

ANGLO COAL SOUTH AFRICA  
REPORT TO SOCIETY 2007

# Leading for sustainable coal



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# Report scope

Anglo Coal South Africa forms part of Anglo Coal, a wholly-owned division of Anglo American plc. Anglo Coal is a global company with managed operations in South Africa, Australia, China and Canada, as well as non-managed operations in Colombia and Venezuela.

Our sixth annual Report to Society focuses on our South African operations for the year ended 31 December 2007 and we believe it represents a balanced and reasonable representation of our company's economic, environmental and social performance. Our last publication was in April 2007.

This report should be read with the Anglo American, Anglo Coal Global and Anglo Coal Australia Reports to Society for 2007. It has been prepared in accordance with the Global Reporting Initiative (GRI) 2006 Sustainability Reporting Guidelines as well as the GRI Mining and Metals Sector Supplement Pilot Version 1.0, and has been assessed by PricewaterhouseCoopers to ensure it meets the requirements of the B+ GRI application level.

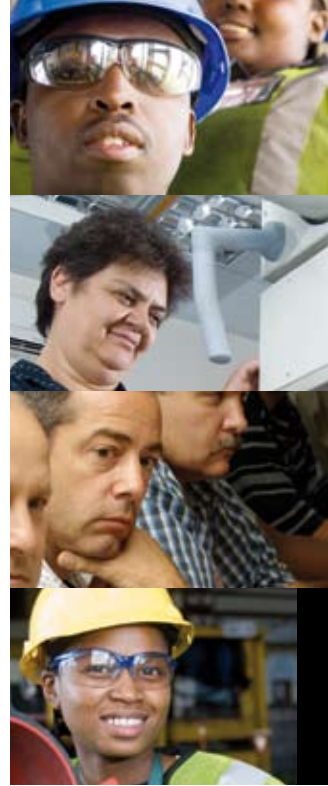
At the end of this report, a GRI content index shows where the information relating to the GRI G3 indicators and principles can be found. Some relevant information can also be found in Anglo American's 2007 Annual Report and Review and 2007 Report to Society.

There have been changes to the measuring methods applied previously to the following parameters:

- ⑥ Water consumption now includes water from rainfall and groundwater recharge into underground workings and open pits.
- ⑥ As a result of a mandate issued by the South African National Inspector of Mines, dust measurements now include the results of all samples taken. Previously, abnormal results were excluded by our mines with a justification letter before a new sample was taken.
- ⑥ Tuberculosis.

PricewaterhouseCoopers has provided assurance on selected 2007 sustainable development performance indicators as detailed in the assurance report on page 44, as well as compliance with the South African Mining Charter's reporting requirements.

Feedback and enquiries on our sustainable development initiatives are welcome. Contact details are provided on the inside back cover.





# Chief executive officer's review

We are proud to present this, our sixth annual Report to Society, and hope it will increase awareness of our activities among our stakeholders and other like-minded organisations. As part of Anglo American's quest to become the leading mineral resources company of choice, Anglo Coal South Africa is committed to responsible mining and seeks to provide superior returns for its shareholders and optimal benefits for its stakeholders.

## Safety

It is with great regret that we report the tragic loss of three employees in 2007. Despite this sad loss, we have made significant improvements in our safety performance during the year, resulting in a record low lost-time injury frequency rate of 0.26. We decided that safety had to be our core value: the value that guides how we

interact with one another, how we engage as a company and the overriding factor that influences everything we do.

Training in Hazard Identification, Risk Assessment and Control was rolled out to the entire workforce and we embarked on a focused process to ensure we know what our hazards are and how to deal effectively with them. Each member of our executive committee was trained at DuPont's Maydown facility in Ireland to get a true appreciation of how to run a world-class safety organisation. The appointment of Anglo American's new chief executive, Cynthia Carroll, has added further impetus to the safety drive. Anglo American's Safety Leadership Summit in June 2007 culminated in the creation of our Target Zero Action Plan (TZAP), a framework to achieve Zero Harm.

Greater emphasis has been placed on the accountability of our leaders as we believe that we will achieve our objectives through committed leadership. The message that our safety-based standards and procedures are truly non-negotiable has come through strongly. We make it clear that anyone who does not follow these rules is not welcome in Anglo Coal. Our policy is to care for our workmates so much that, if we find them working unsafely, they should leave our employment before they cause injury to themselves and to others.

## Operational performance

We produced 59.2 million tonnes of coal in 2007 and our mines which supply coal to Eskom performed particularly well. While the current market prices for coal remain excellent and we are optimistic about the future outlook, we must remain vigilant in containing costs and take advantage of the current favourable market conditions. Our value-based management and asset optimisation processes are key drivers to generate optimum returns for the benefit of our shareholders and stakeholders and will lead us to our goal of eventually becoming an operation producing 90 million safe tonnes of coal per annum.

## Our people

Further strides have been made in establishing the Anglo Coal Way in South Africa, a process designed to promote excellence, share best practice and encourage effective communication. This process is a significant step towards achieving the organisation's objectives of growth and alignment with 'One Anglo'. A highlight for Anglo Coal South Africa in 2007 was being named the fourth-best large company to work for in Deloitte's Best Company to Work For survey. We would, however, prefer to say that we have the 'best people to work with'.



## HIV and AIDS

AIDS is real. It does not discriminate and affects the lives of our colleagues, their families and members of our communities. Fortunately, we have the power to make a difference and I am proud of the stance we have taken in managing the pandemic. It is five years since we started providing all HIV-positive employees with access to free anti-retroviral treatment (ART), and a compulsory medical aid scheme for employees not previously covered will be implemented in 2008. This means that all dependents registered as beneficiaries on the medical aid scheme will be eligible for HIV disease management. We are pleased that 85% of our employees were voluntarily counselled and tested to confirm their status during 2007, bringing the percentage of employees ever-tested to 93%. We are, however, concerned by the conversion of previously HIV-negative to HIV-positive employees. This message prompts us to review our education programmes and awareness strategies around "risky behaviour" to enable us to stem the tide of new infections.

Anglo Coal continues its support of the Bhubezi Community Health Centre, a much-needed intervention in Bushbuckridge, Mpumalanga, which offers health care related to HIV and AIDS, tuberculosis and malaria. On its first day in operation in April 2007, it treated about 85 HIV and AIDS infected patients.

## The environment

While our product will continue to be a prime source of energy, we are well aware of the environmental issues that arise from its use. Climate change is the greatest challenge faced by the coal industry today and, as an industry leader, we need to put this into a constructive agenda. We will continue to plough resources into a range of energy-saving initiatives to curb climate change and ensure energy security for our operations and South Africa. It is my hope that, in the not too distant future, the uptake of clean coal burning solutions will transform the environmental performance of the energy sector.

During 2007, a situation developed in the Wilge river and Loskop dam catchment areas where pollution resulted in impacts on the ecosystem, including significant fish and crocodile deaths. Extensive investigations have identified a number of sources: acid mine drainage from defunct mines, illegal discharges, untreated sewerage plant discharges and industrial seepage. Anglo Coal is engaged actively in the Olifant's River Forum, a non-governmental organisation (NGO) that seeks to address these pollution challenges and promote the health of the river.

Sustainable development remains a core element of our corporate strategy and our achievements in 2007 bear testimony

to our commitment in this arena. We are delighted that a number of Anglo Coal projects were lauded in the Nedbank Capital Green Mining and the Mail & Guardian Greening the Future awards.

The eMalahleni Water Reclamation Plant, which was commissioned in 2007, has received widespread praise. The plant provides an innovative solution to the environmental, productivity and safety challenges posed by underground mine water and addresses an important social need by purifying water to potable quality for consumption by the community of Witbank.

Our rollout of Basa njengo Magogo, an alternative fire-lighting project, was recognised for its simple, low-technology solution to reducing the high levels of air pollution, associated with household coal burning, that are known to create severe health and environmental problems.

## Community and broad-based black economic empowerment

The end of 2007 saw the formal signing of all shareholder agreements for Anglo Inyosi Coal (AIC), marking the establishment of a broad-based black economic empowered coal mining company valued at R7 billion. This transaction highlights Anglo Coal's commitment to transformation and ensures the substantial participation of previously disadvantaged South Africans, particularly women, in the coal mining sector. A community trust has been registered to ensure that the communities surrounding our operations benefit from the transaction, and engagement with stakeholders has commenced. Zondagsfontein, AIC's first major coal mining project, was approved by the Anglo American Board in late 2007 and construction will begin in early 2008.

Procurement continues to be a key driver of transformation and, together with Anglo Zimele, we will be establishing hubs that will ensure the creation and development of business in the small enterprise sector. We believe this will help to identify further procurement opportunities with BEE business and stimulate sustainable commercial enterprise among local entrepreneurs.

This report has been prepared in accordance with the guidelines of the Global Reporting Initiative. I invite you to review our many efforts in the field of sustainability, the progress we have made and the challenges we must confront and look forward to your feedback.



**Ben Magara**

*Chief executive officer, Anglo Coal South Africa*

# Key performance indicators

Indicator	2007 Targets		2007 Performance	2008 Targets
<b>Safety</b>				
Fatalities	Zero	✗	3	Zero
Lost-time injury frequency rate (LTIFR) <sup>†</sup>	Zero	✗	0.26	Zero
Total recordable case frequency rate (TRCFR) <sup>†</sup>	0.67	✗	0.72	0.54
<b>Health</b>				
New cases of occupational disease	Reduce exposure to potential industrial hazards and ultimately eliminate occupational disease	↑	12	Reduce exposure to potential industrial hazards and ultimately eliminate occupational disease
Employee voluntary counselling and testing (VCT)	80%	✓	85%	90%
<b>Environment</b>				
CO <sub>2</sub> emissions	10% improvement in CO <sub>2</sub> e emissions per saleable tonne by 2014 (2004 baseline) Determine CO <sub>2</sub> e emissions relating to transport	↑ ✓	41 kg per saleable tonne	10% improvement in CO <sub>2</sub> e emissions per saleable tonne by 2014 (2004 baseline) 2014 target is 19 kg CO <sub>2</sub> e per saleable tonne Implement new methodology for improved CO <sub>2</sub> e reporting
Total energy use	15% improvement in energy efficiency by 2014 (2004 baseline)	↑	92 MJ per saleable tonne	15% improvement in energy efficiency by 2014 (2004 baseline) 2014 target is 73 MJ per saleable tonne Implement new methodology for improved energy reporting
New water used for primary activities*	Site-specific management targets to be developed	↑	181 litre per saleable tonne	Development of site water balances and performance targets Implement new methodology for improved water reporting
Environmental incidents: Level 2 incidents Level 3 incidents	– Zero	✓	40 Zero	– Zero
ISO 14001 certification	Maintain certification to ISO 14001:2004 at existing operations and achieve certification at new operations	✓	All operations certificated except Mafube	Mafube to be certificated in 2008
<b>Social</b>				
Socio-Economic Assessment Toolbox (SEAT)	Commence SEAT 2 training for operations	✓	SEAT 2 training has been completed for all operations during 2007	Roll out SEAT 2 to all operations over a 3-year period.
BEE procurement	R2.2 billion	✓	R2.9 billion	R3.6 billion

✓ Achieved ✗ Not Achieved ↑ Trending to meet target ↓ Trending to not meet target † Per 200,000 exposure hours

\* As Anglo Coal South Africa changed its interpretation of new water during the reporting year, the baseline has changed.

# Governance and policies

Anglo Coal subscribes to Anglo American's high-level policies and guidelines.

The chief executive officer of Anglo Coal South Africa submits an annual Letter of Assurance to the chief executive officer of Anglo Coal Global who, in turn, provides an annual Letter of Assurance to Anglo American. This letter discusses our risk, performance and targets on safety, health and the environment as well as the division's adherence to the Anglo American Good Citizenship Business Principles.

Please refer to the Anglo Coal Global Report to Society 2007 or visit [www.angloamerican.co.uk](http://www.angloamerican.co.uk) for more information relating to Anglo American policy.

No monetary sanctions for non-compliance with laws and regulations were received in 2007.

## Whistle-blowing

Anglo American's global whistle-blowing facility is operated and managed by external service providers who are independent of the Group. Known as 'SpeakUp', this channel guarantees anonymity to those who report dishonesty, fraud, corruption and any other inappropriate behaviour in the workplace. During 2007, 37 alerts were received. Following investigation, nine resulted in management action. None of the alerts related to abuse of human rights.

### Alerts related to the following:

Safety, health and the environment	2
Criminal allegations	6
Human resources	18
Suppliers and procurement	5
Malicious allegations	5
Other	1

## Management systems

All our established mines operate in accordance with occupational health and safety management systems certificated to OHSAS 18001:1999 and are certificated to the ISO 14001:2004 environmental management system. The newly-established Mafube colliery plans to achieve certification to both systems in 2008.

Community interactions are dealt with through community engagement plans and the Socio-Economic Assessment Toolbox (SEAT), the cornerstone of Anglo American's management framework for social and community engagement and development. The company recently published a second version of SEAT, which draws on the lessons learned during the implementation of the first process.

## Integrated risk management

We place great importance on ensuring our key operating processes are supported by strong management systems. Risk management is a crucial element as, by understanding, prioritising and managing risk, we are able to safeguard our people, assets, reputation and the environment to best serve the long-term interests of our stakeholders.

All employees and contractors are responsible for the effective implementation, monitoring and continuous improvement of risk management practices. Effective risk management assists us to ensure that potential events, which may affect our ability to achieve our business objectives, are identified proactively and prioritised and that associated risks are articulated and managed in a consistent manner across the company. We are developing a business continuity plan that incorporates pandemic and emergency response preparedness.

## Innovation and continuous improvement

The innovation and continuous improvement (CI) process gained momentum during 2007 and has been implemented at eight of our nine operating collieries. CI seeks to bring about sustainable improvements in the company's performance by introducing streamlined and cost-effective ways of working. These not only boost productivity but drive down overheads and complement safety practices.

Each colliery has a dedicated business improvement manager who handles a portfolio of CI projects. Employees are asked to re-examine the ways in which they work and are invited to put forward their suggestions on how tasks can be performed faster, 'smarter' and more cost effectively. They may log their ideas via the electronic 'Idea Hub' or by placing 'idea cards' in boxes in the workplace. Ideas are tracked from acceptance to implementation.

More than 90 CI projects have been implemented since 2006. Some of these include:

- ⑥ the introduction of a self-diagnostic tyre device that will extend the life of scarce and costly haul truck tyres
- ⑥ the implementation of a satellite navigation system to prevent coal shovels from sinking into underground workings previously mined using bord and pillar methods
- ⑥ the replacement of dragline buckets, chains and ropes to improve their lifecycle
- ⑥ Landau colliery's highly successful haul road improvement project, which will be implemented at all other opencast operations. This initiative has brought about considerable fuel savings as well as safety and productivity benefits
- ⑥ the installation, in draglines, of thermal imaging technology which provides a solution to visibility problems brought about by





*Various continuous improvement initiatives, clockwise from top left: Landau's highly successful haul road improvement project; one of the newly designed lightweight dragline buckets; and thermal imaging technology being used in a dragline*



dust, mist, spontaneous combustion and darkness in multi-shift opencast operations. This technology will, in future, be installed in haul trucks

- ⑥ a pilot project involving the use of radio frequency identification tagging to prevent haul road accidents

- ⑥ underground collision avoidance technology to prevent accidents between machinery and ground-based personnel (see case study on page 11).



# Stakeholders

We believe in fostering good relationships with our stakeholders and work towards strengthening these. Stakeholders are identified at company level through the strategic management plan and at site level through the Socio-Economic Assessment Toolbox (SEAT) process. Regular engagement takes place with government, communities, NGOs, educational institutions, research groups, industry forums and like-minded organisations to address common issues.

To ensure a sustainable improvement in stakeholder relationships, a perception audit was conducted during 2007 to

assess how we are viewed by a cross-section of our stakeholders. Recommendations arising from this audit will be used to compile engagement plans to address the gaps identified. This will aid in aligning company initiatives with the needs of stakeholders to create win-win partnerships into the future.

We are in the process of compiling guidelines that will standardise the way in which all business areas engage with stakeholders and will ensure that the operations are aligned with the growth and development strategies of the municipal areas in which they operate.

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

# Operations and markets

South Africa is home to the world's seventh-largest resource of recoverable coal reserves (45 billion tonnes) which amount to approximately 5% of the world total. It is also the world's fifth-largest coal producer, with a total production of 240 million tonnes annually\*.

Our coal production in 2007 totalled 59.2 million tonnes, of which 69% was supplied to the domestic market, with the largest proportion going to Eskom for power generation, and a smaller portion, from our Isibonelo mine, going to Sasol Synthetic Fuels. A total of 31% was exported through the Richards Bay Coal Terminal in which Anglo Coal has a 27% interest. Our export sales are primarily to large power utility companies in Europe, with significantly smaller sales to the Middle East and the rest of Africa. The proportion of export sales to India and Pakistan increased from 4% in 2006 to 15.4% in 2007. We also supply a small volume of metallurgical coal to the export market.

In early 2008, it was announced that the government has agreed to grant new order mining rights to all Anglo American mining operations.

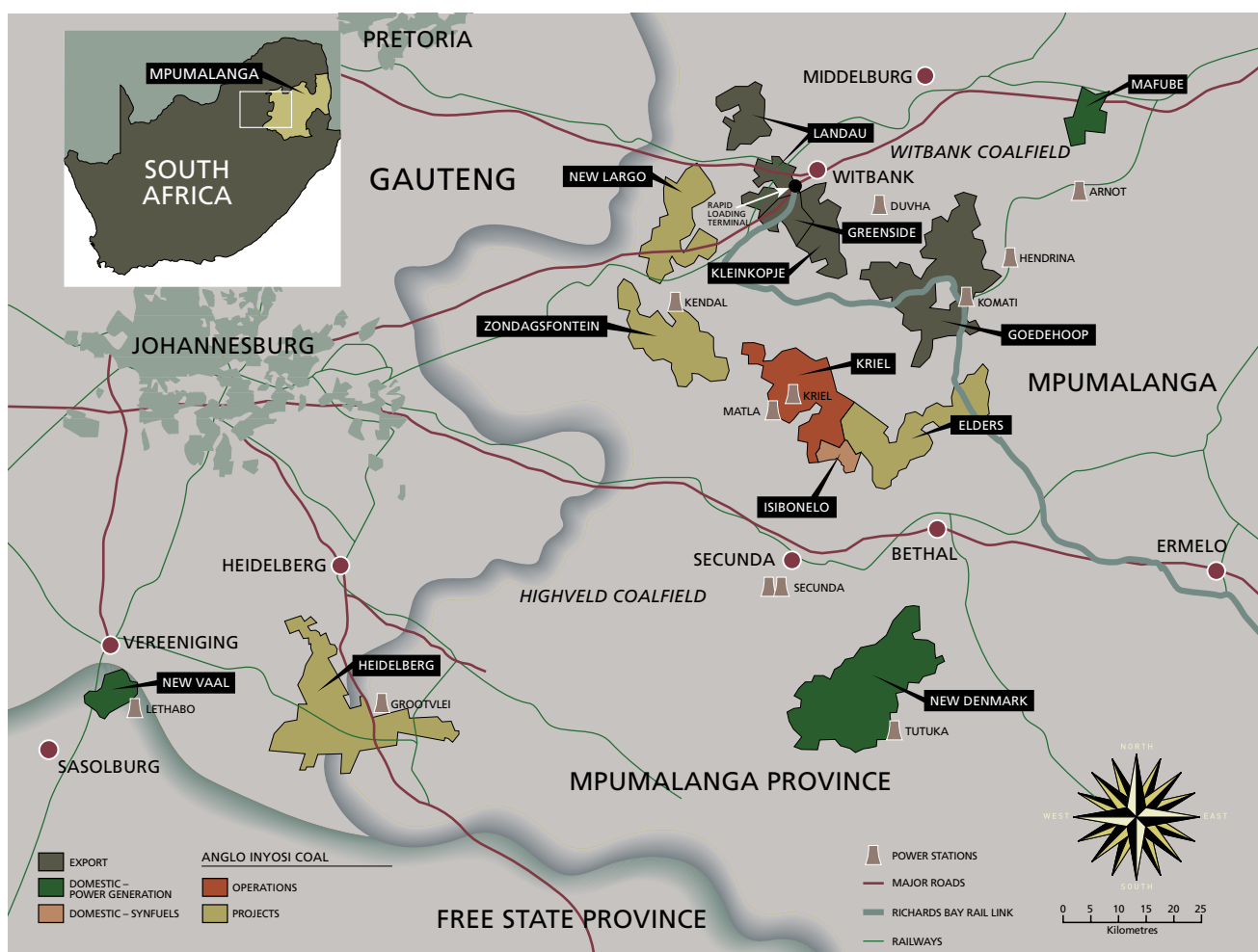
## New projects

In 2007, Anglo Coal South Africa announced the formation of Anglo Inyosi Coal (AIC), a broad-based black economic empowerment company in which Anglo Coal has a 73% shareholding. AIC houses key future domestic and export-focused coal operations, including greenfield projects Zondagsfontein, New Largo, Elders and Heidelberg, as well as Anglo Coal's existing Kriel colliery.

Anglo American approved Zondagsfontein colliery, the first major coal mining project for AIC, in December 2007 and construction on this mine has begun. The project includes the Phola Coal Processing Plant, a 50:50 joint venture between Anglo Coal (rights and obligations to be ceded to AIC) and BHP Billiton Energy Coal SA (BECSA), which will be fed jointly by Zondagsfontein and BECSA's Klipspruit colliery and will be managed by the two companies.

*\*World Coal Institute*

## Operations and new projects



## Economic review

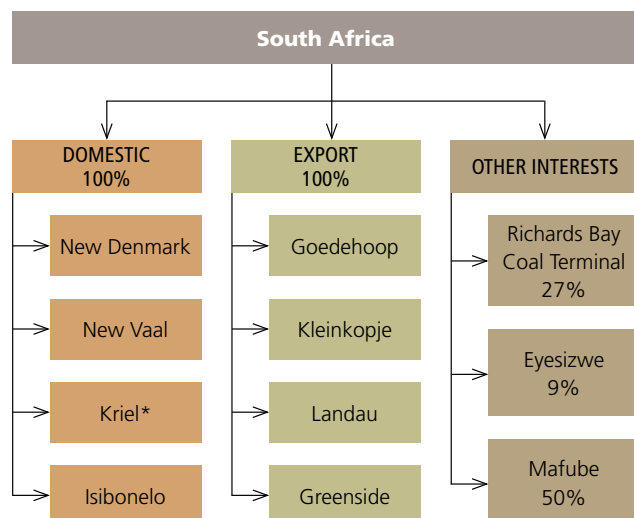
	2007 ZAR 000	2006 ZAR 000
<b>Value added</b>		
Turnover <sup>1</sup>	16,885,717	14,925,679
Cost of all goods, materials and services purchased <sup>2</sup>	-10,587,453	-10,912,562
Total value added	6,298,265	4,013,117
<b>Value distributed</b>		
Total payroll and benefits	1,988,105	1,662,507
Interest paid	76,157	70,493
Dividends <sup>3</sup>	1,734,333	606,380
Total company taxation <sup>4</sup>	183,198	469,065
Reinvestment for maintenance and expansion	2,289,991	1,182,680
Community projects	26,480	21,992
Total value distributed	6,298,265	4,013,117

## Notes

1. Turnover excludes inter-company sales.
2. Includes profit and loss on exchange.
3. Dividends were calculated for 2007 by applying Anglo American's dividend payout ratio as per 2007 results on Anglo Coal South Africa's net profit.
4. Includes amounts paid to regional councils but excludes the deferred tax provision.

No significant financial assistance was received from the government in 2007.

## Anglo Coal operations



Dragline removing overburden at New Vaal colliery

Right: Vessel at Richards Bay Coal Terminal being loaded with coal for the export market



\* Kriel forms part of Anglo Inyosi Coal in which Anglo Coal has a 73% shareholding.



# Safety

*Our goal at Anglo American is that we become the leader in the mining industry and, more specifically, the leader in safety. This requires that each of us understands and accepts the responsibilities and accountabilities assigned to us. Every manager and supervisor is required to apply and enforce the standards and procedures applicable to his or her area of responsibility. This applies to every manager, not only those with legal appointments or those with direct production responsibilities.*

**Ben Magara**

CEO Anglo Coal South Africa

We continue to work towards our vision of Zero Harm as we believe that all employees should return fit and well to their loved ones at the end of each shift.

In 2007, Anglo Coal South Africa achieved 18% and 16% improvements in its total recordable case frequency rate (TRCFR) and lost-time injury frequency rate (LTIFR) respectively, and celebrated two months without a single lost-time injury in June and August. Anglo Coal's Landau colliery received the Anglo American chief executive's top safety award for best large operation in the Group. Despite these achievements, it is with deep sadness that we report the death of three employees.

A number of our collieries have operated for several years without a single fatality:

- ⌚ Kriel – seven years
- ⌚ Greenside – five years
- ⌚ Landau – four years.

Anglo Coal continues to follow Anglo American's three fundamental principles to achieve Zero Harm (see diagram below left).

## Target Zero Action Plan

During the year, Anglo American held a series of safety summits, attended by over 100 top managers from across the Group, in an endeavour to achieve a real and lasting shift in mindset that will be reflected in improved safety performance. As a consequence, Anglo Coal introduced its Target Zero Action Plan (TZAP), a framework that aims to achieve a step change in safety performance, through which five critical elements are pursued rigorously:

- ⌚ embedding safety as our core value and overriding priority
- ⌚ ensuring genuine, visible and committed leadership engagement
- ⌚ overcoming 'at-risk' behaviour
- ⌚ effective safety communication
- ⌚ knowledge-sharing to improve safety outcomes.

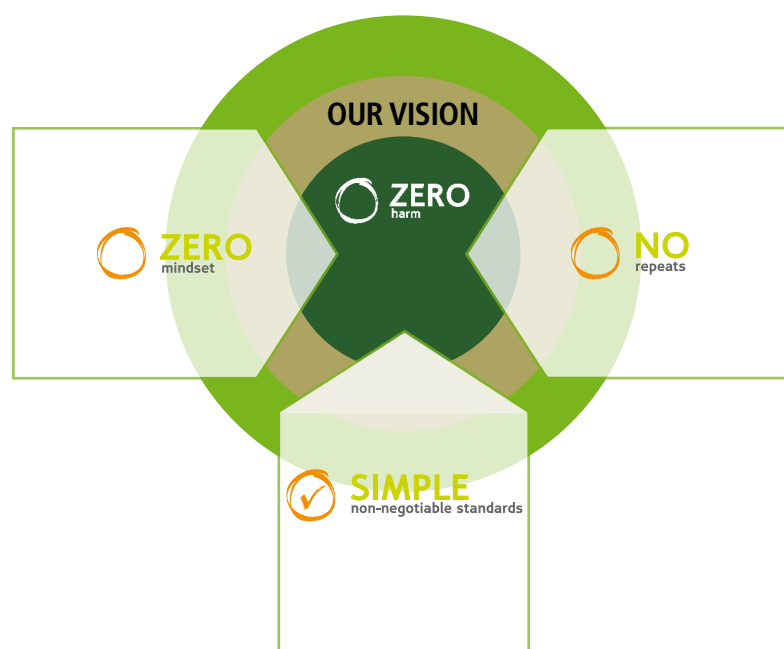
Key to the success of TZAP is the company-wide standardisation of safety management systems across all our operations and the sharing of best practices.

## Safety improvement initiatives

Associated with TZAP is a range of initiatives to improve our safety performance, including:

- ⌚ a Hazard Identification, Risk Assessment and Control training programme that targets all employees and contractors to stop 'at-risk' behaviour
- ⌚ the rollout of Ripples of Loss, a series of short films produced by Anglo American to highlight the devastation experienced by family members when their loved ones lose their lives or are seriously injured in the workplace

### Anglo American's three fundamental principles to achieve zero harm





## Close proximity warning device

We have launched a close proximity warning device which, we believe, will reduce significantly any potential incidents involving man and machine at our underground operations.

Various versions of the system have been trialled successfully at Greenside colliery since March 2006. It had become apparent that there was a need to address the high number of mining accidents

involving moving machines and ground-based personnel. The device, which utilises low-frequency technology, warns employees of potentially hazardous situations by alerting both machine operators and those working on the ground of their close proximity to one another.

This advanced technology includes a low-frequency tag installed in the cap lamp and battery pack of mine workers, while antennas, control units and in-cabin alarms are fitted to all underground machinery. Should personnel and moving equipment come within six metres of one another, an audible buzzer and a flashing LED built into the buzzer alert the personnel on the ground so that they can take immediate preventative action. Should they come within three metres of a vehicle, a signal is transmitted from the battery pack to the operator cabin, sounding an alarm to alert the operator of the danger.

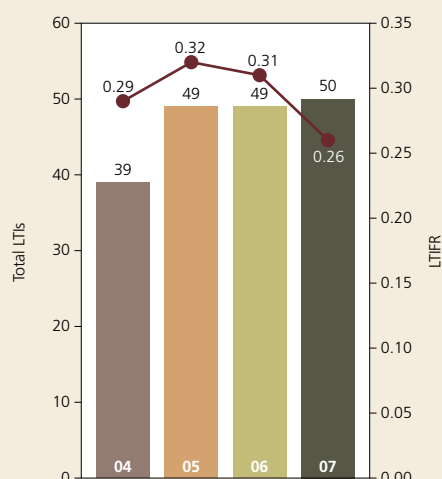
The system is being rolled out in phases and will be fully implemented across all underground operations by the end of 2008. It is envisaged that the same technology will be used to warn personnel when they go beyond the second-last line of roof support. An additional benefit is that, in the future, it will log the number of times staff enter dangerous terrain, allowing managers to take appropriate action.

- ⑥ the introduction of a vehicle management plan, which includes collision-avoidance systems and the retraining of operators, to address the unacceptable number of vehicle-related incidents
- ⑥ qualification in a risk and change management programme, designed around an existing course offered by the University of Queensland in Australia, has been introduced as a prerequisite for future advancement in management.

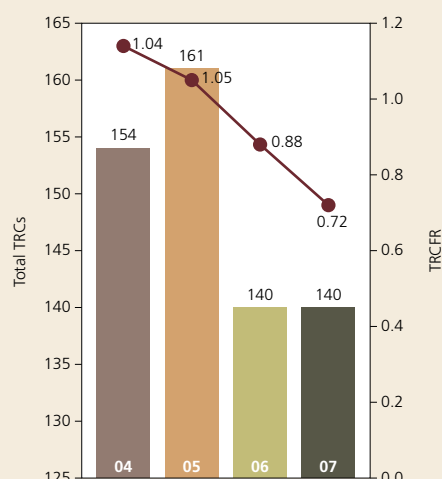
## Safety management

All our established mines are certificated to OHSAS 18001:1999 and it is expected that Mafube colliery will achieve certification in 2008. Approximately 6% of the total workforce is represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.

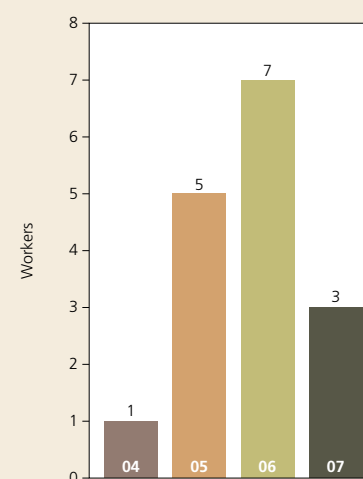
**Total LTIs**



**Total TRCs**



**Work-related fatalities**





## Kleinkopje introduces fit-for-work assessment tool

Kleinkopje colliery has embarked on a pilot project that utilises an electronic assessment system to gauge whether members of its workforce are fit and well enough to work.

As human capabilities can be affected by a range of factors, including fatigue, stress, illness, medication, drug and alcohol abuse, this computer-based system aims to prevent injuries, save lives and reduce damage to expensive equipment by identifying reductions in personal performance that might impact on safety before exposure to workplace risks.

Known as OSPAT (occupational safety performance assessment technology), the innovation has been installed at the mine's shift change area at the mining office. Assessments take less than 60 seconds to complete.

Employees use a trackball to keep a randomly-moving cursor in the centre of a target for about 40 seconds, while the first few seconds are regarded as a warm-up period. Individual employee profiles – against which results are compared – are created by the system, which notifies staff and supervisors immediately of the score. This way, the risk of avoidable accidents resulting from impaired performance is minimised.

Employees undergo assessments at the start and during the middle of their shifts. The latter ensures that operators disembark from their vehicles, stretch their legs and remain alert, especially during night shifts.

## Hazard identification, risk assessment and control behaviour intervention

A gap analysis of our risk profile, as well as findings from peer reviews and third-party audits conducted during 2006, determined that hazard identification and risk assessment skills among the workforce and management are areas that need focused attention.

During early 2007, we embarked on an all-encompassing hazard identification, risk assessment and control (HIRAC) training programme to overcome 'at-risk' behaviour at our operations. A total of 13,000 employees, contractors and managers from the division underwent training led by the company's top executives, who were the first to participate in the programme. The course comprised 50% theory and 50% hands-on competency training which took place in each individual's specific working environment. Operators participated in a one-day programme and supervisors underwent a two-day course.



*Ilijah Riba and Abram Zwane trialling the OSPAT system used to gauge fitness for work at Kleinkopje colliery*

*Left: Miners at Greenside colliery discussing hazards and risks before commencing work*

*Opposite top: The new haul trucks at Mafube colliery are fitted with breathalysers. Operators, such as Petrus Seepe, are required to test the alcohol level of their breath before the start of every shift*

*Opposite below: A vehicle safety reminder on display at Greenside colliery*



This training was followed by the 'HIRAC Hype' roadshow to heighten awareness and reinforce lessons learned. The roadshow, which included industrial theatre featuring well-known South African actors, was launched during the typically high-risk fourth quarter of the year.

### Kleinkopje launches 'Driven for Safety' campaign

During 2007, Kleinkopje colliery launched its 'Driven for Safety' campaign to address the unacceptable number of vehicle-related incidents, one of which claimed three lives during October 2006.

Encompassing the entire workforce of 1,800 employees and contractors, the initiative centred on a motorsport theme that relates well to the mining industry. In motor racing, people work in a potentially dangerous environment and minimise risk by adhering to rigidly-enforced rules governing safety and safe behaviour. The objective of Kleinkopje's campaign was to drive home to employees the importance of understanding and obeying the rules, and the need to approach every task with the same mental attitude as a professional racing driver.

The programme included safety and motorsport-related industrial theatre and a talk from racing ace Gugu Zulu, the first National Rally Champion of colour, who is known by his fans as the 'fastest brother in Africa'.

A vital component of the campaign was the launch of a personal pre-start checklist for machine operators. In the same way that they are required to check their equipment at the start of each shift, the initiative encourages them to ask themselves the following important questions regarding their fitness for work:

- ⊗ Have I had insufficient sleep or rest?
- ⊗ Am I using medication that might affect my work?
- ⊗ Am I under the influence of alcohol or drugs?
- ⊗ Have I eaten properly?
- ⊗ Am I distracted by a personal problem?

The pre-start checklist alerts employees to recognise if they are a danger to themselves and their colleagues, and they are encouraged to report any problems to their supervisor. As the campaign focuses heavily on employee wellness issues, it assists in promoting the company's Employee Wellness Programme.



Caring for people

# Health

*The health and well-being of our employees is critical to the long-term success of our business and we are committed to the prevention of occupational disease by reducing exposure at source, wherever possible.*

**Occupational health**

Our standards for occupational health have been developed with a clear focus on industry best practice and occupational health and safety management system standards such as OHSAS 18001. In 2007, 12 new cases of occupational disease were reported. These consisted of 11 new cases of noise-induced hearing loss and one of pneumoconiosis.

A review of baseline risk exposure to dust, noise, vibration, ergonomics and hazardous chemicals has been completed. Noise and dust remain our highest occupational risks and, by working with equipment suppliers, we have made progress in implementing measures to reduce exposure to these risks through design modifications to major machinery.

The impacts of exposure are also mitigated through the use of personal protective equipment, regular medical examinations and the withdrawal of employees from risk areas.

**Noise**

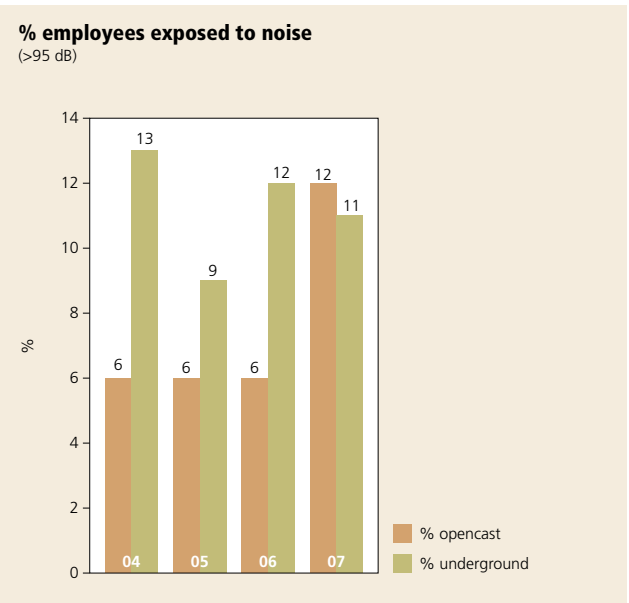
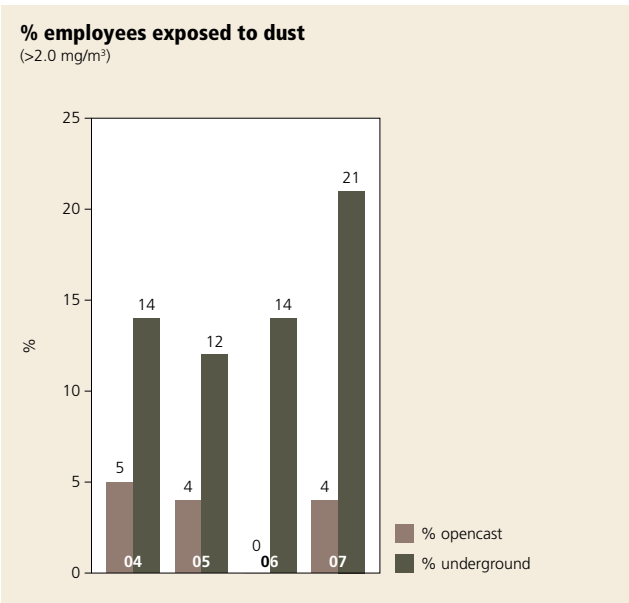
Our target is to eliminate equipment noise above 110 dB by 2013 and, where possible, avoid exposing employees to levels exceeding 95 dB. The percentage of employees exposed to levels above 95 dB was 11% in 2007.

The challenge remains to reduce the noise levels of existing machinery in the short term and to purchase new, low-noise equipment in the long term. Engineering control measures resulting in a reduction in noise generated by machinery are regarded as commendable, as a 3 dB decrease equates to a 50% reduction in exposure levels. A number of successful noise-mitigating projects were concluded in 2007. These include:

- ⑤ noise levels in the cabs of two older track dozers at New Vaal colliery were reduced from 91 dB to 84 dB through the fitment of a range of sound-attenuation materials
- ⑤ the introduction of a new noise-attenuated jackhammer at New Denmark colliery, which resulted in a reduction of exposure levels from 109 dB to 101 dB
- ⑤ the replacement of metal tension sprockets with polyurethane sprockets on feeder-breakers at Kriel colliery's underground operation, which reduced noise levels from 107 dB to 88 dB
- ⑤ the modification of a hydraulic valve installation and resealing of the cab of a drill rig at Isibonelo colliery, which reduced drill operator noise exposure from 89 dB to 79 dB (see case study).

**Dust**

In 2007, the company did not achieve its target for zero personal exposure to dust levels above 2.0 mg/m<sup>3</sup>. Results from





underground mines remain below target, with personal exposure to dust levels above 2.0 mg/m<sup>3</sup> rising from 14% to 21%. This is attributed mainly to marked increases at New Denmark and Kriel collieries. While the operation of continuous miners underground continues to expose roof bolters to high levels of dust, numerous projects have been undertaken with the machine supplier to redesign dust extraction systems, with the most recent involving the use of hydraulic fans for dust scrubbing.

A further influence on results is the mandate issued by the Inspector of Mines, which directs that all dust results collected be included. In the past, abnormal results were excluded by the mine with a justification letter, and a new sample was then taken.

We are in the process of reviewing the future impact of the new dust risk levy to be implemented by the Department of Health in 2008. Mines will soon be required to contribute according to the risk of exposure to employees and not on an average calculation based on exposure across the industry, as has been done in the past.

*Lucas Matshika being fitted with personal noise monitoring equipment*



*Sitsie Thabede, shift overseer, and Thomas Ngomane, continuous miner operator, observing a continuous miner. Water sprayed onto the cutting head minimises coal dust in the working environment*







*One of the low-profile haul dump trucks used at Greenside colliery*

## Greenside 'designs out' noise

Greenside colliery has targeted noise reduction on all new equipment as an area for improvement and is taking special care to limit the exposure of machine operators to sound levels that could induce future hearing loss.

In conjunction with its equipment suppliers, the colliery has developed several design modifications that may be small individually but, when combined, they achieve a notable result in decreasing noise levels and protecting the operator. These include:

- ⑥ the fitment of enclosed cabs with sound-attenuating glass and other sound-dampening materials
- ⑥ lining engine compartments with sound-attenuation material
- ⑥ ensuring all covers that might rattle are muffled with rubber insertions
- ⑥ mounting the alternator on rubber washers to prevent vibration
- ⑥ where possible, lining the operator's cab with noise-attenuation material.

The purchase of a low-profile load haul dump truck designed to operate in confined spaces highlighted the need to minimise noise at source even further. As the truck is only 1.6 metres high, the installation of an enclosed cab to protect the driver from exposure to noise was impossible. This machine was examined in great detail and every possible source of vibration was investigated to try and reduce the level of noise produced.

When comparing the sound levels of the low-profile machine with the standard high-profile version that is fitted with a sound attenuating cab, engineers were pleased with the results:

Location	Low-profile dB	High-profile dB
Inside cab	88.6	87.6
Outside cab (average)	88.9	91.2

## Putting the spotlight on occupational health

Occupational health and environmental issues at Isibonelo colliery are managed by a committee comprising senior personnel, who play a role in the identification and management of occupational hygiene hazards.

Committee members include section heads of both mining and engineering departments, as well as supply chain, safety, environmental, health, training and medical representatives. Meetings take place on a scheduled monthly basis and work to a pre-published formal agenda to ensure all members are fully prepared and are able to report back on issues raised at previous meetings.

A typical meeting deals with issues such as noise, ergonomics, fire standards, dust levels and thermal stress, while the latest statistics, implementation plans and health incidents are discussed in detail.

Hazards are identified, quantified and prioritised before projects to address them are handed to a nominated engineer tasked with the responsibility of reducing the occupational hygiene risks to acceptable levels. In addition, the engineering department carries out investigations to identify the root cause of each problem and this is reported back to the committee for appropriate action.

A routine survey conducted during the year showed that noise levels of 89 dB were measured inside the cab of a particular drill. As this exceeds the exposure limit of 85 dB, the committee communicated the problem to the responsible engineer who set about tracing the cause. After a thorough investigation, it was determined that the high noise level was caused by the incorrect assembly of the drill's manually-activated valve bank during manufacture. After the fault was rectified, the sound level inside the cab was again measured and showed a reading of 79 dB, a reduction of 10 dB from the measurement taken on the original survey.

**HIV and AIDS**

With South Africa recording one of the highest prevalence rates of HIV and AIDS in the world, the fight against the disease remains an ongoing challenge that not only affects our business and employees, but the communities in which we operate. During 2007, 7,297 employees (85%) underwent voluntary counselling and testing (VCT), representing a 3% rise from the previous year's rate. It is estimated that the prevalence rate among the workforce is approximately 16%. The number of employees enrolled in HIV disease management programmes is 1,229.

While we are encouraged by the year-on-year increase in VCT, we are concerned by the number of new infections that continue to arise. During 2007, 86 people who tested HIV-negative in 2006 contracted the virus. Our aim is to ensure that those employees who are HIV-negative remain so and, to help achieve this goal, a range of awareness drives takes place on an on-going basis. These initiatives, some of which extend to local communities, include:

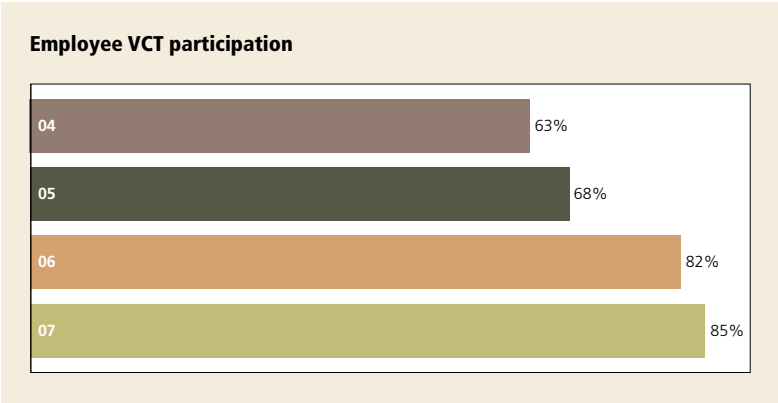
- ⌚ industrial theatre and roadshows
- ⌚ the appointment and training of community volunteers or 'champions'
- ⌚ refresher training for wellness peer educators
- ⌚ regular tours to communities, hospitals and clinics
- ⌚ the establishment of divisional and operational forums
- ⌚ a monthly newsletter distributed to all collieries and service departments to provide information and feedback on the main elements of the Anglo Coal HIV and AIDS campaign.

Over the past five years, we have provided employees with access to free anti-retroviral treatment (ART) and, by the end of 2007, 364 were on treatment. With the implementation of a compulsory medical aid scheme for employees not previously covered, all dependants registered as beneficiaries will have access to free HIV disease management during 2008. Previously, only those family members covered by the Company's medical aid scheme received ART as a benefit.

During 2007, we were commended for our approach to VCT by the Global Business Coalition, which honours organisations that demonstrate their commitment to fighting HIV and AIDS, tuberculosis and malaria.



*During 2007, a group of courageous employees added impetus to our ongoing fight against HIV and AIDS by publicly disclosing their HIV-positive status. They thanked the company for its aggressive approach to Voluntary Counselling and Testing and said that, without it and the free anti-retroviral treatment available to them, they might not be alive today.*





*Clothing, used to promote voluntary counselling and testing, being sewed at one of the tailor shops set up at the mines as small business initiatives*

## Breaking the silence

The stigma associated with HIV and AIDS has, for a long time, been a serious dilemma and has contributed to the unnecessary deaths of employees who are unwilling to confirm their HIV status. By failing to be tested, HIV-positive employees disqualify themselves from access to free treatment which could save their lives.

There are signs, however, that this stigma is being broken down gradually as the momentum of HIV and AIDS education continues to swell, aided by the actions of some courageous people who have publicly declared their status.

This was demonstrated at an Asikhulume or 'let's talk with your permission' session, in which 10 employees voluntarily disclosed their HIV-positive status and went on to describe the effect it has had on their lives. Asikhulume sessions provide a platform for medical professionals, colliery employees, management and unions to discuss and address HIV and AIDS-related issues.

The gathering heard one speaker after another tell their personal stories of loss and despair. They spoke of great suffering and, in some cases, the death of spouses or children as a result of the scourge. They told of hope gained by facing up to the reality of their status and dealing with the problem by using the wellness programme and treatment readily at their disposal.

One speaker described how he was waiting to die after being diagnosed with tuberculosis. He had sold all but his most basic possessions to pay for his funeral and lived in a rented room with nothing but a mattress, blanket and chair. As a last resort, his family took him to Anglo Coal Highveld Hospital to find out if anything more could be done for him. On arrival at the hospital, he scoffed at the suggestion that he might be HIV-positive but agreed to be tested. His HIV-positive status was confirmed and, finally, he was able to receive the treatment he had needed all along. Today, he is a robust, healthy individual who has regained employment and has a viral load so low it is undetectable.

A number of speakers made a point of thanking the company for its aggressive stance on HIV and AIDS, and for relentlessly pushing VCT. All agreed that, had they not been urged to seek out their status, they might not have been alive today. The gathering was attended by three British Members of Parliament, who were in the country on a fact-finding visit on behalf of Business Action for Africa.



## Bhubezi Community Health Centre

The Bhubezi Community Health Centre, which was officially opened in April 2007, is providing residents of the Agincourt sub-district of Bushbuckridge, Mpumalanga, with ART.

The project, a public-private partnership between Anglo Coal, the United States government and Virgin Unite, was launched in October 2006 with the aim of fighting HIV and AIDS, tuberculosis and malaria. Anglo Coal invested R5 million into the construction of the facility and will donate a further R1 million annually towards operational costs for a period of five years. Two senior Anglo Coal employees represent the company on Bhubezi's board of trustees.

## Revamp for Highveld Hospital

In its quest to embrace the company value of 'putting people first', Anglo Coal Highveld Hospital has undergone a multi-million rand refurbishment project, transforming it into a world-class medical facility. It now boasts contemporary styling, leading-edge technology and improved systems to match its new look and feel.

The X-ray department is equipped with the latest in digital technology, allowing doctors to view X-rays directly on their desktops. This rules out the need to use environmentally-harmful chemicals and minimises the risk of X-rays being lost. The hospital also has a new laminar flow operating theatre, which uses advanced ventilation technology to reduce the possibility of airborne infection during surgery.

Two important features of the upgrade are an entirely new occupational health centre, where employees undergo their annual fitness assessments, as well as a primary health care facility, which includes dentistry and optometry services.

Highveld Hospital has also introduced 'The Health Source', a streamlined computer-based health information management system that tracks detailed information of a patient's medical history and previous visits. The state-of-the-art system, which aims to phase out paper-based medical records, provides easy access for medical staff to update electronic health data. Other benefits are that medical practitioners are able to book hospital admissions, issue scripts or sick notes and access patient information electronically from satellite colliery clinics. Proof of each patient's identity is established on arrival by means of a biometric fingerprint reader, which ensures that confidentiality and access control to medical records are further enhanced.



*Mariaan Bodenstein using the new digital X-ray machine on a patient at Anglo Coal Highveld Hospital*

During October 2007, Highveld Hospital was certificated by the Council for Health Service Accreditation of Southern Africa (COHSASA) for the third time. This establishes it as the longest-serving accredited member of this international programme, which assists medical facilities, both public and private, to meet and maintain global quality standards.





## The employer of choice

# Our employees

The strength of our company lies in the people who work for us and we aim to attract, develop and retain the best people in our drive to be an employer of choice. During 2007, we were ranked fourth in the category for large companies in Deloitte's Best Company to Work For survey. However, we prefer to say that we have the 'best people to work with'. Our employees are based at nine collieries in the Mpumalanga and Free State provinces, at our shared services precinct in Witbank and at the Anglo Coal corporate centre in Johannesburg.

### Employee statistics

As at December 31	2006	2007
Number of employees	8,229	8,266
Number of contractors	2,685	6,602
Employee turnover %	8.5%	8.6%

### Women in mining

We continue to make strides in the attraction, retention and advancement of women in all disciplines and at all levels of the organisation. By the end of 2007, women accounted for 15% of the workforce, with 50% performing technical roles. Although this exceeds the Mining Charter requirement of 10%, we will continue to raise our targets and will focus on increasing the number of women in senior levels of the organisation.

A Women in Mining (WIM) task team has been instrumental in shaping policy and investigating, understanding and addressing barriers faced by women, as well as creating a greater awareness of WIM issues. Collieries and service departments have each established WIM committees that focus on matters such as accommodation, childcare, toilet facilities, personal protective equipment and training and development.

### Training

All colliery-based training and development centres retained their ISO 9001:2000 certification as well as the Mining Qualifications Authority's training provider status. These units undergo annual external audits which evaluate quality, learning delivery and the assessment and moderation systems. Over the year, time spent on training was the equivalent of 12 days per employee, representing 8.1% of the company's wage bill. Currently, we have 617 learners in the system. These include 179 university bursars, 105 trainees and 333 learnerships. Of these learners 84% are historically disadvantaged South Africans, 29% of whom are women.

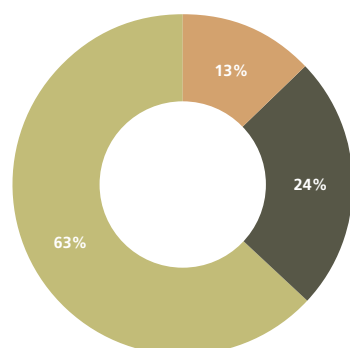
	2006	2007
Number of trainees and apprentices	519	617
Graduate development programmes	93	105
Number of bursars	164	179
Number of scholarships awarded	25	46

Where possible, we employ people from the local community and provide them with appropriate training and development (see case studies on page 23).

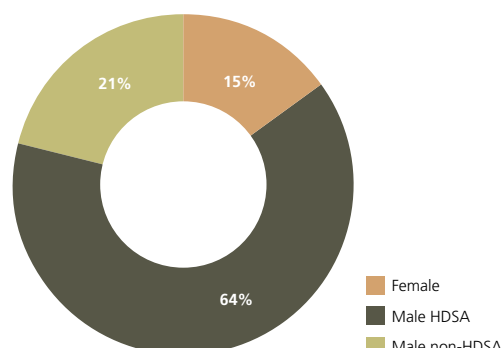
### Other initiatives

- As part of Anglo American's contribution to the government's Joint Initiative for Priority Skills Acquisition, we provided experiential training for 34 students who were placed at our operations in mid-2007. A number of these students, most of whom come from Witbank, had previously been unable to obtain experiential training due to a lack of available opportunities.
- Training in human rights was provided for 650 security contractors, who make up 4% of the workforce at our collieries.

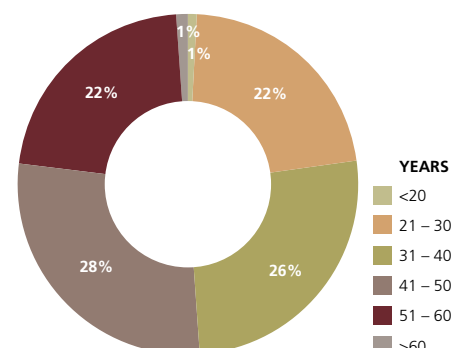
Diversity in management



Diversity in total workforce



Age distribution of workforce







*Eddie Dhlamini, plant manager, and Francois de Klerk, business improvement manager, at a management meeting at Kleinkopje colliery*

- ⑥ All new employees, as well as employees returning from leave, attend induction courses. The Anglo Business Principles and Anglo Fraud Policy form part of these courses.
- ⑥ The Anglo Business Principles are distributed to all new contractors.

### **Staff retention**

The retention of key skills remains a critical issue, especially in light of intense competition brought about by economic growth and the boom in the local mining sector. Although staff turnover levels have stabilised, we continue to develop the workforce from the bottom up and make every effort to ensure that the company is a great place to work. Although staff retention in all other areas has improved, the turnover of artisans remains a cause for concern. A range of measures, including financial incentives and salary adjustments, an increase in feedstock, the multiskilling of employees and career development, are being put in place to address this.

### **Employee relations**

All employees have the right to freedom of association in terms of the South African Constitution and the Labour Relations Act of 1995. This right is also entrenched in our Business Principles and employee relations policy. We continue to enjoy good relationships with our three recognised trade unions, the National Union of Mineworkers, the United Association of South Africa and Solidarity. These unions represent 81% of the workforce. During 2007, we concluded our bi-annual wage negotiations and believe that the agreements made were both beneficial to the company and employees, especially those who work in the lower ranks of the organisation. Our policy is to consult with employees in a timely manner on major organisational changes that affect their position and to ensure processes are in place at all locations to address any issues equitably. Consultation occurs according to the process and timeframe specified by local regulations and relevant terms of employment.

### **Disciplinary and grievance procedures**

In line with the Labour Relations Act, we have a disciplinary code and procedures in place to detail offences and the corrective actions to be taken when they occur. In 2007, 1,833 internal hearings were held, as opposed to 1,216 in the previous year. Should a decision have an impact on an employee's disciplinary record and/or employment relationship, he or she has access to the South African Labour Court and the Commission for Conciliation, Mediation and Arbitration. During 2007, 44 appeals were lodged compared with 11 in 2006.

## Non-industry artisan development

The critical shortage of skills in mining has necessitated the sourcing of artisans from other industry sectors. In order to prepare these recruits specifically for the mining environment, a 10-week training course was instituted in 2007. This programme seeks to equip newcomers with the correct competencies to perform their jobs safely and efficiently. A practical component will be added to the programme in 2008, and all participating artisans will undergo an assessment of competency which will be signed off by an engineer responsible for their section.

## Cadet training scheme

Our cadet training scheme continues to play an important role in the field of supervisory development by preparing sufficient numbers of future leaders for the demand created by growth. During 2007, four programmes were conducted, with 63 cadets successfully completing the training scheme.

The development programme comprises theoretical and practical elements, with the contents covering a range of topics including safety, people skills, systems, administration, leadership, legal requirements, decision-making, skills development and employment equity.

The theoretical stage is followed by observation and acting phases in which cadets practise their new skills in the working environment under the guidance of an experienced supervisor or mentor. A cadet training programme for graduates is being developed and will be piloted in 2008.

## Simulator training

As a result of an unacceptable number of vehicle-related fatalities and high levels of potential incidents, the company has set minimum standards for the recruitment, training and licensing of machine operators. Simulator training forms an important component of this safety initiative, as it increases the competency of operators to perform safely and productively in a mining environment.

During 2007, Anglo Coal's Training and Development Services extended its existing haul truck, P&H shovel and dragline simulator training programmes with the purchase of two new units that will assist in the instruction of bulldozer and RH200 hydraulic shovel



*Above:*  
*A dragline simulator used for training operators*

*Right:*  
*Bongani Sithole, cadet foreman, discussing dragline operations with mining mentor Ronnie Hartzenberg, assistant pit supervisor*



operators. These are the two principal types of machinery acquired recently for use at Landau and Mafube collieries.

To enhance this training, an in-pit DVD has been produced to give trainee operators a simulated sense of the numerous tasks involved in the opencast mining cycle. The simulator training in these tasks, which include loading, tipping, in-pit driving, pre-start checks and brake tests, is proving to be especially beneficial for new recruits.

It is well-recognised that simulator training has the ability to train new operators, both safely and effectively, up to a level of 80% proficiency in a relatively short period of time. It also raises the standards of both new and experienced operators, helps to standardise best operational practices and eliminates bad habits. To date, 254 operators from the division's opencast collieries have undergone simulator training. Plans are under way to introduce underground simulation technology in 2008.

As a significant player in the South African coal mining industry, we have considerable impact on land, energy, water and other natural resources. As such, we understand clearly the significant contribution we must make to ensure the responsible use, management and conservation of these resources.

### Incident management

During 2007, a total of 1,052 environmental incidents were registered at our operations, representing a 13% reduction in the number of incidents recorded in the previous year. No Level 3<sup>3</sup> incidents were reported. The reported incidents comprised 40 Level 2<sup>2</sup> incidents and 1,012 Level 1<sup>1</sup> incidents which were all addressed by the relevant operations. The pie chart below indicates the categories to which these incidents related. Oil spillages comprised the bulk of the waste incidents, and while each hydrocarbon spill is recorded as an incident, the volume spilt is difficult to capture on a practical level.

No legal actions or prosecutions against Anglo Coal South Africa occurred during 2007 and the three directives received in 2006 have either been, or are in the final process of being, resolved.

**Footnote**

- 1 Minor impact or disturbance with no long-term effect
- 2 Moderate impact or disturbance with medium-term effect
- 3 Significant impact or disturbance with extensive or long-term effect

### Energy management

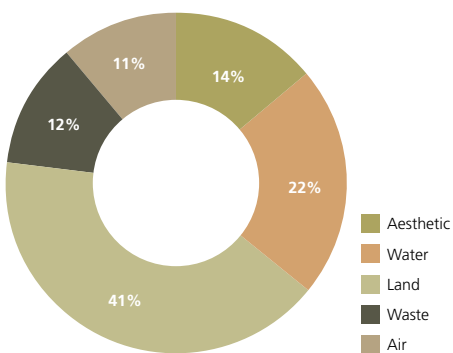
Anglo Coal South Africa consumes large quantities of electricity and liquid fossil fuels to support the day-to-day running of its business and has implemented a range of practical measures and systems to improve its energy efficiency rate and reduce its carbon footprint.

Using 2004 as a baseline year, the company committed itself to reducing its energy intensity by 15% by 2014. This is calculated on a business as usual 'model', which means that baseline data is normalised to account for uncontrollable variables. Examples of such variables include the construction of new mines and infrastructure, an increase in hauling distances and an increase in the depth of underground mining activities. To support a single reporting standard for water consumption, CO<sub>2</sub> emissions and energy use across Anglo American, Anglo Coal will implement a tool to analyse variances by the end of 2008.

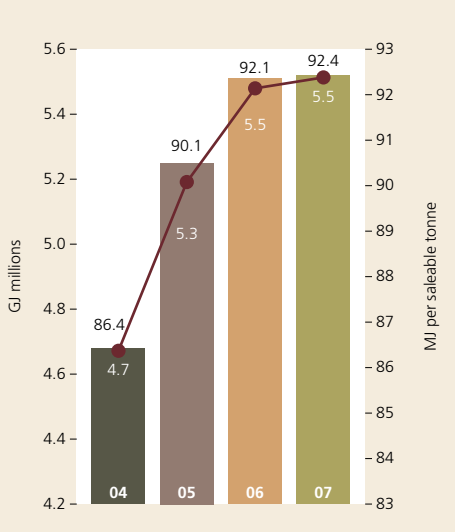
Our total energy consumption for 2007 was 5.6 million GJ which was split between 3.2 million GJ from electricity use and 2.4 million GJ from fossil fuels consumption. Our energy consumption intensity amounted to 93.4 MJ per saleable tonne, which was above the target of 89.4 MJ per saleable tonne set for 2007.

- Over the past year, a number of energy-related activities and initiatives have been implemented. These include:
- the training of 46 employees in energy efficiency
  - regular forums, awareness campaigns and additional training which are ongoing

Environmental incidents by category 2007



Total energy used









## Lighting and insulated geyser blanket projects power energy savings

Energy efficiency has become an issue of priority not only due to its impacts on climate change, but also due to the serious national electricity supply constraints we face. We are intensively engaged with Eskom, government and other key industry players to address the national emergency, protect and limit the impact on our operations and mitigate safety risks.

Anglo Coal South Africa has invested almost R10 million in two energy-efficiency projects that are being implemented across the division's operating collieries.

The first of these involves the retrofitting of all old magnetic ballast fluorescent lights with energy-efficient Eco-Lights and the replacement of ordinary light bulbs with compact fluorescent lamps (CFLs). Eco-Lights use at least 33% less electricity than their old

magnetic ballast fluorescent counterparts, while CFLs are up to 80% more efficient than incandescent bulbs.

A total of 55,000 Eco-Lights are being fitted at underground and surface operations and 37,000 CFLs are replacing incandescent bulbs in mine village houses. In the case of underground lighting, significant savings will be achieved as these sections are lit 24 hours per day, all year round.

It is anticipated that this project will save 15 GWh per annum and will reduce the amount of CO<sub>2</sub> released into the environment by 9,986 tonnes. The initiative will also trim down the division's energy bill and, if approved by the Clean Development Mechanism, may generate carbon credits of up to R1.4 million annually for the next 10 years.

In a separate project, the company is in the process of installing almost 4,000 insulation blankets around geysers in the mine villages. Geysers are the biggest consumers of electricity in the home and, typically, account for more than a third of the average household's electricity bill. The project entails the fitment of blankets to all existing geysers and includes two metres of pipe lagging on the outgoing hot water pipe and one metre on the inlet pipe. It is anticipated that this project will lead to annual electricity savings of 2.7 GWh per annum, which equates to 2,652 tonnes of CO<sub>2</sub>. An added advantage of this initiative is that, by installing geyser blankets in all mine village households, a greater awareness of the importance of saving energy is created among employees and their families.

Both projects are in line with Anglo Coal South Africa's energy-efficiency strategy to reduce its energy intensity by 15% by the year 2014, against 'business as usual' criteria, and will assist Eskom in addressing the country's worsening energy crisis.

*Rudi van Aarde,  
engineering services  
foreman at New Vaal  
colliery, replaces an  
ordinary light bulb with  
a more energy-efficient  
compact fluorescent lamp*



- ⑥ the creation of an energy-saving register used to report and capture all saving initiatives in a central database
- ⑥ the compilation of a second energy awareness book, which will assist technical employees to identify energy-efficient opportunities
- ⑥ the use of light-weight technology at Isibonelo, Kriel and Kleinkopje collieries to increase dragline and haul truck efficiency
- ⑥ the scoping and approval of a variable speed drive on a new underground ventilation fan at Greenside colliery
- ⑥ the replacement of fluid drives on intermittently-loaded conveyor belts with power boss technology
- ⑥ the installation of day/night switches on dragline booms and highmasts at New Vaal colliery, which will in due course be rolled out at other operations
- ⑥ a successful trial for the retrofitting of old magnetic ballast fluorescent lights with energy-efficient Eco-Lights
- ⑥ the replacement of ordinary light bulbs with compact fluorescent lamps
- ⑥ the installation of geyser blankets in all mine houses
- ⑥ the creation of an energy management tool, including training, working groups, metering, energy projects, actual targets and energy usage, to monitor energy issues on all mines and provide an individual and group update on progress with regard to energy issues.

Major energy-saving projects to date, which have cost the company R15 million, will yield savings of 18 GWh or R3 million per year, with an average payback period of 5.4 years. However, further step-changes in process technologies will be required to make a more significant impact. This includes an assessment for construction of a power generation facility that will operate using low-quality discard coal.

## Water

We recognise water as a critical resource that requires our responsible management in both its use and in our impacts on water resources.

During 2007, we revised our methodology for reporting on water use and efficiency, as the previously-used methodology underestimated the actual consumption. This was due mainly to the exclusion of the use of water from rainfall and groundwater recharge into mine workings. Accordingly, the 2007 water target for 'new water use for primary activities' was based on the average consumption recorded for the first quarter of 2007.

In 2007, the total amount of new water used for our primary activities was 10.8 million cubic metres. The average consumption rate was 181 litres per saleable tonne, just below the targeted 185 litres per saleable tonne.

No natural water sources are affected significantly by the use of water at our operations and, as far as possible, we use recycled/re-used water for our processes. Approximately 47% of our water use comprises recycled/re-used water. In addition, the now-operational eMalahleni water reclamation plant treats polluted mine water to potable quality and supplies this treated water to surrounding mines and the local municipality. This reduces both our need to abstract water from the municipal system and to discharge untreated mine water into the environment. See the case study on page 29 for further details regarding this project.

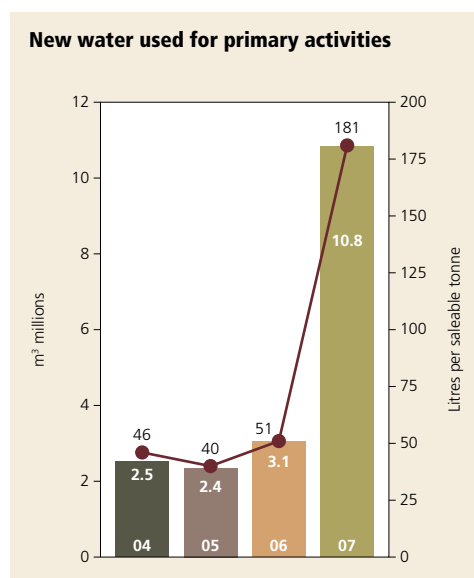
## Projects and innovations

- ⑥ New Denmark colliery has initiated a R5.6 million project that will investigate dewatering the upper aquifers ahead of mining to prevent the ingress of water into the mine and thus improve clean water separation
- ⑥ New Vaal colliery has upgraded the dirty water management system around its pit workshops
- ⑥ Landau colliery has upgraded the pumps for its recycled water system to address the shortfall at its Navigation plant
- ⑥ South African Coal Estates has launched a R2.5 million project to enhance the water balance at Greenside, Kleinkopje and Landau collieries to allow the mines to manage their water resources more efficiently
- ⑥ Anglo Coal South Africa participated in Anglo American's first Water Summit at the end of 2007, when senior managers from the Anglo American Group created a generic framework for water management.

## Water discharges

Under high-flow conditions in 2007, there were controlled releases by the mines in the Upper Olifants catchment area, as allowed in a directive set by the regulator, the Department of Water Affairs and Forestry (DWAF). The regulator's decision is based on river health, wetland status and water quality, which are all monitored throughout the year. Documentation of the water bodies and related habitats, where controlled release occurs, can be obtained either from Anglo Coal directly or from the DWAF.

The allowed discharge volumes allocated to Anglo Coal were 177 tonnes salt (sulphate) or 224,347 m<sup>3</sup> of water over the set discharge period.







*Environmental officer Milton Milaras inspects New Vaal colliery's newly-installed oil and silt separator, which has dramatically improved the mine's clean and dirty water separation*

### ***Wilge river and Loskop dam fish mortality***

The recent fish mortality in the Wilge river and Loskop dam in Mpumalanga has been linked to the cumulative impacts of acid mine drainage emanating from old/abandoned and active mines, uncontrolled releases from industry and mines and the discharge of raw sewage into the river system.

Investigations conducted by Mpumalanga Parks Board officials and scientists from the University of Pretoria indicate that the high concentration of aluminium in the water seems to be responsible for the fish mortality. Aluminium affects the gills of fish and results in cardiovascular failure, while crocodiles and other reptiles are poisoned after eating the dead fish.

Anglo Coal South Africa is an active participant in the Olifants River Forum, an organisation that seeks to promote a healthy river system. To address the problems in the catchment area, monitoring of the river system has been extended to include the Wilge river. This is being funded by the mines and power stations that participate in the Witbank and Middelburg Dam Controlled Release Scheme. It is anticipated that, as has been achieved by the controlled release scheme in the Witbank dam catchment area, additional monitoring and more focus on the Wilge river will result in better management of the catchment area, leading to improved river health.

Anglo Coal, the DWAF and the Department of Minerals and Energy are also investigating the potential for a public-private partnership to build and operate a desalination plant to address pollution originating from the many active and abandoned mines in this sub-catchment area.

## eMalahleni water reclamation plant

The eMalahleni water reclamation plant has been commissioned and is meeting its contractual water supply agreement with the eMalahleni local municipality. The R296 million purification facility, which draws water from Anglo Coal's Greenside, Landau and Kleinkopje collieries and BHP Energy Coal South Africa's South Witbank mine, offers an innovative solution to the environmental, productivity and safety problems posed by underground mine water. It also addresses an important social need by purifying water to potable quality for consumption by the community of Witbank. At present, 10 ML of potable water per day are piped into the local authority's final reservoirs and this figure will double as the plant ramps up to full capacity in the year ahead.

In addition, 5 ML of potable water per day will be piped to three adjacent Anglo Coal collieries and various service departments for domestic use and for activities such as dust suppression. These operations will be self-sufficient in terms of their water requirements and this will ease the water supply problems of the local municipality.

Phase two of the plant, which is currently under construction, will provide 8 ML of potable water per day to Zondagsfontein, an Anglo Inyosi Coal greenfield project, BHP Billiton Energy Coal South Africa's Klipspruit mine and the Phola coal washing plant, a joint venture between the two mining houses.

The facility operates at a 99% water recovery rate and the ultimate target is for it to be a zero waste disposal plant. Anglo Coal is investigating ways of utilising the produced waste, which may create spin-off employment opportunities and generate further environmental and financial benefits. Two projects currently being investigated are the conversion of gypsum waste into pure by-products like sulphur, limestone and magnesite and the use of the waste in building and mining products. Two research and development programmes for these projects will be initiated in 2008.

During 2007, the plant won two categories of the Mail & Guardian's Greening the Future Awards (innovative environmental strategies that improve business performance and water care) and won the sustainability category of Nedbank Capital's Green Mining Awards.



*Above:  
The eMalahleni water reclamation plant will provide over 20 ML of potable water per day to the community of Witbank*

*Right:  
Anglo American chief executive Cynthia Carroll visiting the eMalahleni Water reclamation plant with, front row, from left to right, John Wallington, Yvonne Mfolo and Peter Gunther*







*Water jet systems are used to prevent the spread of coal dust from the crushers at the mines*

## Air quality

### Greenhouse gas emissions

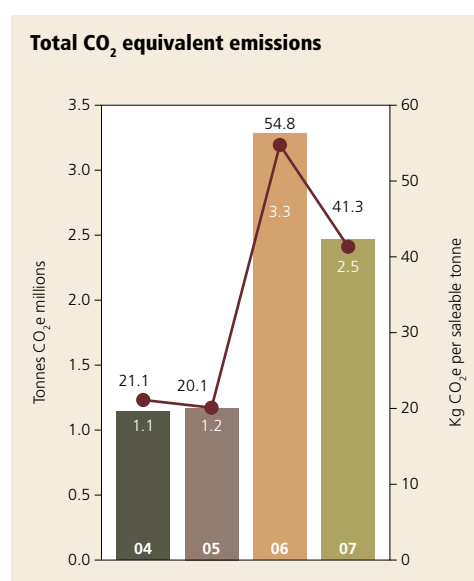
The calculated total carbon dioxide equivalent (CO<sub>2</sub>e) emissions for Anglo Coal South Africa in 2007 were 2.5 million tonnes CO<sub>2</sub>e, 25% lower than the greenhouse gas emissions reported in 2006. This decrease is due to the lower incidence of spontaneous combustion (sponcom) reported by our opencast mines. It should be noted, however, that there are no internationally-accepted guidelines to determine CO<sub>2</sub>e emissions from sponcom. In 2007, sponcom accounted for 39% of the CO<sub>2</sub>e emissions reported.

Fugitive methane emissions from our underground mines amounted to approximately 24,000 tonnes of methane. Since

methane emissions have a global warming potential of 21 times that of CO<sub>2</sub>, a project is under way at New Denmark colliery to investigate the conversion of methane to CO<sub>2</sub> by flaring it at the point of release (see case study).

We do not measure NO<sub>x</sub>, SO<sub>x</sub> and other air emissions from our operations on a routine basis.

CO <sub>2</sub> e by source (000 tonnes)	2006	2007
Electricity purchased	847	818
Fossil fuel use	168	169
Processes	1,764	969
Ventilation shaft methane	494	510
Methane flared	4	4
<b>Total CO<sub>2</sub>e emissions</b>	<b>3,278</b>	<b>2,470</b>



### Spontaneous combustion

Although problems resulting from spontaneous combustion (sponcom) have been minimised through improved control and a greater understanding of this phenomenon, it remains an area of concern for some of our operations, namely Kleinkopje, Landau and New Vaal collieries, as well as Goedehoop's mini-pit stockpile.

Sponcom in coal is the generation of heat through the oxidation of carbonaceous minerals. It often takes place when old underground mine workings are exposed during opencast mining activities as well as on spoil piles and discard heaps.

Apart from the loss of coal resources, if uncontrolled, sponcom poses serious safety, health and environmental risks. Where it poses an ongoing problem, operations have adjusted certain standard mining practices to minimise its impact, including:



- ⑥ lowering the 'fuel' temperature by cooling hot spots with water sprays
- ⑥ loading out of coal (removing the fuel) quickly and efficiently
- ⑥ smothering by buffer blasting and cladding of the highwall and spoils (closing the pathway of the oxygen).

### *Use of ozone-depleting substances*

Our supply chain system does not allow the purchase of new items that contain ozone-depleting products such as CFCs. Where any facilities that may contain these products are in use at our operations, we are in the process of phasing them out and replacing them with more environmentally-sound alternatives. All areas of the business have been audited and, in certain instances, CFC action plans have been put in place to replace and remove these goods.

## **Biodiversity**

Detailed biodiversity action plans (BAPs) have been in place at all Anglo Coal South Africa's collieries since 2004 and these continue to mature. The BAPs have been fully integrated into the environmental management systems in place at the operations.

In line with the national draft framework for biodiversity, BAPs assist with the identification of areas of significant biodiversity located on the land under our control, the development of comprehensive biodiversity inventories (where necessary) and the implementation and monitoring of corrective action programmes. These procedures ensure that the company meets the prescribed legislation and closure objectives. In 2005, an Anglo American peer review programme was initiated to share best practice across the Group's divisions and to improve the standard of existing BAPs. Since then, seven of our nine operations have undergone reviews, with peer reviews at Kleinkopje and Greenside collieries being completed in 2007. The company strives to ensure a sustainable business case for each operation's biodiversity programme.

Special management plans and biodiversity management commitments were incorporated into the construction, operational and closure phases of Isibonelo colliery, where three International Union for the Conservation of Nature (IUCN) Red List plant species were identified during pre-feasibility studies. The commitments included wetland offsets, special mining methodologies, plant relocations and specialised on-site rehabilitation methodologies. To date, no Red List plants have been found at other collieries. Four IUCN Red List animal species have been found at our sites.

As our operations are not located within protected areas, we have little impact on conservation biodiversity. However, as some of our mining takes place close to water courses and wetlands, we recognise the potential for impact on the water



*In 2008, a methane gas-flaring project at New Denmark will reduce the colliery's CO<sub>2</sub>e emissions by an estimated 100,000 tonnes*

## **New Denmark to introduce flaring of methane gas**

The methane content of the coal seam at New Denmark colliery is 1.3 m<sup>3</sup> per tonne of coal, which is more than double that of Anglo Coal South Africa's other operations. The methane content is not, however, as high or as consistent as in many other parts of the world, such as Australia, making unfeasible the capture and use of the methane as an energy source.

Methane occurs naturally in coal mines and is released from the coal bed when it is broken up during the mining process. The mine currently vents into the atmosphere in excess of 7,000 tonnes of methane annually to eliminate the risk of underground explosion or fire caused by this highly-flammable gas. While the colliery must release the methane into the atmosphere to ensure the safety of underground employees, it is a destructive greenhouse gas with a high global warming potential, 21 times more potent than carbon dioxide.

New Denmark colliery will reduce its carbon footprint significantly with the commencement of a R9 million methane gas-flaring project to be commissioned in the second quarter of 2008. The project, which involves the installation of two flaring mechanisms that will be incorporated into the colliery's existing methane drainage system, will reduce the CO<sub>2</sub>e emissions at New Denmark colliery by an estimated 100,000 tonnes.

The communication system with the mine will be solar-powered from the two flare locations and no significant changes to the landscape will be made. Although the flare chimneys are five metres in height, they will be situated on open farmland and will present no more visual impact than traditional windpumps.

The mine is currently in the process of submitting the project to the Clean Development Mechanism's executive board. It is hoped that the initiative will be registered for the generation of carbon credits, which would cover the cost of the project over a three-year period.

resources and strive to avoid this. In cases where impacts are inevitable, we manage these through various interventions, including mitigation offsets.

A number of biodiversity programmes are currently under way:

- ⑥ Isibonelo colliery made a commitment to rehabilitate sections of degraded wetland located in the upper Olifants river catchment area to compensate for an on-site wetland area that cannot be returned to its original state after mining has taken place. The two off-site wetland areas that were rehabilitated during the first phase of the project are being assessed to gauge the project's success and further off-site areas are being identified for the second phase of the project.
- ⑥ Isibonelo colliery has also expanded its bulb bed project, which involves the transplanting of bulbous plant species into bulb beds ahead of mining and maintaining them until they can be used for the rehabilitation of the area post-mining.
- ⑥ With the construction of Mafube colliery, the mine has ensured the protection and translocation of endangered flora growing close to one of its conveyors. Also, as part of its licence to mine, the colliery has committed to the replacement of a water pan within the mining window and this project will commence in 2008.
- ⑥ The implementation of weed control programmes is ongoing at most Anglo Coal operations, including certain closed mines in KwaZulu-Natal.
- ⑥ All new greenfield projects have a clear scope of works regarding sensitive ecosystems, listed species and ecosystem services. These are integrated into the mine planning and design at the earliest possible stage.

### Land Management and Rehabilitation

Anglo Coal South Africa has approximately 115,000 hectares of land under its charge. Of this, approximately 14% has been altered by mining activity to date and 12% of the disturbed land has been fully rehabilitated to the specified standards. During the year, 390 hectares of land were disturbed, of which 220 hectares have been seeded for rehabilitation. The company is focusing on the improvement of rehabilitation standards and land management.

During 2007, Anglo Coal launched an internal Rehabilitation Improvement Group. The group is investigating methods of improving land rehabilitation to minimise the environmental liabilities posed by the closure of mines as they reach the end of their operational lives.

In addition, Anglo Coal is involved in a number of rehabilitation-related research projects under the auspices of Coaltech, a Section 21 company and industry research initiative.

These include methods of decompacting soil to ensure it reverts to arable potential and a trial to reintroduce indigenous grassland species to rehabilitated land.

### Closure

Environmental rehabilitation trusts have been created to cover the cost of closure for all operating collieries. However, mines that ceased to operate prior to the promulgation of recent legislation are not covered by these funds. One of these, Middelburg Steam and Station colliery, continues to be a liability that must be addressed in the short term. During 2008, Anglo Coal South Africa plans to engage with the Department of Minerals and Energy (DME) and come to an understanding regarding the rehabilitation of this mine.

The table below shows the cost of planned closure for all Anglo Coal South Africa's existing mines and the balance of the funds accumulated in the environmental trusts as at 31 December 2007. The difference between the balance in the trust and the cost of closure has been provided for by taking out bank guarantees which have been lodged with the DME.

Cost of closure and balance in environmental trusts (ZAR billion)	
Cost of planned closure	1.92
Balance in environmental trusts	0.87
Bank guarantees	1.06
Total provision for closure	1.93

The planning process for new collieries is critical to minimising negative environmental and social impacts post-mining. To assist operations to plan for closure, Anglo American Technical Division has developed a Mine Closure Toolbox. This will aid in the planning phases of new operations, ensuring that the socio-economic and environmental requirements during the operational phase and at closure are incorporated into the mine design and operational plan. The tools can also be applied to existing operations for the refinement of current closure plans. All operations review their closure cost liabilities annually.

Greenside colliery's Nooitgedacht section, which is planned for closure in five years, hosted its first mine closure workshop in 2007 with the help of the Anglo American Technical Division. The Mine Closure Toolbox was used to perform a gap analysis for a comprehensive closure plan for this section of the mine. Phase 1 of the project will generate, by the end of 2008, a preliminary mine closure plan, addressing the physical, biophysical and socio-economic gaps identified. Phase 2 will update this plan and will include consultation with interested and affected parties to satisfy all the requirements of a final mine closure plan by the end of 2011.

### Material consumption

The table below shows the main materials used in our business. The volumes indicate how much new material was acquired during the year. While none of our input materials are formally recycled, we do re-use magnetite and conveyor belts at our operations.

Material		2007
Fuel	(million litres)	50.8
Explosives	(thousand tonnes)	50.0
Lime	(thousand tonnes)	35.7
Magnetite	(thousand tonnes)	49.6
Conveyor belts	(thousand metres)	143.1

### Waste management

#### Non-mineral waste

Our collieries manage four general waste streams, including scrap metal, garden refuse, domestic and hazardous waste. Improved waste measurement and reporting systems were implemented during 2007.

Non-hazardous waste to landfill	(tonnes)	6,552
Paper recycled to external user	(tonnes)	33
Metal recycled to external user	(tonnes)	2,610
Non-hazardous waste sent for recycling/re-use	(tonnes)	2,537
Used oil recycled to external recycler	(thousand litres)	644
Recycled printer cartridges	(number)	600

As part of our drive to reduce waste generated by the operations, a paper recycling programme was introduced during 2007. This programme focused on all operations including the shared services. A significant volume of waste paper was recycled in 2007 (208% increase on 2006 figures). In 2008, the focus will shift to including glass and aluminium cans in the recycling programme.

#### Hazardous waste

Hazardous waste to landfill	(tonnes)	1,331
Medical waste to incineration	(tonnes)	0.1

All hazardous waste generated by the operations is transported to the licensed Holfontein hazardous waste facility by a licensed waste removal company. No waste was shipped internationally by any of the Anglo Coal South African

*Right:*  
The bulb bed project at Isibonelo colliery, where bulbous plant species are transplanted into bulb beds ahead of mining, to be preserved for use in rehabilitation of the area post-mining

*Below:*  
One of the indigenous grass species, super graze, being trialled for use in land rehabilitation at Kriel colliery







### Goedeheop colliery's flotation plant produces 'green coal'

A state-of-the-art multicell flotation plant, which has the capacity to produce 1,000 tonnes of safe 'green coal' per day, has been commissioned successfully at Anglo Coal South Africa's Goedeheop colliery.

Previously, 'as arising' slimes from the mine's coal washing plant were pumped to a waste disposal facility, which posed an environmental problem and provided no financial gain. Although difficult to recover, a significant amount of saleable coal is present in these slimes and Goedeheop colliery set about developing technology that would generate additional saleable product, thereby maximising coal recovery and increasing revenue.

The processing of slimes increases the capacity of the mine's slimes dams and reduces the final footprint of the discard facility, thus decreasing its environmental impact. A smaller discard facility footprint also significantly reduces the long-term liability of the colliery post-closure.

The technology, which was developed in-house and patented, utilises a combination of air, reagents and high shear mixing to generate bubbles and a high-density froth, resulting in superb fine coal recovery. The froth is then dewatered in fully-automated filter presses, before being added to the mainstream product conveyance system.

In the design phase of the project, a number of measures were taken to minimise the plant's environmental impacts. Some of these include:

- ⑥ the flotation plant has its own closed-circuit water system, which prevents the contamination of the water supply
- ⑥ the reagent used is biodegradable and breaks up easily when exposed to sunlight
- ⑥ the bulk reagent handling system comprises closed tanks and is enclosed in a walled area to contain spillages
- ⑥ concrete has been laid around the area surrounding the plant to ensure that, in the event of a slurry or reagent spillage, soil and vegetation are not contaminated.

*Goedeheop colliery's flotation plant which processes waste slimes into a saleable product*



operations. Records of each load, the volume transported and destination are kept by each operation. The waste disposal site was inspected by Anglo Coal Environmental Services in 2007 and was found to be operating within the legal and accepted standards for hazardous waste disposal.

### Mineral waste

Coal fines, the fine coal powder generated by handling and mining processes, cannot always be recovered efficiently and processed by conventional means. As a consequence, it must be discarded, leading to the loss of a valuable energy source and the creation of an environmental liability. A number of advancements have been made to address this. These include:

- ⑥ the commissioning of a fines beneficiation plant at Goedeheop colliery (see case study)
- ⑥ Mafube colliery's new generation process plant, which recovers coal fines so that ultra-fine coal can be added to the end-product
- ⑥ the re-working of a Goedeheop slimes dam, an ongoing project which will continue into 2008
- ⑥ investigations into the possible backfill of the Number 2 seam workings at Goedeheop colliery's North Section. This project seeks to reduce the surface area disturbed by existing discard facilities and, at the same time, improve the stability of the underground bord and pillar workings. The project will allow for better surface land use at closure and facilitate access to previously unmined reserves in the seam above the area concerned.

### Discard management

All discard facilities are managed through a mine discards code of practice, discard facility designs and the mines' ISO 14001 environmental management systems. The discard facilities are operated by contractors. Monthly meetings are held between mine management, environmental staff, contractors and Anglo American Technical Division's civil engineers to discuss the management of the discard facilities and to address arising issues. Regular site inspections and audits are held for each of the operational facilities and an annual risk profile review is done for all closed, rehabilitated, active and inactive facilities.

Rehabilitation work is currently being undertaken on Greenside colliery's co-disposal facility to clad and vegetate areas of the facility which have reached their final profiles.



*Right:  
Non-mineral waste is separated into four waste streams for appropriate handling*

*Below:  
Goedeheop colliery's Hope discard dump after rehabilitation*



Winning partnerships

# Community engagement

*Our mining activities impact on the economies, demographics, social dynamics and infrastructures of the communities and towns which surround them. We aim to deliver real improvements in the quality of life of the communities that surround our operations.*

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

The Anglo American SEAT process was designed to improve our operations’ understanding of both their positive and negative socio-economic impacts, to facilitate more structured dialogue with stakeholders, to ensure greater internal capacity in the management of social issues and to further promote transparency and accountability. SEAT reports have been completed by all operating collieries. Examples of issues raised during the process include:

- ⌚ calls for increased job creation
- ⌚ requests for further community training initiatives
- ⌚ environmental impacts such as dust and noise.

After issues have been discussed with management, feedback is given to stakeholders and, where deemed appropriate, projects to ameliorate these stakeholders’ concerns are initiated (see section on Community development).

Anglo American recently published a second version of SEAT, which draws on the lessons learned during the implementation of the first process as well as comments from external experts and stakeholders. The key improvements that have been incorporated

into SEAT 2 include guidance on how to plan and manage a SEAT assessment and a focus on health and human rights. Training in the use of SEAT 2 has been completed and the rollout of this revised toolkit will take place over the next three years.

We are implementing community engagement plans, which will be enhanced by the implementation of the SEAT process, at all our operating collieries.

**Community development**

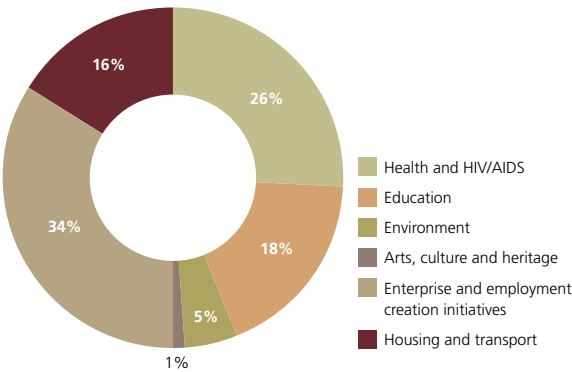
Our community development strategy responds to community needs raised through the SEAT process and focuses on areas where we believe we will maximise benefits to both society and our business. Going forward, we will focus on the following key areas: infrastructure development; agriculture; education; health; small, medium and micro-enterprise development and supply chain; skills development and capacity building; the environment; and sport, culture and heritage.

We have committed to investing 1.5% of our operating profit in sustainable community development projects and, in 2007, joined hands with local governments to ensure that our projects are in line with the Integrated Development and Local Economic Development plans of municipalities. We are currently in the process of devising indicators that will enable us to understand the extent of our indirect economic impacts on surrounding communities.

During 2007, we invested R25 million in the implementation of a range of community development initiatives with the focus on poverty alleviation and the survival of projects beyond mine closure. Examples of our ongoing projects include:

- ⌚ assistance with the establishment of small businesses and job creation projects, including car wash facilities, garden services, farming, tuck shops, beading, baking, sewing, road and safety signage, photography and printing, carpentry and welding
- ⌚ ongoing skills training in computer literacy, arts and crafts, pottery, dress-making, food preparation and farming

CSI spend – R25 million







*Above:  
A car wash facility for  
pit vehicles at Kleinkopje  
colliery created an  
employment opportunity*

*Right:  
A workshop which  
produces safety signage for  
the mines has been set up  
as a small business*



- ⑥ the rollout of the Basa njengo Magogo project in Hlalanikahle near Witbank in the Mpumalanga province. This Department of Minerals and Energy initiative is a low-cost intervention that promotes a safer, cheaper, healthier and more environmentally-friendly lighting method for household coal fires
- ⑥ the provision of funding for the construction or upgrading of community facilities, including schools, libraries and multi-purpose centres

- ⑥ in partnership with the Department of Education, the establishment of a mathematics and science centre in the Witbank region during 2008.

As part of our commitment to creating sustainable livelihoods outside the coal mining environment, we have partnered with Anglo Zimele, Anglo American South Africa's enterprise development and empowerment initiative which invests in and supports black-owned start-up enterprises.

## Creating opportunity

Our commitment to uplifting the quality of life of community members surrounding our operations was demonstrated at New Vaal colliery, which has developed a multi-faceted approach in its endeavours to aid development, both socially and economically.

Since 1992, the colliery has enabled the establishment of 45 small businesses, which collectively employ over 250 people. A number of these have originated from mine functions outsourced to independently-run businesses and many small and medium enterprise (SME) undertakings have been started from scratch. New Vaal colliery adopts an 'incubator' approach to the development of small businesses, providing fledgling entrepreneurs with the resources they need to start up and enabling them with the knowledge and skills essential to their growth. Entrepreneurs are provided with training in marketing and the basics of business management, as well as advice and mentorship from the colliery's community services department.

Some of these new ventures are now able to operate on their own, without assistance from the colliery, while others, still needing mine support, are encouraged to extend their activities beyond the mine and into surrounding communities. This will ensure their sustainability and survival beyond the closure of the colliery in approximately 25 years. A cross-section of the products and services offered by SMEs include the sale of fruit and vegetables, baked goods, burglar proofing, carpentry, recycling, sewing and embroidery, motor repairs, shoe repairs and telephone facilities.

New Vaal continues its involvement in the support of community projects and has already invested several million rand into the creation and refurbishment of facilities that will uplift the people who reside around its operation. Much emphasis is placed on proper engagement with local communities to ensure that the projects in which the mine invests are fully aligned with the local municipality's Integrated Development Plan. To further this end, the colliery has signed a memorandum of understanding with the local Metsimaholo municipality.

Specific community initiatives that have been identified and agreed on by this public-private partnership include the renovation of Metsimaholo and Refengkgotso community halls at a cost of R800,000, the construction of a community library in Metsimaholo for R750,000, and the erection of speed humps outside primary schools in the Zamdela and Refengkgotso areas at a cost of R250,000. The mine has also committed to building a multi-purpose complex in Zamdela for R2 million and will invest R750,000 in a number of job creation and poverty alleviation projects.

During 2008, small business hubs will be created, through which up-and-coming entrepreneurs will be provided with start-up funding, administrative support and guidance in all aspects of running a sustainable small business. Exit strategies will be put in place for all ventures. To ensure sustainability of the projects post mine closure, entrepreneurs will be encouraged to seek markets outside Anglo Coal mining operations. It is believed that this initiative will assist in the fight against poverty and unemployment in the areas that surround the company's mining sites.

## Community and grave relocations

We are in the process of establishing a single set of standards and procedures that will govern the relocation of graves and communities situated on or close to our operations. These will, as a minimum, be based on World Bank Guidelines and International Finance Corporation safeguard policies. During 2007, New Vaal colliery successfully relocated more than 1,600 graves at its Maccauvlei West reserve. New Denmark colliery resettled five families who resided previously above its longwall section. It is anticipated that the further relocation of 14 families will be undertaken by New Denmark colliery in 2008. Due to operational and safety requirements, community relocations are also scheduled to take place at Kriel and Mafube collieries during 2008.

The new Anglo Inyosi Coal (AIC) projects will require the relocation of various communities. The first of the AIC projects to be approved is Zondagsfontein colliery, where the relocation of one family unit is planned for 2008. Also in 2008, the relocation of 36 family units is planned for the Elders site and it is anticipated that 24 family units will have to be resettled to make way for New Largo colliery in 2009. As with earlier resettlements, we continue to ensure that all community members who are relocated are provided with improved living conditions when compared with those they leave behind.

## Complaints

Twenty-four complaints on environmental and social issues were received from the community during 2007. Most of these were related to local dust and noise emanating from blasting conducted at some opencast operations.

We expect levels of community interaction to rise with growing populations and regard this as an important and positive opportunity to enhance our performance and to develop and foster improved relationships with our surrounding communities. Typically, grievances are lodged directly with the collieries. The accepted response procedure is to contact complainants within 48 hours. All issues are investigated promptly and, where applicable, remedial and preventative action is taken. Follow-ups are conducted with complainants.







*Top:  
One of over 1,600 graves  
successfully relocated at  
Maccauvlei West*

*Above:  
Community members  
receiving skills training  
in pottery*

*Right:  
Children playing on the  
recreational equipment at  
one of the schools, near  
Kriel colliery, sponsored by  
Anglo Coal*





# Report on the scorecard

The broad-based socio-economic empowerment charter

## **Human resource development**

We have offered adult basic education and training to employees since 1990 and believe that, by 2017, all staff members will be functionally literate. A workplace skills programme, which provides training profiles for all employees, is reviewed and improved on an ongoing basis and individual development paths are created for middle and senior management. Progress continues to be made in the creation of individual development paths for the balance of employees. All company officials have regular performance and career development reviews, with 2,200 people having participated in the process in 2007.

In 2008, Anglo Coal will build on its existing relationship with Anglo Zimele and, through this partnership, we will establish small business hubs that provide start-up funding, skills development and the transfer of knowledge for the creation and development of micro enterprises. Please see page 37 for more details.

## **Employment equity**

We seek to instil a genuine culture of transformation within the organisation and are committed to increasing in management positions the number of historically disadvantaged South Africans (HDSAs). By the end of 2007, 36% of our managers were HDSAs, putting us well on track to meeting our target of 40% by 2009. Women account for 15% of the total workforce, with 50% of them working in technical fields. Women currently comprise 13% of the management team and we have prioritised the need to increase this figure.

## **Migrant labour**

As we source our labour from local communities, migrant workers currently comprise only 6% of our labour force, down from 8% last year. These employees come from Lesotho and the northern KwaZulu-Natal, Eastern Cape, eastern Mpumalanga and Limpopo provinces of South Africa.

## **Mine community and rural development**

We engage continually with the communities that surround our operations and make a concerted effort to address the socio-economic issues that are prevalent in these areas. All operating collieries have completed the Anglo American Socio-Economic Assessment Toolbox (SEAT) process and have provided management responses to stakeholders. The implementation of Community Engagement Plans is under way and these are monitored and improved continually. During 2007, R25 million was spent on community and social development. For more details on community engagement, please turn to page 36.

## **Housing and living conditions**

In 2007, we implemented a new market-related living out allowance for employees and agreed that key stakeholders, including the collieries, unions and government, would explore options on how best to ensure that recipients obtain access to sustainable home ownership.

We are implementing a three- to five-year initiative that will enable recipients of the new housing allowance to access home ownership in urban areas near the collieries at which they are employed. Through an internal employee survey, it has been identified that preferred living locations are in and around the towns of Witbank and Middelburg.

Based on this, Anglo Coal has conducted a detailed study of the housing supply in these areas and has engaged property developers to provide affordable housing stock to these employees on a willing-buyer-willing-seller basis. Where possible, the strategy is to tap into existing residential developments rather than create new developments that are likely to impact negatively on the property sector. This is in line with the integrated development frameworks of the regions in which the company operates and is aligned with the philosophy expressed in the Mining Charter of ensuring long-term sustainable human settlements. The company plans to roll out this approach to all its collieries.

## **Procurement**

With black economic empowered (BEE) companies being given preferred supplier status, an aggressive target of R2.24 billion for BEE spend was set for 2007 and the actual figure achieved during 2007 was R2.92 billion. This figure represents an increase of 31% compared with 2006. The total BEE expenditure with BEE companies in 2007 amounted to 68% of discretionary spend.

The purchase of consumables and services accounted for R1.9 billion and this represents 66% of discretionary spend, with the purchase of capital items accounting for the balance. Anglo Coal maintains a healthy balance between large, medium and small BEE company spend. The number of active BEE suppliers increased from 413 in 2006 to 438 in 2007.

As a result of the planned capital expansion projects, our focus on engaging with BEE companies will continue and a total of R1.5 billion is set to be spent on capital procurement from BEE companies, 42% of our total BEE spend target for 2008 (R3.6 billion). Aggressive target setting and collaboration with Zimele will continue to ensure that BEE spend is optimised on a continuous basis.

All vendors are obliged to subscribe to company policies, including our Good Citizenship Principles. Vehicles used to report deviations

include Anglo American's SpeakUp facility and tip-offs. Any incidents reported in this way are investigated by our security department before a final report is submitted to the audit committee.

There is a policy, driven by the individual mines, to support spending in local communities. The pie chart below depicts the proportion spent by our mines with local, provincial and national companies.

## Ownership and joint ventures

We have embraced the spirit of transformation by empowering the coal sector through the creation of significant HDSA-managed coal mining companies. As a result of the substantial efforts taken over the past few years, we are confident we will achieve the 26% HDSA ownership target set by the Mining Charter and the Mineral and Petroleum Resources Development Act.

At the end of 2007, the final transaction agreements for the formation of Anglo Inyosi Coal (AIC) were signed, signalling the establishment of this R7 billion black-empowered coal mining company.

Through the deal, Inyosi – a newly-established broad-based BEE company – purchased a 27% stake in AIC which houses key future domestic and export-focused coal operations. These include the greenfield projects of Zondagsfontein, New Largo, Elders and Heidelberg, as well as Anglo Coal's existing Kriel colliery. AIC has a 4.1 billion tonne coal resource base and ensures the meaningful and substantial participation of HDSAs in the industry.

The Lithemba Consortium (33%) and Pamodzi Coal (33%) are majority shareholders in Inyosi, which has a beneficiary base that will benefit more than 27,000 people, the majority of whom are women of colour. Women's Development Bank Investment Holdings is a 19% shareholder and a broad-based BEE community trust (15%) will benefit HDSA communities around AIC's operations. An annual allocation of R5 million

(escalating on an annual basis at CPI) will be distributed to broad-based BEE shareholders, including the communities who surround AIC's operations.

At the end of 2007, Anglo American approved Zondagsfontein colliery, which includes a seven Mtpa underground mine, a one Mtpa opencast mine and the 16 Mtpa Phola processing plant, a 50:50 joint venture between Anglo Coal (rights and obligations to be ceded to AIC) and BHP Energy Coal South Africa. The project is scheduled to mine its first coal early in 2009.

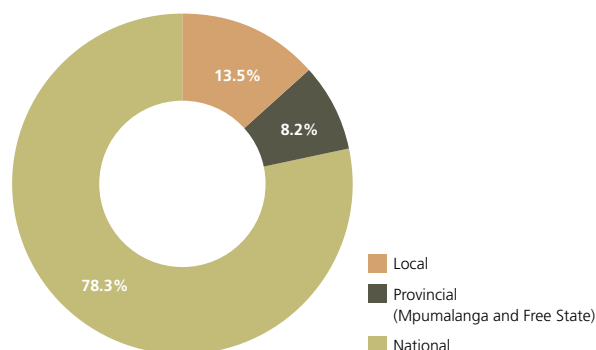
Mafube colliery, a 50:50 joint venture between Anglo Coal and the broad-based BEE mining company Exxaro, commenced on a short-term micro scale during June 2004. However, a larger mine and processing plant is being commissioned, commencing in mid-December 2007. Mafube colliery's reserves consist of around 169 million tonnes. Thermal coal will be processed for the export market and the middlings will be sold to the Eskom market through the Arnot Power Station.

In 2007, Anglo Coal established two new black-controlled mining companies. The first of these is Umsimbithi Mining, which will explore the Wonderfontein and Belfast reserves on the eastern flank of the Witbank coalfields. Umsimbithi Mining is 80% owned by Mbokodo Mining. Anglo Coal holds a 10% stake in this venture and the Anglo Khula Mining Fund (AKMF), a joint initiative between Anglo American and Khula Enterprise Finance Limited, owns the remaining 10%. Currently in the feasibility stage, the total estimated resources at Wonderfontein and Belfast are 130 million tonnes of multi-product coal suitable for both the export and domestic thermal markets. It is expected that the first coal will be mined in 2009.

In the second BEE transaction, Anglo Coal South Africa, together with the AKMF, established Phumela Mining (Pty) Ltd., which is 65% owned by Lidonga Holdings, a black-owned company. The team that manages the mining operations holds 15%, while the AKMF and Anglo Coal each own 10%. Phumela Mining has been awarded the contract to mine the Nooitgedacht section of Greenside colliery.

Anglo Coal has assigned resources to provide technical assistance to both these newly-established mining companies.

**Location of suppliers**



## Beneficiation

No beneficiation targets have been set owing to the fact that our product does not need to undergo beneficiation prior to consumption by customers.

## Reporting

The company considers this report to be compliant with the Mining Charter reporting requirements.



## Recognising excellence Awards

During 2007, we were recognised for our contribution to sustainability in two separate awards. The Mail & Guardian Greening the Future Awards showcase best practice in the field of environment and reward organisations that realise environmental sustainability is a necessary facet of doing business today. The Nedbank Capital Green Mining Awards celebrate the contribution that responsible mining makes to the economic development of Africa and honour mining and mineral beneficiation operations that have made a significant effort to promote sustainability. The following projects were recognised:

### **eMalahleni water reclamation plant**

The eMalahleni water reclamation plant (EWRP) was lauded for its innovative approach to turning waste into water and received top honours in two categories of the Mail & Guardian Awards: water care and companies with innovative environmental strategies that improve business performance. It also won the sustainability category in the Nedbank Capital awards.

Judges described the plant as a world-class project and an exemplary model that is rooted in welfare and development. They said it takes an innovative and essential approach to dwindling resources. (Read more about the EWRP on page 29.)

### **Basa njengo Magogo**

The Basa njengo Magogo alternative fire-lighting project won the socio-economic category of the Nedbank awards and was

recognised as an excellent example of a simple, low-technology solution to a major health and social issue. High levels of air pollution associated with household coal burning are known to create severe health and environmental problems, especially during winter when coal is used not only for cooking but also for heating.

Anglo Coal South Africa elected to promote the low-cost coal burning intervention that teaches families to make fires in a much healthier, more cost-effective and environmentally-friendly way. Effective communication tools and good community engagement ensured a high adoption rate from people introduced to the method in the Vosman area in Witbank and the project has resulted in household cost savings (as the method uses less coal), reduced air pollution and a reduced negative impact on health.

### **Aapiesdoorndraai mine closure project**

At the Mail & Guardian Awards, Anglo Coal was presented with a merit award in the category for companies with the most-improved environmental practices for its unique Aapiesdoorndraai mine closure project.

The initiative involves the rehabilitation of an old magnesite mining site that became an Anglo Coal liability a number of years ago. An innovative rehabilitation model transformed the site into a residential and industrial property, a move that yielded immediate benefits for the growing community of Burgersfort in the Limpopo province. The project has been described as the catalyst that freed up the potential locked in a poverty-stricken but mineral-rich region that is now bustling with mining and spin-off activities.

### **Black-footed cat project**

Goedehoop colliery's black-footed cat project earned a highly commended certificate in the environmental section of the Nedbank Capital awards. The project provides scientists with a rare opportunity to breed and observe this species, which has been listed as vulnerable by the International Union for the Conservation of Nature and Natural Resources.

The project came about after an employee picked up a black-footed cat on mine property, thinking it was a domestic kitten. However, as the feline grew older, it displayed wild and aggressive behaviour that indicated that this was no ordinary cat.

After a veterinarian confirmed the animal was a rare species, it was taken to the Loskop dam nature reserve where the mine commissioned the construction of a large enclosure in which it could be housed. The colliery went to great lengths to find a breeding partner for the animal. Both cats will be used for research and educational purposes and it is hoped that their offspring will be released into the wild.



*Mmathabo Mrubata, Linda Watson, Henk Lodewijks and Stan Pillay receiving the Nedbank Capital Green Mining Award in recognition of Anglo Coal's Basa njengo Magogo project*

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# Independent assurance report

## Introduction

We have been engaged by Anglo Coal South Africa to conduct an assurance engagement on selected Key Performance Indicators (KPIs) reported in Anglo Coal South Africa's Report to Society 2007, for the purpose of expressing a statement of independent assurance, for the year ended 31 December 2007. This assurance report is made solely to Anglo Coal South Africa in accordance with the terms of our engagement and applies only to the hard copy publication of the Anglo Coal South Africa Report to Society 2007 and as set out on the pages as referenced below.

The following KPIs were selected for an expression of *reasonable* assurance:

- ⑥ Total CO<sub>2</sub> emissions from electricity purchased, from fossil fuels purchased and from processes (as disclosed on Pages 4 and 30)
- ⑥ Total energy used (as disclosed on Pages 4 and 24)
- ⑥ Total work-related fatal injuries (as disclosed on Pages 4 and 10)
- ⑥ Total amount of Corporate Social Investment (CSI) spend (as disclosed on Page 36).

The following KPIs were selected for an expression of *limited* assurance:

- ⑥ Water used for primary activities (as disclosed on Pages 4 and 27)
- ⑥ Total number of level 2 & 3 environmental incidents (as disclosed on Pages 4 and 24)
- ⑥ Lost Time Injury Frequency Rate (LTIFR) (as disclosed on Page 4)
- ⑥ New cases of Noise Induced Hearing Loss (NIHL) (as disclosed on Page 14)
- ⑥ New Cases of Occupational Diseases (NCOD) (as disclosed on Pages 4 and 14)
- ⑥ Estimated HIV prevalence rate (as disclosed on Page 17)
- ⑥ Number of employees participating in Voluntary Counselling and Testing (VCT) (as disclosed on Page 17)
- ⑥ Number of employees participating in Anti-retroviral Treatment (ART) (as disclosed on Page 17)
- ⑥ Number of HIV positive employees enrolled in HIV disease management programmes (as disclosed on Page 17)
- ⑥ Implementation of Community Engagement Plans (as disclosed on Page 36)
- ⑥ Conducting of socio-economic assessments using the Socio-Economic Assessment Toolbox (SEAT) (as disclosed on Page 36)
- ⑥ Implementation of the reporting requirements of the Broad Based Socio-economic Empowerment Charter for the Mining Sector (the "Mining Charter" and the "Scorecard") (as disclosed on Pages 40 and 41)
- ⑥ GRI application level (as disclosed on Page 1).

The evidence gathering procedures for *limited* assurance are more restricted than for *reasonable* assurance and therefore less assurance is obtained with *limited* assurance than for *reasonable* assurance.

## Directors' responsibility

Anglo Coal South Africa's directors are responsible for the preparation and presentation of the selected KPIs in accordance with internal corporate policies and procedures and the Global Reporting Initiative's (GRI) new generation (G3) guidelines.

## Our responsibility

Our responsibility is to express to the directors an opinion on the selected KPIs contained in Anglo Coal South Africa's Report to Society 2007, for the year ended 31 December 2007, based on our assurance engagement.

## Work performed

We conducted our engagement in accordance with the International Standards for Assurance Engagements 3000, "Assurance Engagements other than audits or reviews of historical financial information" (ISAE 3000) issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain either *reasonable* or *limited* assurance on the selected KPIs as per our terms of engagement.

Except for the self declaration of the GRI application level, Anglo Coal South Africa's internal corporate policies and procedures, as in place for the year under review and available from Anglo Coal South Africa on request, were used as the criteria to evaluate the selected KPIs. In terms of evaluating the 'B+' application level, the specific application level criteria as stipulated by the GRI's new generation (G3) guidelines have been used.

## Our work consisted of:

- ⑥ obtaining an understanding of the systems used to generate, aggregate and report data at three selected operations;
- ⑥ conducting interviews with management at the sampled operations;
- ⑥ applying the assurance criteria in evaluating the data generation and reporting processes;
- ⑥ performing a controls walkthrough for *limited* assurance, and further key controls testing for *reasonable* assurance; and
- ⑥ testing the accuracy of data reported on a sample basis for *reasonable* assurance.

## Inherent limitations

Non-financial data is subject to more inherent limitations than financial data, given both the nature and the methods used for determining, calculating, sampling or estimating such data. We have not carried out any work on data reported for prior reporting periods, nor have we performed work in respect of future projections and targets. We have not conducted any work outside of the agreed scope and therefore restrict our opinion to the agreed KPIs.

## Conclusion – Reasonable assurance

On the basis of our *reasonable* assurance procedures, the KPIs selected for *reasonable* assurance for the year ended 31 December 2007, have been compiled in accordance with corporate policies and procedures and are free from material misstatements.

## Conclusion – Limited assurance

On the basis of our *limited* assurance procedures, nothing has come to our attention to cause us to believe that the KPIs selected for *limited* assurance for the year ended 31 December 2007, have not been compiled in accordance with the corporate policies and procedures or are materially misstated.



PricewaterhouseCoopers Inc.  
Carmen Le Grange, *Director*  
Registered Auditor, Johannesburg  
21 May 2008





### **Related reports**

**Anglo American** Report to Society 2007

**Anglo Coal Global** Report to Society 2007

**Anglo Coal Australia** Report to Society 2007

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**ANGLO  
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