



# **Eurasian Natural Resources Corporation PLC**

## **Sustainable Development Presentation**

### ***“Bridging East and West”***

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# Disclaimer



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# The ENRC Group



**A leading diversified natural resources group, performing integrated mining, processing, energy, logistics and marketing operations**

- ENRC is the leading representative of Kazakhstan in the global economy
- Financial performance H1 2009: Revenue US\$1,695m; Profit after tax US\$562m
- ENRC accounts for 5% of Republic of Kazakhstan's GDP
- Approximately 64,160 employees (62,860 in Kazakhstan and Russia)
- Group's production assets are largely located in the Republic of Kazakhstan; also have operations in Russia and China, recently acquired a mining/processing business in the DRC and has an offer open on a Zambian processing business
- ENRC named second most transparent company in Kazakhstan by Standard & Poor's Corporate Transparency Index 2009
- London Stock Exchange listing requires increasing transparency of the ENRC business.

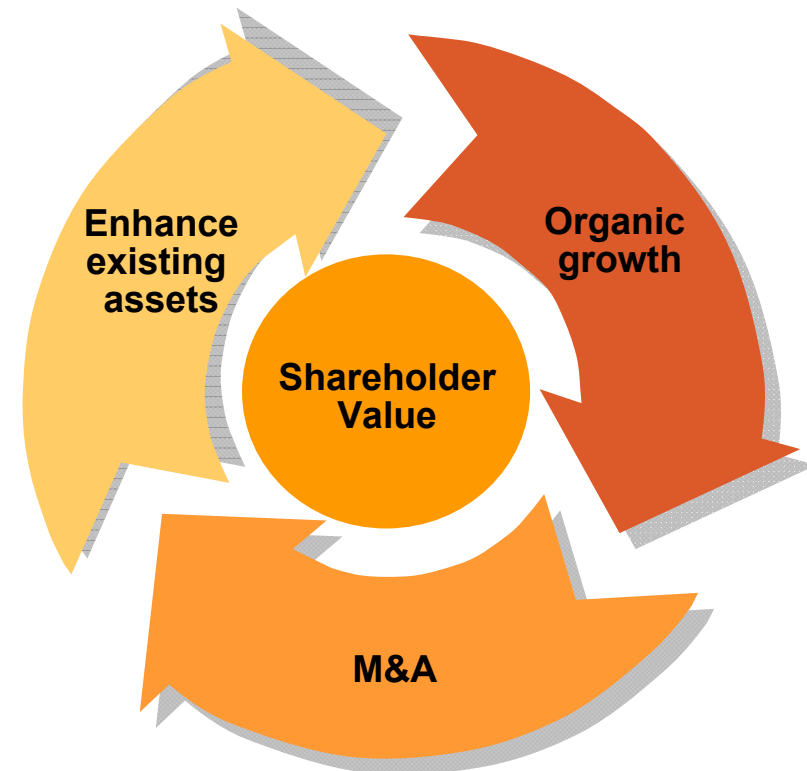
# Group Strategic Overview



## Strategic priorities

- Maintain and improve upon low cost operations
- Continue expansion and development of existing reserves and capacity
- Add value and customer diversity by expanding the product portfolio
- Expand our asset portfolio in natural resources, both within the region and worldwide
- Commit to high standards of corporate responsibility

## Strategy in action



**The Group's mission is to achieve growth as a leading natural resources business and to enhance overall value for its shareholders**

# Strategic Context of Sustainable Development (SD) at ENRC



## Group Strategic priorities:

- Maintain and improve upon low cost operations
- Continue expansion and development of existing reserves and capacity
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## Sustainable Development priorities:

- *Consuming less to produce more*
- *Integration of SD into investment decision-making*
- *To make reputation and brand one of the Group's principal assets*
- *To build key stakeholder relationships in all countries in which we operate*
- *To create the leadership and embed the behaviours of SD values for across the Group*

# Pathway for Change



**Taking Sustainable Development (SD) as a pathway enables us to transform our business and build true competitive advantage for today and for the future**

- Our SD vision empowers us to make a significant contribution to strengthening economies in emerging markets
- ENRC aims to operate with a long-term perspective. We are not just pursuing short-term business gain
- For our operations in Kazakhstan, Russia, China, Brazil and Africa, we are working to build one integrated SD system that also takes into account specific aspects at each site
- Transformations within the Group place leadership and communications with stakeholders as the main tools for change management.

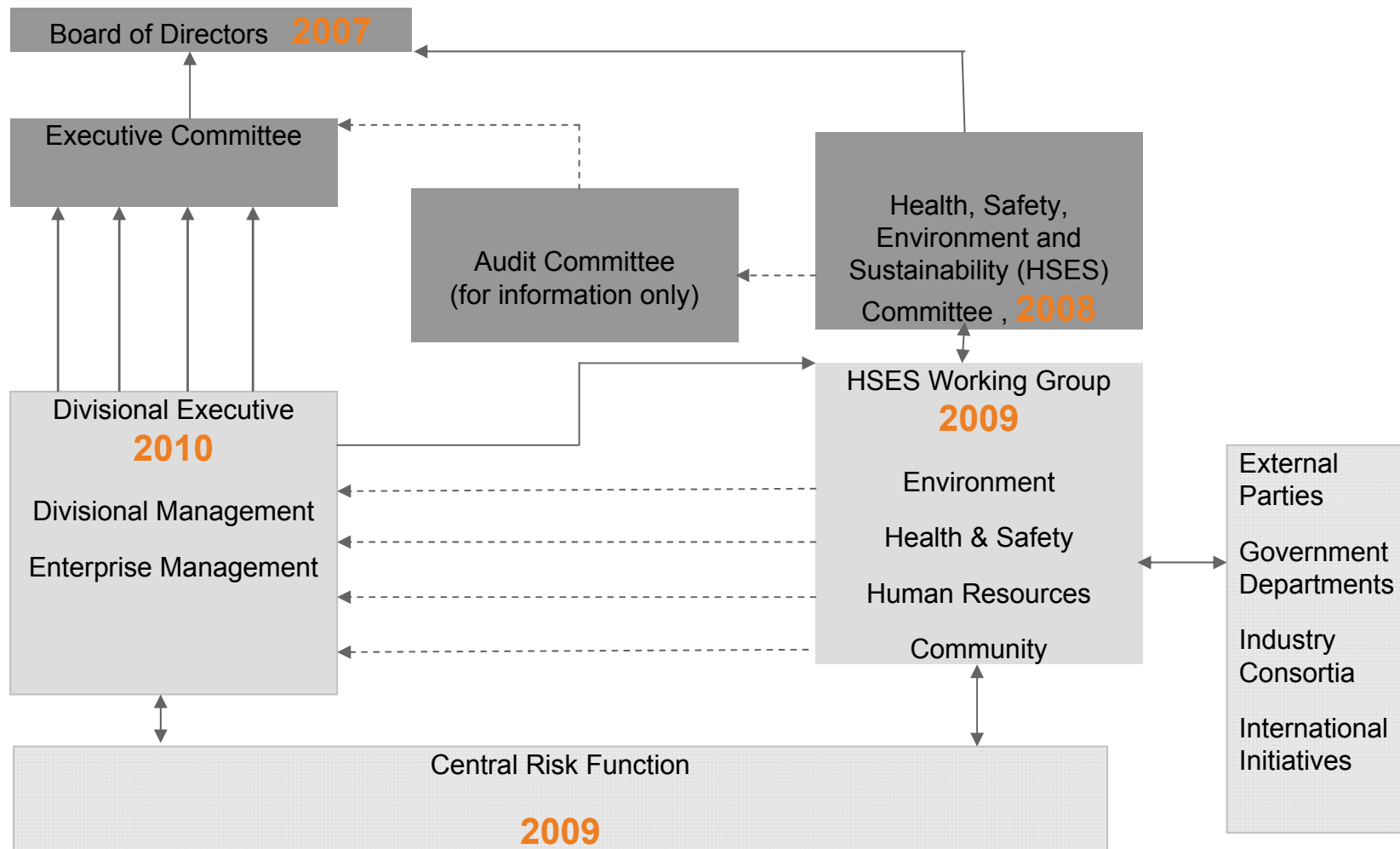
## Collaboration and Competiveness



**Our employees and communities are of a great value to us. The success of our operations depends on our people, and our reputation is key to all of our achievements**

- Historically the company has taken responsibility for regional development. Our established practice of collaborating with local authorities and communities is effective in building trust and helping societies to manage challenges
- Company efforts in training our employees and developing local communities result in our ability to create a common interest for a sustainable future
- We believe that our flexibility and ability to engage with diverse stakeholders creates competitive advantage
- While ENRC appreciates diversity among operations in Kazakhstan, Russia, China, Brazil and Africa, Corporate Safety and Environmental Standards will not be compromised at any location within the Group as part of the integration progress.

# Progress in the System of Governance



# Journey To Transparent SD Reporting



**We report our SD performance in compliance with local legislation and international best practice. We are striving to expand and improve our reporting.**

- We are establishing a transparent reporting system based on the Global Reporting Initiative (GRI) Metals and Mining Supplement and the International Council on Mining & Metals (ICMM) Sustainable Development Framework
- ENRC was the first company in Kazakhstan to sign up to the principles of the UN Global Compact
- We support the Extractive Industry Transparency Initiative (EITI), which allows us to develop multi-stakeholder partnerships and to build trust with governments.



## **Supporting Data and Information**



## Safety

# Safety Performance

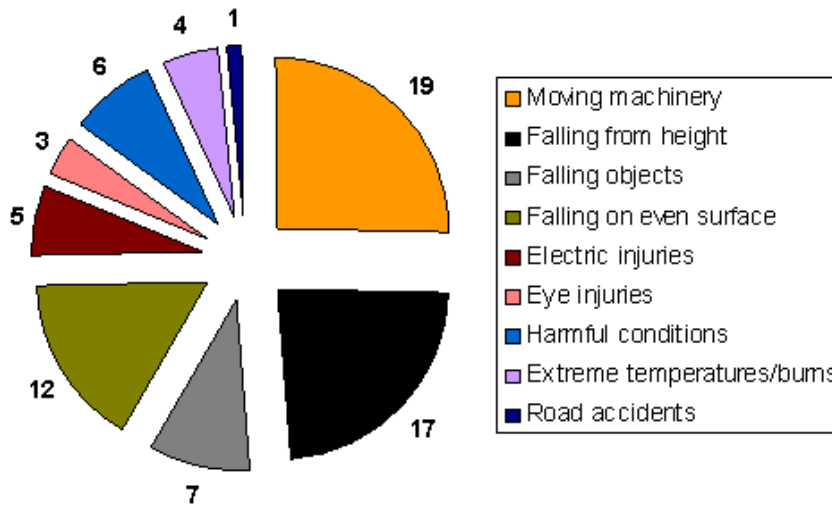


	2008	2009
Total number of injuries	74	65
LTIFR	0.67	0.64
Total number of fatalities	9	12
FIFR	0.08	0.12

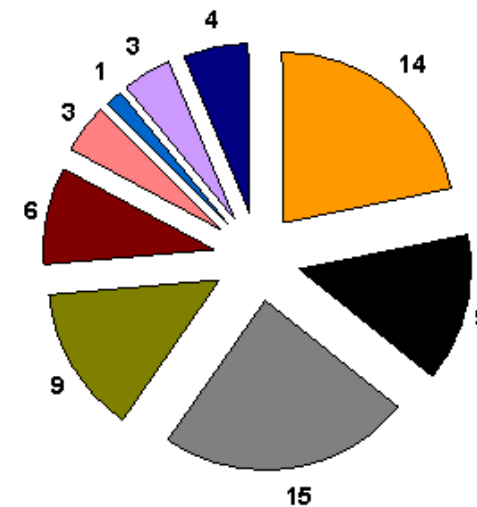
# Accidents by Type



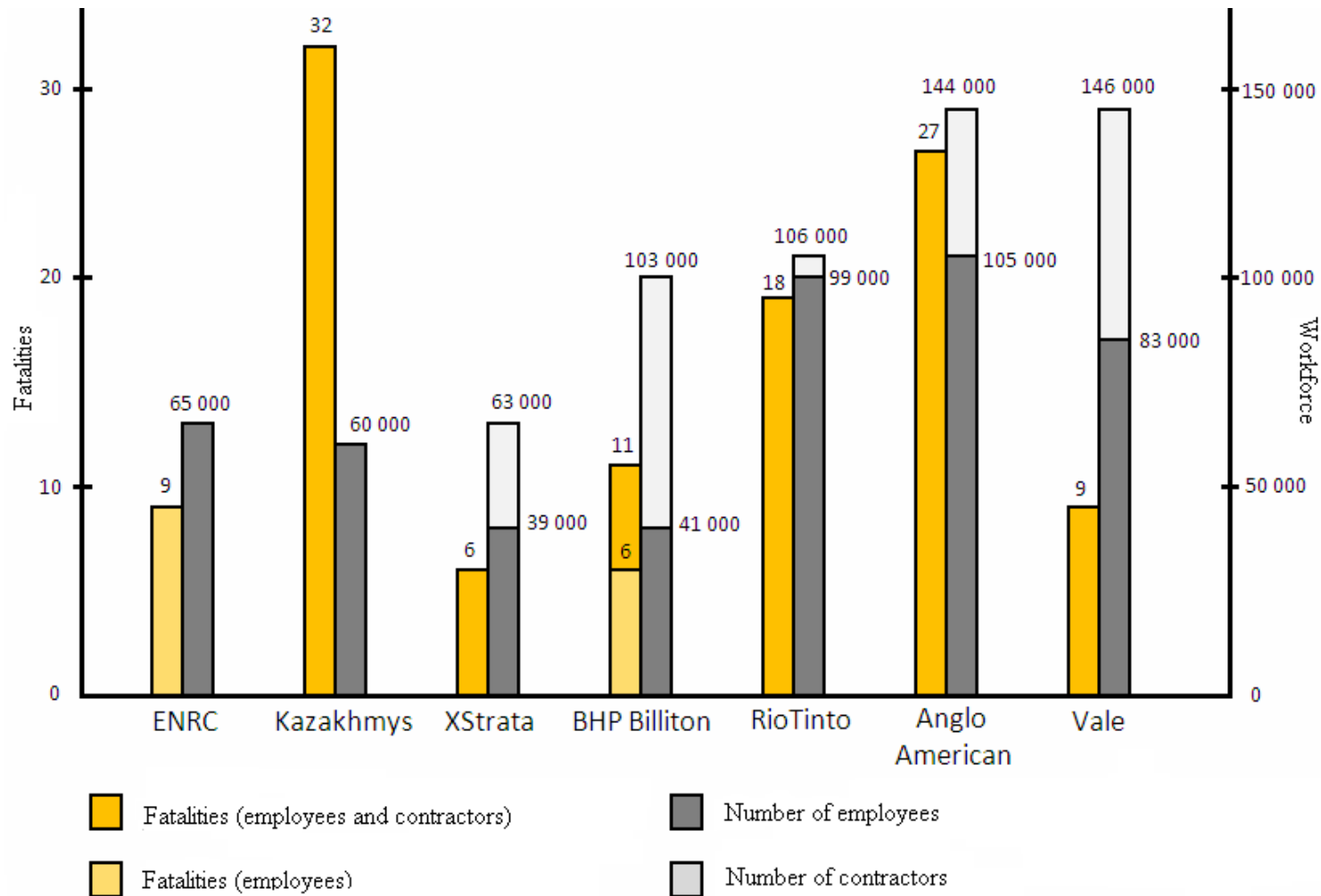
Accident causes for 2008



Accident causes for 2009



# Fatalities Benchmarking - 2008



# Safety Strategy in Action



## Strategic priority

- Safety a core value and top priority: goal of zero injuries

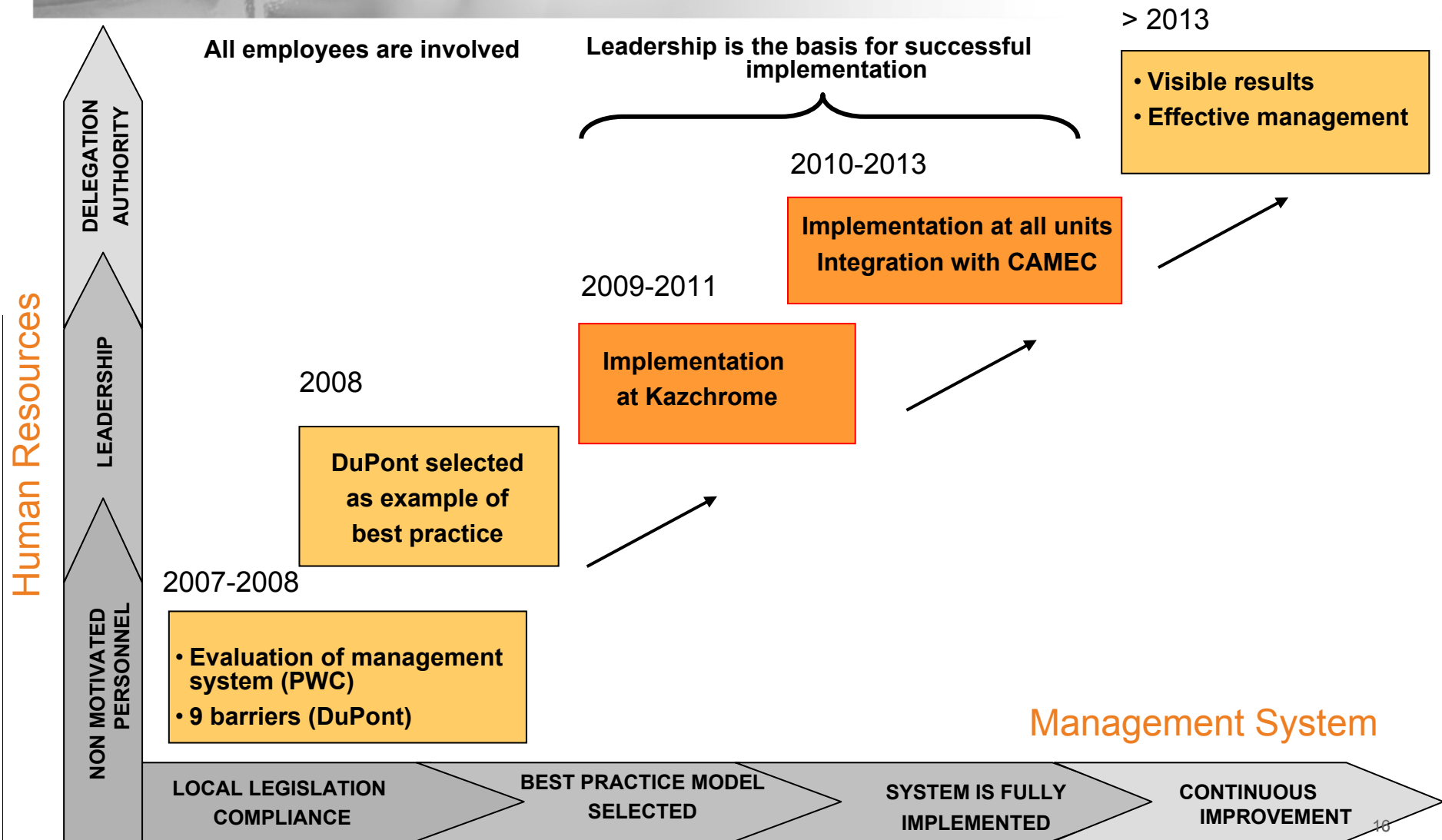
## New Safety Strategy in action

- Safety Improvement Programme – pilot site 2009-2010
- Corporate Safety Policies and standards in place – 2010
- Safety Improvement Programme - Roll-out across the Group 2010-2013

## Milestones

- Strong leadership around New Safety Vision -2010
- Leading and lagging tools applied – 2010-2011
- Majority of employees have adopted new safety culture - by 2013

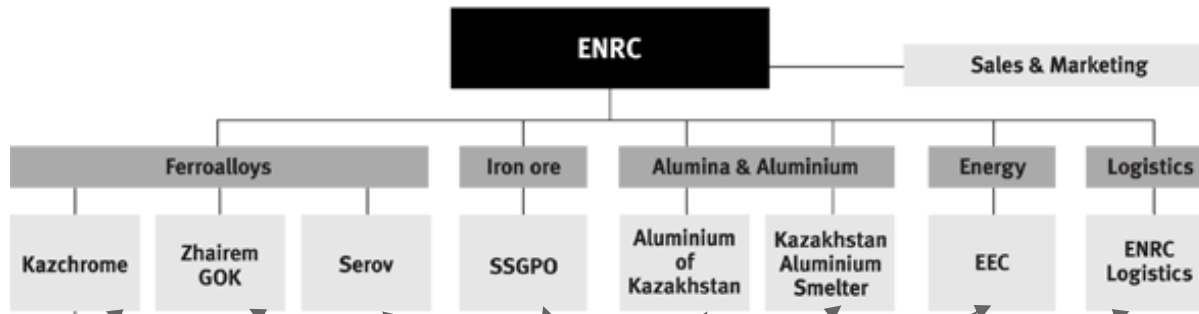
# Injury Reduction Strategy



# Launch of Safety Improvement Programme



## Group Structure

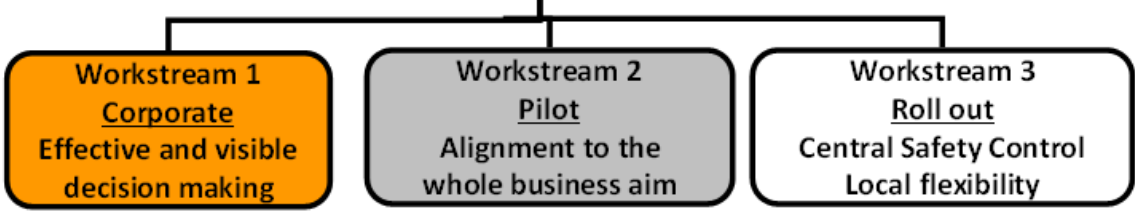


Roll out to all ENRC sites

➔ Pilot site

- Donskoy Ore Mining & Processing Plant
- Aktobe Ferroalloy Plant
- Aksu Ferroalloy Plant
- Kazmarganets Mining Enterprise

## Project Structure



# Implementation of Safety Programme



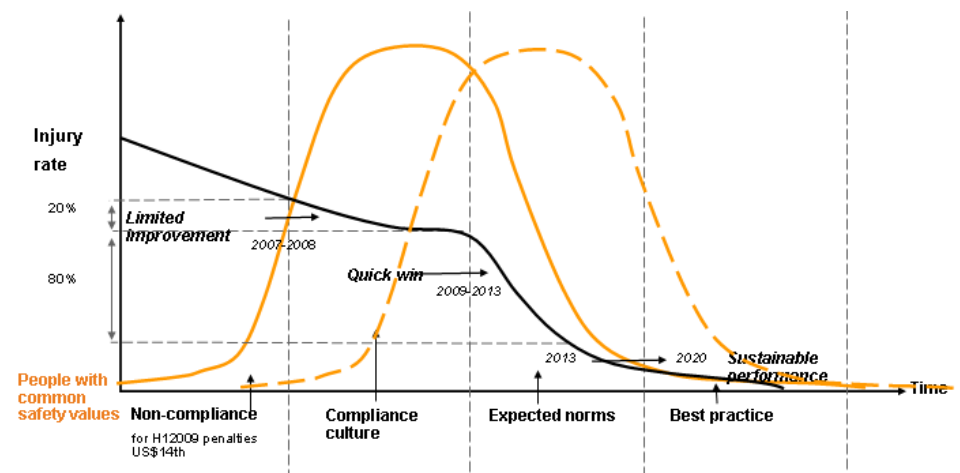
## Content

- **Management System Change:** safety integrated into the whole organisation
- **Responsibilities Change:** line managers are responsible and safety specialists are advisers
- **Communication Change:** two-way communication vs informing
- **Safety Attitude Change:** visible leadership and employees with value to work safely

## Implementation Tools

- Leadership training
- Communication package delivery
- Safety Committee chairperson coaching
- Behavioral audits conduct and analysis
- Personal line managers coaching
- Development of Safety KPIs
- Integrated Appraisal System

**Main Focus =  
Change Safety  
Culture**





## Environment

# Action on Green House Gas Emissions



## 2009:

- GHG inventory
- 3 seminars on GHG regulation
- KBCSD and KazEnergy joint expert reviews

## 2010:

- GHG Policy
- GHG Road Map and Action Plan
- Energy Efficiency Study

## 2010-2012 and beyond:

- Determine investment opportunities
- Strengthen interaction with stakeholders

Ultimate result – emission reduction



Develop effective GHG management system

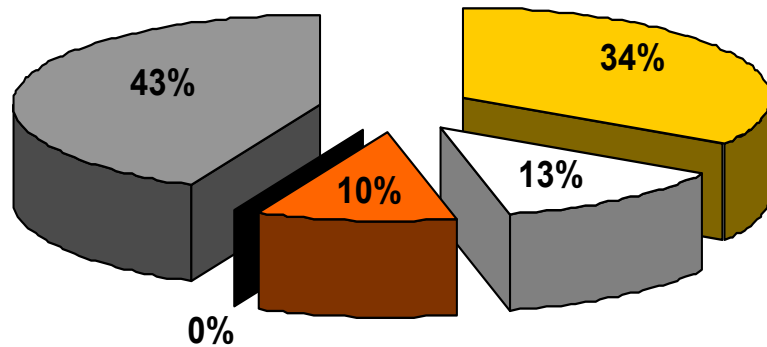
Develop management systems in compliance with international best practice

Develop necessary skills/opportunities

# GHG Direct Emissions

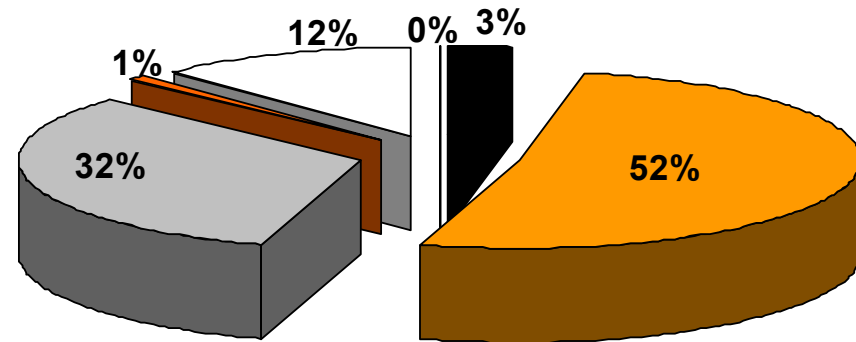


ENRC EMISSIONS BY DIVISION



- Alumina and Aluminium
- Ferroalloys
- Iron Ore
- Logistics
- Energy

ENRC EMISSIONS BY SOURCE TYPE



- Mines
- Power Plants
- Processing Plants
- Aluminium Smelter
- Ferroalloys Plants
- Logistics

# Environmental Impact Assessment – LCA Study for Ferroalloys Production



- International Chromium Development Association (ICDA) and 7 member companies conducted LCA Study for Chromium Industry Sustainable Development in 2007
- Technology not changed since 2007
- New technology to be introduced by 2013

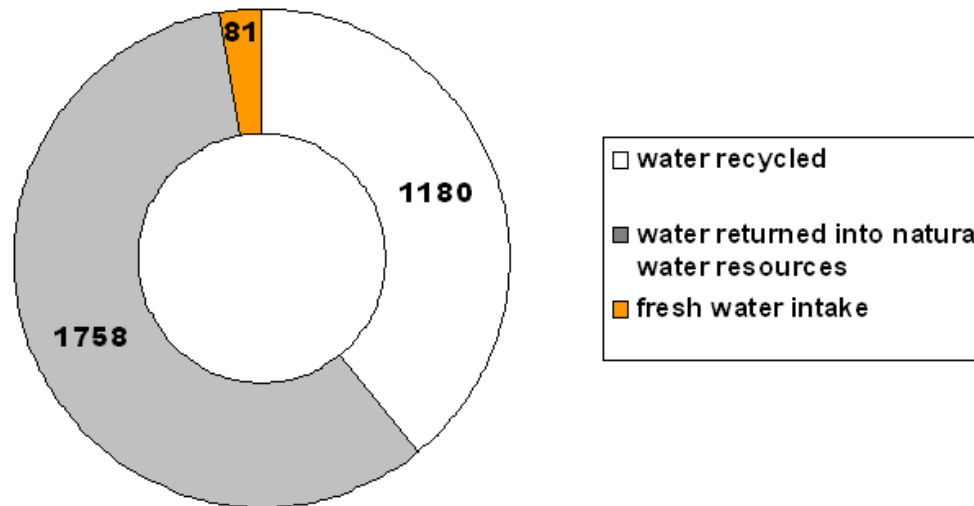
## Benchmarking of Kazchrome on 7 SD parameters

Per one kg of chromium in the output	Energy, MJ	CO2, kg	SO2, kg	NOx, g	Dust, g	Cr+3, g	Cr+6, mg.
Average world wide	121.6	10.8	91.9	41.4	10.0	0.28	0.24
TNC Kazchrome	130.9	10.4	91.7	41.4	7.5	0.31	0.05

# Water Use

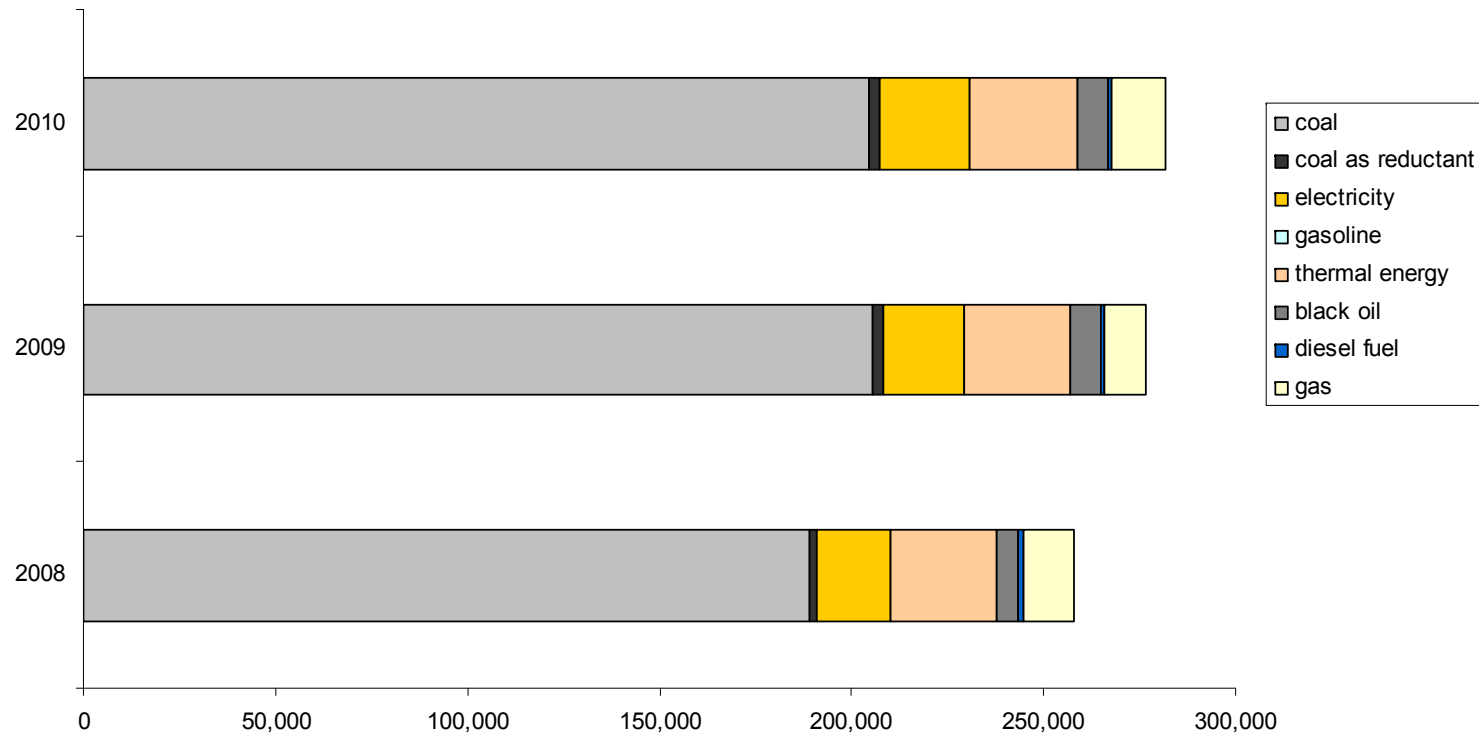


Water consumption in 2009  
(mln m<sup>3</sup>)



	Total water consumption, m m <sup>3</sup>	Water recycled, m m <sup>3</sup>	Water returned, m m <sup>3</sup>	Water intake, m m <sup>3</sup>
2008	2,755	1,172	1,522	61
2009	3,019	1,180	1,758	81
2010	3,033	1,145	1,799	89

# Energy Consumption

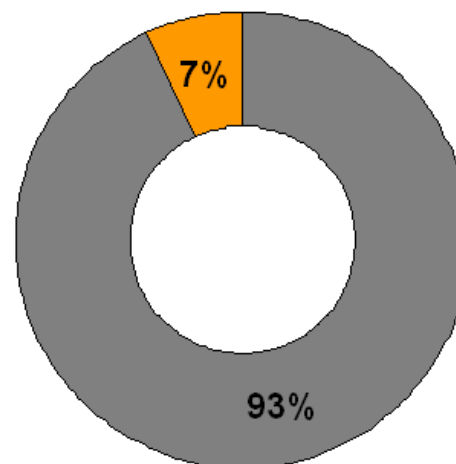
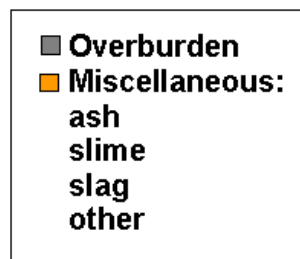


	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>Total (terra joules)</b>	<b>257,991</b>	<b>276,764</b>	<b>281,976</b>

# Waste (Kazakhstan operations)



Waste generated by ENRC operations



Type of Waste	2008	2009	2010 (plan)
Overburden	15,880	16,193	16,615
Ash	157	162	167
Slime	867	885	910
Slag	16	16	17
Other	0.16	0.17	0.35
<b>Total</b>	<b>16,920</b>	<b>17,256</b>	<b>17,709</b>

## Waste - Use Less to Produce More



- Waste reduction programme for ferroalloy production cycle completed at Kazchrome between 1994-2009: investment of US\$165m.
  - 14m tonnes processed
  - Approximately 45 hectares of land saved
- Newly developed slag is totally processed (100%); historical slag processed (18%)
- Annual share of products from waste is 0.7%

Waste	Product
Chromium Ore fines	Briquettes
Processing dust	Briquettes
Ferroalloys slag	Metal concentrate; Final Ferroalloys product; Gravel
Poor ore	Chromium concentrate; Pellet
Ore enrichment slime	Chromium concentrate; Pellet

# Emissions To Air



## Two part approach:

- Establish performance to international air emissions norms for new operational units
- Maintain compliance and seek continuous improvement for older technology; lower levels maintained, reducing incrementally where possible.

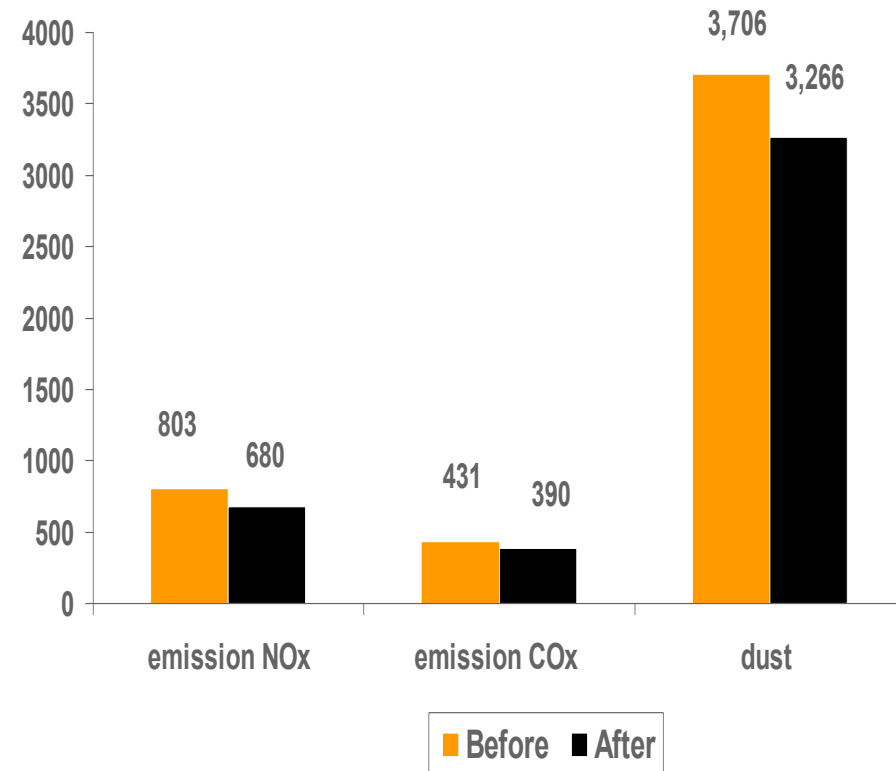
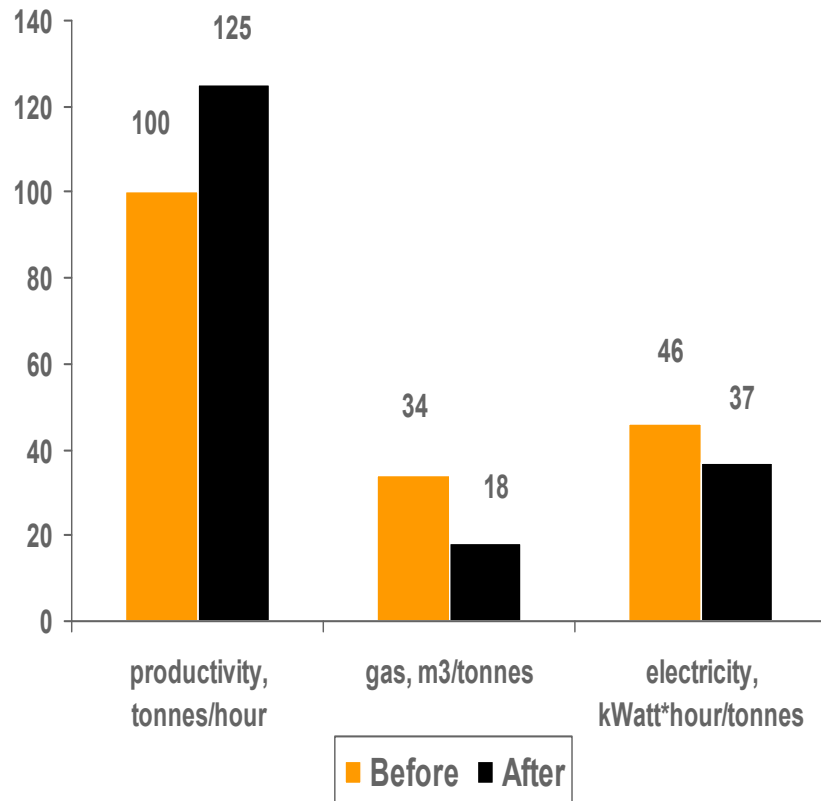
	2008	2009	2010
<b>Total,</b> Th. tonnes	279	305	342
<b>SO<sub>2</sub></b>	115	135	136
<b>Dust</b>	110	112	125
<b>NO<sub>x</sub></b>	33	32	36
<b>CO</b>	20	22	43
<b>Other</b>	33	32	36

# Environmental Aspects of Modernisation - SSGPO baking machine case study



Resources

Emission, tonnes/pa



# Toxics and Biodiversity



## Toxics

- ENRC adopted a new Chemical Policy in 2009. Our strategic approach is to develop and implement a specific Toxic Pollutants Reduction action plan.
- PCBs and other toxic chemicals inventory conducted. Total amount of chemicals is 2,660 thousand tonnes. Amount of PCBs collected at all sites is 380 tonnes.
- Republic of Kazakhstan is committed to stop utilising equipment with PCBs by 2025 and to eliminate PCBs by 2028. ENRC is working with the government to develop policies and plans to achieve this goal.

## Biodiversity

- ENRC is committed to active stewardship of biodiversity.
- Our strategic plan is to develop and implement specific biodiversity plans at every site, involving local stakeholders.

	Number of trees planted	Invested (US\$m)
<b>2008</b>	5,895	0.6
<b>2009</b>	164,180	6.9
<b>2010 (planned)</b>	<b>69,605</b>	<b>2.9</b>



## Our People

# ENRC People Policies

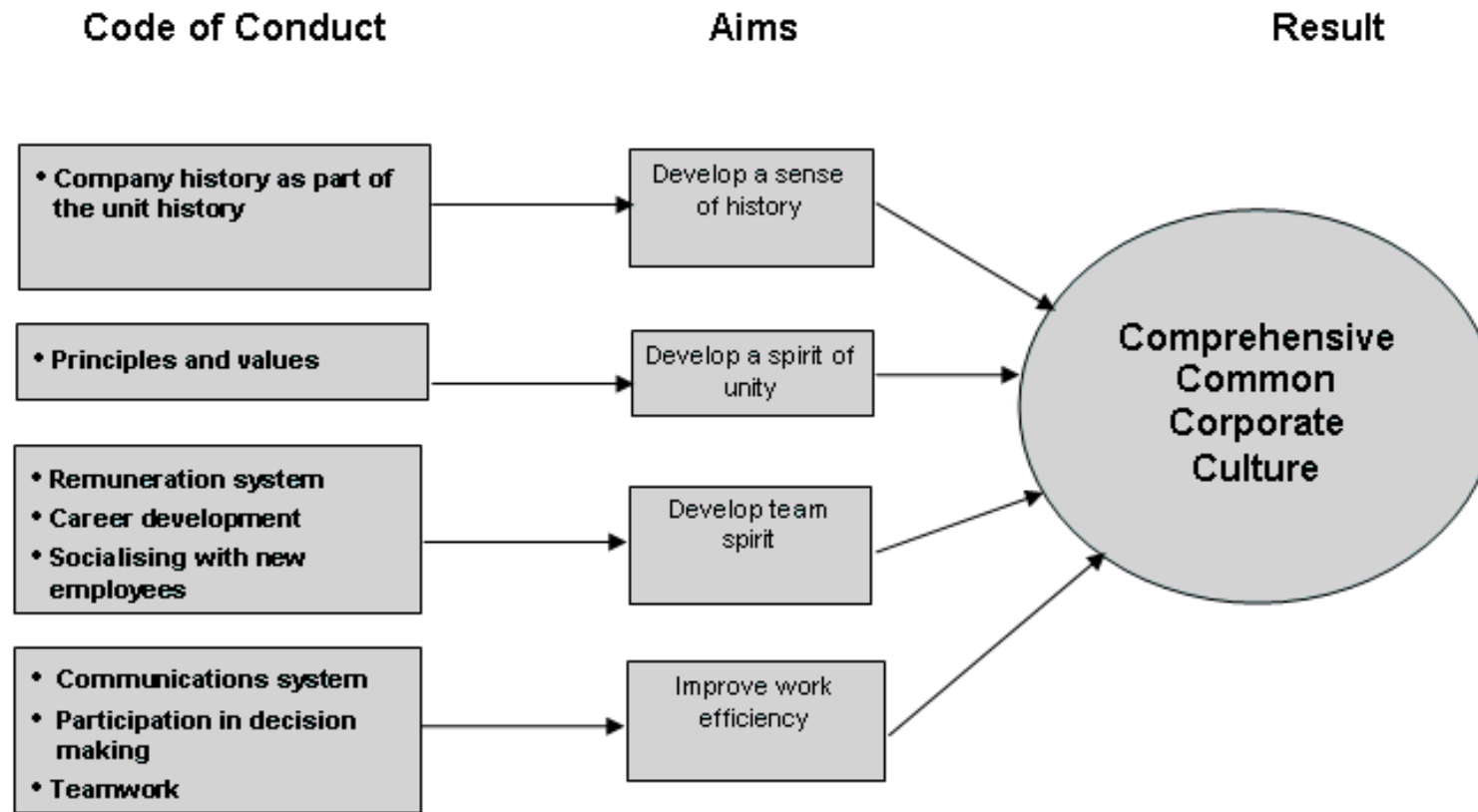


Policies	Status
Human Resource Management Policy	Developed in 2009 Implementation in progress
Whistle Blowing Policy to Prevent Corruption	Developed in 2007 Implemented in Kazakhstan, Russia, London, Zurich Implementation in progress in other branches
Succession Planning Policy	Developed in 2009 Implementation in progress
Code of Conduct, including the Human Rights Aspect	Developed in 2007 Implemented in Kazakhstan, Russia, London, Zurich Implementation in progress in other branches

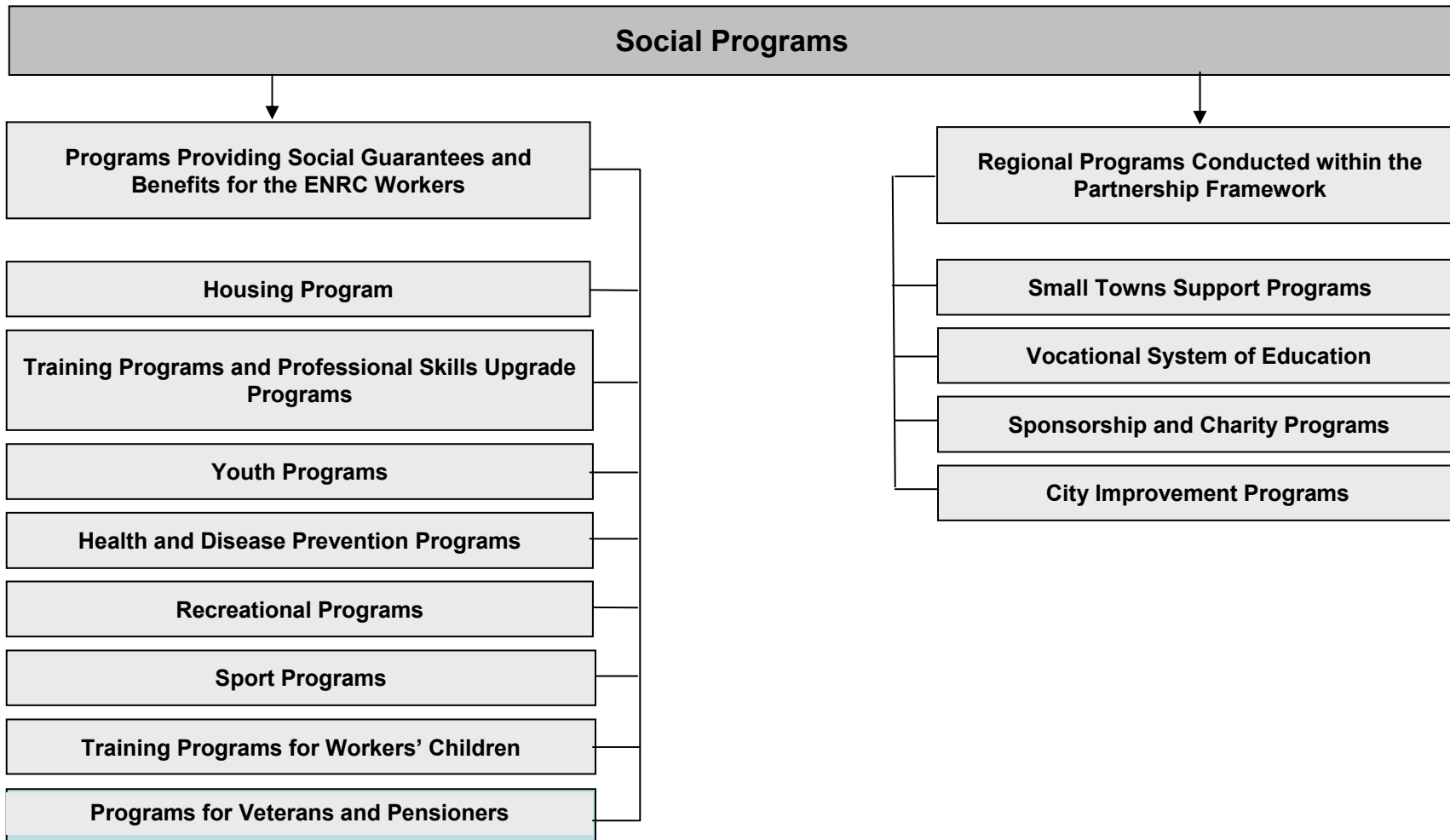
# Code of Conduct Includes Human Rights



## Development of the Common Corporate Culture



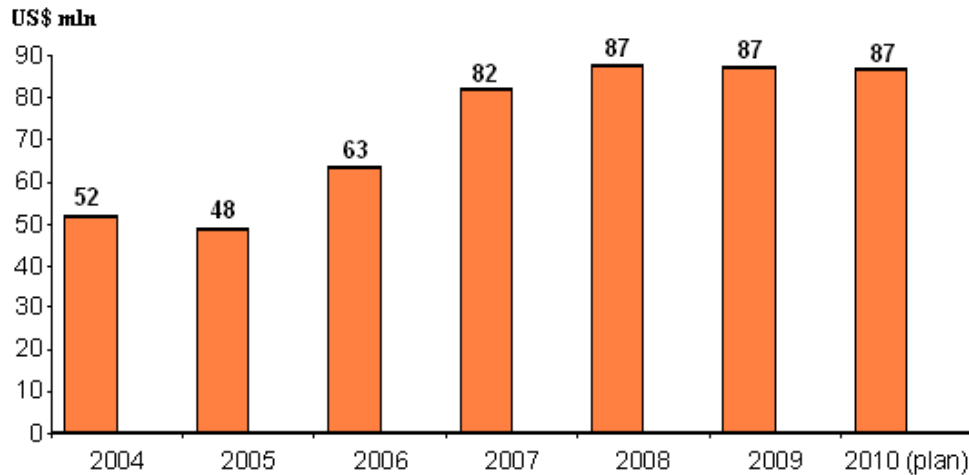
# 2010 Focus - Investment in Human Capital



# Benefits to our People



### Social Package

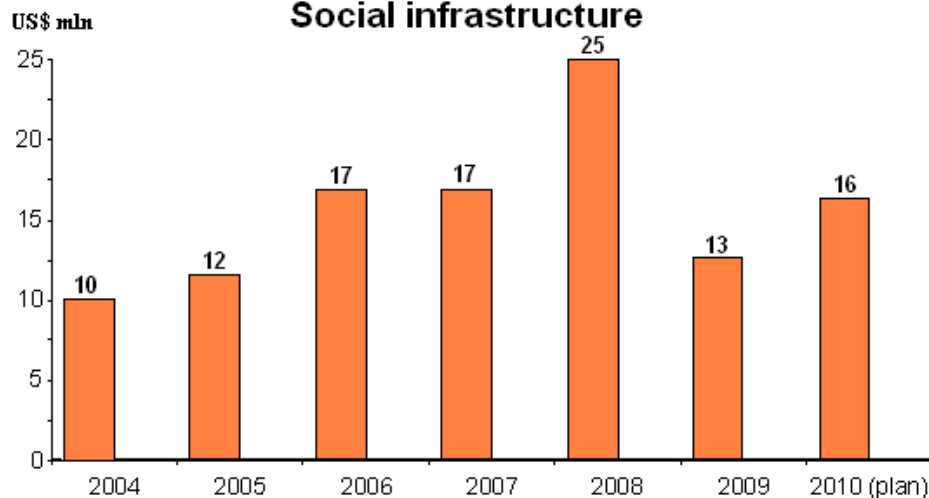


**Our 'social package' is one of the most competitive in Kazakhstan**

We are developing unified approaches to social benefits in all of our operations in other countries

Our social package was worth US\$87m (2009)

### Social infrastructure



Our expenses to maintain and support the company's social infrastructure was US\$13m (2009)

Our social infrastructure includes health, sport and other recreational facilities.

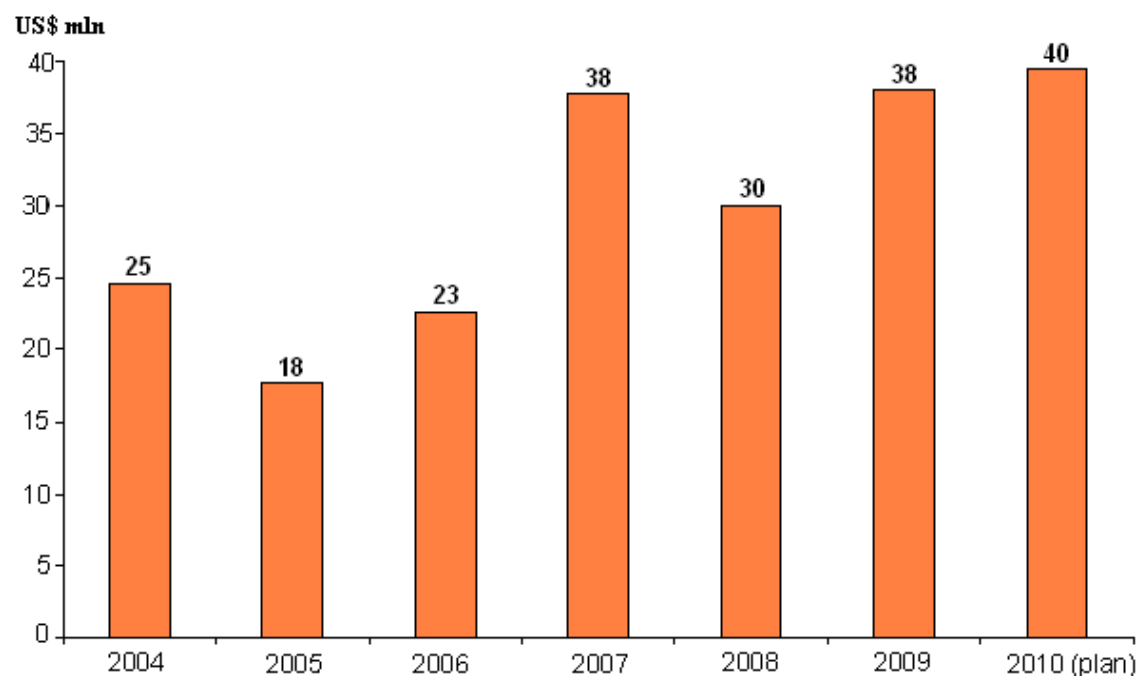
# Improving the Welfare of the Community



In 2008 ENRC established ENRC Komek Corporate Foundation, a non-commercial charitable organisation which finances cultural, educational and other social programs in Kazakhstan.

Its long term focus is on the implementation of programmes aimed at supporting ENRC's own workforce, as well as programmes aimed at improving the welfare of the community stakeholders.

### Charity Expenses



# ENRC Housing Programme



## Three forms of the Housing Programme



**Construction of housing at the company's expense with further sale to employees. Privileged loans at 1 % annual interest rate provided for 10-15 years period. No initial installment required.**



**Purchase of housing for company employees at the secondary market. Privileged loans provided at 1% annual interest rate for the period of 10-15 years. No initial installment required.**



**Development of the Company Housing Fund (refurbishment and construction of residential halls)**

- Programme: mission to provide housing and to improve quality of life of ENRC employees
- Programme term: 2006 – 2016; US\$200m will be spent in total
- Approximately 8,000 employees will benefit from improved housing through the Housing Program
- Programme implemented in 14 cities, 4 major industrial regions of Kazakhstan
- Approximately 1,930 employees received new housing since 2007
- The programme continued even during the downturn: 327 families received housing in 2009.

# Talent Management Programme



## ENRC's main asset is human capital

- 2010 focus: investment in human capital
- Ongoing implementation of a long-term Talent Management Programme (TMP)
- Within the framework of the TMP, ENRC started the Personnel Reserve Programme 2009-2012. The main aim is to ensure continuity, attract and retain talented staff, and to train employees at different levels within the Company, including top management
- Components:
  - Replacement Planning
  - Succession Planning
  - Talent Management.

# Training and Development



Year	Number of Employees Trained	Training Costs in thousand US\$
2007	20,109	3,743
2008	21,549	5,520
2009	26,000 (estimate)	3,224
2010	~ 23,000	4,562

The ENRC Training Programme includes:

- Training and educational programmes (short-term, long-term, executive MBA and other)
- Refresher courses for professionals
- Training for second and allied skills improvement upgrades
- Ethics training
- Implementation of Group SD culture with all employees
- Supporting educational institutions
- Scholarships.



## Stakeholders

# Working collaboratively with stakeholders



## Government

- General Agreement on Social Partnership since 2002
- More than 75 Working Groups on legal framework development and other issues

## Community

- Sponsorship and Charitable donations – more than US\$29m
- Komek Fund (established March 2008) to support community programmes

## Trade Unions

- General Agreement with Mining & Metals Trade Union since 2002
- General Agreement with Coal Trade Union since 2003

## NGOs

- Business Association of Kazakhstan (Exporters, Mining & Metals, KBCSD, Atameken)
- International (UNDP, ICDA, WBCSD)

## Customers/ Suppliers

- Certified Quality Management Systems

# Working with Government



## **ENRC's collaboration with local administrations is a model of successful public-private partnerships**

- Cooperation memoranda signed with regional governments
- Interaction with State, Public and International organisations in the Working Groups on Social Partnerships

## **Joint Events with Industry, Government and other stakeholders in 2009**

- Central Asian Mining Congress in Almaty
- First Central Asian Conference of Waste Management – Waste Tech Central Asia
- EBRD Safety Conference in Astana.

# Working with Local Communities



## ENRC is a socially responsible company, actively supporting local communities

- Information dissemination on prevention of HIV/AIDS: brochures, posters, leaflets on “Say No to AIDs”, questionnaires, lectures, radio programmes, articles in local newspapers
- Employee counseling on HIV/AIDS
- Participation in the HIV/AIDs informational events jointly with city administrations
- Youth activities on healthy lifestyles, prevention of alcohol and drugs use
- Organisation and sponsorship of sport events and educational programs
- Keleshek Program to support the children of employees
- **Total community investment in 2009: US\$29m (2008: US\$25m).**

## Contacts



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