANNOUNCEMENT REGARDING THE BLACK ECONOMIC EMPOWERMENT TRANSACTION IN RESPECT OF SCAW SOUTH AFRICA (PTY) LTD

1. TRANSACTION OVERVIEW

Anglo American plc is pleased to announce that its Scaw Metals business has concluded a black economic empowerment (BEE) transaction involving three BEE partners, a women's group (still to be selected) and an employee trust through the sale of a 26% equity stake in its South African business.

The transaction is summarised as follows:

- sale of the Scaw Metals division of Anglo Operations Limited (a wholly owned subsidiary of Anglo American South Africa Limited) into Scaw South Africa (Pty) Ltd (Scaw SA), with effect from 1 January 2007;
- the introduction of third party senior and mezzanine debt financing into Scaw SA;
- the provision of junior debt financing by Anglo American into Scaw SA;
- sale of a 21% equity stake in Scaw SA to a consortium comprising three BEE partners and a BEE women's group; and
- the acquisition of a 5% equity stake in Scaw SA by an employee trust.

The transaction values Scaw SA at R5,3 billion.

2. STRATEGIC RATIONALE

Anglo American regards transformation as fundamental to the long-term development and stability of the South Africa economy and its South African business. The Scaw Metals Group fully endorses these principles and, in addition, views the BEE transaction as a necessary strategic response to increasing market requirements for empowerment credentials. This is particularly borne out in the mining, power generation and railway industries which constitute the majority of Scaw SA's business.

The partners were selected based on their experience within these and the general engineering sectors, as well as their proven track records in being able to assist companies in growth and transformation strategies. The BEE Consortium consists of the three partners, namely, Izingwe Holdings (7%), Southern Palace Holdings (6%) and Shanduka Resources (5%), as well as a warehoused stake of 3% for a broad-based women's empowerment group. The selection process of a women's group is well advanced.

In recognition of the key role of employees in the future of the business and to ensure that all stakeholders remain aligned throughout the life of the transaction, all Scaw SA employees who are not part of an Anglo American share incentive scheme will benefit from an employee share ownership plan (ESOP) that will own a 5% equity stake in Scaw SA.

3. OWNERSHIP STRUCTURE

As a consequence of this BEE transaction 74% of Scaw SA will be held by Anglo American, 21% by the BEE Consortium and 5% by the ESOP, as depicted below:

Note: All percentages are those as effective interest into Scaw SA
* The women's group is still to be selected

4. FUNDING STRUCTURE

Scaw SA will acquire Scaw Metals division from Anglo Operations Limited for a purchase price of R5,3 billion, which will be funded as follows:

- Equity contribution of R100 million;
- Vendor financing of R1,9 billion; and
- Third-party financing of R3,3 billion (senior and mezzanine debt finance).

The BEE Consortium will be capitalised by an equity contribution from the BEE partners which will be utilised to subscribe for a 21% share in Scaw SA.

Scaw SA will contribute R5 million to the ESOP Trust which the Trust will use to subscribe for a 5% share in Scaw SA.

5. INFORMATION ON THE BEE PARTNERS

IZINGWE HOLDINGS

Izingwe is a significant investor in mining, engineering and infrastructure development. It also has strong partnerships in the financial services sector. It is an active and long-term shareholder that makes focussed and value enhancing interventions in its underlying investments. Its investments include AngloGold Ashanti, Aberdare Cables (Pty) Limited, Old Mutual plc, Mutual and Federal Limited, Nedbank Group Limited and Peters Papers (Pty) Limited.

Key personalities:

- Sipho Mila Pityana (Chairman)
- Ashley Ally
- Tsakani Matshazi
- Mark Sifris

SOUTHERN PALACE HOLDINGS

Southern Palace Holdings is an investment holding company which has built up a track record of successful transactions over the past few years. Its mission is to participate in business opportunities which will contribute to the further economic growth of the country and, more importantly, to bring Southern Palace's specific expertise and other operational credentials to the table. Therefore, the group actively participates in the day to day operations of the business. It has various investments in steel and scrap metal recycling, transport and telecommunications. Its investments include The Reclamation Group, Teljoy Business Systems, Roadgrip Afrityre Holdings, Canvas and Tent, De La Reys Transport and Huawei Technologies Africa.

Key personalities:

- Seiko Mahlangu (Chairman)
- Khosi Khanodi
- Gladys Makhoane

SHANDUKA

The Shanduka Group is a leading black owned and managed investment company established in November 2001. Its investment activities are categorised under the following: Resources, Financial Services, Property, Energy and Strategic Investments. As a black owned and managed company operating in a transforming South Africa, Shanduka is proud to be doing business and contributing to the transformation of the economy and society during a period of great and positive change on the African continent.

Key personalities:

- Cyril Ramaphosa (Chairman)
- Rowan Smith
- Kojo Mills
- Phuti Malabie
- Beulah van Wyk
- Steve van der Kis
- Brighton Nene
- Karabo Tshalane
- Thandeka Ncube
- Maureen Mphatsoe

March 2007

Corporate Advisers to Scaw Metals

Investec

Sole Arranger, Joint Underwriter and Investment Bank to Scaw Metals

NEDBANK CAPITAL

Attorneys to the Transaction

DENEYS REITZ

Corporate Advisers to the BEE Consortium

edward nathan sonnenbergs

JAVACAPITAL

Black economic performance: Procurement from BEE vendors

Year	2005	2006
Capital goods	0.6%	0%
Consumables	13.1%	16.5%
Services	10.2%	9.2%
Total	12.1%	15.8%

Scaw South Africa forges strategic partnership with Black empowerment consortium

Scaw South Africa (Pty) Ltd has concluded a Black Economic Empowerment (BEE) transaction with retrospective effect from 1 January 2007.

The transaction has given a BEE consortium a 21% equity stake and an employee trust a 5% equity stake in the R5.3 billion South African business. Anglo American will hold the remaining 74%.

"The BEE consortium comprises three partners and a women's group, still to be selected. The partner selection process identified, evaluated and selected partners that we felt most closely met our strategic aspirations to foster sustainability and growth of our market position," says Tony Harris, executive chairman of Scaw.

Scaw SA's three BEE partners are Izingwe Holdings, Southern Palace Holdings and Shanduka Resources. "Each partner is able to add value to Scaw SA while being complementary to each other in terms of their skill sets and business record." Tony added, "This transaction will be beneficial to Scaw SA and our employees, who will share in the future of the company, as well as the majority of our customers who will benefit from our status as a preferred procurement partner under the broad-based BEE codes." An employee share ownership plan (ESOP) is part of the transaction. Designed as a ten-year scheme giving capital appreciation and dividends over the scheme's lifetime, the ESOP is structured as a trust which benefits all of Scaw's South African employees and includes an interim cash payout in year five. The ESOP, and the acquisition by it of its 5% stake in Scaw, will be fully funded by Scaw. Employees will, therefore, not be required to contribute any capital to the establishment of the Trust but will participate, through elected trustees, in the administration of the Trust.

Scaw SA given interim "A" rating for BEE compliance

Empowerdex has been contracted to perform a full BEE rating of Scaw South Africa as soon as the selection of a women's group has been finalised. In the interim, Empowerdex has given Scaw South Africa an "A" rating.

"We are very pleased with our interim "A" rating", says Tony Harris, "and hope to improve upon it by the time the full scorecard rating is completed. Using this interim Empowerdex rating of Scaw's ownership compliance, along with internal estimates of the remaining scorecard areas, we expect to be rated at least as a level six supplier, allowing for 60% of all procurement from Scaw to be classified as BEE spend."

Below: Tony Harris, executive chairman of Scaw South Africa (centre), signs the BEE agreement. From left, Godfrey Gomwe, chief operating officer of Anglo American South Africa; Sipho Pityana, chairman of Izingwe Holdings; Sello Mahlangu, chairman of Southern Palace Holdings; and Rowan Smith, director of Shanduka Resources.

8

Safety, health and environment (SHE) - management framework > every action has a reaction that either jeopardises or reinforces your safety


HILLE MILL
UNAUTHORISED
ENTRANCE
PROHIBITED
ONGEMAGTIGDE
TOEGANG
VERBODE
AKEKHO
OVUNYELWE
UKUNGENA LAPHA

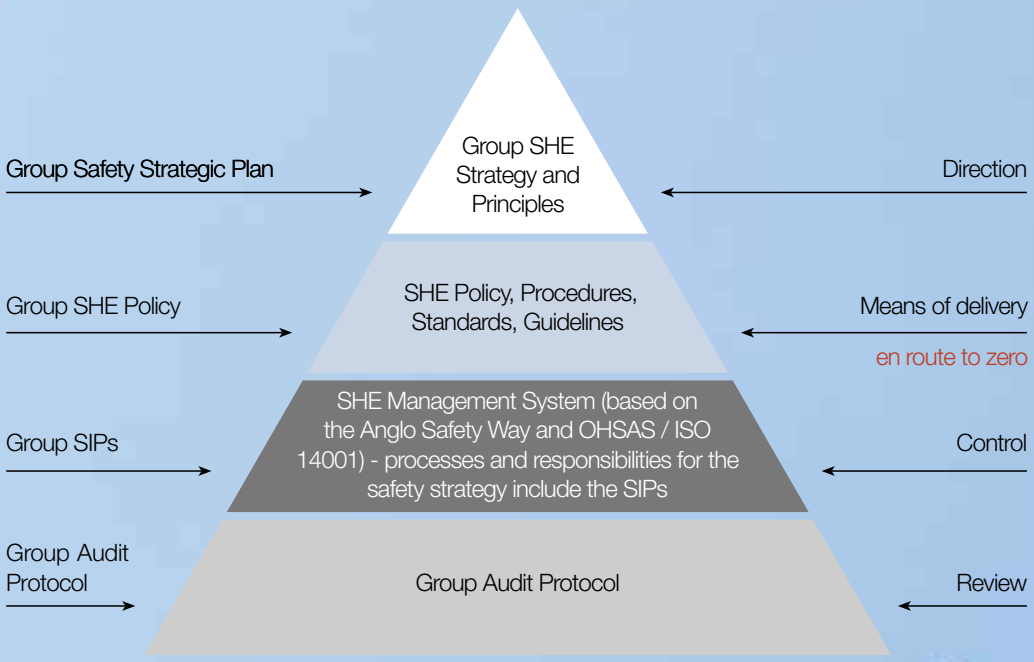
safety, health and environment (SHE) > management framework

Safety, health and environmental management has evolved in the Scaw Metals Group. Significant safety improvements have made the group a leader in the ferrous metal sector with regard to its safety track record. The group safety performance is comparable to the best steel manufacturing operations in the world. The latest report published by the International Iron and Steel Institute (IISI) reflects an average LTIFR of 0.96 and the North American Steel Producers released an average LTIFR of 1.03.

As with any aspect of an evolving, dynamic and growing organisation, approaches to management undergo cyclical changes. In any successful organisation, one has to feel constructively uncomfortable with the status quo. The SHE management approach has progressed from a rigid approach based on formal systems, standards and procedures, to an integrated approach founded on behaviour. The behaviour of employees accounts for more than 90% of work related injuries, and conditions in the workplace account for less than 10% of work related injuries. Usually the focus is on the work environment and conditions.

The group has reached a point in safety management and performance where it is gearing itself for target 0 in 2007. This is challenging the way in which safety has been traditionally perceived in the workplace, and yet again it is time for change. The DuPont approach to safety management has, therefore, been adopted. DuPont is the world leading institution in terms of safety management. The approach enforces, but does not replace, the BBS approach by focusing on the important role that top management plays in the safety success of an organisation. It is a leader-driven process.

> SHE Management Framework



Elements of the SHE Management Framework

Group Safety Strategic Plan

The group Safety Strategic Plan articulates the group's vision, mission, goals and policy objectives. In so doing, it gives direction to operations and employees. Strategic planning is a continuous process. The Strategic Plan will be fully reviewed and updated at least every two years. Interim adjustment may be made as needed, in parallel with annual performance assessments.

- Principles: The group Safety Strategic Plan is founded on the following principles: Zero harm, no repeats, and strict rules and standards.
- Vision and mission: A simple vision and mission statement was adopted. The aim is to develop a safety conscious and interdependent culture within the group that truly believes and lives the principle of zero harm.
- Policy objectives: Including outcome-related strategies and actions reinforcing the vision and mission.
- Safety management structure and systems: This includes how people are aligned within the group to ensure focused energy and aligned action.
- Behavioural approach: Building on a solid foundation of system and process control, a people and behaviour-focused approach was also adopted. This also entailed moving from lagging to leading indicators.

Principles

The corporate principles governing the group's approach to safety management are reflected in the following:

Zero mindset: A belief and an acceptance of the responsibility that all injuries and occupational illnesses are preventable.

No repeats: All incidents will be investigated to determine the root cause and the necessary steps implemented to prevent a recurrence.

Strict rules and standards: Adopting common rules and standards across the group to ensure that a minimum standard is maintained.

Vision and mission

The vision of the group is:

- To create an interdependent safety culture where pride and team spirit reign, and all employees believe that all injuries and safety related incidents are preventable through the effective management of safety.

The mission of the group is:

- To lead by example and by enforcing a risk-based safety management system that drives desired outcomes.

Safety policy objectives

- The Safety Strategic Plan also sets out 12 Safety Policy Objectives. Each of the Policy Objectives and the related site specific targets are detailed in the Safety Improvement Plans (SIPs) of the various sites and departments in the group. The SIPs assign responsibilities and time frames related to the targets required to achieve the safety policy objectives.

Safety Policy Objective 1: Embracing safety as a line management responsibility

- Attaining top management commitment and realisation that safety management is ultimately a line management responsibility, with SHE professionals rendering a supporting function and, in so doing, facilitating buy-in.

Safety Policy Objective 2: Identify, evaluate and prioritise safety risks and hazards, and manage change

- To ensure focused efforts on major risks and hazards, and to adequately manage process/people changes, which may alter the status quo with regard to identified risks and hazards.

Safety Policy Objective 3: Legal compliance as a minimum requirement

- To ensure that legal compliance is achieved as a minimum safety management requirement, whilst best practices are embraced as the norm.

Reels of steel wire rope in the Despatch yard.

Safety Policy Objective 4: Targets, objectives and performance management as continuous improvement tools

- To adequately ascertain whether safety performance levels are appropriate, a safety performance management system implementation is key.

Safety Policy Objective 5: Training, awareness and competence creation

- To provide adequate training to employees and contractors to ensure that individuals are equipped with the knowledge and skill to conduct activities safely.

Safety Policy Objective 6: Implementation of focused communication

- Realigning current channels of communication to guarantee that concise and simple messages are spread throughout the group and at all the appropriate levels within the group. Ensuring that the intent of the message is understood and to share learnings and ultimately prevent repeat incidents. Refer to Case Study 1.

Safety Policy Objective 7: Enabling effective document and data control

- Simplify and streamline the current safety management system to lift the current administrative burden from managers. This will assist line managers in effectively using their time to focus on employee behaviour, and to ensure that responsibilities related to actions are adequately assigned, managed and closed off.

Safety Policy Objective 8: Zero harm - reduce, control and prevent all injuries

- Reaffirm the behavioural safety management approach by focusing on the top level of the organisation in addition to the bottom-up approach as advocated by behavioural based safety management. Top managers must lead by example, and must instill a sense of pride and team spirit within the group.
- Working safely must be a group effort driven by a personal value and belief system.
- Aligning authorities and responsibilities to ensure that SHE professionals are clear on roles that need to be fulfilled within the SHE management structure, and to ensure that SHE professionals are of an adequate calibre to act as consultants and facilitators.

Safety Policy Objective 9: Emergency preparedness

- To ensure that potential emergency situations are responded to quickly and effectively.

Safety Policy Objective 10: Effective contractor and partner management

- Embracing contractors as an integral component of the safety management system, and aiming to influence contractors and ensure that they adopt safety as a key performance indicator.

Safety Policy Objective 11: Report, investigate and analyse incidents effectively to prevent repeat incidents

- Encouraging and facilitating the reporting, investigation and analysis of all incidents effectively to prevent repeat incidents.

Safety Policy Objective 12: Monitoring, auditing and reviewing safety management system effectiveness

- Implementation of an integrated SHE management approach which includes audits and reviews based on international best practices and standards throughout the group.

> safety, health and environmental policy

Group SHE Policy

The Scaw Metals Group is an international group manufacturing a diverse range of steel products, as specified in each operation's Safety, Health and Environmental (SHE) Management System Manual. The main product lines are: rolled steel, wire rope and strand, wire products, chain, forged steel and cast alloy grinding media, and cast steel and alloy iron foundry products.

Aims and beliefs
- The group believes that safety incidents, occupational illnesses and diseases, and environmental pollution are preventable, and that employee behaviour is the most critical element of the SHE management system.
- The group contributes to sustainable development by operating with due regard for its employees, as well as economic, social, cultural and environmental concerns.
- The group conserves natural resources through the efficient use of water and energy, and effective waste management practices. It recognises the importance of climate change.

Commitment
- Senior executives and line managers are accountable for, and committed to, operating effective management systems and employing measures to prevent, control, minimise or eliminate SHE risks and hazards.
- Ensure compliance to current applicable SHE legal requirements, and adhere to any other requirements to which the group subscribes.
- Applying the principle of continual improvement to SHE management and performance.

Competence
- Provide the necessary resources and training in order to encourage greater awareness, competence and responsibility.

Hazard identification and risk assessment
- Identify, evaluate and prioritise the SHE hazards and risks, set objectives and targets, and implement action plans to reduce and manage these.

Prevention and controls
- Establish control measures to reduce, control and prevent injuries, occupational diseases and all forms of potential pollution.
- Develop, implement and maintain emergency contingency and response plans.

Performance evaluation and review
- Evaluate, monitor and review performance of the SHE management system and achievement of targets and objectives through internal and external audits and assessments.

Communication
- Liaise with employees, regulatory authorities and all other interested and affected parties on a regular basis in order to promote constructive interaction regarding SHE matters of concern, and to ensure that individuals understand their SHE obligations.
- Encourage all stakeholders to adopt responsible SHE practices.

The policy will be reviewed periodically to ensure that it remains appropriate to the nature and scale of the group, SHE risks, activities, products and services.

A Harris
Executive chairman
Scaw Metals Group

Kidwell Mvume, safety co-ordinator, Wire and Strand operation.

SHE Management System

The Safety, Health and Environmental management systems of all material sites are ISO 14001 and OHSAS 18001 certified and incorporate the Anglo Safety Way. The implementation of an electronic action management system, to ensure effective management and coordination of SHE activities on an international basis, is currently under way. Refer to Case Study 2.

Audits and reviews

Internal cross auditing according to a newly drafted Group Audit Protocol has been initiated across the group. The audits will incorporate the Peer Review methodology as well as the OHSAS 18001 and ISO 14001 requirements. This will ensure that a common standard is maintained across group operations.

Objectives 2007

SHE management		
Risk assessments	Ensuring that risk assessments are reviewed at least on an annual basis or if/when an incident occurs.	Annually
Safe Work Procedures (SWP)	Ensuring that SWP are compiled for the priority risks, as identified in the risk assessments.	Annually
Planned Job Observations (PJO)	Conducting annual PJO based on the SWP.	Annually
Training	Ensuring that SHE training as identified in the training matrix is conducted.	Annually
Audits/reviews	Internal. External.	Annually Annually

Charging of the electric arc furnace at Union Junction.

SHE
> case study 1

The group screen saver campaign and the monthly **number 1** safety newsletter communicate pertinent SHE messages.

With humour and enthusiasm, guest speaker Quinton Coetzee delivered his powerful message about interdependence and the need for sustainability at the first Group SHE Liaison seen below.

Focused communication

The focus in 2006 was on realigning existing channels of communication to guarantee that concise and simple messages were spread throughout the group and at all the appropriate levels within the group. The aim was to ensure that the intent of messages was understood, to share learnings and ultimately prevent repeat incidents.

Screensaver campaign

A SHE screen saver campaign has been launched. The campaign is aimed at communicating the latest SHE statistics as well as pertinent SHE information. The campaign makes use of interesting and colourful images to relay important safety messages. The screen savers are updated on a monthly basis or when new information becomes available.

A Group SHE e-newsletter, aptly titled **number 1**, was launched in October 2006. **Number 1** is circulated on a monthly basis to the group. Safety, health and environmental indicators, monthly topics, SHE newsflashes, monthly achievements and High Potential Incidents are discussed and learnings are shared.

Group SHE Liaison

To ensure that the strategy is implemented and to enhance knowledge sharing across the group, a SHE forum for the group was established.

The forum will disseminate a SHE liaison schedule for all operating units in the group to ensure that broader safety management issues are identified proactively, to steer the group in a common direction, and to enable the sharing of best practices.

A venue in the heart of the Cradle of Mankind, South Africa hosted a conference for local and international SHE delegates. Naturalist and South African television celebrity, Quinton Coetzee, was the guest speaker. SHE professionals from operations in South Africa, Canada, South America and Australia got together. The aim was to dissect the Group SHE Safety Strategic Plan with specific focus on the strengths, weaknesses, opportunities and threats that face the group from a safety perspective and to refine the 12 Safety Policy Objectives, as detailed in the Safety Strategic Plan. While at the conference, the team developed a SHE pact that summarises the critical behaviours of the SHE professionals across the group. The pact highlights working together as a team and supporting line management, communicating effectively, being passionate about safety and focusing on continuous professional development. The vision is to contribute to establishing Scaw's safety performance worldwide as an international benchmark.

Below: The T-shirts say it all about Scaw's safety policy.
Right: The number 1 team - group delegates at the SHE Liaison.

> case study 2

Action management system

In line with the Group SHE Centralisation Strategy, a SHE action management system is in the process of being implemented group-wide. This is an electronic action management system called IsoMetrix and its design is based on the structure of the ISO 14000, ISO 9000 and OSHAS 18000 series of standards, and incorporates the Anglo Safety Way.

The flow of information is arranged in such a way as to assist in building, monitoring and maintaining a safety, health, environmental and quality management system. The system was piloted at the Wire and Strand operation in Germiston, South Africa and has been tailored to cater for the group's requirements.

Policies

The system allows for the creation and tracking of the group's SHE policies. Details that can be maintained include the SHE vision and sustainability criteria, stakeholder information and legal requirements.

Planning

IsoMetrix aids in the identification and management of aspects, impacts, hazards and business and legal requirements with respect to the group's activities, products and services. Each aspect or hazard can be assessed using a risk matrix and thereafter assigned management priority. The establishment of the various safety improvement plans is based on this information.

Implementation

The system provides details on each SHE task or action. It also provides the means of recording, reporting, tracking progress and sign-off on each action.

Check and correct

The system allows for the monitoring and evaluating of operational processes to determine conformity with objectives and requirements. Preventative and corrective actions in the case of non-conformity and incidents are captured, and all relevant records such as photographs and reports can be linked to the incident.

The system will be a management tool for line managers and will allow for benchmarking across the group operations.

Lungile Sibisi, group SHE administrator (left) and Maleboheng Monyake, SHE secretary, capturing data onto the Group SHE Management System.

Safety > personal protective equipment is designed to protect your life and limb

9

Golden Safety Rules

The Scaw Metals Group SHE management approach is founded on zero harm, no repeats, and strict rules and standards. This is an approach to safety that insists on an absolute adherence to Scaw's SHE policies, standards and procedures at all times; it is an approach that is intolerant of unsafe acts and/or conditions. The Golden Rules are the 10 most critical safety rules.

1. Safety fundamentals

Do not carry out a task unless you are trained and authorised to do it. Make sure that you assess the risks involved and guard against them. Always wear the correct personal protective equipment (PPE) and obtain a permit where required. Intoxication (abuse of alcohol and/or drugs) will not be tolerated.

2. Confined spaces

Never enter a confined space without understanding and following the procedure. This includes obtaining a permit and being escorted by a competent person.

3. Working at heights

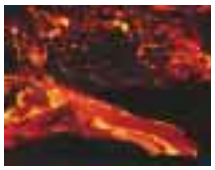
Never work at heights without following the standards and procedures. Always ensure that fall prevention and protection equipment are in place. Barricade the area beneath you.

4. Energy and machinery isolation

Never work on plant or equipment that has not been electrically and mechanically isolated. Always follow the lock-out and isolation procedures.

5. Operation of vehicles

Drivers must be authorised and licensed to operate a vehicle in accordance with the current legislation and site specific traffic rules and procedures. The maximum speed limit of 20km/hr (or as specified) must be adhered to at all times when driving on site.



6. Molten metal and hazardous substances

Appropriate safety equipment and PPE must be used when working with or near molten metal and hazardous substances. Be aware of the risks associated with these substances and adhere to the safe working procedures at all times.

7. Lifting and mechanical handling

Make sure that the lifting device is capable of lifting the load. Never allow anyone to be in the drop zone of the load. Operators and slingers must be licensed and must adhere to the safe working procedures.

8. Safety devices

Tampering with, making safety devices inoperable and not using the recognised and correct safety devices are offences and will lead to disciplinary action.

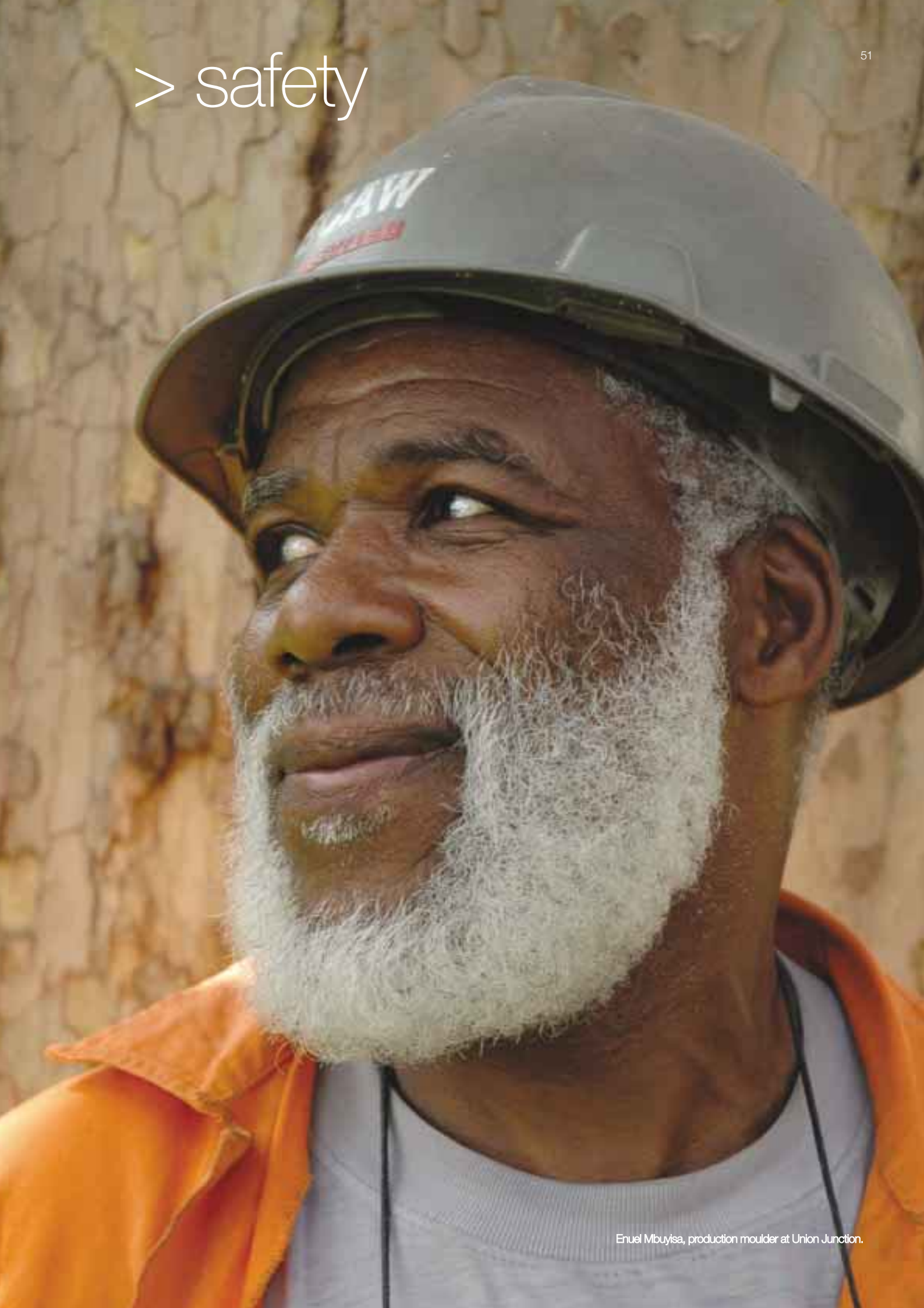
9. Dams and water storage

All dams and water storage areas must be enclosed and locked at all times where practicable. Do not work around water if you cannot swim. Always wear a personal flotation device and never work alone.

10. Stockpile management

Do not enter restricted stockpile areas without permission.
Always stand clear of mobile equipment and maintain stockpiles at a safe angle.

> safety



Enuel Mbuyisa, production moulder at Union Junction.

Summary of key safety performance indicators

Targets 2006	Performance 2006	Targets 2007
Zero fatalities. LTIFR less than 0.15. TRCFR less than 1. Severity index less than 30. Unsafe acts and conditions of less than 15%.	One fatality. LTIFR of 0.29. TRCFR of 1.6. Severity index of 27. Unsafe acts and conditions less than 6%.	Zero fatalities. LTIFR of 0. TRCFR less than 0.85. Severity index less than 25. Unsafe acts and conditions of less than 10%.

All figures include employees and contractors and the Lost Time Injury Frequency Rate (LTIFR) includes restricted work cases.

Milestones and achievements

The group continues to achieve new milestones, and the following achievements were recorded in 2006:

Exceeding three years without a LTI

Moly-Cop	Wire Rod division	Union Junction
Philippines Talcahuano	Zimbabwe	Refractories Scrap Processing department (SPD)

Two years

Moly-Cop	Wire Rod division	Union Junction
Canada Mejillones Mexico	Distribution Fibre Products	Administration Services Metallurgical Control department (MCD)

Exceeding one year

Moly-Cop/Others	Wire Rod division	Union Junction
Moly-Cop Arequipa Moly-Cop Lima Rand Scrap Iron	Chain Products Flather Bright Steel Afrope Zambia	Cast grinding media Forged grinding media Main melt shop Engineering

Exceeding six months

Other	Wire Rod division	Union Junction
AltaSteel	Steel Wire Rope Wire and Strand PWB Anchor	Wheel plant Foundry Section mill Rod and Bar mill

A total of 13 out of 27 operations were LTI-free for 2006.

Safety performance indicators

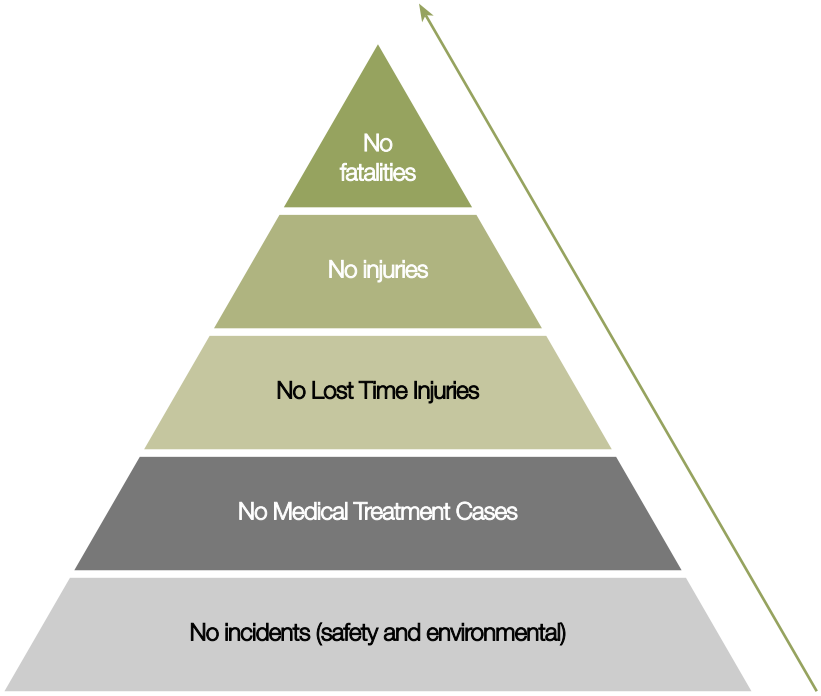
There continues to be an intensive focus on behavioural and cultural safety to achieve the principles of zero harm.

The group currently uses the Total Incident Frequency Rate (TIFR) as well as the Lost Time Injury Frequency Rate (LTIFR) as lagging indicators to assess the safety performance. In the past the Total Recordable Case Frequency Rate (TRCFR) was used, but since this excludes First Aid Cases, it was decided to make use of a more inclusive indicator. The focus is, therefore, on all injuries, not only Lost Time Injuries. In addition, leading indicators have been incorporated into the safety statistics. Near Hits, as well as unsafe acts and conditions, are now tracked and managed en route to the target of zero harm.

Below, from left: Thabiso Ndlovu, Clifton Shabangu and Terry Hadley from Union Junction.



> safe driving practices reinforced



Safety performance: 2006

There was one fatality in the group in 2006. A forklift overturned and the driver, Moses Qungu, sustained fatal head injuries. The incident took place at the Wire and Strand operation in Gauteng, South Africa. Moses was loading coils (of pre-stressed concrete wire) onto a truck with a forklift. According to an eye witness Moses was moving and turning towards the truck at a speed, and whilst doing this he lifted the forks of the forklift. This resulted in the load shifting and the forklift overturning. According to the eyewitness, Moses removed his safety belt in an attempt to jump from the forklift and in doing so he sustained fatal head injuries. The root cause analysis conducted by an external specialist concluded that the critical factors were: The position of the load during the turn, speed of the forklift during the turn and an inadequate understanding of the combined hazardous conditions while operating a forklift (simultaneously turning, lifting and speeding).

All employees were briefed and the importance of safe driving practices reinforced again. Although training material includes safe driving practices, it is being reviewed to ensure that load specific aspects are addressed. The introduction of further driver protection is being reviewed, in line with international best practice.

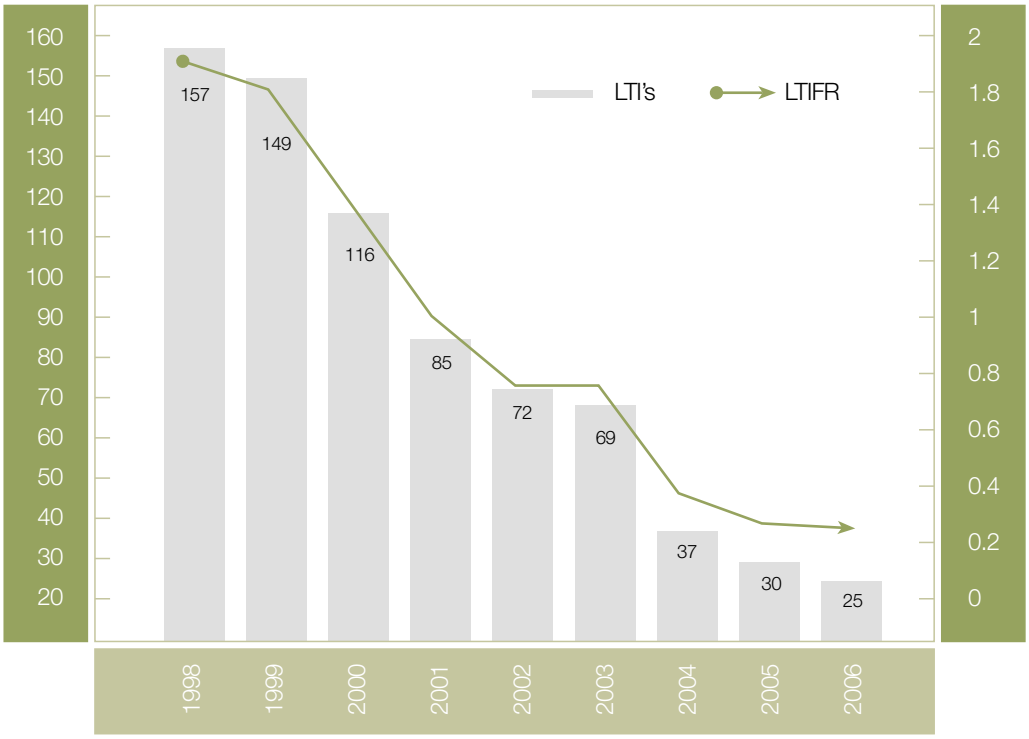
Group safety performance

** Less than
* Target excludes restricted work cases

Year	FIFR		LTIFR		TRCFR		Severity Index	
	Actual	Target	Actual	Target**	Actual	Target**	Actual	Target**
2002	0.00	0	0.76	0.60*	4.4	2.5	37	48
2003	0.01	0	0.75	0.40	3.9	2.5	27	40
2004	0.00	0	0.36	0.40	1.3	2.5	44	30
2005	0.01	0	0.27	0.30	1.3	1.3	35	30
2006	0.01	0	0.29	0.15	1.6	1	27	30

Patricia Mashigo, production foreman at Union Junction.

The group has improved significantly over the past eight years



The group recorded 25 LTIs in 2006 compared to 30 LTIs in 2005.

Safety training

Safety training continues to be an area of focus. Safety Fundamentals Training was conducted throughout the group at 12 sites, and to date 825 line managers and supervisors have been trained. The training was initially facilitated by DuPont professionals but is currently being rolled out with Scaw trainers accredited by DuPont. Refer to Case Study 2.

The training is focused on establishing an interdependent safety culture in the group.

Causes of Lost Time Injuries: 2006	
Employee LTIs due to transportation	0
Employee LTIs due to moving machinery	6
Employee LTIs due to electricity	0
Employee LTIs due to fire/hot metal	6
Employee LTIs due to falling	2
Employee LTIs due to falling objects	2
Employee LTIs due to materials handling	7
Employee LTIs due to other causes	2
Employee LTIs due to all causes	25

Objectives 2007

KPI (Key Performance Indicator)	Description	Quantification
Safety: Leading indicators		
VFL (Visible Felt Leadership)	Senior management presence and interaction with employees with regard to the safety culture.	Weekly
Unsafe acts/conditions	Unsafe acts and conditions - percentage of the number of observations.	<10%
Monthly observations	Percentage of employees actively engaged with during VFL's (focus at plant level). Line management driven.	>80%
SIPs	Ensure that Safety Improvement Plans are put in place for each business unit by March 2007.	100%
Safety: Lagging indicators		
Fatalities	A fatality is a death resulting from a work-related injury.	0
LTIFR	When a person is injured in the execution of his/her duties and as a result is unable to perform regular duties for one full shift or more on the day following the day on which the injury was incurred regardless of it being a scheduled work day or not.	0
TRCFR	This is a more inclusive injury outcome measure which includes Fatalities + Lost time Injuries + Medical treatment Cases.	0.85
Severity index	Number of shifts lost per LTI.	25

safety
> case study 1

The AltaSteel factory in Edmonton, Canada.

AltaSteel's steel making ladle.

The Bar mill at AltaSteel.

Below: Scaw accredited trainers, from left; Joseph Ratone, Jasper van Eden, Rob Gardiner, Gladstone Mthembu and Preston Mashiane.

Achievements

Union Junction

The Union Junction Building Maintenance department achieved 14 years without a Lost Time Injury. The department consists of 33 employees and approximately 200 contractors.

Key to the department's success is a focus on daily Formal Planned Job Observations. In addition, communication is regarded as vital and safety is discussed on a daily basis. The team is goal-orientated and tasks are performed as stipulated in the Safety Improvement Plan.

This is a fantastic achievement that illustrates that target zero is possible.

AltaSteel

Since being a part of the Scaw Metals Group, the AltaSteel operation situated in Alberta, Canada laid down new milestones in safety, most notably the achievement of 11 months without a Lost Time Injury for the first time in its 51 years of operation. A value-driven safety programme, skewed to the Scaw Metals Group approach to safety management, has been adopted. Safety Fundamentals Training as well as peer reviews have been conducted at the operation since the acquisition in February 2006.

> case study 2

Safety Fundamentals Training

Twenty nine training sessions have been conducted covering 12 sites. A total of 825 managers and supervisors have gone through the training. This training was conducted by Scaw trainers (accredited by the DuPont safety professionals) and DuPont facilitators. Approximately 500 more managers and supervisors are still to undergo training.

Five Scaw trainers have now been accredited to continue the roll out in the rest of the Scaw Metals Group. These employees are Joseph Ratone from Chain Products, Preston Mashiane from Steel Wire Ropes, Gladstone Mthembu from Flather Bright Steel, Jasper van Eden from Wire and Strand and Rob Gardiner who represents the group.

An audit gauging how well the principles and standards conveyed in the training are entrenched will be conducted once the training is finalised.

Right: Union Junction's Building Maintenance team recently achieved 14 years without a Lost Time Injury.

> case study 3

Transport Improvement Plan

An area of intense focus has been the management of transport and the associated risks across the group. Group vehicles travel almost 10 million kilometers annually. A Group Transport Improvement Plan has been compiled. Training has been highlighted as an area of potential improvement. The Vienna Test System (computer-aided psychological diagnosis) will be implemented in the group to complement the existing systems in use. This entails a paradigm shift in the selection and placement of drivers. A battery of tests is applied which comprises, amongst others, a vigilance test, optical perception performance, senso-motor coordination and practical navigational and spatial skills. In addition, forklift training material is being reviewed in consultation with the Transport and Education Training Authority.

Fleet trucks at Rand Scrap Iron.

> case study 4

Behavioural intervention for employee transport

In addition to the baseline audit and provision of safety belts in buses, the group has contracted a specialist to assist in training bus drivers and implementing a behavioural based safety system at a contracting company that transports employees at selected operations in South Africa. Behaviour observation checklists have been supplied to the bus drivers as a self-assessment tool. The aim of the programme is to eliminate all the at-risk behaviours that may result in injuries to employees.

Scaw sponsors safety training for the Choeu bus service, which transports employees who work at the Germiston operations.

> case study 5

Proacer family safety week

At the end of December Proacer's SHE department hosted a Safety Week that involved employees and their families. The objective was to communicate the 2006 summary of safety results and introduce the Proacer Safety Improvement Plan for 2007 as part of the effort to achieve zero injuries.

A presentation was made by Mutual de Seguridad in recognition of Proacer's work done in conjunction with that organisation over the course of 2006 and children of employees were awarded for their creative submissions in a safety drawing competition.

Below: The Proacer management team receiving an award from Mutual de Seguridad in recognition of the operation's progress in safety. Below left: Children's creations show an understanding of PPE.

Health
> eat right, live right, work right


10

> health performance indicators

Summary of key health performance indicators

Targets 2006	Performance 2006	Objectives
Set targets for medical surveillance to ensure all employees are examined at correct intervals.	94% of medical surveillance achieved.	Ensure medical surveillance targets are met.
All remaining cases of occupational diseases to be identified and submitted for compensation.	Majority of occupational diseases now identified and submitted for compensation.	Update risk assessments. Implement and continue appropriate medical surveillance.
Ensure that all noise zones are reidentified and demarcated, and suitable hearing protection devices issued (as per country standard).	All noise zones identified and demarcated, and suitable hearing protection issued.	Maintain system.
Health risk assessment carried out on all hazardous chemicals, material safety data sheets obtained and medical surveillance carried out where appropriate.	Initiated but still ongoing.	Maintain system.
Increased VCT so that 70% of employees tested by the end of 2006.	76% of employees tested.	80% of all employees to be tested during 2007.
Ensure wellness programmes established for all HIV- positive employees.	85% of known HIV cases on wellness programmes.	95% of known HIV cases on wellness programmes.

The health risks associated with operations have been identified. The principal health risk is related to noise induced hearing loss (NIHL) and dust exposure. Where noise risks cannot be eliminated, the appropriate personal protective equipment is made available to employees. The management of these risks is being translated into Health Improvement Plans that will form part of a newly introduced SHE action management system.

The management of occupational and primary health care on the larger sites in South Africa is contracted to independent specialist group Life Health Care. It is subject to external and internal audits to ensure adequate service delivery in line with OHSAS 18001 and the principle of zero harm.

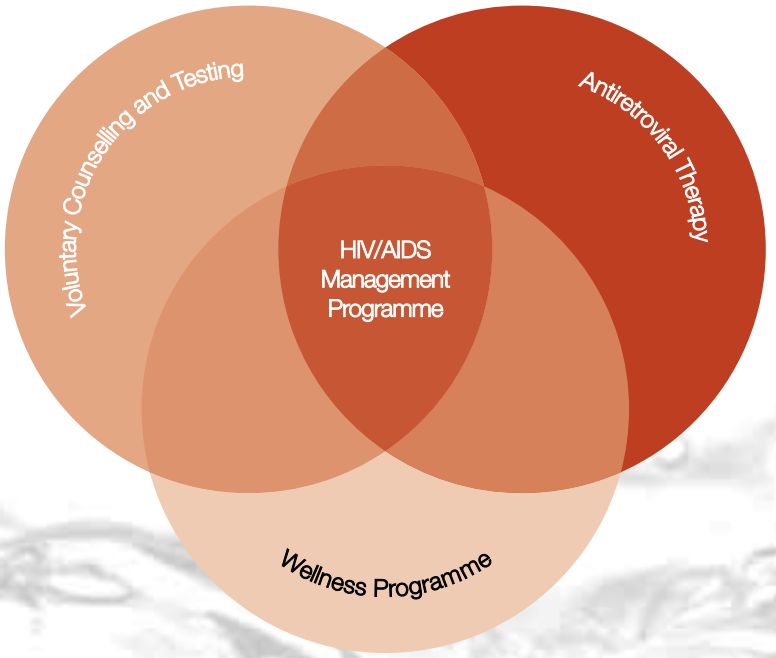
Milestones and achievements

The health management system is risk-based, and the focus is on the anticipation, recognition, evaluation and control of conditions in the workplace which may result in a health impact. This forms the basis of medical surveillance. Generally medical screening for silicosis and NIHL is performed on each employee every two years. Where the risk is designated as high, employees may be screened more frequently. In 2006 94% of the scheduled employees attended medical surveillance.

The development of a medical surveillance management system, linked with the hygiene surveys, is underway as part of the SHE action management system roll-out. This will facilitate risk-based health management and streamline scheduling of medical surveillance.

Sub-Saharan Africa is the region most affected by the HIV pandemic, hosting over 64% of global infections. Woman are mostly affected with 60% of infections among women between the ages of 15 and 49 years. In South Africa one in four woman is affected by the age of 25. The Scaw Metals Group contributes to the fight against HIV/AIDS by providing voluntary counselling and testing (VCT) to all employees and antiretroviral treatment (ART) to employees who are HIV-positive.

The HIV/AIDS programme continues to be based on three pillars which include:



Geddes Nala, an employee and a pear educator for HIV/AIDS.

Voluntary counselling and testing (VCT)

- Monthly targets for testing have been set to ensure that the target of 80% tested is achieved by the end of 2007.

- When an employee has been diagnosed as being HIV-positive he or she is enrolled onto a wellness programme. The stage of the disease is determined by the blood CD4 count. This is repeated at set intervals. In addition, the employee is counselled and his or her general health is monitored. ART is commenced when the CD4 count reaches a certain level.

Antiretroviral therapy (ART)

- The provision of ART has proved to be hugely successful and nearly all employees on this treatment are performing their normal duties. The focus is on ensuring that employees continue with therapy and adhere to the therapy requirements.

During 2006 76% of employees in South Africa took part in voluntary counselling and testing (VCT). When including the number of known positives, the percentage increases to 83%. The actual prevalence rate for employees tested in the group is 10.1%, whilst the estimated prevalence rate is between 12 - 13%. This figure is low compared to national figures and is probably due to the high average age of the existing workforce and the low labour turnover, amongst other factors.

Awareness was raised as part of World AIDS Day activities during the week of 1 December 2006. The activities included ten industrial theatre presentations as well as a presentation by peer educators and the HIV/AIDS Coordinating Committee. Refer to Case Study 2.

Employee Geddes Nala has openly declared his HIV-status and in doing so is playing an important role as a peer educator. He is living proof that being HIV-positive does not mean that you cannot live a healthy and full life. Geddes is becoming an international spokesperson. An article featuring Geddes' life was published in the October 2006 edition of the Swedish trade union magazine **Dagens Arbete**.

Geddes discovered that he was HIV-positive in 2003. He weighed 39kg when he went to the Germiston Hospital in Gauteng, South Africa. "I could hardly sit on the wheel chair," he said. Geddes saw other HIV-positive people die in hospital and made a decision that he was going to take the antiretroviral drugs provided by Scaw Metals. When Geddes started regaining his health he made another very important decision: "I am going to be a role model".

Geddes tells others about his experience. He explains that knowing your status and preventing the spread of the disease by not having unprotected sex is the right thing to do. But it is not always easy: "I had two friends who I persuaded to take the test", Geddes said. "But they refused to believe the result, even though they had seen what happened to me. They died. It is so sad".

Performance

There were 20 new cases of noise induced hearing loss submitted in 2006. No new cases of silicosis were submitted. Improved wearing of personal protective equipment and improved work place design have been implemented as preventative measures. There was one new case of occupational tuberculosis submitted to the Compensation Commissioner.

Below: Life Health professionals, from left: Dr Jenny Sapire, Sister Ruth Mani, Sister Ephraim Zwane and Sister Kate Khetsi.



> performance

Occupational diseases

Occupational diseases	New suspected cases submitted		Number of cases certified	
Year	2005	2006	2005	2006
Noise induced hearing loss	70	20	155	169
Silicosis	0	0	0	0
Chronic obstructive airways disease	0	0	1	1
Occupational tuberculosis	5	1	0	0
Occupational asthma	0	0	0	0
Contact dermatitis	0	0	0	0

VCT performance

Year	Number tested	% Tested
2002	253	4
2003	313	5
2004	2067	32
2005	3920	71
2006	4278	76

At the end of 2006 there were 190 employees on ART and the results, when benchmarked, are similar to other divisions within Anglo American plc.

Objectives 2007

KPI (Key Performance Indicator)	Description	Quantification
Health		
Medical surveillance	Ensure a 100% uptake of employees scheduled for medical surveillance.	100%
HIPs	Ensure that Health Improvement Plans are put in place for each business unit by end 2007.	100%
VCT	Voluntary counselling and testing.	80%
Wellness programmes	Ensure that 95% of HIV-positive employees are enrolled in a wellness programme.	95%

> health case study 1

Feasibility of a digital pen and paper solution in an HIV treatment setting

In any setting where accurate and timely data is a necessity, most notably in dispersed geographical locations, it is imperative that the data collection tools are entirely reliable.

A pilot project where a digital pen and paper solution was used to capture and validate data from an HIV treatment site, and deliver it ready for analysis to a server, was undertaken at the Union Junction site in Germiston, South Africa.

At each patient visit, digital pens were used to complete standardised digital forms which were docked onto computers using image transfer software. Any data discrepancies or missing information were reported immediately by the system to the user, allowing the forms to be appropriately amended and resubmitted. The data along with an image of the form was placed into a verification queue on a distant web server. A data verifier visually compared the digital image of the form to the data recognised by the system, ensuring the accuracy of the captured data. Once verified, the data was transferred into the underlying database ready for analysis. The opinions of users as to ease of use and reliability of the system were also collected.

Over the one month trial period 95% of form data submitted was detected correctly by the system and transmitted to the verification centre. Incomplete and inaccurate data resulted mainly from poor handwriting, writing outside defined areas on the forms and cancellation of forms.

Digital pen and paper systems are effective tools for accurate and timely data collection. They promise a cost effective, easily accessible, digital form storage utility solution, which may be useful in HIV treatment settings. Training and motivation of staff are key factors for successful implementation.

Acknowledgements - from Aurum Institute for Health Research, Johannesburg, South Africa:

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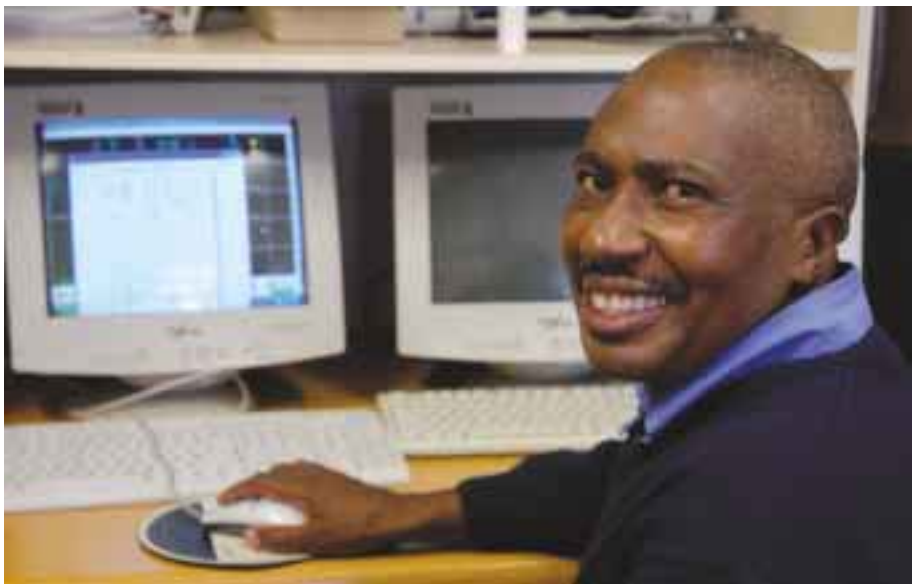
Dave Clark



Pule Dikoebe, occupational health nurse, has made use of the digital pen and paper solution.

> case study 2

World AIDS Day activities

1 December 2006 was World AIDS Day. The HIV/AIDS Coordinating Committee arranged an industrial theatre roadshow to convey the importance of knowing your status and preventing infection. Ruth Mani (group HIV/AIDS coordinator) and Geddes Nala (peer educator) played a pivotal role in making the initiative a huge success. The industrial theatre performances conveyed to employees the importance of knowing your HIV status and taking responsibility for your actions.

Employees group-wide committed themselves to World AIDS Day activities. This photograph was taken at the Union Junction site.

Environment
> an integral component of conducting business


11

environment > milestones & achievements

Summary of key environmental performance indicators

Targets 2006	Performance 2006	Objectives 2007
Water consumption not exceeding 1.46 m^3/tonne.	Achieved 1.42 m^3/tonne.	Targeting a reduction of 0.3% in specific consumption.
Total energy consumption not exceeding 10.31 GJ/tonne.	Achieved 11.01 GJ/tonne (includes increased use of coal as a reductant).	Targeting a reduction of 0.4% in specific consumption (target adjusted due to changes in coal energy conversion factors).
Electricity consumption not exceeding 2.84 GJ/tonne.	Achieved 2.82 GJ/tonne.	Targeting a reduction of 0.5% in specific consumption.
Gas consumption not exceeding 44.50m^3/tonne.	Achieved 42.11m^3/tonne.	Targeting a reduction of 0.5% in specific consumption.
Greenhouse gas emissions not exceeding 1.16 tonnes/tonne.	Achieved 1.14 tonnes/tonne.	Targeting a reduction of 0.4% in specific consumption.
Reducing process waste to landfill by 30 %.	30% reduction in process waste to landfill achieved.	50% reduction in process waste to landfill.
New acquisition to achieve certification by the end of 2007.	All material sites certified.	Maintain certification at all material sites.

Milestones and achievements

Emissions to air

Particulate emissions

The Environmental Improvement Plans focus on the improved management of emissions in line with the National Environmental Management: Air Quality Act in South Africa, and country specific requirements in South America and Canada. A progressive process of upgrading fume extraction systems is underway in a phased approach in line with the commitment to continuous improvement.

Particulate emissions are monitored continuously on the relevant stacks and by means of dust fall-out sampling (dust buckets placed in strategic locations). The monitoring is complemented by annual emissions surveys conducted by external parties.

Scaw Metals Group Environmental Statement

Environmental protection
Endeavour to effectively manage all potential environmental impacts arising from our activities by supporting research and innovation, and by implementing effective abatement measures and cleaner technologies which will result in continuous improvement.

Environmental risk management
Preventing environmental degradation by incorporating environmental risk assessments as a decision making tool.

Sustainable development
Implementation of the fundamental principles of efficient resource management and conservation, waste reduction, reuse and recycling, effective energy management, and applying the principle of sustainable development in the manufacturing of steel.

Environmental management system
To incorporate proactive and progressive environmental management by monitoring and auditing activities in terms of the SHE policy, relevant legislation, objectives and targets, as well as management and operational procedures, both internally and externally.

Training and communication
Develop and promote an environmental understanding by means of training and information dissemination to directors, management, employees, contractors, customers, government and the community.

Environmental quality assurance
Recognise, implement and integrate environmental quality assurance as an integral component of conducting business, as reflected in the Policy.

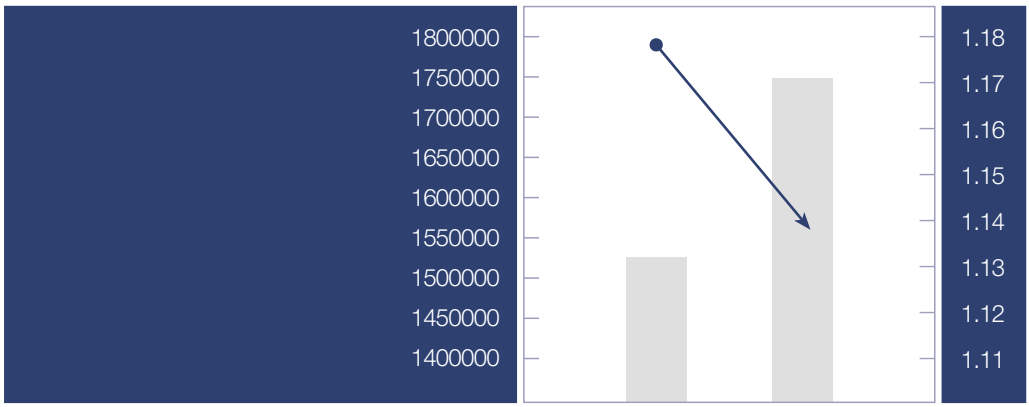
> waste recycling is a priority

Directly reduced iron kiln number 3 at Union Junction.

Greenhouse gas emissions

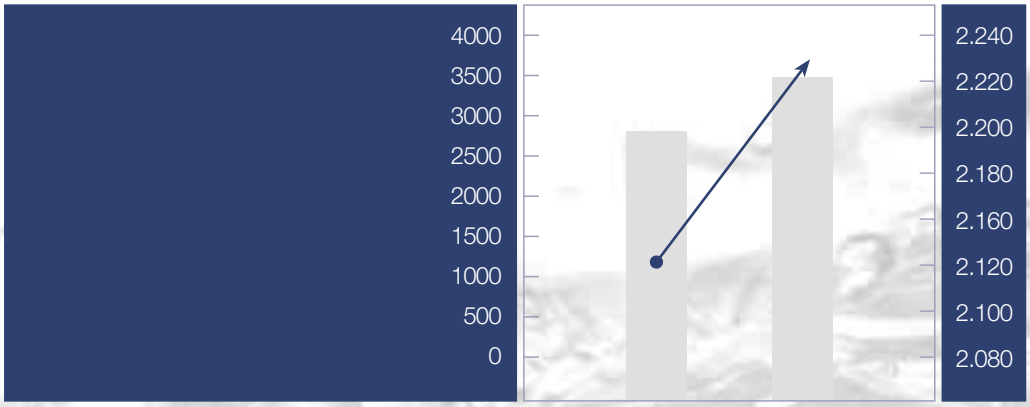
Greenhouse gas emissions, specifically carbon dioxide emissions, are managed as part of the energy efficiency targeting. The emission target of 1.18 tonnes/tonne was achieved with 1.14 tonnes/tonne. Cleaner Development Mechanism projects in terms of the Kyoto Protocol are under way. Refer to Case Study 1.

Carbon dioxide emissions



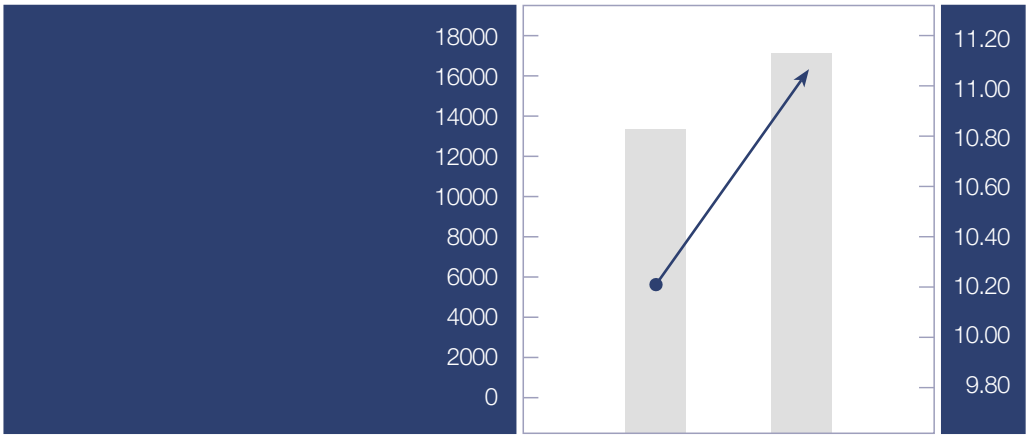
	2005	2006
Total CO^2 equivalent emissions (tonnes CO^2 eq)	1 531 384	1 747 392
CO^2 equivalent emissions per tonne of product (tonnes/tonne)	1.18	1.14

Sulphur dioxide



	2005	2006
Total SO^2 emissions (tonnes)	2 771	3 429
Total SO^2 emissions per tonne of product (kg/tonne)	2.129	2.229

Energy management



	2005	2006
Total energy consumption (1000 GJ)	13 399	16 945
Energy consumption per tonne of product (GJ/tonne - includes coal used as a reductant)	10.29	11.01

Total energy consumption

Increased production of directly reduced iron (necessary during periods of steel scrap shortages) produced at the Union Junction site in Germiston, South Africa resulted in an increased use of coal. The coal is primarily used as a reductant resulting in increased total energy consumption from 10.29 GJ/tonne to 11.01 GJ/tonne. The process involves the use of coal to reduce the iron oxide to an iron rich product. The carbon in the coal fulfils two objectives; it serves as a heat source, but primarily the carbon acts as a reductant by reacting with the oxygen in the iron ore to produce carbon dioxide and iron.

AltaSteel, the second largest consumer of energy within the group, will be the focus of future conservation efforts. Significant savings will result when the new billet re-heat furnace is commissioned in 2008.

Gas consumption

Overall the group, which now includes the AltaSteel operation in Edmonton, Alberta, Canada, achieved a reduction in natural gas consumption from 44.5 m^3/tonne reported in 2005 to 42.11 m^3/tonne in 2006.

Electricity

The group achieved a reduction in specific electricity consumption from 2.84 to 2.82 GJ/tonne. At plant level the energy efficiency drive started in 2000 at the Germiston operation, the largest consumer of energy in the group. Specific electricity consumption has decreased for the sixth year running to 4.38 GJ/ tonne (2005 4.72 GJ/tonne). Refer to Case Study 2.

Opposite page: High voltage power lines at the Union Junction site.

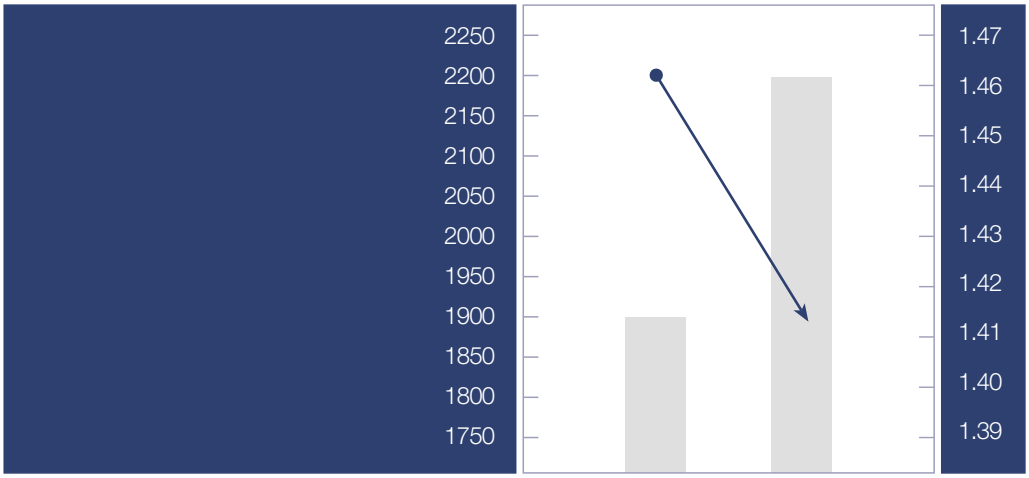
Water management

Although water scarcity does not confront us today it is a potential risk and is, therefore, a challenge that faces the group. In addition, the quality of the water, determined by the downstream use of the water, is a crucial factor. Consequently, the focus is on the active management of potential sources of contamination through, for example, the use of effective oil storage areas and waste disposal sites.

Water management indicators

Year	2005	2006
Surface water quality monitoring	Yes	Yes
Groundwater quality monitoring	Yes	Yes
Water use monitoring	Yes	Yes
Surface water and/or groundwater quality deterioration off-site	No	No

Water consumption



	2005	2006
Water used for primary activities (1000 m^3)	1 899	2 181
Water used per tonne of product (m^3/tonne)	1.46	1.42

A Union Junction water management dam with the Cast Grinding Media plant in the background.

Water quality monitoring

An integrated approach towards water resource management has been adopted, including the wider definition of a water resource in the management system. Quality monitoring of surface water (storm water and water contained in water management dams) and groundwater is taking place and being compared with relevant water quality guidelines to ensure that potential water quality deterioration is identified proactively.

Water quantity management

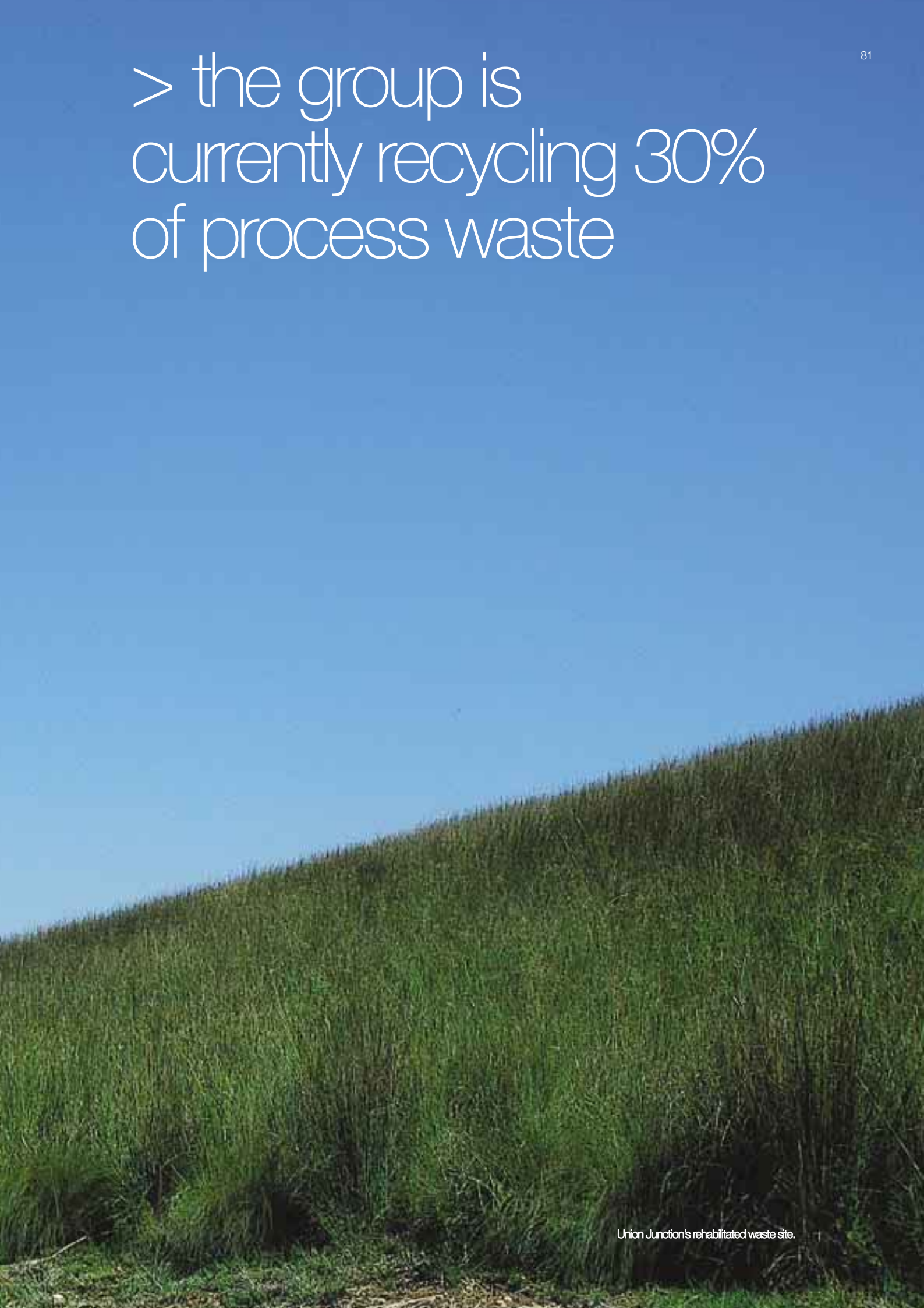
The group endeavours to conduct its operations as water-efficiently as possible. The water consumption per tonne of product produced has decreased from 1.46 m^3/tonne to 1.42 m^3/tonne of product produced. Additional water meters have been installed over the past two years, resulting in the collection of more accurate data.

The focus is on creating awareness of the importance of water conservation. This is achieved by means of awareness creation campaigns in terms of newsletters and training. Furthermore, the reuse and recycling of water has remained an area of focus. Water that can be reused is contained in water management dams, the quality monitored and the water reused in the process.

Union Junction's water management dams attract birdlife.

Water cooling for re-use in the system.

> the group is currently recycling 30% of process waste



Union Junction's rehabilitated waste site.

Land stewardship and biodiversity

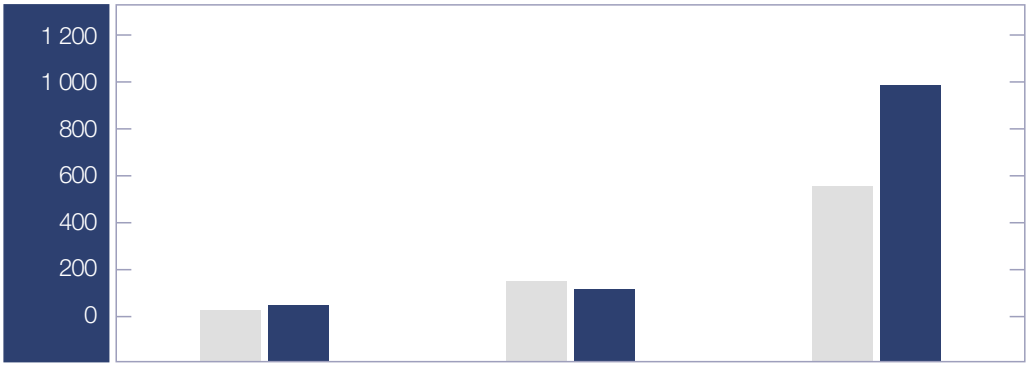
Indicator	
Land under company charge (ha)	564
Land occupied for industrial/office activities (ha)	194
Land fully rehabilitated (ha)	16

Rehabilitation activities: Waste sites

Progressive rehabilitation is taking place at the Union Junction and the AltaSteel waste sites to ensure adequate waste management and a mitigated aesthetic impact. The rehabilitation of the waste sites is closely monitored by external consulting specialists and the relevant government authorities.

The remediation of the Rietfontein Area B Landfill site in Springs, South Africa is progressing well. Refer to Case Study 3.

Waste recycling



	Paper (tonnes)	Plastic (tonnes)	Scrap steel (1 000 tonnes)
2005	44	184	581
2006	55	135	955

Recycling initiatives

General waste recycling is a priority, and the group recycled 190 000 kg of paper and plastic in 2006. Steel is regarded as the most recycled material in the world. The group has contributed to this fact by recycling 955 000 tonnes of scrap steel in 2006.

Process waste recycling has been a focus area in the group. A phased approach to process waste has been adopted with the initial focus on problematic waste streams, both in terms of viable recycling options and in terms of the quantities produced. The group is currently recycling 30% of process waste generated. Refer to Case Study 4.

Stakeholder involvement and information transfer

The group continued to ensure constructive dialogue with interested and affected parties by convening annual forums and engaging with community members individually on an **ad hoc** basis. The number of environmental complaints recorded in the group decreased from 20 in 2005 to nine in 2006.

Objectives 2007		
Total energy	Consumption of fossil fuels (electricity, coal, gas, diesel and petrol) expressed as the percentage reduction in consumption per tonne of product produced (GJ/tonne).	0.4%
Water	Consumption of water expressed as the percentage reduction in consumption per tonne of product produced (m^3/tonne).	0.3%
CO^2 (carbon dioxide emissions)	Tonnes of CO^2 emitted to the atmosphere expressed in the percentage reduction.	0.4%
EIPs	Ensure that Environmental Improvement Plans are put in place for each business unit by end 2007.	100%
Waste	General waste recycling - expressed in percentage recycled.	50%

> environmental case study 1

Natural gas and water pipelines at Union Junction.

Natural gas-cutting of billets.

Fuel switch project

Carbon credits are tools for carbon trading. The aim is to assist industrialised first world countries (in Europe) in complying with the Kyoto Protocol. In terms of the Protocol, limits are imposed on first world industrialised countries in terms of the amount of greenhouse gases (GHGs) they can emit. The Clean Development Mechanism (CDM) involves developing countries selling their approved carbon credits, through a middleman, to the first world industrial sector, which uses these carbon units (usually traded in tonnes) to offset the carbon emissions that it produces. These units can be traded like other commodities.

The fuel switch entailed the conversion from producer gas to natural gas at the Union Junction site in Germiston, Gauteng, South Africa in December 2003, and the associated reduction in CO^2 emissions qualifies as a retrospective CDM project.

Once registered the project would become the seventh registered project in South Africa and the third to gain credits from changing fuel sources from cheap abundant coal to relatively expensive natural gas.

The project will use a methodology that allows Certified Emission Reductions (CERs) to be generated by replacing fossil fuel with cleaner generation without expanding the capacity of the plant. The methodology was used by the Lawley fuel switch project and the Rosslyn Brewery in South Africa, two of six registered projects.

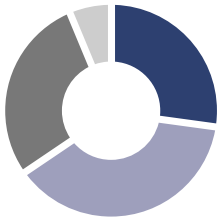
> case study 2

Energy management

The Union Junction site is the most intensive energy user in the group and contributes to approximately 75% of energy used in the group. The specific energy consumption, i.e. GJ/tonne, has improved by 4.38% in 2006 from the 2005 usage.

The main contributing factors were increased awareness and focus on energy conservation. An increased throughput contributed to the saving. The target for the new roll former is to produce balls at 1.5 GJ/tonne. The new roll former will replace an old upset forge that is currently running at 5GJ/tonne.

The key performers were:



% Improvement

- 12.5% Grinding media operation
- 17% Foundry
- 13% DRI
- 2.8% Rod and Bar/Section mill

Below: Manufacture of grinding media. From left: Grinding media balls being formed in the roll former machine; two inch balls exiting the roll former; balls on the cooling conveyor; and finished product.

> case study 3

Rietfontein remediation project

Probably the greatest challenges facing production industries worldwide are waste minimisation and the conversion of waste to another resource or disposing of it safely. In South Africa the requirement for a healthy environment is entrenched in the Constitution and in stringent environmental legislation. Therefore, the generation and disposal of hazardous waste significantly increases industry liability as well as production overhead costs. Waste generation in South Africa is estimated to be in the region of 320 to 450 M tonnes/annum. In Gauteng and other long-urbanised areas, there is a legacy of old hazardous landfill sites that pre-date the legislative requirements and best-practice protocols. These old landfills contribute to the pollution of water and soils in their vicinity, and are both unsafe and expensive to maintain.

The main pollution issues associated with landfill sites are the production of potentially explosive gases and liquid leachate. Consequently, economically and environmentally sustainable disposal options are a priority in waste management. One potential option is phytoremediation. Phytoremediation (i.e. the use of plants, especially trees, to remediate polluted land, waste and water) as a low-risk route to the cleansing and sustainable rehabilitation of landfills is internationally recognised and regarded as the most cost-effective and environmentally sound method.

The use of 'designer' plants and their associated micro-organisms that are tolerant to toxic conditions and have the ability to degrade, transform, sequester, immobilise or otherwise render pollutants harmless, are favoured. The bioremediation market worldwide has an estimated value of US$2B, of which 15% has been captured by the emerging technology of phytoremediation. Effective rehabilitation of waste reduces company liability and facilitates site closure. In addition, land availability for other developments is improved.

The Rietfontein Area B Landfill is an old clay quarry situated in Springs, Gauteng and is a prototype phytoremediation project that will set the scene for future rehabilitation of industrial waste sites in South Africa. The project has been ongoing for two years. The following has been achieved over the past two years:

- Vegetation progress that exceeds expectations. The project commenced with a one hectare trial that was very successful and entailed the optimisation of planting techniques to be used for the remainder of the landfill.
- Hyperspectral imaging in collaboration with the Witwatersrand University (Johannesburg, South Africa), Tel Aviv University (Tel Aviv, Israel) and Bar-Kal System Engineering Ltd (Israel). These images provide an indication of vegetation establishment as well as leachate management.
- Since the remediation of the landfill commenced, giant bullfrogs have been observed on site. The giant bullfrog is regarded as near-threatened by the World Conservation Union. Initially only two bullfrogs were observed but the number has steadily increased.
- Community development and information transfer is at the core of the project. Community nurseries are established to provide the plants for the remediation projects. This contributes to job creation and skills development.
- Arbor Day activities in association with the Department of Water Affairs and Forestry, SANCO and the Witwatersrand University. Various primary schools in the vicinity of the landfill planted trees and are now tracking the growth of the trees as part of an ongoing project.

Above: An example of plants used in the remediation project.

case study 4

Waste recycling

As part of the Duty of Care approach advocated and embraced by the Scaw Metals Group, as well as the constant drive towards producing steel in a sustainable manner, emphasis has been placed on the recycling of waste. As part of the preventative approach, the Directly Reduced Iron (DRI) plant efficiency has been optimised as far as possible. The process does, however, result in the production of char and dust (unburned coal) as a source of waste.

Approximately 17 000 tonnes (which constitutes 50% of the total process waste at the Union Junction site) of char and dust is produced per month from the DRI process.

To negate the need for the extension of the landfill footprint it is essential to invest in the recycling of process waste.

Scaw South Africa (Pty) Ltd and Ruslyn Minerals (Pty) Ltd have, therefore, spent the last two years developing a solution to the process waste problem. The process will entail the magnetic removal of iron particles which will be reused in the main melt shop at the Union Junction site. The remaining char and dust (carbon source) will then be used in the manufacture of bricks. This implies that coal, which would otherwise have been mined with the associated environmental impact, is replaced with a by-product.

Below, from left: Photographs 1, 2 and 3 - a series of the Directly Reduced Iron (DRI) operations at Union Junction.

Far right: Product that is produced by the DRI plant.




Opposite page: The group's waste sites are rehabilitated progressively.

Labour practices and community involvement > marshalling our common resources to take care of those closest to us

12

Inside the Steel Wire Rope operation outside Johannesburg, South Africa: Andrew Masterson, technician on the Plastication line (left) and Hannes Breytenbach, production manager, Heavy Closing.

> labour practices and community involvement

The group employs more than 7 500 people throughout the world. The distribution of employees in our operations is displayed in the table on page 94.

Employment opportunities

Most of Scaw's operations have operated on their current sites for many decades and the businesses are well-known to their communities as major employers providing long-term careers. Positions with Scaw are sought after, especially those offering apprenticeships and learnerships leading to certification of qualifications in terms of the Skills Development Act (applicable in South Africa). Labour turnover due to resignations was 2.8% in 2006.

The business has a proud tradition of technical training, offering apprenticeships in a number of trades. Scaw's apprenticeship qualifications are recognised throughout the industry. The majority of successful apprentices go on to enjoy long and fruitful careers in the company. Practical training for learner technicians in metallurgy, chemistry, electrical and mechanical engineering is also offered for young Technikon graduates who wish to build a career with Scaw Metals.

In consultation with stakeholder unions, the group also provides employment opportunities to dependants of retired and deceased employees in order to assist poor families.

The group offers employees competitive remuneration packages, which include subsidised membership of a medical aid scheme and membership of a retirement fund.

Labour relations

The group endorses the rights of employees to freedom of association and to collective bargaining. In some countries collective bargaining takes place at enterprise level, whereas in South Africa this takes place at an industry bargaining council.

Presently 5 208 employees, 82.6% of Scaw's South African workforce, belong to trade unions.

At company level, the trade unions represent their members on important matters such as health and safety, work reorganisation, skills development, employment equity, and grievance and disciplinary matters.

Each business site has its own union composition and shop steward structure representing employees. Managers at the sites meet and consult regularly with these structures on shop floor issues. Scaw's management enjoys mature and professional relationships with these unions at both industry and individual company level.

With regard to security of employment, there are established procedures embodied in the South African Labour Relations Act as well as Bargaining Council codes of practice for handling the introduction of major changes to operations which may result in job losses. In other countries such matters are dealt with through a combination of both collective agreements at enterprise level as well as that country's legal framework. Generally these provisions include disclosure of information and consultation with employees and trade unions on the planned changes. Retraining and seeking alternative employment opportunities are prominent features of the discussions.

Training and education

Training, education and development of employees are crucial to the success of the operations. Management interacts with trade unions at each operation to consult on skills development plans and training activities for the year. Skills development is aligned to the strategic business objectives that include productivity improvement, safety, health and environment, product quality, customer relations and human capital development.

Apprentice training

The group has a long-standing commitment to training skilled artisans for its operations. Typically about 200 apprentices are in training at any one time at the group's Union Junction Apprentice Training Centre in South Africa. To train an apprentice to qualify as an artisan takes up to four years of institutional and practical on-the-job training. Scaw Metals has also embarked on implementing learnerships which provide employees with structured learning and experience that will culminate in a qualification recognised by the South African National Qualification Framework (NQF). At present, the group has registered learnerships in arc furnace steel melting practices as well as chain making. Trainees on both schemes are progressing well.

Bursaries: Children of employees

Various benefits are offered to employees, including a school bursary scheme in which children of employees with more than five years service qualify for a bursary to assist one high school child per family – this covers part of the school fees and the cost of books and school uniforms. In 2006 330 bursaries were granted.

The group offers a bursary scheme for a limited number of children of employees to further their tertiary education. These bursaries are restricted to disciplines that can be used in the steel and engineering industries such as metallurgy, engineering, human resources and finance.

Employment equity (South African operations)

Scaw Metals is committed to the transformation of its workplace to more equitably represent the demographics of the country, particularly in the supervisory and managerial levels of the company.

In compliance with the South African Employment Equity legislation, the business submits annual reports on progress to increase the numbers of historically disadvantaged employees in supervisory and managerial positions. Scaw is making progress in this very important aspect through recruitment and internal training and development initiatives. Efforts are being made to attract and retain young professionals from historically disadvantaged backgrounds to fill technical and managerial roles.

A target of 40% representivity of historically disadvantaged South Africans in managerial levels was set for attainment in 2007. At the end of 2006, a level of 42% had been achieved. Gender issues are also being taken into account with the aim of increasing the number of females in senior positions.

Non-discrimination

Scaw Metals is committed to creating a workplace in which individuals of ability and application can develop rewarding careers at all levels. This is regardless of background, race, gender, ethnic or social origin and religion. Unfair discrimination in the workplace is prohibited. Management, employee representatives and trade unions work together to ensure that there is no unfair discrimination taking place in the operations.

At company level, trade unions play a significant role in upholding and protecting employee rights.

Below: Apprentice intake.

Godfrey Magugu, apprentice millwright, Union Junction.

labour
> case study

Patricia Mashigo, production foreman at Union Junction.

Patricia Mashigo, first black female production foreman

Scaw South Africa has appointed Patricia Mashigo as its first black female production foreman. Patricia did her electrical apprenticeship with Scaw and upon qualifying was employed by Union Junction as an electrician in the Engineering department in 1999. Patricia not only has the academic qualifications and skills for the job, but over the years she has, time and again, been willing to go the extra mile. She has the know-how, the leadership skills and the right attitude.

She says, "Women need to realise that there are many chances for them but they must be prepared to take them. Just because a job has always been only a man's job doesn't mean that it has to always remain only a man's job. Women are just as capable. Times have changed and we women must seize the new opportunities and take on the challenges!"

Present distribution of employees

Operations	No of Employees
South Africa	
Union Junction	2 945
Steel Wire Rope	975
CWI	544
Cast Products (Benoni Works)	450
Chain Products	436
Wire and Strand	385
Sales branches	174
Rand Scrap Iron	132
Fibre Products	118
Flather Bright Steel	75
Total	6 234
Outside South Africa	
AltaSteel	361
Zimbabwe	259
Proacer Chile	173
Moly-Cop Chile	117
Zambia	72
PWB Anchor (Australia)	59
Moly-Cop Lima, Peru	54
Moly-Cop Canada	51
Moly-Cop Mexico	51
Moly-Cop Arequipa, Peru	43
Moly-Cop Philippines	22
Reids (Australia)	7
Total	1 269

community
> case studies

Summary of the 2006 projects

- New hawker station

For several decades vendors have sold food, newspapers, sweets and telephone usage to the 3000-plus employees at Scaw's Union Junction operation in Germiston, South Africa. Recently the vendors were moved from a narrow congested pavement into a recessed mini market facility, purpose built by Scaw, which offers increased safety away from the traffic, and provides a sheltered and hygienic vendor facility.

Each trader has been allocated individual space and a lock-up facility. A tiled wash-up area has been built to provide hot and cold running water for vendors involved in food preparation or serving. The vendors informally appointed a spokesperson from among themselves and a set of rules was agreed concerning who used the site. Following that meeting, the old storage boxes and tables were removed and the entire area is kept clean. No more vending takes place on the pavements, spilling onto the road, blocking traffic and endangering pedestrians.

This is a mutually-beneficial co-operation between Scaw and the hawkers. Employees are able to gain easy access to the vendor services "on their doorstep" and the hawkers are able to continue to earn a living from their occupation. Most of the hawkers are women who are the sole breadwinners in their families and are, as such, entirely dependent on the income generated from this mini market.

Fruit seller Eunice Mbatha has sold fruit to Scaw employees since 1986.

- Welding training school

During 2004 a community welding training school was established at the group's Germiston, South Africa operations to offer young, unemployed members of the community an opportunity to obtain a basic qualification in welding. The college admits disadvantaged school leavers who come from very poor families who would otherwise be unable to gain access to formal training.

The welding course is registered with the metal industry's training authority as a skills training course and ensures that trainees reach certain levels of competency in welding. The course content has standards of learning that are recognised nationally and against which the trainee must be assessed for competency before certificates are granted. Obtaining this level of skill could lead to self-employment in the manufacture of steel products (like furniture and security gates). Alternatively, it could increase the individual's chance of finding formal employment in industry. During 2006 46 students enrolled at the school and received training in welding. A number of former students have found employment with Scaw Metals and with other employers in the area.

Linda Mthembu entertains customers with her enthusiasm.

Left: Some of the graduates from the group's welding training school enter Scaw operations.

community
> case studies

Bathabile Mosala, one of the trainers at Union Junction's computer skills school.

Cricket coaching a Scawlands.

Pupils at Igagasi Primary School will soon have a brand new computer centre and library.

- Computer skills training school

At the same time as the welding school started, a computer skills school was established on the same site. The school admits young unemployed school leavers who come from disadvantaged families and who would otherwise be unable to gain access to formal training.

Training in the general suite of software packages used in commerce and industry is provided, and a certificate of competency is awarded to successful trainees.

During 2006 48 students enrolled at the school and were trained.

- Read Education Trust

In conjunction with education authorities, Scaw Metals provided funds to the Read Education Trust to facilitate a literacy project at two schools in Katlehong, a large residential area adjoining Scaw's main works. The prime focus of the programme is to provide training to teaching staff in the principles of school management and teaching methods, and to upgrade and enrich materials used in teaching English language skills. The project is conducted in high schools that serve areas inhabited by many Scaw employees.

- Igagasi Primary School, Kathlehong

Scaw management has been working with the education authorities since 2004 to build a computer centre and library at this school. Building is progressing and the project should be completed in 2007.

- Community Neighbourhood News Bulletin and Wadeville Business Against Crime (WBAC)

Engagement continues with organisations in the community that are concerned with crime prevention. As a standing member of the WBAC committee, Scaw Metals provides input where possible to reduce crime in the surrounding communities, and makes a significant contribution towards running WBAC. The group also sponsors a local community organisation that produces a crime prevention newsletter.

- Sports

A variety of sporting activities is sponsored by the group including running, junior cricket and soccer. The majority of children participating in these activities come from disadvantaged backgrounds who would otherwise not have access to facilities and coaching at the level provided by Scaw Metals.

- BEE Courtwise Sponsorship

The name "BEE" is derived from the bumble bee which defies scientific odds in being able to fly, just as BEE Courtwise wishes to succeed in its challenge to bring child offenders to justice.

It is a non-profit company established in response to the poor conviction rate in criminal cases related to child abuse.

BEE Courtwise provides court support and preparation for children testifying in cases where they have been abused and offers trauma counselling for adults and children. BEE was given computer software and hardware for its rooms at the Johannesburg Central Police Station where many of these types of cases are sent for trial. Special child-friendly witness preparation rooms have been set up here to allow children to testify in a more supportive environment than that of the formal courtroom for adults.

During 2006 the company held discussions with BEE officials and senior members of the Benoni Magistrates Court with a view to establishing a BEE facility. Approvals from the authorities are presently awaited before the project can commence.

- HIV/AIDS

In 2006 the group supported a HIV awareness campaign at all its South African operations. Subscribing to the Business Bannerthon programme, banners were purchased for display at the operations and supporting promotional material was distributed to all employees.

Being situated on major roads and near railway stations, Scaw Germiston is able to maximize campaign exposure and, therefore, placed banners in positions of optimum impact for both employees and members of the community. Funds collected from the Bannerthon programme are used to assist destitute children who have been orphaned by HIV/AIDS.

Staff at Moly-Cop Chile build houses for the poor on weekends.

- **Overseas operations**

Chile

Operations in Chile have provided support for local police, fire-fighting agencies and a number of city projects, including anti-drug abuse campaigns. They have also supported sports activities and other charities, including housing initiatives for the poor and a home for abandoned children.

- Un Techo para Chile (A Roof for Chile)

Un Techo para Chile is a solidarity campaign with the objective of constructing houses for poor families in Chile. Participants in the campaign are Moly-Cop Chile, the Institute for Grassroots Formation and Empowerment (abbreviated as Infocap in Spanish), the Workers University, and a non-profit organisation founded in 1984 by the Society of Jesus. Moly-Cop Chile donates funds for the construction of houses. The funds are allocated to beneficiaries by Infocap and Un Techo para Chile. Moly-Cop has no influence on the fund allocation process.

Peru

Moly-Cop Peru is involved in a number of community initiatives on an ongoing basis including sponsorship of a nursing home for the elderly, a home for disabled children in Arequipa, and fire brigades in Lima and Arequipa. In addition, donations have been made for the construction of classrooms and the acquisition of furniture in schools in and around Lima and in Cerro Colorado, Arequipa. Cultural programmes also receive support from Moly-Cop Peru, as do churches.

In December staff delighted 530 children at Carlos Macera Children's Home, located near their operation, with bags of Christmas presents.

Edwin Marti, junior financial analyst (first photograph), Ingrid San Martin, treasury assistant (third photograph) and other staff from Moly-Cop Peru delivered Christmas presents to 530 children at Carlos Macera Children's Home in December 2006.

community
> case studies

Below: Andrew McDowell, manager of PWB Anchor (left), receives an award from NERG that recognises PWB's community involvement.

Right: A technician services the NERG tower.

Philippines

The company contributed to various charities through the Philippines Business for Social Progress, an NGO involved in numerous social programmes.

Canada

The Canadian operations contribute to various charities through the organisation United Way.

Australia

- NERG radio tower

As part of its commitment to the local community, PWB Anchor contributes towards the annual operating costs of the community-owned and maintained radio tower of North East Radio Group (NERG). The group provides education, training and social activities to a cross-section of the community. The radio tower plays a critical role in the NERG's operation. Central to its charter, NERG ensures that its radio tower is made available for primary and back up emergency communications to a range of emergency and charitable organisations. The Victoria Police, the Red Cross, Local Government, Oxfam and the Rural Fire-fighting Services all benefit from the radio tower provided by NERG.

Scaw Metals Group, Black Reef Road, Germiston, Gauteng, South Africa
PO Box 61721, Marshalltown, 2107, South Africa

Tel: +27 (011) 842 9000
Fax: +27 (011) 842 9719
e-mail: sheadmin@scaw.co.za
www.scaw.co.za

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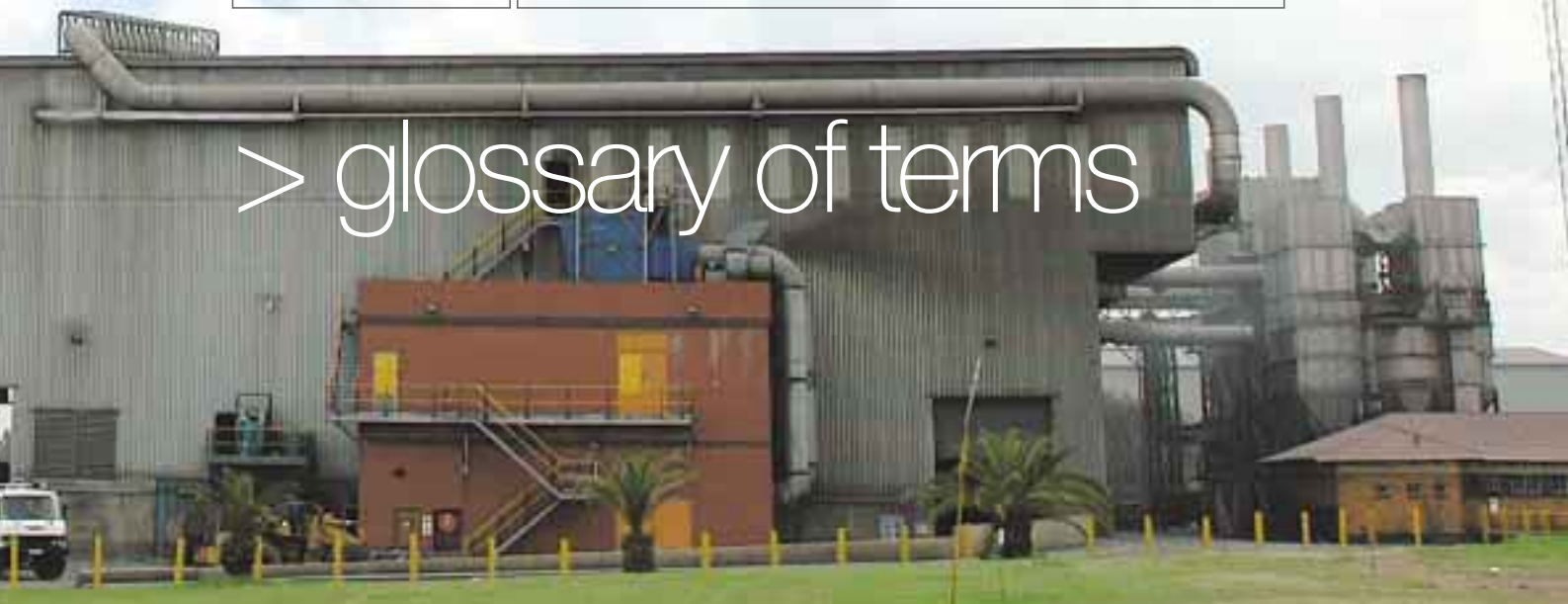
> glossary of terms

Terms	
AAplc	Anglo American plc
BEE	Black Economic Empowerment
CO^2	Carbon dioxide - a gas formed during combustion and certain natural processes. Increasing amount of carbon dioxide in the atmosphere is widely believed to contribute to climate change i.e. global warming
Environment	The circumstances or conditions that surround us as well as the complex of social or cultural conditions that affect an individual or community
FAC	First Aid Case - a minor injury which can be treated by the employee and does not require professional attention
Fatality	The death of an employee or contractor resulting from a work-related injury
FIFR	Fatal injury frequency rate - the number of fatalities per 200 000 hours worked
Golden Rules	A set of non-negotiable corporate safety rules
Greenhouse gas	Gases that enhance global warming, predominantly CO^2
Hours worked	Total number of hours worked by employees, including overtime and training, excluding leave, sickness and other absences It includes the total number of contractor hours worked on site during the year
HIV/AIDS	Human Immuno Deficiency Virus/Acquired Immune Deficiency Syndrome
ISO 9001	A quality management system standard published by the International Standards Organisation
ISO 14001	An environmental management system standard published by the International Standards Organisation
Lost Time Injury (LTI)	Any occupational Lost Time Injury which renders the person unable to carry out regular duties on the day following their injury, and which results in one or more days away from work: It includes restricted work cases
LTIFR	Lost Time Injury Frequency Rate - the number of Lost Time Injuries per 200 000 hours worked and includes restricted work cases and contractors
Medical surveillance	Employees who have been identified as being exposed to any significant risk or hazard undergo a regular planned medical examination to ensure their health is not affected by exposure to the risk
MTC	Medical Treatment Case - an injury requiring more than basic first aid
NGO	Non-governmental organisation
NIHL	Noise induced hearing loss
Occupational disease	A disease or illness arising out of and in the course of employment
Occupational health	The promotion and maintenance of the highest degree of physical, mental and social well-being at work
Occupational hygiene	The assessment, measurement and evaluation of hazards and risks in the workplace and the preventive measures that need to be applied to safeguard the health of employees
OHSAS 18001	A management system published by the Occupational Health and Safety Assessment Series
PPE	Personal protective equipment
Recycling	Processing of old discarded materials into new, useful products
RWC	Restricted Work Case in which work activity is restricted and in which an employee cannot perform his or her regular duties.
Severity Index	A ratio of the number of shifts lost per Lost Time Injury
SHE	Safety, Health and Environment
SO^2	Sulphur dioxide - a colourless, corrosive gas formed during combustion and natural processes
Stakeholders	Employees, contractors and other parties who have a material interest in the Scaw Metals Group
Sustainable development	An improvement in human well-being that allows the needs of the present to be met without compromising the ability of future generations to meet their own needs, focusing on social, economic and environmental aspects
Total energy consumption	Calculated from electricity purchased and fossil fuels consumed
TRFR	Total Recordable Case Frequency Rate - the sum of fatalities, Lost Time Injuries and medical treatment cases per 200 000 hours worked, including employees and contractors
Waste stream	Steady flow of varied wastes, from industrial, commercial and construction refuse

Abbreviations and conversions for units of measurement	
m^3	1cubic metre = 1 000 litres = 264,1 US gallons = 220 UK gallons
Tonne	1 metric tonne = 1 000 kg = 2 205 pounds
MWh electricity	1 Megawatt-hour = 3,6 Gigajoules (GJ)



SCAW METALS GROUP

A member of the Ferrous Metals and Industries Division of Anglo American plc