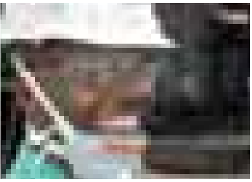
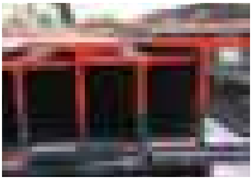
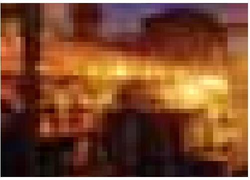
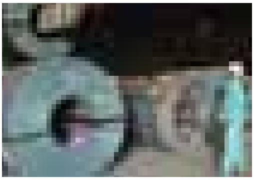
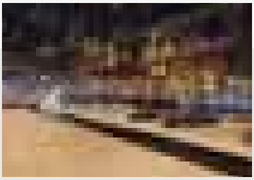
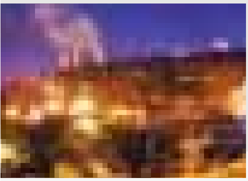
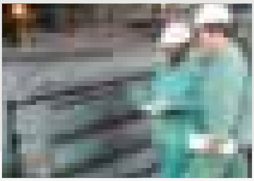
EVRAZ

EVRAZ HIGHVELD STEEL AND VANADIUM

# Annual report for the year ended December 2010

# Contents

*Mandela Bridge*: The Nelson Mandela Bridge, judged the most outstanding civil engineering project achievement in the technical excellence category by the SA Institute of Civil Engineers in 2003, was built with the use of approximately 800 tons of Evraz Highveld steel structurals. The bridge stands as a testimony to Evraz Highveld's commitment to delivering value in the steel industry and today the bridge and our steel have their place in history.*

**Source: Evraz Highveld Marketing Division.*

*Significance of the bolt: A small but vital piece of equipment symbolising the Company's unity in "making the world stronger", binding Evraz Highveld steel together.*

# Vision 1.1

To create superior value and benefits on a sustainable basis across commodity cycles for all stakeholders, by developing the business into a low cost steel and vanadium slag producer

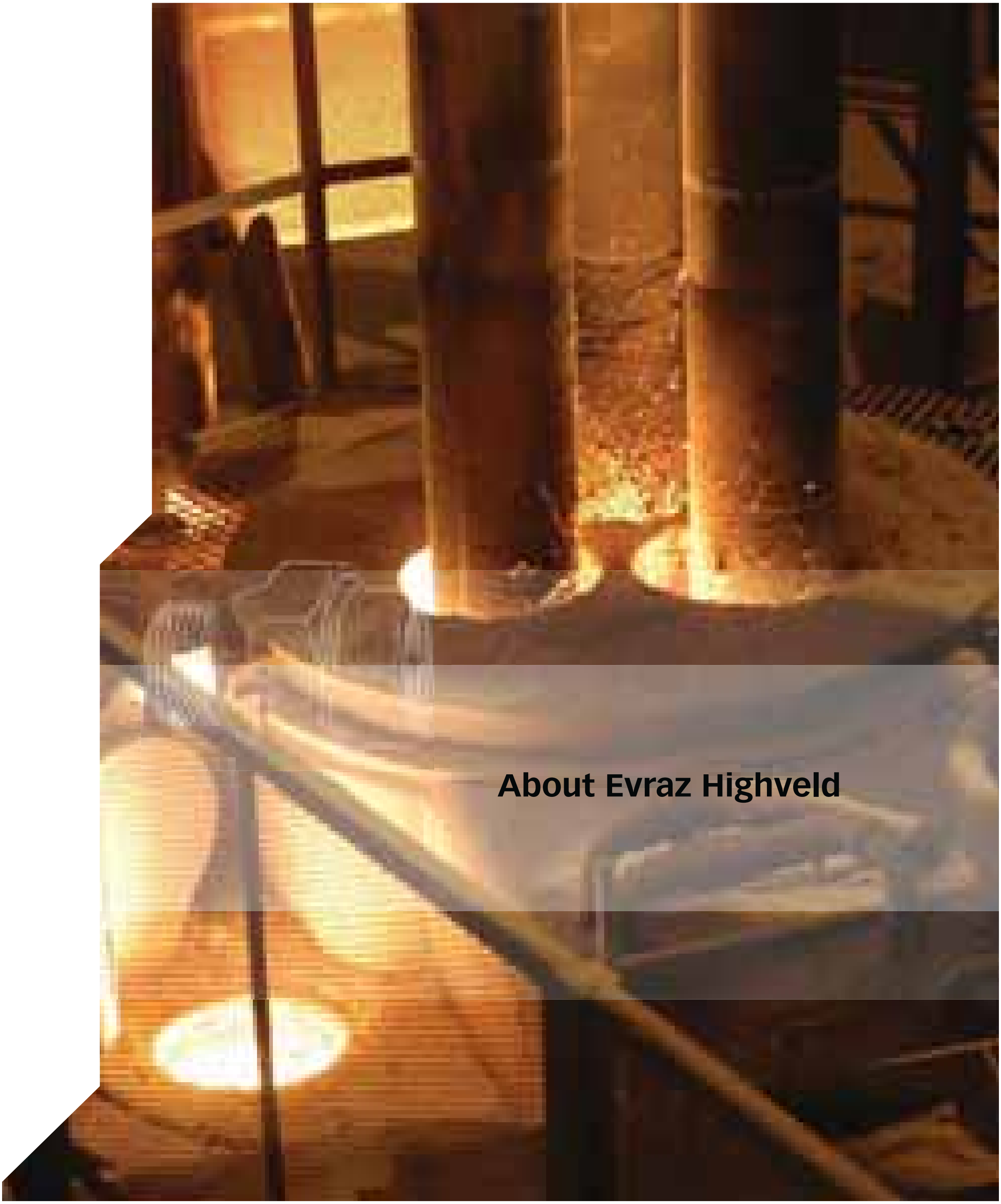
Strengthening the world

through

Strengthening our human capital base

Strengthening our operational processes

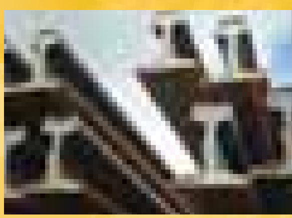
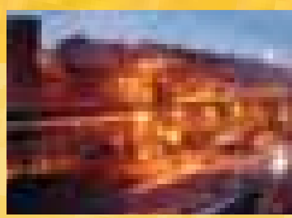
Strengthening our systems

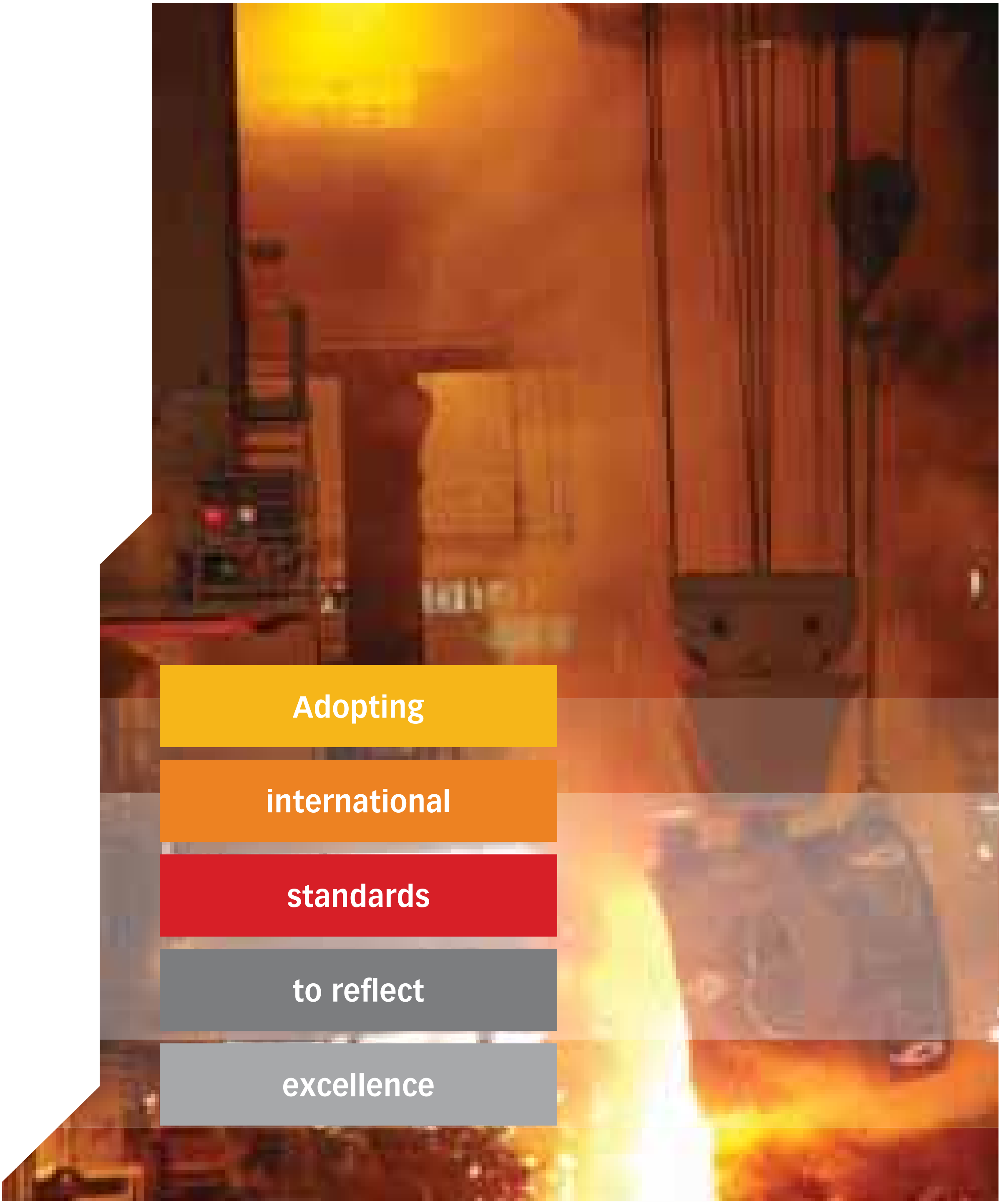


# About Evraz Highveld

# About Evraz Highveld





Adopting
international
standards
to reflect
excellence

# About Evraz Highveld [2.1, 2.4, 2.5, 2.6]

Evraz Highveld Steel and Vanadium Limited is a vertically integrated steel and vanadium slag producer. We mine titaniferous magnetite ore at our Mapochs Mine operation at Roossenekal, Limpopo and produce iron and steel products and vanadium-bearing slag at our Steelworks, based at our headquarters, at eMalahleni, Mpumalanga.

Formed in 1957, Evraz Highveld commenced production in 1964 and soon became a global leader in vanadium production. Our South African-based operations employ some 2 500 people and contribute materially to the sustainability of the two local communities in which they are based.

Further to Evraz Group S.A. acquiring a 85 per cent shareholding in 2007, 2010 witnessed the full integration of Highveld into the Evraz stable with Highveld changing its name from Highveld Steel and Vanadium Corporation Limited to Evraz Highveld Steel and Vanadium Limited as part of the Evraz Group strategic rebranding drive. Evraz Group S.A. is one of the world's largest vertically integrated steel and mining businesses with operations in Russia, Ukraine, USA, Canada, Italy, Czech Republic and South Africa.

Evraz Highveld is the second largest steel producer in South Africa. We take pride in being the primary producer of medium and heavy structural sections and thick plate in South Africa, and in our substantial contribution to the global vanadium feedstock market.

We market our steel products locally and globally. Vanadium-bearing slag is marketed locally, and into the European market through our wholly-owned Austrian-based subsidiary, Hochvanadium Holdings AG.

Evraz Highveld shares are listed on the JSE Limited in South Africa. The majority of Evraz Highveld's issued shares are held by Evraz Group S.A. Since 2 September 2009, Evraz Highveld has traded sponsored Level 1 American Depositary Receipts with the Bank of New York Mellon acting as depositary bank in terms of an exclusive deposit agreement.

# Our strategy [1.1]

Evraz Group S.A. has a three-pillar strategy aimed at achieving excellence in products and marketing, operations and organisation.
The strategy consists of:

- Products and marketing strategy. This is all about WHAT we produce and sell – quality, quantity, pricing, and WHY we produce this particular selection of products.
- Operations strategy. This defines HOW we do what we are doing – the ways and the means. It covers a lot of things from raw materials to operational structure.
- Organisational strategy. This lays out the rules of the game for the Group as a team. It is about *mindsets rather than toolsets*, and deals not with the mines, mills and furnaces, but with those WHO operate them.

In line with the global strategy, Evraz Highveld shares the commitment of the Group to the achievement of this strategy. In particular, it aims:

- to build on its strength as a well-established, vertically integrated vanadium slag and steel producer;
- to manage its product range to achieve optimum balance between quality, customer demand and operational efficiency;
- to enhance cost-effectiveness across all operations; and
- to expand its local markets in Africa and globally.

A wide range of analyses, initiatives and successes relating to these objectives are detailed in this report. They range from maintenance gap analyses and plant improvements to a wide range of measures to ensure the continued integrated transformation of the Company to position it as a competitive steel and vanadium slag producer that creates sustainable value and benefits for all its stakeholders.

# Performance overview

| | | |
|---|---|---|
| Group turnover | ▲ | 21% – R5.1 billion |
| Steel sales volumes | ▲ | 5% – 610kt |
| Operating expenses | ▲ | 47% – R5.9 billion |
| EBITDA | ▼ | 159% – (R710) million |
| Return on equity | ▼ | 650% – (33)% |

## Key result drivers[2.8]

| | 2010 | 2009 | % change |
|---|---|---|---|
| Liquid steel production (tons) | **777 190** | 660 796 | 17.6 |
| Cast steel production (tons) | **773 646** | 687 990 | 12.5 |
| Rolled production (tons) | **554 404** | 476 756 | 16.3 |
| Total steel sales volumes (tons) | **610 602** | 580 943 | 5.1 |
| Domestic steel sales volumes (tons) | **410 539** | 378 902 | 8.3 |
| Export steel sales volumes (tons) | **200 063** | 202 041 | (1.0) |
| Steel products average selling price ($/ton) | **716** | 632 | 13.3 |
| Productivity – tons per man-year* | **221.23** | 204.97 | 7.9 |
| Vanadium slag production (tons) | **64 202** | 46 614 | 37.7 |
| Ferrovanadium sales volumes (kg V) | **5 488 459** | 4 883 654 | 12.4 |
| Ferrovanadium average selling price ($/kg V) | **27.13** | 23.00 | 18.0 |
| Average exchange rate (USD/ZAR) | **7.32** | 8.43 | (13.2) |

* *Based on complement at year-end (including temporary employees) divided by total rolled product and includes trainees/apprentices.*

# Business performance

1.1, TD-M1, TD-R2, TD-R4, TD-R5, EO-M2, EO-M4, EO-R1, EO-R2, EO-R6, HS-M1, HS-R2, HA-M4, HA-R4, BV-R5

| Focus area | 2010 targets |
| --- | --- |
| **Production** | |
| The production of steel products and vanadium underlies revenue generation in the company. Actual production is influenced by the supply/demand balance in conjunction with market pricing, and internally by operational disruptions | • Crude carbon steel production – 974 000 tons<br>• Total rolled steel production – 790 000 tons<br>• Vanadium slag production – 79 000 tons<br>• Ferrovanadium production – 5 200 tons |
| **Human capital** | |
| Continued investment in training and developing our employees and potential employees is in line with our policy of attracting, retaining and developing high-quality staff to support our long-term business success. This investment in focused training, management development, mentorship and fast-tracking programmes provides trainees and employees with the opportunity to develop to their full potential | • Training spend – R54.93 million<br>• Training average man-days per employee – 15 days<br>• Average training spend per employee – R23 140 |
| **Safety and health** | |
| Employee safety is Evraz Highveld's prime focus, taking precedence to any operational focus, including production and profit<br><br>Occupational and personal health are proactively managed through our wellness management programmes to support employee well-being | • Fatalities – Nil<br>• Lost-time injury frequency rate – 0.34<br>• Employees reporting for voluntary HIV/Aids counselling and testing – 95 per cent |

| 2010 performance | 2011 targets |
|---|---|
| • Crude carbon steel production – 773 646 tons<br>• Total rolled steel production – 554 404 tons<br>• Vanadium slag production – 64 202 tons<br>• Ferrovanadium production – 5 392 tons<br><br>Production was adversely influenced by operational disruption due to the discontinuation of technical gas supply in the first quarter of the year; and by lower than anticipated global demand | • Crude carbon steel production – 863 563 tons<br>• Total rolled steel production – 731 193 tons<br>• Vanadium slag production – 62 201 tons<br>• Ferrovanadium production – 5 150 tons |
| • Training spend – R55 million<br>• Training average man-days per employee – 15 days<br>• Average training spend per employee – R23 140<br><br>Training spend exceeded the target due to increased focus on skills development to support organisational efficiencies and effectiveness. A new five-year training strategy targeting black managers, all females and people with disabilities was implemented to drive improved HDSA representation | • Training spend – R55 million<br>• Training average man-days per employee – 15 days<br>• Average training spend per employee – R23 000 |
| • Fatalities – One<br>• Lost-time injury frequency rate – 1.88<br>• Employees reporting for voluntary HIV/Aids counselling and testing – 46.3 per cent<br>25 – write-up on fatalities and LTIFR:<br>– 1 fatality at Mapochs Mine<br>– 24 lost-time injuries<br><br>Continued focus on employee health through the occupational health programme resulted in reduced cases of noise-induced hearing loss and chronic obstructive airway diseases<br><br>HIV/Aids VCT rates remained low due to the stigma associated with the disease | • Fatalities – Nil<br>• Lost-time injury frequency rate – 1.50<br>• Employees reporting for voluntary HIV/Aids counselling and testing – 80 per cent |

# Business performance EN-P3, EN-M3, EN-R3, EN-R4, CR-M2, CR-R1, BE-M1, BE-M3, BE-R1, BE-R3, BE-R5, BV-R5
continued

| Focus area | 2010 targets |
|---|---|
| **Environment** | |
| Our Environmental Management Programme is based on international and national statutory and voluntary requirements and environmental best-practice standards and guidelines. The main objective of the programme is to minimise the direct, indirect and cumulative impact of our operations on the immediate and surrounding environment, to the benefit of all stakeholders and in compliance with legal and other requirements and to promote sustainable development | • Maintain ISO 14001 accreditation<br>• OHSAS 18001 compliance (Mapochs Mine)<br>• Environmental capital expenditure – R40 million<br>• One per cent $CO_2$ reduction<br>• Water consumption per ton of product – 7.22$m^3$/t<br>• Energy consumption per ton of product – 47.00GJ/t |
| **Social responsibility** | |
| Our social responsibility policies are intrinsically linked to transformation, with external projects targeting the economic empowerment of communities, on both social and business levels, through housing, health, education and supply chain initiatives | • Total spend on projects – R1.63 million |
| **Transformation** | |
| Our transformation policy aims to develop our corporate structure to be reflective of the country's demographics and to ensure that the principles of transformation are also reflected in the communities within the sphere of our operations | • B-BBEE scorecard score = 30 points<br>• HDSA representation in management – 45 per cent<br>• HDSA representation in the company – 65 per cent |
| **Financial** | |
| Financial performance is a key pillar for sustainable value creation for all stakeholder groups | • ROCE – 18.4 per cent<br>• NPAT – R716 million |

| 2010 performance | 2011 targets |
|---|---|
| | |
| • Maintained ISO 14001 accreditation<br>• OHSAS 18001 compliance (Mapochs Mine)<br>• Environmental capital expenditure<br>– R8.5 million<br>• 1 per cent $CO_2$ reduction not achieved<br>• Water consumption per ton of product<br>– 7.792m$^3$/t<br>• Energy consumption per ton of product<br>– 45.603GJ/t | • Maintained ISO 14001 accreditation<br>• OHSAS 18001 compliance (Mapochs Mine and Steelworks)<br>• Environmental capital expenditure<br>– R48.69 million<br>• One per cent $CO_2$ reduction<br>• Water consumption per ton of product<br>– 7.221m$^3$/t<br>• Energy consumption per ton of product<br>– 46.00GJ/t |
| | |
| • Total spend on projects – R1.63 million<br>• Main focus:<br>– Socio-economic development<br>– Education<br>– Health | • Total spend on projects – R1.5 million<br>• Main focus will be on:<br>– Socio-economic development<br>– Education<br>– Health |
| | |
| • B-BBEE scorecard score = 30.34 points<br>• HDSA representation in management<br>– 46 per cent<br>• HDSA representation in the company<br>– 79 per cent | • B-BBEE scorecard score = 60 points<br>• HDSA representation in management<br>– 45 per cent<br>• HDSA representation in the company<br>– 70 per cent |
| | |
| • ROCE – (27,0) per cent<br>• NPAT – (R549) million | • ROCE – (3.4) per cent<br>• NPAT – (R106) million |

# Group five-year review[2.8]

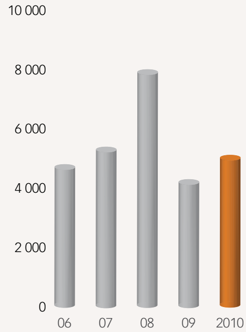
*for the year ended 31 December*

| | 2010 | 2009 |
|---|---|---|
| **Income statement** | | |
| Revenue | **5 161** | 4 325 |
| Turnover | **5 125** | 4 252 |
| Cost of sales | **(5 031)** | (3 578) |
| Gross profit | **94** | 674 |
| Other operating income | | – |
| Expenses | **(917)** | (482) |
| Operating (loss)/profit | **(823)** | 192 |
| Finance income | **36** | 73 |
| Finance costs | **(49)** | (61) |
| (Loss)/profit before tax – continuing operations | **(836)** | 204 |
| Tax | **287** | (41) |
| (Loss)/profit for the year – continuing operations | **(549)** | 163 |
| Profit for the year – discontinued operations | **–** | – |
| (Loss)/profit for the year | **(549)** | 163 |
| Headline (loss)/earnings | **(383)** | 167 |
| **Statement of financial position** | | |
| Non-current assets | **1 661** | 1 884 |
| Current assets | **2 402** | 3 011 |
| Total assets | **4 063** | 4 895 |
| Shareholder's equity | **2 510** | 3 074 |
| Non-current liabilities | **536** | 712 |
| Current liabilities | **1 017** | 1 109 |
| Total equity and liabilities | **4 063** | 4 895 |

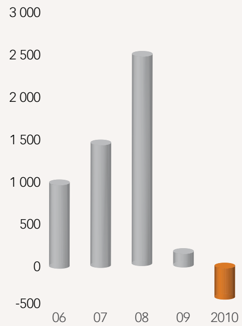
* *Owing to a change to new accounting and reporting systems the information is not readily available.*

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| | 8 174 | 5 470 | 4 841 |
| | 8 022 | 5 378 | 4 818 |
| | (4 414) | * | * |
| | 3 608 | * | * |
| | – | * | * |
| | (530) | * | * |
| | 3 078 | 1 171 | 1 088 |
| | 152 | 92 | 23 |
| | (39) | (64) | (102) |
| | 3 191 | 1 199 | 1 009 |
| | (1 015) | (146) | (173) |
| | 2 176 | 1 053 | 836 |
| | 408 | 850 | 262 |
| | 2 584 | 1 903 | 1 098 |
| | 2 572 | 1 444 | 1 026 |
| | 1 956 | 1 764 | 2 082 |
| | 3 381 | 3 160 | 2 380 |
| | 5 337 | 4 924 | 4 462 |
| | 2 949 | 3 379 | 1 885 |
| | 632 | 723 | 538 |
| | 1 756 | 822 | 2 039 |
| | 5 337 | 4 924 | 4 462 |

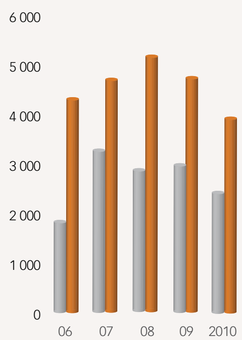
**Revenue**
(Rm)




**Headline earnings**
(cents/share)




**Shareholders equity vs total equity and liabilities**
(Rm)



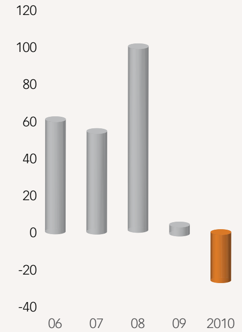
# Group five-year review continued

*for the year ended 31 December*

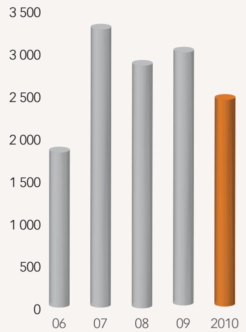
| | 2010 | 2009 |
|---|---|---|
| **Cash flows** | | |
| Cash flows from operating activities | **(288)** | (461) |
| Cash flows from investing activities | **(250)** | (32) |
| Cash flows from financing activities | **–** | – |
| Net cash flow | **(580)** | (529) |
| **Key ratios** | | |
| Return on capital employed (ROCE) – % | **(27.0)** | 5.1 |
| Net asset value per share – cents | **2 531.5** | 3 100.4 |
| Net cash to shareholders' equity – % | **19.60** | 34.90 |
| Total liabilities to shareholders' equity – % | **61.87** | 59.24 |
| Current ratio – % | **2.36** | 2.72 |
| Quick ratio – % | **1.30** | 1.61 |
| **Share performance** | | |
| Ordinary shares in issue – '000 | **99 150** | 99 150 |
| Earnings per share – basic – cents | **(553.7)** | 164.4 |
| Headline earnings per share – cents | **(386.3)** | 168.1 |
| Share price – highest – cents | **9 000** | 8 065 |
| Share price – lowest – cents | **5 965** | 4 550 |
| Share price – closing – cents | **8 350** | 6 449 |
| Market capitalisation at 31 December – Rbn | **8 279** | 6 394 |
| Ordinary dividends declared – cents | **–** | – |
| Dividend yield – % | **–** | – |
| Earnings yield – % | **(5)** | 3 |
| Price: earnings ratio | **(21.6)** | 38.4 |

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| | | | |
| | 3 464 | 1 259 | 896 |
| | 512 | 389 | (771) |
| | (3 156) | (1 413) | (432) |
| | 833 | 257 | (190) |
| | | | |
| | 103.1 | 56.5 | 63.0 |
| | 2 974.3 | 3 408.0 | 1 901.2 |
| | 54.30 | 27.80 | (23.30) |
| | 81.00 | 43.90 | 136.70 |
| | 1.93 | 3.84 | 1.17 |
| | 1.45 | 3.24 | 0.80 |
| | | | |
| | 99 150 | 99 150 | 99 148 |
| | 2 606.1 | 1 981.8 | 1 107.2 |
| | 2 594.1 | 1 518.9 | 1 033.6 |
| | 19 175 | 13 997 | 9 900 |
| | 5 012 | 6 975 | 6 901 |
| | 6 399 | 11 300 | 7 799 |
| | 6 345 | 11 204 | 7 733 |
| | 3 200.0 | – | 600.0 |
| | 50.01 | – | 7.69 |
| | 41 | 13 | 13 |
| | 2.5 | 7.4 | 7.5 |

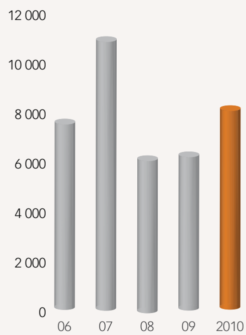
**ROCE**
(%)




**Net asset value**
(cents/share)




**Closing share price**
(cents/share)



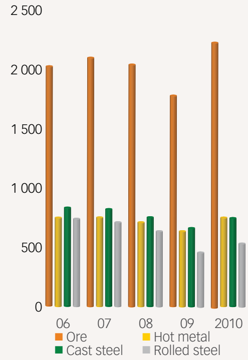
# Group five-year review continued

*for the year ended 31 December*

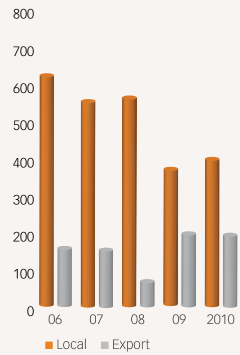
| | **2010** | 2009 |
|---|---|---|
| **Production and sales** | | |
| Total ore mined – tons | **2 324 444** | 1 847 288 |
| Lump ore – tons | **1 716 558** | 1 357 154 |
| Ore fines – tons | **607 886** | 490 134 |
| Hot metal produced – tons | **777 190** | 660 796 |
| Vanadium slag produced – tons | **64 202** | 46 614 |
| Ferrovanadium production – kg V | **5 392 197** | 4 930 319 |
| Continuously cast blocks – tons | **773 646** | 687 990 |
| Blooms – tons | **280 840** | 230 690 |
| Slabs – tons | **457 278** | 457 276 |
| Billets – tons | **35 528** | 24 |
| Rolled products – tons | **554 403** | 476 756 |
| Sections – tons | **210 051** | 174 451 |
| Plate – tons | **212 129** | 162 070 |
| Coils – tons | **132 223** | 140 235 |
| Total steel sales volume – tons | **609 665** | 580 943 |
| Total steel revenue – Rm | **3 196** | 3 095 |
| Gross value of exports – Rm | **784** | 744 |
| Export percentage of revenue – % | **15.3** | 17.5 |
| Ferrovanadium sales volumes – kg V | **5 488 459** | 4 883 654 |
| Vanadium slag sales volumes – kg $V_2O_5$ | **14 315 553** | 11 187 750 |
| Gross revenue per man-year – R'000 | **2 169.4** | 1 828.0 |
| **Weighted average selling prices** | | |
| Total steel – \$/ton | **716** | 632 |
| Ferrovanadium – \$/kg V | **27** | 23 |
| Average R/\$ exchange rate | **7.32** | 8.43 |

| 2008 | 2007 | 2006 |
|---|---|---|
| 2 121 125 | 2 180 627 | 2 099 762 |
| 1 557 600 | 1 575 237 | 1 546 680 |
| 563 525 | 605 390 | 553 082 |
| 737 681 | 779 525 | 777 017 |
| 65 725 | 65 673 | 64 964 |
| 6 781 659 | 8 679 271 | 7 572 381 |
| 780 819 | 850 081 | 863 142 |
| 358 917 | 395 179 | 393 963 |
| 421 902 | 454 902 | 455 755 |
| – | – | 13 424 |
| 659 931 | 736 531 | 767 314 |
| 299 522 | 330 076 | 338 695 |
| 207 172 | 197 630 | 185 371 |
| 153 237 | 208 825 | 243 248 |
| 668 116 | 730 228 | 802 648 |
| 5 093 | 3 752 | 3 251 |
| 675 | 843 | 3 530 |
| 7.3 | 11.8 | 53.8 |
| 6 542 404 | 8 723 155 | 7 341 577 |
| 13 580 032 | 14 243 368 | 15 094 062 |
| 3 053.8 | 1 903.7 | 1 708.1 |
| 953 | 731 | 605 |
| 59 | 35 | 39 |
| 8.00 | 7.06 | 6.69 |

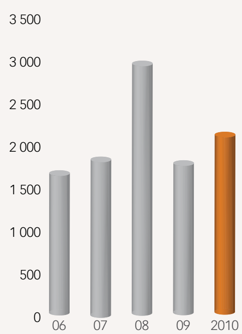
**Production**
('000 tons)




**Steel sales**
('000 tons)




**Revenue per man-year**
(R'000)



# Group five-year review TD-R2,CR-R1,EO-R1 continued

*for the year ended 31 December*

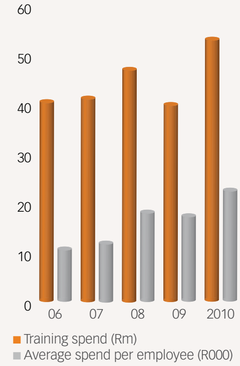
| | 2010 | 2009 |
|---|---|---|
| **Human capital** | | |
| Number of employees at year-end* | **2 506** | 2 326 |
| Training spend – Rm | **54.93** | 41.27 |
| Training average man-days | **15.04** | 6.53 |
| Average training spend/employee – R'000 | **23.14** | 17.78 |
| Bursary costs – R'000 | **3 230** | 2 271 |
| **Safety and health** | | |
| Fatalities | **1** | 1 |
| Lost-time injuries | **24** | 18 |
| Lost-time injury frequency rate – LTIFR | **1.88** | 1.81 |
| Noise-induced hearing loss – new cases | **3** | 5 |
| Chronic obstructive airway disease – new cases | **2** | – |
| HIV/Aids VCT test rate – % | **46** | 61 |
| Employees registered on HIV/Aids Wellness Programme | **43** | 43 |
| Employees on HIV/Aids ARV programme | **24** | 23 |
| **Environment** | | |
| 1% $CO_2$ reduction target achieved | **No** | Yes |
| Water consumption/ton of product – $m^3/t$ | **7.79** | 7.86 |
| Energy consumption/ton of product – GJ/t | **45.60** | 44.84 |
| **Social responsibility** | | |
| Projects – Rm | **1.6** | 1.3 |
| **Transformation** | | |
| B-BBEE score – points | **30.34** | ** |
| Employment equity – HDSA % | **80** | 78 |

* *Including temporary employees.*

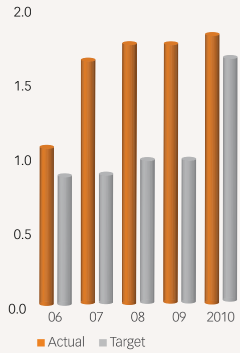
** *Company status not verified.*

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| | 2 626 | 3 492 | 3 842 |
| | 48.79 | 42.66 | 41.86 |
| | 11.70 | 14.63 | 14.22 |
| | 18.61 | 12.22 | 10.80 |
| | 3 068 | 3 203 | 3 923 |
| | 3 | 2 | 2 |
| | 25 | 30 | 20 |
| | 1.82 | 1.70 | 1.10 |
| | 4 | 3 | 1 |
| | – | 1 | – |
| | 66 | 75 | 67 |
| | 61 | 89 | 54 |
| | 30 | 24 | 17 |
| | No | No | No |
| | 7.01 | 8.09 | 7.7 |
| | 46.25 | 44.54 | 43.57 |
| | 3.4 | 3.5 | 2.3 |
| | ** | ** | ** |
| | 78 | 77 | 75 |

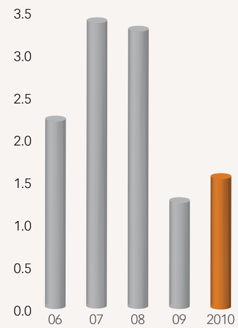
**Training spend**




**LTIFR**




**Social responsibility**
(Rm)



# Operational stucture[2.3]

**Mapochs Mine**

Opencast Mining

Strip Mining

Crushing

Washing and Screening

## Evraz Highveld Operation

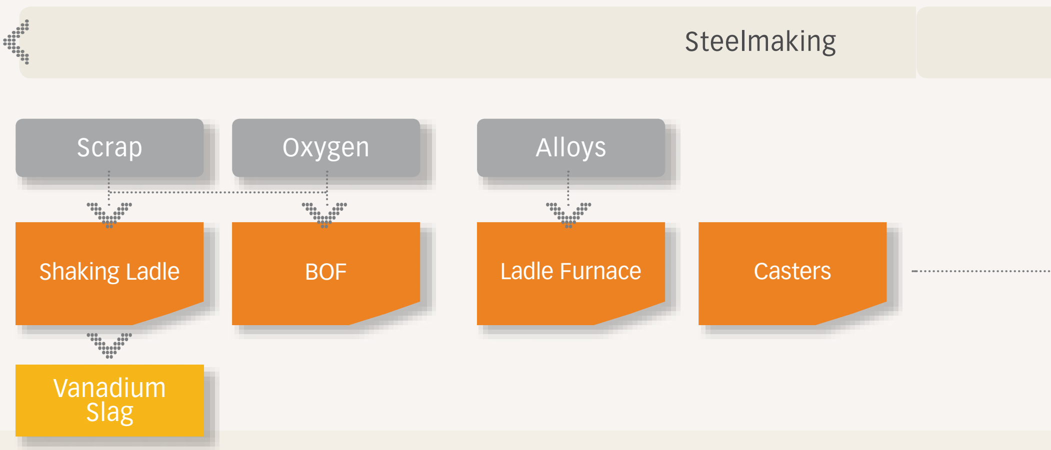
Ironmaking

Other Raw Materials

Lumpy Iron Ore

Pre-reduction Kilns

Submerged Arc Furnace/Open Slag Bath


Steelmaking
Scrap
Oxygen
Alloys
Shaking Ladle
BOF
Ladle Furnace
Casters
Vanadium Slag

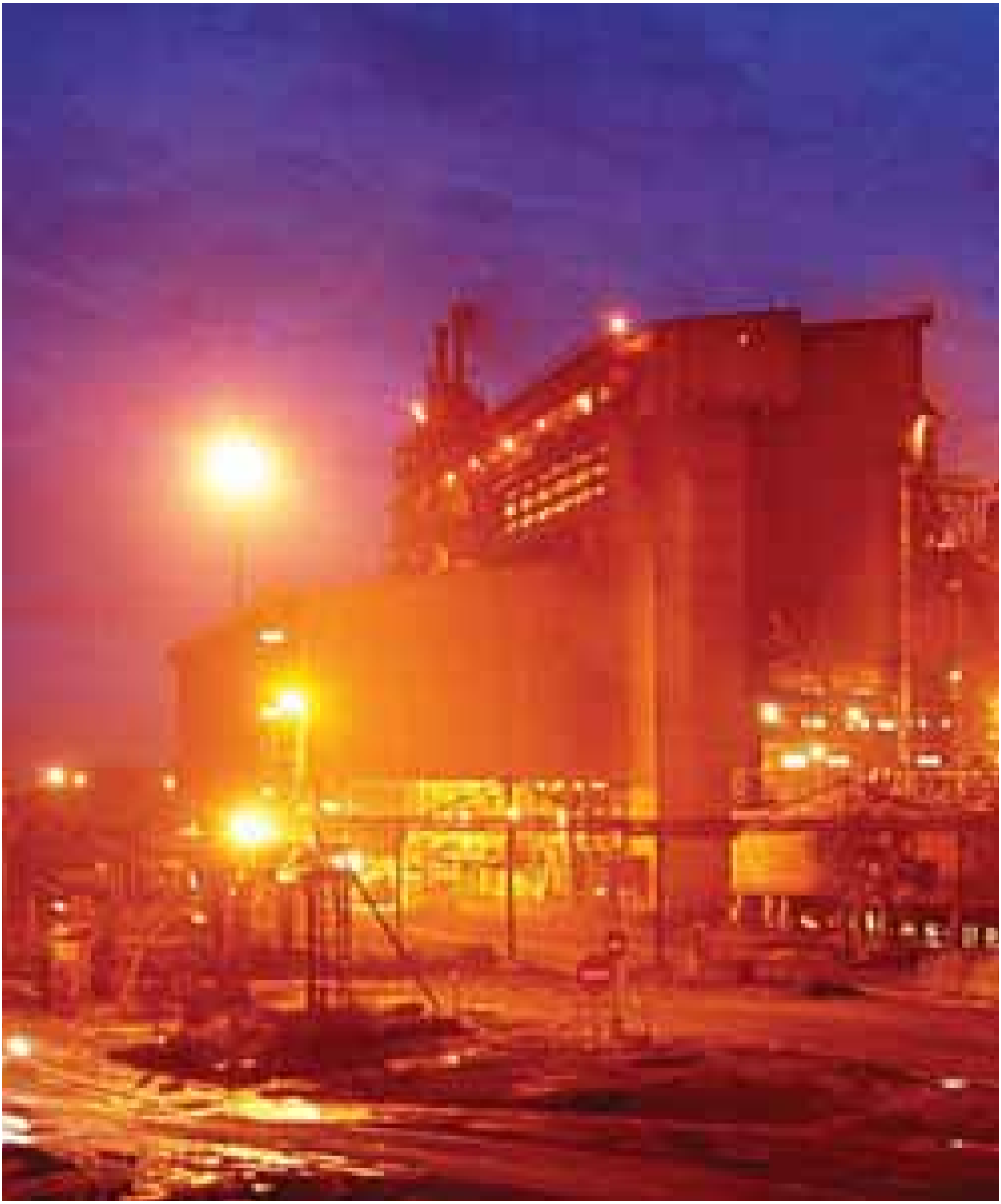
Steelworks

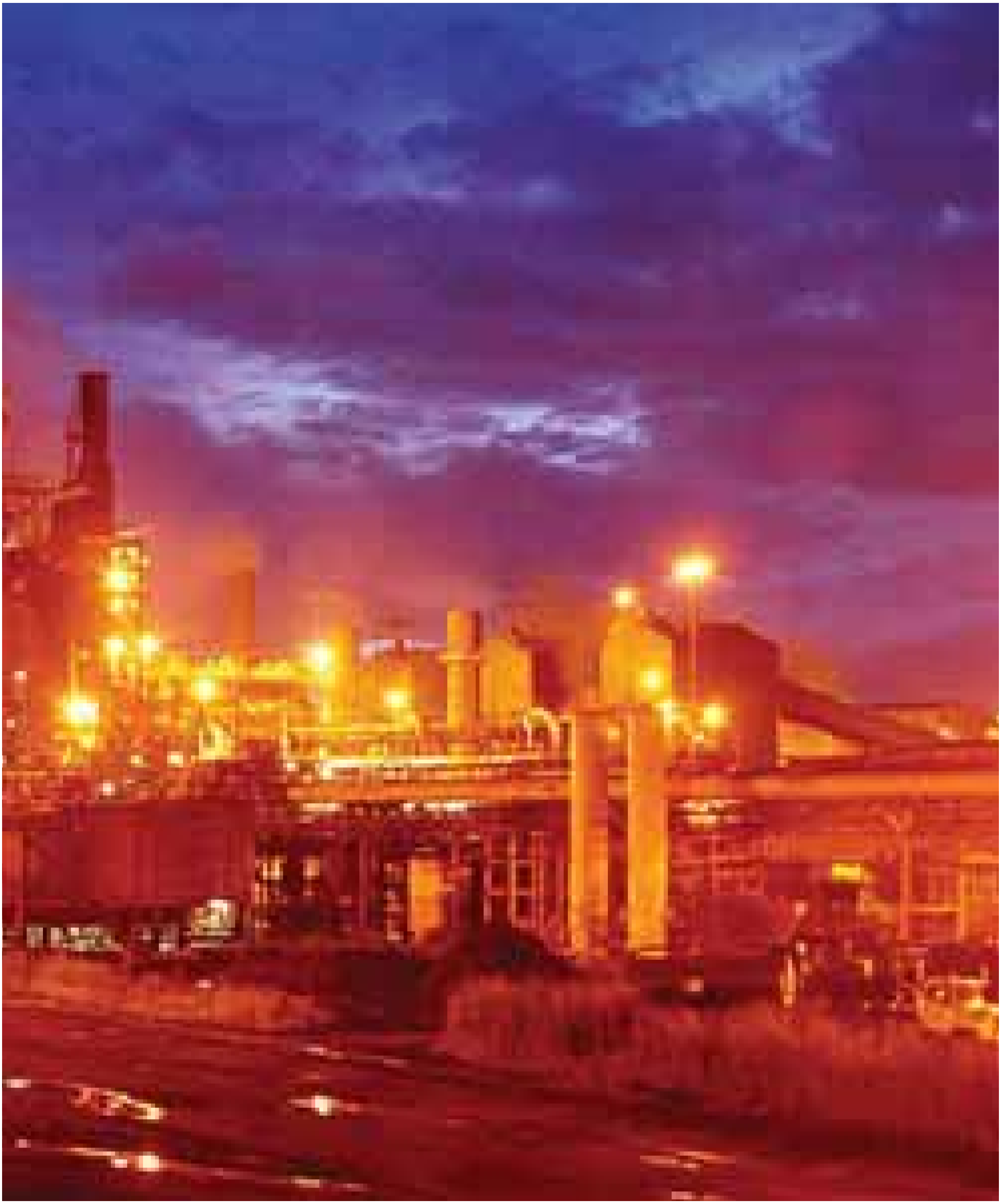
Slabs

Blooms

Flat Products Mill

Structural Mill





# Our operations[2.3]

Evraz Highveld's operational structure reflects its business focus as a vertically integrated steel and vanadium slag producer. This unique mix of products is as a result of a specially developed process at its Steelworks operation to reduce the titaniferous magnetite lump ore produced at Mapochs Mine to iron and vanadium slag. The high vanadium-bearing ore offers Evraz Highveld a unique competitive advantage.

## Infrastructure and production

### Mapochs Mine

Mapochs Mine near Roossenekal, 140 kilometres north-east of eMalahleni, is currently an operating division of Evraz Highveld. In terms of legislative provisions for the conversion of its old-order mining rights to new-order rights, Evraz Highveld has concluded a transaction providing for the sale of 26 per cent of the mine – three per cent to the Mapochs Mine Community Trust, which will manage the shareholding and its returns on behalf of the Roossenekal community, and 23 per cent to Umnotho weSizwe, a strategic BEE partner. The transaction will become effective once legal requirements, relating mostly to the Mineral and Petroleum Resources Development Act, have been met.[2.9]

Mapochs Mine's open-cast mining operation produces lump iron ore and ore fines.

Strip and pit mining methods are used and the ore is crushed, washed and screened.

A magnetic separation plant treats the ore fines, which are unsuitable for smelting, for sale to external customers. The lump ore is transported to the Steelworks at eMalahleni.

A summary of mine production for the current and previous year is:

| Production | 2010 | 2009 |
|---|---|---|
| Run of mine ('000 tons) | **2 283** | 2 176 |
| Lump ore ('000 tons) | **1 717** | 1 357 |
| Fines ('000 tons) | **608** | 490 |
| Fe content (%) | **54.21** | 53.78 |
| $V_2O_5$ content (%) | **1.61** | 1.56 |

### Steelworks

The Steelworks at eMalahleni comprises the Iron Plant, the Steel Plant, the Flat Products and Structural Products Mills and operational support infrastructure.

The **Iron Plant** processes lump ore received from Mapochs Mine to liquid iron. The magnetite ore is not suited for conventional blast furnaces due to the high titanium content of the ore. It is treated through a pre-reduction process in 13 rotary kilns and once reduced, is processed in two independent processing plants. Plant 1 has six arc furnaces, with a combined capacity of 56 000 tons of liquid iron per month, and Plant 2 has one submerged arc furnace capable of producing 15 000 tons of liquid iron per month. This process produces off-gases, which are cleaned by wet gas scrubbers and stored for fuelling gas-fired furnaces in the steel mills.

A summary of liquid iron production for the current and previous year is:

| Production | 2010 | 2009 |
|---|---|---|
| Liquid iron ('000 tons) | **777** | 661 |

At the **Steel Plant**, the liquid iron is processed into vanadium slag and cast steel.

Scrap steel is added to the liquid iron and agitated in one of four shaking ladles to separate the vanadium, which is extracted as a solid slag. After extracting the vanadium slag, the liquid iron is charged in one of three basic oxygen furnaces and then refined in one of two ladle furnaces where temperature adjustment, desulphurisation and final composition adjustments are carried out. Final casting is done in the continuous casting plant, where two casting machines cast liquid steel into blooms for the Structural Mill, one casts slabs for the Flat Products Mill and another casts billets for sale as semi-finished product.

A summary of cast steel production for the current and previous year is:

| Production | 2010 | 2009 |
|---|---|---|
| Blooms ('000 tons) | **281** | 231 |
| Slabs ('000 tons) | **457** | 457 |
| Billets ('000 tons) | **36** | – |

The **Structural Mill** rolls universal columns and beams, joists, parallel flanged channels and angles. Rails up to a mass of 57 kilograms per metre and up to 36.5 metres are also produced.

Continuously cast blooms from the Steel Plant are reheated and processed using a combination of breakdown and roughing mills, as well as universal and structural finishing mills to produce a variation of sections and rail. All sections are sawn to length using hot saws and passed through a roll-straightener after cooling. Structural sections are piled after inspection for despatch. Rails are inspected, further processed, cut to ordered length and drilled prior to despatch.

The **Flat Products Mill** rolls plate and coil. Continuously cast slabs from the Steel Plant are cut, re-heated and descaled before being processed in a four-high reversing plate mill stand. The plate is perfectly flattened in a four-high roller-leveller, cooled, flame-cut or shear-cut, and, if necessary, cold-flattened for despatch.

Coils of plate and sheet are produced in the four-high hot reversing strip mill after initial rolling in the plate mill, descaling and shear-cropping. Strip is passed through the mill stand successively until the desired gauge is achieved, after which cooling and winding into coil for product despatch is done.

A summary of structural and flat products production for the current and previous year is:

| Production | 2010 | 2009 |
|---|---|---|
| Structural sections ('000 tons) | **210** | 174 |
| Plate ('000 tons) | **212** | 162 |
| Coils ('000 tons) | **132** | 140 |

## Key raw materials and energy EN1, EN2, EN3

Key raw materials and energy consumed in the production of our products is:

| Key raw material volumes | 2010 | 2009 |
|---|---|---|
| Iron ore ('000 tons) | **2 360** | 2 117 |
| Metallurgical coal ('000 tons) | **717** | 633 |
| Anthracite ('000 tons) | **40** | 28 |
| Electricity ('000 MWh) | **1 731** | 1 528 |
| Gas ('000 GJ) | **3 164** | 3 225 |
| Oxygen ('000 tons) | **124** | 106 |

Based on the measured iron content of liquid iron and the assumed iron content in scrap steel, the percentage of recycled input materials used in the production of steel was 23 per cent in 2010 (2009: 27 per cent).

## Improvement initiatives BV-M4, BV-R4

### Mapochs Mine

Mapochs Mine embarked on a strategy early in 2010 to increase its lump ore and ore fines production to 7 500 and 2 500 tons a day respectively. Called Project 7500L, it is a twelve-month project which should be completed early in 2011. The project includes increasing the mine's ability to be more flexible in its lump:fines production ratio, which is currently fixed at 75:25.

A major risk in the existing, single-line plant, namely primary plant shut-down if the washing plant failed, was eliminated by establishing two production lines. A significant efficiency improvement is that the primary plant has the capacity to produce the full targeted production, obviating the need to supplement production from a costly mobile crushing unit at a secondary mining site. Bottle-necks in the production line were engineered out.

The new production line is being designed to yield 110 000 tons of +8-15mm lumps and 30 000 tons of +15-30mm lumps a month, compared to historic production of 140 000 tons of +8-30mm lumps a month. A new fines crusher with an output of 25 000 tons a month has been commissioned.

The new production will supply increased ore and fines demand, increase the ore stockpiles sufficiently to allow for plant breakdowns, and absorb the increased ore production from the newly licensed Uitvlugt deposit, 28 kilometres from Mapochs Mine.

The cost-effectiveness of loading and hauling equipment to transport ore to the plant was increased by commissioning moth-balled equipment, to reduce the cost of expensive contracted machinery.

In February 2011, ore-handling costs will further decrease when a conveyor belt is commissioned to haul the entire production from the plant to the railway trucks. The conveyor belt will replace loaders and trucks which cost approximately R4 million a year.

Capital expenditure budgeted for 2010 was R19.4 million, of which R12.0 million was spent by year-end. The budget for 2011 is R24.3 million.

A project to further improve the geological confidence of the reserve and resource statement over the long term involved drilling 49 boreholes for geological modelling and a further 400 boreholes will be completed in May 2011 over a strike distance of 23 km to more accurately map the ore body.

In 2011, R4.5 million has been budgeted to drill an additional 400 boreholes over the mine's licensed strike of 25 km and a performa magnetometer survey to determine optimum locations for these boreholes.

**Steelworks**

During 2010, the Steelworks focused on increasing production stability and intensifying plant maintenance, following an economically trying 2009 during which maintenance was restricted to the absolute essentials. A third programme, also aimed at improved housekeeping, saw excess stock and scrap being cleared and disposed of.

Efforts to increase production stability were successful, achieving improved through-yields and a better balance between input of raw material and output of steel, as well as between energy consumption and yield. The maintenance drive played a role in the improved production efficiencies because of an improvement in plant availability, while knowledge and skills from other Evraz companies, notably in the field of project management, also contributed to the positive outcomes.

On a strategic level, the number of coal suppliers has been reduced to two, resulting in a more consistent coal grade being used and increased furnace stability.

**Iron Plant**

The intensified maintenance project at Steelworks materially improved equipment availability and, subsequently, process stability at the Iron Plant.

The systematic conversion of the six submerged arc furnaces to open slag bath technology in Plant 1 continued in 2010. The fourth of six conversions will be completed in the first quarter of 2011. The open slag bath furnaces operate more effectively because it requires 15 per cent less coal in its feedstock. Another advantage of this technology is that lump ore of <16mm can be processed, which requires less processing energy than the 8-30mm lumps. As the converted furnaces are commissioned, the ratio of smaller lumps is being increased. Coal consumption reduces by 15 per cent if lumps <16mm ore is used.

The liquid iron yield has been increased by using more dump recovered scrap in the OSBs, reducing kiln spillages and reducing kling ladle skulling, which is a build-up of iron that has to be scrapped.

**Steel Plant**

The Steel Plant concentrated its optimisation initiatives on process improvements, aided by an exchange of knowledge with Evraz sister company, NTMK in Russia. NTMK also reduces magnetite ore to produce iron and vanadium slag. Extensive trials to modify the shaking ladle practice and basic oxygen furnaces to extract vanadium slag in a one-stage process continued in 2010. Trials to further enhance efficiencies will continue in 2011. A major maintenance project was to recommission the billet caster.

### Flat Products Mill

The Flat Products Mill did not achieve its targets in 2010, due in varying degrees to market conditions, interruptions in gas supply, limited plant breakdowns and equipment stoppages as a result of equipment maintenance and upgrades.

The Flat Products Mill invested heavily in plant optimisation and automation, by:

- improving the output of a hot shear, which was installed in 2009 and increased output of heavy material from 15 000 tons a month, to 18 000 tons;
- continuing the R20 million refurbishment project of three main-drive motors and motor generators that drive the mill. Together with the interruptions in gas supply, main-drive motor breakdowns contributed to Flat Products producing 26 per cent less than its targeted 466 458 tons;
- optimising its product mix according to market demand, producing more semi-finished products and rolling more coil and heavy plate;
- purchasing a new coil carrier to streamline the production line; and
- installing a computerised scheduling system, which assists with the management of the production process, based on customer orders and steel input from the Steel Plant. The system also improves efficiency by keeping track of steel and its metallurgical composition in accordance with the standards against which it was manufactured. The more efficient selection of steel from the slab stock will also prevent stock build-up.

In 2011 a new roll grinder will be installed to replace the current one which has reached the end of its economic life.

### Structural Mill

The Structural Mill did not achieve its targets in 2010, due in varying degrees to market conditions, interruptions in gas supply, limited plant breakdowns and equipment stoppages as a result of equipment maintenance and upgrades.

The Structural Mill invested significant time and money in plant maintenance and equipment:

- R2 million was invested in an additional water-cooling system installed at Furnace 1, to improve the efficiency of water-cooling and substantially reduce water consumption.
- Maintenance work of R7 million comprised installing two field frames, one for the breakdown mill and one for the finishing mill motor. The investment reduces the risk of motor breakdowns, ensuring continuity of production.
- The edger motor armature was replaced, its field frame improved and a spare armature was rebuilt.
- The project to reduce the mill's dependency on natural gas by using alternative gas, i.e. Alchem gas more effectively continues.

The Structural Mill also focused on its core resource, its employees, by increasing training in critical plant areas. It is anticipated that benefits from this project will be realised in 2011. Vacancies in the middle management team were filled after careful selection from a pool of adequately skilled and experienced individuals.

Maintenance for 2011 will focus on further equipment improvements in pertinent risk areas, such as the division's four main drives. Unstable drives cause plant stoppages, which affect costs in terms of both lost time and scrapped metal. Where possible, refurbishment rather than replacement is the objective to ensure cost-effectiveness.

# Our products and markets

## Product range [2.2, 2.7, 2.8]

The Evraz Highveld product range comprises:

- Vanadium and titanium-bearing iron ore lumps and fines (produced by Mapochs Mine).
- Vanadium slag (processed at the Iron Plant and Steel Plant).
- Nitrovan and Modified Vanadium Oxide (MVO) (beneficiated products processed on behalf of the company by Vametco).
- Cast steel billets, blooms and slabs (produced at the Steel Plant).
- Structural products (rolled from continuously cast blooms at the Structural Mill).
- Plate and coils (rolled from continuously cast slabs at the Flat Products Mill).

## Industry usage

### Vanadium

About 90 per cent of vanadium produced is used for ferrovanadium production as a steel additive in high-strength, low-alloy steels.

Nitrovan (a product from Vametco), a proprietary vanadium-nitrogen product, is used as an alloying material with the advantage of increasing strength through the formation of vanadium nitrides in the steel.

MVO is an intermediate product for the production of ferrovanadium or Nitrovan. Vanadium also has a number of other uses, some of which are:

- in the manufacture of rubber, plastics, ceramics, catalysts, and other chemicals;
- as a foil bonding agent in binding titanium to steel;
- in storage batteries; and
- in nuclear applications.

### Steel

Billets, cast at the Steel Plant, are used mainly for the production of rebar, but also for merchant bar.

Structural products, rolled at the Structural Mill, are used in the building and construction industry for support and structural steel frameworks, in the fabrication industry for the manufacture of rail cars, trucks and trailers; and in the transport and mining industries.

Plate, rolled at the Flat Products Mill, is used in the construction industry for the fabrication of girders, support structures and bridges, in the fabrication industry for the manufacture of storage tanks, pressure vessels and boilers; and in the ship-building industry.

Coil, rolled at the Flat Products Mill, is used in the construction industry for cladding of buildings and bridges; in the fabrication industry for the production of cold-formed sections, tube and pipe, in the engineering industry; and in the ship-building industry.

### Product recycling [EN27, PR3]

Steel is reclaimable at the end of its life cycle, but vanadium slag is processed into a variety of products, some of which do not allow for the reclamation of vanadium. Steel is the world's most recycled product, and is reclaimed through a global network of scrap merchants that procure and market scrap steel.

## Markets

### Ore

The ore fines are sold to Vanchem Vanadium Products (Proprietary) Limited (VVP), part of the Duferco Group, previously Evraz Highveld's operating division Vanchem, which was sold in 2008 subject to the provision that the operation remains entitled to a portion of the ore fines produced at Mapochs Mine.

### Vanadium

Vanadium slag is sold primarily to Hochvanadium, a 100 per cent Evraz Highveld subsidiary in Europe, which in turn provides the vanadium slag to Treibacher, for further processing into vanadium products, primarily ferrovanadium, for steelmaking in the European market.

Vanadium slag is also supplied to Vametco for conversion into Nitrovan and MVO on a tolling-basis. These products are sold into global markets through East Metals AG, the Evraz Group's European-based marketing arm.

### Steel

Depending on the demand for semi-finished steel product, a percentage of billets and slabs is sold directly to customers for further processing into final products.

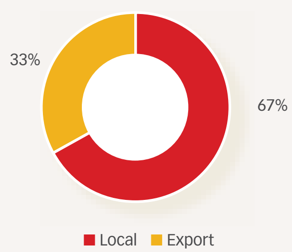
Structural and flat steel products are sold to niche markets and industry segments. In order to cater for market demand, steel products are manufactured in adherence to a variety of international standards.

Evraz Highveld's steel sales are focused on the local market with some 67.3 per cent of steel product volumes being distributed locally during 2010 (2009: 65.2 per cent), primarily through major steel merchants.

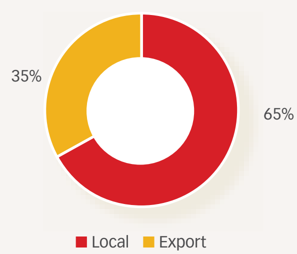
Export steel sales to the American, European, Middle East and Asian markets are channelled through East Metals AG, the European-based Evraz marketing arm. A breakdown of steel product sales volumes is:

| Sales volumes | **2010** | 2009 |
|---|---|---|
| Total steel ('000 tons) | **610** | 581 |
| Domestic (%) | **67.3** | 65.2 |
| Export (%) | **32.7** | 34.8 |

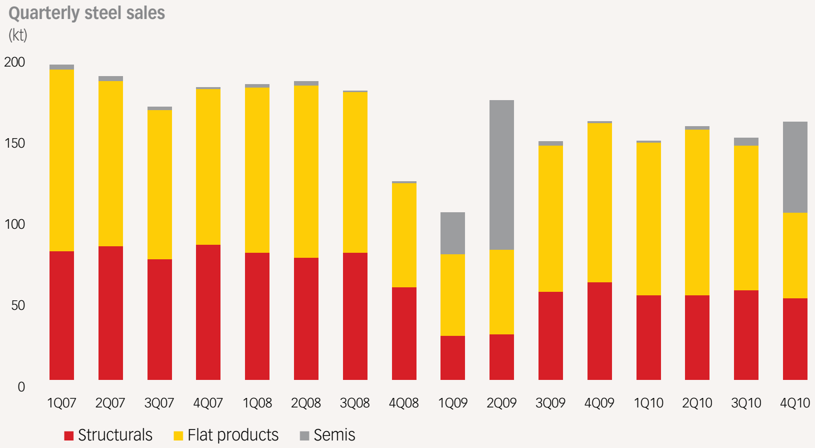
**Steel sales – 2010**




**Steel sales – 2009**



# Our products and markets continued




## Marketing ethics PR6, SO5, SO6, CE-R7

In its marketing activities, the Company supports a free-market approach, it does not participate in any organised or co-ordinated activities to affect the formulation of government policy and it does not support a specific political party, neither in policy nor in kind.

Marketing activities are complemented by product advertisements in trade magazines which comply with the Southern African Institute of Steel Construction Code of Ethics. Marketing communication adheres to the code of the Direct Marketing Association of South Africa.

None of the Company's products are banned in world markets, or are subject to stakeholder questions, or public debate.

## Customer focus PR5, PR8

Evraz Highveld is committed to providing high levels of customer service in support of its objective of being a leading local steel supplier and recognised in international markets. Customer satisfaction is monitored through continuous customer consultation to ensure that products are developed and manufactured to customer specifications. Customer satisfaction with products and services is monitored through personal contact, written evaluations, focus group meetings and web-based surveys. The on-line surveys are compiled to correspond with customers' activities, be it marketing, ordering or financial interaction. The results of the surveys are tabulated and analysed and form the basis for process improvements. In 2010, surveys drew a 54.64 per cent response rate, with no material issues being identified, again indicating a high level of customer satisfaction. The survey forms an integral part of Evraz Highveld's focused communication with customers.

Customer privacy is integral to customer relationship management. No customer information is shared with a third party.

Customers have secure access to their order details on the Evraz Highveld website. No complaints regarding breaches to customer privacy were received in 2010.

## Product labelling PR2, PR3, PR4

Steel products are labelled to ensure:

- Traceability in terms of casting batch.
- The standard to which the steel was manufactured.
- Customer and destination details.

The label also provides a link to documentation which contains information from point of manufacture to destination. The system adheres to international requirements of traceability and forms part of Evraz Highveld's ISO 9001 system.

At the Structural Mill products are labelled manually, through hard-stamping and stencilling to identify grade and dimensions. A bar-coded label is also added to indicate customer name and relevant order details, dimensions, quality and lift number.

This process did result in a negligible number of product labelling complaints, primarily related to hard-stamped numbering errors. Complaints related to approximately 0.08 per cent of total tons dispatched. In terms of quality procedure each complaint is formally addressed and corrective measures identified and implemented.

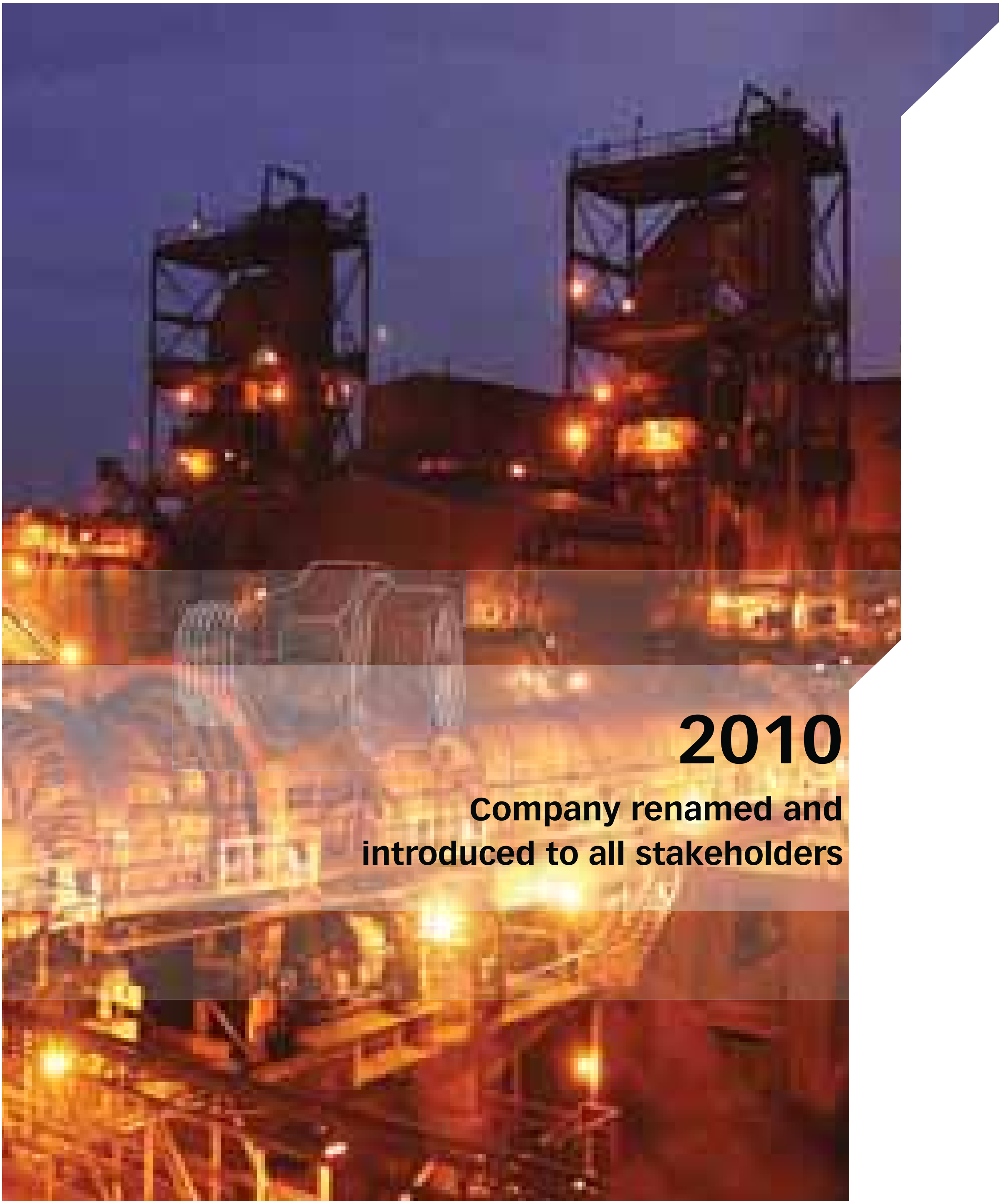
At the Flat Products a hot-marking system has been installed, which can label the products while still at 900 degrees Celsius. When cut to customers' requirements, each piece is hard-stamped or spray-painted, according to client requirements. A barcoded label, indicating all relevant details, as well as a unique lift number, is also added. The manual elements of this system are being phased out and hard-stamping of all shear-line material (<16mm thick) is now computerised. One of the five plate processing beds, where heavy plate (>16mm thick) is produced, has also been computerised and equipped with an electronic, portable hard-stamping device. Another two processing beds will be equipped with the same device in 2011.

Vanadium slag is packed in manually numbered bags. The bags are shipped in containers, which are also numbered.

All vanadium slag customers are provided with a material safety data sheet, which provides information on the appropriate, safe handling of vanadium slag. An insignificant amount of label non-conformances were reported in 2010, all of which were rectified.

# Our products and markets[2.7, 2.8] continued


| **Major export markets of all products** | % of export revenue |
|---|---|
| Austria | 53 |
| Brazil | 3 |
| Canada | 1 |
| Kenya | 4 |
| Switzerland | 11 |
| UAE | 8 |
| United Kingdom | 3 |
| USA | 6 |
| Other | 11 |


2010
Company renamed and
introduced to all stakeholders

# Group history

## 1957

The company, on which Evraz Highveld was founded, was established in 1957, when Minerals Engineering of Colorado built a plant in eMalahleni to produce 1.4 million kilograms vanadium pentoxide a year.

## 1959

Two years later, Anglo American plc (then Anglo American Corporation of South Africa Limited) acquired a two-thirds share in Minerals Engineering.

## 1960

In August, the Company's name was changed to Transvaal Vanadium Company (Proprietary) Limited. By then another company, the Highveld Development Company Limited, had been established on 19 May 1960 to investigate the viability of processing titaniferous magnetite ore for the production of liquid pig iron and vanadium-bearing slag.

## 1964

In 1964, following investigations into the viability of processing titaniferous magnetite ore for the production of liquid pig iron and vanadium-bearing slag, the process to build an integrated iron- and steelworks commenced.

## 1965

The name of Highveld Development Company was changed to Highveld Steel and Vanadium Corporation Limited on 11 June 1965.

## 1966

By 1966 Highveld was the global leader in vanadium production.

## 1976

Highveld acquired a 65 per cent share in Transalloys (Proprietary) Limited, a company producing manganese alloys.

## 1978

Highveld acquired the total issued share capital of Rand Carbide Limited, which had been founded in 1918 in Germiston. The plant was moved to eMalahleni in 1926 and Rand Carbide now operated as a division of Highveld, producing ferrosilicon and char.

## 1985

Highveld acquired the remaining 35 per cent interest in Transalloys (Proprietary) Limited, which was subsequently incorporated and now operated as a division of Highveld. The Group acquired Rheem South Africa (Proprietary) Limited (Rheem), a company involved mainly in the manufacturing of drums, pails and crown closures.

## 1991

The Group expanded its activities into stainless steel with the acquisition of the stainless steel operation of Middelburg Steel and Alloys (Proprietary) Limited in partnership with Samancor Limited, resulting in the formation of the Columbus joint venture (CJV).

## 1993

The partners in the CJV each sold a one-sixth share of the CJV to the Industrial Development Corporation.

# Group history continued

## 1994

The South African vanadium producer, Transvaal Alloys (Proprietary) Limited, was acquired in January.

## 1995

The new plant of CJV commenced production.

## 1998

Hochvanadium Holding AG, a wholly-owned subsidiary of Evraz Highveld, and its wholly-owned subsidiary Hochvanadium Handels GmbH commenced business in Austria on 1 December 1998 for the purpose of processing and selling vanadium products.

## 2002

Some of Rheem's assets were sold. With effect from 1 January 2002, 64 per cent of Highveld's interest in the CJV was disposed of thereby retaining a 12 per cent interest in Columbus Stainless (Proprietary) Limited (Columbus) and acquiring a 2.9 per cent interest in the share capital of Acerinox S.A., a Spanish company listed on the Madrid stock exchange.

## 2003

The sale of the remainder of Rheem's assets took place. Evraz Highveld retained a 50 per cent shareholding in South Africa Japan Vanadium (Proprietary) Limited (SAJV), having sold the balance to two Japanese companies. SAJV commenced operating a plant situated at the Steelworks producing ferrovanadium specifically for the Japanese market.

## 2005

Half of the Acerinox S.A., interest in Columbus was sold on 7 January 2005 and the balance on 13 May 2005, together with the entire interest in Columbus.

## 2006

In 2006, the sale of Anglo American plc's shareholding in Evraz Highveld to Evraz commenced when Evraz and Credit Suisse each acquired 24.9 per cent of Evraz Highveld's issued share capital.

## 2007

In 2007, Evraz exercised its option to acquire the share capital held by Credit Suisse as well as the share capital still held by Anglo American plc. The transaction was subject to competition-related conditions set by the Commission of European Communities, namely that certain of Evraz Highveld's vanadium-related assets be divested. In October 2007, non-core division Transalloys was sold.

## 2008

In February 2008, Evraz Highveld's divestment of non-core assets was completed with the sale of Rand Carbide. On 29 August 2008 the conditions set by the Commission of the European Communities for Evraz in relation to the divestment of Evraz Highveld's vanadium-related assets including the Vanchem division were met.

## 2010

The name of the Company was changed to Evraz Highveld Steel and Vanadium Limited on 19 July 2010 and the Company embarked on a rebranding initiative in line with the global Evraz strategy.


EVRAZ

# Directorate 4.1, 4.2, 4.3, BP-M1, BP-R2

## Non-executive directors

### **Giacomo Carlo Baizini** (40)

Italian

*Appointed: 26 October 2007*

*MA Hons in Physics (Oriel College, Oxford University), Summer MBA (Kellogg Graduate School of Management) Diploma of Industrial Engineering (Japan Management Association)*

Giacomo started his career working for several consulting firms, including McKinsey and Co in Milan and Tokyo, where his principal focus was electric utilities. He helped establish the successful development of the consulting firm's IT consulting arm in Japan.

He joined Evraz in Moscow in 2005 as a Director, and was subsequently promoted to Vice-President of Product and Resource Management.

Since July 2009 he has taken the role of Chief Financial Officer of Evraz, responsible for finance, treasury, reporting, controlling, IR, taxation, insurance, legal matters, IT and environmental policy.

### **James Wilbert Campbell** (60)

*Appointed: 27 July 2006*

*Resigned: 26 August 2010*

*BSc in Mathematical Physics (Queen's University, Belfast, Northern Ireland, MA (Cantab) in Engineering Management (University of Cambridge, UK)*

James started his career with Anglo American companies in 1975. He held various positions within the group, including Managing Director Amcoal; being seconded to the Industrial Division of De Beers as Managing Director; appointed to the boards of Anglo American South Africa and De Beers Group; Executive Director of Anglo American South Africa; Chairman of Anglo American Coal Corporation Limited and Executive Director of Anglo American South Africa Limited.

**Alexander Vladimirovich Frolov** (46)

Russian

*Appointed: 27 July 2006*

*Honours in Nuclear Physics and PhD in Physics and Mathematics Moscow Institute of Physics and Technology*

Alexander is Director and Chief Executive Officer of Evraz Group S.A. He joined Evraz Metal, the predecessor of Evraz, in 1994 and subsequently had various positions in the company, including Evraz Chief Financial Officer, from 2002 to 2004. Since 2004, he was Managing Director Corporate, responsible for the functions of strategy and business development, finance corporate affairs and communications, business process, human resources, legal and IT. Alexander served as Chairman of the board of Evraz Group S.A. from May 2006 to November 2008.

He serves on the boards of OAO Raspadskaya and ZAO Raspadskaya Coal Company, oao ouk Yuzhkuzbassugol and ZAO Yuzhkuzbassugol Coal Company, ZAO Kazankovskaya Coal Company, Evraz Vitkovice Steel and Evraz Inc. NA.

**Dmitrij Ščuka** (45)

Czechoslovakian

*Appointed: 11 November 2010*

*Diploma in Thermophysics/Nuclear Power Generation Moscow Power Engineering University*

Dmitrij started his career in 1989 as a software developer. By 1996, he was Client Manager for a company selling JD Edwards ERP software licences and towards the end of 1997 he became majority shareholder and Managing Director of a consulting company focused on ERP applications in Austria, Germany and Switzerland. When the business merged with Deloitte in 2001, Dmitrij was appointed as partner in charge of enterprise applications for Deloitte Central Europe. He joined the Evraz Group as Director of Operations for European and African Assets in December 2009, responsible for the operations and transformation of three plants.

# Directorate continued

## Non-executive directors continued

### Pavel Sergeevich Tatyanin (36)

Russian

*Appointed: 26 October 2007*

*Degree in Accounting and Economics (Moscow State University), Economics (Ruhr-Universität Bochum, Germany), Master in International Business (Moscow State University)*

Pavel joined Evraz Group in 2001 and held the positions of Deputy Chief Financial Officer, Director for Corporate Finance and Senior Vice-President and Chief Financial Officer.

In 2009 he was appointed as Senior Vice-President and Head of International Business. His responsibilities include the financial performance of the Evraz steel and mining operations in North America, Europe and Africa, and all vanadium activities. On international level, he is also responsible for trading in steel and other commodities, strategic development and mergers and acquisitions.

Prior to joining Evraz, he was Vice-President of the Adamant Financial Corporation.

### Timur Ibragimovich Yanbukhtin (46)

Russian

*Appointed: 1 March 2010*

*Masters degree in International and Development Economics (Yale University, USA), Graduate Studies, Department of Economics (Moscow State University, Russia), Undergraduate Studies, Department of Economics (Moscow State University, Russia)*

Timur joined Evraz Group in 2002 as Head of Capital Markets at Evraz Holdings. In 2005 he was appointed as Vice-President, Strategy and Business Development and in 2009 he was appointed to the position of Vice-President, Business Development, International Business. He previously held various positions with Yandex, Alfa Bank, Salomon Brothers and Pioneer Investments.

## Independent non-executive directors

### **Mohammed Bhabha** (39)

*Appointed: 1 March 2010*

*BProc, Attorney at Law*

In 1991 Mohammed was part of the ANC negotiating team at Codesa and during the negotiations for the final South African Constitution. In 1994 he was appointed as a Senator in Parliament. He chaired the Select Committee on Constitutional Affairs and Public Administration.

In 2001 he was appointed as an MEC in the Mpumalanga Cabinet. Mohammed is presently an Advisor to the Development Bank of South Africa. He is also an Advisor to the Ministry of Co-operative Government and Traditional Affairs.

Mohammed sits on the Premier's Economic Advisory Board of the North West Government. He is also assisting in the constitution-making process of Kenya.

### **Colin Bertram Brayshaw** (75)

*Appointed: 1 April 1996*

*CA(SA), FCA (England and Wales)*

Colin was a long serving partner of various accounting firms which today comprise Deloitte and Touche. During the last years in practice he was the Managing Partner of Deloitte and Touche, followed by being its Chairman. Currently he serves as Non-executive Director on the boards of Metmar Limited (Chairman), Buildmax Limited, ElementOne Limited, Shanduka Group (Proprietary) Limited and Universal Industries Limited. He serves as either Chairman or a member of all these companies' audit committees.

He is the South African representative of the Institute of Chartered Accountants in England and Wales and a Trustee of the St Andrews College, Grahamstown.

# Directorate continued

## Independent non-executive directors continued

### Babalwa Ngonyama (36)

*Appointed: 1 March 2010*

*CA(SA), MBA (Bond University) Higher Diploma in Banking Law (RAU (now UJ))*

Babalwa is the Chief Financial Officer of Safika Holdings (Proprietary) Limited and the past group Chief Internal Auditor of Nedbank. She is also a former audit partner in Deloitte's Financial Institutional Services Team (FIST) division and was the founding Chairman of the African Women Chartered Accounts (AWCA).

### Bhekisisa James Themba Shongwe (Bheki) (55)

*Appointed: 1 September 1994*

*BA (Econ), MBA, ACIS, FCIBM*

**Chairman**

Bheki is Managing Director of Kaizer Chiefs (Proprietary) Limited, Chairman of Matsamo Global Investment Holdings (Proprietary) Limited, Compass Management Consultants (Proprietary) Limited and a Non-executive Director of Sabvest Limited.

Bheki was appointed as Chairman of the board of Evraz Highveld in October 2009, after being a Non-executive Director for 15 years. He serves on the Social and Ethics Committee (formerly the Transformation Committee) of which he has been a member since its inception. Bheki has gained wide experience serving as Non-executive Director of companies such as African Bank Limited, African Bank Investments Limited, Super Group Limited, Primemedia Limited, Alexkor Limited and Air Traffic and Navigation Services Company of South Africa.

## Executive directors

**Peter Montagu Surgey** (56)

*Appointed: 1 March 2010*

*BA LLB (University of Cape Town)*

Peter joined Barloworld in 1983 and was appointed to the board in 1995. He was the Chief Executive Officer of Barloworld Coatings South Africa from 1992 to 2003 and a Director of Barloworld Limited from 1995 to 2008.

Peter is currently a Director of the National Business Initiative and a Trustee of the President's Trust and the Duke of Edinburgh Award. Peter is a Non-executive Director of Freeworld Coatings Limited, Nampak Limited, First Uranium Corporation and Control Instruments Group Limited.

**Alexander Scott MacDonald (Scott)** (58)

British

*Appointed: 1 March 2010*

*Chartered Engineer, Postgraduate Diploma in Management Studies, Fellow of the Institute of Materials Minerals and Mining, Companion Chartered Management Institute*

**Chief Executive Officer**

Scott was appointed to the position of Chief Executive Officer on 1 March 2010. Prior to joining Evraz Highveld, Scott was an Executive Director in the former Corus Group now known as Tata Steel Europe. His previous position to this was Chief Operating Officer of Klockner and Co AG. Before this position he held a number of senior roles within the steel industry and has extensive international experience.

# Directorate continued

## Executive directors continued

### Bernardine Elizabeth de Beer (Bernie) (53)

*Appointed: 26 August 2009*

*BCompt (University of South Africa)*

**Financial Director**
Bernie joined Evraz Highveld in January 2009, as Financial Advisor to the Chief Executive Officer and was appointed as Financial Director of the Corporation in August 2009.

Bernie has 30 years' experience in finance, across various industries, including banking and manufacturing. She led the development and implementation of a wide range of financial systems, including product costing and internal cost reporting, general accounting, statutory reporting and accounts payable and receivable.

Prior to joining Evraz Highveld, Bernie was Senior Financial Manager at Columbus Stainless (Proprietary) Limited. She worked at the company for 13 years.

### Walter Giovanni Ballandino (55)

Italian

*Appointed: 6 July 2007*

*Resigned: 28 February 2010*

*Doctorate in Mechanical and Metallurgical Engineering, addressed to steelmaking (Polytechnic of Turin)*

Walter was appointed Chief Executive Officer of Highveld Steel and Vanadium Corporation Limited on 6 July 2007 and resigned on 28 February 2010.

# Executive committee [4.1]

Effective 1 March 2011

**Scott MacDonald**
Chief Executive Officer

**Bernie de Beer**
Financial Director

**Franz Holy**
Chief Operating Officer

**Johan Nel**
Deputy Chief Operating Officer

# Executive committee continued

## Effective 1 March 2011 continued

**Malcolm Curror**
Director, Vanadium Operations (SA)

**Cathie Lewis**
Company Secretary and Investor Relations

**Hawi Matsoele**
General Manager, Mapochs Mine

**Jerry Molefe**
General Manager, Human Resources

**Malcolm Simpson**
General Manager, Projects

**Mike van In**
General Manager, Information Technology
*(Part of the Executive Committee during 2010)*

**Vossie Vorster**
General Manager, Sales and Marketing

**Romano Wolar**
General Manager, Security
*(Part of the Executive Committee during 2010)*

# Operational management committee [4.1]

Effective 1 March 2011

**Franz Holy**
Chief Operating Officer

**Johan Nel**
Deputy Chief Operating Officer

**Yolandi Bezuidenhout**
Manager, Environment

**Ken Bladwell**
Manager, Metallurgical Services

**Jacoline Botha**
Unit Manager, Quality Control

**Gert Coetzee**
Acting Manager, Computer Services Division

**Douw de Leeuw**
Manager, Security

**Thea-Lynn MacLoud**
Manager, Government Relations

**Thabisile Mchunu**
Manager, Transformation

**Kefilwe Mothupi**
Manager, Buying and Procurement

**Mandla Ndlozi**
Manager, Health and Safety

Driving

transformation

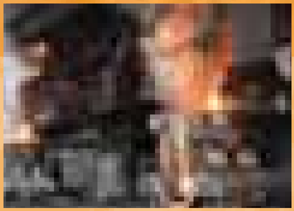
to improve

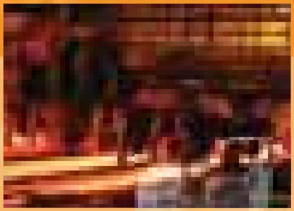
our core

business

# Business review

# Business review





# Chairman's review [1.1]

Our strategy is to build on our strength as a well-established, vertically integrated vanadium slag and steel producer, manage our product range to achieve optimum balance between quality, customer demand and operational efficiency to enhance cost-effectiveness and to expand our local markets.

**BJT Shongwe**

# Chairman's review continued

The business has endured a prolonged, difficult trading environment occasioned by the weakness of the world economies. The loss Evraz Highveld recorded in 2010 was the first negative return on shareholders' funds in many years. This, however, is not a true reflection of management and staff's efforts to guide the Company out of the long depression and gear it for long-term sustainable profitability.

Having survived the trying economic conditions of 2009, the board in 2010 concentrated on the following strategic areas of the business: BV-M4, BV-M7, BV-R4

- The board was strengthened by the appointment of five non-executive directors.
- The Company's overall strategy was aligned with that of Evraz Group S.A., in particular:
  - **Stage 1**
    Implementation of a robust commercial plan linked to a quantum leap in productivity and efficiency with the principal driver being high levels of customer service with 95 per cent on time delivery.
  - **Stage 2**
    Implementation of significant capex plans focusing on manufacturing to further enhance achievement of Stage 1.
- An extensive plant maintenance and upgrade programme was launched.
- More robust production process improvements were implemented.
- Steps were taken to further improve environmental management outcomes.
- Stakeholder management and communication processes were streamlined to further improve transparency.
- Deepened organisation-wide transformation to drive a more positive relationship between the Company and its stakeholders.

Our strategy alignment with the Group did not materially change the direction of the Company, but, broadly speaking; we aligned our objectives to achieve organic growth, optimum business performance and increased market penetration. In terms of the latter, our export products are now sold through East Metals AG, the European-based marketing arm of Evraz Group S.A., which brings long-term benefits in terms of production gearing and marketing penetration.

Our plant optimisation programme focused on improvements in production, emissions, product quality and human capital development. Production improvements ranged from increasing the smaller-lump ore input from Mapochs Mine, which smelt more cost-effectively, to continuing the iron plant furnace conversions to open slag bath, also a much more cost-effective means of smelting our unique vanadium-rich titaniferous ore.

The board is confident that, notwithstanding the adverse impact on the current year's financial performance, the investment made in this optimisation programme will provide our stakeholders with sustainable, improved returns going forward.

In addition to the increased costs associated with our plant optimisation programme, the Company also had to deal with further costs associated with a prolonged disruption in technical gas supply. Management is investigating ways to manage the disruption impacts to ensure reliable future continuity of supply.

Notwithstanding these negative financial impacts, together with those associated with the write-off of a sizeable amount of stock and scrap as part of our process and production optimisation drive and fixed asset impairment, the board has positively assessed the Company's ability to operate as a going concern in 2011.

The board has prioritised the alignment of the Company's governance structure to take cognisance of:

- the new Companies Act and Regulations, which becomes effective on 1 April 2011;
- the new Mining Charter;
- the Third King Report on Corporate Governance, which became effective on 1 March 2010; and
- changes to the JSE's Listings Requirements.

In March 2010, the Competition Commission launched an investigation into an allegation of price-fixing against ArcelorMittal SA Limited and Evraz Highveld, relating to flat steel products. In compliance with the summons issued by the Competition Commission, all documentation requested was submitted to the Competition Commission in July 2010. No further communication has since been received from the Competition Commission and the board is confident that there is no substance to the allegation.

Evraz Highveld considers important all environmental issues and I am happy to report that certain aspects of the plant maintenance and upgrade programme improved our possible response in this area. Good progress is, therefore, being made to improve our environmental management processes and systems, both in terms of legislative requirements and internal targets.

Our target of complete transparency in stakeholder communication was enhanced by the appointment of a senior employee to structure and streamline communication and engage better with relevant government departments. Communication with government focuses on the legislative aspects of running a company in compliance with legislation and industry transformation requirements. This involves facilitating strategic engagement on social, environmental and economic issues that are relevant to Evraz Highveld with these various government departments, at national, regional and local levels.

The transformation of Evraz Highveld to reflect the country's demographics and drive continued social business improvement also received a welcome boost with the appointment of a transformation manager.

The focus on our most valuable asset, people, was enhanced by structuring the Human Resources function into five clearly defined disciplines and adequately staffing the new structure. This will impact positively on the Evraz Highveld objectives of being an employer of choice and will improve effectiveness throughout the company.

# Chairman's review continued

It was pleasing to note that Evraz Highveld was rated 27th in the *Business Times* Top 50 Companies over the past ten years, with a compound growth rate of 2 966 per cent in share price, which increased from 1 720 cents to 8 500 cents at the time of the survey. We aim to improve on all our past performance achievements. I am also proud of the Company's retained inclusion in the JSE's SRI Top Companies Listing and our first inclusion into the Carbon Listing.

The board is confident that 2011 will be a better year than 2010 was and that the proactive steps that have been taken to optimise business processes will yield positive results for all stakeholders, despite the ever-changing global economic, political and social dynamics.

I thank management and staff for their dedication and wish them the best for the new year. Our employees are the anchor of our business and I am, therefore, pleased with the progress made with transformation initiatives, training and leadership development.

Further, I commend all staff for the improvement in our safety statistics, in terms of the lost-time injury-free rate (1.88 per million hours, from 1.80 per million hours in 2009). I, however, regret the loss of a life at Mapochs Mine, and I urge all employees to make safety their way of life at all times.

To my fellow board members, thank you for your support, input and wisdom. I welcome aboard all the recently elected non-executive directors. To our bankers, thank you for your support.

**Bheki Shongwe**
Chairman
16 March 2011

# Report of the Chief Executive Officer [1.1, 1.2]

Creating sustainable value for all our stakeholders is a priority. Our focus is on cost efficiency through plant optimisation including steps aimed at production and emission improvement, increased quality of product labelling and traceability. We aim to exceed regulatory, international and best-practice requirements for all matters related to safety, health, environment and quality.

AS MacDonald

It gives me great pleasure to present the Evraz Highveld integrated annual financial and sustainable development report for the 2010 year. Since the commencement of the purchase of the Company by the Evraz Group S.A. in 2006, progressive endeavours in support of creating sustainable value for all our stakeholders have been a priority of the management team, under the guidance of the board.

This report has been extended to provide feedback on the activities of more board committees, in line with the Company's objective of continuously improving transparency. The report of the Social and Ethics Committee is included on pages 74 to 76, the report of the Remuneration and Nominations Committee is included on pages 86 to 92 and the report of the Audit and Risk Committee is included on pages 194 to 197.

## Business strategy [BV-M7]

During the year, the Evraz Highveld strategy was aligned to that of Evraz Group S.A., which concentrates on stabilising and growing the business to achieve cost optimisation, sustainability and market leadership.

In 2010 our focus in support of the strategy was on cost efficiency, specifically through plant optimisation. The plant optimisation programme included steps aimed at production and emission improvements, increased quality in terms of product labelling and traceability and a focus on training and appointing people in pivotal roles in the plant.

Further focus was placed on getting the operational levels up to produce consistent quality products and to increase the quality of service delivery.

The maintenance drive, particularly, was overdue following the restricting cash preservation drive in 2009 as a result of the depressed markets.

The plant maintenance and upgrades did result in lost production time, affecting our bottom line.

## Business risks

The cost of electricity, the exchange rate of the Rand against major currencies, a sustainable supply of coal, technical gasses and water and the availability of rail transport remain the most prominent business risks.

Management intensified efforts to optimise energy use with a wide range of initiatives, such as the plant maintenance and upgrade programme, the continued conversion of furnaces to the more energy-efficient open slag bath technology and increasing the supply of smaller lump ore from Mapochs Mine, which adds to smelting process optimisation.

The future continuity of gas supply is being investigated following the impact of the four-week disruption earlier in 2010.

The sustainability of coal supply was ensured by appointing a second supplier, which has access to a grade of coal similar to that of the current supplier. Consistency in grade adds significantly to plant and cost optimisation.

## Business performance

Evraz Highveld was not immune to the challenges faced by businesses globally following the economic crisis of 2008. The postponement of capital projects and stringent cost containment measures implemented in 2009 necessitated an increase in costs in the 2010 year to maintain operating plant efficiencies, adversely impacting on our current year results.

This was compounded by increased raw material and energy costs, plant disruptions resulting from a prolonged disruption in technical gas supply for an extended period, fixed asset impairment of R230 million on the Channel Induction Furnace, losses incurred in the optimisation of scrap stock levels and the further strengthening of the Rand against major currencies. The Company has initiated arbitration proceedings against the gas supplier during February 2011.

Our biggest loss during 2010 was the loss of a life of a contractor employee at Mapochs Mine. We continue with our relentless focus on employee safety, and I would like to congratulate all employees on their continued efforts in applying safe working practices, particularly our 2010 Safety Millionaires for the following achievements: Flat Products (three million hours), Mapochs Mine (two million hours) and Engineering Services (one million hours) without injuries.

Within global markets, crude steel production increased by 10.7 per cent from 1.22 billion tons in 2009 to 1.35 billion tons, and South African output by 13.3 per cent from 7.48 million tons in 2009 to 8.48 million tons in 2010. China produced 262 million tons.

In the first half of 2010, crude steel output in South Africa increased some 20 per cent over 2009, going against the global trend. By July output had increased to its highest level since the beginning of the global recession towards the end of 2008.

Like other steel producers, Evraz Highveld fought the effects of the severe increases in electricity tariffs and the strong local currency, which caused some steel imports to increase significantly over the previous year.

Mapochs Mine produced 1.717 million tons of magnetite titaniferous ore lumps (1.357 million tons in 2009) and 607 886 tons of fines (490 134 tons in 2009).

Rolled steel output from the Steelworks increased to 554 404 tons from 476 757 in 2009, and the production of vanadium (V) increased to 8 680 tons (6 192 tons in 2009).

Evraz Highveld's export:local sales volumes were 33:67, an increase from the historically approximately 25:75 ratio.

## SHEQ assurance

Evraz Highveld aims to exceed regulatory, international and best-practice requirements for all matters related to safety, health, environment and quality, through an integrated management system, which is based on OHSAS 18001 – 2007 for safety and health, ISO 14001 – 2004 for environmental matters and ISO 9001 – 2008 for quality assurance. These three systems have been integrated into one set of primary procedures implemented throughout the Company.

## Occupational health and safety

Our safety approach, based on sound and simple Cast Iron Rules which aim to prevent and eliminate fatalities and injuries, remains comprehensive. This approach is supported by the HOTTO mindset, namely that everybody has the obligation to stop unsafe work.

During 2010, the lost-time injury frequency rate (LTIFR), a key safety barometer, increased to 1.88 per million hours (1.80 per million hours in 2009). The target was 1.70 per million hours.

Evraz Highveld remains proactive in its approach to healthcare, for both occupational and personal healthcare services, including access to HIV and personal well-being programmes.

The Company targeted a 95 per cent voluntary HIV/Aids counselling and testing (VCT) rate for 2009, but ongoing stigmatisation and privacy concerns resulted in an achievement of only 46.3 per cent (2009: 60.8 per cent).

Evraz Highveld continued to invest in the treatment of employees suffering from HIV/Aids. In 2010, 43 employees were again registered on the HIV/Aids Wellness Programme and 24 on the Antiretroviral Therapy (ART) Programme.

Occupational health continues to focus on key risk areas in the mining and steel industries, these being noise-induced hearing loss (NIHL), chronic obstructive airways disease (COAD) and occupational asthma. In 2010, three cases of NIHL were reported (five in 2009) and two COAD and zero occupational asthma cases were reported.

## Environment

The Evraz Highveld environmental management programme addresses macro issues related to climate change and the Company's carbon footprint as well as air quality, energy, water quality, waste management, biodiversity and land and soil management. The programme is based on guidelines derived from local legislation and international and national best-practice standards, such as ISO 14001, the Carbon Disclosure Programme, the Global Reporting Initiative and Chamber of Mines guidelines. The Steelworks is ISO 14001 certified, to the 2004 standard. Certification was retained following an audit conducted in 2010.

The environmental programme guides all aspects of the environmental management process in terms of statutory and voluntary programmes and plans – including National Environmental Management Act (NEMA), the Air Quality Management Plan and the Integrated Water and Waste Management Plans.

## Human capital

During 2010, Evraz Highveld increased its focus on its human resources activities, to ensure that it maintains its drive to be an employer of choice and to enhance business efficiency in general. Human Resources was structured into five clearly defined disciplines and new appointments were made to give impetus to the new structure, notably talent management, organisational development and performance management managers.

The shortage of critical skills in the industry remains a challenge. Progress towards achieving a workforce representative of the country's demographics is also a challenge, notably in terms of adequately skilled people. Of employees recruited in the skilled categories in 2010, 100 per cent were from the designated group, as were 86 per cent of employees promoted within the Company. 12 per cent of employees are female, of which 22 per cent are at senior management level.

Steps to improve the Company's efforts to achieve its transformation ratios will gain momentum in 2011, following the appointment of a transformation manager in 2010.

Evraz Highveld invested R54.93 million in training, development and tertiary education bursaries (2009: R41.27 million), which represents 5.6 per cent of the direct labour costs for the year (2009: 5.2 per cent). Trainees comprised 10.6 per cent of the Company's staff complement (2009: 12.5 per cent).

Bursary and training schemes continue to play a meaningful role in attracting and developing talent. At the end of 2010, 387 employees were being developed as engineers-in-training, technicians, university bursars, university of technology trainees or apprentices. Of these trainees, 84 per cent are from the designated group.

The Evraz Highveld Training Centre continues to deliver sterling results as a MERSETA accredited apprentice training centre, being authorised to test both internal and external candidates and award qualifications.

In 2010, Evraz Highveld, NUMSA and Solidarity concluded a new three-year wage agreement, effective until 2013.

## New-order mining rights

Evraz Highveld has complied with the requirements for converting the Mapochs Mine old-order mining rights to new-order rights. The conversion will secure Evraz Highveld's access to the unique vanadium-rich, titaniferous ore produced by Mapochs Mine, and for which the Steelworks was custom-built.

The conversion will also trigger the transfer of Mapochs Mine into a private company. Evraz Highveld will sell 23 per cent of this company to a BEE consortium, and give a community trust access to three per cent of the mine's shareholding, which will impact positively on Evraz Highveld's transformation drive.

On 28 January 2011 a Letter of Grant notifying Evraz Highveld that its application for conversion of its old-order mining rights into new-order mining rights has been approved was received from the Department of Mineral Resources. The formal process to execute and register the right has commenced.

## Financial performance

In comparison with 2009 where the Company reported Group EBITDA of R447 million, increased costs resulted in a negative EBITDA of R263 million. A net loss of R549 million resulted, compared to a net profit of R163 million in 2009. Operations utilised net cash of R288 million (2009: R461 million). At year-end, net cash was R492 million (2009: R1 072 million).

Capital expenditure was incurred mainly for plant maintenance and upgrades, which included equipment to further mitigate the impact of the Company's activities on the environment. Approximately R263 million (2009: R202 million) was spent.

The SAP management modules, which were implemented in 2009, provided management with a significantly improved budgeting and cost-control tool. During 2010, business efficiency improvements aimed at establishing sustainable improved returns for stakeholders included further enhancement to the report-generating capabilities of the system's management modules to provide real-time access to relevant and effective decision-support information. Ongoing efficiency improvements include supply chain management, research and development and stakeholder engagement. [BV-M4, BV-R4]

## Outlook for 2011

Markets globally remain uncertain and an immediate improvement in demand is not foreseen. This, coupled with the high cost of electricity and the strong local currency, will tax our innovation and business skills.

However, following the comprehensive plant maintenance and upgrade programme initiated in 2010 and the wide range of people- and production-focused initiatives that have been launched and extended, we have stabilised the business to such an extent that we can grow it to the advantage of all stakeholders.

Our collaboration with Evraz Group S.A., notably in terms of centralised global marketing and plant-specific knowledge exchange, will sustain our efforts to achieve leadership in our market segments. At the base of our efforts to lead the industry is our unique advantages in terms of our vertically integrated vanadium slag and steel production capabilities and a team of loyal employees.

I am confident that we shall be able to achieve our goals – from capacity utilisation, production and profit to environmental and transformation management.

Lastly, and most importantly, in all we do, please be safe.

**Scott MacDonald**
Chief Executive Officer
16 March 2011

# Report of the Financial Director [2.8]

### *Key financial performance indicators

| | 2010 | 2009 | 2008 |
|---|---|---|---|
| Net sales revenue (Rm) | **5 125** | 4 252 | 8 022 |
| Cost of sales (Rm) | **5 031** | 3 578 | 4 414 |
| Gross profit (Rm) | **94** | 674 | 3 608 |
| Net profit after tax (NPAT) (Rm) | **(549)** | 163 | 2 176 |
| Headline earnings (Rm) | **(383)** | 167 | 2 192 |
| Headline earnings per ordinary share (cents) | **(386.3)** | 168.1 | 2 210.6 |
| Gross profit margin (%) | **1.8** | 15.9 | 45.0 |
| Return on capital employed (ROCE) (%) | **(27.0)** | 5.1 | 86.0 |

** Continuing operations*

## Financial performance

Evraz Highveld's headline earnings for the year ended 31 December 2010 decreased by 329 per cent to R383 million. Improved trading conditions resulted in higher sales volumes and global price stability supported increased revenues. However, reduction in domestic sales prices as well as a 13 per cent strengthening of the Rand against the US Dollar negatively impacted on headline earnings. The material increase in expenditures, primarily in the areas of raw materials, plant maintenance and plant repair and energy costs, contributed to the decrease in headline earnings.

## Revenue

Revenue increased by 20.5 per cent from R4 252 million to R5 125 million, supported by increased sales volumes. Following the slump in sales experienced in 2009 after the severe economic downturn of late 2008, stronger market demand in 2010, particularly in the export markets, resulted in steel product sales volumes increasing by 5.1 per cent and vanadium slag sales volumes increasing by 22.0 per cent.

### Product sales volumes

| | 2010 | 2009 | % change |
|---|---|---|---|
| Structural steel products – local (kt) | **112** | 110 | 1.8 |
| Structural steel products – export (kt) | **97** | 60 | 61.7 |
| Flat steel products – local (kt) | **293** | 266 | 10.2 |
| Flat steel products – export (kt) | **46** | 24 | 91.7 |
| Semi-finished steel products – local (kt) | **6** | 4 | 50.0 |
| Semi-finished steel products – export (kt) | **57** | 118 | (51.7) |
| Vanadium slag – local (kt $V_2O_5$) | **2.1** | 0.8 | 162.5 |
| Vanadium slag – export (kt $V_2O_5$) | **11.5** | 10.4 | 10.6 |

Slower growth in local steel market demand was offset by improved export demand, albeit at lower prices due to the strength of the local currency.

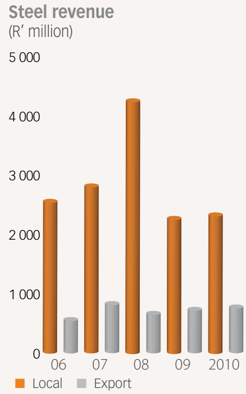
Improved stability in global steel markets positively influenced finished product demand. In 2009, large semi-finished steel product volumes, sold at lower margins, were exported to support sustained capacity utilisation in the absence of weak final product demand. The decrease in semi-finished steel product sales in favour of increased finished product sales in 2010 was favourably received.

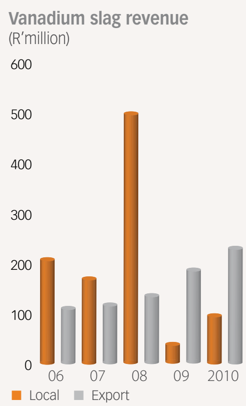
Revenue performance was adversely influenced in the first quarter of 2010 by the reduction in capacity resulting from the four-week discontinuation of gas supply.

Recovery in the global steel markets during 2010 supported an increased demand for vanadium, following the irregular and unpredictable demand experienced during the sharp decreases in 2009. Almost 90 per cent of vanadium is traded in the form of ferrovanadium, which is used as an additive to increase the strength of steel.

The improved global demand and global vanadium prices influenced revenue positively in 2010.

Future sustainable revenue growth from vanadium products has also been achieved by an increased focus on product beneficiation. During 2010, a tolling-based approach was negotiated, in conjunction with a locally-based fellow subsidiary in the Evraz Group, for the conversion of Evraz Highveld vanadium slag. Evraz Highveld now benefits from increased revenue flows from beneficiated global product sales through Evraz's East Metals AG.



# Report of the Financial Director continued

**Expenditure**

| Major cost drivers included in cost of sales | **2010 Rm** | 2009 Rm | % change |
|---|---|---|---|
| Raw materials | **1 545** | 1 176 | 31.4 |
| Energy | **629** | 417 | 51.8 |
| Auxiliary materials | **547** | 390 | 40.3 |
| Services | **1 219** | 887 | 37.4 |
| Staff costs | **601** | 485 | 23.9 |

Total cost of sales increased by 40.6 per cent to R5 031 million.

Raw material cost increases were driven primarily by increased commodity prices in line with the global economic recovery and increased costs associated with scrap sales. Major drivers included coal and ferroalloys with increases of 16 per cent and eight per cent respectively. During 2010, scrap steel held on site was reduced to improve inventory efficiencies with a resultant increase in expenditure. The vanadium plant production was extended to include slag from an external source to further increase vanadium output for processing and revenue benefit.

Energy costs reflected an increase of 51.8 per cent resulting from the impact of the 43 per cent tariff increase imposed by Eskom during 2009 and 25 per cent tariff increase in 2010, and increased production in 2010. Evraz Highveld is progressing the evaluation of the feasibility of cogeneration to promote a sustainable reduction in energy costs.

Auxiliary material and services costs increased by 40.3 per cent and 37.4 per cent respectively, primarily as a consequence of increased repair costs following the deferment thereof in 2009 in line with our cost containment strategy and cash preservation drive.

Staff cost increases in 2010 were influenced by the additional costs associated with the resignation of senior executives, annual salary increments awarded and the material increase in overtime costs due to increased production volumes in conjunction with an increased staff portfolio.

Depreciation charges accounted remain above that invested in asset additions in line with our continued cost containment drive.

## Balance sheet

The balance sheet continues to reflect our cash-positive positioning with no element of business financing leveraged. We continue to review the need for further capital investment to enhance operational process efficiencies and address environmental emissions, and will give due consideration to funding from external sources where appropriate.

Working capital management is integral to optimising positive net cash flows. Inventory values decreased due to sales out of stock and lower raw material stock holding. Increased sales by Hochvanadium promoted higher levels of receivables for the Group.

The reduction in the net book value of property, plant and equipment is mainly due to the impairment of the Channel Induction Furnace in 2010. Capital additions were lower than the depreciation for the period.

The increase in provisions is mainly due to an increase in the environmental rehabilitation provisions.

## Cash flows

Evraz Highveld maintained a cash-positive position in 2010 notwithstanding the net cash outflow of R538 million.

Cash used in operations amounted to R215 million, 711 per cent above that recorded in 2009. This was mainly due to increased costs.

Cash outflows to fund increased investment in fixed assets totalled R263 million in 2010, a 30 per cent increase on that expended in 2009.

Reduced cash levels impacted on interest earnings, with total interest revenue dropping from R73 million in 2009 to R36 million in 2010.

## Risk management

Financial risks related to foreign currency risk, interest rate risk and commodity price risk are managed to maximise economic returns.

Foreign currency risks are mitigated through minimising the residual exposure of foreign operations by maintaining low net asset values through regular dividend declarations.

Interest rate risk is managed so as to maximise interest earnings on deposits in line with the regular assessment of cash flow requirements and maturity profiles.

## Information technology BV-R4

Evraz Highveld continually reviews its information technology (IT) infrastructure to identify business improvement opportunities.

Following the successful implementation of the SAP ERP system in 2009, improved business efficiencies were supported by refining system configuration where appropriate. The specifications for further functionality in the Sales and Distribution module to improve integration, and Funds Management functionality to promote budgetary cost control are being drafted for roll-out in 2011.

Further efficiencies were established through the development of production dashboards that provide real-time graphical information with drill-down functionality to assist production management in controlling costs and systemised workflow controlled overtime authorisation structures to manage remuneration costs.

During 2010, we successfully piloted and implemented vendor managed inventory with a key supplier. This allows for the leveraging of our investment in IT through reducing inventory management costs, wastage and providing a basis for just-in-time delivery. Further additional suppliers are being considered to increase the economic benefits of this system to Evraz Highveld.

## Accounting standards

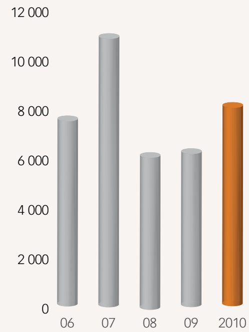
The annual financial statements have been prepared in accordance with International Financial Reporting Standards.

Details on the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) of the IASB and adopted by Evraz Highveld in 2010, are disclosed on page 209 of the annual financial statements. These new standards had no impact on the results or disclosures for the Group.

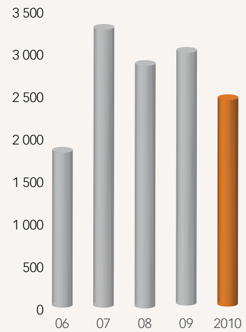
## Shareholding and returns

Shareholder returns are achieved through dividend payments and share price appreciation. Evraz Highveld's share price has shown capital appreciation of seven per cent over the past five years, with dividend returns on shares purchased since 1 January 2006 amounting to R38 per share.

**Closing share price**
(cents/share)




**Net asset value**
(cents/share)




The current and future operational funding requirements and available cash resources are considered prior to the declaration of dividends. Payments are funded by cash generated from operations.

The poor financial performance related to the economic conditions prevailing in the year under review, anticipated continued depressed market conditions and the need to retain cash resulted in no dividends being declared in 2010.

Evraz Highveld is confident that its continued drive toward higher levels of efficiency and effectiveness will, as has been the case historically, continue to support sustainable value creation and returns for shareholders.

## Appreciation

I would like to thank my financial colleagues and acknowledge their performances and efforts and their ongoing support in times of economic pressure. The interest taken by our stakeholders in the economic performance of the Company is also welcomed. We value the relationship that we have with them.

**Bernie de Beer**
Financial Director
16 March 2011

# Social and Ethics Committee Report 1.1, 4.1, BV-M6

The Social and Ethics Committee is a formal committee of the board and assists the board as encompassed in terms of the Companies Act and Regulations.

## Role of the committee

The role of the Social and Ethics Committee is to create an organisational culture, as well as necessary structures and processes, encouraging transformation to ensure compliance with relevant legislation and charters, to develop a corporate structure that reflects the demographics of South Africa through the full spectrum of Evraz Highveld's activities and programmes. This includes compliance with the Broad-Based Socio-Economic Charter for the Mining Industry and the Broad-Based Black Economic Empowerment (B-BBEE) Act. The committee is also responsible to ensure that the principles of transformation are conveyed within and outside Evraz Highveld, in aspects such as its supply chain and community projects.

The previous Transformation Committee was renamed the Social and Ethics Committee by Board resolution on 11 November 2010, with an extended scope to adhere to all the requirements set out in the new Companies Act No 71 of 2008, and more specifically the draft regulations issued in terms of the Act.

The key functions of the committee are to:

- Monitor the activities of Evraz Highveld, having regard to relevant legislation, legal requirements or prevailing codes of best practice with regard to matters relating to social and economic development, good corporate citizenship, the environment, health and public safety and the impact of Evraz Highveld's operations, products or services, consumer relationships including advertising, public relations and compliance with consumer protection laws, and labour and employment.
- Report at the Annual General Meeting on matters within its mandate.
- Ensure the transformation of Evraz Highveld in a fundamental and substantive manner.
- Ensure compliance with the requirements of mining and labour legislation and empowerment charters.
- Review the succession plan for senior management including considering employment equity requirements and plans for Evraz Highveld.
- Position Evraz Highveld for the long term by creating the necessary security and stability of operations to ensure a continuous increase in stakeholder confidence.
- Ensure the transformation of the Company for the successful conversion of old-order mining rights to new-order mining rights.
- Provide leadership during the transformation of the Company.
- Guide the Company to improve the generic B-BBEE Scorecard for the Steelworks that complies with the Department of Trade and Industry requirements.
- Lead the Company to develop a scorecard in line with the new Mining Charter for Mapochs Mine.

Development and progress are enforced, monitored and audited by the committee with respect to:

- Compliance with policies, procedures and practices with regard to discrimination.
- The correct balance between transformation activities, adequate skills provision and maintaining stability within Evraz Highveld.
- Compliance with legislative and regulatory requirements and governmental policies.
- The maintenance of scorecards and regular, consistent, benchmarked and comprehensive reporting on scorecard progress.
- Corporate social investments.
- Strategic dialogue and relationships with government.
- Sustainability reporting to stakeholders.

## Composition of the committee BP-M5, BP-R7

The committee comprises one executive and four non-executive directors, three of which are independent. The committee is supported by two co-opted members from Evraz Highveld's operations. During the year under review, the following directors and co-opted members served on the committee:

- Bheki Shongwe – Chairman (appointed 15 October 2009).
- Mohammed Bhabha (appointed 1 March 2010).
- Scott MacDonald (appointed 1 March 2010).
- Pavel Tatyanin (appointed 9 December 2009).
- Babalwa Ngonyama (appointed 1 March 2010).
- Monita Böhmer – co-opted (appointed 14 May 2009).
- Nosizwe Nokwe – co-opted (appointed 26 October 2007).

Biographical details of the committee members appear on pages 42 to 48.

Fees paid to the committee members are reflected on page 91 in the Remuneration Report, and the proposed fees for 2011 are detailed on page 272.

## Committee meetings

Attendance of committee members at the scheduled meetings of the committee during the year was as follows:

| | Meetings attended |
|---|---|
| Bheki Shongwe | 5/5 |
| Mohammed Bhabha | 4/5 |
| Scott MacDonald | 4/5 |
| Babalwa Ngonyama | 4/5 |
| Pavel Tatyanin | 5/5 |
| Monita Böhmer | 4/5 |
| Nosizwe Nokwe | 3/5 |

## Transformation statements EO-P1, EO-P2, EO-R3, BR-P1

Transformation within the Company is guided by relevant legislation, regulations and governmental policies – including the Employment Equity Act, the B-BBEE Act, the Mining Charter and relevant codes of good practice.

Employee advancement and promotion are determined by an individual's achievement, performance, ability and potential. Evraz Highveld recognises that a simple policy of equal employment will not adequately address past and present imbalances and continues to train and develop individuals with potential. TD-P1

The Company:

- Believes in the principle of equal, basic remuneration and conditions of employment for work of equal value.
- Commits to creating a workplace environment in which individuals of ability and application can develop rewarding careers at all levels, regardless of background, race or gender.
- Recognises that all people are entitled to equal and equitable employment opportunities and, in order to achieve this, that every employment opportunity is open to all suitably qualified applicants, based on their experience, qualifications, ability and potential.
- Focuses social and community investment on educational institutions and on assistance to disadvantaged communities.

## Organisational transformation

Organisational transformation to establish a business culture that supports all facets of the environment within which the Company operates, including the development of Evraz Highveld's corporate structure to be reflective of the country's demographics, is fundamental to the sustainability of its operations.

# Social and Ethics Committee Report continued

The committee, supported by the Remuneration and Nominations Committee, the chief executive officer and executive management, facilitates organisational transformation through the proactive development of the Company's human capital base. [TD-R3]

## Social responsibility [CR-P1]

Social responsibility is intrinsically linked with Evraz Highveld's transformation endeavours. The transformation policy aims to ensure that the principles of transformation are also reflected in the communities within the sphere of the Company's operations.

External projects, which are aligned with legislative and prescriptive measures, target the economic empowerment of communities, on both social and business levels, through health, education and supply chain initiatives.

## Mining Charter

Compliance with the revised Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry is facilitated on behalf of the board. The sustainable transformation and development of the Company's Mapochs Mine operation is integrally linked to the revised charter, launched in September 2010. Mapochs Mine constitutes a strategic asset to the Company, and fulfilment with the 26 per cent BEE compliance requirement by 2014 emphasised within the charter is proactively governed by the Company.

The committee monitors and manages the Company's progress toward meeting the social expectations characterised in the charter within the framework of a transformation strategy which was finalised in the current year for approval by the board.

Plans to comply with the new Mining Charter will focus on mine ownership, housing and living conditions, procurement and enterprise development, human resource development, mine community development, sustainable development and growth and beneficiation.

## B-BBEE [BE-P1]

Evraz Highveld is committed to the enrichment across a broad spectrum of the South African society as encompassed in the Broad-Based Black Economic Empowerment Act and Codes of Good Practice.

Increased emphasis was placed on B-BBEE scorecard compliance in 2010 and transformation targets have been established to promote the Company's BEE-compliance level from the current Level 8 to Level 4 by 2012.

The committee monitors the Company's progress toward elevating its BEE-compliance level and, to this end, promotes the formulation and implementation of strategies and policies within all spheres of operation including measures to improve demographic representation within management, community investment, skills development, preferential procurement and socio-economic development.

On behalf of the Social and Ethics Committee

**Bheki Shongwe**
Chairman
16 March 2011

# Our scorecard

| Objectives | 2010 score | 2011 targeted score |
|---|---|---|
| **Ownership** | | |
| • Investigate successful best practice amongst other JSE-listed multinationals<br>• Identify opportunities that promote business ownership in communities through enterprise development, economic development, technology transfer, employment creation and technical innovation | **0/20** | 0/20 |
| **Management** | | |
| • Improve representation of women and HDPs on the board, Executive Committee and management level | **3.1/10** | 3.5/10 |
| **Employment equity** | | |
| • Target black men and women in appointments, succession planning and employment equity plans and provide targets for senior, middle and junior levels<br>• Provide targets and plan to increase disabled persons in staff complement<br>• Review Codes of Good Practice for 2012<br>• Review B-BBEE scorecard and benchmark Evraz Highveld against other listed companies | **6.6/15** | 7.6/15 |
| **Skills development** | | |
| • Develop skills at Steelworks<br>• Implement Mapochs Mine training plan | **13.8/15** | 14/15 |
| **Preferential procurement** | | |
| • Increase the number of suppliers owned by black women<br>• Key BEE suppliers to be paid earlier | **16.8/20** | 18/20 |
| **Enterprise development** | | |
| • Spend three per cent of net profit after tax (NPAT)<br>• Consider joining the Anglo American Zimele empowerment fund to optimise Evraz Highveld community investments though a national, specialist vehicle operating also within the targeted 30 km from operations<br>• Identify ways to up-skill suppliers and improve their effectiveness though joint ventures with larger, more established suppliers | **15/15** | 15/15 |
| **Socio-economic development** | | |
| • Spend one per cent of NPAT, all within a 30 km radius of Steelworks | **5/5** | 5/5 |

# Our scorecard continued


*Sponsored student teacher at Duvhapark Primary School.*


*Specialised teacher training for children with special needs at Audeamus Private School.*


*Monthly contribution to White Rose Hospice operating costs.*


*Salaries of employees at eMalahleni FM Radio station.*


*Building material for the Lindokuhle Community Centre.*

# Stakeholder engagement 3.5, 4.4, 4.14, 4.15, 4.16, 4.17, SE-P1, SE-M1, SE-M2, SE-R1, SE-R2

The success of optimising the impact a large company such as Evraz Highveld can have in all the spheres of its operations, hinges on effective stakeholder engagement.

In 2010:

- The first draft of a stakeholder engagement strategy was drafted for review by the Executive Committee.
- Detailed work on elements of the strategy included:
  - re-identifying stakeholder groups;
  - prioritising stakeholder groups;
  - identifying the frequency of engagement;
  - identifying appropriate engagement formats; and
  - developing systems to measure the effectiveness of engagement.
- A disclosure policy was approved by the board on 11 November 2010.

In accordance with King III, the focus of stakeholder engagement in 2011 will be to develop the following for adoption by the board:

- A stakeholder engagement strategy and policy.
- A revised communication programme which will cover all stakeholder groups, including frequency and engagement, format of engagement.

These objectives will be supported by:

- facilitating strategic engagement on social, environmental and economic issues relevant to Evraz Highveld at local, provincial and national government levels;
- strengthening internal awareness of regulatory and compliance issues and updates of bills and acts; and
- facilitating engagement with the community prior to establishing local economic development (LED) plans, to ascertain community needs.

# Stakeholder engagement EN-P7, EN-R9 continued

**Stakeholder meetings address a wide range of topics, including:**

| Stakeholder group | Material issues |
|---|---|
| **Shareholders and the investor community, including the media** | |
| Evraz Highveld's primary shareholder is the Evraz Group S.A. with a 85.11 per cent shareholding. The balance of shares, traded on the Johannesburg Stock Exchange, are held by institutional and individual investors | • Shareholder returns<br>• Economic sustainability<br>• Performance and future anticipated performance<br>• Corporate governance and risk management<br>• Appointment of the board of directors and appointment of the members of the Audit and Risk Committee |
| **Customers** | |
| Primary customers include the large steel merchants in South Africa and the Evraz Group S.A.'s internationally based sales organisation | • Product quality<br>• Price competitiveness<br>• Reliable, sustainable supply<br>• After-sales service<br>• Efficiency of administrative support systems |
| **Government – national, provincial and local** | |
| Legislative compliance and social development necessitates close interaction with various governmental departments, including national government, the Presidency, the Department of Mineral Resources, the Department of Environmental Affairs, the Department of Water Affairs, the Department of Labour, the Department of Trade and Industry and municipalities | • Development of national strategies, policies and standards in areas applicable to our operations<br>• Legislative and regulatory compliance<br>• Environmental performance issues<br>• Access to mineral resources, energy supply and water<br>• Social development initiatives linked to the Integrated Development Plans (IDPs) of the municipalities |

| Format of engagement | Frequency of engagement | Results of engagement |
|---|---|---|
| | | |
| • Investor presentations<br>• Integrated annual report<br>• Annual General Meeting<br>• SENS announcements via the JSE<br>• Plant tours and presentations<br>• Specific meetings | • Bi-annual<br>• Annual<br>• Annual<br>• Ad hoc<br>• Ad hoc<br>• Ad hoc | The various channels that are used, provide shareholders with opportunities to obtain information and raise issues and concerns, and provides the Company with opportunities to increase awareness and understanding of the nature of the business and issues pertinent to operational performance |
| | | |
| The Evraz Highveld marketing team interact with customers on a continuous basis to promote customer relationships using a variety of channels:<br>• Telephonic<br>• Electronic<br>• Face-to-face<br>• Correspondence<br>• Plant tours and presentations<br>• Customer satisfaction surveys | • Ongoing<br>• Ongoing<br>• Ongoing<br>• Ongoing<br>• Ad hoc<br>• Annual | Better understanding and awareness of customer needs and wants, our product range and services offered, and an established environment for the meaningful resolution of customer queries and problems<br>The annual customer survey provides a basis for business process improvements to enhance customer satisfaction levels |
| | | |
| • Meetings<br>• Forums<br>• Committees<br>• Correspondence | • Ongoing<br>• Ongoing<br>• Ongoing<br>• Ongoing | Inputs into the formulation of and increased awareness of applicable national strategy, policy and standards<br>Facilitation of applications for licences and permits critical to raw material supply and continued operations<br>Regional socio-economic development through organisationally driven initiatives |

# Stakeholder engagement continued

| Stakeholder group | Material issues |
|---|---|
| **Employees** | |
| At 31 December 2010, 2 506 people were employed by Evraz Highveld. 173 of these are based at our mining operations in Roossenekal, 2 327 are based at the Steelworks in eMalahleni and six are based at our sales office in Bedfordview | • Remuneration and benefits<br>• Career development and training<br>• Performance management<br>• Operational sustainability<br>• Business ethics<br>• Safety and health<br>• Employee wellness, including HIV/Aids<br>• Employment equity<br>• Transformation<br>• Security matters |
| **Trade unions** | |
| 2 020 of Evraz Highveld's total workforce of 2 374 employees are represented by two trade unions, *viz* NUMSA and Solidarity | • Remuneration and benefits<br>• Career development and training<br>• Human rights<br>• Employee wellness<br>• Employment equity<br>• Transformation<br>• Operational practices |

| Format of engagement | Frequency of engagement | Results of engagement |
|---|---|---|
| • Induction and annual re-induction<br>• Performance management meetings<br>• Ethics hotline<br>• Executive SHEQ meeting<br>• Divisional SHEQ meeting<br>• Security brief<br>• Employee briefing sessions<br>• Evraz Group Vice-President's newsletter<br>• CEO Chat<br>• Newsletters<br>• Posters<br>• Email<br>• Employee counselling<br>• Employee Assistance Programme help-line | • On appointment/ annual<br>• Bi-annual<br>• Ongoing<br>• Annual<br>• Bi-annual<br>• Ad hoc<br>• Ad hoc<br>• Monthly<br>• Monthly<br>• Ongoing<br>• Ongoing<br>• Ongoing<br>• Ad hoc<br>• Ongoing | Employee awareness on corporate business practices and procedures, individual performance and career development opportunities<br>Proactive management of fraud and other crimes<br>Increased awareness and continuous review of safety and health and security environment to facilitate continuous improvement<br>Proactive sharing of information between management and employees to support business efficiencies and effectiveness<br>Improved employee wellbeing |
| • Remuneration negotiations<br>• Divisional Human Resources meetings<br>• CEO quarterly meetings<br>• Consultations<br>• Disputes | • Annual<br>• Monthly<br>• Quarterly<br>• Ongoing<br>• Ad hoc | Mutually beneficial collective agreements<br>Structured approach toward dealing with employment issues and practices that are pertinent to the members of the represented unions<br>Increased understanding amongst bargaining unit members of economic, social and environmental business performance<br>Proactive management of employee disputes |

# Stakeholder engagement EN-P7, EN-R9 continued

| Stakeholder group | Material issues |
|---|---|
| **Suppliers and contractors** | |
| Procurement for Evraz Highveld is managed through our centralised procurement department with the Vendor Management Committee ensuring that the supplier base is managed to actively support effective business operations | • Key strategic raw material supply<br>• HDSA procurement/B-BBEE scorecard<br>• Product quality<br>• Price competitiveness<br>• Reliable, sustainable supply<br>• Contract terms |
| **Communities** | |
| Evraz Highveld's operations have an environmental impact, and provide material socio-economic support in the eMalahleni and Roossenekal regions | • Environmental impacts<br>• Operational impacts<br>• Regional socio-economic development initiatives<br>• Enterprise development<br>• Skills development<br>• Community wellness, including HIV/Aids<br>• Community initiatives |
| **Business partners** | |
| Evraz Highveld engages with marketing structures within the Evraz Group S.A., to promote product sales and distribution, with its strategic European-based alliance partner for the sale and distribution of its vanadium products, and with its strategic BEE partner to promote business relationships in its mining operation | • Operational sustainability<br>• Product sales and distribution<br>• Global supply/demand<br>• Financial returns |

| Format of engagement | Frequency of engagement | Results of engagement |
|---|---|---|
| | | |
| • Vendor Management Committee meetings<br>• Supplier meetings<br>• Correspondence | • Monthly<br>• Ongoing<br>• Ongoing | Sustainable supply of value-added products and services that support maximising customer satisfaction<br>Proactive resolution of supply chain issues<br>Improved administrative efficiencies |
| | | |
| • Community Forum meetings<br>• Community liaison presentations<br>• Newsletter<br>• Open days<br>• Complaints register | • Monthly<br>• Annual/bi-annual<br>• Monthly<br>• Annual<br>• Ongoing | Community agreement on projects awarded<br>Increased awareness on operational impacts on the community<br>Proactive sharing of information between business and the community to support business efficiencies and effectiveness<br>Improved wellness within communities<br>Regional socio-economic development, community initiative support, and improved skills levels<br>Proactive management of community based complaints |
| | | |
| • Meetings<br>• Correspondence<br>• Board meetings | • Ongoing<br>• Ongoing<br>• Quarterly | Proactive management of strategic business relationships<br>Improved access to global markets to promote increased product sales<br>Management of operational performance, sustainable development and socio-economic issues |

# Remuneration and Nominations Committee Report [1.1, 4.1, BP-M2, BP-M4, BP-R3, BP-R6]

## Remuneration policy

Evraz Highveld's remuneration policies are aimed at achieving organisational sustainability, by driving a high-performance culture that enhances motivational levels and supports staff engagement and dedication.

Reward principles applied in all remuneration policies include competence, experience, performance, internal equality, market competitiveness and recognition of scarce and specialised skills.

## Remuneration and Nominations Committee

The Remuneration and Nominations Committee is a formal committee of the board that assist in determining and recommending remuneration policy and proposes new appointments to the board.

### Role of the committee

The role of the Remuneration and Nominations Committee is to ensure fair reward for Evraz Highveld's non-executive directors, management and employees that do not form part of the bargaining council for their contribution to organisational performance, as well as fair salary and wage adjustments for staff and scheduled employees. The committee also receive and review proposals for the appointment of new board members.

The key functions of the committee are to make recommendations to the board on:

- The policy for remunerating members of executive and senior management.
- Specific remuneration packages for executive directors and senior management, including, but not limited to, basic short- and long-term incentives, pensions and other benefits.
- Long-term incentive schemes and the rights associated with these schemes.
- Salary adjustments for employees outside the bargaining unit.
- Staff restructuring, based on operational requirements.

### Composition of the committee [BP-M5, BP-R7]

The committee comprises four non-executive directors, three of which are independent. During the year under review, the following directors served on the committee:

- Colin Brayshaw – Chairman (appointed to the committee on 5 March 2004, appointed as Chairman on 20 November 2009).
- Mohammed Bhabha (appointed 1 March 2010).
- Peter Surgey (appointed 1 March 2010).
- Pavel Tatyanin (appointed 15 October 2009).
- James Campbell (resigned 26 August 2010).

More details of these directors are given on pages 42 to 48.

Fees paid to committee members are reflected on page 91 and the proposed fees for 2011 are detailed on page 272.

The committee extends invitations for attendance at its meetings to senior executives when appropriate.

## Committee meetings

Committee members meet at scheduled meetings twice a year. Unscheduled meetings are called when the committee is required to address urgent matters in its scope of responsibility.

Attendance of committee members at the meetings of the committee during the year is as follows:

| | Meetings attended |
|---|---|
| Colin Brayshaw | 3/3 |
| Mohammed Bhabha | 2/2 |
| Peter Surgey | 2/2 |
| Pavel Tatyanin | 3/3 |
| James Campbell | 1/2 |

The chairman and chief executive officer (CEO) attend committee meetings by invitation and assist the committee in its deliberations. The CEO is excluded from discussions related to his remuneration.

## Remuneration structure

The guaranteed remuneration for staff that do not form part of the bargaining council is determined by the following factors:

- Job grade levels, based on the Patterson-grading system.
- Market salary surveys to determine the organisation's competitiveness.
- Individual performance and contribution, differentiating between exceptional, high, acceptable and unacceptable performance, to support relative equity within pay bands.
- Appropriate premiums for job categories with identified scarce or specialist skills.

### Executive remuneration BV-M8, BV-R6

A key aim of Evraz Highveld's remuneration policy is to attract, motivate and retain high-calibre executives who focus on the development and implementation of business strategy to optimise long-term stakeholder value and support economic, social and environmental sustainability.

This aim is achieved by incorporating best-practice standards in the policy, based on the following key principles:

- Total basic reward levels are competitive within the markets in which Evraz Highveld operates.
- Incentive rewards are based on the achievement of demanding performance objectives, aligned with shareholder interests over the short, medium and long terms.
- Incentive plans, targets and performance measures are structured to function soundly throughout the business cycle.
- Long-term incentives are structured prudently and do not expose shareholders to unreasonable financial risk.

### Executive directors

The executive directors' remuneration comprises base salary and employee benefits, such as retirement provision, medical aid and life cover.

External directorships or offices held by executive directors require approval of the board. If approved, they may retain the fees related to the appointment. No applications for external appointment of executive directors were lodged during 2010.

# Remuneration and Nominations Committee Report continued

**Management**

The remuneration package of senior management comprises base salary and employee benefits, such as retirement provision, medical aid and life cover.

Subject to an annual review, salary increases to all staff become effective on 1 January each year. The average increase for 2010 was 9.4 per cent.

**Staff**

Staff remuneration packages comprise base salary and employee benefits, such as retirement provision, medical aid and life cover.

Collective remuneration adjustments are negotiated with the trade unions every three years. The unions represent approximately 80 per cent of Evraz Highveld's employees and their remuneration agreement for the period 2011 to 2013 was successfully concluded during 2010.

Salary increases are paid to staff who form part of the bargaining council on 1 July each year, and on 1 January for those not represented. The average increase for 2010 was 9.4 per cent and seven per cent respectively.

Guaranteed annual bonuses, equivalent to a month's salary for staff who form part of the bargaining council, are paid in the month in which qualifying employees take their annual leave.

During 2010, the payment of guaranteed annual bonuses was extended to include staff on a D-lower and C-upper Patterson grading. A bonus, equivalent to a third of a month's salary, payable in the month in which qualifying employees take their annual leave, was paid. This will be extended to a bonus equivalent to two-thirds of a month's salary in 2011 and a bonus equivalent to a full month's salary in 2012.

A total of 2 298 Evraz Highveld employees qualified for guaranteed bonus payments in the year under review.

**Non-executive directors**

Non-executive directors receive fees for their services as directors and for serving on board committees. These fees are determined so as to fairly reward directors for their time, service and expertise provided.

The fees are reviewed by the board on an annual basis, with cognisance being taken of fees paid by comparable companies. The fee structure is determined in accordance with Evraz Highveld's objective of attracting and retaining high-calibre individuals, and is approved by the shareholders.

## Employee benefits LA3

### Retirement benefits EC3

Retirement benefits are provided to all employees through three retirement funds. Staff who form part of the bargaining council can opt between the Metal Industries Provident Fund or the Engineering Industries Pension Fund, respectively a defined-contribution and a defined-benefit scheme. All other staff are offered membership of the Evraz Highveld Retirement Fund, a defined-contribution scheme. All the schemes are governed by the South African Pension Funds Act of 1956 and provide death and disability cover.

At year-end, membership of the funds totalled 2 382 (2009: 2 331) as follows:

- Metal Industries Provident Fund – 1 411 employees (2009: 1 402).
- Industries Provident Fund – 339 employees (2009: 325).
- Evraz Highveld Retirement Fund – 632 employees (2009: 604).

### Medical aid benefits

Membership of a medical scheme is compulsory for all Evraz Highveld staff. The Company promotes membership of either the Discovery Health Medical Scheme or the Sizwe Medical Scheme, and employees can change their selection annually. At year-end, 973 employees retained membership of the Discovery Health Medical Scheme and 913 employees retained membership of the Sizwe Medical Scheme. Company contributions to these schemes totalled R27 million (2009: R25 million).

Employees who do not belong to a medical scheme are provided with subsidised primary healthcare services at Evraz Highveld's on-site facilities. A charge of R3.00 is levied for visits to the clinic, with an additional R2.00 being charged if they consult the resident doctor.

Evraz Highveld employees who were appointed before 1 January 2002 and who remain in service until retirement age are entitled to post-retirement medical-aid benefits. Evraz Highveld carries a liability of R118 million (2009: R110 million) to this post-retirement benefit. Full details are given in note 23 to the annual financial statements on page 251.

### Incentive bonus scheme

All employees participate in the Evraz Highveld incentive bonus scheme, which provides for the payment of bonuses based on the achievement of key economic and operational performance targets. The bonus is calculated as a percentage of basic salary. Qualification for the bonus is determined and, if appropriate, paid on a monthly basis to all employees up to a D-lower Patterson grading, and annually to other staff.

# Remuneration and Nominations Committee Report continued

Contributing factors determining payment of this bonus are production, conversion costs, quality of sellable products, occupational safety, duty of good care (theft) and EBITDA.

Payments made during the year in terms of the scheme amounted to R10.1 million (2009: R6.5 million).

**Group life benefits**

Contributions to Evraz Highveld's group life scheme are compulsory for all permanent employees. The contributions, fully funded as an employer contribution, amounted to R9.9 million (2009: R9.1 million).

Benefits of the scheme are equivalent to the employees' annual salary, multiplied by a factor based on the employment category.

**Staff retention strategy**

Evraz Highveld's recognition of the need to recruit and retain key skills is embedded in its staff retention strategy policy. A Retention Committee considers formally motivated nominations in addition to policy review. The policy, which provides for application to up to five per cent of the workforce, provides for the payment of bonuses, based on key roles, the scarcity of skills and individual performance:

- Attraction bonuses, used in the recruitment process.
- Retention bonuses, for current employees.
- Achievement bonuses, based on specific project goals or targets.

Payments in terms of the scheme are made in the third year following qualification. The first bonus payments will be made on 1 January 2011 in respect of employees who were registered on the scheme at 1 January 2008.

On behalf of the Remuneration and Nominations Committee

**Colin Brayshaw**
Chairman, Remuneration and Nominations Committee
16 March 2011

## Emoluments paid to executive and non-executive directors – 2010

The table below provides an analysis of the emoluments paid to executive and non-executive directors of the Company:

| | Salary and benefits R'000 | Directors' fees R'000 | Total emoluments paid R'000 | Other compen-sation R'000 | Total emoluments R'000 |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| AS MacDonald (CEO)[1] | **6 844** | **138** | **6 982** | **25** | **7 007** |
| WG Ballandino (CEO)[2] | **24 036** | **27** | **24 063** | **5** | **24 068** |
| BE de Beer (FD) | **1 764** | **165** | **1 929** | **–** | **1 929** |
| | **32 644** | **330** | **32 974** | **30** | **33 004** |
| **Non-executive directors** | | | | | |
| GC Baizini** | | **165** | **165** | **–** | **165** |
| M Bhabha*[3] | | **138** | **138** | **67** | **205** |
| CB Brayshaw* | | **165** | **165** | **195** | **360** |
| JW Campbell*[4] | | **108** | **108** | **59** | **167** |
| AV Frolov** | | **165** | **165** | **–** | **165** |
| GA Mannina**[5] | | **25** | **25** | **–** | **25** |
| B Ngonyama*[3] | | **138** | **138** | **84** | **222** |
| D Ščuka**[6] | | **23** | **23** | **–** | **23** |
| PM Surgey*[3] | | **138** | **138** | **100** | **238** |
| BJT Shongwe* | | **565** | **565** | **71** | **636** |
| PS Tatyanin** | | **165** | **165** | **80** | **245** |
| TI Yanbuktin**[3] | | **138** | **138** | | **138** |
| | | **1 933** | **1 933** | **656** | **2 589** |
| | **32 644** | **2 263** | **34 907** | **686** | **35 593** |

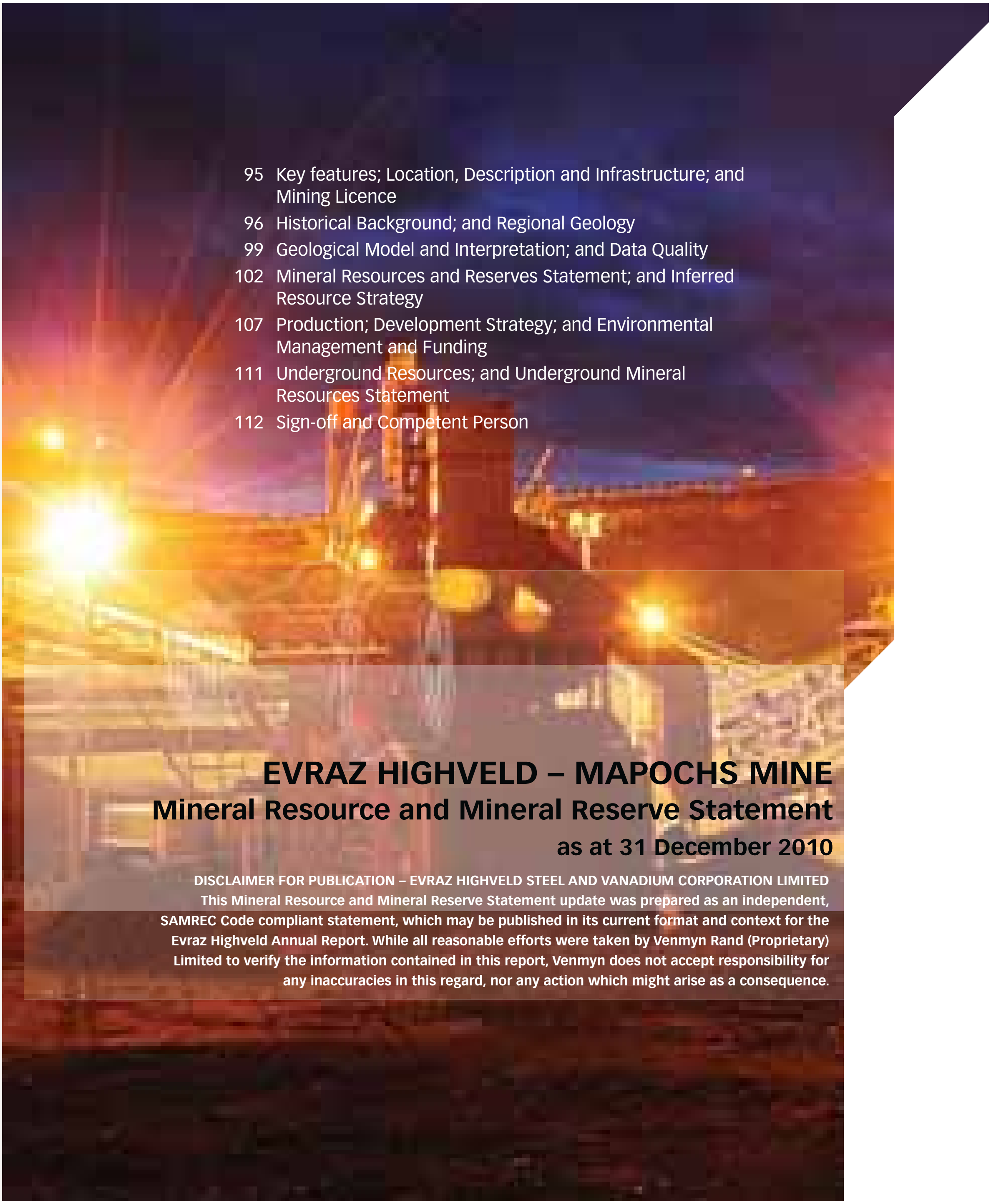
** Independent.*
*** Fees ceded to Evraz Holdings S.A.*
*[1] Appointed as chief executive officer (CEO) on 1 March 2010.*
*[2] Resigned as CEO on 1 March 2010. Includes termination payment.*
*[3] Appointed as non-executive director on 1 March 2010.*
*[4] Resigned as non-executive director on 26 August 2010*
*[5] Resigned as non-executive director on 24 February 2010.*
*[6] Appointed as non-executive director on 11 November 2010.*

# Remuneration and Nominations Committee Report continued

## Emoluments paid to executive and non-executive directors – 2009

| | Salary and benefits R'000 | Directors' fees R'000 | Total emoluments paid R'000 | Other compen-sation R'000 | Total emoluments R'000 |
|---|---|---|---|---|---|
| **Executive director** | | | | | |
| WG Ballandino (CEO)[1] | 17 510 | 150 | 17 660 | 30 | 17 690 |
| BE de Beer (FD) | 623 | 52 | 675 | 0 | 675 |
| | 18 133 | 202 | 18 335 | 30 | 18 365 |
| **Non-executive directors** | | | | | |
| GC Baizini** | | 150 | 150 | – | 150 |
| CB Brayshaw* | | 151 | 151 | 175 | 326 |
| JW Campbell*[2] | | 317 | 317 | 120 | 437 |
| AV Frolov** | | 150 | 150 | – | 150 |
| GA Mannina**[3] | | 150 | 150 | 79 | 229 |
| BJT Shongwe* | | 196 | 196 | 103 | 299 |
| PS Tatyanin** | | 150 | 150 | 12 | 162 |
| | | 1 264 | 1 264 | 489 | 1 753 |
| | 18 133 | 1 466 | 19 599 | 519 | 20 118 |

** Independent.*
*** Fees ceded to Evraz Holdings S.A.*
*[1] Resigned as CEO on 1 March 2010.*
*[2] Resigned as non-executive director on 26 August 2010.*
*[3] Resigned as non-executive director on 24 February 2010.*





# EVRAZ HIGHVELD – MAPOCHS MINE

## Mineral Resource and Mineral Reserve Statement

### as at 31 December 2010

**DISCLAIMER FOR PUBLICATION – EVRAZ HIGHVELD STEEL AND VANADIUM CORPORATION LIMITED**

**This Mineral Resource and Mineral Reserve Statement update was prepared as an independent, SAMREC Code compliant statement, which may be published in its current format and context for the Evraz Highveld Annual Report. While all reasonable efforts were taken by Venmyn Rand (Proprietary) Limited to verify the information contained in this report, Venmyn does not accept responsibility for any inaccuracies in this regard, nor any action which might arise as a consequence.**

# Mineral Resource and Mineral Reserve Statement

*as at 31 December*

## Key features

**Review Person:** Mr Andy Clay, M.Sc. (Geol), M.Sc.(Min. Eng.), Dip.Bus.M., Pr.Sci.Nat., MSAIMM, FAusIMM, FGSSA, IOD, AAPG, CIMMP.

**Competent Persons:** Mr Andy Clay, M.Sc. (Geol), M.Sc.(Min. Eng.), Dip.Bus.M., Pr.Sci.Nat., MSAIMM, FAusIMM, FGSSA, IOD, AAPG, CIMMP.

**Updated by:** Miss Tarryn Orford,B.Sc.Hons (Geol), MGSSA.

**Effective Date:** 31 December 2010.

**Prepared by:** Venmyn Rand (Proprietary) Limited.

**Address:** 173 Rivonia Road, Rochester Place, 1st Floor, Block G, Sandton, 2146.

**Prepared for:** Evraz Highveld Steel and Vanadium Limited (Evraz Highveld).

**Purpose:** An update of the SAMREC Code Compliant Mineral Resource and Mineral Reserve Statement, as at 31 December 2010, for annual reporting.

**Reliance on Other Experts:** Several technical experts were involved in the preparation of the updated Mineral Resource and Mineral Reserve Statement and have appropriate experience in their respective fields of expertise. Several were specific employees of Evraz Highveld.

**Property Description and Location:** South of Limpopo Province, bordering Mpumalanga.

**Licence Status:** A New Order Mining Right was granted to Evraz Highveld in January 2011. The rights will be transferred to Mapochs Mine (Proprietary) Limited in 2011.

**Climate:** The region experiences summer rain and has a summer (October to February) to winter (April to August) temperature range of approximately 19º C to 25º C with average temperatures in the contrasting seasons of 26º C and 8º C, respectively.

**Infrastructure and Accessibility:** Limpopo Province is highly accessible, with a network of excellent roads and railway connections, as well as a number of small airports.

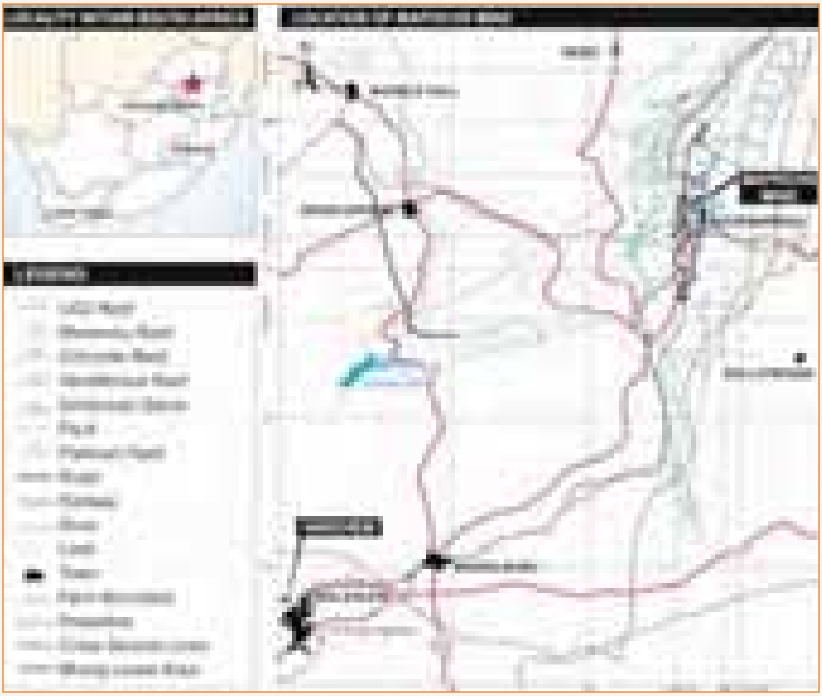
**Geological Setting and Deposit Type:** The Mapochs Mine is situated in the eastern limb of the Bushveld Complex (BC). The main magnetite layer is mined in the Upper Zone of Sub-Zone A. Deeper magnetic layers of subzones A and B are expected to be mined in the near future.

## Mining licence

The Mining Rights ML 1/98 for titaniferous magnetite ore were issued to Evraz Highveld on 9 January 1998 and expired in May 2010. Evraz Highveld has exercised its exclusive right to apply for conversion to a New Order Mining Right and applied for these mining rights for a period of 30 years from the Department of Mineral Resources (DMR). The rights were granted in December 2010. Evraz Highveld has lodged an application for ministerial consent in terms of Section 11 of the Mineral and Petroleum Resources Development Act (MPRDA) for transfer of the new rights to Mapochs Mine (Proprietary) Limited, a subsidiary of Evraz Highveld. This is expected to be granted in early 2011.

# Mineral Resource and Mineral Reserve Statement continued

*as at 31 December*



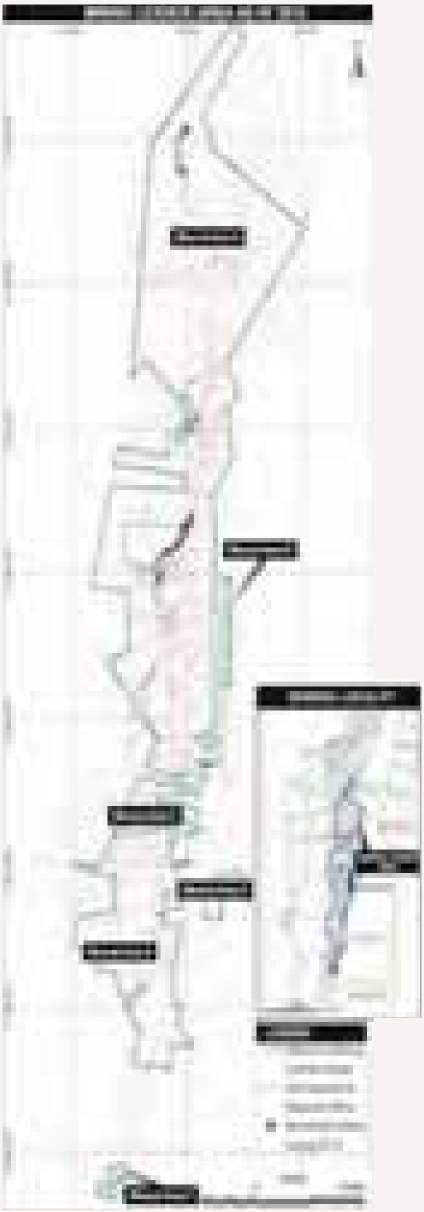
### Location, description and infrastructure

Mapochs Mine is situated at Roossenekal, approximately 90 km northeast of Middelburg, 75 km south of Steelpoort, and 75 km west of Lydenburg, in Limpopo Province, South Africa.

### Historical background

In 1957, an American organisation established a plant at eMalahleni, Mpumalanga, to produce $V_2O_5$ from titaniferous magnetite by means of a salt-roast leaching method similar to that used on the Colorado Plateau. In 1959, the Anglo American Corporation of South Africa took an option to purchase a controlling interest in the Company. The Company started investigating the possibility of producing steel from the same ores, with vanadium as a co-product. With the requirements of a Steel Plant in mind, the Company launched an extensive geological exploration programme.

The success of this programme contributed to the formation of Evraz Highveld as a company. In November 1964, Evraz Highveld commissioned the construction of an iron, steel, and vanadium works near eMalahleni, at a cost of R127 million. Four years later, the works consisted of an Iron Plant, a Steel Plant, and a universal Structural Mill. The



decision to proceed with the operation was based upon pilot plant work over a two year period and upon other studies. These revealed that titaniferous magnetite from the BC could be processed successfully to produce liquid pig iron and vanadium-bearing slag materials that could be used to produce finished steel and vanadium pentoxide. Evraz Highveld has gradually extended its works, product range and output since then. By 1981, its first Iron Plant was operating to capacity and, in 1985, a second Iron Plant was commissioned. The universal Structural Mill (rolling billets, structural sections, engineering rounds and rails) was complemented in 1977 by a Plate Mill producing plate and, in 1982, by a hot reversing Strip Mill producing coils of plate and sheet. Mapochs Mine is situated in the eastern limb of the BC.

## Regional geology

The Main Magnetite Layer is mined in the Upper Zone of Sub-Zone A. The top of the sub-zone is taken at the base of the Main Magnetite Layer, which decreases in thickness from north to south from 1 m near Roossenekal to less than 1 m near De Lagersdrift.

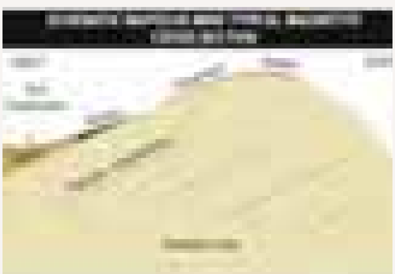
# Mineral Resource and Mineral Reserve Statement continued

*as at 31 December*

For the most part, exploration undertaken by Anglo American Prospecting Services in the 1960's and in the 1990's has served as the basis for mineral resource and mine planning estimation. During 2010, 41 new boreholes were drilled. The results have been used to update the mineral resources and mineral reserves to share standards.

These new boreholes confirm the width and extent off the Main Magnetite Layer. The latest drilling programme also confirmed the existence of an additional three parallel seams, namely the MU, MI and ML Seams, respectively.

The MU and MI outcrop to the west of MM Seam and occur above the MM Seam in the BC stratigraphy. The ML Seam is below the MM Reef.



The igneous rocks that occur adjacent to the magnetite are gabbro and norites associated with ultra basic rocks and anorthosites. A major intrusion of coarse grained granite intersects the mining area and lies on Portion 1 of the farm Zwartkop 124 JS.

At Mapochs Mine, the magnetite widths range between 2 m and 3 m with a parting or inter burden of 0.2 m to 0.3 m in width. This parting consists of silicate minerals, such as plagioclase and pyroxene. Three terms are used to describe the various types of ore mined at Mapochs Mine, namely seam ore, pavement ore and rubble ore.

Seam ore is overlain by gabbro and is ore that has not been extensively weathered and is relatively homogenous. This ore dips westward at angles between 8º and 45º. Seam thickness increases from approximately 1 m at the farm Lagersdrift, to 2.75 m on the farm De Hoop 886 KS. The $V_2O_5$ values improve from 1.4% to 1.7% in the north of the mining area.

Pavement ore describes the seam that has been exposed to a weathering process. This ore is not overlain by gabbro norites. Large portions of the ore have collapsed as a result of weathering of the anorthosite layer below the seam. Large blocks of pavement ore can be found on the western slopes of the hills and vary in width from 250 mm to as large as 2 m.

Rubble ore forms as an elluvial material that has been further weathered and washed down the slopes of the hills. This ore is spherical in nature and is generally sized between 250 mm and 10 mm. Topsoil is deposited between the boulders and the pebbles of the rubble. These types of ore are shown schematic on page 98.

## Geological model and interpretation

The outcrop varies from 200 m to 1 km wide and dips at an average of 12º to the West, reaching a maximum dip length of up to 300 m. It strikes from north to south. During the preparation of this Mineral Resource and Mineral Reserve Statement, new geological modelling was carried out. It is important to emphasise that all geological work demonstrates a high level of geological continuity of the Main Magnetite Seam. A sampling data assessment by Venmyn's associate geostatistician, Dr Carina Lemmer, further confirmed the reliability and continuity of the historical sampling and assay data. To this end, the number of boreholes available are sufficient to place the ore blocks adjacent to the existing workings into the Measured Resource category and the balance, including the future underground ore blocks, into an Indicated Resource category.

The latest drilling information confirms seam widths and depths as no assays have been completed on the results. This is sufficient to estimate an Inferred Resource for the lower MU and MI Seams.

## Data quality

The original sampling and borehole data was generated prior to the introduction of the SAMREC Code. However, whilst the certification of the historic borehole data was to ISO standards, this could not be confirmed. The independent data review included the primary 21 boreholes in the main mine planning area. A review of the data for confidence limits was conducted by Dr Carina Lemmer in 2009.

Both the widths and associated Specific Gravity (SG) vary throughout this deposit. The assay grades are therefore not additive quantities and have to be weighted by width x SG in calculations. The product of grade x width is normally called "accumulation" (acc.) and the parameter used in this review is therefore acc. x SG. For the final estimates, the mean (acc. x SG) estimate is divided again by the mean (SG x width) estimate for each assay type to calculate its estimated mean grade.

Histograms and distributions can only be constructed for additive quantities, and this was done for the 13 accumulations (excluding phosphorus), SG x width and widths. The underlying distributions are neither normal nor lognormal, but they are compound lognormal. However, the distributions have no outlier values.

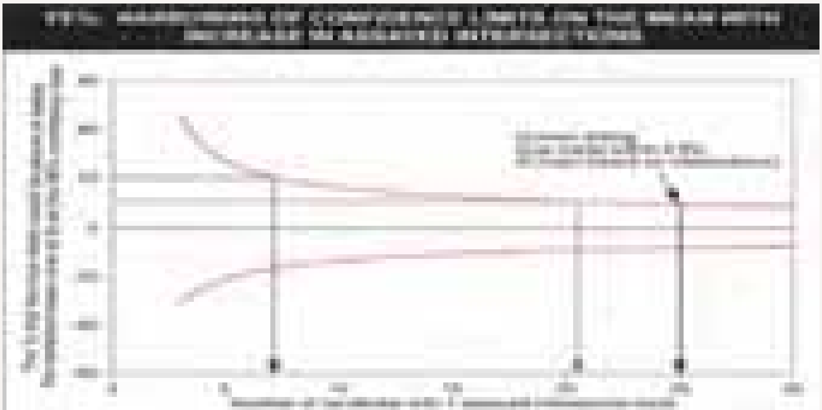
The log statistics for each set were calculated and the appropriate compound lognormal fit was established. By fitting the distributions the back-transforms could be determined. This allowed calculations to be done on logs and then back-transformed to real space.

As an example of the process, Dr Lemmer previously used the percentage estimation errors of the mean Fe% value at the 95% confidence level for increasing numbers of boreholes drilled into the deposit. The green arrow in the figure on page 101 indicates the starting point of Measured Resources, when the true mean is within 10% of the mean based on intersections, and the blue arrow also in the figure on page 101 indicates the starting point of Indicated Resources, when the true mean is within 20% on the mean based on intersections.

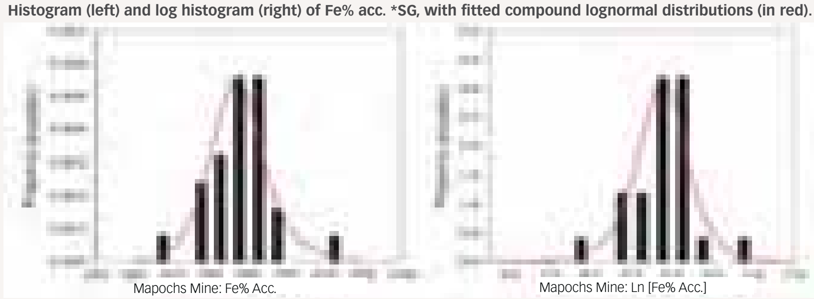
| Assay | Mean (%) | Available data | Classification |
|---|---|---|---|
| Fe% | 52.66 | 25 | Measured |
| $V_2O_5$% | 1.50 | 25 | Measured |
| $TiO_2$% | 12.81 | 25 | Measured |

The results of this work were essentially to confirm the integrity of the underlying data. However, for the purpose of estimating the $V_2O_5$ and Fe%, the plant recovery grades were used from past production to confirm the mean estimate that has been previously used by Evraz Highveld in its Mineral Resource and Mineral Reserve Statement of 1.69 – 1.70% $V_2O_5$ and 53.80 – 53.70% Fe.

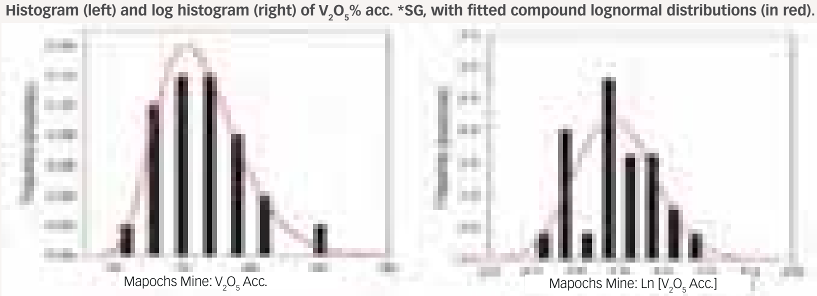
The original Mineral Resource and Mineral Reserve Statement was prepared in accordance with the Anglo American Policy for Reporting of Mineral Reserves and Resources, and the guidelines of SAMREC (the South African Code for Reporting of Mineral Resources and Mineral Reserves). However, the revised mineral resource block inventory has retained only the primitive categorisation method as follows:



Histogram (left) and log histogram (right) of Fe% acc. *SG, with fitted compound lognormal distributions (in red).




Histogram (left) and log histogram (right) of $V_2O_5$% acc. *SG, with fitted compound lognormal distributions (in red).



# Mineral Resource and Mineral Reserve Statement continued

*as at 31 December*

## Mineral Resources and Reserves Statement

Resources were categorised into the following:

- **Measured Mineral Resource:** defined as the resources determined by results from the revised life of mine planning using the historical borehole data and geological sections to demonstrate continuity to a high level of confidence;
- **Indicated Mineral Resource:** is defined as resources for which borehole data continues to demonstrate a moderate level of geological continuity and areas adjacent to the Measured Resource blocks; and
- **Inferred Mineral Resources:** those mineral resources within the existing mining licence and adjacent to the Indicated Resource blocks. A borehole must exist in the block to demonstrate geological continuity with a low level of confidence.

**It should be noted that the Mineral Resources that are quoted here are inclusive of Mineral Reserves.**

Since statutory and individual agreements with various farm owners require that Evraz Highveld reports on the ore mined and accounted for from each farm, the mineral resource blocks have been calculated per farm area. Magnetite seam widths are reported for each block and individual dips were used to estimate the volumes. An average density (SG) of 4.82 $m^3$ has been used for the opencast ore and the underground ore.

Mineral Reserves, in respect of Mapochs Mine, were defined as:

- the economically mineable part of a Measured or Indicated Mineral Resource that falls within the new life of mine production plan; and
- modifying factors were recalculated and are presented below.

**Mapochs Mine modifying factors 2010**

| | Probable | Proved |
|---|---|---|
| Seam bulk density (tonnes/$m^3$) | 4.82 | 4.82 |
| Mining and waste losses | 7% | 7% |
| Plant losses (used to calculate pay limit) | 13% | 13% |
| Waste mining cost (ZAR/bcm) | 47.97 | 47.97 |
| Total ore cost including treatment costs (ZAR/bcm) | 247.4 | 247.4 |
| Stripping ratio (bcm/bcm) | 13.47 | 13.47 |

Historically, the mine has accounted for a "Mining Gain", which was determined as ore received at the plant relative to the estimated quantity mined from reserve blocks. This was anywhere up to 35%. It probably resulted from using a lower than actual density, differences in dip (which seem to have been too steep in some cases) and the use of an average seam width (which was too low). The precise reasons cannot be quantified and therefore the new mineral resource and mineral reserve base is regarded as a more accurate estimate but will have to be carefully monitored and accounted for to ascertain its accuracy over time.

The $V_2O_5$ grade is currently under investigation and the mean of 1.5% $V_2O_5$ has been calculated from the grades, of historical boreholes. Revised $V_2O_5$ grades will be reported following the current investigation.

The 41 boreholes drilled during 2010 were used to confirm the widths and continuity of the Main Magnetite Layer as is currently estimated in the Mineral Resource and Mineral Reserve Statement. The average widths remain similar to the original estimates and, as such, no changes have been made to the current Mineral Resource and Mineral Reserve Statement, besides depletions.

## Inferred resource estimation

The 41 boreholes drilled during 2010 were used to estimate a resource for seams MU and MM.

Seams MU and MI have not been sampled extensively in the past and as such, a new resource estimate has been completed for these two seams. Due to the fact that no assays have been completed, only a volume, estimate can be completed. Iron and vanadium grades cannot be commented on. A density of 4.82t/$m^3$ was used.

Further work to confirm grade and continuity to a higher confidence level is necessary. Due to the high occurrence of streams and environmentally sensitive areas, these resources may have to be considered part of the underground resources.

Exploration expenditure for 2010, resulting in the Inferred Resource estimate, totalled R496 000.

# Mineral Resource and Mineral Reserve Statement continued

*as at 31 December*

**MEASURED MINERAL RESOURCES AND PROVED MINERAL RESERVES FOR THE MM SEAM AFTER 2010 DEPLETIONS**

| Major farm | Name | Pavement (tonnes) | Rubble (tonnes) |
|---|---|---|---|
| MAPOCHSGRONDE 675 JS | 675 JS (Identified on plan) | | |
| MAPOCHSGRONDE 500 JS | PORTION 101 | 77,111 | 12,701 |
| | PORTION 102 | 74,389 | 28,123 |
| | PORTION 113 | | |
| | PORTION 114 | | |
| | PORTION 122 | | |
| | PORTION 185 | | |
| | PORTION 366 | | |
| | PORTION 368 | | |
| | PORTION 369 | 16,329 | |
| | PORTION 370 | 8,165 | 907 |
| | PORTION 371 | | |
| | PORTION 373 | | |
| | PORTION 374 | | |
| | PORTION 375 | 27,216 | |
| | PORTION 380 | 59,874 | 16,329 |
| | PORTION 381 | 97,069 | 46,266 |
| | PORTION 382 | 7,257 | 907 |
| | PORTION 384 (R/E of 384) | 84,368 | 46,266 |
| | PORTION 385 | 302,093 | 117,934 |
| | PORTION 99 | 6,350 | |
| | R/E of portion 365 | | |
| | PORTION 182 (Block 1 South) | | |
| | PORTION 181 ( Block 2 South) | | |
| | PORTION 182 (Block 2 South) | | |
| | PORTION 252 (Block 2 South) | | |
| | PORTION 128 (Block 1 Central) | | |
| | PORTION 129 (Block 1 Central) | | |
| | PORTION 126 (Block 1 Central) | | |
| | PORTION 127 (Block 1 Central) | | |
| | PORTION 124 (Block 2 Central) | | |
| | PORTION 125 (Block 2 Central) | | |
| | PORTION 126 (Block 2 Central) | | |
| | PORTION 114 (Block 3 Central) | | |
| | PORTION 115 (Block 3 Central) | | |
| | PORTION 253 (Block 3 Central) | | |
| | PORTION 252 (Block 1 North) | | |
| | PORTION 252 (Block 1 North) | | |
| | PORTION 253 (Block 1 North) | | |
| MAPOCHSGRONDE 504 JS | (Block 3 Central) | | |
| | (Block 1 North) | | |
| MAPOCHSGRONDE 870 JS | Rem | | |
| | Portion 1 of the farm | | 907 |
| MAPOCHSGRONDE 888 JS | 888 JS | 9,979 | |
| MAPOCHSGRONDE 889 JS | 889 JS | | |
| MAPOCHSGRONDE 891 JS | 891 JS | 24,494 | 3,629 |
| MAPOCHSGRONDE 892 JS | 892 JS | 95,254 | 907 |
| MAPOCHSGRONDE 931 JS | 931 JS | | |
| STEELPOORTPARK 336 KT | Steelpoortpark | 6,551,690 | 783,589 |
| VLAKLAAGTE 146 JS | (Block 2 South) | | |
| | (Block 3 South) | | |
| | (Block 4 South) | | |
| ZWARTKOP 142 JS | North of Dyke and Block 2 North | 2,805,949 | – |
| **TOTAL** | | 10,247,588 | 1,058,466 |

nued

| Open cast (tonnes) | Measured Resources (tonnes) | Average thickness (m) | Loss (%) | Proved Reserves (tonnes) |
|---|---|---|---|---|
| 156,096 | 156,096 | 2.20 | 7 | 145,169 |
| 242,385 | 332,197 | 1.83 | 7 | 308,943 |
| 11,634 | 114,146 | 1.83 | 7 | 106,156 |
| 2,220,802 | 2,220,802 | 2.29 | 7 | 2,065,346 |
| 1,410,732 | 1,410,732 | 2.16 | 7 | 1,311,980 |
| 112,466 | 112,466 | 2.13 | 7 | 104,594 |
| 79,502 | 79,502 | 1.83 | 7 | 73,937 |
| 97,924 | 97,924 | 2.03 | 7 | 91,069 |
| 114,406 | 114,406 | 1.88 | 7 | 106,397 |
| 99,863 | 116,192 | 1.88 | 7 | 108,059 |
| 83,381 | 92,452 | 2.11 | 7 | 85,981 |
| 65,929 | 65,929 | 2.20 | 7 | 61,314 |
| 206,512 | 206,512 | 2.34 | 7 | 192,056 |
| 191,000 | 191,000 | 2.25 | 7 | 177,630 |
| 294,740 | 321,956 | 2.16 | 7 | 299,419 |
| 101,802 | 178,005 | 1.52 | 7 | 165,545 |
| 249,172 | 392,507 | 2.06 | 7 | 365,032 |
|  | 8,165 | 2.07 | 7 | 7,593 |
| 117,315 | 247,949 | 2.08 | 7 | 230,593 |
| 662,197 | 1,082,223 | 1.80 | 7 | 1,006,468 |
| 59,142 | 65,492 | 1.50 | 7 | 60,908 |
| 92,106 | 92,106 | 2.03 | 7 | 85,659 |
| 150,799 | 150,799 | 1.88 | 7 | 140,243 |
| 67,798 | 67,798 | 2.18 | 7 | 63,052 |
| 215,343 | 215,343 | 1.88 | 7 | 200,269 |
| 378,521 | 378,521 | 2.24 | 7 | 352,025 |
| 858,466 | 858,466 | 2.13 | 7 | 798,373 |
| 209,709 | 209,709 | 2.13 | 7 | 195,029 |
| 10,740 | 10,740 | 1.98 | 7 | 9,988 |
| 410,864 | 410,864 | 1.98 | 7 | 382,103 |
| 125,757 | 125,757 | 2.49 | 7 | 116,954 |
| 553,541 | 553,541 | 2.36 | 7 | 514,793 |
| 680,392 | 680,392 | 1.98 | 7 | 632,764 |
| 358,753 | 358,753 | 2.16 | 7 | 333,640 |
| 268,647 | 268,647 | 2.13 | 7 | 249,842 |
| 424,470 | 424,470 | 2.13 | 7 | 394,757 |
| 1,034,308 | 1,034,308 | 2.24 | 7 | 961,906 |
| 826,570 | 826,570 | 2.24 | 7 | 768,710 |
| 9,706 | 9,706 | 2.13 | 7 | 9,027 |
| 551,673 | 551,673 | 2.13 | 7 | 513,056 |
| 60,363 | 60,363 | 2.13 | 7 | 56,138 |
| 112,467 | 112,467 | 1.83 | 7 | 104,594 |
| 120,223 | 121,130 | 1.83 | 7 | 112,651 |
| 26,178 | 36,157 | 1.50 | 7 | 33,626 |
| 16,482 | 16,482 | 1.07 | 7 | 15,328 |
| 57,203 | 85,326 | 1.55 | 7 | 79,353 |
| 95,015 | 191,177 | 1.05 | 7 | 177,794 |
| 95,985 | 95,985 | 2.26 | 7 | 89,266 |
| 1,205,140 | 8,540,419 | 2.24 | 7 | 7,942,590 |
| 44,887 | 44,887 | 1.93 | 7 | 41,745 |
| 426,131 | 426,131 | 1.93 | 7 | 396,302 |
| 817,546 | 817,546 | 1.93 | 7 | 760,318 |
| 1,618,525 | 4,424,474 | 2.28 | 7 | 4,114,761 |
| 18,501,307 | 29,807,360 |  |  | 27,720,845 |

# Mineral Resource and Mineral Reserve Statement continued

*as at 31 December*

NB: Additional to this resource is the stockpile of clean fines which amounts to 421,100 tonnes, as at December 2010. No clean fines have been added to the stockpile. 38,685 tonnes were dispatched to Vanchem Vanadium Products (Proprietary) Limited (VVP).

*The above table is as estimated for the MM Seam as in 2009 but mining depletions have been subtracted. Mining depletions have occurred from Zwartkop 142 JS. A combination of Pavement and Open Cast Mineral Resources were mined from Zwartkop 142 JS.*

*Cumulatively there is a depletion of approximately 2.6 Mt of in-situ Measured Resources between January and December 2010.*

*The highlighted blocks for Mapochsgronde 500 JS have been verified by new borehole results.*

*The Inferred Resources for Seams MU and MI are summarised in the tables below and on page 107 and have been estimated from the approximate outcrop of the seam to the western edge of the Mapochs Mine boundary. These Resources were estimated only for portions on which drilling took place in 2010. Only reef width, area and density have been used to calculate the Inferred Resource. These Inferred Resources are a very early stage estimate and no Feasibility Studies have been completed since they were estimated. Therefore, they have no influence on the current mine plan or life of mine.*

**Inferred Mineral Resources for reef MU**

| Farm name | Portion | Volume (million m$^3$) | Thickness (m) | Resource (Mt) |
|---|---|---|---|---|
| Zwartkop 142 JS | 1 | 0.72 | 1.04 | 3.47 |
| Mapochsgronde 253 JS | 253 | 0.02 | 1.01 | 0.11 |
| Mapochsgronde 252 JS | 114 | 0.02 | 1.15 | 0.08 |
| | 125 | 0.03 | 1.09 | 0.15 |
| | 126 | 0.02 | 1.09 | 0.09 |
| | 127 | 0.01 | 0.47 | 0.06 |
| | 128 | 0.02 | 0.64 | 0.12 |
| **Total** | | **0.85** | **0.93** | **4.08** |

| Inferred Mineral Resources for reef MI | | | | |
|---|---|---|---|---|
| Farm name | Portion | Volume (million $m^3$) | Thickness (m) | Resource (Mt) |
| Zwartkop 142 JS | 1 | 2.09 | 3.00 | 10.06 |
| Mapochsgronde 253 JS | 253 | 0.01 | 0.51 | 0.05 |
| Mapochsgronde 252 JS | 114 | 0.01 | 0.87 | 0.06 |
| | 125 | 0.03 | 0.89 | 0.12 |
| | 126 | 0.01 | 0.69 | 0.06 |
| | 127 | 0.03 | 1.05 | 0.14 |
| | 128 | 0.04 | 0.94 | 0.17 |
| **Total** | | **2.21** | **1.14** | **10.66** |

## Production

Mapochs Mine exploits the Main Magnetite Layer from Sub-Zone A of the Upper Zone of the BC. The Main Seam consists of two Magnetite layers of a combined width of 2 m to 3 m, which are separated, by a layer of waste. Surface, strip and pit mining methods have been employed since mining operations began in 1968. Future mining will extend down-dip of the currently mined Main Magnetite layer or to deeper, parallel magnetite layers of Sub-Zones A and B.

The ore is crushed, washed and screened at Mapochs Mine and subsequently transported to the Steelworks. The fines from the crushing operations are treated in a magnetic separation plant and transported to VVP. During 2010, Mapochs Mine mined a total of 2.6 Mt of in-situ Mineral Resources. Run of Mine is approximately 75% of in-situ Mineral Resources mined. A summary of the production results for 2009 and 2010 is shown in the table below.

| Production results for Mapochs Mine | | |
|---|---|---|
| | **2010** | 2009 |
| Run of Mine ('000 tonnes) | **2,283** | 2,176 |
| Lump ore ('000 tonnes) | **1,717** | 1,357 |
| Fines ('000 tonnes) | **608** | 490 |
| Fe content (%) | **54.21** | 53.78 |
| $V_2O_5$ content (%) | **1.61** | 1.56 |

The production results remain similar to 2009, but show that production of fines has increased due to an increase in material with high fines content being processed during 2010.

# Mineral Resource and Mineral Reserve Statement continued

*as at 31 December*

## Development strategy

During 2008, in conjunction with the mining rights conversion, Evraz Highveld commissioned a resource development strategy to enhance the mineral reserve for current mining operations at Mapochs Mine and a conceptual design for the future mining of the deeper mineral resources. Venmyn and Sound Mining Solutions (Proprietary) Limited (SMS) conducted the review of the Mapochs Mine and estimated Mineral Reserves for the mine to be approximately 32.9 Mt. In December 2009, Mineral Reserves were estimated to be 30.3 Mt after mining depletions for 2009. Currently, the Proved Mineral Reserves are estimated to be approximately 27.7 Mt after mining depletions during 2010.

The Mapochs Mine development strategy proposed in 2008 consists of three phases:

- Phase 1 will focus on rubble ore and pavement ore, which currently constitutes the major ore types that are subject to the current mining operations at the mine. This will include 40 km of walked lines for surface ore followed by hand digging of exploration holes and trenches across the rubble and pavement intersection;
- Phase 2 will involve drilling to confirm the position of the 32 m highwall in the central portion of Mapochs Mine. The central portion is divided into the northern, central and southern sections. The borehole locations will be adjusted as work progresses; and
- Phase 3 will involve borehole drilling for underground mining. It is envisaged that boreholes will be drilled near the portal of two potential decline systems to be developed for accessing the underground ore reserves.

In 2010, 41 new boreholes were drilled by Mapochs Mine and the results show that the thickness of magnetite layers is very similar to those estimated during historical drilling on which the Mineral Resource and Mineral Reserve Statement is based. These results improve confidence in the currently reported Mineral Resources and Mineral Reserves and verify the currently reported figures for the Main Magnetite seam.

The recent drilling results also confirm the existence of two parallel seams, MU and MI respectively, which occur above the Main Magnetite in the stratigraphy of the BC. The westerly dip causes these seams to outcrop to the west of the Main Magnetite seam. Assay results and further drilling would be needed to confirm continuity and grade of these seams to any degree of confidence. Depth at the western edge of the mine property is not considered, as dip has not been confirmed for this exercise.

To calculate the Mineral Reserves and Mineral Resources, an average density (SG) of 4.82t/$m^3$ was used and a volumetric stripping ratio of 13:1 was applied. The results for the Main Magnetite seam were based on historical drill holes that determined average thickness and grade for the rubble, pavement and seam ore. The results were verified by the 41 new boreholes drilled during 2010. Inferred Mineral Resources were calculated during 2010 based on the new drillholes but do not affect the current mine plan or the current life of mine.

The remaining Measured Mineral Reserves are expected to support a life of mine of 30 years, of which approximately 8 to 10 years are surface mining. In 2010, considering the new drilling results, Venmyn suggests investigation into enlarging current pits into a "super" pit or a number of larger pits for future mining of the deeper magnetite seams. This will allow easier adaptation to the extended life of mine and is in line with national mining trends.

## Environmental management and funding

Evraz Highveld has compiled an intensive Integrated Water and Waste Management Plan (IWWMP), which addresses the main impacts regarding water and waste at Mapochs Mine. This formed part of the Integrated Water Use Licence Application.

The Environmental Management Programme Report (EMPR) for the mine will be updated during 2011 and has started incorporating the Best Practice Guidelines of the Department of Water Affairs and Forestry (DWAF), the IWWMP requirements, the rehabilitation plan and further environmental principles into the document so as to create a working and practical document. Evraz Highveld is also developing an environmental master management plan which will include the EMPR implementation dates and will contain details on all environmental projects that need to commence, together with related audit and monitoring activities.

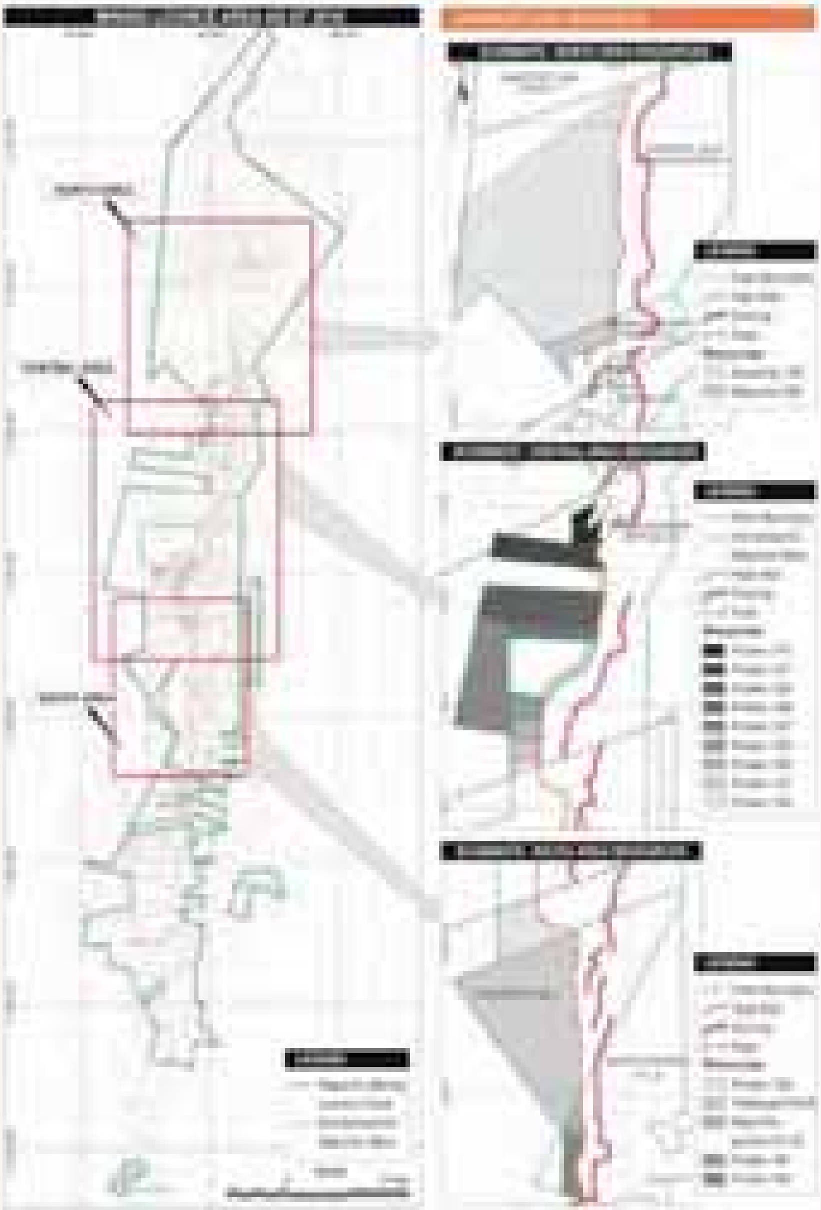
Evraz Highveld is also in the process of developing an integrated rehabilitation plan and has established an ambient air quality monitoring network for the monitoring of particulates greater than 10μm and has expanded the surface water quality monitoring network.

Mapochs Mine has a dedicated environmental budget line against which environmental project costs are allocated.

LOOKING NORTH, SOLID MAGNETITE OUTCROP DIP SLOPE

# Mineral Resource and Mineral Reserve Statement continued

*as at 31 December*



## Underground Mineral Resources Statement

### North Area Indicated Mineral Resources

| Farm name | Portion | Volume (million m³) | Tonnage (Mt) | Thickness (m) |
|---|---|---|---|---|
| Mapochsgronde 500 JS | Portion 252 | 0.83 | 4.02 | 2.43 |
| Zwartkop 142 JS | Rem Ext and Portion 1 | 12.29 | 59.22 | 2.43 |
| **Total** | | **13.12** | **63.24** | **2.43** |

### Central Area Indicated Mineral Resources

| Farm name | Portion | Volume (million m³) | Tonnage (Mt) | Thickness (m) |
|---|---|---|---|---|
| Mapochsgronde 500 JS | Portion 115 | 0.75 | 3.60 | 2.39 |
| Mapochsgronde 500 JS | Portion 121 | 2.44 | 11.78 | 2.39 |
| Mapochsgronde 500 JS | Portion 123 | 4.27 | 20.60 | 1.84 |
| Mapochsgronde 500 JS | Portion 130 | 0.31 | 1.50 | 2.13 |
| Mapochsgronde 500 JS | Portion 131 | 1.01 | 4.87 | 2.13 |
| Mapochsgronde 500 JS | Portion 132 | 0.82 | 3.93 | 2.13 |
| Mapochsgronde 500 JS | Portion 136 | 1.11 | 5.37 | 1.84 |
| Mapochsgronde 500 JS | Portion 137 | 4.90 | 23.59 | 2.13 |
| Mapochsgronde 500 JS | Portion 140 | 0.17 | 0.82 | 2.13 |
| **Total** | | **15.78** | **76.06** | **2.08** |

### South Area Indicated Mineral Resources

| Farm name | Portion | Volume (million m³) | Tonnage (Mt) | Thickness (m) |
|---|---|---|---|---|
| Mapochsgronde 500 JS | Portion 130 | 1.27 | 6.10 | 2.13 |
| Vlaklaagte 146 JS | Remaining extent | 7.12 | 34.32 | 2.42 |
| Mapochsgronde 911 JS | Mapochsgronde 911 JS | 0.17 | 0.84 | 2.42 |
| Mapochsgronde 500 JS | Portion 181 | 0.05 | 0.25 | 2.42 |
| Mapochsgronde 500 JS | Portion 182 | 0.59 | 2.84 | 2.42 |
| **Total** | | **9.20** | **44.36** | **2.38** |

The mineral resources were estimated for individual farm blocks from the predicted limit of the weathered zone which underground mining will be deemed to be safe.

(The Indicated Resources of the North, Central and South Areas have not changed since the last update in December 2009).

The underground resources were estimated from historical boreholes for which a moderate level of geological confidence can be attributed. More boreholes will be required as part of an on-going exploration and QA/QC programme to raise the level of confidence to the Measured Mineral Resource category. However, the present category is sufficient for mine planning.

**SAMREC CODE:** These mineral resources have been prepared in accordance with the requirements of the SAMREC Code, as modified in 2007.

# Mineral Resource and Mineral Reserve Statement continued

*as at 31 December*

| | | Status | In-situ resource (Mt) | After mining and geological losses | Grade $V_2O_5$ (%) | Fe (%) | Contained $V_2O_5$ (Mt) | Contained Fe (Mt) |
|---|---|---|---|---|---|---|---|---|
| Mineral Reserves[1] | Proved | Operating mine | | 27.72 | 1.50 | 52.66 | 0.45 | 15.96 |
| | Total | Reserves | | 27.72 | 1.50 | 52.66 | 0.45 | 15.96 |
| Mineral Resources | Measured[2] | New Pit Profile | 32.59 | – | 1.50 | 52.66 | 0.49 | 17.16 |
| | Indicated[3] | Underground | 183.65 | – | 1.50 | 52.66 | 2.75 | 96.71 |
| | Inferred[4] | | 14.74 | – | – | – | – | – |
| | Total | Resources | **233.75** | | **1.50** | **52.66** | **3.24** | **113.87** |

[1] *Mineral Reserve tonnes are recorded after accounting for a geological and mining loss of 7%. No plant losses are accounted for and the Mineral Reserves are fully diluted delivered to crusher.*

[2] *Measured Resources are the quantities accounted for within the new open pit profile. Note: Mineral Resources are inclusive of Mineral Reserves.*

[3] *These resources are quoted for the proposed underground potential life of mine resource in-situ.*

[4] *Inferred Resources were estimated from 2010 borehole information.*

[5] *Bulk density of 4.82t/m$^3$ was used, and an average $V_2O_5$ grade of 1.50% was used.*

## Sign off and competent person

The Mineral Resource and Mineral Reserve Statement as presented here has been prepared in accordance with the principles of the SAMREC Code, as defined and maintained by the Southern African Institute of Mining and Metallurgy (SAIMM) and the Geological Society of Southern Africa (GSSA), by the Competent Person and Reviewer identified in the summary table under the heading "Key features" on page 95 of this document.

Mr A. N. Clay has taken overall responsibility for the content and is a fully registered Competent Person as defined in the SAMREC Code. This information has been confirmed with the Company management as a fair reflection of the existing and anticipated economic model and production plan.

This Mineral Resource and Mineral Reserve Statement is considered to be materially correct, Venmyn having made due enquiry into the underlying data and the modifying factors that would otherwise influence the integrity and accuracy of the qualities and quantities so presented.

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Pr Sci Nat, MSAIMM, FAusIMM, FGSSA,
MAIMA,M.Inst.D., AAPG, MCIMMP

**T.C. ORFORD**
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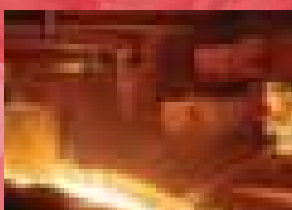
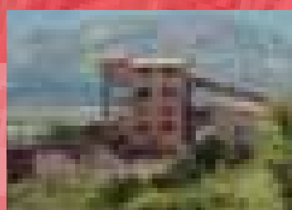
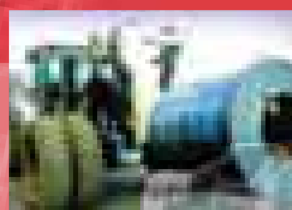
MGSSA
**Mineral Project Analyst**

# Sustainability Review

# Sustainability review


Creating an integrated business approach
by understanding our impacts on three key areas:
Economic
Social
Environmental

# Report scope

The Sustainability Review for the financial year ending 31 December 2010 is based on the internationally accepted G3 Guidelines for sustainability reporting, developed by the Global Reporting Initiative (GRI), and the Johannesburg Stock Exchange (JSE) Socially Responsible Investment (SRI) Index. GRI references are indicated in blue and SRI references, in orange. A full GRI G3 content index is included on pages 174 to 179. A self-developed SRI content index is included on pages 180 to 189.[3.12]

This report has been self-assessed and has not been externally assured. [3.13]

| | | 2002 in accordance | C | C+ | B | B+ | A | A+ |
|---|---|---|---|---|---|---|---|---|
| Mandatory | Self-declared | | ✓ | Report externally assured | | Report externally assured | | Report externally assured |
| Optional | Third-party checked | | | | | | | |
| | GRI checked | | | | | | | |

The review covers the sustainability activities for the period 1 January 2010 to 31 December 2010 of Evraz Highveld's operations in South Africa, comprising Mapochs Mine and the Steelworks. The report excludes the Hochvanadium subsidiary operations. [2.5, 3.1, 3.6, 3.8, 3.7]

Evraz Highveld reports on its sustainability activities annually and includes significant information on economic, environmental and social levels that could substantively influence stakeholder assessments and decisions. The previous report covered the financial year ending 31 December 2009.[3.2, 3.3]

The goal of sustainable development is to meet the needs of the current generation without compromising the ability of future generations to meet their own needs. Sustainability reporting is the practice of measuring, disclosing and being accountable to internal and external stakeholders for organisational performance toward achieving this goal.

Evraz Highveld understands that a fundamental component in effective stakeholder relations, investment decisions and other market relations is transparency about the economic, environmental and social impacts of its operations within a framework of collective sustainability. To support this, Evraz Highveld applies the principles of two recognised guiding frameworks in reporting on its operational impacts within the context of sustainability. [3.5]

# Report scope continued

## GRI BP-R1

The mission of the GRI is to provide a trusted, credible and globally shared framework of concepts and metrics that support clear and open communication about sustainability. Since its founding in 1997, the GRI Reporting Framework has been continuously improved in collaboration with a large network of experts focused on a diverse range of stakeholders. This multi-stakeholder approach to learning has given the Reporting Framework widespread credibility with a range of stakeholder groups.

The GRI Reporting Framework guides reporting on an organisation's economic, environmental and social performance in the context of the organisation's commitments, strategy and management approach.

The GRI Reporting Framework provides guidelines for defining report content and ensuring the quality of reported information. The guidelines identify information, which is relevant, material and of interest to most stakeholders, for disclosure that set the context for understanding organisational performance, disclosure that provides context for understanding performance in specific business areas and provision of comparable information on the economic, environmental and social organisational performance.

## JSE SRI

The JSE launched the Socially Responsible Investment (SRI) Index in 2004. The index philosophy is based on the principles of the three pillars of the triple bottom-line, namely environmental, social and economic sustainability, with sound corporate governance underpinning each.

The index aims, amongst other, to provide a tool for a broad, holistic assessment of company policies and practices against globally aligned and locally relevant corporate responsibility standards. It contributes to the development of responsible business practice in South Africa and beyond.

The index supports the application of and alignment to globally accepted principles and standards (such as GRI) in relation to relevant issues; and extends to incorporate South-African-specific principles and standards to holistically reflect the complex nature of social responsibility in South Africa.

Compliance with the index is assessed through an annual SRI review, undertaken by the JSE through an independent assessor. The review assesses integrated triple-bottom-line practices across business activities and measures how practices are integrated into existing frameworks of governance and business activities. Evraz Highveld is, due to its classification in the FTSE/JSE Top 40 Index, automatically included in the annual SRI review.

Evraz Highveld prides itself on the successful annual SRI certification achieved since its initial participation in 2006.

## Worldsteel Sustainability Indicators

The Worldsteel Sustainability Indicators were established in 2003, in consultation with Worldsteel Association member companies and external organisations.

In 2010 an update was issued that reported on performance against the eight established indicators. 33 Worldsteel Association member companies representing 35 per cent of global steel production in 2008 participated in the 2010 update.

Although Evraz Highveld is not a member of the association, the inclusion of its performance data for 2010 against that reported by the association is provided, given the appropriateness and comparability of the data.

| Indicator | | Unit | Evraz Highveld 2010 | Worldsteel Association published data 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|
| **Environmental sustainability** | | | | | | |
| 1 | Greenhouse gas emissions | Tons $CO_2$ per ton steel cast | **NM** | 1.9 | 1.9 | 1.7 |
| 2 | Energy intensity | GJ per ton steel cast | **45.6** | 18 | 18 | 20.6 |
| 3 | Material efficiency | % of by-products re-used | **N/A** | 98.1 | 98.0 | 97.2 |
| 4 | Environmental management systems (EMS) | % of employees and contractors in EMS-registered production facilities | **100.0** | 86.6 | 85.1 | 85.5 |
| **Social sustainability** | | | | | | |
| 5 | Lost-time injury frequency rate | Injuries per million hours worked | **1.9** | 3.6 | 3.0 | 8.8 |
| 6 | Employee training | Training days per employee per year | **15.0** | 5.1 | 6.9 | 10.5 |
| **Economic sustainability** | | | | | | |
| 7 | Investment in new processes and products | % of revenue | **NM** | 9.0 | 7.9 | 7.7 |
| 8 | Economic value distributed | % of revenue | **9.6** | 70.4 | 84.1 | 7.6 |

*NM – Not measured by Evraz Highveld.*
*N/A – Not applicable to Evraz Highveld operations.*

## Comparability [3.11]

There have been no significant changes to measurement methods for key economic, environmental and social data between 2009 and 2010.

## Additional information [3.9]

The business principles and practices in this report can be verified against established policies and standards. The report details these principles and practices, as well as the measurement indicators which Evraz Highveld uses to assess its financial and non-financial performance.

Management is confident that the information contained in the report is accurate.

## Contact person [3.4]

The contact person for this review is:
Cathie Lewis, Company Secretary
Telephone: +27 (13) 690-8888
Email: sustainability@evrazhighveld.co.za
Website: www.evrazhighveld.co.za

# Corporate governance BP-P1, BP-R1, BP-R4

Evraz Highveld, incorporated under the provisions of the Companies Act, maintains a primary listing of its shares on the Johannesburg Stock Exchange (JSE) and has traded sponsored Level 1 American Depositary Receipts with the Bank of New York Mellon since 2 September 2009.

The board considers corporate governance as a priority and the application of sound corporate governance structures, policies and practices as pivotal to creating value and benefits on a sustainable basis in the interests of Evraz Highveld stakeholders.

## King III

The third report of the King Committee (King III), which was released on 1 September 2009 and became effective on 1 March 2010, establishes the primary corporate governance framework in South Africa. The code, aligned to the new Companies Act and taking account of legal requirements, strengthens the requirements contained in King II.

The application of this framework, which takes cognisance of the shift in international trends towards integrated reporting, has been given due consideration by the board and its sub-committees to ensure compliance. In line with King III's principle of "apply or explain", two areas of non-compliance have been identified and considered:

### Majority of board to be independent

Since only five of the ten non-executive directors are independent, the composition of the Evraz Highveld board does not meet the requirement of the majority of non-executive directors being independent. However, the board is of the opinion that the current composition of the board is appropriate, having given due consideration to the material shareholding of Evraz Group S.A. and the contribution made by the non-executive directors, given their international exposure within a group context. Representation by independent directors was also given due consideration by the board and shareholders resulting in three additional independent directors appointed to the board on 1 March 2010.

### Independent verification of integrated annual report

The board has noted that it does not meet the requirement of ensuring integrity of the Evraz Highveld integrated report through independent verification. However, since the inception of Evraz Highveld's initial drive to promote transparent reporting in line with internationally accepted and locally mandated sustainability reporting frameworks, the organisation has focused its efforts on progressively expanding the internal capacity that is integral to compliance with these frameworks. Once the board, through appropriate internal assessment, is satisfied that the internal capacity has evolved to the extent that it supports effective external independent verification of the Evraz Highveld integrated report, self-declaration of the report will, with appropriate internal control, be maintained.

## Companies Act

The newly promulgated Companies Act, 2008 is to be implemented on 1 April 2011.

Following finalisation of the draft regulations promulgated in 2010 in terms of the Companies Act and the enactment of the Companies Amendment Bill approved for submission to Parliament on 2 November 2010, Evraz Highveld will draft and register the new Memorandum of Incorporation to replace the current Memorandum and Articles of Association. The Board Charter, including the board sub-committee charters and Code of Ethics, are being revised in line with the new Companies Act, 2008 and the draft regulations issued in terms of the Act as well as King III. The most significant result is the change of the previous Transformation Committee to the Social and Ethics Committee with its vastly extended scope of reference for submission to the board for adoption early in 2011.

## Mining Charter

The revised Broad-Based Socio-Economic Empowerment Charter for the South African mining industry, launched in September 2010 and aimed at the sustainable transformation and development of the South African mining industry, is applicable to the Evraz Highveld mining operations.

The charter places emphasis on 26 per cent of South Africa's mining assets being BEE-compliant by 2014. Non-compliance could result in penalties, including the revocation of mining licences.

The Evraz Highveld board is aware of the strategically critical importance of its Mapochs Mine operations and have implemented appropriate governance structures to manage the progressive fulfilment of the requirements of the charter.

Progress is monitored, managed and reported to the board through the Social and Ethics Committee.

## Competition Act S07

In March 2010, the Competition Commission launched an investigation against Evraz Highveld and the other largest local steel producer for alleged price fixing related to flat steel products. The board is satisfied that, based on the information available, the allegations are unfounded.

Evraz Highveld complied with the summons issued by the Competition Commission by way of comprehensive submission, during July 2010, of all requested documentation. No further correspondence has been received.

## Compliance

The board is of the opinion that Evraz Highveld conducts its affairs with integrity and that, in addition to materially complying with the Code of Governance Principles as set out in King III, it complies with all significant requirements incorporated in relevant South African and international legislation and the JSE Listings Requirements.

There were no instances of major non-compliance, fines or prosecutions related to board practice in 2010. GG-R1, SG-R1

## Board of directors BP-M1, BP-R1

Evraz Highveld has a unitary board structure with 12 directors, two of whom are salaried, executive directors. Biographical details of the directors appear on pages 42 to 48.

Directors are classified as non-executive if they do not form part of the management team.

Five of the ten non-executive directors are considered to be independent, being directors that have no significant financial interest or other potential benefit that could create a conflict of interest. In terms of the guidelines incorporated in King III, the independence of directors requires rigorous assessment in cases where membership of the board extends beyond a nine-year tenure. The board has, given the length of membership on the Evraz Highveld board of Messrs Brayshaw and Shongwe, and following due consideration of their ability to exercise their judgement objectively, without conflicts, undue influences or bias, deemed them to be independent directors of the board.

Board members have a wide range of expertise, including financial, commercial and technical expertise, which they are able to contribute to the board's deliberations. Valuable independent perspectives and judgement are also contributed by the independent non-executive directors.

The board is responsible for appointing the chief executive officer, an executive director whose role is separate from that of the chairman. [4.2]

On 10 November 2010 the Remuneration and Nominations Committee resolved to propose to the board that an external assessment of the board of Directors would be conducted during March 2011 when the financials were published. It was decided to provide the newly appointed board members the opportunity until the release of the 2010 annual financials to familiarise themselves with the company and its business before the external assessment is conducted. [4.10]

## Board Charter [4.7, 4.8, BP-P2, BP-R5]

The Board Charter defines the scope of authority and responsibility of the board, which is to:

- adopt strategic plans;
- monitor operational performance and management;
- ensure an effective risk management process and system of internal control;
- ensure legislative and regulatory compliance;
- select, orientate and evaluate directors;
- approve significant accounting policies and practice, and prepare and arrange the independent review of the annual financial statements;
- ensure the integrity of Evraz Highveld's communications policy;
- monitor the appropriateness of remuneration policies and practices;
- formulate employment equity and industrial relations policy; and
- safeguard and oversee the implementation of Evraz Highveld's Code of Ethics.

## Company secretary [4.6, 4.7, BP-M7]

Evraz Highveld's company secretary ensures compliance with statutory requirements and the JSE Listings Requirements.
The company secretary provides board members, collectively and individually, with guidance as to how their responsibilities should be discharged in the best interests of the Company and is responsible for the induction and evaluation of directors.
The administration, in accordance with relevant legislation, of the proceedings and affairs of the directorate, Evraz Highveld itself and, where appropriate, shareholders, is also the responsibility of the company secretary.

## Board profile as at 31 December 2010 LA13, BP-R2

| | Non-executive directors % | Non-executive independent directors % | Executive directors % |
|---|---|---|---|
| African female | 0 | 8 | 0 |
| African male | 0 | 16 | 0 |
| White female | 0 | 0 | 8 |
| White male | 42 | 16 | 8 |
| 30 – 50 years old | 42 | 16 | 0 |
| >50 years old | 0 | 24 | 16 |

## Board meetings

The board and its sub-committees convene at scheduled meetings, of which there are at least four per year, and at further unscheduled meetings, when required, to address specific matters relevant to their scope of responsibility.

Attendance of directors at the meetings of the board and sub-committees of the board during the year is as follows:

| Directors | Board | | Executive Committee | | Audit and Risk Committee | | Remuneration and Nominations Committee | | Social and Ethics Committee (previously Transformation Committee) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B | A | B |
| GC Baizini | 6 | 3 | | | | | | | | |
| M Bhabha[1] | 5 | 5 | | | | | 2 | 2 | 4 | 4 |
| CB Brayshaw | 6 | 5 | | | 4 | 4 | 3 | 3 | | |
| JW Campbell[2] | 4 | 4 | | | 1 | 1 | 2 | 1 | | |
| BE de Beer | 6 | 6 | 10 | 10 | | | | | | |
| AV Frolov | 6 | 0 | | | | | | | | |
| AS MacDonald[3] | 5 | 5 | 9 | 7 | | | | | 4 | 4 |
| B Ngonyama[1] | 5 | 3 | | | 4 | 2 | | | 4 | 4 |
| D Ščuka[4] | 1 | 1 | | | | | | | | |
| BJT Shongwe | 6 | 6 | | | 4 | 4 | | | 5 | 5 |
| PM Surgey[1] | 5 | 4 | | | 4 | 4 | 2 | 2 | | |
| PS Tatyanin | 6 | 5 | | | | | 3 | 3 | 5 | 5 |
| TI Yanbukhtin[1] | 5 | 4 | | | | | | | | |

**Notes**

A *Indicates the number of meetings which the director could have attended.*
B *Indicates the number of meetings actually attended.*
1 *Appointed as independent non-executive directors on 1 March 2010.*
2 *Resigned as non-executive director on 26 August 2010.*
3 *Appointed as director and chief executive officer on 1 March 2010.*
4 *Appointed as non-executive director on 11 November 2010.*

## Roles and responsibilities [4.7]

The board is assisted in its responsibility to identify, oversee and manage economic, environmental and social risks and opportunities by its appointed sub-committees and the CEO at an operational level. The key roles and responsibilities of the CEO, financial director and board sub-committees are detailed below.

| | Roles and responsibilities |
|---|---|
| Chief executive officer | • Implement strategies and policies.<br>• Day-to-day operational management.<br>• Establish best management practices, functional standards and internal control systems.<br>• Appoint and evaluate senior management. |
| Financial director | • Financial management of the Company and Group.<br>• Due and proper preparation of financial statements as per IFRS requirements.<br>• Due and proper financial reporting. |
| Audit and Risk Committee[1] | • Safeguard assets.<br>• Evaluate systems of internal financial and operational control.<br>• Assess and manage risk.<br>• Review any statements on ethical standards for the organisation, and the arrangements and procedures in place that support the independent investigation of concerns raised about possible improprieties.<br>• Review the external and internal audit functions.<br>• Review and approve accounting policies and financial information issued to stakeholders, the separate annual financial statements and the integrated report. |
| Remuneration and Nominations Committee[2] | • Recommend remuneration policy for directors, executive and senior management and staff.<br>• Determine staff retention strategy policy.<br>• Restructure staff, based on operational requirements.<br>• Identification of new board members for appointment by the board. |
| Social and Ethics Committee (previously Transformation Committee)[3] | • Fundamental, substantive and compliant transformation of Evraz Highveld.<br>• Position Evraz Highveld for the long term by creating the necessary security and stability of operations to ensure a continuous increase in stakeholder confidence. |
| Independent Committee[4] | • Protect the rights of minority shareholders in transactions involving shareholders. |

[1] *Further detail is contained in the Audit and Risk Committee report on pages 194 to 197.*
[2] *Further detail is contained in the Remuneration Report on pages 86 to 92.*
[3] *Further detail is contained in the Social and Ethics Committee Report on pages 74 to 76.*
[4] *No meetings were held during 2009 or 2010, and this committee will be terminated on conclusion of the Mapochs Mine restructuring transaction.*

## Business ethics 4.6, 4.8, HS-R7, CE-P1, CE-P2, CE-P3, CE-M2, CE-M3, CE-M4, CE-R1, CE-R2, CE-R3, CE-R5

The Evraz Highveld Code of Ethics is based on four fundamental principles – fairness, accountability, transparency and responsibility – which guide interactions with all stakeholders. The code provides clear direction on how directors and employees should conduct the organisation's affairs, with everyone required to maintain the highest ethical standards and to act with integrity and in accordance with generally accepted corporate practice.

Application of the code is communicated to suppliers, service providers and customers and, during engagement, employees acknowledge in writing that they have read and understand the code.

The company secretary is responsible for the review of the code, and the Crime Response Committee, a sub-committee of the Audit and Risk Committee (now the Ethics and Compliance Committee, reporting to the Social and Ethics Committee), reviews requests and matters relating to the code.

The code prohibits the pursuit of private interests that conflict with business interests. Employees are obligated to declare all gifts received, and private work can only be undertaken where it does not conflict with employment obligations and if approved by the Ethics and Compliance Committee.

Compliance to the code is monitored by ad hoc security investigations, which are reported to the Ethics and Compliance Committee. These investigations may lead to disciplinary action and hearings by Human Resources, in accordance with the disciplinary code.

The code is further underpinned by a fraud policy, in terms of which internal audits are undertaken to assess the adequacy and effectiveness of the internal control environment, which includes risks related to fraud and corruption. 20 such internal audits were undertaken in 2010. The Executive Committee, Ethics and Compliance Committee (previously the Crime Response Committee) and the Transformation Committee (now the Social and Ethics Committee) are provided with statistics of non-compliance to the code. S02

As part of the drafting of the new Board Charter, the Code of Ethics is being updated in line with the requirements of King III, the new Companies Act and Regulations. The code will form part of the new Board Charter as an attachment.

Incidents of non-compliance to the Code of Ethics of a fraudulent nature are reported to the Ethics and Compliance Committee (previously the Crime Response Committee) and the Transformation Committee (now the Social and Ethics Committee). During 2010, a few investigations into allegations of minor incidents of fraud and corruption were undertaken, but all investigations were inconclusive and the cases were not pursued. This positive trend is ascribed to specific communications to staff during the year about ethics, fraud and corruption.

If an investigation points to activities of fraud and corruption, the matter is handed over to the South African Police Services, in which case the criminal process follows its course.

Criminal cases, following a 2007 investigation which resulted in the arrest of 53 people, is scheduled for hearing in February 2011. Most of the losses the Company incurred as a result of the fraud have been recovered in civil proceedings.

Evraz Highveld remains vigilant to situations which create a risk for fraud and effects stringent measures to increase surveillance, internal audits and ethics awareness. These proactive measures and structures have resulted in a sharp decline in incidents of fraud and other crimes over the past few years. In 2010, material on fraud and corruption was submitted to the Training Department for inclusion in the induction process. S04, CE-M1, CE-R4

A toll-free number (0800 213 110) allows stakeholders to anonymously report suspected or alleged unethical behaviour to Tip-Offs Anonymous (www.tip-offs.com). This Tip-Offs Anonymous hotline is managed by Deloitte Touche. CE-P4, CE-M5, CE-R6

Evraz Highveld abides by all laws and regulations related to accounting fraud, workplace discrimination and corruption. In 2010 there were no instances of non-compliance, nor were sentences or fines imposed. S08, EO-P2,E0-R3, GG-R1, SG-R1

During the year under review, visual security-awareness material was introduced in the induction process to increase internal awareness in order to assist in the prevention of incidents of corruption. The Ethics and Compliance Committee (previously the Crime Response Committee) continues to consider the introduction of additional mediums to enhance awareness and increase the internal capacity necessary to prevent incidents. S03

## Risk management 4.9

The board, through the Audit and Risk Committee, is responsible for governing risk management processes in accordance with corporate governance requirements.

Risk management measures, which include accountability for risk management as a key performance area of line managers throughout the organisation in order to counter significant business risks which could undermine the achievement of business objectives. Policies and guidelines on risk and control management, support employees at management level in effecting their risk responsibilities.

The board, through the Audit and Risk Committee, reviews the effectiveness of risk management, covering control systems and including reporting, against material changes and trends in the risk profile.

More details on the key strategic and operational risks are contained on pages 128 to 133. Details of the role of the Audit and Risk Committee with respect to risk management are included in the committee report on pages 194 to 197.

## Information technology

The board, supported by the Audit and Risk Committee, is responsible for information technology (IT) governance and the strategic alignment of IT with the performance and sustainability objectives of the Company. The focus on IT governance has, following the evaluation of the application of King III, been elevated in prominence by the board.

Based on the review of IT governance undertaken by the Audit and Risk Committee, the board is of the opinion that the information security practices employed are sound and that effective planning for business and disaster recovery is in place.

## Stakeholder engagement

The board is responsible for adopting a stakeholder management strategy and policy that supports transparent and understandable communication with stakeholders in accordance with an adopted communication programme.

During 2010, stakeholder engagement was intensified with internal appointments focused on improved government liaison and investor relations.

Public and stakeholder communication is a primary responsibility of the chief executive officer, which may be delegated to members of executive management. The chairman is authorised to communicate on behalf of the board.

## Reliability of financial statements

Based on the results of the formal documented review of the Company's system of internal controls and risk management, including the design, implementation and effectiveness of internal financial controls conducted by the internal audit function during the 2010 year, considering information and explanations given by management and discussions with the external auditors on the results of the audit, assessed by the Audit and Risk Committee, the board is of the opinion that the Company's system of internal controls and risk management is effective and that the internal financial controls form a sound basis for the preparation of reliable financial statements. The board's opinion is supported by the Audit and Risk Committee.

## Going concern

Based on the directors being satisfied that Evraz Highveld has adequate resources to continue operating for the next 12 months and into the foreseeable future, the financial statements presented on pages 198 to 262 have accordingly been prepared on a going-concern basis.

# Risk management [1.2, HS-M3, HS-R3, HS-R5, BV-P1, BV-P2, BV-M2, BV-M3, BV-R2, BV-R8]

Evraz Highveld is exposed to various business risks and uncertainties that may have a negative impact on its operations, finances or reputation, and that may undermine the achievement of economic, social or environmental objectives. These risks are inherent to the nature of the business activities or are posed by external circumstances and include strategic, financial, operational and hazard risks.

The board is ultimately responsible for risk management and is committed to applying risk management principles in order to protect the Company against risks and uncertainties that could threaten the achievement of business objectives. The board has delegated its risk management responsibility to the Audit and Risk Committee.

## Risk management framework

Risk management processes are, given the level of ownership by the Evraz Group S.A., defined and monitored within the global group enterprise risk management process. This process is designed to identify, quantify, prioritise, respond to and monitor the consequences of an agreed risk schedule that encompasses both internal and external critical risks. [II-P1, II-M2]

Senior management is responsible to promote risk management accountability within the group. The group's executive management encourages a risk conscious business culture by embedding agreed internal controls and mitigating actions through all levels of management and supervisory staff.

## Risk management process

The Evraz Highveld risk framework is currently under revision to review risks and account for new and emerging risks.

The annual review of this framework is assigned to the Risk Manager and is integral to the annual audit planning cycle. The risk review provides a basis for the alignment of the audit plan with the risk framework.

Identified risks are evaluated in terms of the potential impact, from insignificant to catastrophic and probability, from rare to almost certain, in terms of the likelihood of occurrence. The impact and probability evaluations establish the basis for determining the inherent risks and significance thereof to the business.

Risk mitigation plans are developed by management and these provide for the determination of the residual risk.
The internal audit function evaluates the effectiveness of management's processes and procedures in mitigating identified risks.

## Internal control

Evraz Highveld's systems of internal control are integral to effective risk management. These systems, which make provision for appropriate delegation of authority to support an effective control environment, are subject to independent review by the internal and external auditors.

Details of the roles of the internal and external auditors appear in the Audit and Risk Committee Report on pages 194 to 197.

## Review

A detailed and independent review of the activities and status of Evraz Highveld's risk management framework, including the assessment of risk management practices against global best-practice standards, was initiated in 2010.

This review is focused on establishing a baseline for risk management in key processes and functional areas within the operations, forming a basis for updating the Evraz Highveld risk inventory with due consideration of the business levels of risk tolerance and appetite, and identifying risk framework developmental needs. This review will be finalised in 2011.

## Insurance

Evraz Highveld undertakes regular risk-control reviews of the Company's operations in procuring cover for property damage, business interruption, major asset breakdown and liability insurance in line with the risk control programme of the majority shareholder, Evraz Group S.A.

# Risk management continued

## Strategic risks EN-M2, EN-R2, BV-M1, BV-M5, BV-M6, BV-R1, BV-R7, II-M1, II-R1

| Key risk area | Description of risk |
|---|---|
| **Global economy** | |
| • Commodity prices<br>• Exchange rates | • Revenue is dependent on fluctuations in global steel and vanadium prices, which are determined by supply and demand and are closely linked to global economic growth. Economic downturns adversely impact on product sales volumes and global product pricing<br>• Strength in the local currency adversely influences export revenues and key raw material costs that are procured on an export-price basis |
| **Legislative and regulatory** | |
| • Corporate governance<br>• B-BBEE compliance | • Legislative or regulatory non-compliance could result in fines and penalties with subsequent reputational damage<br>• Non-compliance with broad-based black economic empowerment (B-BBEE) targets established by national government may adversely impact the Company's mining operations which form the basis for the supply of the unique ore required for the vanadium and steelmaking operations |
| **Liquidity** | |
| • Cash flow<br>• Access to funding | • The sustainability of our operations is dependent on the availability of free cash flow to finance ongoing operations and organic growth opportunities |
| **Social** | |
| • Socio-economic development<br>• Environmental impact | • Fulfilment of our B-BBEE obligations in support of the retention of our mining licence is dependent on the successful implementation of Social and Labour Plans within our areas of mining operation<br>• The inability to manage the expectations of the surrounding communities as a result of the environmental impacts of the Company's operations can damage our reputation |
| **Environmental** | |
| • Legislative compliance | • Non-compliance with legislative and regulatory environmental management requirements with respect to emissions can result in governmental action that forces the cessation of operations<br>• Non-compliance with legislative and regulatory environmental management requirements with respect to water and waste can result in the withdrawal of the Company's water-use and waste licences forcing the cessation of operations |
| **Counterparty** | |
| • Counterparty risk | • The inability of customers, suppliers, financial institutions and business partners to meet their counterparty obligations can |

| Mitigation of risk |
| --- |
| • Ongoing focus on process efficiencies and capacity utilisation to maximise margins on product sales and minimise input costs<br>• Active accessibility to global markets through Evraz Group S.A. marketing channels<br>• Expansion of beneficiated production to support increased sustainable export revenue streams |
| • Risk-based compliance framework subject to regular review<br>• Maintenance of appropriate internal legal capacity<br>• Legislative and regulatory compliance monitoring framework<br>• Government liaison structure<br>• B-BBEE strategy and implementation framework |
| • Focus on cost containment and elimination of wastage<br>• Cash preservation strategy and proactive working capital management to maintain a strong balance sheet<br>• Investor relations management framework<br>• Proactive management of relationships with financial institutions<br>• Prioritised capital expenditure to maintain effective capital investment with appropriate returns |
| • Coordinated Social Responsibility Programme<br>• Proactive management of relationships with local authorities and non-governmental organisations<br>• Community liaison framework<br>• Proactive engagement with the community and community involvement in projects that affect the environment |
| • Integrated environmental management system (ISO 14001)<br>• Integrated environmental management plan including specialised emission control and biodiversity strategies<br>• Integrated Water and Waste Management Plan (IWWMP)<br>• Government liaison structure |
| • Counterparty risk management framework<br>• Credit risk management structure<br>• Vendor Evaluation Committee management of supply chain risks<br>• Financial institution risks managed by the Company's Treasury Department |

# Risk management continued

## Operational risks EN-M2, EN-R2, HS-M2, HS-M3, HS-R3, HS-R5, HA-M1, HA-M5, HA-R2, HA-R5, BV-M1, BV-M5, BV-R1, BV-R7, BV-M6, II-M1, II-R1

| Key risk area | Description of risk |
| --- | --- |
| **Supply chain dependencies** | |
| • Key raw material supply<br>• Single-source suppliers and service providers | • Sustainable operational efficiency is dependent on continued stability in the provision of key raw materials and services, including electrical energy (Eskom), transportation services (Transnet), water supply (eMalahleni and Roossenekal local municipalities), metallurgical coal and technical gas |
| **Human capital** | |
| • Staff recruitment and retention<br>• Skills base<br>• Transformation | • The recruitment and retention of people with the right levels of skill and experience are pivotal to our ability to deliver on our strategies and maintain levels of operational excellence within a technically complex environment<br>• Business sustainability is dependent on creating a workforce that is demographically representative of the environment in which we operate |
| **Environmental** | |
| • Emissions<br>• Climate change<br>• Biodiversity restoration<br>• Waste generation | • The operations have a high impact on the environment, mainly through $CO_2$ emissions from the use of reductants, fuel and electricity generated from the burning of fossil fuels, and potential damage to natural habitats from mining operations |
| **Safety and health** | |
| • Employee safety<br>• Employee wellness<br>• HIV/Aids | • The efficient and effective active management of safety and health and absolute adherence to safety standards underpins the prevention of unnecessary injury and adverse outcomes within a hazardous environment<br>• Operational effectiveness and sustainability is influenced by possible physical and mental threats to employees and the proactive effective management of HIV/Aids within the operations and surrounding communities |
| **Product quality** | |
| • Supply of sub-standard products | • The supply of sub-standard quality products may impact on the end-user with potential catastrophic reputational damage and financial impacts |
| **Cost control** | |
| • Excessive cost structures | • Poor cost management and the inability to reduce costs and maintain cost-efficient operations may result in the Company not being able to compete in the global market |
| **Information technology (IT)** | |
| • IT governance<br>• Business continuity | • The absence of strategic alignment of IT with the performance and sustainability objectives of the Company, sound security practices and effective planning for business and disaster recovery can result in inappropriate investment in IT and an inability to service the client base at an electronic platform level |

| Mitigation of risk |
| --- |

- Ongoing structured evaluation of supplier performance, including adherence to SHEQ standards, through Vendor Evaluation Committee
- Promotion of improved supplier relationships, including interaction and technical support assistance
- Management of key raw material and critical spares inventories to support continued operations
- Cooperative logistics management to ensure continued supply within supplier infrastructure constraints

- Remuneration policies that are structured based on prevailing market conditions and focused on attracting, motivating and retaining high-calibre people
- Employee incentive bonus scheme
- Staff retention strategy
- Structured investment in skills development programmes
- Integrated transformation action plan
- Career management, succession planning and talent management programmes
- Focus on employment equity targets

- Integrated environmental management system (ISO 14001) and plan
- Reduction of greenhouse gas (GHG) emissions through process efficiency improvement strategy
- Reduction in consumption of primary energy through assessing the feasibility of energy co-generation
- Biodiversity plan and independently assessed rehabilitation strategy

- OHSAS 18001 safety management system
- Cast iron rules
- Safety training
- Independently monitored occupational health programme
- HIV/Aids wellness programme supporting employees, employee dependants and local communities

- ISO 9001 quality management system
- Full analytical metallurgical service support structure

- Delegation of authority framework
- Ongoing review of economic performance by Executive Committee

- Adoption of IT Infrastructure Library (ITIL) best-practice service management and service delivery framework
- Change Advisory Board (CAB) to align IT projects to business priorities
- Regular review of control environment by internal and external auditors

# Value-added statement EC1, GG-R2

*for the year ended 31 December*

| | 2010 Rm | 2010 Percentage of revenue | 2009 Rm | 2009 Percentage of revenue |
|---|---|---|---|---|
| Revenue | **5 125** | **100** | 4 252 | 100 |
| Materials and services purchased | **4 671** | **91** | 3 024 | 71 |
| Value added | **454** | **9** | 1 228 | 29 |
| Interest and investment income received | **36** | **1** | 73 | 2 |
| Total wealth created | **490** | **10** | 1 301 | 31 |

| | 2010 Rm | 2010 Percentage of total wealth distributed | 2009 Rm | 2009 Percentage of total wealth distributed |
|---|---|---|---|---|
| **Applied as follows:** | | | | |
| **To remunerate employees** | | | | |
| Salaries, wages, benefits, etc. | **980** | **200** | 790 | 61 |
| **To reward providers of capital** | **49** | **10** | 61 | 5 |
| Distributions to shareholders | **–** | **–** | – | – |
| Interest paid | **49** | **10** | 61 | 5 |
| **To (reduce)/expand the Group** | **(252)** | **(51)** | 409 | 31 |
| Depreciation | **297** | **61** | 246 | 18 |
| Retained (loss)/profit for the year after distribution to shareholders | **(549)** | **(112)** | 163 | 13 |
| **To pay government** | | | | |
| Income tax (credit)/expense | **(287)** | **(59)** | 41 | 3 |
| **Total wealth distributed** | **490** | **100** | 1 301 | 100 |
| **Payments made or owing to government** | | | | |
| Value-added taxes levied on purchases of goods and services | **521** | | 401 | |
| Rates and taxes paid to local authorities | ***** | | * | |
| Normal companies taxation | **10** | | 8 | |
| Secondary taxation on companies | **–** | | – | |
| **Total payments made or owing to government** | **531** | | 409 | |
| Value-added tax and other duties charged on turnover | **440** | | 376 | |
| Employees' tax deducted from remuneration paid | **180** | | 143 | |
| **Additional amounts collected by the Group on behalf of government** | **620** | | 519 | |

* *Less than R1 million.*

# Economic performance

Evraz Highveld is a key generator of revenue and taxes resulting from profits. The Company plays an important role in socio-economic development in the regions in which it operates, adding value directly for its stakeholders and indirectly through its supply chain procurement process. As a primary employer, it also assists in skills development through its nationally recognised training infrastructure.

## Value added

During 2010, R490 million of value was created for Evraz Highveld stakeholders, with key beneficiaries being its employees and suppliers.

Evraz Highveld's revenue is generated through the sale of steel products and vanadium-bearing slag. Revenue in 2010 increased by 21 per cent to R5 125 million from R4 252 million in 2009.

Payments made to employees increased from R790 million in 2009 to R980 million in 2010, an increase of 24 per cent.

Materials and services purchased show a 54 per cent increase over 2009, from R3 024 million to R4 671 million. This represents a substantial portion of revenue, equivalent to 91 per cent of revenue in 2010 (71 per cent in 2009).

Evraz Highveld's continued focus on operational efficiencies and investments in capacity creation will support sustainable wealth creation to the benefit of its stakeholders.

## Supply chain [EC6]

The focus of Evraz Highveld's supply chain management strategy is to select suppliers who provide value-added products and services to support optimum customer satisfaction.

Risks associated with the supply chain are managed and mitigated through an established and structured approach to supplier evaluation and selection. Effective and sustainable supply is managed through monthly meetings of the Vendor Evaluation Committee. The committee members have been selected to ensure cross-functional representation. Meetings focus on evaluating applications from potential suppliers and the performance of current suppliers. Evaluations are based on a wide range of criteria, including adherence to SHEQ standards, notably in the case of production commodities such as coal, dolomite and refractories.

In addition to logistical advantages, local economic development is supported by favouring vendors based within the core areas of operation. During 2010, 30 per cent of supply chain spend was allocated to suppliers within these areas. [BR-M1, BR-R1]

External specialists were contracted during the year to analyse internal business processes and systems to identify areas for improvements in both effectiveness and efficiency.

# Economic performance continued

## Economic empowerment [BR-P1, BR-M2]

The Company continues to focus on the expansion of economic benefits through designated-group ownership and preferential procurement.

### Ownership [BR-M3, BR-R2]

Evraz Highveld has concluded a transaction that will provide for a 23 per cent ownership of the Mapochs Mine by Umnotho weSizwe, its strategic BEE partner, and a three per cent ownership by the Mapochs Mine Community Trust.

The changes in ownership will be effected once the old-order mining rights have been successfully converted to new-order mining rights and transferred with ministerial consent to Mapochs Mine (Proprietary) Limited in terms of the Mineral and Petroleum Resources Development Act.

The change in mining rights status will also result in material socio-economic benefits for the Roossenekal community as a result of the Mapochs Mine Social and Labour Plan (SLP) which is linked to the new-order rights.

### Preferential procurement [BE-M1, BE-M2, BE-R1, BE-R5]

The Evraz Highveld procurement strategy incorporates principles of preferential procurement aimed at achieving BEE and assisting historically disadvantaged South African (HDSA) vendors.

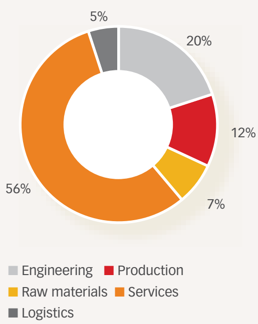
Preferential procurement is managed within the framework of the B-BBEE scorecard. Suppliers are classified according to scorecard-related information that is gathered and managed to maintain appropriate levels of accuracy and administration.

### Performance [BE-P2]

In 2010, Evraz Highveld targeted a score of 17 points for preferential procurement on its B-BBEE scorecard by improving its level of discretionary spend with black-owned and black-empowered business entities. A score of 16.8 points was achieved.

A breakdown of past spend is reflected in the following graph:

**BEE procurement – 2010**




The 2010 BEE spend, in key commodity groups, was:

| Commodity group | BEE spend % |
|---|---|
| Engineering | 59 |
| Production commodities | 69 |
| Raw materials | 18 |
| Services | 75 |
| Logistics | 100 |
| One-time | – |

**Plans for 2011**

Evraz Highveld has targeted a score of 18 points for preferential procurement in 2011. To achieve target, initiatives have been planned to promote BEE spend and enterprise development with businesses owned by black women. This drive will include capacity creation to promote the sustainability of the entire B-BBEE supplier base.

# Safety, health, environment and quality (SHEQ)

**SHEQ** 4.1, 4.12, EN-P5, EN-P6, EN-M4, EN-R5, HS-M5, HS-R6, II-P2, II-R3

Evraz Highveld aims to exceed regulatory, international and best-practice requirements for all matters related to safety, health, environment and quality. The CEO is legally responsible for all aspects relating to SHEQ, but an integrated management system delegates the implementation and monitoring of the SHEQ strategy, policies, procedures and practices.

The SHEQ management systems at Evraz Highveld are based on the following standards:

- OHSAS 18001 – 2007 for safety and health. This system provides the framework for achieving and demonstrating sound occupational health and safety performance by controlling health and safety risks, consistent with policy and objectives.
- ISO 14001 – 2004 for environmental matters. The system provides the framework for achieving and demonstrating sound environmental performance by controlling the impacts of activities, products and services on the environment, consistent with environmental policy and objectives.
- ISO 9001 – 2008 for quality assurance. The system provides the framework for achieving and demonstrating the effectiveness of the quality management system in meeting customer requirements.

An integrated approach was followed to apply these three management systems through one set of primary procedures.

The administration of the combined SHEQ management system is the responsibility of the Metallurgical Services Division's SHEQ Assurance Department. Safety and Health, Environment and Quality Control are responsible to monitor the practical implementation of the system throughout the organisation, in the areas applicable to their fields of work.

All divisions are required to comply with the requirements of the primary procedures, but certification is only sought for core activities. Mapochs Mine is certified to OHSAS 18001 – 2007 and Steelworks to ISO 9001 – 2008 and ISO 14001 – 2004. Steelworks will seek certification to OHSAS 18001 – 2007 in 2011.

The CEO has committed management and employees to Evraz Highveld's SHEQ Policy. The policy summarises the Company's focus on ensuring the well-being of the environment in which it operates and its stakeholders, including suppliers and customers: EN-P1, EN-P2, EN-P8, EN-M1, EN-M7, EN-R1, HS-P1, HS-R1

*Evraz Highveld Steel and Vanadium Limited is a vertically integrated steel and vanadium slag producer. The Company strives to create superior value and benefits on a sustainable basis across economic cycles for all stakeholders, by developing the business into a low-cost steel and vanadium slag producer.*

*The Company has implemented an integrated SHEQ management system in line with the relevant standards and specifications.*

*The Company is committed to:*

- *Actively promote the safety and health of its employees, including contractors, service providers and visitors on site through the application of the principles of*

*Evraz Highveld Zero Tolerance, Target Zero (HOTTO) and is underpinned by the Cast Iron Rules. This is an approach to safety and health which requires an absolute adherence to standards at all times and an intolerance to unsafe acts and conditions.*

- *Prevent and/or mitigate injury and ill health as well as the degradation of the environment in which it operates, in line with the identified occupational health and safety hazards and risks, and negative environmental aspects and impacts.*
- *Comply with applicable legal and other requirements to which the Company subscribes, relating to occupational health and safety hazards as well as environmental aspects and impacts.*
- *Provide a framework for setting and reviewing safety, health, environmental and quality objectives and targets.*
- *Communicate this policy to all people working for and on behalf of the Company, and to facilitate awareness of their individual obligations in meeting this policy.*
- *Review the SHEQ Policy to ensure it remains suitable, relevant and appropriate to the Company.*
- *Continually improve the SHEQ management system and SHEQ performance.*

The policy is reviewed quarterly at the Executive SHEQ Management Review.

Divisional SHEQ Management System Review meetings are held every six months and Executive SHEQ Management Review meetings once a year. The purpose of the meetings is to determine the overall effectiveness and continued suitability of the SHEQ system, to enable the identification of areas for improvement. Targets, audit performance, status of non-conformance and the effectiveness of the SHEQ systems are also reviewed at these meetings. [EN-P3, EN-P4, EN-M6]

However, the Evraz Highveld SHEQ structures reflect the responsibility of both management and employees to manage, maintain and improve all aspects of SHEQ.

SHEQ awareness to all staff is entrenched through a training programme which employees first encounter at the induction process. As they progress through their training matrices more advanced SHEQ training modules are introduced. More in-depth training is provided which targets foremen and higher. [EN-M8, HS-M4, HS-R4]

Adherence to the SHEQ system is ensured by the divisions conducting self audits which must be scheduled at the beginning of the year to assess all areas and activities within a six-month period. The SHEQ Department conducts internal audits to cover all divisions twice a year and a rating system is applied indicating whether a division is benchmarked, functioning well, functioning, requires attention or is non-compliant. External audits are conducted by TÜV, an external accreditation agency, for the management systems that the Company is certified to. Areas of concern are communicated by means of the monthly metallurgical report which is prepared for the executive meeting and daily meetings are held with the plant management teams where SHEQ and quality issues are addressed. [EN-M5, EN-R8]

# Safety, health, environment and quality (SHEQ)

continued

## Safety LA7, LA9, HS-R2

| | | Fatalities | LTIs | LTIFR | NLTIs | NLTIFR | FACs |
|---|---|---|---|---|---|---|---|
| Highveld | **2010** | **0** | **14** | **2.09** | **33** | **4.92** | **94** |
| | 2009 | 1 | 12 | 1.92 | 48 | 7.67 | 99 |
| | 2008 | 2 | 14 | 1.76 | 57 | 7.16 | 168 |
| Contractors | **2010** | **1** | **10** | **1.64** | **24** | **3.94** | **65** |
| | 2009 | 0 | 6 | 1.62 | 29 | 7.83 | 46 |
| | 2008 | 1 | 11 | 1.91 | 38 | 6.58 | 84 |
| Total | **2010** | **1** | **24** | **1.88** | **57** | **4.46** | **159** |
| | 2009 | 1 | 18 | 1.81 | 77 | 7.73 | 145 |
| | 2008 | 3 | 25 | 1.82 | 95 | 6.92 | 252 |

Safety is Evraz Highveld's prime focus, taking precedence to any operational focus, including production and profit. Despite this focus, and rigid safety prescriptions and precautions, Evraz Highveld suffered one fatality in 2010.

The accident which caused the fatality happened on 13 March 2010. Beans Makola, an employee of Blasting & Excavating (Proprietary) Limited (B&E), a contractor, was working at the B&E workshop at Mapochs Mine behind a water truck which was used by a B&E cleaner to wash a rigid dump truck. A B&E mechanic, who wanted the water truck moved, asked Beans, a competent and trained driver, to move the truck when it had been washed. He also asked the cleaner to complete his job so that the water truck could be moved. For some reason, the cleaner decided to move the truck. Beans was struck by the truck and pushed against a stationary container. He was conscious when he was taken to the Mapochs Mine clinic and, subsequently, a private hospital in Middelburg, but he passed away, in hospital, on 19 March 2010.

The Department of Mineral Resources (DMR) conducted an inquiry into the accident, but the report has not yet been received, nor has the cause of death been established.

As the accident was caused by the transgression of a Cast Iron Rule, Evraz Highveld immediately informed all relevant B&E and mine employees of the accident and shut down all B&E activities for a day to retrain employees on the relevant rules and safe work procedures. All mobile machinery and vehicles operated by B&E at the mine were inspected, tested and declared roadworthy.

A significant safety measurement used internationally to benchmark safety performance, is the number of lost-time injuries. In South Africa, this measurement is usually given in terms of the lost-time injury frequency rate (LTIFR) per 200 000 hours worked. However, in line with international trends and to make Evraz Highveld's statistics comparable with those of the group globally. Evraz Highveld started measuring its LTIFR per million hours worked. In 2010, the LTIFR was 1.88 (1.81 In 2009).

On divisional level, Zero LTI Millionaire status was given to:

- Production Services for three million hours free lost-time injury.
- Mapochs Mine for two million hours free lost-time injury.
- Mapochs Mine – Engineering Services for one million hours free lost-time injury.

The safety approach at Evraz Highveld is guided by the set of eight Cast Iron Rules, seven of which aim to eliminate serious injuries and fatalities and one which specifies Evraz Highveld's environmental duty of care. The safety rules, if reduced to one principle, advocate the HOTTO approach, which is the *Evraz Highveld Zero Tolerance, Target Zero* mindset, namely that all unsafe work must be stopped immediately. Every employee has the obligation to stop unsafe work. Possible unsafe workplaces or work are identified by continuously asking:

- Has anything in the workplace changed?
- Am I trained and authorised to do this work?

The Cast Iron Rules address:

- energy and machinery isolation, with prescriptions for isolating and working on energy systems, including moving machinery;
- lethal and injurious gases and confined spaces, listing risk assessment and access requirements;
- molten metal and slag, detailing how melting, tapping, transportation and teeming should be performed;
- heavy moving equipment, with clear risk assessment prescriptions;
- working at heights above 2 metres;
- lifting and material handling, be it manual or mechanical, by crane, hoist or other lifting device;
- construction or modification of structures and buildings; and
- environmental duty of care, covering all aspects of Evraz Highveld's environmental policies, from preventing land, water and air pollution to waste management and environmental monitoring.

Included in these eight Cast Iron Rules are safety stipulations specific and relevant to the Mapochs Mine mining operations, namely that there are codes of practice in place which cover the adoption and implementation of:

- Safety principles:
  - ground and slope control, including its design, implementation and monitoring;
  - the prevention of fire and explosion risk associated with blasting practices; and
  - the operation and maintenance of trackless and track-bound mining equipment, including personnel and material conveying systems.

Safety procedures and rules are underpinned by safety training, tailored for safety issues and target audiences to achieve meaningful results in terms of areas of work and levels of understanding throughout the semi-literate, supervisory and management levels. Training is comprehensive, to provide a thorough understanding of general legal requirements and Evraz Highveld-specific safety procedures, issues and behaviour, including hazard identification, risk assessment and incident investigation.

# Safety, health, environment and quality (SHEQ)
continued

Employees' first introduction to safety is at the induction course for new employees, which is almost entirely focused on safety. Follow-up courses also focus on topical issues, such as the correct use of harnesses for working at heights, supplemented by demonstrations by the suppliers, where possible.

All safety incidents are investigated and the unions are involved in the investigation. Evraz Highveld has extended its benchmarking of safety measures by comparing its programme with that of other Evraz companies.

Departments focus on frequently recurring incidents, based on the top ten hazards in the department.

**Mapochs Mine** was subject to a DMR Presidential Audit in 2010, a comprehensive safety and health audit performed at randomly selected operations, with a one-week notice period. These audits comprise a legal audit and a technical audit of certain installations and practices at mines. The outcome of these audits gives an indication of the extent to which mines comply with health and safety requirements and help them develop programmes to improve their health and safety practices and standards. Mapochs Mine achieved 89 per cent compliance, which compares extremely favourably with the average compliance of between 60 and 70 per cent.

Mapochs Mine complies with the requirements of the Mine Health and Safety Act, 1996, in terms of which the following occupational injury statistics are of importance: HS-R2

| | **2010** | 2009 | 2008 |
|---|---|---|---|
| Lost-time injuries | **0** | 2 | 0 |
| Lost-time injury frequency rate | **0.00** | 0.39 | 0.00 |
| Number of employees at year-end | **183** | 163 | 180 |

At **Steelworks**, employee commitment to and the development of a positive health and safety culture is supported by engagement and agreement with the trade unions on the appointment of health and safety representatives. All employees are represented by 87 elected representatives. LA6, LA9

Divisional Occupational Health and Safety Committee meetings are required to be held at least every three months. Some divisions hold them monthly, based on the size and complexity of their operations. Management and elected safety representatives attend these meetings and the topics covered include issues identified at monthly safety meetings, inspections by safety representatives, incidents and near misses, audit and survey reports (and corrective and preventative measures arising from the reports), specific safety and health concerns, training, emergency preparedness and response plans, contractors' safety and health performance and health monitoring and medical surveillance.

A new initiative was launched in 2010, based on the soccer-related card penalty system, but with a green card added as incentive. The cards were issued to safety employees only, but will be extended in 2011 to all employees. Green cards are issued to people who are seen following a good safety practice. Orange cards constitute a cautionary, while a red card stops work and initiates a disciplinary hearing. All card incidents are logged in a register and orange cards are forwarded to the divisional manager and red cards to the deputy chief operations officer to investigate and address the incidents. In 2010, no green cards were issued, 22 orange cards were issued to five Evraz Highveld employees and 17 contractors and six red cards were issued to Evraz Highveld employees.

Monthly safety campaigns keep employees focused on safety. The monthly topics are chosen according to environmental issues, such as eye protection in the dry months of the year, recent safety incidents and safety trends. In some case, "shock" visuals are used to bring the message home sharply. Publicity methods also include posters and leaflets at points of entry. In the first quarter, an industrial theatre show was arranged at Steelworks and at Mapochs Mine, branded *Don't drop the ball,* based on the Cast Iron Rules.

On departmental level, SHE meetings contain a strong safety focus. The meetings are attended by management, safety employees, union representatives and, where required, contractors. The meetings follow a set agenda and minutes actions required. Actions, and the success achieved or corrective measures required, are reported on at subsequent meetings.

Safety awareness is extended to workplaces through so-called "tool-box" discussions. An entire team discusses a safety issue after receiving information relevant to the topic. The discussions are concluded by team members signing an acknowledgement of receipt of information.

Several initiatives create ongoing awareness of safety issues:

- Safety circulars, which are published when a serious injury occurs, describing the incident listing corrective measures which would avoid repetition.
- HOTTO Evraz Newsflashes, addressing safety and health topics of concern and encouraging employee participation in the safety awareness drive. Safety threats addressed in 2010 included burns, Arrive Alive and Project Zero Tolerance, while safety alerts were issued on potholes, latches and hooks, mobile phones and fuelled equipment indoors. Health focus areas were sexually transmitted diseases, tuberculosis, malaria, smoking, voluntary HIV counselling and testing, vuvuzela noise levels, stress, anxiety, depression and nutrition. Other focus areas were safety incidents and statistics at Evraz Highveld and in the industry, and employee participation initiatives such as safety poems and slogans.
- Membership of the HOTTO Club, which is earned when people prevent an injury by wearing Personal Protective Equipment (PPE).
- A Visible-Felt Leadership programme, in which members of management observe and correct unsafe practices which could lead to unsafe conditions. This safety approach has been entrenched by including it as part of supervisors' performance rating.
- The Near-hit Competition, which rewards employees or teams, from each division, on a monthly basis, for the most commendable incident-prevention steps taken. During the year, 311 near-hit reports were submitted (1 217 in 2009). HS-R2

- Ad hoc alcohol and drug tests are conducted on employees, contractors and visitors on a daily basis. For contractors and visitors, any reading above 0.000% BAC, no access to the premises will be allowed. Any two readings above 0.030% BAC, the individual will be declared *persona non grata*. For employees, should the first reading be 0.030% BAC and above, access to the workplace will not be allowed. Should the first and second reading be below 0.030% BAC access to the workplace with permission from his/her immediate supervisor will be allowed. If any of the two readings be below 0.30% BAC, the employee will be counselled and should any of the two readings be above 0.030% BAC, the employee will be disciplined.

## Health

A proactive approach to employee well-being forms the cornerstone of Evraz Highveld's wellness management programmes, both in occupational and personal health. To achieve objectivity and professionalism, service provision has been outsourced to JSE-listed Life Healthcare, one of the top healthcare companies in South Africa. Healthcare is rendered through two clinics, one at Mapochs Mine and one at Steelworks.

The Mapochs Mine clinic is staffed by a nursing sister, while a general practitioner consults patients on a weekly basis.

The Steelworks clinic is comprehensively equipped, with radiology and emergency facilities, staffed by eight people and overseen by an occupational health medical practitioner. Emergency facilities include a burns and wound dressing room, two consultation rooms and a stabilisation room, where patients are treated before being transferred to hospital, should it be required. During the year, 231 injury-on-duty cases were treated and 556 primary healthcare consultations were conducted. Injuries on duty ranged from burns and fractures to foreign bodies in the eye. Medical cases included infections, pneumonia and hypoglycaemia.

At Steelworks, a fire and rescue team is available 24 hours a day, for on-site emergencies. The team members are trained firefighters and paramedics. Emergency equipment includes an extensively equipped fire engine and two ambulances. On-site fire-fighting equipment includes 2 084 fire extinguishers, 108 fire hydrants and 207 hose reels.

### Occupational health LA7, LA8, LA9, HS-R2

*Mapochs Mine*

Annual occupational health reports are compiled by the occupational medical practitioner when he conducts occupational medical examinations. These examinations are required by law, and the following statistics confirm management's objective to ensure that employees are fit to perform the duties required in their respective positions:

| | |
|---|---|
| Initial examinations | 44 |
| Periodical examinations | 313 |
| Exit examinations | 64 |

The examinations take into consideration medical and occupational history and includes large chest X-rays, lung function testing, audiometric and vision screening, urine testing and physical examinations, including height, weight and blood pressure.

Contractors are also encouraged to utilise the occupational health facilities, for whom ten examinations were performed.

No Mapochs Mine employee was found to be suffering from any of the occupational diseases reflected in Schedule 3 of the Compensation for Occupational Injuries and Diseases Act, 1993, nor from diseases listed in the Occupational Diseases in Mines and Works Act, 1973.

Steps taken to ensure a healthy workforce include worker education, the use of PPE and the focus of the occupational health programme on the prevention and early treatment of occupational diseases.

Health-related training initiatives included:

- first-aid training (attended by 46 employees); and
- safety induction training, including behaviour-based safety training (138 employees and 218 contractor employees).

### *Steelworks*

The occupational health team screened the full workforce and issued certificates of fitness, which is a legal requirement to ensure that people are fit to work in a factory or a mine. In 2010, 167 initial examinations were performed, 2 167 periodical examinations and 122 exit examinations.

The hygiene surveillance forms used during the annual medical screening are used to determine occupational health trends and to take proactive measures where required. An example of proactive measures taken is monitoring noise levels within operating areas every two years and proposing steps to engineer out noise hazards to protect employees hearing by, amongst others, building additional walls or fitting additional mufflers to machines.

At the Steelworks, the top four health hazards are finger injuries, gas inhalation, noise-induced hearing loss and burns. Apart from medical screening, proactive measures include biological monitoring for gas inhalation, hearing tests, audiometric hearing tests for employees exposed to a noise level of 85 decibels or more, special testing for employees exposed to vanadium, training on the correct use of PPE and walk-through plant visits, in conjunction with the training team, to ensure safe practice.

The results of the screenings and additional tests dictate the measure to deal proactively with negative results. For instance, if an employee's hearing deteriorates five per cent or more from the initial test, a member of the occupational health team visits the working place and advises both the employee and supervisor on solutions to prevent a further loss of hearing.

In 2010, three cases of possible NIHL (five in 2009) and two cases of chronic obstructive airways disease (zero in 2009) were identified and forwarded to the Medical Bureau of Diseases for confirmation. There were again, no new cases of occupational asthma.

The occupational health team is also responsible for reporting injuries on duty, managing compensation claims on behalf of employees, rendering primary healthcare services to employees who do not belong to a medical scheme and safety training and induction. During 2010, 274 employees attended first-aid training classes, while 2 011 employees and 4 000 contractor employees attended the plant specific safety induction course, which includes behaviour-based training.

**Personal health** LA8, HA-P1, HA-M2, HA-M3, HA-M7, HA-M9, HA-R1
The health programme provides two levels of HIV/Aids wellness services, an HIV/Aids Wellness Programme and an ART Programme supplemented by well-being services, which include access to an external EAP provider.

The **HIV/Aids wellness programmes** treat HIV/Aids as a chronic, manageable disease, in line with international trends. All employees qualify for free treatment, based on the results of confidential VCT sessions. This service is also available to employees' life partners, at an independent clinic in eMalahleni.

The VCT procedure includes the use of a rapid HIV blood test, which is fully sponsored by government, to ensure that employees receive the results as soon as possible.

In 2010, the VCT test rate declined to 46.3 per cent of the workforce (60.8 per cent in 2009). The target of achieving a 95 per cent VCT rate remains elusive as people shy away from sharing personal information regarding the disease, even though confidentiality is assured in terms of both legislation and Life Healthcare ethics.

In 2010, 43 patients (unchanged from 2009) were registered on the first level of the wellness services, the HIV/Aids Wellness Programme.

The number of employees registered on the ART Programme increased from 23 in 2009 to 24 in 2010. The registration criteria are based on World Health Organisation guidelines, and patients undergo more frequent medical examinations than on the HIV/Aids Wellness Programme. 4.12

HIV-positive patients are registered on the Aurum Health Research Programme, which focuses on tuberculosis, HIV/Aids, sexually transmitted infections and occupational lung diseases. The programme uses a scientific approach to gather information, build a knowledge base, formulate recommendations and programmes and deliver services.

Despite the poor reaction to the free HIV/Aids services, Evraz Highveld continues to fight the disease on a wide front, through: HA-M6, HA-M7, HA-M8, HA-R6, HA-R7

- peer education sessions for employees, where aspects of HIV/Aids and tuberculosis are covered. Employees may volunteer to become peer educators;
- a Wellness Committee, on which management, employees, peer educators and trade union shop stewards are represented, to review and report on the HIV/Aids wellness services;
- support and assistance to non-profit organisations serving eMalahleni, Roossenekal and surrounding areas in education, prevention and awareness; and EC8
- newsflashes and awareness sessions scheduled on request of divisions, departments or teams.

The **Personal Well-being Programme** focuses on both proactive and reactive services to ensure employees' physical and mental health.

Employees who belong to a medical scheme access services through general practitioners. Employees who do not belong to a scheme, have access to primary healthcare facilities, from where they are referred to a doctor or hospital for treatment, if required. This service includes the treatment of and medicine for chronic illnesses.

Services provided at the Steelworks clinic have been extended to include physiotherapy, which is given free of charge to employees who suffer from work-related bodily strain. Any employee may use the services on a fee-for-service basis.

All employees have free access to an EAP, managed externally by the Careways Group, which provides a telephonic help-line and personal services in eMalahleni. The EAP focuses on the early treatment of emotional stress or problems employees and their dependants may have. The Careways Group provides full assistance across a diverse range of trauma, including family conflict, substance abuse, financial problems, work-related stress, psychiatric disorders and mood disorders such as anxiety or depression.

A proactive approach is maintained by analysing statistics which give an indication of employees' well-being, such as absenteeism records.

## Environment EN14, EN-P5, EN-P6, EN-P9, EN-R10, II-P1, II-M1, II-M2, II-R1, II-R2

Evraz Highveld has developed an Environmental Management Programme, based on international and national statutory requirements and environmental best-practice standards and guidelines. The main objective of the programme is to minimise the direct, indirect and cumulative impact of the Company's operations on the immediate and surrounding environment, to the benefit of all stakeholders and in compliance with legal and other requirements.

In 2010, Evraz Highveld was not fined for the transgression of international declarations, conventions or treaties or national or regional legislation in terms of environmental matters. EN28, EN-R6

Environmental hazards inherent to Evraz Highveld's business are biodiversity loss as a result of mining activities and, at Steelworks, air emissions, process water discharge and surface and groundwater pollution. The Vanchem calcine waste disposal site, of which Evraz Highveld retained ownership when the vanadium manufacturer was sold in 2008, poses a hazard in terms of seepage, which, if not properly monitored and controlled, can pollute ground and surface water. EN-M2, EN-R2

The Environmental Management Programme addresses air quality, energy, water quality, waste, biodiversity and land and soil management, as well as macro issues related to climate change and the Company's carbon footprint.

The Environmental Management Programme is guided by six guidelines:

International and national best practice.
These guidelines are derived from local legislation and international and national best-practice standards, such as ISO 14001, the Carbon Disclosure Programme, the Global Reporting Initiative and guidelines from the Chamber of Mines, the Department of Water and Environmental Affairs and the Department of Mineral Resources. The Steelworks is ISO 14001 certified, to the 2004 standard. Certification was retained following an audit conducted in 2010.

# Safety, health, environment and quality (SHEQ)

continued

**The Plan – Do – Check – Act principles** as established in the ISO approach to quality management. This facilitates proper planning and the continuous improvement of the various elements of the programme, together with environmental project management principles.

**Stakeholder engagement,** to be aware of and fulfil the requirements and expectations of shareholders, customers, investors and local communities. Engagement involves a wide range of activities: EN-P4, EN-P7

- Transparent corporate social reporting, which adheres to GRI, CDP and statutory requirements and which will be extended as new air and waste legislation is enacted.
- An internal and external hotline, which employees use mostly to report potentially hazardous conditions, while the external line is used mainly by the public to query perceived emission and other environmental transgressions related to the Steelworks.
- News and awareness messages to employees, which are conveyed by newsflashes, distributed electronically and on paper.
- Constant employee exposure to environmental matters, which is achieved through the Environmental Task Team, comprising two people from each department who undergo frequent internal and environmental training and who give feedback to their departments after regularly held briefing sessions.
- Local community engagement, through notices of important environmental matters placed in local newspapers. The most valuable community interaction is through the bi-annual Stakeholder Forums, which involve stakeholders in a wide range of Company issues. The forums are attended by representatives from local government, the Chamber of Business, teaching and training facilities environmental authorities and communities.
- Training to all employees, comprising an environmental awareness module during induction and subsequent refresher courses. An extended environmental awareness and policy course for management is being developed.

**Environmental economics,** to quantify the environmental impacts of the Company's operations in terms of their cost implications to the Company. The Evraz Highveld approach quantifies both direct and indirect operational impacts, such as water and air pollution and identifies and quantifies the associated environmental externalities.

**Ecological engineering,** an approach which focuses on natural rather than chemical or conventional engineering interventions to mitigate and address environmental threats. This approach harnesses natural resources such as bio-organisms or vegetation to treat contamination, thereby creating additional ecosystems. The aim of this approach is to develop sustainable solutions with ecosystem benefits.

**Industrial ecology,** an approach focusing on methods for increasing the industrial efficiency and to improve the relationship between the industry and the environment. It is also a subfield of ecological engineering, utilising ecological principles to design new systems and comprising theory and practices for the implementation of sustainable development. It also applies to waste management through the transformation of existing systems to manage material inflow and outflow in order to optimise the re-use of materials so as to manage a complex ecosystem.

The science of sustainability, which investigates, establishes and evaluates the relationships and linkages pertaining to economic, social and environmental requirements in facilities, systems and process development and implementation so that development can be sustainably implemented.

Environmental management is a complex process of managing a wide variety of aspects which are inter-related and dynamically linked to each other – not only in terms of environmental impact and in terms of how diverse regulatory processes inter-relate, but also taking into consideration the social and economic ambit.

The overarching blueprint which guides all aspects of the environmental management process in terms of statutory and voluntary programmes and plans is the Evraz Highveld Environmental Management Plan. The plan has been compiled in terms of the National Environmental Management Act (NEMA), and all aspects of environmental management – such as the Air Quality Management Plan, climate change initiatives and the Integrated Water and Waste Management Plans – dovetail into the integrated Environmental Management Plan.

Environmental involvement is an important pillar of Evraz Highveld's environmental drive. The Company actively supports environmental organisations, including the National Association for Clean Air (NACA), the Ferro Alloy Producers Association (FAPA) and the Olifants River Forum. 4.13, BR-M3, BR-R2

NACA, which is regarded as the prime technical and scientific non-governmental air-quality management organisation in the country, has more than 500 members, including companies, consulting firms, local authorities, air-management specialists and people generally interested in clean air. Evraz Highveld has observer status on the NACA National Committee and in, 2010, was instrumental in establishing a Mpumalanga branch of NACA.

FAPA, of which Evraz Highveld is a member, addresses challenges facing the minerals industry as a result of impacts such as new legislation, electricity generation constraints, electricity tariff increases and the effects of the strong local currency.

More locally, Evraz Highveld supports the Olifants River Forum situated in the Upper Olifants Water Catchment Area, an initiative which promotes and coordinates voluntary cooperation between all parties that wish to improve the conservation of the Olifants River. Activities focus on water quality in the catchment area to the government's water quality objectives.

**Climate change management**

Evraz Highveld recognises the strategic importance of climate change management, specifically given the high impact of its operations and climate change impacts across its supply chain.

Evraz Highveld aims to establish a climate change governance framework that promotes the prioritisation of energy efficiency improvements.

In conjunction with the formulation of its climate change strategy in the last quarter of 2010, steps to implement a climate change response programme were initiated with an invitation for tenders for the assessment of the Steelworks carbon footprint.

**Carbon disclosure project**

Continued improvement in reporting was assisted by the extended monitoring of emissions and dust fall-out implemented in 2010, and supports the formal reporting requirements established earlier in the year in terms of the Carbon Disclosure Project (CDP), which is backed by 534 institutional investors managing assets in excess of 64 trillion US Dollars.

During this year the CDP sent questionnaires requesting information on the greenhouse gas emissions, potential climate-related risks and opportunities and strategies for managing the identified risks and opportunities from more than 4 500 of the world's largest corporations, including the top 100 JSE-listed companies. Evraz Highveld was, based on its market capitalisation at 30 December 2009, included in the sample. Evraz Highveld was rated a 65 per cent-compliant Company on the Carbon Disclosure Leadership Index, placed 24th jointly with Wilson Bayly Holmes-Ovcon.

Participation in the global carbon emission exchange structure based on carbon emission savings resulting from the Iron Plant open slag bath conversions continues to be investigated. Smelting efficiencies are achieved in open slag bath furnaces through their ability to process smaller lump ore (<20mm). At year-end the fourth open slag bath furnace conversion commenced. The full carbon emission savings will be realised on completion of the open slag bath conversion on all furnaces.

**Air quality management** EN20

In 2010, Evraz Highveld appointed a corporate emissions control officer in terms of the National Environmental Management: Air Quality Act (NEM:AQA), to monitor air emission activities and to drive the climate change initiative.

The Mapochs Mine operations cause no significant atmospheric emissions. However, the operations do generate particulates (dust), which management manages as effectively as possible to minimise its impact on the surrounding environment and communities. A comprehensive particulate monitoring programme was developed in 2010 and will be fully implemented in 2011, following an analysis of the most suitable places to establish monitoring points. Dust collection commenced towards year-end, and the analyses of both soluble and insoluble particulates, together with external influences such as wind and weather patterns, will determine which particulate management steps will most effectively address the problem.

The Steelworks operates in the Highveld Priority Area, one of the poor air-quality areas designated by the Department of Environmental Affairs (DEA) in terms of NEM:AQA. Priority area designation has been introduced as part of government's focus on air quality management. The Highveld Priority Area covers approximately 31 100 km$^2$, from eastern Gauteng to Middelburg in Mpumalanga. Each area is responsible for developing a Priority Area Air Quality

Management Plan, through a stakeholder forum comprising the three tiers of government, non-government organisations, industry, business and communities. The forum bases its plan on air quality monitoring by a number of ambient air quality monitoring stations provided by DEA and Mpumalanga Department of Agriculture, Rural Development and Land Administration (MDARDLA).

Evraz Highveld fully supports the priority area plan and participates in the activities to achieve improved air-quality. Many of its Steelworks air quality improvement initiatives complement the priority area plan. These initiatives focus on emission monitoring and improvement projects, including combustion optimisation and the proper maintenance of kilns, furnace scrubbing and primary pollution abatement equipment maintenance.

Central to the Steelworks emission management programme is its $CO_2$ emission reduction initiatives. Carbon dioxide comprises 0.39 per cent of the earth's atmosphere. It is generated, amongst others, as a by-product of the combustion of fossil fuels.

The target of reducing $CO_2$ emissions by one per cent a year was not achieved.

Point source emission measurements are based on historical isokinetic testing results, which provide a basis for estimating significant air emissions.

| Type of air emission | Tons |
|---|---|
| $NO_x$ | 1 537.4 |
| $SO_x$ | 18 398.1 |
| Particulate matter | 13 795.0 |

*$NO_x$ and $SO_x$ exclude the Steel Plant shaking ladle, fugitives and emission data from the mills.*

*Particulate matter excludes roads and stockpiles, fugitives and emission data from the mills.*

A fugitive dust abatement plan, initiated in 2010, will be finalised in 2011 in order to mitigate the effects of dust generated by non-process activities. Trials to find more effective road dust suppression chemicals continued in 2010.

The wider set of results assists Evraz Highveld in its environmental impact planning by providing more accurate information for its Air Quality Management Plan and Emission Inventory. Accuracy was further improved by overhauling ambient air quality PM10 monitoring equipment, which measures very fine particles, adding PM2.5 equipment and including fence-line measurements. Work started on a fence-line ambient air quality monitoring station, which will also measure $SO_x$ and $NO_x$, will be completed in 2011. A passive diffusion ambient air quality monitoring network has also been developed and implemented in 2010.

Emission limits are set and measured against the requirements of NEM:AQA and the SANS Codes of Practice and ISO standards. These benchmarks, comprising industry- and process-specific limits, are specified in Evraz Highveld's emission abatement plan.

Evraz Highveld's air dispersion modelling has also been improved in 2010, following the installation of a meteorological station for on-site weather data, which is required as input data for ambient and point-source air quality modelling, for up to 50 km from the Steelworks. Sophisticated software has been installed as a management tool to benchmark results against target and determine the most effective pollution mitigation measures.

# Safety, health, environment and quality (SHEQ)
continued

In addition to the scope and accuracy of measurements, the successful management of atmospheric emissions from the steel manufacturing process hinges on the stability of the manufacturing process and the effectiveness and availability of pollution abatement equipment.

In 2010, Iron Plant 1 and 2 achieved a combined availability of 88.5 per cent, as opposed to 99 per cent uptime as prescribed by Atmospheric Pollution Prevention Act (APPA) Registration Certificate.

In the Iron Plant, atmospheric emissions consist mainly of coal dust. Titaniferous magnetite ore is pre-reduced in 13 rotary kilns and finally reduced to liquid iron in seven electric arc furnaces. The emissions are controlled with various electrostatic precipitators and Venturi scrubbers. A planned refurbishment programme ensures the effectiveness of the equipment.

Evraz Highveld is in the process of obtaining its NEM:AQA emissions licence, to replace its APPA Registration Certificate. Evraz Highveld is confident that its management approach, emission equipment upgrades, process improvements and increased emission measuring scope and accuracy will meet the requirements of NEM:AQA.

Following an investigation in July 2009 by the Green Scorpions, the Environmental Management Inspectorate of the DEA, the department issued a pre-notice in 2010, asking Evraz Highveld for reasons not to issue a directive in terms of emissions. Evraz Highveld submitted documentation in mitigation, and is awaiting a response from DEA. Progress on action plans are submitted monthly together with a monthly report as per APPA registration certificate reporting requirements.

### Energy management EN3, EN5, EN6

Iron and steel manufacturing processes have substantial energy requirements. At the Steelworks, power is the highest input cost and, within the energy basket, electricity forms a significant portion. This portion has increased substantially since 2009, when Eskom started implementing its three-year cost-increase programme. Even before the accelerated increases, energy efficiency has been a central focus at Evraz Highveld.

The first benchmark in energy measurement, is the number of gigajoule (GJ) consumed per ton of steel produced. In 2009, the consumption was 44.837GJ/ton, against a targeted 47.47GJ/ton. For 2010, the target was 47.00GJ/ton and the actual consumption was below target, at 45.603GJ/ton.

Energy consumption is most effective when the Steelworks runs at increased capacity. Although this was not the case in 2010, several energy-saving initiatives contributed to the improvement. The Iron Plant made most progress in terms of energy effectiveness, as a result of reducing the size of ore received from Mapochs Mine to improve smelting, optimising furnace/kiln configurations and the positive effects of replacing submerged arc furnaces with open slag bath furnaces, which use 20 per cent less coal. The fourth of six furnaces in Iron Plant 1 will be converted early in 2011. However, energy efficiency is also linked to the raw materials mix and the stability of the ironmaking process, with which the plant achieved positive results in the past year.

The investigation into the viability of reducing electricity consumption in the electrical arc furnaces by increasing the reduction efficiency of rotary kilns continues. In the kiln, coal and heat is used to reduce the oxygen from the iron ore. The more efficient the reduction process in the kiln is, the less energy is required in the furnace smelting process.

Steelworks breakdown of energy consumption GJ/ton

| | 2010 | 2009 |
|---|---|---|
| Electricity | **8.136** | 7.951 |
| Gas (externally sourced) | **3.115** | 3.794 |
| Oxygen | **0.751** | 0.721 |
| Diesel fuel | **0.081** | 0.070 |
| Metallurgical coal | **25.688** | 24.346 |
| Duff coal | **7.832** | 7.955 |
| Total energy | **45.603** | 44.837 |

The project to investigate harnessing the heat in the kiln towers to generate electricity, progressed significantly when Evraz Highveld initiated feasibility studies in September 2010. Should the results of the investigation prove to be feasible, a project will be initiated to generate electricity from the off-gases generated. At this stage, cooling is done with water, which evaporates and produces vast volumes of steam. In a co-generation plant, cooling is effected by heat exchange through a steam boiler. This process saves water, reduces emissions and reduces Evraz Highveld's dependence on the national electricity supplier. The target would be to generate 15 per cent of electricity requirements.

Throughout Evraz Highveld, energy-efficient motors are being purchased when motors require replacement in the plant maintenance programmes. Suitable and reliable energy-saving lighting options around and inside the premises are being investigated.

Energy-saving initiatives involving employees include compact fluorescent lamp exchanges for conventional incandescent globes, which offer a longer life and consume considerably less energy. A solar heater funding programme is also being investigated.

**Water management** EN8, EN9, EN10

Mapochs Mine does not require outside water for its mining, crushing, screening and washing operations. Water is sourced from two main open-cast voids, a return-water dam and the Mapochs dam. If required, boreholes, one of which supplies water to the Roossenekal community, supplement the water supply.

The water from a 639 000 $m^3$ dam on mine property was sporadically used in 2010. It is envisaged that de-silting will start in 2011 once an environmental impact assessment has been completed. One of the options being investigated is to use the silt in the rehabilitation of mined voids.

The mine is still awaiting its water use licence, following receipt of a notice of intent to issue a directive regarding the licence in 2009. The mine has complied with all regulatory requirements for the licence and submitted relevant documentation to the Department of Water Affairs (DWA).

# Safety, health, environment and quality (SHEQ)
continued

In 2010, a programme to determine the effects of mining operations on surface and groundwater was implemented by monitoring surface water and boreholes. The surface monitoring points were determined strategically and forms part of the Mapochs Mine IWWMP. Following a geohydrological survey during the year, it has been decided to drill additional boreholes in order to obtain more extensive results over a wider area. When surface water is collected from monitoring points, vegetation and habitat sampling is also done. A geohydrological survey determines the occurrence and distribution of underground water. Steelworks requires large quantities of water for cooling purposes during the steel production process. In 2010, Steelworks consumed 7.792m$^3$/ton against a target of 7.220m$^3$/ton (target versus actual was 7.221 versus 7.862m$^3$/ton in 2009).

A dedicated process water reticulation system ensures that Evraz Highveld's water consumption does not impact negatively on the availability of water in the area. Water is supplied from the Witbank Dam, with a capacity of 104 million m$^3$. Steelworks used approximately 6.028 million m$^3$ (5.409 million m$^3$ in 2009) from the dam, of which approximately 74 per cent (74 per cent in 2009) is recirculated.

In 2010, water conservation efforts were again thwarted by unplanned storm water and process water run-off as a result of rainfall and restricted process water storage facilities in the recirculation infrastructure. However, there was less run-off than in 2009, as a result of a planned programme to increase the use of recirculated water during the rainy season. The run-off was reported to DWA.

**Steelworks** initiated a project to investigate the separation of process and storm water, which will alleviate the unplanned run-off of water. An engineering survey will be completed by early 2011 to confirm the drainage areas and to survey the storm water and sewer infrastructure.

The surface and groundwater monitoring system improved during 2010, following the implementation of a water-monitoring programme in 2009. The programme includes quality assurance and quality control measures, such as new methodologies to increase the accuracy of measurement and ISO water monitoring standards.

In 2011, Evraz Highveld will further improve the accuracy of monitoring, by reviewing the current geohydrological model which will review borehole locations for optimum sampling in relation to pollution sources. The study will also correct valuable information on the movement of underground water. Accuracy of monitoring is also ensured by checking that the samples drawn are representative of the environment, i.e. that the borehole itself does not affect the sample.

Evraz Highveld's impact on the greater Grootspruit catchment area will be quantified when the DWA finalises the water quality objectives and reserve determination for the area. The impact benchmark is a discharge in excess of five per cent of the annual average volume of the water body.

Steelworks also initiated bacteriological rehabilitation trials at its phenol dam, as opposed to chemical treatment and external disposal. The main make-up of the waste is total petroleum hydrocarbons.

**Waste management** EN22

In 2009, Evraz Highveld developed an integrated industrial waste management plan. During 2010, the plan has been entrenched and the disposal of industrial solid and process waste is being managed in terms of National Environmental Management: Waste Act (NEM:WA). The licensing process in terms of the Environmental Consolidation Act, which deals with the conversion to NEM:WA, has been initiated.

The plan categorises waste management into industrial solid waste and industrial process waste. Hazardous waste is managed according to requirements in terms of handling, classification and disposal. Safe disposal is confirmed by the required certificate, and Evraz Highveld keeps record of the waste lifecycle, in conjunction with the hazardous waste transporter.

Mapochs Mine developed an integrated waste management system, which documents and monitors the lifecycle of waste handling and disposal and is planned for implementation by 2011.

The outcome of its water use registrations pertaining to waste-related water usage, submitted to DWA in 2009 in terms of the National Water Act, is still awaited.

Steelworks is also awaiting the outcome of its waste-related water-use registrations.

The outcome of the appeal lodged at the Water Tribunal in terms of the Steelworks Integrated Water Use Licence (IWUL), which was rejected by DWA, is also awaited. The IWUL was rejected as a result of a compliance issue with Section 27 of the National Water Act, which refers to redressing past racial and gender discrimination.

The largest waste-related hazard which Steelworks manages, is the Evraz Highveld calcine waste disposal facility, situated at the former Vanchem division. The site is environmentally managed through a network of boreholes to monitor the quality of groundwater, while surface water monitoring determines the impact of the site on the aquatic environment. Weekly and monthly surveillance activities are also performed to monitor the stability of the facility.

The disposal site was used by Vanchem, now Vanchem Vanadium Products (Proprietary) Limited (VVP), when it was still a Evraz Highveld division. When Evraz Highveld divested its vanadium-related assets in 2008, it retained ownership and responsibility of the site. Evraz Highveld is in the process of obtaining a waste licence for the facility and the best rehabilitation options are being investigated, amongst which the possible reworking of the facility to extract vanadium, various salts and other elements of value and rehabilitation of the residual material to result in an inert product.

The licensing procedure for other waste facilities at Steelworks in terms of new legislation has been initiated. The first step is a gap analysis to quantify waste-related activities, classify the waste types and determine their applications. Then application to commence with the regulatory process to license the activities will be submitted to the DEA. This will be followed by an environmental impact assessment. The whole process takes approximately two years to complete.

# Safety, health, environment and quality (SHEQ)

continued

The programme to phase out oil containing polychlorinated biphenyls (PCBs) in accordance with a plan submitted to the DEA continues. PCBs were widely used for applications, notably as coolants and dielectic fluids in transformers and capacitators. PCB production was banned by the Stockholm Convention on Persistent Organic Pollutants in 2001 due to their toxicity and classification as persistent organic pollutants.

No significant spills of chemicals, oils or fuels were recorded during 2010. EN23

A waste-tyre stockpile abatement plan, which was submitted to DEA in 2009 in terms of the Environment Conservation Act, was implemented in 2010.

Evraz Highveld commenced with the legal process end 2010 and submitted application documentation regarding commencing with the licensing of waste activities as per the NEM:WA to the DEA. An environmental impact assessment is to follow in 2011 whereafter a formal waste licence application will be submitted.

Non-recycled or recovered waste generated by Steelworks

| Type of waste | 2010 Total tons disposed of | % of waste stream | Disposal method | Party who disposed waste |
|---|---|---|---|---|
| Industrial solid waste (hazardous) | **546.4** | 0.03 | Landfill | External waste transportation company to an appropriate hazardous landfill site (GLB+/H:H) |
| Industrial solid waste (non-hazardous) | **321.7** | 0.02 | Landfill | External waste transportation company to an appropriate general waste landfill site |
| Industrial process waste (hazardous) | **1 564 800.0** | 99.94 | Dedicated disposal site – on site | Evraz Highveld (on site) |
| Total | **1 565 668.1** | **100** | | |

Recycled and recovered waste generated by Steelworks

| Type of waste | 2010 Total tons disposed of | % of waste stream | Disposal method | Party who disposed waste |
|---|---|---|---|---|
| Used oil (hazardous) | **145.0** | 44.0 | Recycled | External oil recycling company |
| Used drums (hazardous and non-hazardous) | **50.5** | 15.3 | Re-used and recycled | External drum reclamation company |
| Paper (non-hazardous) | **7.5** | 2.3 | Recycled | External paper recycling company |
| Tyres (non-hazardous) | **7.5** | 2.3 | Re-used and recovered | External tyre reclamation company |
| Electronic waste | **118.9** | 36.1 | Recycled, re-used and recovered | External e-waste reclamation company |
| Total | **329.5** | **100** | | |

**IWWMP** EN25

The legally required IWWMPs at Mapochs Mine and Steelworks are continuously reviewed to include the latest legislator requirements and environmental best-practice, in order to manage water and waste in a seamless and integrated manner. In 2010, R2.4 million capital expenditure was allocated to enhancing procedures related to the IWWMPs.

At Mapochs Mine, constant communication with DWA ensures that the department's concerns about water and waste management are adequately addressed.

At Steelworks, the management of run-off water remains a priority of the IWWMP, to ensure that aquatic life in the Grootspruit area is not negatively impacted upon. Water and waste management steps that form part of the plan, include continuous mapping of water flow to optimise water usage and investigations to achieve best-practice salt balances in process and non-process water.

**Biodiversity management** EN13, EN14, EN15

Biodiversity restoration in areas around Evraz Highveld's operations is an important element of the Company's Environmental Management Plan. Objectives are aligned with National Environmental Management: Biodiversity Act (NEM:BA) requirements.

The Mapochs Mine biodiversity management plan aims to conserve the biodiversity in its area of operations. It adheres to the requirements of the Mpumalanga Biodiversity and Conservation Action Plan and the identification and allocation of plant species is based on the International Union for Conservation of Nature's Red List.

The mine disturbs approximately 65 hectares of land a year. Its restoration projects aim to revegetate this area as well as a portion of a backlog of 230 hectares from previous years. In 2010, this aim was partially achieved by filling and leveling 45 hectares ready for seeding. The 2011 rehabilitation budget has been increased substantially to R3.5 million (from R1.2 million in 2010) to speed up the rehabilitation process. The budget allows for the utilisation of three articulated dump trucks and a bull-dozer and contracting a seeding and planting specialist.

The following grass and tree species are used in the rehabilitation programme:

| Grass species | Common name |
|---|---|
| *Cynodon dactylon* | Couch grass |
| *Medicago spp* | Lucerne grass |
| *Panicum spp* | White buffalo grass |
| *Eragrostis tef* | Teff |
| *Eragrostis curvula* | Weeping love grass |

| Aloe species | Common name |
|---|---|
| *Aloe marlothii* | Mountain aloe |
| *Aloe maculata* | Common soap aloe |
| *Aloe zebrina* | Zebra spotted aloe |
| *Aloe greatheadi var/ davyana* | Davyana |
| *Aloe reitzii* | Reitzii's aloe |

# Safety, health, environment and quality (SHEQ)
continued

| Tree species | Common name |
|---|---|
| *Acacia tortillis* | Umbrella thorn |
| *Acacia caffra* | Common hook thorn |
| *Ziziphus mucronata* | Buffalo thorn |
| *Cussonia paniculata* | Mountain cabbage |
| *Peltophorum africanum* | Weeping wattle |
| *Acacia sieberiana var woodii* | Paperbark thorn |
| *Rhus leptodictya* | Mountain karee |
| *Rhus lancea* | Karee |
| *Dombeya rotundifolia* | Wild pear |
| *Acacia karroo* | Sweet thorn |
| *Combretum erythrophyllum* | River bushwillow |
| *Celtis africana* | White stinkwood |

The establishment of a nursery in 2011 will become a community project. The project will remove plants from targeted mining areas and make them available for rehabilitation. Once in place, the service will be extended to other mines in the area.

At Steelworks, biodiversity assessments will be completed in 2011. The eradication of alien invasive plant species, by mechanical, biological and chemical means, will commence during 2011.

### Land and soil management

In 2010, Evraz Highveld developed a land and soil management system for the Steelworks, Mapochs Mine and the calcine waste disposal facility. The system will identify soil contaminated areas and the current and future statutory requirements in order to prioritise soil contaminated areas for remediation.

In 2011 the focus will be to conduct a trial on bio remediating the phenol dam sludge with bio-micro organisms.

The phenol sludge will be removed to a demarcated area on-site where the bio-micro organisms will be introduced.

The bio-micro organisms will feed off the oil contaminates that constitute the phenol sludge and in turn they will produce an environmentally safer soil matter for alternative uses at Evraz Highveld.
If the trial is successful, this process will be applied to all oil contaminated sites.

## Quality

Evraz Highveld is committed to delivering products to its clients that meet the required quality standards. This objective, and the measures which the Company applies to check its products against, comply with the latest international standards.

Quality management is the responsibility of the entire Company and is championed by the Quality Control Department, in conjunction with the SHEQ Department, which falls within the Metallurgical Services Division. The division also tests and certifies all steel products despatched and is responsible for developing processes to meet non-standard customer requirements and new products.

**Quality management**
The Metallurgical Services Division has fully equipped analytical and mechanical test laboratories, which are internationally benchmarked against programmes managed by the American Society of Testing Materials and the Institut für Eignungsprufung. Mechanical testing equipment is calibrated once a year by experts from Germany and the calibration is verified quarterly by local experts, in terms of a quarterly service contract with the local representatives of the analytical equipment supplier. The equipment is checked every shift by testing a sample with a known result. This ensures that the high levels of accuracy required by the international programmes Evraz Highveld participates in are maintained.

The laboratories are fully independent of the manufacturing process and issue test certificates in accordance with EN10204 3.1.

In addition to its ISO 9001 certification, the Company has also been accredited in terms of PED 97/23/EC (boiler plates) and CPD 89/106/EC (CE mark approval) by, a global leader in independent testing and assessment services.

To entrench proper quality measures, each plant is required to provide three quality targets against which it is measured. The targets are audited twice a year by the SHEQ Department and the results are reported to the quarterly Executive SHEQ Review Meeting. Quality targets and objectives also form part of the incentive bonus scheme.

Additional processes undertaken to assist in achieving quality objectives include communication with customers to ensure that their quality requirements are met, facilitating the establishment of criteria for vendor selection and performing quality assessments of potential vendors as well as testing incoming raw material.

# Human capital

Human capital is Evraz Highveld's primary resource. As such, its Human Resources Policy is to be the employer of choice, in order to attract and retain employees with appropriate skills and competencies required to enable the Company to meet its objectives. If possible, appointments are made from within local communities and senior management is encouraged to live in these communities. EC7, BR-R1

The continued poor economic conditions in 2010 saw Human Resources again concentrating on retaining existing skills. Although recruitment was limited to critical positions, average training man-days were increased from 6.53 to 15.04, resulting in an increase in training spend from R41.27 million to R54.93 million. The number of bursars/ sponsored students on the Evraz Highveld bursary/sponsorship scheme was reduced to 21 (from 32 in 2009). TD-R1

The value of human rights has been entrenched in all Evraz Highveld policies, procedures and the way of conducting business.

Employees may join a trade union. The interests of agency shop employees, people who choose not to belong to a trade union, are also represented by shop stewards. Employee rights to exercise freedom of association or collective bargaining are not at risk. HR5, ER-M1

Employees are protected against all forms of discrimination. Evraz Highveld's well-structured and uniformly applied grievance and disciplinary procedure is communicated to all employees at induction and all employees have access to it. All allegations of discrimination reported are investigated and acted on according to the outcome of the investigation. No incidents of discrimination or incidents involving indigenous rights amongst Evraz Highveld employees and communities within its area of operation were reported in 2010. HR3, HR4, HR9, ER-P2, ER-M2, ER-P3, ER-R3

The use of child (people under the age of 15) or young (under the age of 18) labour is prohibited by the ***Evraz Highveld Employment Policy***. Evraz Highveld does not subscribe to labour practices that endorse forced or compulsory labour. Working hours are contractually agreed upon, on engagement. Due to the nature of its operations, Evraz Highveld's production employees are subject to fixed working hours. Flexible working hour arrangements are in place for service employees. Mechanisms are in place to monitor overtime hours within the framework of legislative boundaries. Overtime is paid uniformly as per employment agreements. HR6, HR7, EO-M3, EO-R5

In order to optimise the Evraz Highveld strategy, objectives and legal and social responsibilities in terms of its human capital, Human Resources restructured its activities into five clearly defined disciplines:

- Remuneration and Benefits;
- Employee Relations;
- Talent Management;
- Organisational Development; and
- Training and Development.

To ensure that the increased focus on the full spectrum of the Human Resources activities are maintained through these five disciplines, two managers are being appointed to lead Talent Management and Organisational Development. TD-P2

Transformation was established as an additional division during 2010, and a black female has been appointed Transformation Manager to head up this division.

Organisational Development focuses on improving the performance management programme to align employee performance with company and role objectives and to align the programme with the global Evraz model.

## Remuneration and Benefits LA3

The objective of the Remuneration and Benefits Department is to ensure appropriate rewards for meeting objectives and achieving excellence.

In 2010, the department launched initiatives to align remuneration appropriate to not only the steel and engineering industries, as in the past, but also to the mining industry. The first survey targeted the C-Upper and D-Lower Bands.

Evraz Highveld bargaining unit employees qualify for the minimum wage of R4 970.82 per month, as scheduled in the House Agreement. In 2010, the Company's entry-level wage exceeded the minimum wage paid as per the Metal and Engineering Industries Main Agreement with its area of operation by 14 per cent. EC5

The principle of fair remuneration is extended to contractors, who are screened to ensure that their employees are fairly remunerated.

In 2011, Remuneration and Benefits will focus primarily on retention strategies and performance incentives. Market surveys will continue.

## Employee Relations LA4, ER-P1, ER-R2

Evraz Highveld and the two trade unions namely NUMSA and Solidarity concluded a three-year wage agreement in 2010, valid until 2013. The agreement, which affects approximately 1 600 of the 2 500 employees, ensures stable employee relations during this period.

Approximately 63 per cent of Evraz Highveld employees are represented by NUMSA and 17 per cent by Solidarity. Consultations with the unions are the responsibility of the General Manager, Human Resources, in consultation with the chief executive officer and line management. The Remuneration and Nominations Committee acts on behalf of those not represented by unions.

In 2011, Employee Relations will focus on improved employee engagement, wellness and productivity.

## Talent Management

Talent Management is the driving force behind leadership development, succession planning, talent acquisition and career management.

The department manages the High-potential/Executive Pipeline Pool, which includes employees who are identified through a structured process, using tools such as performance management, the performance/potential matrix, professional assessment, occupational personality questionnaires, individual biographies and development plans.

# Human capital continued

A total of 54 candidates have been identified in this process to participate in various sponsored career-management initiatives that will commence in January 2011:

- The Evraz New Leaders Programme, which will provide seven employees with a locally and internationally based six-month, focused leadership programme within the Evraz Group.
- Participation for five employees in a three-year Masters in Business Administration (MBA) or Masters in Business Leadership (MBL) programme.
- Participation for 12 employees in a six-month Management Development Programme (MDP).
- Participation for 30 employees in a six-month programme to obtain Certificates in Leadership.

In addition to these programmes, Evraz Highveld will extend on-the-job coaching initiatives to identified employees for further development.

Talent Management is also tasked with achieving Evraz Highveld employment equity objectives through the tools and programmes at its disposal. In 2010, a five-year employment equity plan has been approved. The outcome of Talent Management and the Employment Equity Plan will have a positive impact and also improve the B-BBEE Scorecard on the Employment Equity and Skills Development elements.

The appointment of four senior black managers in the last six months of the year was a result of our Talent Management efforts.

However, it remains difficult to meet transformation targets in the senior management and supervisory levels due to the shortage of skills in this sector of the economy. Strong competition between organisations to attract senior people adds to the frustration of achieving the desired level of participation from the designated group.

A further improvement in the scorecard is targeted through a company-wide survey to identify employment opportunities for disabled people. Targets for the next five years have been established. At this stage, nine people with disabilities are successfully employed in a variety of positions, ranging from reception to Information Technology. As part of a drive to source disabled employees through advertisements and non-governmental organisations, such as the Unemployment Forum, various temporary appointments were made in 2010.

Three policies which impact on the scorecard were reviewed – the recruitment, leave and maternity leave policies.  Changes were incorporated in all three policies, such as extending maternity leave to four months on full pay. Paternity leave is granted, but employees have to claim remuneration from the UIF during periods of paternity.

Monetary tools at Talent Management's disposal are attraction, achievement and retention bonuses. Retention bonuses are granted by a Retention Committee, based on formal nominations from divisional management. By year-end 1.6 per cent of staff had qualified to join the retention bonus scheme, which allows for five per cent of staff to receive such bonuses.

Evidence of the success of the Evraz Highveld Talent Management programme is the decision by Evraz to adopt its career management model, which is aimed at D Level (unit manager) and higher, in its other companies worldwide. The model is based on a nine-box matrix which addresses:

- job profiling;
- competency model identification;
- individual assessments in current and aspired roles;
- individual development plans;
- potential and performance assessments;
- development assessments; and
- reviews.

## Organisational Development

In 2010 the focus of Organisational Development was to streamline and optimise the structure of the Executive Committee in order to focus on improved performance.

For 2011, Procurement and Plant Maintenance are targeted for structural optimisation.

## Security personnel HR8

Security services at Evraz Highveld are contracted to specialist companies. At year-end 91 guards (113 in 2009) were employed by contractors, who are also responsible for their training and registration, in accordance with the specifications of the statutory Private Security Industry Regulatory Authority.

## Training and development TD-M1 to TD-M4, TD-R2, TD-R4, TD-R5

| | **2010** | | 2009 | | 2008 | |
|---|---|---|---|---|---|---|
| | **Actual** | **Target** | Actual | Target | Actual | Target |
| Training spend (Rm) | **54.93** | **41.27** | 41.27 | 48.00 | 48.79 | 46.10 |
| Training average man-days | **15.04** | **15.00** | 6.53 | 15.00 | 11.70 | 15.00 |
| Average training spend per employee (R'000) | **23.14** | **17.78** | 17.78 | 12.00 | 18.61 | 11.90 |

# Human capital continued

Evraz Highveld continues to invest in training and developing its employees and potential employees, in line with its policy of attracting, retaining and developing high-quality staff to support the long-term success of the organisation. This investment includes training apprentices and awarding bursaries and assistance to students from universities of technology and graduate engineers and junior technicians. Focused training, management development, mentorship and fast-tracking programmes provide trainees and employees with the opportunity to develop to their full potential. [TD-P1]

During 2010 a five-year training strategy targeting B-BBEE was developed and implemented. The strategy replaced the five-year plan which expired in 2009. Training and Development's focus on B-BBEE earned Evraz Highveld nearly a full score. [BE-M4]

The revised plan targets black managers, all females and people with disabilities.

In 2010, the Evraz Highveld investment of R54.93 million, or 5.6 per cent of the labour cost for the year, represents a significant financial commitment compared to the national average of three per cent.

**Apprenticeships**

The Evraz Highveld Training Centre, a MERSETA-accredited apprentice training centre, maintains its high standards which earned it Top Training Company status. As a result of this acknowledgement, the centre qualified for a two-year discretionary grant of R17 million in 2009 and R9.89 million had been received in 2010.

At the end of 2010, 174 apprentices were enrolled for various trades, such as instrumentation, rigging, millwrighting, fitting and turning, boilermaking and electrical and earth-moving equipment mechanics.

The reduced availability of employment opportunities as a result of the impact of the economic downturn experienced since 2009 impacted positively on artisan staff turnover. The intake of apprentices for 2011 has been materially reduced, from 80 in 2010 to only 50 in 2011, to manage the reduced requirement for qualified apprentices within Evraz Highveld.

Eight full-time technical trainers facilitate the training in seven workshops. After an initial six-month training period, apprentices are assigned to a division for a period of at least 80 weeks to gain practical experience. After this period, apprentices can apply to write the internationally recognised trade test at a MERSETA-accredited trade test centre.

Evraz Highveld also encourages employees who have been exposed to a certain skill to undergo Recognition of Prior Learning trade tests in terms of the Skills Development Act. Support in obtaining formal qualification includes preparing employees for trade tests and giving them practical experience by assigning them to relevant divisions.

**Apprentice coaching**

Apprentice training outcomes are improved by a process of coaching. During the practical experience periods, mechanicians assist apprentices in their jobs and coordinate monthly reports to the training centre, which include feedback from the divisional managers to whom the apprentices report. Training centre staff use these reports to address shortcomings in the training programme.

**Multi-skilling**

Evraz Highveld supports employees' applications for internal training in additional skills, based on operational requirements.

**Skills learners programme**

The Evraz Highveld Skills Learners Programme, formally established during 2010, is focused on providing external people with the opportunity to improve their skills levels to National Qualifications Framework (NQF) standards. The sourcing of candidates is supported by interaction with non-governmental organisations, such as the eMalahleni Unemployment Forum.

Preference is given to historically disadvantaged and disabled people, which also impacts positively on Evraz Highveld's B-BBEE scorecard.

At the end of 2010, 54 candidates were enrolled in the programme.

**Students and technicians**

The Talent Management function is responsible for sourcing staff from schools, universities and universities of technology. Evraz Highveld sponsors 19 bursars. The bursary scheme includes a foundation-year sponsorship at a university, notably for promising candidates from previously disadvantaged communities, to ensure that they enter the tertiary institution on par with other students.

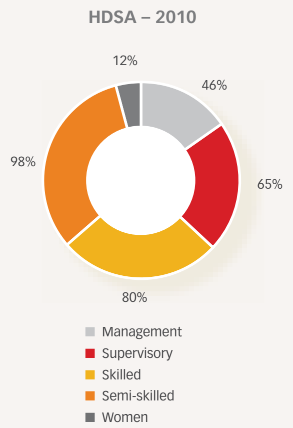
Students who are enrolled at universities of technology are employed at Evraz Highveld for their experiential exposure. These students studied electrical, mechanical, metallurgical, analytical chemistry and process instrumentation disciplines and require a period of formal and informal training at Evraz Highveld in order for them to increase their competency and register as engineering technicians.

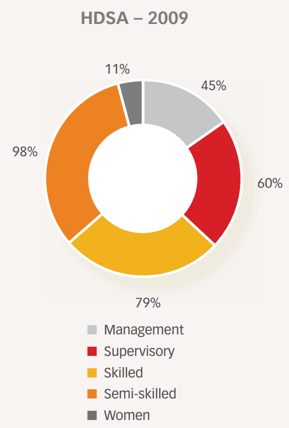
These students also include junior technicians who have a national diploma in engineering or a BTech degree and require a further period of informal training and mentorship. Engineers-in-training are registered with the Engineering Council of South Africa (ECSA) as candidate engineers in preparation for becoming professional engineers (PrEng).

Evraz Highveld gave 35 university of technology students the opportunity to gain the practical experience they require to complete their national diplomas.

# Human capital [BE-M4, BE-R4] continued

| | Male | | Female | |
|---|---|---|---|---|
| | White | Black | White | Black |
| Engineers-in-training | 5 | 2 | 2 | 1 |
| University bursars | 4 | 6 | 5 | 4 |
| Junior technicians | 2 | 10 | – | 4 |
| University of technology students | 5 | 17 | – | 11 |
| Apprentices | 35 | 112 | 3 | 24 |
| Qualified apprentices | 9 | 50 | 1 | 21 |
| Production learners | 2 | 26 | – | 26 |



### Analysis of employee profiles and net employment creation LA1, LA4, LA7, LA12, TD-M5, ER-M1, ER-R1

At year-end, Evraz Highveld employed 2 506 people, of which 178 were apprentices and 132 temporary contract employees. The regional breakdown is as follows:

### Workforce breakdown and status

| Region | eMalahleni | Mapochs Mine | Marketing and Sales | Total |
|---|---|---|---|---|
| Workforce breakdown | | | | |
| Permanent employees (full-time, permanent contract employees) | 2 033 | 157 | 6 | 2 196 |
| Apprentices (full-time, fixed-term contract) | 178 | 0 | 0 | 178 |
| Temporary contract employees (full-time and part-time employees on temporary contract, under supervision) | 116 | 16 | 0 | 132 |
| Total employees* | 2 327 | 173 | 6 | 2 506 |
| There are no permanent contract employees or self-employed workers at the Company | | | | |
| Independent contractors | | | | |
| Evraz Highveld's independent contractor employees increased from around 1 300 at the beginning of the year to 2 379 by year-end. These include security and canteen personnel, on a continuous basis, and construction and maintenance personnel as required. | | | | |
| Collective bargaining agreements (CBA) | | | | |
| Number of employees covered by CBA | 1 638 | 136 | 1 | 1 775 |
| % of total employees covered by CBA | 74 | 87 | 17 | 74 |
| Performance appraisal | | | | |
| % of total employees who received a formal appraisal and review during year | 26 | 13 | 83 | |

* *Excluding Hochvanadium employees.*

# Human capital continued

| Employee profile analysis LA1, LA10, LA13, LA14, EO-M1 | Top management | Senior management |
|---|---|---|
| African female | – | 3 |
| African male | – | 5 |
| Asian female | – | – |
| Asian male | – | – |
| Coloured female | – | 1 |
| Coloured male | – | – |
| White female | 1 | 3 |
| White male | 2 | 12 |
| Disabled female | – | – |
| Disabled male | – | – |
| **Total female** | **1** | **7** |
| **Total male** | **2** | **17** |
| Employees by age group | | |
| <30 years | – | 2 |
| 30 – 50 years | – | 14 |
| >50 years | 3 | 8 |
| The ratio of basic salary for women and for men is 1:1 as Evraz Highveld's policy does not differentiate between genders | | |
| Training | | |
| Total hours training | 16 | 532 |
| Average number of training hours per employee | 8 | 21 |
| Training by age group | | |
| <30 years | – | 3 |
| 30 – 50 years | – | 14 |
| >50 years | 1 | 5 |

**Movement of employee turnover % LA2**

| | Region | | |
|---|---|---|---|
| | eMalahleni | Mapochs Mine | Marketing and Sales |
| Resignation | 55 | 6 | – |
| Death | 16 | 2 | – |
| Dismissal | 35 | 7 | – |
| Retirement | 16 | – | – |
| Redundancy | 2 | – | – |
| Early retirement redundancy | 8 | 1 | – |
| Percentage turnover of employees (%) | 6.00 | 9.99 | 0.00 |

| Professionally qualified and middle management | Junior management, supervisors, foremen and superintendents | Skilled technical and academically qualified workers | Semi-skilled and discretionary decision-making | Unskilled and defined decision-making |
|---:|---:|---:|---:|---:|
| 6 | 15 | 89 | 29 | 22 |
| 48 | 171 | 577 | 675 | 113 |
| 3 | 1 | 3 | 2 | 1 |
| 7 | 4 | 2 | – | 1 |
| – | 1 | – | 1 | – |
| 2 | 1 | 11 | – | 1 |
| 34 | 38 | 27 | 5 | 6 |
| 109 | 128 | 152 | 17 | 36 |
| – | – | – | – | 2 |
| – | 4 | – | – | 1 |
| **43** | **55** | **119** | **38** | **31** |
| **166** | **308** | **742** | **693** | **152** |
| 39 | 94 | 269 | 69 | 154 |
| 131 | 181 | 458 | 272 | 29 |
| 39 | 88 | 134 | 390 | – |
| 7 640 | 11 616 | 3 296 | 61 496 | 56 696 |
| | | | | |
| 37 | 32 | 4 | 84 | 310 |
| 42 | 93 | 238 | 96 | 150 |
| 124 | 186 | 354 | 404 | 27 |
| 40 | 69 | 58 | 420 | – |

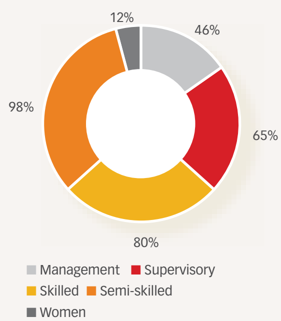
| Gender | | Age | | |
|---:|---:|---:|---:|---:|
| Male | Female | <30 | 30 – 50 | >50 |
| 56 | 5 | 28 | 29 | 4 |
| 18 | – | 2 | 7 | 9 |
| 38 | 4 | 7 | 21 | 14 |
| 16 | – | – | – | 16 |
| 2 | – | – | 1 | 1 |
| 8 | 1 | – | – | 9 |
| 6.61 | 3.61 | 6.29 | 5.32 | 7.70 |

# Human capital continued

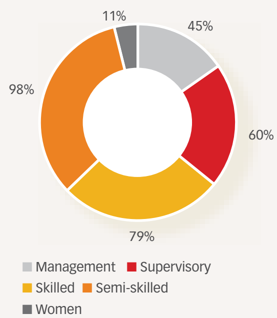
### Transformation targets BE-M3, BE-R2, BE-R3

| | Target % | Actual HDSA % | Blacks % |
|---|---|---|---|
| **Management** | | | |
| 2010 | 45 | 46 | 30 |
| 2009 | 42 | 45 | 29 |
| 2008 | 42 | 44 | 30 |
| **Supervisory** | | | |
| 2010 | 70 | 65 | 53 |
| 2009 | 70 | 60 | 51 |
| 2008 | 70 | 62 | 52 |
| **Skilled** | | | |
| 2010 | 70 | 80 | 77 |
| 2009 | 70 | 79 | 75 |
| 2008 | 70 | 77 | 72 |
| **Semi-skilled** | | | |
| 2010 | 67 | 98 | 97 |
| 2009 | 67 | 98 | 99 |
| 2008 | 67 | 96 | 96 |
| **Women** | | | |
| 2010 | 16 | 12 | 8 |
| 2009 | 16 | 11 | 6 |
| 2008 | 16 | 10 | 6 |

**HDSA – 2010**




**HDSA – 2009**



# Social responsibility EC8, BR-M2, BR-R1, BR-R2, CR-M1, CR-M2, CR-M3, CR-M4 CR-R2, CR-R3

Evraz Highveld transformation and social responsibility is intrinsically linked. The transformation policy aims to develop Evraz Highveld's corporate structure to be reflective of the country's demographics and to ensure that the effects of Evraz Highveld's transformation are also reflected in the communities within the sphere of Evraz Highveld's operations. External projects target the economic empowerment of communities, on both social and business levels, through education, health, housing and supply chain initiatives.

Transformation projects are aligned with legislative and prescriptive measures aimed at achieving accurate demographic reflection in organisations. These include the B-BBEE Act and the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry.

2010 saw the identification of transformation as a key priority for the business, and to verify its BEE status, the Company was externally assessed as being a Level 8 contributor. It is anticipated that a significant improvement in its contribution level will be evident when it is verified again in April 2011. As a demonstration of its commitment to transformation, a transformation manager was appointed to help drive this process.

2011 will see a fully-fledged Transformation Division established to focus on the implementation of B-BBEE and the new Mining Charter. A revised transformation strategy and implementation roadmap with systems to monitor performance against targets will also be developed. The Social and Ethics Committee, previously the Transformation Committee will continue to ensure that programmes are developed and implemented to effect transformation.

Evraz Highveld's Social Responsibility Programme is coordinated by the company secretary and the transformation manager. The programme encompasses Corporate Social Initiatives – in the form of donations and charitable contributions, Socio-Economic Development (SED) – in line with B-BBEE requirements, and various community development initiatives in our mining communities. This Social Responsibility Programme is for both the Steelworks and Mapochs Mine business units.

### Steelworks

*Communities*

| Social responsibility | **2010** | 2009 | 2008 |
|---|---|---|---|
| Projects (Rm) | **1.6** | 1.3 | 3.4 |

In 2010, the Company continued to fulfil its obligation and commitment to the community of eMalahleni, despite the challenging financial position of the Company.

The Evraz eMalahleni Community Forum was established in July 2010 as a vehicle through which all SED projects will be managed. Its vision is to invest in South Africa's economic transformation, with a primary focus on SED and a secondary focus on education and health, for the benefit of the most vulnerable members of the eMalahleni community.

Evraz Highveld allocates on an annual basis, 1% of net profit after tax towards SED, or such other percentage as the Board of Directors of Evraz Highveld may resolve.

# Social responsibility continued

The Evraz Highveld eMalahleni Community Forum has a Managing Committee consisting of a total of nine members, of which two members are from Evraz Highveld,  two union representatives of the employees of Evraz Highveld and five members elected from the eMalahleni community representing the following organisations: iZondela Centre, Nkangala FET College, SANCO and eMalahleni FM.

Through these initiatives, Evraz Highveld aims to create opportunities to integrate marginalised communities within the eMalahleni area in the mainstream of the economy.

Some of the key projects committed to in 2009, formed part of the 2010 expenditure of R1.63 million.

The 2010 expenditure of R1.63 million for SED is made up of the following projects:

- R600 000: Monthly donations of R50 000 to the White Rose Hospice – which provides home-based care for the terminally ill, counselling services, in-patient care, respite care and frail care.
- R516 200: Payments to the Maths Centre for Professional Teachers – whose objective is to enhance participation and performance in the focus areas of Maths, Physical Science, Technology and Entrepreneurship Education subjects in the curriculum.
- R513 800: Provision for discretionary donations to local communities in the areas of education, charitable health and welfare projects and service organisations, employee care, and community development.

In 2011, the main focus remains in education and socio-economic development.

**Mapochs Mine**

Mapochs Mine committed to design and implement Local Economic Development (LED) projects for generating effective local SED of the surrounding communities as part of the mine's Social and Labour Plan (SLP) and as a contribution to the fulfilment of its obligations in terms of the Mineral and Petroleum Resources Development Act, 28 of 2002. To achieve this, Mapochs decided to initiate a broader LED community development programme, which includes the implementation of a number of LED projects.

Notwithstanding the adverse economic circumstances experienced during 2010 on operations, which also impacted on the implementation of the LED projects, the LED projects are enjoying renewed attention.

The identification and the implementation of the LED projects of the Mapochs Mine SLP were agreed to by all stakeholders during consultations with the Roossenekal community, including the LED Committee and Roossenekal Community Forum.

The LED projects are:

*Integrated Township Planning Project*

In partnership with the Elias Motsoaledi Local Municipality the project involves the surveillance of the township development plan to assess expansion in the town of Roossenekal, formulate a development plan for the needs of the town, and prevent duplication of projects in the town area. The project has been completed and the application submitted to the Council for approval.

*Clinic Upgrade*

This project aims to improve the Roossenekal Clinic, which provides medical services to the community. Mapochs Mine helps with the funding of the services provided by the clinic, which is situated on property owned by Mapochs Mine and rented to the Mpumalanga Department of Health.

The mine is also involved in providing funding for the day-to-day running of this clinic.

*Hydroponics Project*

The project aims to provide realistic and alternative livelihood opportunities for employees and community members, which also improve community access to nutrition. In 2011, a pilot hydroponics plant will be designed and established and training and implementation models for both commercial and households applications will be developed. Ultimately, the migration from subsistence to commercial farming will be promoted and supported.

*Project Restore*

The project involves the development of an indigenous nursery on land owned by Mapochs Mine. The project will be beneficial to both Mapochs Mine and the community as it involves the rehabilitation of mined areas, ownership by the community, employment of local community members and the establishment of downstream economic enterprises. This project has significant sustainability and empowerment potential.

*Roads Upgrade and Maintenance Project*

This is an infrastructure development project that involves the upgrading and maintenance of mainly the gravel roads within the Roossenekal area that will contribute towards the safety of road users and in particular the members of the Roossenekal community. It will also improve the storm water drainage system whereby conservation of the road surface will be enhanced. This is an ongoing project implemented by Mapochs Mine on a month-to-month basis and covers the roads leading to the newly built Reconstruction and Development Programme (RDP) houses in Roossenekal.

*Chicken Broiler and Abattoir Project*

The chicken broiler and abattoir project is to be undertaken in partnership with the Greater Tubatse Local Municipality and the Department of Agriculture at the Ga-Makau village in the municipal area. The project will expand the Ratanang Makau poultry project, which was started in 1989 by a group of ten black women. Ratanang Makau rears day-old chickens and sells them to local markets, households and hawkers. During 2011 the feasibility study will commence.

*Adult Basic Education and Training Programme (ABET)*

In 2010, R187 630 was spent on 36 participants totalling an average of 216 hours spend for the Mapochs Mine ABET project, which was established to give certain employees and members of the community the opportunity to increase their literacy levels. Employees who qualify for enrolment are provided with the opportunity to attend the courses, including arrangements such as providing transport where required. Employees are individually assessed to determine their initial and aspired level of education.

# Global Reporting Initiative G3 Content Index

| **Content index coding** | Status |
|---|---|
| Included in this integrated report | 🟢 |
| Partially compliant | 🟠 |
| Not discussed by Evraz Highveld Steel and Vanadium Limited in this document | 🔴 |

| GRI Index No. | Topic | Status | Page No. |
|---|---|---|---|
| **1** | **Profile – strategy and analysis** | | |
| 1.1 | Relevance of sustainability on the strategy | 🟢 | Trace page, 6, 8, 57, 61, 74, 86 |
| 1.2 | Key impacts, risks and opportunities | 🟠 | 61, 128 |
| **2** | **Organisational profile** | | |
| 2.1 | Name of reporting organisation | 🟢 | 5 |
| 2.2 | Major products and services | 🟢 | 30 |
| 2.3 | Operational structure | 🟢 | 20, 24 |
| 2.4 | Location of head office | 🟢 | 5 |
| 2.5 | Countries of operation | 🟢 | 5, 117 |
| 2.6 | Nature of ownership/legal form | 🟢 | 5 |
| 2.7 | Nature of markets served | 🟢 | 30, 34 |
| 2.8 | Scale of reporting organisation | 🟢 | 7, 12 – 19, 30, 34, 68 – 73 |
| 2.9 | Changes in size, structure or ownership | 🟢 | 20 |
| 2.10 | Awards received | 🟢 | None |
| **3** | **Report parameters and profile** | | |
| 3.1 | Reporting period | 🟢 | 117 |
| 3.2 | Date of most recent previous report | 🟢 | 117 |
| 3.3 | Reporting cycle | 🟢 | 117 |
| 3.4 | Contact point for questions | 🟢 | 119 |
| 3.5 | Process for defining report content | 🟢 | 79, 117 |
| 3.6 | Boundary of report | 🟢 | 117 |
| 3.7 | Scope of report | 🟢 | 117 |
| 3.8 | Basis for reporting | 🟢 | 117 |
| 3.9 | Data measurement techniques | 🟠 | 119 |
| 3.10 | Re-statements | N/A | |
| 3.11 | Significant changes | 🟢 | 119 |
| 3.12 | GRI content index | 🟢 | 117 |
| 3.13 | External assurance | 🟢 | 117 |

| GRI Index No. | Topic | Status | Page No. |
|---|---|---|---|
| **4** | **Governance, commitments and engagement** | | |
| 4.1 | Governance structure | 🟢 | 42, 49, 52, 71, 86, 138 |
| 4.2 | Highest governance body chair | 🟢 | 42, 122 |
| 4.3 | Unitary board structure | 🟢 | 42 |
| 4.4 | Recommendations to governance body | 🟢 | 79 |
| 4.5 | Compensation and performance linkage | 🔴 | |
| 4.6 | Avoidance of conflict of interest | 🟢 | 122, 125 |
| 4.7 | Qualifications and expertise of highest governance body | 🟢 | 122, 124 |
| 4.8 | Internally developed statements | 🟢 | 122, 125 |
| 4.9 | Procedures and compliance to standards, codes of conduct and principles | 🟠 | 126 |
| 4.10 | Governance bodies evaluation | 🟠 | 122 |
| 4.11 | Precautionary approach | 🔴 | |
| 4.12 | Externally developed economic, environmental and social charters | 🟢 | 138, 146 |
| 4.13 | Memberships and associations | 🟢 | 149 |
| 4.14 | Stakeholder groups | 🟢 | 79 – 85 |
| 4.15 | Identification and selection of stakeholders | 🟢 | 79 – 85 |
| 4.16 | Approaches to stakeholder engagement | 🟢 | 79 – 85 |
| 4.17 | Stakeholder engagement | 🟠 | 79 – 85 |
| **EC** | **Economic performance indicators** | | |
| EC1 | Direct economic value generated and distributed | 🟢 | 134 |
| EC2 | Effects of climate change on performance | 🔴 | |
| EC3 | Defined benefit plan obligations | 🟢 | 89 |
| EC4 | Government financial assistance received | N/A | |
| EC5 | Wage ratio compared to local minimum wage | 🟢 | 161 |
| EC6 | Local supplier, policy, practice and spend | 🟢 | 135 |
| EC7 | Local senior management sourcing procedure | 🟢 | 160 |
| EC8 | Impact of community infrastructure investments | 🟢 | 146, 171 – 173 |
| EC9 | Indirect economic impacts | 🔴 | |

# Global Reporting Initiative G3 Content Index
continued

| GRI Index No. | Topic | Status | Page No. |
|---|---|---|---|
| **EN** | **Environmental performance indicators** | | |
| EN1 | Materials used by weight or volume | 🟠 | 26 |
| EN2 | Recycled input materials | 🟠 | 26 |
| EN3 | Direct energy consumption | 🟢 | 26, 152 |
| EN4 | Indirect energy consumption | 🔴 | |
| EN5 | Energy savings | 🟢 | 152 |
| EN6 | Energy efficient or renewable energy based products | 🟢 | 152 |
| EN7 | Reduction of indirect energy consumption | 🔴 | |
| EN8 | Total water withdrawal by source | 🟢 | 153 |
| EN9 | Water sources significantly affected by water withdrawal | 🟢 | 153 |
| EN10 | Water recycled and re-used | 🟢 | 153 |
| EN11 | Location and size of land owned, leased or managed in biodiversity-rich habitats | 🔴 | |
| EN12 | Impacts on biodiversity | 🔴 | |
| EN13 | Restored habitats | 🟢 | 157 |
| EN14 | Managing biodiversity impacts | 🟢 | 147, 157 |
| EN15 | Number of IUCN Red List species with habitats in areas affected by operations | 🟢 | 157 |
| EN16 | Direct and indirect greenhouse gas emissions | 🔴 | |
| EN17 | Other relevant indirect greenhouse gas emissions | 🔴 | |
| EN18 | Initiatives to reduce greenhouse gas emissions | 🔴 | |
| EN19 | Ozone-depleting substances | 🔴 | |
| EN20 | $No_X$, $So_X$ and other significant air emissions | 🟢 | 150 |
| EN21 | Water discharge | 🔴 | |
| EN22 | Waste by type and disposal | 🟢 | 155 |
| EN23 | Significant spills | 🟢 | 156 |
| EN24 | All production, transport, import or export of any waste deemed "hazardous" under the terms of the Basel Convention Annex I, II, III and VIII | 🔴 | |
| EN25 | Water sources and related ecosystems/habitats significantly affected by discharges of water and run-off | 🟠 | 157 |

| GRI Index No. | Topic | Status | Page No. |
|---|---|---|---|
| EN26 | Initiatives to mitigate environmental impacts of products and services | ● | |
| EN27 | Packaging material reclaimed by category | ● | 30 |
| EN28 | Significant fines and non-monetary sanctions for non-compliance with environmental laws and regulations | ● | 147 |
| EN29 | Significant environmental impacts of transportations used for logistical purposes | ● | |
| EN30 | Total environmental expenditure by type | ● | |
| | **Social performance** | | |
| **LA** | **Labour practices and decent work** | | |
| LA1 | Breakdown of workforce | ● | 167, 168 |
| LA2 | Employment creation and turnover | ● | 168 |
| LA3 | Benefits to full-time employees | ● | 89, 161 |
| LA4 | Collective bargaining agreements | ● | 161, 167 |
| LA5 | Notice period for operational changes | ● | |
| LA6 | Formal joint health and safety committees | ● | 142 |
| LA7 | Standard injury, lost day and absent rates and work-related fatalities | ● | 140, 144, 167 |
| LA8 | Management of serious diseases | ● | 144, 146 – 147 |
| LA9 | Health and safety agreements | ● | 140, 142, 144 |
| LA10 | Average hours of training per year | ● | 168 |
| LA11 | Continued employability and career endings | ● | |
| LA12 | Performance and career development reviews | ● | 167 |
| LA13 | Diversity in composition of governance bodies and employee breakdown | ● | 123, 168 |
| LA14 | Ratio of basic salary | ● | 168 |
| **HR** | **Human rights** | | |
| HR1 | Consideration of human rights in investment agreements | ● | |
| HR2 | Human rights screening of suppliers and contractors | ● | |

# Global Reporting Initiative G3 Content Index
continued

| GRI Index No. | Topic | Status | Page No. |
|---|---|---|---|
| HR3 | Employee training on human rights | ● | 160 |
| HR4 | Discrimination prevention | ● | 160 |
| HR5 | Freedom of association | ● | 160 |
| HR6 | Child labour | ● | 160 |
| HR7 | Forced and compulsory labour | ● | 160 |
| HR8 | Training for security personnel | ● | 163 |
| HR9 | Indigenous peoples | ● | 160 |
| **SO** | **Society** | | |
| SO1 | Community impact, programmes | ● | |
| SO2 | Analysis of risks related to corruption | ● | 125 |
| SO3 | Employee training in anti-corruption policies and procedures | ● | 126 |
| SO4 | Actions taken in response to incidents of corruption | ● | 126 |
| SO5 | Political and lobbying contributions | ● | 32 |
| SO6 | Political donations | ● | 32 |
| SO7 | Legal actions pertaining to anti-trust and monopoly regulations | ● | 121 |
| SO8 | Fines for non-compliance with laws and regulations | ● | 126 |
| **PR** | **Product responsibility** | | |
| PR1 | Assessment of health and safety impacts of products | ● | |
| PR2 | Non-compliance concerning health and safety impacts of products | ● | 33 |

| GRI Index No. | Topic | Status | Page No. |
|---|---|---|---|
| PR3 | Product information and labelling | ● | 30, 33 |
| PR4 | Non-compliance with product information and labelling regulations | ● | 33 |
| PR5 | Customer satisfaction practices | ● | 32 |
| PR6 | Standards and codes related to marketing communications | ● | 32 |
| PR7 | Non-compliance of marketing communication standards and codes | ● | No incidents |
| PR8 | Breaches of customer privacy | ● | 32 |
| PR9 | Fines for non-compliance with laws and regulations | ● | None |

# JSE Socially Responsible Investment (SRI) Content Index

| Content index coding | Status |
|---|---|
| Included in this integrated report | ● (green) |
| Partially compliant | ● (orange) |
| Not discussed by Evraz Highveld Steel and Vanadium Limited in this document | ● (red) |

The SRI Index criteria identify the issues that must be met to show the integration of triple bottom-line practices within organisational activities, and measure how the principles emerging from each area of measurement are integrated into existing frameworks of governance and activities, focused on policy and strategy, management and performance and reporting.

The SRI Index indicators are structured along the categories of Environment, Society and Governance. A distinction is made between core indicators and desirable indicators.

Evraz Highveld's is, due to its inclusion in the mining and metals sector, classified as having a high impact from an environmental perspective and is assessed accordingly.

The annual SRI Index Review includes a review of company policies, management systems and performance and reporting beyond the framework of this integrated report. Where index criteria are met based on evidence available outside of this report, it has been indicated as publically available.

Unlike the GRI Reporting framework, the SRI Index does not have a pre-defined coding structure. For the purposes of enhanced reference, this report applies a self-developed SRI coding structure, which is depicted in the table opposite.

| SRI Index No. | Core/ Desirable | Topic | Status | Page No. |
|---|---|---|---|---|
| **EN** | **Environmental performance indicators** | | | |
| | **Environmental – Policy** | | | |
| EN-P1 | Core | Policy refers to all key issues | ● | 138 |
| EN-P2 | Core | Board or departmental level responsibility for policy | ● | 138 |
| EN-P3 | Core | Commitment to use of targets | ● | 10, 139 |
| EN-P4 | Core | Commitment to monitoring and audit | ● | 139, 148 |
| EN-P5 | Core | Commitment to public reporting | ● | 138, 147 |
| EN-P6 | Desirable | Globally applicable corporate standards | ● | 138, 147 |
| EN-P7 | Desirable | Commitment to stakeholder involvement | ● | 80, 84, 148 |
| EN-P8 | Desirable | Policy addresses product impact | ● | 138 |
| EN-P9 | Desirable | Strategic moves towards sustainability | ● | 147 |
| | **Environmental – Management** | | | |
| EN-M1 | Core | Presence of environmental policy | ● | 138 |
| EN-M2 | Core | Identification of significant impacts | ● | 130, 132, 147 |
| EN-M3 | Core | Documented objectives and targets in key areas | ● | 10 |
| EN-M4 | Core | Outline of processes and responsibilities, manuals, action plans, procedures | ● | 138 |
| EN-M5 | Core | Internal audits against the requirements of the system | ● | 139 |
| EN-M6 | Core | Internal reporting and management review | ● | 139 |
| EN-M7 | Core | Internal communication of policy | ● | 138 |
| EN-M8 | Core | Training for relevant employees | ● | 139 |
| | **Environmental – Reporting** | | | |
| EN-R1 | Core | Text of environmental policy | ● | 138 |
| EN-R2 | Core | Description of main impacts | ● | 130, 132, 147 |
| EN-R3 | Core | Quantitative data | ● | 10 |
| EN-R4 | Core | Performance measured against targets | ● | 10 |
| EN-R5 | Desirable | Outline of an EMS | ● | 138 |
| EN-R6 | Desirable | Non-compliance, prosecution, fines, accidents | ● | 147 |
| EN-R7 | Desirable | Financial dimensions | ● | |
| EN-R8 | Desirable | Independent assurance/verification | ● | 139 |
| EN-R9 | Desirable | Stakeholder dialogue | ● | 80, 84 |
| EN-R10 | Desirable | Coverage of sustainability issues | ● | 147 |

# JSE Socially Responsible Investment (SRI) Content Index continued

| SRI Index No. | Core/ Desirable | Topic | Status | Page No. |
|---|---|---|---|---|
| **SO** | **Social performance indicators** | | | |
| | **Training and development – Policy** | | | |
| TD-P1 | Core | Public commitment to training and development | ● | 164 |
| TD-P2 | Core | Senior responsibility for training and development | ● | 160 |
| | **Training and development – Management** | | | |
| TD-M1 | Core | Documented objectives and targets | ● | 8, 163 |
| TD-M2 | Core | Supporting data on employee training and development | ● | 163 |
| TD-M3 | Desirable | Performance measured against targets | ● | 163 |
| TD-M4 | Desirable | Supporting data on external skills development | ● | 163 |
| TD-M5 | Desirable | Proportion of staff having training and development review annually | ● | 167 |
| | **Training and development – Reporting** | | | |
| TD-R1 | Core | Public commitment to training and development | ● | 160 |
| TD-R2 | Core | Quantitative data on employee training and development | ● | 8, 18, 163 |
| TD-R3 | Desirable | Senior responsibility | ● | 76 |
| TD-R4 | Desirable | Objectives and targets and performance against these | ● | 8, 163 |
| TD-R5 | Desirable | Quantitative data on external skills development | ● | 8, 163 |
| **SO** | **Social performance indicators** | | | |
| | **Employee relations – Policy** | | | |
| ER-P1 | Core | Senior responsibility | ● | 161 |
| ER-P2 | Core | Disciplinary and grievance policy/ procedures in place | ● | 160 |
| ER-P3 | Core | Disciplinary and grievance policy/ procedures communicated to all employees | ● | 160 |
| | **Employee relations – Management** | | | |
| ER-M1 | Core | Workforce covered by collective agreements, union recognition and consultative arrangements | ● | 160, 167 |
| ER-M2 | Desirable | Quantitative data on business impact of employee relations issues | ● | 160 |

| SRI Index No. | Core/ Desirable | Topic | Status | Page No. |
|---|---|---|---|---|
| | **Employee Relations – Reporting** | | | |
| ER-R1 | Desirable | Coverage of consultative arrangements | ● | 167 |
| ER-R2 | Desirable | Senior responsibility | ● | 161 |
| ER-R3 | Desirable | Disciplinary and grievance policy/ procedures and communication | ● | 160 |
| ER-R4 | Desirable | Quantitative data and financial dimensions | ● | |
| | **Equal Opportunities – Policy** | | | |
| EO-P1 | Core | Demonstrated commitment | ● | 75 |
| EO-P2 | Desirable | Public statement | ● | 75, 126 |
| EO-P3 | Desirable | Global applicability | N/A | |
| | **Equal Opportunities – Management** | | | |
| EO-M1 | Core | Supporting data | ● | 168 |
| EO-M2 | Core | Documented targets for promoting equal opportunities | ● | 8 |
| EO-M3 | Desirable | Flexible working arrangements and benefits | ● | 160 |
| EO-M4 | Desirable | Performance measured against targets | ● | 8 |
| | **Equal Opportunities – Reporting** | | | |
| EO-R1 | Core | Quantitative data | ● | 8, 18 |
| EO-R2 | Core | Documented targets | ● | 8 |
| EO-R3 | Desirable | Public statement | ● | 75, 126 |
| EO-R4 | Desirable | Global applicability | N/A | |
| EO-R5 | Desirable | Flexible working arrangements and benefits | ● | 160 |
| EO-R6 | Desirable | Performance measured against targets | ● | 8 |
| | **Health and Safety – Policy** | | | |
| HS-P1 | Core | Senior responsibility | ● | 138 |
| | **Health and Safety – Management** | | | |
| HS-M1 | Core | Supporting data | ● | 8 |
| HS-M2 | Core | Risk assessment conducted | ● | 132 |
| HS-M3 | Core | Programmes and procedures to mitigate risks | ● | 128, 132 |
| HS-M4 | Desirable | Details of training | ● | 139 |
| HS-M5 | Desirable | Percentage coverage by certified system | ● | 138 |

# JSE Socially Responsible Investment (SRI) Content Index continued

| SRI Index No. | Core/ Desirable | Topic | Status | Page No. |
|---|---|---|---|---|
| | **Health and Safety – Reporting** | | | |
| HS-R1 | Core | Senior responsibility | ● | 138 |
| HS-R2 | Core | Quantitative data | ● | 8, 140, 142, 143, 144 |
| HS-R3 | Core | Programmes and procedures to mitigate risks | ● | 128, 132 |
| HS-R4 | Desirable | Details of training | ● | 139 |
| HS-R5 | Desirable | Risk assessment | ● | 128, 132 |
| HS-R6 | Desirable | Coverage of certified systems | ● | 138 |
| HS-R7 | Desirable | Crime-related initiatives and counselling | ● | 125 |
| | **Community Relations – Policy** | | | |
| CR-P1 | Core | Commitment to involvement in community development | ● | 76 |
| | **Community Relations – Management** | | | |
| CR-M1 | Core | Details of projects supported | ● | 171 – 173 |
| CR-M2 | Core | Monetary value of charitable giving | ● | 10, 171 – 173 |
| CR-M3 | Desirable | Social impact assessment | ● | 171 |
| CR-M4 | Desirable | Employee secondment, gifts in kind or payroll schemes | ● | 171 |
| | **Community Relations – Reporting** | | | |
| CR-R1 | Core | Monetary value of charitable giving | ● | 10, 18 |
| CR-R2 | Desirable | Details of projects supported | ● | 171 – 173 |
| CR-R3 | Desirable | Employee secondment, gifts in kind or payroll schemes | ● | 171 – 173 |
| | **Stakeholder Engagement – Policy** | | | |
| SE-P1 | Core | Commitment to engage with stakeholders | ● | 79 |
| | **Stakeholder Engagement – Management** | | | |
| SE-M1 | Core | Evidence of stakeholder engagement | ● | 79 – 85 |
| SE-M2 | Desirable | Evidence of stakeholder identification | ● | 79 – 85 |
| | **Stakeholder Engagement – Reporting** | | | |
| SE-R1 | Core | Evidence of engagement | ● | 79 – 85 |
| SE-R2 | Desirable | Disclosure of key stakeholders | ● | 79 – 85 |
| | **Black Economic Empowerment – Policy** | | | |
| BE-P1 | Core | Commitment to BEE | ● | 76 |
| BE-P2 | Desirable | Commitment to regularly monitor/review targets | ● | 136 |

| SRI Index No. | Core/ Desirable | Topic | Status | Page No. |
|---|---|---|---|---|
| | **Black Economic Empowerment – Management** | | | |
| BE-M1 | Core | Documented targets for preferential procurement and employee composition | ● | 10, 136 |
| BE-M2 | Core | Systems to monitor performance against targets | ● | 136 |
| BE-M3 | Core | Performance against specific targets | ● | 10, 170 |
| BE-M4 | Desirable | Black persons participating in learnerships | ● | 164, 166 |
| | **Black Economic Empowerment – Reporting** | | | |
| BE-R1 | Core | Targets for preferential procurement and employee composition | ● | 10, 136 |
| BE-R2 | Core | Systems to monitor performance | ● | 170 |
| BE-R3 | Core | Performance against targets | ● | 10, 170 |
| BE-R4 | Desirable | Learnerships or skills development programmes for black persons | ● | 166 |
| BE-R5 | Desirable | Commitment to maintain or review achieved targets | ● | 10, 136 |
| | **HIV/Aids – Policy** | | | |
| HA-P1 | Core | Existence of HIV/Aids policy | ● | 146 |
| HA-P2 | Desirable | Global applicability | N/A | |
| | **HIV/Aids – Management** | | | |
| HA-M1 | Core | Evidence of risk assessment | ● | 132 |
| HA-M2 | Core | Employee programmes | ● | 146 |
| HA-M3 | Core | Employee access to VCT | ● | 146 |
| HA-M4 | Desirable | Documented objectives and targets | ● | 8 |
| HA-M5 | Desirable | Strategies to address indirect business risks | ● | 132 |
| HA-M6 | Desirable | HIV/Aids training | ● | 146 |
| HA-M7 | Desirable | Provision of benefits for employees | ● | 146 |
| HA-M8 | Desirable | Community-based educational support | ● | 146 |
| HA-M9 | Desirable | Community-based treatment support | ● | 146 |
| | **HIV/Aids – Reporting** | | | |
| HA-R1 | Core | Existence of HIV/Aids policy | ● | 146 |
| HA-R2 | Core | Evidence of risk assessment | ● | 132 |
| HA-R3 | Desirable | Global applicability | N/A | |
| HA-R4 | Desirable | Objectives and targets in relation to direct impacts | ● | 8 |
| HA-R5 | Desirable | Strategies to address indirect impacts | ● | 132 |
| HA-R6 | Desirable | Employee involvement | ● | 146 |
| HA-R7 | Desirable | Community involvement | ● | 146 |

# JSE Socially Responsible Investment (SRI) Content Index continued

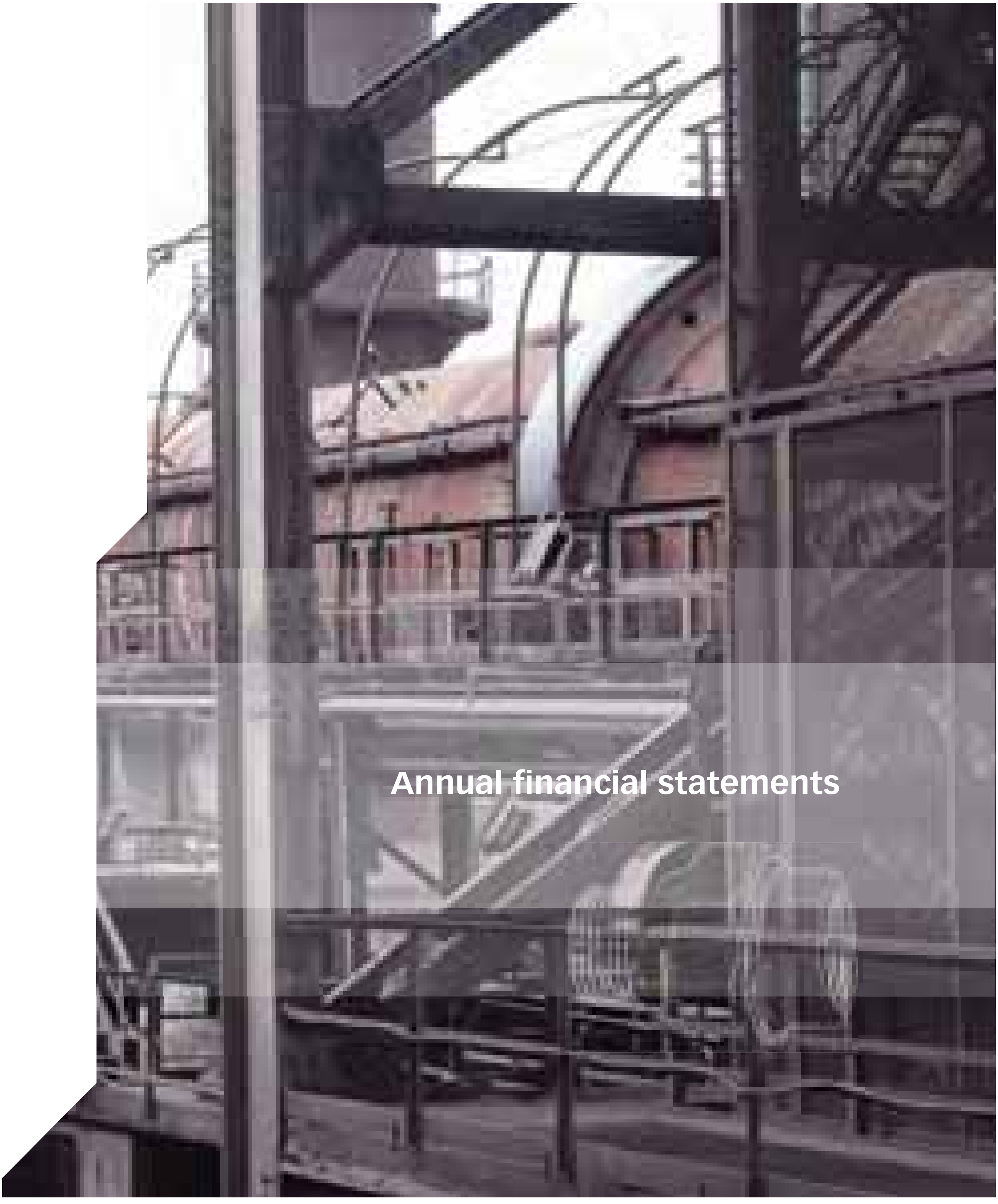
| SRI Index No. | Core/ Desirable | Topic | Status | Page No. |
|---|---|---|---|---|
| | **General – Reporting** | | | |
| SG-R1 | Core | Major non-compliance, fines or prosecution | ● | 121, 126 |
| SG-R2 | Desirable | Statement of independent assurance | ● | |
| **GO** | **Governance performance indicators** | | | |
| | **Board Practice – Policy** | | | |
| BP-P1 | Core | Commitment to compliance with international standards | ● | 120 |
| BP-P2 | Core | Board Charter | ● | 122 |
| BP-P3 | Desirable | Global applicability | N/A | |
| | **Board Practice – Management** | | | |
| BP-M1 | Core | Board composition | ● | 42, 121 |
| BP-M2 | Core | Audit and Remuneration committees | ● | 86, 194 |
| BP-M3 | Core | Procedures to review and address audit findings | ● | 194, 196 |
| BP-M4 | Desirable | Nominations and Risk committees | ● | 86, 194 |
| BP-M5 | Desirable | Independent chair of board committees | ● | 75, 86, 194 |
| BP-M6 | Desirable | Internal audit function | ● | 196 |
| BP-M7 | Desirable | Board performance appraisal | ● | 122 |
| | **Board Practice – Reporting** | | | |
| BP-R1 | Core | Commitment to compliance with international standards | ● | 118, 120, 121 |
| BP-R2 | Core | Board composition | ● | 42, 123 |
| BP-R3 | Core | Audit and Remuneration committees | ● | 86, 194 |
| BP-R4 | Desirable | Governance policies and practices | ● | 120 |
| BP-R5 | Desirable | Board Charter | ● | 122 |
| BP-R6 | Desirable | Nominations and Risk committees | ● | 86, 194 |
| BP-R7 | Desirable | Board composition confirming independence and annual performance appraisal | ● | 75, 86, 194 |
| BP-R8 | Desirable | Internal audit | ● | 196 |
| BP-R9 | Desirable | Review of external audit findings | ● | 194 |
| | **Code of Ethics/Conduct – Policy** | | | |
| CE-P1 | Core | Code of Ethics | ● | 125 |
| CE-P2 | Core | Senior responsibility | ● | 125 |
| CE-P3 | Core | Applicability of Code of Ethics | ● | 125 |
| CE-P4 | Core | Commitment to manage whistleblowing and fraud reports | ● | 126 |

| SRI Index No. | Core/ Desirable | Topic | Status | Page No. |
|---|---|---|---|---|
| | **Code of Ethics/Conduct – Management** | | | |
| CE-M1 | Core | Employee training | ● | 126 |
| CE-M2 | Desirable | Compliance monitoring | ● | 125 |
| CE-M3 | Desirable | Regular review of Code of Ethics | ● | 125 |
| CE-M4 | Desirable | Reporting on non-compliance | ● | 125 |
| CE-M5 | Desirable | Secure communication channels for employees | ● | 126 |
| | **Code of Ethics/Conduct – Reporting** | | | |
| CE-R1 | Core | Code of Ethics | ● | 125 |
| CE-R2 | Core | Senior responsibility | ● | 125 |
| CE-R3 | Desirable | Disclosure of applicability | ● | 125 |
| CE-R4 | Desirable | Employee training | ● | 126 |
| CE-R5 | Desirable | Compliance monitoring and regular review | ● | 125 |
| CE-R6 | Desirable | Secure communication channels for employees | ● | 126 |
| CE-R7 | Desirable | Disclosure of political donations | ● | 32 |
| | **Indirect Impacts – Policy** | | | |
| II-P1 | Core | Commitment to address indirect impacts | ● | 128, 147 – 158 |
| II-P2 | Desirable | Public commitment to voluntary standards | ● | 138 |
| | **Indirect Impacts – Management** | | | |
| II-M1 | Core | Identification of indirect impacts | ● | 130 – 133, 147 – 158 |
| II-M2 | Core | Assessment of indirect impacts | ● | 128, 147 – 158 |
| | **Indirect Impacts – Reporting** | | | |
| II-R1 | Core | Identification of indirect impacts | ● | 130 – 133, 147 – 158 |
| II-R2 | Desirable | Assessment of indirect impacts | ● | 147 – 158 |
| II-R3 | Desirable | Voluntary standards adopted | ● | 138 |
| | **Business Value and Risk Management – Policy** | | | |
| BV-P1 | Core | Commitment to long-term business sustainability | ● | 128, 199 |
| BV-P2 | Core | Commitment to address social, ethical and environmental issues/risks | ● | 128 |

# JSE Socially Responsible Investment (SRI) Content Index continued

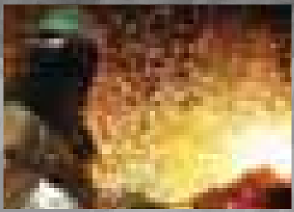
| SRI Index No. | Core/ Desirable | Topic | Status | Page No. |
|---|---|---|---|---|
| | **Business Value and Risk Management – Management** | | | |
| BV-M1 | Core | Identification of main business risks and opportunities | ● | 130 – 133 |
| BV-M2 | Core | Procedures for ongoing risk management and internal control | ● | 128 |
| BV-M3 | Core | Description of systems to value and protect key assets | ● | 128 – 129 |
| BV-M4 | Core | Description of systems/initiatives to create value | ● | 26 – 29, 58, 66 |
| BV-M5 | Core | Identification of social, ethical and environmental issues/risks | ● | 130 – 135 |
| BV-M6 | Core | Corporate policies and procedures for ongoing Social, Ethical and Environmental (SEE) risk management | ● | 74, 130 –133 |
| BV-M7 | Desirable | Targets for achieving strategic objectives/ realising opportunities | ● | 58, 62 |
| BV-M8 | Desirable | Management incentives linked to strategic objectives | ● | 87 |
| | **Business Value and Risk Management – Reporting** | | | |
| BV-R1 | Core | Identification of main business risks and opportunities | ● | 130 – 133 |
| BV-R2 | Core | Risk management and internal control procedures | ● | 128 – 129 |
| BV-R3 | Core | Asset valuation and protection systems/ processes | ● | 200 |
| BV-R4 | Core | Business and product development systems/processes | ● | 26 – 29, 58, 66, 71 |
| BV-R5 | Desirable | Targets in relation to strategic objectives and opportunities | ● | 8 – 12 |
| BV-R6 | Desirable | Link between strategic objectives and management compensation | ● | 87 |
| BV-R7 | Desirable | Identification of social, ethical and environmental issues/risks | ● | 130 – 133 |
| BV-R8 | Desirable | Corporate policies and procedures for ongoing SEE risk management | ● | 128 – 133 |

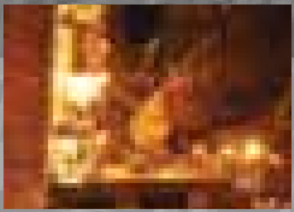
| SRI Index No. | Core/ Desirable | Topic | Status | Page No. |
|---|---|---|---|---|
| | **Broader Economic Issues – Policy** | | | |
| BR-P1 | Core | Commitment to empowerment of local people | ● | 75, 136 |
| | **Broader Economic Issues – Management** | | | |
| BR-M1 | Core | Commitment to local empowerment | ● | 135 |
| BR-M2 | Core | Commitment to local economic development | ● | 136, 171 – 173 |
| BR-M3 | Desirable | Activities in support of national economic priorities | ● | 136, 149 |
| | **Broader Economic Issues – Reporting** | | | |
| BR-R1 | Core | Policies, practices and spending | ● | 135, 160, 171 – 173 |
| BR-R2 | Desirable | Activities in support of national economic priorities | ● | 136, 149, 171 – 173 |
| | **General – Reporting** | | | |
| GG-R1 | Core | Major non-compliance, fines or prosecution | ● | 121, 126 |
| GG-R2 | Desirable | Value-added statement | ● | 134 |


Annual financial statements

# Annual financial statements





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# Approval of the annual financial statements

Following the board meeting held on 16 March 2011 during which the Board of Directors approved the annual financial statements and further authorised Mr BJT Shongwe and Mr AS MacDonald in their respective capacities as chairman and chief executive officer to sign off the annual financial statements, the annual financial statements which appear on pages 199 to 262 are therefore signed on its behalf by:

**BJT Shongwe**
Chairman

eMalahleni
16 March 2011

**AS MacDonald**
Chief executive officer

eMalahleni
16 March 2011

# Compliance statement by the company secretary

The company secretary of Evraz Highveld Steel and Vanadium Limited certifies that the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, 1973, as amended, and that all such returns are true, correct and up to date in respect of the financial year ended 31 December 2010.

**Mrs CI Lewis**
Company secretary

eMalahleni
16 March 2011

# Audit and Risk Committee report [BP-M2, BP-M4, BP-R3, BP-R6]

The Audit and Risk Committee is a formal, statutory committee of the board, which is appointed by the shareholders and assists the board in its corporate governance supervision responsibilities.

## Role of the committee [BP-M3, BP-R9]

The role of the Audit and Risk Committee is to ensure accurate financial reporting and adequate systems, controls and risk management processes. The committee is authorised by the board to investigate any activity within its terms of reference, interact with employees and obtain external professional advice in conducting its business.

The key functions of the committee are to:

- Assist the board in discharging its duties relating to the safeguarding of assets.
- Evaluate the appropriateness and adequacy of the systems of internal financial and operational control.
- Review the effectiveness of the process for identifying, assessing and reporting all significant business risks and the management of those risks by Evraz Highveld.
- Review the independence of the external auditor and approve all non-audit services provided by the external auditor.
- Approve the terms of reference of the internal audit function, which may complement those of the external audit function.
- Assess the appropriateness of the mandate, organisation, resourcing and standing of the internal audit function.
- Review and approve the appropriateness of accounting policies and financial information released to stakeholders.
- Confirm the nomination and appointment of the external auditor and approve the terms of engagement and fees.
- Evaluate the significant findings of the external auditor together with action taken to address key issues.
- Review the consolidated and separate annual financial statements.
- Review the consistency of the integrated report with the annual financial statements.
- Report on the activities of the committee to the board after each meeting.

## Composition of the committee [BP-M5, BP-R7]

The committee is composed in terms of the requirements of the Companies Act and King III, with the Board Charter precluding the appointment of the board chairman to the committee.

The committee comprises three independent non-executive directors, all of whom are financially literate. During the year under review, the following directors served on the committee:

- Colin Brayshaw – Chairman (appointed 13 August 1996).
- Babalwa Ngonyama (appointed 1 March 2010).
- Peter Surgey (appointed 1 March 2010).
- James Campbell (resigned 13 May 2010).
- Bheki Shongwe (resigned 13 May 2010).

The committee extends invitations for attendance at its meetings to the chairman of the board, the chief executive officer, the financial director and representatives from the internal and external auditors. Senior executives are invited when appropriate.

Biographical details of the committee members appear on pages 42 to 48.
Fees paid to the committee members are reflected on page 91 in the Remuneration report, and the proposed fees for 2011 are detailed on page 272.

## Committee meetings

Attendance of committee members at the scheduled meetings of the committee during the year was as follows:

| | Meetings attended |
|---|---|
| Colin Brayshaw | 4/4 |
| Babalwa Ngonyama | 2/4 |
| Peter Surgey | 4/4 |
| James Campbell | 1/1 |
| Bheki Shongwe | 4/4 |

## Risk management

The committee, supported by the chief executive officer and executive management, facilitates risk management and monitoring on behalf of the board. Risk management encompasses all significant business risks which could undermine the achievement of business objectives.

2010 saw an increased focus on risk management, with the development of business continuity plans and the appointment of a risk manager on 1 January 2011.

A continuously updated risk framework – which includes key strategic, environmental, financial, reputational, regulatory, people, economic, process and competition risk categories – sets out various risks that are considered in the risk identification process.

Identified risks are evaluated in terms of impact and probability to determine their inherent risk and their significance to Evraz Highveld. The residual risk is determined after detailed risk mitigation plans had been developed for each risk.

Details of the key risks and risk mitigation plans appear on pages 128 to 133.

Work undertaken by the internal audit function is aligned with the risk framework. The committee:

- Monitors and assesses the role and effectiveness of the internal audit function in this regard.
- Reviews the effectiveness of the processes and procedures adopted by management for identifying, assessing and reporting on significant business risks.

## Information technology

The board's responsibility for Information Technology (IT) governance is delegated to the Audit and Risk Committee.

Appropriate IT structures have been defined and a reporting framework is in place.

The IT Infrastructure Library (ITIL) best-practice service management and service delivery framework has also been adopted. During 2010, Evraz Highveld formally established the Change Advisory Board (CAB), defined in terms of this framework. Members of the CAB, which has defined roles and responsibilities, include the chief executive officer, financial director, chief operating officer, IT general manager and technical and business resources as required. The CAB undertakes regular reviews to ensure that IT projects are aligned with business priorities.

The focus on systems compliance, incorporated in the organisational disaster recovery plan, was extended during 2010 with the development of an IT business continuity plan. This plan includes process continuity, in addition to system continuity, to ensure the sustainability of operations.

During the year under review, and following the implementation of the SAP ERP system in January 2009, an external review of the internal controls within the system environment was undertaken. This review concluded that reliance can be placed on the system.

Audit assessments of IT-related controls are performed by the internal and external auditors, and significant findings and actions taken to address key issues identified are reported to the Audit and Risk Committee for evaluation.

## Group Financial Director

The committee confirms that the Financial Director, Bernie de Beer, has the necessary expertise and experience to carry out her duties. This is based on her qualifications, levels of experience, continuing professional education and the assessment of her knowledge.

## Internal audit [BP-M3, BP-M6, BP-R8]

Internal audit is an independent, objective appraisal and assurance function which is central to Evraz Highveld's audit processes.

The internal audit manager, whose appointment is reviewed by the committee, has unrestricted access to the chairman of the committee.

The internal audit manager reports functionally to the committee, administratively to the chief executive officer and to the Evraz Group internal audit function at a strategic level.

The role of internal audit is contained in the Internal Audit Charter, which was approved by the committee at its meeting on 5 May 2010.

The internal audit function reviews significant business, strategic and control risks to provide the Audit Committee with an assessment on the level of assurance that can be placed on governance, control and risk management across Evraz Highveld. A risk-based approach that aligns the audit methodology to internal and external risks facing the Company is applied, with all functions across the operations subject to internal audit review.

Material findings and matters of significance are formally reported to the Audit and Risk Committee, on a quarterly basis, with reports indicating the appropriate management and control of actual or potential risks.

During the year under review, steps were taken to initiate an independent quality assurance review on the internal audit function. The first assessment, to be undertaken against the international standards for the professional practice of internal auditing, as promulgated by the Institute of Internal Auditors, will be finalised in 2011.

## External audit

Ernst & Young Inc. served as the Group's registered external auditors for the 2010 financial year.

The independence, expertise and objectivity of Ernst & Young Inc. as the external auditors were appraised by the Audit Committee, as were the terms of engagement and fees paid.

The external auditors have unrestricted access to the chairman of the committee.

## Annual Report

### Annual financial statements

Following the committee's review of the annual financial statements for the year ended 31 December 2010, it is of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act and International Financial Reporting Standards as issued by the International Accounting Standards Board, and fairly present the consolidated and separate results of operations, cash flows and the financial position of Evraz Highveld Steel and Vanadium Limited. On this basis, the committee recommended the consolidated and separate annual financial statements of Evraz Highveld Steel and Vanadium Limited for approval to the Board of Directors.

### Integrated report

Having regard for material factors and risks that may impact on the integrity of integrated reporting, and following the committee's review of the integrated report, it recommended the integrated report of Evraz Highveld Steel and Vanadium Limited for the year ended 31 December 2010 for approval to the Board of Directors.

On behalf of the Audit and Risk Committee.

**Colin Brayshaw**
Chairman
16 March 2011

# Independent auditors' report

## To the members of Evraz Highveld Steel and Vanadium Limited

We have audited the accompanying annual financial statements and Group annual financial statements of Evraz Highveld Steel and Vanadium Limited, which comprise the directors' report, the statement of financial position as at 31 December 2010, the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, as set out on pages 199 to 262.

## Directors' responsibility for the financial statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Evraz Highveld Steel and Vanadium Limited as of 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.


**Ernst & Young Inc.**
Director – Mike Herbst

**Registered Auditor**
Chartered Accountant (SA)

52 Corlett Drive
Illovo
Johannesburg
16 March 2011

# Directors' report

*for the year ended 31 December*

The directors have pleasure in submitting their report and the annual financial statements of the Company and the Group for the year ended 31 December 2010. More detailed reviews of the financial results are given in the chairman's review (pages 57 to 60), in the report of the chief executive officer (CEO) (pages 61 to 67) and in the report of the financial director (pages 68 to 73).

Appropriate accounting policies have been used to prepare the financial statements and all applicable accounting standards have been complied with. The directors are of the opinion that the financial statements fairly represent the financial position of the Group at 31 December 2010.

As the Group ended the year with net cash of R492 million, the board believes that, with prudent cash management, the Group will continue to be able to meet its statutory and operational payment obligations and operate for an extended period of reduced output in a period of continued economic volatility. Therefore, the board concludes that the Company will remain a going concern in the foreseeable future and will be reviewed regularly.

The Board of Directors confirms its commitment to achieving high standards of corporate governance based on local and international best corporate practice.

## Distribution to shareholders

No dividends were declared during the year, and no final dividend for 2010 is proposed. Business factors taken into consideration were cash after expenses, operational requirements and capital projects.

## Corporate governance

### Board Charter

The Board Charter embodies the board's commitment to sound corporate governance.

The Charter guides the board in achieving the Company's vision, in accordance with South African and relevant international legislation, the Listings Requirements of the JSE Limited, the Code of Governance Principles outlined in the third King Report on Corporate Governance and other defined responsibilities of corporate citizenship.

The board consisted of two executive directors, five non-executive directors and five independent non-executive directors. The roles of chairman and CEO are separate, with a clear division of responsibilities.

The Remuneration and Nominations Committee resolved to conduct an external assessment of the board during March 2011, after the release of the 2010 annual financial statements. This was done to enable the new board members to familiarise themselves with the business prior to the assessment being done.

The board is assisted in its duties by three committees, namely the Audit and Risk, Remuneration and Nominations and Social and Ethics (previously Transformation) Committees. The Board Charter outlines the terms of reference for these committees.

As part of the drafting of the new Board Charter, the Code of Ethics is being updated in line with the requirements of King III, the new Companies Act and Regulations. The Code will form part of the new Board Charter as an attachment.

The CEO is responsible for implementing the strategies and policies of the Company and managing the day-to-day business and affairs of the Company. [BV-P1]

The Audit and Risk Committee assists the board in assuring accurate financial reporting and adequate systems, controls and risk management processes, by evaluating the appropriateness and adequacy of systems of internal financial and operational control. The committee also reviews accounting policies and financial information issued to stakeholders, recommends the appointment of the external auditors and evaluates their findings and the actions taken. The independence of the external auditors is regularly reviewed and all non-audit services are reported in terms of an agreed policy.

The Remuneration and Nominations Committee selects, screens and nominates potential directors for appointment to the board. The committee also ensures that the Company's directors and employees are fairly rewarded and that salary and wage adjustments for the Company's staff are fair and market related.

The Social and Ethics Committee (previously the Transformation Committee) oversees the transformation activities and programmes of the Company and ensures that the spirit of transformation is conveyed throughout the Company.

Following the successful integration of Highveld into Evraz during 2008, the Independent Committee, which was established to protect the rights of minority shareholders during the change in ownership, did not meet in 2010. The committee will be formally disbanded when the Mapochs Mine ownership transactions have been completed.

Details of the Company's governance structures, practices and more detail on the responsibilities of the committees are set out in the Company's Sustainability review on pages 118 to 189.

## Directors' responsibilities

The directors are responsible for the preparation and integrity of the information included in this report, including the annual financial statements of the Company and Group, which have been prepared in accordance with International Financial Reporting Standards.

The directors are also responsible for the process of risk management (for further details, refer Risk Management on pages 128 to 133 and for the systems of internal control used by the Company. These systems and controls are designed to provide reasonable assurance regarding the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain the accountability of the assets. BV-R3

Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

## Internal audit

The Company's internal audit department functions independently, appraising, examining and evaluating the Company's systems and internal controls. The scope of the internal audit function is to review the reliability and integrity of financial information, the systems of internal control and the means of safeguarding assets. The head of the internal audit department reports the findings to the Audit and Risk Committee.

On a regular basis, the directors assess whether the internal accounting controls are adequate to ensure that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

Assessment is based on information and explanations provided by management, the Internal Audit Department and the report of the external auditors on the results of their audit.

## Code of Ethics

Evraz Highveld's directorate is required to comply with the Company's Code of Ethics.

## Directorate

Mr BJT Shongwe was appointed as the Chairman of the board on 15 October 2009. Mrs BE de Beer was appointed as Financial Director on 26 August 2009. Mr GA Mannina, a Non-executive Director, resigned on 24 February 2010. Mr WG Ballandino, resigned as CEO on 28 February 2010. Mr AS MacDonald was appointed as CEO on 1 March 2010. Messrs M Bhabha, PM Surgey and TI Yanbukhtin and Mrs B Ngonyama were appointed as Non-executive Directors on 1 March 2010. Mr JW Campbell resigned as Non-executive Director on 26 August 2010. Mr D Ščuka was appointed as Non-executive Director on 11 November 2010.

In accordance with the Articles of Association of the Company, Messrs M Bhabha, D Ščuka and PM Surgey and Mrs B Ngonyama are eligible and offer themselves for re-election.

The frequency of board meetings is determined by the board, but it meets on at least a quarterly basis and also when required to attend to specific business. During the year under review the board met six times. Attendance of board and committee meetings during 2010 by directors was as follows:

## Attendance by directors at meetings of board and committees

| Directors | Board | | Executive Committee | | Audit and Risk Committee | | Remuneration and Nominations Committee | | Social and Ethics Committee (previously Transformation Committee) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B | A | B |
| GC Baizini | 6 | 3 | | | | | | | | |
| M Bhabha[1] | 5 | 5 | | | | | 2 | 2 | 4 | 4 |
| CB Brayshaw | 6 | 5 | | | 4 | 4 | 3 | 3 | | |
| JW Campbell[2] | 4 | 4 | | | 1 | 1 | 2 | 1 | | |
| BE de Beer | 6 | 6 | 10 | 10 | | | | | | |
| AV Frolov | 6 | 0 | | | | | | | | |
| AS MacDonald[3] | 5 | 5 | 9 | 7 | | | | | 4 | 4 |
| B Ngonyama[1] | 5 | 3 | | | 4 | 2 | | | 4 | 4 |
| D Ščuka[4] | 1 | 1 | | | | | | | | |
| BJT Shongwe | 6 | 6 | | | 4 | 4 | | | 5 | 5 |
| PM Surgey[1] | 5 | 4 | | | 4 | 4 | 2 | 2 | | |
| PS Tatyanin | 6 | 5 | | | | | 3 | 3 | 5 | 5 |
| TI Yanbukhtin[1] | 5 | 4 | | | | | | | | |

Notes
A *Indicates the number of meetings which the director could have attended.*
B *Indicates the number of meetings actually attended.*
1 *Appointed as independent non-executive director on 1 March 2010.*
2 *Resigned as non-executive director on 26 August 2010.*
3 *Appointed as director and chief executive officer on 1 March 2010.*
4 *Appointed as non-executive director on 11 November 2010.*

## Directors' shareholding

At 31 December 2010, none of the directors beneficially held ordinary shares or unexercised options to acquire ordinary shares in the Company.

## Directors' remuneration

Details of directors' remuneration are set out in the Remuneration and Nominations committee reports on pages 86 to 92.

## Resolutions

As part of the Company's continued commitment to improved corporate governance, shareholders are requested to confirm the re-appointment of the external auditors to hold office until the conclusion of the next Annual General Meeting, although this is not required in the light of the deeming provision of Section 270 (2) of the Companies Act, 1973. The directors support the re-appointment of Ernst & Young Inc.

Article 73 of the Articles of Association of the Company states that the maximum for directors' fees is R200 000 per annum and the maximum additional sum for the chairman is R400 000 per annum. No increases for members and chairmen of board committees are proposed for 2011.

| Committee | Member/Directors/Chairman | 2011 | 2010 |
|---|---|---|---|
| Board of Directors | Director | **R165 000** | R165 000 |
| | Chairman | **R565 000** | R565 000 |
| Audit and Risk | Member | **R70 000** | R70 000 |
| | Chairman | **R120 000** | R120 000 |
| Remuneration and Nominations | Member | **R50 000** | R50 000 |
| | Chairman | **R75 000** | R75 000 |
| Social and Ethics (previously | Member | **R30 000** | R30 000 |
| Transformation) | Chairman | **R45 000** | R45 000 |

## Share capital

Full details of the authorised, issued and unissued share capital of the Company at 31 December 2010 are set out in note 12 to the financial statements.

The authorised share capital of the Company is R140 000 000, divided into 139 990 000 ordinary shares of R1 each and 1 000 000 variable rate redeemable cumulative preference shares of 1 cent each. Control over all the unissued shares of the Company is vested in the directors, in general terms.

In terms of the Companies Act, 1973, the general authority granted to the directors for the issue of shares (other than those to be issued in terms of a specific authority) expires on the date of the forthcoming Annual General Meeting. Shareholders, therefore, will be asked to consider an ordinary resolution at the Annual General Meeting to place under the control of the directors the then remaining unissued ordinary shares and the unissued preference shares.

## The Company and its subsidiary company

Evraz Highveld Steel and Vanadium Limited is a subsidiary of Evraz Group S.A., whose interest amounts to 85.11 per cent of the total issued share capital of the Company.

In its integrated Steelworks, the Group produces steel and vanadium slag. Ore for the Steelworks is obtained from Mapochs Mine. The works are situated in eMalahleni, Mpumalanga and the mine is situated in the Roossenekal area, Limpopo, both in the Republic of South Africa.

A transaction to sell 26 per cent of Mapochs Mine to a BEE consortium and a community trust is being finalised in terms of the Mineral and Petroleum Resources Development Act, to convert the mining rights to new-order mining rights.

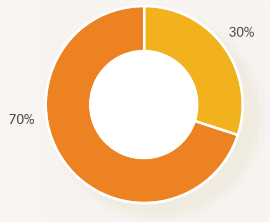
On 28 January 2011 a Letter of Grant notifying Evraz Highveld that its application for conversion of its old-order mining rights into new-order mining rights has been approved was received from the Department of Mineral Resources. The formal process to execute and register the right has commenced.

The Company is the holding company of wholly-owned subsidiary, Hochvanadium Holding AG (Austria) (processing and selling vanadium products). The Group's share of the wholly-owned subsidiary's profit after tax is R297 million (2009: R157 million profit).

## Segmental revenue

The revenue contribution by the various segments of the Group is shown in the segmental graph.

**Segmental revenue – 2010**




## Changes in accounting policies

The changes in accounting policies which impacted on the financial results of the Company and the Group are outlined in note 1 to the annual financial statements.

## Subsequent events

It is expected that the various conditions precedent to the sale of 23 per cent of Mapochs Mine and the transfer of three per cent to a community trust will be fulfilled during 2011.

## Company secretary

Details of the company secretary are outlined below the Notice of the Annual General Meeting on pages 272 to 275.

# Income statement

*for the year ended 31 December*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm |
| **Continuing operations** | | | | | |
| **Total revenue** | 2.1 | **5 161** | 4 325 | **3 736** | 3 632 |
| Sale of goods | | **5 125** | 4 252 | **3 700** | 3 167 |
| **Revenue** | | **5 125** | 4 252 | **3 700** | 3 167 |
| Cost of sales | | **(5 031)** | (3 578) | **(4 037)** | (2 764) |
| **Gross profit/(loss)** | | **94** | 674 | **(337)** | 403 |
| Other operating income | 2.2 | **—** | — | **—** | 393 |
| Selling and distribution costs | | **(301)** | (243) | **(222)** | (169) |
| Administrative expenses | | **(353)** | (201) | **(340)** | (194) |
| Other operating expenses | 2.3 | **(263)** | (38) | **(259)** | (36) |
| **Operating (loss)/profit** | | **(823)** | 192 | **(1 158)** | 397 |
| Finance costs | 2.4 | **(49)** | (61) | **(48)** | (61) |
| Finance income | 2.5 | **36** | 73 | **36** | 72 |
| **(Loss)/Profit before tax from continuing operations** | | **(836)** | 204 | **(1 170)** | 408 |
| Income tax credit/(expense) | 3 | **287** | (41) | **304** | (29) |
| **(Loss)/Profit for the year from continuing operations** | | **(549)** | 163 | **(866)** | 379 |
| **Discontinued operations** | | | | | |
| Profit after tax for the year from discontinued operations | 4 | | | **30** | 14 |
| **(Loss)/Profit for the year** | | **(549)** | 163 | **(836)** | 393 |
| (Loss)/Earnings per share (cents) from total operations | 5.1 | | | | |
| Basic and diluted | | **(553.7)** | 164.4 | | |
| (Loss)/Earnings per share (cents) from continuing operations | 5.1 | | | | |
| Basic and diluted | | **(553.7)** | 164.4 | | |

# Statement of comprehensive income

*for the year ended 31 December*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm |
| **(Loss)/Profit for the year** | | **(549)** | 163 | **(836)** | 393 |
| **Other comprehensive loss:** | | | | | |
| Exchange differences on translation of foreign operations* | 13 | **(15)** | (37) | | |
| **Total comprehensive (loss)/income for the year** | | **(564)** | 126 | **(836)** | 393 |

* *No tax effect.*

# Statement of financial position

*as at 31 December*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 6 | **1 607** | 1 884 | **1 554** | 1 884 |
| Deferred tax asset | 15 | **54** | — | **17** | — |
| Investment in subsidiaries | 7 | | | **1** | 1 |
| | | **1 661** | 1 884 | **1 572** | 1 885 |
| **Current assets** | | | | | |
| Inventories | 8 | **1 084** | 1 228 | **942** | 1 182 |
| Trade and other receivables | 9 | **815** | 699 | **645** | 924 |
| Prepayments | 10 | **11** | 12 | **11** | 12 |
| Cash and short-term deposits | 11 | **492** | 1 072 | **370** | 819 |
| | | **2 402** | 3 011 | **1 968** | 2 937 |
| Assets classified as held-for-sale | 4 | | | **213** | |
| | | **2 402** | 3 011 | **2 181** | 2 937 |
| **Total assets** | | **4 063** | 4 895 | **3 753** | 4 822 |
| **Equity and liabilities** | | | | | |
| **Capital and reserves** | | | | | |
| Issued capital | 12 | **99** | 99 | **99** | 99 |
| Share premium | 12 | **486** | 486 | **486** | 486 |
| Other capital reserves | 13 | **138** | 153 | **—** | — |
| Retained earnings | | **1 787** | 2 336 | **1 713** | 2 549 |
| **Total equity** | | **2 510** | 3 074 | **2 298** | 3 134 |
| **Non-current liabilities** | | | | | |
| Provisions | 14 | **536** | 469 | **391** | 469 |
| Deferred tax liability | 15 | **—** | 243 | **—** | 243 |
| | | **536** | 712 | **391** | 712 |
| **Current liabilities** | | | | | |
| Trade and other payables | 16 | **745** | 771 | **625** | 731 |
| Interest-bearing loans and borrowings | 17 | **—** | — | **4** | 4 |
| Income tax payable | 18 | **54** | 156 | **45** | 59 |
| Provisions | 14 | **218** | 182 | **199** | 182 |
| | | **1 017** | 1 109 | **873** | 976 |
| Liabilities directly associated with the assets classified as held-for-sale | 4 | | | **191** | — |
| **Total liabilities** | | **1 553** | 1 821 | **1 455** | 1 688 |
| **Total equity and liabilities** | | **4 063** | 4 895 | **3 753** | 4 822 |

# Statement of changes in equity

*for the year ended 31 December*

Group

| | Non-distributable reserves | | Distributable reserves | |
|---|---|---|---|---|
| | Issued capital and share premium Rm (Note 12) | Other capital reserves Rm (Note 13) | Retained earnings Rm | Total equity Rm |
| **2010** | | | | |
| As at 1 January 2010 | **585** | **153** | **2 336** | **3 074** |
| Loss for the year | **—** | **—** | **(549)** | **(549)** |
| Other comprehensive loss: | | | | |
| Exchange differences on translation of foreign operations | **—** | **(15)** | **—** | **(15)** |
| Total comprehensive loss | **—** | **(15)** | **(549)** | **(564)** |
| **As at 31 December 2010** | **585** | **138** | **1 787** | **2 510** |
| **2009** | | | | |
| As at 1 January 2009 | 585 | 191 | 2 173 | 2 949 |
| Profit for the year | — | — | 163 | 163 |
| Other comprehensive loss: | | | | |
| Exchange differences on translation of foreign operations | — | (37) | — | (37) |
| Total comprehensive (loss)/income | — | (37) | 163 | 126 |
| Other | — | (1) | — | (1) |
| As at 31 December 2009 | 585 | 153 | 2 336 | 3 074 |

Company

| | Non-distributable reserves | | Distributable reserves | |
|---|---|---|---|---|
| | Issued capital and share premium Rm (Note 12) | Other capital reserves Rm (Note 13) | Retained earnings Rm | Total equity Rm |
| **2010** | | | | |
| As at 1 January 2010 | **585** | **—** | **2 549** | **3 134** |
| Total comprehensive loss for the year | | | **(836)** | **(836)** |
| **As at 31 December 2010** | **585** | **—** | **1 713** | **2 298** |
| **2009** | | | | |
| As at 1 January 2009 | 585 | 1 | 2 156 | 2 742 |
| Total comprehensive income for the year | | | 393 | 393 |
| Other | | (1) | — | (1) |
| As at 31 December 2009 | 585 | — | 2 549 | 3 134 |

# Statement of cash flows

*for the year ended 31 December*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm |
| **Operating activities** | | | | | |
| Cash (used in)/generated from operations | 22.1 | **(215)** | 35 | **(548)** | (83) |
| Finance and investment income received | 22.2 | **36** | 73 | **371** | 72 |
| Finance charges paid | 22.3 | **—** | (4) | **—** | (4) |
| Income tax paid | 22.4 | **(109)** | (565) | **(22)** | (566) |
| **Cash flows used in operating activities** | | **(288)** | (461) | **(199)** | (581) |
| **Investing activities** | | | | | |
| Purchase of property, plant and equipment | 6 | **(263)** | (202) | **(263)** | (202) |
| Proceeds from sale of property, plant and equipment | 22.5 | **13** | 6 | **13** | 6 |
| Proceeds from sale of discontinued operations | 22.6 | **—** | 164 | **—** | 164 |
| **Cash flows used in investing activities** | | **(250)** | (32) | **(250)** | (32) |
| Net decrease in cash and cash equivalents | | **(538)** | (493) | **(449)** | (613) |
| Cash and cash equivalents at the beginning of the financial year | | **1 072** | 1 601 | **819** | 1 432 |
| Effects of exchange rate changes on cash held in foreign currencies | | **(42)** | (36) | **—** | — |
| **Cash and cash equivalents at the end of the financial year** | | **492** | 1 072 | **370** | 819 |

## 1. Corporate information

The consolidated financial statements of Evraz Highveld Steel and Vanadium Limited (the Company) for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the Board of Directors on 16 March 2011. The Company is a limited company incorporated and domiciled in the Republic of South Africa whose shares are publicly traded.

The principal activities of the Group are described in the Directors' report.

### 1.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), International Financial Reporting Interpretation Committee (IFRIC) interpretations and with those requirements of the South African Companies Act, 1973 (as amended) applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which are measured at fair value. The consolidated financial statements are presented in South African Rand and all values are rounded to the nearest million (Rm) except where otherwise indicated.

*Consolidation*

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company.

Intra-group balances, transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in full in the case of subsidiaries in preparing the consolidated financial statements.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for in equity as a transaction between shareholders.

The financial results of subsidiaries and special purposes entities are consolidated for the same period on the following basis:

*Investment in subsidiaries*

Subsidiaries are those entities in which the Group has more than half of the voting rights and/or power to exercise control. Control is achieved where the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities. Subsidiaries are fully consolidated from date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

The Company carries its investment in its subsidiary at cost.

*Investment in Environmental Trust Fund*
The Company controls the Environmental Trust Fund. The Company's interest in the assets, liabilities, results and cash flows of the Trust are included in those of the Company and its subsidiaries from the date of control over the funds until the date control ceases.

**1.2 Changes in accounting policies and disclosures**

The accounting policies adopted are consistent with those of the previous year except as follows:

The Group has adopted the following new and revised standards and interpretations issued by the International Accounting Standards Board (the IASB) and the IFRIC of the IASB, that are relevant to its operations and effective for accounting periods beginning on 1 January 2010. Only where the impact of these is material or has been disclosed separately is reference made to the relevant IFRS in the notes to the financial statements.

i. The adoption of these new and revised Standards and Interpretations has resulted in changes in the Group's accounting policies and disclosures as follows:
   - *IFRS 3, Business combinations (Revised)*
     *IFRS 3 (Revised)* introduces significant changes in the accounting for business combinations occurring after becoming effective. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results. The changes by *IFRS 3 (Revised)* affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.
   - *IAS 27, Consolidated and separate financial statements (Amended)*
     *IAS 27 (Amended)* requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes to *IAS 27 (Amended)* affect acquisitions or loss of control of subsidiaries and transactions with non-controlling interests after 1 January 2010.
   - *IAS 39, Financial instruments: recognition and measurement – eligible hedged items (Amended)*
     The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

- *IFRIC 17, Distributions of non-cash assets to owners*
  This Interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The Interpretation has no effect on either the financial position or performance of the Group.
- *IFRIC 18, Transfers of assets from customers*
  This Interpretation provides guidance on how and when an entity should recognise an item of property, plant and equipment received from customers or cash for the acquisition or construction of such items. These assets must then be used to connect the customer to a network or to provide ongoing access to a supply of goods or services, or both. The Interpretation has no effect on the financial position or performance of the Group.
- *Improvements to IFRS (issued in April 2009)*
  In April 2009 the board issued its second omnibus of amendments to its Standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each Standard. The adoption of the amendments did not have any impact on the financial position or performance of the Group.
- *IFRS 2, Share-based payments: group cash-settled share-based payment transactions (Amended)*
  The IASB issued an amendment to *IFRS 2* that clarified the scope and the accounting for group cash-settled share-based payment transactions. This amendment is effective for financial years beginning on or after 1 January 2010. It did not have an impact on the financial position or performance of the Group.

ii. New and revised IFRS and Interpretations issued but not yet effective.

The following Standards, amendments to Standards and Interpretations, effective in future accounting periods have not been adopted in these financial statements:
- *IAS 32, Classification of rights issues denominated in a foreign currency (Amended)*
  The amendment to *IAS 32* is effective for annual periods beginning on or after 1 May 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.
- *IAS 24, Related party disclosures (Amended)*
  The amended Standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised Standard introduces a partial exemption of disclosure requirements for government related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

- *IFRS 9, Financial instruments classification and measurement*
  *IFRS 9* as issued reflects the first phase of the IASB's work on the replacement of *IAS 39* and applies to classification and measurement of financial assets as defined in *IAS 39*. The Standard is effective for annual periods beginning on or after 1 January 2013. In October 2010 the IASB issued additions to *IFRS 9, Financial instruments* in relation to financial liabilities that an entity has elected to measure at fair value. The amendments also incorporate in *IFRS 9* the current derecognition principles of *IAS 39*. Those improvements have an effective date of 1 January 2013, with earlier application permitted. In subsequent phases, the IASB will address impairment methodology and hedge accounting. The completion of this project is expected in early 2011. The adoption of the first phase of *IFRS 9* will have an effect on the classification and measurement of the Group's financial assets and financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.
- *IFRIC 14, Prepayments of a minimum funding requirement (Amended)*
  The amendment to *IFRIC 14* is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Group.
- *IFRIC 19, Extinguishing financial liabilities with equity instruments*
  *IFRIC 19* is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this Interpretation will have no effect on the financial statements of the Group.
- *Improvements to IFRS (issued in May 2010)*
  The IASB issued improvements to IFRS, an omnibus of amendments to its IFRS. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below, are considered to have a reasonable possible impact on the Group:
  - *IFRS 3, Business combinations;*
  - *IFRS 7, Financial instruments: disclosures;*
  - *IAS 1, Presentation of financial statements;*
  - *IAS 27, Consolidated and separate financial statements; and*
  - *IFRIC 13, Customer loyalty programmes.*

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

- *IFRS 1, Severe hyperinflation and removal of fixed dates for first-time adopters (Amended)*
  Amendments to *IFRS 1, first-time adoption of IFRS* was issued in December 2010. The amendments replace references to a fixed transition date with

'the date of transition to IFRS' and set out the requirements for how an entity resumes presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRS because its functional currency was subject to severe hyperinflation. The amendments are effective from 1 July 2011, with earlier application permitted. The Group does not expect any impact on its financial position or performance.

- *IFRS 7, Financial instruments: disclosures (Amended)*
  The amendments improve the disclosure requirements for derecognition of financial assets. Users of financial statements are expected to evaluate the risk exposures relating to transferred financial assets and the effect of the risks on an entity's financial position, particularly those that involve securitisation of financial assets. The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.
- *IAS 12, Deferred tax: recovery of underlying assets (Amended – previously ED 2010/11)*
  The amendment to *IAS 12, Income taxes* was issued in December 2010. The amendment provides a practical solution to the problem of determining whether assets measured using the fair value model in *IAS 40, Investment property* are recovered through use or through sale. The amendment is effective for annual periods beginning on or after 1 July 2011, with earlier application permitted. The amendment is deemed to have no impact on the financial statements of the Group.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial results or disclosures of the Group.

### 1.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described below.

*i. Decommissioning and rehabilitation obligations*

Estimating the future costs of environmental and rehabilitation obligations is complex and requires management to make estimates and judgements as most of the obligations will be fulfilled in the future and laws are often not clear regarding what is required. The resulting provisions are further influenced by changing technologies, political, environmental, safety, business and statutory considerations. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

*ii. Asset lives and residual values*

Items of property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. Annually, depreciation methods applied and the actual lives and residual values of the assets are assessed and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

*iii. Post-retirement employee benefits*

Post-retirement medical aid liabilities are provided for certain existing employees. Actuarial valuations are based on assumptions which include employee turnover, mortality rates, the discount rate, health care inflation cost and rates of increase in costs.

*iv. Ore reserve and resource estimates*

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

**1.4 Summary of significant accounting policies**

Accounting policies that refer to "consolidated or Group", apply equally to the Company financial statements where relevant.

*a. Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, sales-related taxes and value added tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer, costs can be measured reliably and receipt of the future economic benefits is probable. Significant risks and rewards of ownership have passed when title and insurance risk has passed to the customer and the goods have been delivered to a contractually agreed location.

*b. Interest and dividend income*

Interest income and preference dividends are recognised on a time proportionate basis, taking into account the principal amount invested and the effective rates over the period to maturity, when it is determined that such income will accrue to the Group.

Other dividend income is recognised at the time when the amount of the dividend can be measured reliably and the right to receive payment is established.

c. *Inventories*

Inventories and work-in-progress are valued at the lower of cost and net realisable value. Stock write-downs to net realisable value and stock losses are expensed during the period in which the write-down or loss occurs. Cost is determined on the following bases:

i. Finished goods and work-in-progress are valued on a first-in-first-out basis. Raw materials are valued at delivered cost determined on a weighted average basis. Consumable stores are valued at delivered cost determined on a weighted average basis, with appropriate reductions for obsolescence and slow-moving items.

ii. Slag deposits and dumps are carried at zero value. On sale of these deposits and dumps, the revenue generated is accounted for as profit and is included in revenue.

iii. Scrap steel purchased is carried at cost on a weighted average basis, and scrap produced as a by-product of the steelmaking process is valued at fair value, which is the current market price for scrap steel. From January 2010, the Group changed its accounting policy for the valuation of scrap inventory from a cost formula where equal costs per ton were allocated to scrap and to prime steel, to a formula where scrap inventory is allocated at a value equal to the market price per ton of scrap at the time. It is not possible to apply this change in allocation retrospectively, therefore it has been done on all scrap produced from 1 January 2010.

d. *Property, plant and equipment*

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

i. Property, plant and equipment, excluding rolls and linings for forming steel, is depreciated on a straight-line basis at rates that will reflect the outflow of economic benefits, from the Group, over the estimated life of the specific asset as a result of utilisation within the operation after taking into account the estimated residual value of the asset.

   Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

ii. The estimated useful lives of property, plant and equipment are as follows:

| | *Number of years* |
|---|---|
| Improvements to property | 20 – 50 |
| Plant | 2 – 50 |
| Equipment | 2 – 15 |

Rolls and linings for forming steel are depreciated on the basis of tons rolled and produced.

Land and work under construction are not depreciated. Work under construction becomes depreciable when the assets are substantially ready for their intended use and depreciated over their useful life.

Mineral rights are valued at historical cost and amortised on the basis of tonnage mined.

The Group annually reviews all of its depreciation rates, residual values and depreciation methods to take account of any changes in circumstances. When setting useful economic lives, the principal factors the Group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used.

iii. Expenditure incurred to replace a component at intervals greater than once a year of an item of property, plant and equipment, including major inspection and overhaul expenditure, is capitalised and depreciated over the period during which enduring benefits will be enjoyed, and the component replaced is derecognised.

Major maintenance expenditure, with intervals in excess of once a year is capitalised and depreciated over the period during which enduring benefits will be enjoyed. Day-to-day maintenance and repairs expenditure, incurred in intervals shorter than once a year are charged against income when incurred.

iv. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised. Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount of the asset and are included in profit before interest and tax, but adjusted in calculating headline earnings.

*e. Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership and the rights to control the asset to the lessee. All other lease payments are classified as operating leases and are recognised as an expense in the income statement on a straight-line basis over the lease term.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at the inception of the lease and a corresponding liability is raised. Capitalised leased assets are depreciated using the straight-line method over the expected useful lives of the assets. Finance lease obligations, net of finance charges, are included in liabilities.

Finance lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are charged to operating income.

*f.* *Impairment of non-financial assets*

The Group assesses all assets on an ongoing basis to determine whether there is any indication that assets are impaired or if the reversal of a previously recognised impairment is required. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment or reversal (if any).

The recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment is recognised immediately as an expense.

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset in previous periods. A reversal of an impairment is recognised as income.

*g.* *Taxes*

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is also recognised therein.

*i.* *Current income tax*

The charge for current income tax is based on the results for the year as adjusted for items of permanent difference, non-assessable income or disallowed expenses. It is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date. Prior year over- and under-provisions are also adjusted during the current year.

Additional income taxes that arise from the distribution of dividends are recognised at the same time that the dividends are declared.

*ii. Deferred income tax*

Deferred tax is accounted for using the liability method on temporary differences at the reporting date between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax assets and liabilities are recognised for all taxable and deductible temporary differences, except:

- where the deferred income tax asset or liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of taxable and deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

*iii. Value added tax*

Revenue, expenses and assets are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

*h. Foreign exchange*

*i. Foreign exchange translation*

The South African Rand is the functional currency of the Company which reflects the economic substance of the underlying events and circumstances. The exchange rate of SA Rand to Euro used in preparing the consolidation of the Company's subsidiary incorporated in Austria into the Group's financial statements was as follows:

| | Weighted average rate | Closing rate |
|---|---|---|
| **Year ended 31 December 2010** | **9.74** | **8.83** |
| Year ended 31 December 2009 | 11.62 | 10.62 |

The weighted average exchange rates have been calculated based on the average of the exchange rates during the relevant year and weighted according to the revenue of the Group's businesses.

*ii. Transactions and balances*

In preparing the financial statements of the individual entities in the Group, transactions in currencies other than the entity's functional currency are recorded at rates of exchange prevailing on the date of the transactions. For our most significant subsidiary, the functional currency is the Euro.

At each reporting date, monetary items denominated in foreign currency are then translated at the rates prevailing at the date of the statement of financial position. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

*iii. Overseas subsidiaries*

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign subsidiaries are expressed in the presentation currency of the Group using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period where these approximate the rates at date of the transactions. Exchange differences arising on the translation are recognised in other comprehensive income. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of. Exchange differences arising on the loan to a subsidiary that forms part of the net investment in the subsidiary are recognised in the consolidated financial statements as part of other comprehensive income and included in the Group's currency translation reserve.

*i. Employee benefits*

*i. Pension and post-retirement medical benefits*

The Group operates a defined contribution scheme for its employees as well as a post-retirement medical benefit scheme.

The obligation to provide post-retirement medical aid benefits is recognised with reference to actuarial valuations performed annually.

Actuarial gains or losses are recognised as income or expense when the net cumulative unrecognised actuarial gains or losses for the plan at the end of the previous period exceeded 10% of the defined benefit obligation at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested, past service costs are immediately recognised.

Contributions made by the Group in respect of defined contribution funds are charged as an expense as service is rendered.

*ii. Medical*

Contributions by the Group in respect of employees are expensed in the period in which the related service is rendered by the employee. Medical aid plans are controlled by non-related administrators.

*iii. Short- and long-term benefits*

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances and other contributions are recognised during the period in which the employee renders the related service.

The vesting portion of long-term benefits for leave and retention bonus is recognised and provided for at reporting date, based on current salary rates and company contributions.

The Group recognises a liability and an expense for profit-sharing bonus incentives where contractually obliged or where there is a past practice that has created a constructive obligation.

*iv. Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

j. *Intangible assets*

i. *Research and development*

Research costs incurred with the prospect of gaining new scientific or technical knowledge and understanding are recognised as an expense in the period in which it is incurred.

Development costs are generally expensed in the period incurred. Development costs that relate to an identifiable product or process that is demonstrated to be technically or commercially feasible, for which the Group has sufficient resources to bring to market and which is expected to result in future economic benefits, are recognised as intangible assets. Development costs will only be recognised as an intangible asset if the cost can be measured reliably.

Development costs that are included in the cost of development assets include the cost of material, direct labour and an appropriate portion of overheads. Capitalised development expenditure is shown at cost less accumulated amortisation and accumulated impairment losses. Amortisation on development costs is provided for on a straight-line basis over the expected economic life of the related development.

If a project is abandoned during the development stage, the total accumulated expenditure is expensed in the period that it is abandoned.

ii. *Patents*

Expenditure to register patents and renew patents is written off in the period in which it is incurred.

k. *Financial assets and financial liabilities*

*Financial assets*

*Initial recognition*

Financial assets within the scope of *IAS 39* are classified as financial assets at fair value through the income statement, loans and receivables, or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through the income statement, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. The Group's financial assets include cash and cash equivalents, short-term deposits, trade and other receivables and derivative financial instruments.

*Subsequent measurement*
The subsequent measurement of financial assets depends on their classification as follows:

i. *Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through the income statement. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by *IAS 39*. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with gains or losses recognised in the income statement.

ii. *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains or losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

iii. *Available-for-sale financial assets*
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss recorded in other comprehensive income is recognised in the income statement, or determined to be impaired, at which time the cumulative loss recorded in other comprehensive income is recognised in the income statement.

*Financial liabilities*
*Initial recognition*
Financial liabilities within the scope of *IAS 39* are classified as financial liabilities at fair value through the income statement or loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and derivative financial instruments.

*Subsequent measurement*
The measurement of financial liabilities depends on their classification as follows:

i. *Financial liabilities at fair value through profit or loss*
   Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Gains or losses on liabilities held-for-trading are recognised in the income statement.

ii. *Loans and borrowings*
   After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

*Offsetting of financial instruments*
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

*Fair value of financial instruments*
The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date.

*Amortised cost of financial instruments*
Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

*Impairment of financial assets*
The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.
A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in making interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Trade and other receivables*

For amounts due from trade and other receivables carried at amortised cost, the Group first assesses for each whether objective evidence of impairment exists individually that are significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individual financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses these for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future expected credit losses that have not yet been incurred. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Trade and other receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the income statement. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a trade and other receivable have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

*Available-for-sale financial investments*

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

*Derecognition of financial instruments*

*Financial assets*

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either
  - (a) the Group has transferred substantially all the risks and rewards of the asset, or
  - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

*Derivative financial instruments*

*Initial recognition and subsequent measurement*

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign market risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year are taken directly to the income statement.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles.

*l. Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of future economic benefits will occur, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and is discounted to present value where the effect is material. Policies relating to specific provisions are detailed below:

*i. Provision for environmental expenditure*

Provision is made for environmental rehabilitation cost where either a legal or constructive obligation is recognised as a result of past events. Measurement of environmental liabilities is based on the current legal requirements and existing technology. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the provision. The unwinding of the discount is expensed as it is incurred and is recognised in the income statement as a finance cost. The carrying amount of liabilities is regularly reviewed and adjusted for appropriate new facts or changes in law or technology.

Cost of ongoing current programmes to prevent and control emissions and to rehabilitate the environment is charged against income as incurred.

*m. Dividends*

Dividends payable to holders of equity instruments are recognised in the period in which they are authorised and approved by the Board of Directors. These dividends are recorded and disclosed as dividends paid in the statement of changes in equity. Dividends proposed or declared subsequent to the year-end are not recognised at the reporting date, but are disclosed in the notes to the financial statements.

*n. Discontinued operations*

Discontinued operations are material, distinguishable components of an enterprise that have been sold, or are the subject of formal plans for disposal or discontinuance. The profit or loss on the sale of a discontinued operation is determined up to the discontinuance date.

Non-current assets and disposal groups classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered through a sale transaction, rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Property, plant and equipment and intangible assets once classified as held-for-sale are not depreciated/amortised.

o. *Earnings per share*
Basic earnings per share comprise the profit on all activities after tax attributable to the equity shareholders of the parent entity, divided by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share represent the profit on ordinary activities after tax attributable to the equity shareholders, divided by the weighted average number of ordinary shares in issue during the year, plus the weighted average number of dilutive shares resulting from share options.

p. *Borrowing costs*
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

q. *Cash and short-term deposits*
Cash and short-term deposits in the statement of financial position comprise cash at banks and on short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

| | Group | | Company | |
|---|---|---|---|---|
| | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm |
| **2. Other income and expenses** | | | | |
| **2.1 Total revenue** | | | | |
| Sale of goods | **5 125** | 4 252 | **4 098** | 3 437 |
| Other operating income | **—** | — | **—** | 393 |
| Finance income | **36** | 73 | **36** | 72 |
| **Total revenue** | **5 161** | 4 325 | **4 134** | 3 902 |
| **2.2 Other operating income** | | | | |
| Dividends from subsidiary company | **—** | — | **—** | 393 |
| **2.3 Other operating expenses** | | | | |
| Litigation | **(8)** | (12) | **(8)** | (12) |
| Net loss on disposal and impairment of property, plant and equipment (note 22.1 and 22.5) | **(230)** | (6) | **(230)** | (6) |
| Sundry | **(25)** | (20) | **(21)** | (18) |
| **Total other operating expenses** | **(263)** | (38) | **(259)** | (36) |
| In the fourth quarter of 2010 the board resolved to impair, in its present condition, the Channel Induction Furnace resulting in a write-off of the book value of R230 million in terms of accounting principles. This furnace was originally intended for superheating blown metal, after the shaking ladle, and to melt extra scrap in the Steel Plant. After two major breakdowns it was concluded that the furnace is most probably not fit for purpose. The Company has placed the supplier on terms, in that the supplier must produce a furnace that is fit for the purpose of the Channel Induction Furnace within a reasonable time. | | | | |
| **2.4 Finance costs** | | | | |
| Interest on overdrafts and other | **—** | (4) | **—** | (4) |
| Interest on taxation payable | **(8)** | (16) | **(7)** | (16) |
| Interest on environmental rehabilitation provision | **(31)** | (28) | **(31)** | (28) |
| Interest on post-retirement medical benefits provision | **(10)** | (13) | **(10)** | (13) |
| **Total finance costs** | **(49)** | (61) | **(48)** | (61) |

| | Group | | Company | |
|---|---|---|---|---|
| | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm |
| **2. Other income and expenses** continued | | | | |
| **2.5 Finance income** | | | | |
| Interest on cash investments | **26** | 65 | **26** | 64 |
| Other finance income | **10** | 8 | **10** | 8 |
| **Total finance income** | **36** | 73 | **36** | 72 |
| **2.6 Other disclosable items included in the income statement** | | | | |
| ***Continuing operations*** | | | | |
| *Included in cost of sales:* | | | | |
| Depreciation | **280** | 232 | **264** | 208 |
| Write-down of inventories to net realisable value | **77** | 101 | **77** | 101 |
| Costs of inventories recognised as an expense | **4 674** | 3 245 | **3 696** | 2 455 |
| *Included in administrative expenses:* | | | | |
| Depreciation | **17** | 14 | **17** | 14 |
| Net foreign exchange differences | **32** | 4 | **32** | 4 |
| Auditors' remuneration | | | | |
| Audit fees | **2** | 3 | **2** | 3 |
| Other assurance services | **—** | — | **—** | — |
| **2.7 Employee benefits expense** | | | | |
| Salaries and wages | **810** | 679 | **810** | 679 |
| Staff benefits expenses | **118** | 55 | **118** | 55 |
| Pension costs | **45** | 44 | **45** | 44 |
| Post-retirement benefits expenses | **7** | 12 | **7** | 12 |
| **Total employee benefits expense** | **980** | 790 | **980** | 790 |

# Notes to the financial statements continued

*for the year ended 31 December*

| | Group | | Company | |
|---|---|---|---|---|
| | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm |
| **3. Taxation** | | | | |
| **3.1 Income tax** | | | | |
| **South African** | | | | |
| *Normal* | | | | |
| Current | **—** | 2 | **—** | 2 |
| Prior year under provision | **1** | — | **1** | — |
| *Deferred* | | | | |
| Current | **(318)** | 23 | **(314)** | 23 |
| Prior year under provision | **21** | 10 | **21** | 10 |
| **Non-South African** | | | | |
| *Normal* | | | | |
| Current | **9** | 6 | | |
| Income tax (credit)/expense | **(287)** | 41 | **(292)** | 35 |
| **Attributable to:** | | | | |
| Continuing operations | **(287)** | 41 | **(304)** | 29 |
| Discontinued operations (note 4) | **—** | — | **12** | 6 |
| | **(287)** | 41 | **(292)** | 35 |
| | **%** | % | **%** | % |
| **3.2 Income tax rate reconciliation** | | | | |
| Standard rate | **28.0** | 28.0 | **28.0** | 28.0 |
| Non-taxable income | **0.3** | (1.4) | **0.3** | (26.4) |
| Prior year (under)/over provision | **(2.1)** | 5.1 | **(2.0)** | 2.6 |
| Permanent difference arising from the sale of business divisions | **—** | (0.3) | **—** | (0.3) |
| Difference in statutory taxation rates | **0.2** | (0.6) | **—** | — |
| Non-deductible/(deductible) expenditure | **7.9** | (10.7) | **(0.4)** | 4.2 |
| Capital gains tax | **—** | 0.1 | **—** | 0.1 |
| Income tax credit/(expense) for the year expressed as a percentage of (loss)/profit before tax | **34.3** | 20.2 | **25.9** | 8.2 |

| | Company | |
|---|---|---|
| | **2010 Rm** | 2009 Rm |

## 4. Discontinued operations

Mapochs Mine mines iron ore and despatches lump ore to the Steelworks for the production of liquid iron, steel and vanadium slag. The ore fines are sold to Vanchem Vanadium Products (Proprietary) Limited, a third party, pursuant to their vested rights in the ore fines. Mapochs Mine will be disposed of in 2011, subject to the fulfilment of the legislative obligations related to the conversion of the old-order mining rights to new-order mining rights by the Department of Mineral Resources. On 28 January 2011 the Department of Mineral Resources issued its letter of grant to the Company confirming the approval of its application for the conversion of its old-order mining rights to new-order mining rights. The formal procedures to execute and register the rights will follow. As the new company that will own Mapochs Mine is still owned and controlled by the Company, it is not considered to be a discontinued operation from a Group perspective.

The results of this disposal group is presented below:

| | 2010 Rm | 2009 Rm |
|---|---|---|
| **Total revenue** | **398** | 270 |
| Revenue | **398** | 270 |
| Cost of sales | **(295)** | (209) |
| **Gross profit** | **103** | 61 |
| Other operating income | **—** | — |
| Selling and distribution costs | **(43)** | (32) |
| Administrative expenses | **(14)** | (7) |
| Other operating expenses | **(4)** | (2) |
| **Operating profit** | **42** | 20 |
| Finance costs | **—** | — |
| Finance income | **—** | — |
| Profit before disposal of discontinued operations | **42** | 20 |
| Profit on disposal of discontinued operations | **—** | — |
| Profit before tax from discontinued operations | **42** | 20 |
| Income tax expense | **(12)** | (6) |
| **Profit for the year from discontinued operations** | **30** | 14 |

| | Company | |
|---|---|---|
| | **2010 Rm** | 2009 Rm |
| **4. Discontinued operations** continued | | |
| The assets and related liabilities of this disposal group is: | | |
| **Assets** | | |
| Property, plant and equipment | **53** | |
| Deferred tax asset | **33** | |
| Inventories | **107** | |
| Trade and other receivables | **20** | |
| Assets classified as held-for-sale | **213** | |
| **Liabilities** | | |
| Trade and other payables | **46** | |
| Long-term liabilities | **145** | |
| Liabilities directly associated with assets classified as held-for-sale | **191** | |
| **Net assets directly associated with disposal groups** | **22** | |
| The net cash flows of the disposal group is as follows: | | |
| Cash flows from operating activities | **97** | 51 |
| Cash flows from investing activities | **(12)** | (18) |
| Cash flows from financing activities | **—** | — |
| Net cash inflow | **85** | 33 |

| | Group | | | |
|---|---|---|---|---|
| | **2010** | | 2009 | |
| | **Basic** | **Basic diluted** | Basic | Basic diluted |
| **5. Earnings per share** | | | | |
| Basic earnings per share amounts are calculated by dividing group profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The following reflects the income and share data used in the basic and diluted earnings per share computations: | | | | |
| **5.1 Basic and diluted (loss)/earnings per share** | | | | |
| Net (loss)/profit from continuing operations – Rm | **(549)** | **(549)** | 163 | 163 |
| Net (loss)/profit from total operations – Rm | **(549)** | **(549)** | 163 | 163 |
| Weighted average number of ordinary shares in issue | **99 150 098** | **99 150 098** | 99 150 098 | 99 150 098 |
| Basic and diluted (loss)/earnings per share from continuing operations (cents) | **(553.7)** | **(553.7)** | 164.4 | 164.4 |
| Total basic and diluted (loss)/earnings per share (cents) | **(553.7)** | **(553.7)** | 164.4 | 164.4 |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

| | Group | | | |
|---|---|---|---|---|
| | **2010** | | 2009 | |
| | **Headline** | **Headline diluted** | Headline | Headline diluted |
| **5. Earnings per share** continued | | | | |
| **5.2 Headline (loss)/earnings per share** | | | | |
| Net (loss)/profit from continuing operations – Rm | **(383)** | **(383)** | 167 | 167 |
| (Loss)/Earnings from total operations – Rm | **(383)** | **(383)** | 167 | 167 |
| Weighted average number of ordinary shares in issue | **99 150 098** | **99 150 098** | 99 150 098 | 99 150 098 |
| (Loss)/Earnings per share from continuing operations (cents) | **(386.3)** | **(386.3)** | 168.1 | 168.1 |
| Total headline (loss)/earnings per share (cents) | **(386.3)** | **(386.3)** | 168.1 | 168.1 |

Headline (loss)/earnings per share is calculated in terms of *Circular 8/2007 Headline Earnings* issued by the South African Institute of Chartered Accountants (SAICA).

| | **2010 Rm** | 2009 Rm |
|---|---|---|
| **The reconciliation of headline (loss)/earnings is as follows:** | | |
| (Loss)/Profit for the year | **(549)** | 163 |
| Add after tax effect of: | | |
| Net loss on disposal and impairment of property, plant and equipment | **166** | 4 |
| **Headline (loss)/earnings** | **(383)** | 167 |
| **Weighted average number of shares for calculating diluted earnings per share** | | |
| Weighted average number of ordinary shares in issue | **99 150 098** | 99 150 098 |

| | Group | | | | |
|---|---|---|---|---|---|
| | Land and mineral rights Rm | Improve-ments to property Rm | Plant and equip-ment Rm | Work under con-struction Rm | Total Rm |
| **6. Property, plant and equipment** | | | | | |
| **Cost** | | | | | |
| As at 1 January 2009 | 9 | 58 | 2 606 | 723 | 3 396 |
| Additions | — | — | — | 202 | 202 |
| Transfers from work under construction | — | 2 | 519 | (521) | — |
| Disposals, scrappings and residual value adjustments | * | * | (128) | — | (128) |
| As at 31 December 2009 | 9 | 60 | 2 997 | 404 | 3 470 |
| Additions | — | — | 37 | 226 | 263 |
| Transfers from work under construction | 6 | 14 | 541 | (561) | — |
| Disposals, scrappings and impairments | — | (1) | (410) | — | (411) |
| **As at 31 December 2010** | **15** | **73** | **3 165** | **69** | **3 322** |
| **Depreciation and impairment** | | | | | |
| As at 1 January 2009 | 2 | 32 | 1 406 | — | 1 440 |
| Depreciation, impairment and change in estimated useful lives of property, plant and equipment (note 2.6) | — | 3 | 243 | — | 246 |
| Depreciation charge for the year | * | 3 | 245 | — | 248 |
| Change in estimated useful lives | — | — | (2) | — | (2) |
| Disposals, scrappings and residual value adjustments | — | * | (100) | — | (100) |
| As at 31 December 2009 | 2 | 35 | 1 549 | — | 1 586 |
| Depreciation, impairment and change in estimated useful lives of property, plant and equipment (note 2.6) | — | 3 | 294 | — | 297 |
| Depreciation charge for the year | — | 3 | 294 | — | 297 |
| Disposals, scrappings and residual value adjustments | — | (1) | (167) | — | (168) |
| **As at 31 December 2010** | **2** | **37** | **1 676** | **—** | **1 715** |

* *Less than R1 million.*

| | Group | | | | |
|---|---|---|---|---|---|
| | Land and mineral rights Rm | Improve-ments to property Rm | Plant and equip-ment Rm | Work under con-struction Rm | Total Rm |
| **6. Property, plant and equipment** continued | | | | | |
| **Net book value** | | | | | |
| **As at 31 December 2010** | **13** | **36** | **1 489** | **69** | **1 607** |
| As at 31 December 2009 | 7 | 25 | 1 448 | 404 | 1 884 |

A register giving details of all property, plant and equipment including freehold property is available for inspection at the registered office of the Group on request.

The headline earnings has been adjusted by R230 million loss before taxation (2009: R6 million loss) on disposal of property, plant and equipment and scrapping of property, plant and equipment. The after-taxation adjustment to headline earnings amounts to R166 million loss (2009: R4 million loss) (note 5).

No plant and equipment was decommissioned during the year (2009: Rnil).

During a review in 2010, property, plant and equipment with an original cost of R154 million (2009: R62 million) and a carrying amount of R4 million (2009: R7 million) on the fixed asset register were identified as no longer in use. These assets were scrapped during the year.

| | Company | | | | |
|---|---|---|---|---|---|
| | Land and mineral rights Rm | Improvements to property Rm | Plant and equipment Rm | Work under construction Rm | Total Rm |

## 6. Property, plant and equipment
continued

| | Land and mineral rights Rm | Improvements to property Rm | Plant and equipment Rm | Work under construction Rm | Total Rm |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 1 January 2009 | 9 | 58 | 2 606 | 723 | 3 396 |
| Additions | — | — | — | 202 | 202 |
| Transfers from work under construction | — | 2 | 519 | (521) | — |
| Disposals, scrappings and residual value adjustments | * | * | (128) | — | (128) |
| As at 31 December 2009 | 9 | 60 | 2 997 | 404 | 3 470 |
| Additions | — | — | 37 | 226 | 263 |
| Transfers from work under construction | 6 | 14 | 541 | (561) | — |
| Disposals, scrappings and impairments | — | (1) | (410) | — | (411) |
| Transfer to non-current assets classified as held-for-sale | — | — | (173) | — | (173) |
| **As at 31 December 2010** | **15** | **73** | **2 992** | **69** | **3 149** |
| **Depreciation and impairment** | | | | | |
| As at 1 January 2009 | 2 | 32 | 1 406 | — | 1 440 |
| Depreciation, impairment and change in estimated useful lives of property, plant and equipment (note 2.6) | — | 3 | 243 | — | 246 |
| Depreciation charge for the year | * | 3 | 241 | — | 244 |
| Change in estimated useful lives | — | — | 2 | — | 2 |
| Disposals, scrappings and residual value adjustments | — | * | (100) | — | (100) |
| As at 31 December 2009 | 2 | 35 | 1 549 | — | 1 586 |
| Depreciation, impairment and change in estimated useful lives of property, plant and equipment (note 2.6) | — | 3 | 294 | — | 297 |
| Depreciation charge for the year | — | 3 | 294 | — | 297 |
| Disposals and scrappings | — | (1) | (167) | — | (168) |
| Transfer to non-current assets classified as held-for-sale | — | — | (120) | — | (120) |
| **As at 31 December 2010** | **2** | **37** | **1 556** | **—** | **1 595** |

* *Less than R1 million.*

| | Company | | | | |
|---|---|---|---|---|---|
| | Land and mineral rights Rm | Improvements to property Rm | Plant and equipment Rm | Work under construction Rm | Total Rm |
| **6. Property, plant and equipment** continued | | | | | |
| **Net book value** | | | | | |
| **As at 31 December 2010** | **13** | **36** | **1 436** | **69** | **1 554** |
| As at 31 December 2009 | 7 | 25 | 1 448 | 404 | 1 884 |

A register giving details of all property, plant and equipment including freehold property is available for inspection at the registered office of the Company on request.

No plant and equipment was decommissioned during the year (2009: Rnil).

During a review in 2010, property, plant and equipment with an original cost of R154 million (2009: R62 million) and a carrying amount of R4 million (2009: R7 million) on the fixed asset register were identified as no longer in use. These assets were scrapped during the year.

| | Company | |
|---|---|---|
| | **2010 Rm** | 2009 Rm |
| **7. Investment in subsidiaries** | | |
| Cost of unlisted shares | **1** | 1 |
| Unsecured loan to subsidiary | ***** | * |
| | **1** | 1 |

* *Less than R1 million.*

Details of holdings in individual investments are set out on page 262.

| | Group | | Company | |
|---|---|---|---|---|
| | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm |
| **8. Inventories** | | | | |
| Finished goods | **107** | 159 | **107** | 159 |
| Work-in-progress | **561** | 546 | **463** | 546 |
| Raw materials | **242** | 372 | **208** | 326 |
| Consumable stores | **174** | 151 | **164** | 151 |
| Inventories | **1 084** | 1 228 | **942** | 1 182 |

The amount of write-down of inventories due to net realisable value provision requirement is R178 million (2009: R101 million) (work-in-progress R92 million (2009: R76 million) and finished goods R86 million (2009: R25 million)) (note 2.6).

| | Group | | Company | |
|---|---|---|---|---|
| | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm |
| **9. Trade and other receivables** | | | | |
| Trade receivables | **740** | 677 | **570** | 530 |
| Other receivables | **75** | 22 | **75** | 394 |
| Trade and other receivables | **815** | 699 | **645** | 924 |
| **Age analysis of trade receivables past due but not impaired is:** | | | | |
| 31 to 60 days | **88** | 171 | **88** | 171 |
| 61 to 90 days | **16** | 26 | **16** | 26 |
| In excess of 91 days | **61** | 17 | **61** | 17 |
| | **165** | 214 | **165** | 214 |
| Trade receivable neither past due nor impaired | **575** | 463 | **405** | 316 |
| | **740** | 677 | **570** | 530 |
| **Age analysis of other receivables past due but not impaired is:** | | | | |
| In excess of 121 days | * | * | * | * |
| | * | * | * | * |
| **Age analysis of other receivables past due but impaired is:** | | | | |
| In excess of 121 days | — | — | — | — |
| | — | — | — | — |
| **Movements in the provision for impairment of receivables:** | | | | |
| At 1 January | **2** | 65 | **2** | 65 |
| Unused amounts reversed | — | (5) | — | (5) |
| Bad debts written off against provision | — | (60) | — | (60) |
| Charge for the year | **7** | 2 | **7** | 2 |
| At 31 December | **9** | 2 | **9** | 2 |

* *Less than R1 million.*

Provision for impairment is derived by individually assessing the recoverability of all receivables.

| | Group 2010 Rm | Group 2009 Rm | Company 2010 Rm | Company 2009 Rm |
|---|---|---|---|---|
| **10. Prepayments** | | | | |
| Prepayments | **11** | 12 | **11** | 12 |

Prepayments consist of prepayments on capital items purchased and deferred selling expenses.

| | Group 2010 Rm | Group 2009 Rm | Company 2010 Rm | Company 2009 Rm |
|---|---|---|---|---|
| **11. Cash and short-term deposits** | | | | |
| **11.1** Cash and cash equivalents | **492** | 1 072 | **370** | 819 |
| **11.2** Less: interest-bearing loans and borrowings (note 17) | **—** | — | **(4)** | (4) |
| **11.3** Net cash and short-term deposits (note 22.7) | **492** | 1 072 | **366** | 815 |

During the year cash and cash equivalents were placed at tenures ranging between overnight and 90 days and earned interest ranging between 5.00% and 6.70% (2009: 6.64% and 9.87%). Included in the cash and cash equivalents at year-end is cash that is denominated in foreign currency of R74 million (2009: R24 million), earning interest at 0.00% (2009: between 0.27% and 1.35%).

At 31 December 2010, the Group had available R450 million of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

| | Group and Company 2010 Rm | Group and Company 2009 Rm |
|---|---|---|
| **12. Issued capital and premium** | | |
| **Authorised** | | |
| 139 990 000 ordinary shares of R1 each | **140** | 140 |
| 1 000 000 variable rate redeemable cumulative preference shares of 1 cent each | ***** | * |
| **Issued** | | |
| 99 150 098 (2009: 99 150 098) ordinary shares of R1 each | **99** | 99 |
| Share premium | **486** | 486 |
| As at 31 December | **585** | 585 |

* *Less than R1 million.*

During the year no shares were issued (2009: Rnil).

The directors are authorised to allot, all or any of the remaining unissued shares on such terms and conditions as they may determine. This authority will remain in place until the next Annual General Meeting.

| | Group | | Company | |
|---|---|---|---|---|
| | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm |
| **13. Other capital reserves** | | | | |
| **Translation reserves** | | | | |
| As at 1 January | **153** | 191 | **—** | 1 |
| Currency translation differences | **(15)** | (37) | **—** | — |
| Other | **—** | (1) | **—** | (1) |
| As at 31 December | **138** | 153 | **—** | — |

## 14. Provisions

Included under provisions are the following major categories which have arisen as a result of past obligating events which could be reasonably quantified and are expected to be incurred:

**Leave pay**

In terms of the Group's policy, employees are entitled to accumulate leave benefits not taken within a leave cycle. It is expected that leave will be taken within the foreseeable future.

The provision is reviewed annually.

**Bonus**

A provision is raised for bonus entitlements applicable to the current year paid in the subsequent year.

**Litigation**

Provisions are raised against legal claims. It is uncertain when judgement will be reached or when the final amount will be settled, as it is dependent on the judicial process.

**Environmental rehabilitation**

In accordance with prevailing legislation, provision is made for environmental rehabilitation costs where a legal or constructive obligation is recognised as a result of past events and where cost of future expenditure can be reliably quantified. The Company has environmental rehabilitation obligations for the following areas: Mapochs Mine, Vanchem Calcine Dump, Steelworks, Spitskop Quarry and the Columbus Joint Venture Dump. Estimates are based on costs and are regularly reviewed and adjusted as appropriate for new circumstances. It is expected that environmental rehabilitation costs will be incurred from 2011 up to final closure date. Reputable third parties were used in the cost estimations, except for the Columbus Joint Venture rehabilitation calculation where the expected net cost and period over which waste will be recovered were used.

**Post-retirement medical benefits**

(Refer note 23 - Medical benefits)

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | Leave pay Rm | Bonus Rm | Liti-gation Rm | Other Rm | Environ-mental rehabili-tation Rm | Post-retire-ment medical benefits Rm | Total Rm |
| **14. Provisions** continued | | | | | | | |
| At 1 January 2009 | 45 | 24 | 146 | 1 | 379 | 57 | 652 |
| Amounts charged to income | 65 | 54 | 14 | — | 33 | 26 | 192 |
| Payments and debits charged against provision | (55) | (55) | (73) | * | — | (10) | (193) |
| At 31 December 2009 | 55 | 23 | 87 | 1 | 412 | 73 | 651 |
| Amounts charged/ (credited) to income | 46 | 69 | (3) | — | 33 | 7 | 152 |
| Interest | | | 1 | | 31 | 10 | 42 |
| Payments and debits charged against provision | (44) | (36) | (4) | — | (4) | (3) | (91) |
| **At 31 December 2010** | **57** | **56** | **81** | **1** | **472** | **87** | **754** |
| **Total non-current provisions 2010** | **—** | **—** | **—** | **—** | **449** | **87** | **536** |
| 2009 | — | — | — | * | 396 | 73 | 469 |
| **Total current provisions 2010** | **57** | **56** | **81** | **1** | **23** | **—** | **218** |
| 2009 | 55 | 23 | 87 | 1 | 16 | — | 182 |

* *Less than R1 million.*

The environmental rehabilitation provision has been determined by escalating the current value with an expected future inflation rate of 6.2% (2009: 5.5%) and by discounting the escalated amount with a risk adjusted rate of 7.31% (2009: 7.39%).

| | Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Leave pay Rm | Bonus Rm | Litigation Rm | Other Rm | Environmental rehabilitation Rm | Post-retirement medical benefits Rm | Total Rm |
| **14. Provisions** continued | | | | | | | |
| At 1 January 2009 | 45 | 24 | 146 | 1 | 379 | 57 | 652 |
| Amounts charged to income | 65 | 54 | 14 | — | 33 | 26 | 192 |
| Payments and debits charged against provision | (55) | (55) | (73) | * | — | (10) | (193) |
| At 31 December 2009 | 55 | 23 | 87 | 1 | 412 | 73 | 651 |
| Amounts charged/(credited) to income | 46 | 69 | (3) | — | 33 | 7 | 152 |
| Payments and debits charged against provision | (44) | (36) | (4) | — | (4) | (3) | (91) |
| Interest | | | 1 | | 31 | 10 | 42 |
| Transfer to liabilities directly associated with assets classified as held-for-sale | (3) | (1) | — | — | (150) | (10) | (164) |
| **At 31 December 2010** | **54** | **55** | **81** | **1** | **322** | **77** | **590** |
| **Total non-current provisions 2010** | **—** | **—** | **—** | **—** | **314** | **77** | **391** |
| 2009 | — | — | — | * | 396 | 73 | 469 |
| **Total current provisions 2010** | **54** | **55** | **81** | **1** | **8** | **—** | **199** |
| 2009 | 55 | 23 | 87 | 1 | 16 | — | 182 |

* *Less than R1 million.*

The environmental rehabilitation provision has been determined by escalating the current value with an expected future inflation rate of 6.2% (2009: 5.5%) and by discounting the escalated amount with a risk adjusted rate of 7.31% (2009: 7.39%).

| | Group | | Company | |
|---|---|---|---|---|
| | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm |
| **15. Deferred tax** | | | | |
| Movement in deferred tax: | | | | |
| Balance at 1 January 2009 | **243** | 210 | **243** | 210 |
| Charged to income (note 3.1) | **(297)** | 33 | **(293)** | 33 |
| Transfer to assets classified as held-for-sale | | | **33** | |
| | **(54)** | 243 | **(17)** | 243 |
| Deferred taxation is provided on temporary differences applicable to: | | | | |
| Capital allowances | **348** | 404 | **335** | 404 |
| Provisions | **(164)** | (20) | **(121)** | (20) |
| Tax losses | **(214)** | — | **(210)** | — |
| Post-retirement medical benefits | **(24)** | (141) | **(21)** | (141) |
| | **(54)** | 243 | **(17)** | 243 |
| The deferred tax asset was assessed for impairment and it was concluded that no impairment is necessary. | | | | |
| **16. Trade and other payables** | | | | |
| Trade payables | **566** | 517 | **446** | 477 |
| Other payables | **179** | 254 | **179** | 254 |
| Trade and other payables | **745** | 771 | **625** | 731 |
| **17. Interest-bearing loans and borrowings** | | | | |
| Borrowing from Environmental Trust Fund | **—** | — | **4** | 4 |
| Total short-term loans (note 11) | **—** | — | **4** | 4 |
| The directors may, in terms of the Articles of Association, borrow from time to time such sums and for such purposes of the Group as they may deem fit. | | | | |
| Borrowings from the Environmental Trust Fund bear interest at the prevailing call deposit rate. | | | | |
| **18. Income tax payable** | | | | |
| Balance at beginning of year | **156** | 722 | **59** | 607 |
| Income statement charge (excluding deferred taxation) (note 3.1) | **10** | 8 | **1** | 2 |
| Interest | **8** | 16 | **7** | 16 |
| Currency translation on taxation | **(11)** | (25) | | |
| Taxation paid (note 22.4) | **(109)** | (565) | **(22)** | (566) |
| **Balance at end of year** | **54** | 156 | **45** | 59 |

## 19. Related party transactions

**The ultimate parent**

Evraz Highveld Steel and Vanadium Limited is the parent based and listed in South Africa. The ultimate parent of the Group is Evraz Group S.A., incorporated in Luxembourg.

There were no transactions between the Group and Evraz Group S.A. during the financial year (2009: Rnil).

Details of material related party transactions entered into during the year are summarised below:

| | Group and Company | | | | |
|---|---|---|---|---|---|
| | Capital equip-ment Rm | Technical services Rm | Sales Rm | Pur-chases Rm | Net amounts owed to/ (owed by) as at 31 Dec 2010 Rm |
| Evraz Overseas S.A. (fellow subsidiary) | | | | | **—** |
| East Metals AG (fellow subsidiary) – inventory purchased | | | | | **15** |
| East Metals AG (fellow subsidiary) – sales | | | 895 | | **(324)** |
| Vametco Alloys (Proprietary) Limited (fellow subsidiary) | | 34 | 86 | | **(46)** |
| | Company | | | | |
| Hochvanadium Handels GmbH (subsidiary) | | | 138 | | **12** |

## 19. Related party transactions continued

| | Group and Company | | | | |
|---|---|---|---|---|---|
| | Capital Equip-ment Rm | Technical Services Rm | Sales Rm | Pur-chases Rm | Net amounts owed to/ (owed by) as at 31 Dec 2009 Rm |
| Evraz Overseas S.A. (fellow subsidiary) | | | | 1 | * |
| East Metals AG (fellow subsidiary) – inventory purchased | | | | | 13 |
| East Metals AG (fellow subsidiary) – sales | | | 490 | | (86) |
| Vametco Alloys (Proprietary) Limited (fellow subsidiary) | | | 37 | | (11) |
| Velcast (fellow subsidiary) | 2 | | | | 2 |
| | Company | | | | |
| Hochvanadium Handels GmbH (subsidiary) | | | 129 | | 40 |

* *Less than R1 million.*

*Terms and conditions of transactions with related parties*

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2010, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2009: Rnil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

|  | Group |  | Company |  |
|---|---|---|---|---|
|  | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm |
| **20. Commitments** |  |  |  |  |
| **Capital expenditure approved by the directors** |  |  |  |  |
| Contracted | **90** | 56 | **90** | 56 |
| Authorised but not contracted | **176** | 195 | **176** | 195 |
|  | **266** | 251 | **266** | 251 |

The Group is continuing to invest in assets to ensure future compliance with environmental legislation. The timing and amounts are yet to be finally determined.

It is expected that all capital commitments will be expended in the coming year and be financed out of internally generated cash flow or available cash from borrowings.

## 21. Contingent liabilities

As required by the Mineral and Petroleum Resources Development Act, a guarantee amounting to R264 million before tax and R190 million after tax (2009: R235 million before tax and R169 million after tax) was issued on 1 February 2007 in favour of the Department of Mineral Resources for the unscheduled closure of Mapochs Mine.

In terms of the Company's employment policies, certain employees could become eligible for post-retirement medical aid benefits at any time in the future prior to their retirement subject to certain conditions. The potential liability should they become medical scheme members in the future is R32 million before tax and R23 million after tax (2009: R39 million before tax and R28 million after tax).

As required by certain suppliers of the Company, guarantees were issued in favour of these suppliers to the value of R9 million (2009: R8 million) in the event that the Company will not be able to meet its obligations to the supplier.

## 22. Notes to the cash flow statement

### 22.1 Cash (used in)/generated by operations

| | Group 2010 Rm | Group 2009 Rm | Company 2010 Rm | Company 2009 Rm |
|---|---|---|---|---|
| (Loss)/Profit before interest, investment income and taxation | **(823)** | 192 | **(1 116)** | 24 |
| Adjustment for: | | | | |
| Depreciation, impairment and change in useful lives of property, plant and equipment (note 2.6) | **297** | 246 | **297** | 246 |
| Net loss on disposals, scrappings and impairments of property, plant and equipment (note 2.3) | **230** | 6 | **230** | 6 |
| Increase in environmental rehabilitation provision | **34** | 6 | **34** | 6 |
| Current service cost (note 23) | **5** | 6 | **5** | 6 |
| Loss on disposal of discontinued operations (note 22.6) | **—** | 2 | **—** | 2 |
| Other provisions charged against income | **156** | 211 | **156** | 211 |
| Actuarial losses on post-retirement medical aid recognised (note 23) | **2** | 5 | **2** | 5 |
| Currency translation difference | **(20)** | 8 | **—** | — |
| | **(119)** | 682 | **(392)** | 506 |
| Decrease/(Increase) in inventories | **131** | (356) | **128** | (349) |
| Increase in trade and other receivables | **(172)** | (165) | **(108)** | (154) |
| Decrease in prepaid expenditure | **1** | * | **1** | * |
| Decrease in payables and provisions | **(52)** | (116) | **(173)** | (76) |
| Annuity purchased for pensioners (note 23) | **(4)** | (10) | **(4)** | (10) |
| | **(215)** | 35 | **(548)** | (83) |

* *Less than R1 million.*

| | Group | | Company | |
|---|---|---|---|---|
| | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm |

## 22. Notes to the cash flow statement
continued

### 22.2 Finance and investment income received

| | Group 2010 Rm | Group 2009 Rm | Company 2010 Rm | Company 2009 Rm |
|---|---|---|---|---|
| Finance and investment income received (note 2.1 and note 2.5) | **36** | 70 | **36** | 462 |
| Realisation of accrual for dividends | **—** | 3 | **335** | 3 |
| Accrual for dividends not yet received | **—** | — | **—** | (393) |
| | **36** | 73 | **371** | 72 |

### 22.3 Finance charges paid

| | Group 2010 Rm | Group 2009 Rm | Company 2010 Rm | Company 2009 Rm |
|---|---|---|---|---|
| Interest paid (note 2.4) | **(49)** | (61) | **(48)** | (61) |
| Non-cash adjustments: | | | | |
| Interest on environmental rehabilitation provision | **31** | 28 | **31** | 28 |
| Interest on post-retirement medical benefits provision (note 23) | **10** | 13 | **10** | 13 |
| Interest on taxation | **8** | 16 | **7** | 16 |
| | **—** | (4) | **—** | (4) |

### 22.4 Income tax paid

| | Group 2010 Rm | Group 2009 Rm | Company 2010 Rm | Company 2009 Rm |
|---|---|---|---|---|
| Amounts unpaid at beginning of year | **(156)** | (722) | **(59)** | (607) |
| Income statement charge (excluding deferred taxation) | **(10)** | (8) | **(1)** | (2) |
| Interest | **(8)** | (16) | **(7)** | (16) |
| Currency translation reserve on taxation | **11** | 25 | **—** | — |
| Amounts unpaid at end of year (note 18) | **54** | 156 | **45** | 59 |
| | **(109)** | (565) | **(22)** | (566) |

### 22.5 Proceeds from sale of property, plant and equipment

| | Group 2010 Rm | Group 2009 Rm | Company 2010 Rm | Company 2009 Rm |
|---|---|---|---|---|
| Book value of property, plant and equipment disposed of | **243** | 12 | **243** | 12 |
| Net loss on disposal and scrapping of property, plant and equipment (note 2.3) | **(230)** | (6) | **(230)** | (6) |
| | **13** | 6 | **13** | 6 |

| | Group 2010 Rm | Group 2009 Rm | Company 2010 Rm | Company 2009 Rm |
|---|---|---|---|---|
| **22. Notes to the cash flow statement** continued | | | | |
| **22.6 Proceeds from sale of discontinued operations** | | | | |
| Additional costs incurred | — | (2) | — | (2) |
| Add amount outstanding at the beginning of the year | — | 166 | — | 166 |
| **Cash inflow from disposal** | — | 164 | — | 164 |
| **22.7 Reconciliation of movement in net cash** | | | | |
| Net cash used in operating activities | **(288)** | (461) | **(199)** | (581) |
| Net cash used in investing activities | **(250)** | (32) | **(250)** | (32) |
| Net cash outflow | **(538)** | (493) | **(449)** | (613) |
| Net cash at beginning of year | **1 072** | 1 601 | **815** | 1 428 |
| Effects of exchange rate changes on cash held in foreign currencies | **(42)** | (36) | — | — |
| **Net cash and cash equivalents at end of year** (note 11.3) | **492** | 1 072 | **366** | 815 |

## 23. Employee benefit obligations

### Retirement benefits

The Group provides retirement benefits for its employees. The schemes available are defined benefit funds and defined contribution funds.

All retirement and pension funds are governed by the South African Pension Funds Act of 1956.

### Highveld Retirement Fund

The Highveld Retirement Fund is a defined contribution fund. Members pay a contribution of 6.5% or 7.5% (2009: 6.5% or 7.5%) of pensionable salary, with the employer's contribution of 14% (2009: 14%) of pensionable salary being expensed as incurred.

## 23. Employee benefit obligations continued

### Defined benefit pension fund

During 2007 the remaining employees belonging to the Highveld Staff Pension Fund exercised an option to transfer to Highveld Retirement Fund and Provident Fund. Applications were lodged in terms of Section 14 to transfer their benefits and during 2010 these transfers were completed.

### Multi-employer defined contribution and benefit funds

1 750 employees (2009: 1 727) are members of various multi-employer defined contribution funds as well as defined benefit funds which are controlled by different administrators. The Group contributed R16 million (2009: R14 million) to these funds. The defined benefit fund is a national fund with various participating employers where the Company's liability will be limited to its employees who are members of the fund.

### Post-retirement medical benefits

The provision relates to active members who have the right to post-retirement medical benefits. The benefits differ depending on the employee's employment date and entitlement to these benefits is dependent upon the employee remaining in service until retirement age and is subject to periodic review. New engagements after 31 December 2001 do not enjoy any post-retirement medical aid benefits. The Group recognises the estimated aggregate liabilities on an actuarial basis over the working lives of eligible employees. The accumulated post-retirement medical aid obligation and the annual cost of those benefits are determined annually by independent actuaries. When qualifying employees retire, annuities are purchased in their names releasing the Company of all future liabilities. Annuities of R4 million were acquired in 2010 (2009: R10 million) for qualifying employees proceeding on retirement. The decrease from 2009 was due to a decrease in number of employees who proceeded on retirement due to the Company reducing employee numbers in 2009.

| | Group and Company | |
|---|---|---|
| | **2010 Rm** | 2009 Rm |
| **Net benefit expense** | | |
| Interest cost (note 22.3) | **10** | 13 |
| Current service cost (note 22.1) | **5** | 6 |
| Net actuarial loss recognised in the year (note 22.1) | **2** | 5 |
| Net benefit expense | **17** | 24 |

| | Group and Company | |
|---|---|---|
| | **2010** **Rm** | 2009 Rm |
| **23. Employee benefit obligations** continued | | |
| **Benefit liability** | | |
| Defined benefit obligation | **117** | 110 |
| Unrecognised actuarial losses | **(30)** | (37) |
| Benefit liability | **87** | 73 |
| **Medical benefit obligation** | | |
| Obligation at beginning of the year | **110** | 146 |
| Interest cost (note 22.3) | **10** | 13 |
| Current service cost (note 22.1) | **5** | 6 |
| Utilised to buy annuities for pensioners (note 22.1) | **(4)** | (10) |
| Experience adjustments and removal of annuity loadings | **(4)** | (45) |
| Obligation at end of the year | **117** | 110 |
| The principal assumptions used in determining the post-employment medical benefit obligation are shown below: | **%** | % |
| Discount rate | **8.0** | 9.5 |
| Health care cost inflation | **6.5** | 8.0 |

Assumed health care cost trend rates have a significant effect on the amounts recognised in profit or loss. A 1% change in the assumed health care trend rates, without a corresponding change in the discount rate applied would have the following effects:

## 23. Employee benefit obligations continued

| | 1% increase | 1% decrease |
|---|---|---|
| **2010** | | |
| Effect on the aggregate current service cost and interest cost | **3** | **(2)** |
| Effect on the defined benefit obligation | **26** | **(20)** |
| 2009 | | |
| Effect on the aggregate current service cost and interest cost | 4 | (3) |
| Effect on the defined benefit obligation | 25 | (20) |

**The history of experience adjustments is as follows:**

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Present value of defined benefit obligation | **117** | 110 | 146 | 125 | 104 |
| Experience gain/(loss) adjustment on plan liabilities | **2** | 17 | (7) | (7) | (2) |

The Group expects to contribute approximately R5 million to its post-retirement medical plan in 2011.

## 24. Business segments

For management purposes, the Group is organised into business units based on their products and has two reportable operating segments, as follows:

**Steel**

The major products of the steel segment are magnetite iron ore, structural steel, plate and coil.

**Vanadium**

The major products of the vanadium segment are vanadium slag and ferrovanadium. Vanadium slag is a waste product from the steelmaking process, and this slag is transferred from the steelworks to the vanadium plant at zero cost, which then forms the input into the business of the vanadium business.

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit.

Financial information pertaining to business segments is as follows:

**Segmental income statements**
for the year ended 31 December

| | Steel | | Vanadium* | | Eliminations | | Group total | |
|---|---|---|---|---|---|---|---|---|
| | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm |
| **Continuing operations** | | | | | | | | |
| Revenue from external customers | **3 612** | 3 208 | **1 513** | 1 044 | **—** | — | **5 125** | 4 252 |
| **Results** | | | | | | | | |
| Other operating income | **—** | 393 | **—** | — | **—** | (393) | **—** | — |
| Depreciation | **288** | 243 | **9** | 3 | **—** | — | **297** | 246 |
| Impairment of property, plant and equipment | **230** | — | **—** | — | **—** | — | **230** | — |
| Cost of inventories recognised as an expense | **3 540** | 2 267 | **1 117** | 981 | **17** | (3) | **4 674** | 3 245 |
| Operating (loss)/profit | **(1 220)** | 1 | **397** | 191 | **—** | — | **(823)** | 192 |
| **Operating assets** | **3 358** | 4 410 | **736** | 902 | **(31)** | (417) | **4 063** | 4 895 |
| **Operating liabilities** | **1 454** | 1 687 | **116** | 548 | **(17)** | (414) | **1 553** | 1 821 |

* *Hochvanadium and the Evraz Highveld vanadium results are included in the vanadium segment. Trade and other payables cannot be accurately split for segmental purposes.*

## 24. Business segments continued

Financial information pertaining to geographical segments is as follows:

| | Africa | | Americas | | Europe | | Australasia | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm | **2010 Rm** | 2009 Rm |
| **Continuing operations** | | | | | | | | | | |
| Revenue by location of customer | **3 070** | 2 595 | **246** | 74 | **1 475** | 1 112 | **334** | 471 | **5 125** | 4 252 |

In 2010, sales to three customers (2009: three customers) were made where the total value per customer exceeded 10% of the total revenue for the Group. The revenue attributable to these customers for the year was 49% (2009: 54%).

Profit before interest and taxation equals segment revenue less segment expenses. Segment expenses represent direct or reasonably allocable expenses on a segmental basis.

Assets and liabilities include directly and reasonably allocable assets and liabilities. Given the concentration of assets and liabilities in South Africa, it is not meaningful to allocate such elements on a geographical basis.

## 25. Financial instruments

The Group financial instruments consist of trade and other receivables, investments, cash and short-term deposits, trade and other payables, and derivative financial instruments. Derivative instruments are forward exchange contracts used by the Group for hedging purposes. The Group does not speculate in the trading of such instruments.

The Group is exposed to market risk, liquidity risk and credit risk.

The Group's senior management oversees the management of these risks.

### 25.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: foreign currency risk, interest rate risk and commodity price risk. Refer to notes below for further details and sensitivity analysis.

#### *25.1.1 Foreign currency risk management*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investment in foreign subsidiaries.

## 25. Financial instruments continued

### 25.1 Market risk continued

#### *25.1.1 Foreign currency risk management continued*

The Group manages its foreign currency risk by entering into forward exchange contracts.

As a result of operations in Europe, the Group's balance sheet can be affected by movements in the Rand/Euro exchange rate on translation into the functional currency of the Group.

Consistent with the prior year, the Group mitigates this risk through the regular declaration of dividends from the foreign operation resulting in a low net asset value of the foreign operation in relation to that of the Group and hence the residual exposure is very low. The view is held that the Rand/Euro exchange rate will continue to weaken, further reducing this exposure.

The Group undertakes certain transactions denominated in foreign currencies, hence additional exposures to exchange rate fluctuations arise. These exchange rate exposures are managed within policy parameters, consistent with the prior year, utilising forward exchange contracts. These contracts will mature in the next 12 months.

Trade import and export exposures are hedged using forward exchange contracts.

The Group uses quoted prices in active markets for determining and disclosing the fair value of forward exchange contracts.

Material forward exchange contracts relating to specific balance sheet items at 31 December are summarised below:

| | Foreign amount USDm | Contract value Rm | Fair value gain/(loss) Rm |
|---|---|---|---|
| **2010** | | | |
| Exports | **14** | **96** | **4** |
| Imports | ***** | **3** | **(*)** |
| 2009 | | | |
| Exports | 5 | 38 | 1 |
| Imports | 3 | 22 | (2) |

**Less than R1 million.*

## 25. **Financial instruments** continued

### 25.1 **Market risk** continued

#### *25.1.1 Foreign currency risk management continued*

The Group and Company utilise forward contracts to eliminate or reduce the exchange risk exposure of accounts receivable denominated in foreign currencies. The Group is party to a variety of foreign currency forward contracts in the management of its foreign exchange rate exposures. The instruments purchased are primarily amounts denominated in the functional currency of the Group. The fair value of these forward cover contracts has been included under trade and other receivables. The directors consider that the carrying amounts of trade and other receivables approximate their fair value.

**Sensitivity analysis**

The following table demonstrates the sensitivity to a reasonable possible change in exchange rates with other variables held constant, of the Group's profit before tax and the Group's equity:

| | Increase/ (Decrease) in exchange rate % | Increase/ (Decrease) in profit before tax Rm | Increase/ (Decrease) in equity at year-end Rm |
|---|---|---|---|
| **2010** | | | |
| ZAR/USD | **+10** | **25** | **18** |
| ZAR/GBP | **+10** | | |
| ZAR/EUR | **+10** | **20** | **14** |
| ZAR/USD | **-5** | **(23)** | **(17)** |
| ZAR/GBP | **-5** | | |
| ZAR/EUR | **-5** | **(10)** | **(7)** |
| 2009 | | | |
| ZAR/USD | +10 | 4 | 3 |
| ZAR/GBP | +10 | * | * |
| ZAR/EUR | +10 | 32 | 23 |
| ZAR/USD | -5 | (2) | (2) |
| ZAR/GBP | -5 | * | * |
| ZAR/EUR | -5 | (16) | (12) |

**Less than R1 million.*

## 25. Financial instruments continued

### 25.1 Market risk continued

#### *25.1.2 Interest rate risk management*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. The Group's objective for managing this risk is to minimise the cost of borrowing funds and to maximise the return on deposits. These objectives are achieved by regularly assessing the Group's future cash flows to determine the required maturity profile of borrowings or deposits. There has been no change in the management process of this risk from the prior year. Once the maturity profile is established, suitable instruments are employed to optimise returns. Details of the interest rate profile for cash and short-term deposits are disclosed in note 11.

**Sensitivity analysis**

The following table demonstrates the sensitivity to a reasonable possible change in interest rates with other variables held constant, of the Group's profit before tax and the Group's equity:

| | Increase/(Decrease) in interest rate based on year-end cash position before taxation % | Increase/(Decrease) in profit before taxation Rm | Increase/(Decrease) in equity at year-end Rm |
|---|---|---|---|
| **2010** | | | |
| **ZAR** | **+0.50** | **1** | **1** |
| | **-0.50** | **(1)** | **(1)** |
| 2009 | | | |
| ZAR | +0.50 | 3 | 3 |
| | -0.50 | (3) | (3) |

Consistent with the prior year, the Group mitigates this risk through the regular declaration of dividends from the foreign operation resulting in a low net asset value of the foreign operation in relation to that of the Group and hence the residual exposure is very low. The view is held that the Rand/Euro exchange rate will continue to weaken, further reducing this exposure.

## 25. Financial instruments continued

### 25.1 Market risk continued

#### *25.1.3 Commodity price risk*

The Group is not materially affected by the volatility of commodity prices embedded in financial instruments.

### 25.2 Liquidity risk management

The Group assesses its liquidity needs through continuous monitoring and forecasting of actual cash flows in order to meet all its obligations when they become due.

The liquidity risk is managed by matching the maturity profile of working capital items. Adequate banking and reserve borrowing facilities are maintained to cover potential mismatches in the maturity profile.

| | Group | | | | |
|---|---|---|---|---|---|
| | 0 – 12 months Rm | 1 – 2 years Rm | 3 – 5 years Rm | >5 years Rm | Total Rm |
| **2010** | | | | | |
| **Assets** | | | | | |
| Trade and other receivables | **807** | **4** | **—** | **—** | **811** |
| Derivatives | **4** | **—** | **—** | **—** | **4** |
| Cash and short-term deposits | **492** | **—** | **—** | **—** | **492** |
| **Liabilities** | | | | | |
| Trade and other payables | **719** | **26** | **—** | **—** | **745** |
| 2009 | | | | | |
| **Assets** | | | | | |
| Trade and other receivables | 698 | — | — | — | 698 |
| Derivatives | 1 | — | — | — | 1 |
| Cash and short-term deposits | 1 072 | — | — | — | 1 072 |
| **Liabilities** | | | | | |
| Trade and other payables | 771 | — | — | — | 771 |

## 25. Financial instruments continued

### 25.3 Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Credit risk relates to potential exposure on cash and short-term deposits, investments and trade receivables. The Group limits its exposure arising from money market and derivative instruments by only dealing with well established financial institutions of high credit standing. The Group exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions are spread amongst approved counterparties. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings awarded by international credit rating agencies.

In 2010, sales to three customers (2009: three customers) were made where the total value per customer exceeded 10% of the total revenue for the Group. The revenue attributable to these customers for the year was 49% (2009: 54%). Customers are spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial position of customers and letters of credit or credit guarantee cover is purchased in most cases.

The maximum credit exposure for the financial instruments is as follows:

| | **2010<br>Rm** | 2009<br>Rm |
|---|---|---|
| Trade and other receivables | **811** | 698 |
| Cash and short-term deposits | **492** | 1 072 |
| Derivatives | **4** | 1 |
| **Total credit exposure** | **1 307** | 1 771 |

### 25.4 Fair value of financial assets and liabilities

The carrying amounts for investments, cash and short-term deposits, as well as the current portion of receivables, payables and interest-bearing borrowings, approximate fair value due to the short-term nature of these instruments.

## 25. Financial instruments continued

### 25.5 Capital management

The primary objective of the Group's capital management programme is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

Changes in economic and operating conditions may necessitate the Group to make adjustments to its capital structure. These adjustments may include changes in policy relating to dividend payments to shareholders, the issue of new equity shares or the return of capital to shareholders.

The Group monitors capital using a gearing ratio which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 40%. The Group includes within net debt interest-bearing loans and borrowings less cash and short-term deposits.

| | Group | |
|---|---|---|
| | **2010 Rm** | 2009 Rm |
| Cash and short-term deposits | **492** | 1 072 |
| Share capital | **585** | 585 |
| Reserves | **1 925** | 2 489 |
| Total capital | **2 510** | 3 074 |
| Gearing ratio | **Ungeared** | Ungeared |

## 26. Status of previously reported possible litigation

A new summons was received on 13 May 2010 from the Competition Commission relating to a complaint referring to price fixing allegations of flat products. A comprehensive response with requested documentation was compiled and submitted to the Commission, on 5 July 2010. No further response has been received from the Commission.

A summons was received on 3 March 2010 from Xai-Xai Slag Distributors (Proprietary) Limited and Rothinvest 30 (Proprietary) Limited t/a Xai-Xai Slag Management (in liquidation). The Company brought an application for exception, which was heard on 14 February 2011. The judgement is awaited.

# Interest in subsidiaries

*for the year ended 31 December*

| | | Issued share capital | Percentage holding | Cost of investment R | Loans and current accounts R |
|---|---|---|---|---|---|
| **Unlisted subsidiary companies** | | | | | |
| Hochvanadium Holding AG * | **2010** | **10 000** | **100** | **505 825** | **(35 012)** |
| | 2009 | 10 000 | 100 | 505 825 | (35 012) |
| Mapochs Mine (Proprietary) Limited – A-class shares ** | **2010** | **350** | **—** | **—** | **—** |
| | 2009 | 350 | — | — | — |
| Mapochs Mine (Proprietary) Limited – Ordinary shares ** | **2010** | **650** | **100** | **650** | **—** |
| | 2009 | 650 | 100 | 650 | — |

**The loan from Hochvanadium Holding AG is unsecured, interest free and has no fixed repayment terms. Hochvanadium Holding AG is incorporated in Austria.*

***Mapochs Mine (Proprietary) Limited was incorporated on 11 April 2008.*

# Definitions

**Definitions of terms used in the annual financial statements:**

| | |
|---|---|
| Company | The Company includes Mapochs Mine and the Evraz Highveld Steelworks. |
| Current assets | Current assets include inventories, trade and other receivables, prepayments and cash and short-term deposits. |
| Current liabilities | Current liabilities include trade and other payables, short-term provisions, income tax payable and interest-bearing loans and borrowings. |
| Current ratio | Current assets divided by current liabilities. |
| Dividend cover (times) | |
| – Based on declared ordinary dividends | Basic earnings per share (cents) divided by declared ordinary dividends attributable to financial year profits (cents). |
| – Based on paid ordinary dividends | Basic earnings per share (cents) divided by paid ordinary dividends during current financial year (cents). |
| Dividend yield percentage | Declared ordinary dividends per share attributable to financial year profits divided by the market share price at year-end expressed as a percentage. |
| Earnings yield percentage | Group headline earnings per share divided by the market share price at year-end expressed as a percentage. |
| EBITDA | Earnings before interest, taxation, depreciation and amortisation from total operations. |
| Environmental Trust Fund | Highveld Steel and Vanadium Corporation Limited Environmental Fund Trust. |
| Exports as percentage of revenue | Gross value of exports divided by gross revenue expressed as a percentage. |
| Gross revenue per man-year | Gross revenue divided by number of employees at year-end. |
| Group | The Group consists of the Company, Mapochs Mine (Proprietary) Limited, Hochvanadium Holding AG and the Highveld Steel and Vanadium Corporation Limited Environmental Fund Trust. |

# Definitions continued

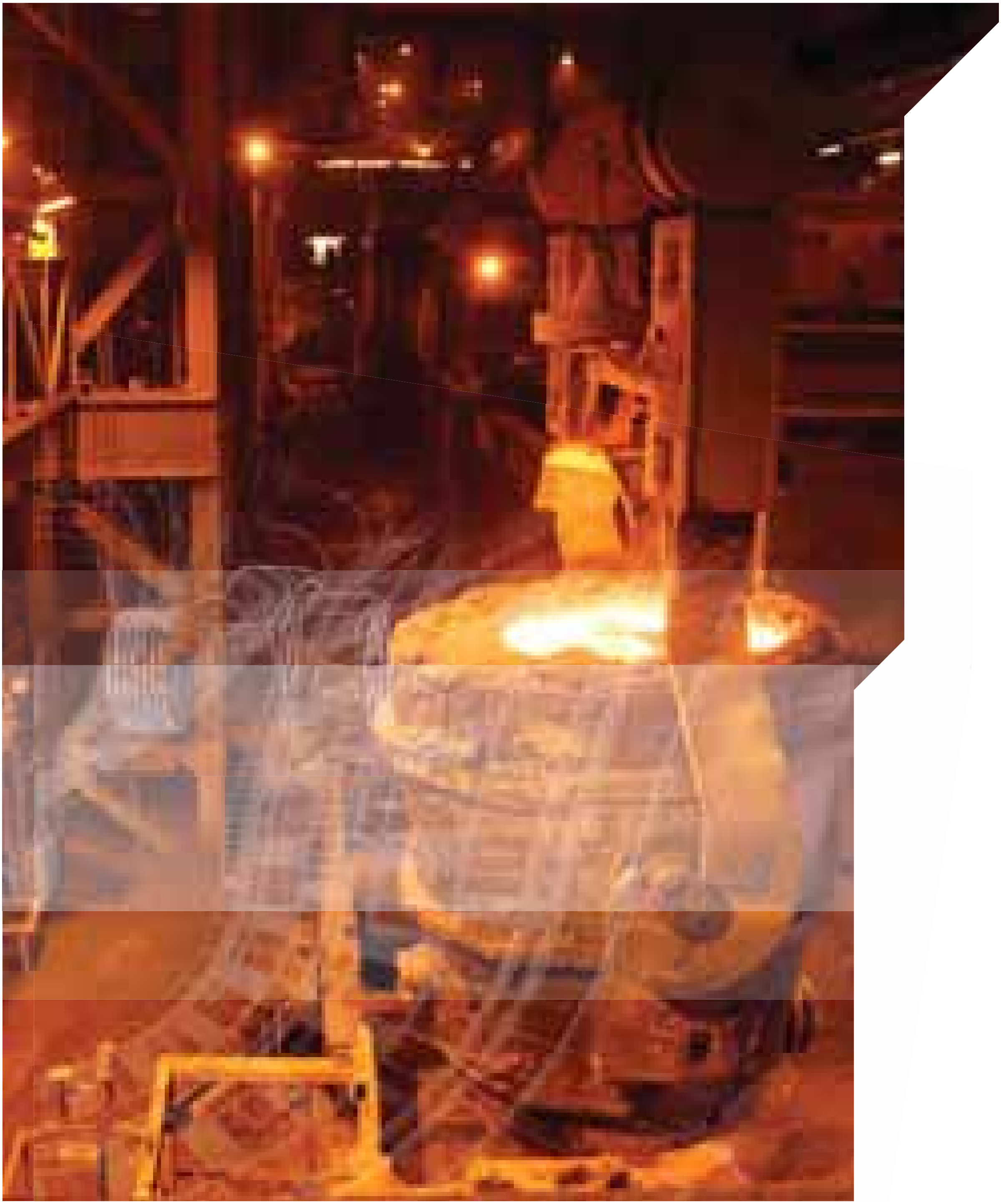
| | |
|---|---|
| IASB | International Accounting Standards Board. |
| IFRIC | International Financial Reporting Interpretation Committee. |
| IFRS | International Financial Reporting Standards issued by the International Accounting Standards Board. |
| Interest cover | Profit before interest and taxation divided by interest paid. |
| Net cash and cash equivalents | Cash and short-term deposits less interest-bearing loans and borrowings and loans from subsidiaries and joint ventures. |
| Net cash and cash equivalents as percentage of shareholders' equity | Net cash and cash equivalents divided by shareholders' equity expressed as a percentage. |
| Net cash inflow/(outflow) | Net cash inflow/(outflow) represents the sum of cash flows from operating and investing activities. |
| Net worth (cents/share) | Shareholders' equity divided by the ordinary shares in issue. |
| Non-current liabilities | Non-current liabilities include deferred taxation and long-term provisions. |
| Price:Earnings ratio | Market share price at year-end divided by Group headline earnings per share. |
| Quick ratio | Current assets less inventories, divided by current liabilities. |
| Return on capital employed (ROCE) | Profit before interest and taxation divided by the sum of shareholders' equity and non-current liabilities expressed as a percentage. |
| SAICA | South African Institute of Chartered Accountants |
| Shareholders' equity | Shareholders' equity includes issued share capital, share premiums, other capital reserves and retained earnings. |
| Interest-bearing loans and borrowings as percentage of shareholders' equity | Interest-bearing loans and borrowings divided by shareholders' equity expressed as a percentage. |
| Total liabilities as percentage of shareholders' equity | Current liabilities and non-current liabilities divided by shareholders' equity expressed as a percentage. |

# Abbreviations

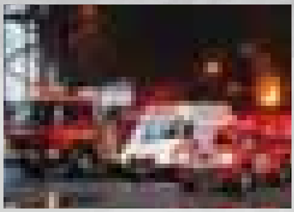
| | |
|---|---|
| ABET | Adult Basic Education and Training |
| ADR | American Depositary Receipt |
| APPA | Atmospheric Pollution Prevention Act |
| ART | Antiretroviral Therapy |
| BEE | Black Economic Empowerment |
| B-BBEE | Broad-Based Black Economic Empowerment |
| BNY Mellon | Bank of New York Mellon |
| CBA | Collective Bargaining Agreements |
| CEO | Chief executive officer |
| CFO | Chief financial officer |
| CJV | Columbus Joint Venture |
| COAD | Chronic obstructive airway disease |
| Company | Evraz Highveld Steel and Vanadium Limited |
| DEA | Department of Environmental Affairs |
| DME | Department of Minerals and Energy (now DMR) |
| DMR | Department of Minerals and Resources |
| DWA | Department of Water Affairs |
| EBITDA | Earnings before interest, tax, depreciation and amortisation |
| EAP | Employee assistance programme |
| EIA | Environmental Impact Assessment |
| Evraz | Evraz Group S.A. |
| Evraz Highveld | Evraz Highveld Steel and Vanadium Limited |
| FAC | First-aid case |
| FAPA | Ferro Alloy Producers Association |
| GJ | Gigajoule |
| GRI | Global Reporting Initiative |
| HDSA | Historically Disadvantaged South African |
| Highveld | Evraz Highveld Steel and Vanadium Limited |
| HOTTO | Evraz Highveld Zero Tolerance, Target Zero |
| HR | Human Resources |
| IASB | International Accounting Standards Board |
| IFRIC | International Financial Reporting Interpretation Committee |
| IFRS | International Financial Reporting Standards |
| IUCN | International Union for Conservation of Nature |
| ISO | International Organisation for Standardisation |
| IWUL | Integrated Water Use Licence |
| IWWMP | Integrated Water and Waste Management Plan |

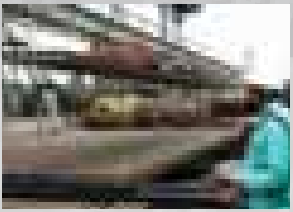
# Abbreviations continued

| | |
|---|---|
| JSE | Johannesburg Stock Exchange Limited |
| King (II or III) | (Second or third) King Report on Corporate Governance for South Africa |
| LED | Local Economic Development |
| LTI | Lost-time injury |
| LTIF | Lost-time injury frequency |
| LTIFR | Lost-time injury frequency rate |
| MDARDLA | Mpumalanga Department of Agriculture, Rural Development and Land Administration |
| MPRDA | Minerals and Petroleum Resources Act |
| MWP | Mining Work Programme |
| NACA | National Association for Clean Air |
| NEMA | National Environmental Management Act |
| NEM:AQA | National Environmental Management: Air Quality Act |
| NEM:BA | National Environmental Management: Biodiversity Act |
| NEM:WA | National Environmental Management: Waste Act |
| NIHL | Noise-induced hearing loss |
| NLTI | Non-lost-time injury |
| NLTIF | Non-lost-time injury frequency |
| NQF | National Qualifications Framework |
| PCB | Polychlorinated biphenyls |
| SAJV | South Africa Japan Vanadium (Proprietary) Limited |
| SAPS | South African Police Services |
| SEE | Social, Ethical and Environmental |
| SHEQ | Safety, health, environment and quality |
| SLP | Social and Labour Plan |
| SRI | Socially Responsible Investment (index) |
| VCT | Voluntary Counselling and Testing |
| VVP | Vanchem Vanadium Products (Proprietary) Limited |



# Shareholder information





# Shareholder information


Creating
shareholder
value through
business
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# Shareholders' analysis

*as at 31 December*

| Shareholder spread | Number of shareholders Number | % |
|---|---|---|
| **Shareholder type** | | |
| *Public:* | | |
| Certificated | 623 | 27.98 |
| Electronic | 1 603 | 71.98 |
| *Non-public:* | | |
| Certificated | — | 0.00 |
| Electronic | 1 | 0.04 |
| **Total** | 2 227 | 100.00 |

| List of major shareholders having a direct or indirect beneficial interest in 5% or more of the Group's issued shares | Shares | % |
|---|---|---|
| Mastercroft Limited* | 84 386 344 | 85.11 |

**Mastercroft Limited is part of the Evraz Group.*

**Ordinary share performance on the JSE Limited**

*for the years ended 31 December*

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Market price per share (cents) | | | | | |
| – year-end | **8 350** | 6 449 | 6 399 | 11 300 | 7 799 |
| – highest | **9 000** | 8 065 | 19 175 | 13 997 | 9 900 |
| – lowest | **5 965** | 4 550 | 5 012 | 6 975 | 6 901 |
| Number of ordinary shares in issue ('000) | **99 150** | 99 150 | 99 150 | 99 150 | 99 148 |
| Number of deals recorded | **19 277** | 15 090 | 29 661 | 13 986 | 22 779 |
| Volume of shares traded ('000) | **21 865** | 19 414 | 33 805 | 23 230 | 38 935 |
| Volume of shares traded as a percentage of total issued shares (%) | **22.05** | 19.58 | 34.09 | 23.43 | 39.27 |
| Earnings yield (%)* | **(4.63)** | 2.61 | 40.54 | 12.89 | 13.25 |
| Dividend yield (%)* | **—** | — | 50.01 | — | 7.69 |
| Price: Earnings ratio* | **(21.62)** | 38.36 | 2.47 | 7.44 | 7.55 |

**Based on year-end price per share, headline earnings per share and dividends per share attributable to financial year profits declared.*

# Notice of Annual General Meeting

Notice is hereby given that the fifty-first Annual General Meeting of members of Evraz Highveld Steel and Vanadium Limited will be held at The Country Club Johannesburg, Napier Road, Auckland Park, Johannesburg, Gauteng, on 13 May 2011 at 10h00 to conduct the following business:

1. To receive and consider the annual financial statements for the financial year ended 31 December 2010. The auditors' opinion is available for inspection at the Company's registered address.

2. To appoint Ernst & Young Inc. as auditors of the Company to hold office until the conclusion of the next Annual General Meeting.

3. To elect directors in accordance with the provisions of the Company's Articles of Association: GC Baizini, AV Frolov, D Ščuka and PS Tatyanin. Details of the directors standing for re-election are set out on pages 42 to 44 of this annual report.

4. To consider and, if deemed fit, to pass, with or without modification, the following resolution, the reasons for which are stated in the Directors' report, as an ordinary resolution:

   "That the directors be and they are hereby authorised, subject to the provisions of the JSE Limited Listings Requirements: To allot and issue, all or any portion of the remaining unissued ordinary shares of R1 each and the 1 000 000 unissued variable rate redeemable cumulative preference shares of 1 cent each in the capital of the Company at such time or times to such person or persons, company or companies, for such consideration and upon such terms and conditions as the directors may from time to time determine."

5. To consider and, if deemed fit, to pass, with or without modification, the following resolution, the reasons for which are stated in the Directors' report, as an ordinary resolution: that no increases for members and chairmen of board committees are proposed for 2011:

| Committee | Member/Director/Chairman | 2011 | 2010 |
|---|---|---|---|
| Board of Directors | Director | **R165 000** | R165 000 |
| | Chairman | **R565 000** | R565 000 |
| Audit and Risk | Member | **R70 000** | R70 000 |
| | Chairman | **R120 000** | R120 000 |
| Remuneration and Nominations | Member | **R50 000** | R50 000 |
| | Chairman | **R75 000** | R75 000 |
| Transformation | Member | **R30 000** | R30 000 |
| | Chairman | **R45 000** | R45 000 |

6. To appoint CB Brayshaw, B Ngonyama and PM Surgey as members to the Audit and Risk Committee. Details of the proposed members are set out on pages 45 to 47 of this annual report.

7. To appoint M Bhabha, B Ngonyama, BJT Shongwe, and PS Tatyanin as members of the Social and Ethics Committee (previously the Transformation Committee). Details of the proposed members are set out on pages 44 to 46 of this annual report.

A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. A **Form of Proxy** must be lodged with the share transfer secretaries of the Company not less than 48 (forty-eight) hours before the time set for the meeting. Completion of a Form of Proxy will not preclude a member from attending the meeting.

A Form of Proxy is included in this report.

Shareholders who have already dematerialised their shares must use the attached **Voting Instruction Form** for the purpose of advising their Central Securities Depositary Participant (CSDP) or broker of their voting instructions.

If, however, such shareholders wish to attend the Annual General Meeting in person, they will need to provide them with the necessary authority in terms of the Custody Agreement entered into with the CSDP or broker.

By order of the board

**Evraz Highveld Steel and Vanadium Limited**
**Mrs CI Lewis**
Company Secretary

**eMalahleni**
16 March 2011

**Business address**
Old Pretoria Main Road, eMalahleni, Mpumalanga

**Registered office**
Portion 93 of the farm Schoongezicht No. 308 JS, eMalahleni, Mpumalanga

**Postal address**
PO Box 111, Witbank, 1035

**Share transfer secretaries**
Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001

# Shareholders' diary

| | |
|---|---|
| Financial year-end | 31 December 2010 |
| Financial statements – publication dates | 16 March 2011 |
| Annual financial statements | April 2011 |
| Annual General Meeting | 13 May 2011 |
| Interim report | August 2011 |

# Form of Proxy

Registration number 1960/001900/06
(Incorporated in the Republic of South Africa)
Share code: EHS
ISIN: ZAE 000146171
(the Company)

I/We

(Name in block letters)

of

(Address in block letters)

being (a) member(s) of Evraz Highveld Steel and Vanadium Limited, do hereby appoint

of

or failing him/her

of

or, failing him/her, the chairman of the meeting as my/our proxy to attend, speak and vote on my/our behalf at the Annual General Meeting of members to be held on Friday, 13 May 2011 at 10h00 and at any adjournment thereof, and to vote or abstain from voting as follows on the resolutions to be proposed at such meeting.

Please indicate how you wish your proxy to vote by placing a cross in the box which applies:

| | | For | Against | Abstain |
|---|---|---|---|---|
| 1. | Adoption of annual financial statements | | | |
| 2. | Appointment of Auditors | | | |
| 3. | Election of directors: | | | |
| | GC Baizini | | | |
| | AV Frolov | | | |
| | D Ščuka | | | |
| | PS Tatyanin | | | |
| 4. | Placing of unissued shares under the control of the directors | | | |
| 5. | Directors and chairmen fees and fees payable to members and chairmen of committees of the board for 2011 | | | |
| 6. | Appointment of the following directors as members of the Audit and Risk Committee: | | | |
| | CB Brayshaw | | | |
| | B Ngonyama | | | |
| | PM Surgey | | | |
| 7. | Appointment of the following directors as members to the Social and Ethics Committee (previously the Transformation Committee) | | | |
| | M Bhabha | | | |
| | B Ngonyama | | | |
| | BJT Shongwe | | | |
| | PS Tatyanin | | | |

Date: Signature:

*Please read the notes and instructions overleaf.*

# Notes to the Form of Proxy

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company.

2. Every person present and entitled to vote at the Annual General Meeting as a member or as a proxy or as a representative of a body corporate shall on a show of hands have one vote only, irrespective of the number of shares such person holds or represents, but in the event of a poll, every ordinary share shall have one vote.

3. Please indicate with an "X" in the appropriate spaces overleaf how you wish your votes to be cast. If you return this form duly signed without any specific directions, the proxy will vote or abstain at his/her discretion.

**Instructions on signing and lodging the Form of Proxy**

1. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration or correction must be initialled by the signatory/ies.

2. The chairman of the meeting shall be entitled to decline to accept the authority of a person signing the proxy form:

   (a) under a power of attorney; or
   (b) on behalf of a company;

   unless that person's power of attorney or authority is deposited at the offices of the Company's share transfer secretaries not less than 48 (forty-eight) hours before the meeting together with the Form of Proxy.

3. You may insert the name of any person(s) whom you wish to appoint as your proxy in the blank space(s) provided for that purpose.

4. When there are joint holders of shares, any one holder may sign the Form of Proxy.

5. The completion and lodging of this Form of Proxy will not preclude the member who grants this proxy from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such member wish to do so.

6. Completed Forms of Proxy should be returned to the Company's share transfer secretaries, Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), South Africa, so as to reach them not later than 48 (forty-eight) hours before the time set for the holding of the meeting.

# Voting Instruction Form

**EVRAZ**

Registration number 1960/001900/06
(Incorporated in the Republic of South Africa)
Share code: EHS
ISIN: ZAE 000146171
(the Company)

**Only for use by shareholders who have dematerialised their shares in the Company**

For use in respect of the Annual General Meeting to be held at 10h00 on Friday, 13 May 2011, at The Country Club Johannesburg, Napier Road, Auckland Park, Johannesburg, Gauteng.

Shareholders who have already dematerialised their shares may use this form to advise their CSDP or broker of their voting instructions on the proposed resolution in the space provided below. However, should such shareholders wish to attend the Annual General Meeting in person, they will need to request their CSDP or broker to provide them with the necessary authority in terms of the Custody Agreement entered into with the CSDP or broker.

I/We ______________________________________________

(Name in block letters)

being (a) shareholder(s) of the Company who has/have dematerialised my/our shares in the Company do hereby indicate in the spaces provided below to my/our CSDP/broker my/our voting instructions on the resolutions to be proposed at the Annual General Meeting of Evraz Highveld Steel and Vanadium Limited to be held at 10h00 on Friday, 13 May 2011.

| Voting instruction | For | Against | Abstain |
|---|---|---|---|
| Ordinary resolution No. 1 | | | |
| Ordinary resolution No. 2 | | | |
| Ordinary resolution No. 3 | | | |
| GC Baizini | | | |
| AV Frolov | | | |
| D Ščuka | | | |
| PS Tatyanin | | | |
| Ordinary resolution No. 4 | | | |
| Ordinary resolution No. 5 | | | |
| Ordinary resolution No. 6 | | | |
| CB Brayshaw | | | |
| B Ngonyama | | | |
| PM Surgey | | | |
| Ordinary resolution No. 7 | | | |
| M Bhabha | | | |
| B Ngonyama | | | |
| BJT Shongwe | | | |
| PS Tatyanin | | | |

# Voting Instruction Form continued

1. Please indicate in the appropriate spaces above the number of votes to be cast.  Each share carries the right to one vote.
2. All the votes need not be exercised nor need all votes be cast in the same way, but the total of the votes cast and in respect of which abstention is directed may not exceed the total of the votes exercisable.
3. Any alteration or correction made to this Voting Instruction Form must be initialled by the signatory.
4. When there are joint holders of shares, any one holder may sign the Voting Instruction Form.
5. Completed Voting Instruction Forms should be forwarded to the CSDP or broker through which the Evraz Highveld shares have been dematerialised to reach their offices by not later than 10h00 on 6 May 2011.

Signed at ______________________________ on ______________________________ 2011

Signature: ______________________________

*This Voting Instruction Form is not for use by registered shareholders.*

# Key contacts at Evraz Highveld

**Chief Executive Officer**
Scott MacDonald
+27 13 690-8721

**Financial Director**
Bernie de Beer
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**Manager, Environmental**
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**Director, Vanadium Operations**
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**Chief Operating Officer**
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**Company Secretary and Investor Relations**
Cathie Lewis
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**Manager, Government Relations**
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**General Manager, Mapochs Mine**
Hawi Matsoele
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**Manager, Transformation**
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**General Manager, Human Resources**
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**Manager, Buying and Procurement**
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**Deputy Chief Operating Officer**
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**Manager, Safety and Health**
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**General Manager, PSO**
Malcolm Simpson
+27 13 690-9422

**General Manager, Sales and Marketing**
Vossie Vorster
+27 13 690-9603

# Corporate information

**Registered address**
Portion 93 of the farm Schoongezicht
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eMalahleni
Mpumalanga

**Business address**
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eMalahleni
Mpumalanga

**Postal address**
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Witbank
1035

**Website details**
www.evrazhighveld.co.za

**Company Secretary and Investor Relations**
Mrs CI Lewis
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**Principal attorneys and legal advisers**
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Illovo Boulevard
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+27 11 530-5000

and

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Houghton
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**Registered auditors**
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Wanderers Office Park
Illovo
2196
+27 11 772-3000

**Sponsor**
JP Morgan
1 Fricker Road
Illovo
2196
+27 11 507-0430

**Share transfer secretaries**
Computershare Investor Services (Proprietary) Limited
70 Marshall Street
Johannesburg
2001
0861 100 950 (shareholder queries)
+27 11 370-5000

BASTION GRAPHICS

www.highveldsteel.co.za