



Australian Government  
Department of Industry,  
Innovation and Science

Anti-Dumping  
Commission

## Exporter Questionnaire



**Product:** Wire Ropes  
**From:** Republic of South Africa  
**Period of Investigation:** 1 January 2016 – 31 December 2016  
**Response due by:** 2 June 2017

**Important note:** The timeliness of your response is important. Please refer below for more information.

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OR  
Anti-Dumping Commission  
GPO Box 1632  
Melbourne  
Victoria 3000  
Australia  
Attention: Director Operations 3

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### GOODS UNDER CONSIDERATION

The goods under consideration (the goods) ie the goods exported to Australia, allegedly at dumped prices and/or in receipt of subsidies, are:

Full description of the goods, as subject of the application	
<p><i>The goods the subject of this application are stranded wire rope, alloy or non-alloy steel, whether or not coated or impregnated, having both of the following:</i></p> <ul style="list-style-type: none"><li>• <i>Not greater than 8 strands;</i></li><li>• <i>Diameter not less than 58mm and not greater than 200mm,</i></li></ul> <p><i>with or without attachments.</i></p>	
Further information	
<p><i>The stranded steel wire rope covered by this application can be further described as follows:</i></p> <p>(i) <i>Stranded steel wire rope is rope and strand made of high carbon wire (whether or not containing alloys);</i></p> <p>(ii) <i>The strand or rope can also be sheathed or impregnated and sheathed respectively in plastic or composites;</i></p> <p>(iii) <i>The wires can be layered-up in various configurations in order to give the strand or rope the desired physical properties;</i></p> <p>(iv) <i>Variances can include:</i></p> <ul style="list-style-type: none"><li>• <i>strand diameter;</i></li><li>• <i>number of wires;</i></li><li>• <i>wire finish (e.g. typically black but may be galvanised);</i></li><li>• <i>wire tensile grade;</i></li><li>• <i>type of lubricant;</i></li><li>• <i>strand or rope length; and</i></li><li>• <i>whether or not an attachment is included (but not limited to ferrules and/or beackets).</i></li></ul> <p>(v) <i>Cores may be made of:</i></p> <ul style="list-style-type: none"><li>• <i>natural or synthetic fibre; or</i></li><li>• <i>Independent Wire Rope Cores ("IWRC"), which may or may not be sheathed or impregnated in plastic.</i></li></ul> <p><i>Typical uses include applications such as dragline hoist, drag and dump ropes, and shovel hoist, crowd and retract ropes.</i></p> <p><i>Goods excluded from this application are:</i></p> <ul style="list-style-type: none"><li>• <i>stranded wire rope that is stainless steel as defined under Note (e) "Stainless steel" to the Tariff;</i></li><li>• <i>stranded wire rope with more than 8 strands, regardless of diameter; and</i></li><li>• <i>stranded wire rope less than 58mm or greater than 200mm in diameter, regardless of the number of strands.</i></li></ul>	

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**SECTION A  
COMPANY STRUCTURE AND OPERATIONS**

This section requests information relating to company details and financial reports.

**A-1 Identity and communication**

Please nominate a person within your company who can be contacted for the purposes of this investigation:

Head Office: **Scaw South Africa (Pty) Ltd – Steel Wire Rope**

Name	<b>Morgan Pillay</b>
Position in the company	<b>General Manager</b>
Address	<b>PO Box 61721 Marshalltown Gauteng Johannesburg 2107 South Africa</b>
Telephone	<b>+27 11 620 0241</b>
Facsimile number	<b>+27 11 620 0260</b>
Email address of contact person	<b>mpillay@scaw.co.za</b>

Factory: **Scaw South Africa (Pty) Ltd – Steel Wire Rope**

Address	<b>Lower Germiston Road Jupiter Haritdale, Germiston 1401 South Africa</b>
Telephone	<b>+27 11 620 0241</b>
Facsimile number	<b>+27 11 620 0260</b>
Email address of contact person	<b>mpillay@scaw.co.za</b>

**A-2 Representative of the company for the purpose of investigation**

If you wish to appoint a representative to assist you in this investigation, provide the following details:

Name	<b>Moulis Legal (Australian lawyers) and Webber Wentzel (South African lawyers)</b>
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Address	<b>6/2 Brindabella Circuit Brindabella Business Park Canberra International Airport Australian Capital Territory Australia 2609</b>
Telephone	<b>+ 61 2 6163 1000</b>
Facsimile number	<b>+ 61 2 6162 0606</b>
Email address of contact person	<b>daniel.moulis@moulislegal.com</b>
<b>All communications in relation to this matter should be directed to Daniel Moulis of Moulis Legal in the first instance.</b>	

*Note that in nominating a representative, the Commission will assume that confidential material relating to your company in this investigation may be freely released to, or discussed with, that representative.*

### A-3 Company information

1. What is the legal name of your business? What kind of entity is it (eg. company, partnership, sole trader)? Please provide details of any other business names that you use to export and/or sell goods.

**The legal name of the relevant business is Scaw South Africa (Pty) Ltd ("Scaw SA"). Scaw SA is a company duly incorporated and registered under the laws of South Africa.**

2. Who are the owners and/or principal shareholders? Provide details of shareholding percentages for joint owners and/or principal shareholders. (List all shareholders able to cast, or control the casting of, 5% or more of the maximum amount of votes that could be cast at a general meeting of your company).

**At the commencement of the period of investigation ("POI"), Industrial Development Corporation SOE Ltd ("IDC") was the majority shareholder (74%) in Scaw SA. Main Street 510 (Pty) Ltd, consisting of a Black Economic Empowerment consortium ("Main Street"), held 21%, and an employee share ownership trust held 5%. During the POI the employee share ownership trust was unwound, resulting in IDC holding 76% and Main Street holding 24% of the shares in Scaw SA. Refer to Attachment A [CONFIDENTIAL ATTACHMENT]. By way of background, Anglo American Ltd previously owned 74% of the shares in Scaw SA. IDC acquired that shareholding in 2012.**

3. If your company is a subsidiary of another company, list the principal shareholders of that company.

**IDC is an industrial development bank fund owned by the South African government**

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4. If your parent company is a subsidiary of another company, list the principal shareholders of that company.

**Scaw SA's parent company is not a subsidiary of another company.**

5. Provide a diagram showing all associated or affiliated companies and your company's place within that corporate structure.

**Attached hereto and marked as Attachment A [CONFIDENTIAL ATTACHMENT].**

6. Are any management fees/ corporate allocations charged to your company by your parent or related company?

**No.**

7. Describe the nature of your company's business. Explain whether you are a producer or manufacturer, distributor, trading company, etc.

**Scaw SA is an integrated producer of specialty steel products for the mining, construction, industrial, power and rail sectors, with established operations, distribution and marketing channels globally. Scaw SA consists of four divisions:**

- **Grinding Media;**
- **Rolled Products;**
- **Cast Products; and**
- **Wire Rope Products.**

8. If your business does not perform all of the following functions in relation to the goods under consideration, then please provide names and addresses of the companies which perform each function:

- produce or manufacture
- sell in the domestic market
- export to Australia, and
- export to countries other than Australia.

**Scaw SA performs all of these functions.**

9. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

**Refer to "Internal organisation chart" attached hereto as Attachment B [CONFIDENTIAL ATTACHMENT].**

**Scaw SA's business units are separately accounted for in Scaw SA's financial records. Shared cost and services incurred at the corporate/treasury level are charged back to the respective business units by way of internal corporate charge.**

10. Provide a copy of your most recent annual report together with any relevant

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brochures or pamphlets on your business activities.

**See Scaw SA's Integrated Annual Report attached hereto as Attachment C.**

### A-4 General accounting/administration information

1. Indicate your accounting period.

**Scaw SA's accounting period is from 1 April to 31 March.**

2. Indicate the address where the company's financial records are held.

**Scaw SA's financial records are mostly held at Lower Germiston Rd, Heriotdale, Johannesburg, Gauteng, South Africa.**

3. Please provide the following financial documents for the two most recently completed financial years plus all subsequent monthly, quarterly or half yearly statements for your company:
- chart of accounts;
  - audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);
  - internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods under consideration.

These documents should relate to:

- the division or section/s of your business responsible for the production and sale of the goods under consideration, and
- the company.

**Please find attached hereto:**

- **Scaw SA chart of accounts – Attachment D [CONFIDENTIAL ATTACHMENT];**
- **Scaw SA audited Annual Financial Statement for the financial year ended March 2015 and 2016 – Attachment E [CONFIDENTIAL ATTACHMENT]; and**
- **management accounts for the business unit ("SWR") producing the goods - Attachment F [CONFIDENTIAL ATTACHMENT].**

**The Scaw SA audited financial statements for the year ended March 2017 are not yet available and will be provide to the Commission once finalised.**

4. If you are not required to have the accounts audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

**Scaw SA is required to have its accounts audited, therefore this question is**

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**not applicable.**

5. Do your accounting practices differ in any way from the generally accepted accounting principles in your country? If so, provide details.

**No. Scaw SA's accounting practices are in accordance with GAAP in South Africa.**

6. Describe:

The significant accounting policies that govern your system of accounting, in particular:

- the method of valuation for raw material, work-in-process, and finished goods inventories (eg last in first out –LIFO, first in first out- FIFO, weighted average);

**The valuation method of raw materials, WIP and finished goods are at standard costs on [CONFIDENTIAL TEXT DELETED – accounting software] adjusted to net realisable value or actual costs if they differ substantially from standard costs.**

- costing methods, including the method (eg by tonnes, units, revenue, direct costs etc) of allocating costs shared with other goods or processes (such as front office cost, infrastructure cost etc);

**Direct conversion costs are allocated to products based on [CONFIDENTIAL TEXT DELETED –cost allocation]. SG&A expenses are allocated separately from standard cost.**

- valuation methods for damaged or sub-standard goods generated at the various stages of production;

**Damaged or sub-standard goods are written down to scrap value.**

- valuation methods for scrap, by products, or joint products;

**Scrap is reported at market value. There are no by-products or joint products.**

- valuation and revaluation methods for fixed assets;

**All assets are valued at net book value except land and buildings, which are valued at fair value.**

- average useful life for each class of production equipment and depreciation method and rate used for each;

**Depreciation is computed based on the estimated useful lives for each class of production equipment as follows:**

**[CONFIDENTIAL TEXT DELETED – depreciation rates]**

**Asset revaluation for land and buildings is conducted annually at year end and any change recorded at end of period.**

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- treatment of foreign exchange gains and losses arising from transactions;

**Transaction value is booked in local currency value on date of sale. Foreign exchange gain/loss is booked to foreign exchange account on payment receipt. Gain/loss on actual receipts are allocated to the relevant business unit.**

- treatment of foreign exchange gains/losses arising from the translation of balance sheet items;

**Exchange gains/losses on open balances are calculated at month end[CONFIDENTIAL TEXT DELETED – internal accounting policy].**

- inclusion of general expenses and/or interest;

**Interest is accounted for at corporate level.**

- Provisions for bad or doubtful debts;

**Receivables remaining unpaid after [CONFIDENTIAL TEXT DELETED – internal accounting policy] bad debt provision. Debt will be fully written off as irrecoverable at time of management decision to that effect.**

- expenses for idle equipment and/or plant shut-downs;

**Not applicable during the POI.**

- costs of plant closure;

**Not applicable during the POI.**

- restructuring costs;

**Expensed to the applicable cost centre.**

- by-products and scrap materials resulting from your company's production process;

**Scrap is reported at market value.**

- effects of inflation on financial statement information.

**Not applicable in the POI.**

- internal transfer pricing policy in relation to South Africa to Australia transactions

**Transactions conducted on a market supplier-customer basis.**

7. In the event that any of the accounting methods used by your company have changed over the last two years provide an explanation of the changes, the date of change, and the reasons for it.

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**Scaw SA's accounting methods have not changed over the last two years.**

**A-5 Income statement**

Please fill in the following table. It requires information concerning all products produced and for the goods under consideration (*'goods under consideration'* (the goods) is defined in the Glossary of Terms in the appendix to this form). You should explain how costs have been allocated.

	Most recent FY (specify)		Investigation period	
	All products	Goods Under Consideration	All products	Goods Under Consideration
<b>Gross Sales (1)</b>				
Sales returns, rebates and discounts (2)				
<b>Net Sales (3=1-2)</b>				
Raw materials (4)				
Direct Labour (5)				
Depreciation (6)				
Manufacturing overheads (7)				
Other operating expenses (8)				
<b>Total cost to make (9=4+5+6+7+8)</b>				
<b>OPERATING INCOME (10=3-9)</b>				
Selling expenses (11)				
Administrative & general expenses (12)				
Financial expenses (13)				
<b>SG&amp;A expenses (14)=(11+12+13)</b>				
<b>INCOME FROM NORMAL ACTIVITIES (15)=(10-14)</b>				
Interest income (16)				
Interest expense (enter as negative) (17)				
Extraordinary gains and losses – enter losses as negative (18)				
Abnormal gains and losses – enter losses as negative (19)				

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<b>PROFIT BEFORE TAX (20)=(15+16+17+18+19)</b>				
Tax (21)				
<b>NET PROFIT (22)=(20-21)</b>				

Note: if your financial information does not permit you to present information in accordance with this table please present the information in a form that closely matches the table.

Prepare this information on a spreadsheet named **"Income statement"**.

*This information will be used to verify the completeness of cost data that you provide in Section G. If, because of your company's structure, the allocations would not be helpful in this process, please explain why this is the case.*

**See spreadsheet "Wire Ropes - Exporter - Questionnaire Spreadsheets" attached hereto [CONFIDENTIAL ATTACHMENT].**

**"All products" represents the full income statement for the SWR business unit, does not include other Scaw SA BUs.**

**Goods under consideration – actual costs are expensed to cost centres which essentially represent a manufacturing process. Service department cost centres are allocated to the direct production cost centres [CONFIDENTIAL TEXT DELETED –cost allocation]. From that a total cost of production and sales for the good under consideration are then calculated. Actual sales, transport and freight are then added to create the income statement for goods under consideration.**

## A-6 Sales

State your company's net turnover (after returns and all discounts), and free of duties and taxes. Use the currency in which your accounts are kept, in the following format:

	Most recent FY (specify)		Investigation period	
	Volume	Value	Volume	Value
Total company turnover ( <b>all products</b> )				
Domestic market				
Exports to Australia				
Exports to Other Countries				
Turnover of the nearest business unit, for which financial statements are prepared, which includes the goods under consideration				
Domestic market				
Exports to Australia				
Exports to Other Countries				
Turnover of the <b>goods under consideration</b>				

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Domestic market				
Exports to Australia				
Exports to Other Countries				

Prepare this information in a spreadsheet named "TURNOVER".

*This information will be used to verify the cost allocations to the goods under consideration in Section G.*

*Also, you should be prepared to demonstrate that sales data shown for the goods is a complete record by linking total sales of these goods to relevant financial statements.*

**See spreadsheet "Wire Ropes - Exporter - Questionnaire Spreadsheets" attached hereto [CONFIDENTIAL ATTACHMENT].**

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SECTION B  
SALES TO AUSTRALIA (EXPORT PRICE)

*This section requests information concerning your export practices and prices to Australia. You should include costs incurred beyond ex-factory. Export prices are usually assessed at FOB point, but the Commission may also compare prices at the ex factory level.*

*You should report prices of **all** goods under consideration (the goods) **shipped** to Australia during the investigation period.*

*The invoice date will normally be taken to be the date of sale. If you consider:*

- the sale date is not the invoice date (see 'date of sale' column in question B4 below) and;*
- an alternative date should be used when comparing export and domestic prices*

*you **must** provide information in section D on domestic selling prices for a matching period - even if doing so means that such domestic sales data predates the commencement of the investigation period.*

**B-1** For each customer in Australia to whom you shipped goods in the investigation period list:

<b>Name:</b>	<b>Haggie Reid Pty Ltd ("Haggie Reid")</b>
<b>Address:</b>	<b>96 Forrester Road St. Marys NSW 2760 Australia</b>
<b>Contact name:</b>	<b>Birgitta Busst Financial Manager</b>
<b>Phone/fax</b>	<b>T: +61 29 673 8100 F: +61 29 673 8123</b>
<b>Trade level</b>	<b>Distributor</b>

**B-2** For each customer identified in B1 please provide the following information.

- (a) Describe how the goods are sent to each customer in Australia, including a diagram if required.

**Goods are mostly made to order for export sales, post production they will be containerized at the factory and then containerized for transport to the port and then to Australia.**

- (b) Identify each party in the distribution chain and describe the functions performed by them. Where commissions are paid indicate whether it is a pre or post exportation expense having regard to the date of sale.

**Scaw SA sells to Haggie Reid directly. [CONFIDENTIAL TEXT DELETED –**

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**information about commissions]. [CONFIDENTIAL TEXT DELETED – service provider] deliver a full logistical service to us. They arrange and pay all activities from the delivery of the container to SWR, the transporter, harbour charges and freight. They supply us with a detailed invoice per activity and we pay them for all services.**

- (c) Explain who retains ownership of the goods at each stage of the distribution chain. In the case of DDP sales, explain who retains ownership when the goods enter Australia.

**All sales to Haggie Reid were made on [CONFIDENTIAL TEXT DELETED – trading terms] basis. Ownership in the goods in transactions between Scaw SA and Haggie Reid is transferred [CONFIDENTIAL TEXT DELETED – trading terms].**

- (d) Describe any agency or distributor agreements or other contracts entered into in relation to the Australian market (supply copy of the agreement if possible).

**Haggie Reid is the sole distributor of Scaw SA's products in Australia. [CONFIDENTIAL TEXT DELETED – commercial arrangements].**

- (e) Explain in detail the process by which you negotiate price, receive orders, deliver, invoice and receive payment.

**Prices are reviewed and discussed [CONFIDENTIAL TEXT DELETED – commercial arrangements].**

**Orders are received and confirmed electronically as per agreed price.**

**Delivery time is based on normal factory lead times. Goods are invoiced at time of despatch.**

**Payment terms [CONFIDENTIAL TEXT DELETED – trading terms].**

If export prices are based on price lists supply copies of those lists.

**Export prices are based on the prices [CONFIDENTIAL TEXT DELETED – commercial arrangements]. We attach hereto as Attachment G [CONFIDENTIAL ATTACHMENT].**

- (f) State whether your firm is related to any of its Australian customers. Give details of any financial or other arrangements (eg free goods, rebates, or promotional subsidies) with the customers in Australia (including parties representing either your firm or the customers).

**Scaw and Haggie Reid are related entities [CONFIDENTIAL TEXT DELETED – corporate structure]**

- (g) Details of the forward orders of the goods under consideration (include quantities, values and scheduled shipping dates).

**The forward order book for Scaw SA sales to Haggie Reid is attached marked Attachment H [CONFIDENTIAL ATTACHMENT].**

- (h) Detail the services provided as part of the supply of product in

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Australia and any internal or external costs incurred in relation to providing this service.

**[CONFIDENTIAL TEXT DELETED – information about services].**

- B-3** Do your export selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

**Scaw SA has only one distribution channel to the Australian market. The sales are ex-factory sales by manufacturer to distributor.**

- B-4** Prepare a spreadsheet named “Australian sales” listing all shipments (i.e. transaction by transaction) to Australia of the goods under consideration in the investigation period. You must provide this list in electronic format. Include the following export related information:

Column heading	Explanation
Customer name – Mine site	Names of your customers and the mine sites
Level of trade	The level of trade of your customers in Australia
Rope application	Rope application: drag, hoist, shovel etc.
No of strands	No of strands
Rope grade	Load bearing rating
Sheath (Y or N)	Whether or not the rope has a sheath
Product code	Code used in your records for the model/grade/type identified. Explain the product codes in your submission.
Model diameter	Diameter of rope model
Model length	Length of rope model
Rope end attachment type	Type of end attachment (N/A is no end attachment)
Rope end attachment cost	Cost of rope end attachment.
Invoice number	Invoice number
Invoice date	Invoice date
Date of sale	Refer to the explanation at the beginning of this section. If you consider that a date <i>other than</i> the invoice date best establishes the material terms of sale, report that date. For example, order confirmation, contract, or purchase order date.
Quarter	The quarter that the date of sale occurred

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Order number	If applicable, show order confirmation, contract or purchase order number if you have shown a date other than invoice date as being the date of sale.
Shipping terms	Delivery terms eg. CIF, C&F, FOB, DDP (in accordance with Incoterms)
Payment terms	Agreed payment terms eg. 60 days=60 etc.
Consignment stock (Y/N)	Is this a consignment sale (where payment is received after the importer sells the stock) – Yes or No
Stock turn rate (days)	If this is a consignment sale, what is the actual (for this particular sale) or average stock turn rate for stock held in Australia.
Quantity	Quantity in units shown on the invoice. Show basis eg kg.
Gross invoice value	Gross invoice value shown on invoice <i>in the currency of sale, excluding taxes.</i>
Discounts on the invoice	If applicable, the amount of any discount deducted on the invoice on each transaction. If a % discount applies show that % discount applying in another column.
Other charges	Any other charges, or price reductions, that affect the net invoice value. Insert additional columns and provide a description.
Invoice currency	The currency used on the invoice
Exchange rate	Indicate the exchange rate used to convert the currency of the sale to the currency used in your accounting system
Net invoice value	The net invoice value expressed in your domestic currency as it is entered in your accounting system.
Rebates or other allowances	The amount of any deferred rebates or allowances paid to the importer in the currency of sale
Other discounts	The actual amount of other discounts not deducted from the invoice. Show a separate column for each type of discount.
Ocean freight**	The actual amount of ocean freight incurred on each export shipment listed.
Marine insurance	Amount of marine insurance
FOB export price**	The free on board price at the port of shipment.
Packing*	Packing expenses
Inland transportation costs*	Inland transportation costs included in the selling price. For export sales this is the inland freight from factory to port in the country of export.
Handling, loading & ancillary expenses*	Handling, loading & ancillary expenses. For example, terminal handling, export inspection, wharfage & other port charges, container tax, document fees & customs brokers fees, clearance fees, bank charges, letter of credit fees, & other ancillary charges incurred in the exporting country.
Warranty & guarantee	Warranty & guarantee expenses. (In a separate sheet, please detail each warranty claim and the specific financial outcome. Confirm what form of

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expenses*	compensation is negotiated and explain if the compensation has led to further sales?
Technical assistance & other services*	Expenses for after sale services, such as technical assistance or installation costs.
Commissions*	Commissions paid. If more than one type is paid insert additional columns of data. Indicate in your response to question B2 whether the commission is a pre or post exportation expense having regard to the date of sale.
Other costs*	<b>Any other</b> costs, charges or expenses incurred in relation to the exports to Australia (include additional columns as required). See question B5.

\*\* FOB export price and Ocean Freight:

FOB export price: An FOB export price must be calculated for each shipment - regardless of the shipping terms. FOB price includes inland transportation to the port of exportation, inland insurance, handling, and loading charges. It excludes post exportation expenses such as ocean freight and insurance. Use a formula to show the method of the calculation on each line of the export sales spreadsheet.

Ocean freight: as ocean freight is a significant cost it is important that the actual amount of ocean freight incurred on each exportation be reported. If estimates must be made you must explain the reasons and set out the basis - estimates must reflect changes in freight rates over the investigation period.

Freight allocations must be checked for consistency.

\* All of these costs are further explained in section E-1.

**Refer to attached spreadsheet marked "Wire Ropes - Exporter - Questionnaire Spreadsheets" [CONFIDENTIAL ATTACHMENT].**

- B-5** If there are any other costs, charges or expenses incurred in respect of the exports listed above which have not been identified in the table above, add a column (see "other factors" in question B-4) for each item, and provide a description of each item. For example, other selling expenses (direct or indirect) incurred in relation to the export sales to Australia.

**See columns in Australian sales spreadsheet for [CONFIDENTIAL TEXT DELETED – cost differences].**

- B-6** For each type of discount, rebate, allowance offered on export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met by the importer to obtain the discount.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amount shown in your response to question B4. If they vary by customer or level provide an explanation.

**See [CONFIDENTIAL TEXT DELETED – cost differences] as shown in Attachment I [CONFIDENTIAL ATTACHMENT].**

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- B-7** If you have issued credit notes (directly or indirectly) to the customers in Australia, in relation to the invoices listed in the detailed transaction by transaction listing in response to question B4, provide details of each credit note if the credited amount has not been reported as a discount or rebate.

**See credits as shown in Attachment I [CONFIDENTIAL ATTACHMENT].**

- B-8** If the delivery terms make you responsible for arrival of the goods at an agreed point within Australia (eg. delivered duty paid), insert additional columns in the spreadsheet for all other costs incurred.

For example:

Import duties	Amount of import duty paid in Australia
Inland transport	Amount of inland transportation expenses within Australia included in the selling price
Other costs	Customs brokers, port and other costs incurred (itemise)

**Not applicable.**

- B-9** Select two shipments, in different quarters of the investigation period, and provide a complete set of all of the documentation related to the export sale. For example:

- the importer's purchase order, order confirmation, and contract of sale;
- commercial invoice;
- bill of lading, export permit;
- freight invoices in relation to movement of the goods from factory to Australia, including inland freight contract;
- marine insurance expenses; and
- letter of credit, and bank documentation, proving payment.

The Commission will select additional shipments for payment verification at the time of the visit.

**See Attachments J and K [CONFIDENTIAL ATTACHMENTS].**

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SECTION C  
EXPORTED GOODS & LIKE GOODS

- C-1** Fully describe all of the goods you have exported to Australia during the investigation period. Include specification details and any technical and illustrative material that may be helpful in identifying, or classifying, the exported goods.

Refer to the "Surface mining brochure" attached hereto and marked Attachment L.

- C-2** List each type of goods exported to Australia (these types should cover all types listed in spreadsheet "Australian sales" – see section B of this questionnaire).

See Australian sales listing in spreadsheet "Wire Ropes - Exporter Questionnaire Spreadsheets" attached [CONFIDENTIAL ATTACHMENT].

- C-3** If you sell like goods on the domestic market, for each type that your company has exported to Australia during the investigation period:

- list the most comparable model(s) sold domestically; and
- provide a detailed explanation of the differences where those goods sold domestically (ie. the like goods – see explanation in glossary) are not identical to goods exported to Australia.

EXPORTED TYPE	DOMESTIC TYPE	IDENTICAL?	DIFFERENCES
Product code of each model of the goods exported to Australia	Product code of comparable model sold on the domestic market of the country of export	If goods are identical indicate "YES". Otherwise "NO"	Where the good exported to Australia is not identical to the like goods, describe the specification differences. If it is impractical to detail specification differences in this table refer to documents which outline differences

Refer to tab "C3 - Product Comparison" in spreadsheet "Wire Ropes - Exporter - Questionnaire Spreadsheets" [CONFIDENTIAL ATTACHMENT].

- C-4** Please provide any technical and illustrative material that may be helpful in identifying or classifying the goods that your company sells on the domestic market.

Refer to the "Surface mining brochure" attached hereto and marked Attachment L.

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**SECTION D**

**DOMESTIC SALES**

*This section seeks information about the sales arrangements and prices in the domestic market of the country of export.*

*All domestic sales made during the investigation period must be listed transaction by transaction. If there is an extraordinarily large volume of sales data and you are unable to provide the complete listing electronically you **must** contact the case officer **before** completing the questionnaire. If the case officer agrees that it is not possible to obtain a complete listing he or she will consider a method for sampling that meets the Commission requirements. If agreement cannot be reached as to the appropriate method the Commission may not visit your company.*

*The Commission will normally take the invoice date as being the date of sale in order to determine which sales fall within the investigation period.*

*If, in response to question B4 (Sales to Australia, Export Price), you have reported that the date of sale is not the invoice date and you consider that this alternative date should be used when comparing domestic and export prices - you **must** provide information on domestic selling prices for a matching period - even if doing so means that such domestic sales data predates the commencement of the investigation period.*

*If you do not have any domestic sales of like goods you must contact the case officer who will explain the information the Commission requires for determining a normal value using alternative methods.*

**D-1 Provide:**

- a detailed description of your distribution channels to domestic customers, including a diagram if appropriate;

**Scaw SA Wire Ropes BU has these domestic sales channels:**

- **directly to end users;**
- **indirectly by sales to its distribution centres (13 centres) who then on-sell to end users - [CONFIDENTIAL TEXT DELETED – customer information].**

- information concerning the functions/activities performed by each party in the distribution chain;

**Scaw SA carries out all ex-factory and distribution functions with respect to its direct sales. For sales to DCs [CONFIDENTIAL TEXT DELETED – differences in functions/activities].**

- a copy of any agency or distributor agreements, or contracts entered into.

**Invoices with standard conditions issued to end-users and to DCs.**

If any of the customers listed are associated with your business, provide details of that association. Describe the effect, if any, that association has upon the price.

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**[CONFIDENTIAL TEXT DELETED – information about related parties]. DCs are within Scaw SA.**

- D-2** Do your domestic selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

**Scaw SA reserves its rights with respect to level of trade difference between its external sales and its BU transfers, and will present as appropriate.**

- D-3** Explain in detail the sales process, including:

- the way in which you set the price, receive orders, make delivery, invoice and finally receive payment; and the terms of the sales; and
- whether price includes the cost of delivery to customer.

**[CONFIDENTIAL TEXT DELETED – price and trading terms].**  
**Orders are received and confirmed electronically. Delivery is based on normal factory lead times and invoiced at time of despatch.**  
**Payment terms are [CONFIDENTIAL TEXT DELETED – trading terms].**

If sales are in accordance with price lists, provide copies of the price lists.

**[CONFIDENTIAL TEXT DELETED – price].**

- D-4** Prepare a spreadsheet named “**domestic sales**” listing **all** sales of like goods made during the investigation period. The listing must be provided on a CD-ROM. Include all of the following information.

Column heading	Explanation
Customer name – Mine site	Names of your customers and the mine sites
Level of trade	The level of trade of your customers in South Africa
Rope application	Rope application: drag, hoist, shovel etc.
No of strands	No of strands
Rope grade	Load bearing rating
Sheath (Y or N)	Whether or not the rope has a sheath
Product code	Code used in your records for the model/grade/type identified. Explain the product codes in your submission.
Model diameter	Diameter of rope model
Model length	Length of rope model

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Rope end attachment type	Type of end attachment (N/A is no end attachment).
Rope end attachment cost	Cost of rope end attachment.
Invoice number	Invoice number
Invoice date	Invoice date
Date of sale	Refer to the explanation at the beginning of this section. If you consider that a date <i>other than</i> the invoice date best establishes the material terms of sale and should be used, report that date. For example, order confirmation, contract, or purchase order date.
Quarter	The quarter that the date of sale occurred
Order number	Show order confirmation, contract or purchase order number if you have shown a date other than invoice date as being the date of sale.
Delivery terms	Eg ex-factory, free on truck, delivered into store.
Payment terms	Payment terms agreed with the customer eg. 60 days=60 etc
Quantity	Quantity in units shown on the invoice eg kg.
Gross Invoice value	Gross value shown on invoice <i>in the currency of sale</i> , net of taxes.
Discounts on the invoice	The amount of any discount deducted on the invoice on each transaction. If a % discount applies show that % discount applying in another column.
Other charges	Any other charges, or price reductions, that affect the net invoice value. Insert additional columns and provide description.
Net invoice value	The net invoice value expressed in your domestic currency as recorded in your accounting system
Rebates or other allowances	The actual amount of any deferred rebates or allowances in the currency of sale
Quantity discounts	The actual amount of quantity discounts not deducted from the invoice. Show a separate column for each type of quantity discount.
Packing*	Packing expenses
Inland transportation costs*	Amount of inland transportation costs included in the selling price.
Handling, loading and ancillary expenses*	Handling, loading & ancillary expenses.
Warranty & guarantee expenses*	Warranty & guarantee expenses
Technical assistance & other services*	Expenses for after sale services such as technical assistance or installation costs.
Commissions*	Commissions paid. If more than one type is paid insert additional columns

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	of data.
Other factors*	<b>Any other</b> costs, charges or expenses incurred in relation to the domestic sales (include additional columns as required). See question D5.

**Refer to the attached spreadsheet marked "Wire Ropes - Exporter - Questionnaire Spreadsheets" [CONFIDENTIAL ATTACHMENT].**

- D-5** If there are any other costs, charges or expenses incurred in respect of the sales listed which have not been identified in the table in question D-4 above add a column for each item (see "other factors"). For example, certain other selling expenses incurred.

**Refer to the attached spreadsheet marked "Wire Ropes - Exporter - Questionnaire Spreadsheets" [CONFIDENTIAL ATTACHMENT] and explanations of added information in Section E-2.**

- D-6** For each type of commission, discount, rebate, allowance offered on domestic sales of like goods:

- provide a description; and
- explain the terms and conditions that must be met by the customer to qualify for payment.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amounts shown in your response to question D4.

**[CONFIDENTIAL TEXT DELETED – information about commissions].**

If you have issued credit notes, directly or indirectly to the customers, provide details if the credited amount has **not** been reported as a discount or rebate.

**See credits as shown in Attachment M [CONFIDENTIAL ATTACHMENT].**

- D-7** Select two domestic sales, in different quarters of the investigation period, that are at the same level of trade as the export sales. Provide a complete set of documentation for those two sales. (Include, for example, purchase order, order acceptance, commercial invoice, discounts or rebates applicable, credit/debit notes, long or short term contract of sale, inland freight contract, bank documentation showing proof of payment.)

The Commission will select additional sales for verification at the time of our visit.

**See Attachments N and O [CONFIDENTIAL ATTACHMENTS].**

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**SECTION E**

**FAIR COMPARISON**

*Section B sought information about the export prices to Australia and Section D sought information about prices on your domestic market for like goods (ie. the normal value).*

*Where the normal value and the export price are not comparable adjustments may be made. This section informs you of the fair comparison principle and asks you to quantify the amount of any adjustment.*

*As prices are being compared, the purpose of the adjustments is to eliminate factors that have unequally modified the prices to be compared.*

*To be able to quantify the level of any adjustment it will usually be necessary to examine cost differences between sales in different markets. The Commission must be satisfied that those costs are likely to have influenced price. In practice, this means that the expense item for which an adjustment is claimed should have a close nexus to the sale. For example, the cost is incurred because of the sale, or because the cost is related to the sale terms and conditions.*

*Conversely, where there is not a direct relationship between the expense item and the sale a greater burden is placed upon the claimant to demonstrate that prices have been affected, or are likely to have been affected, by the expense item. In the absence of such evidence the Commission may disallow the adjustment.*

*Where possible, the adjustment should be based upon actual costs incurred when making the relevant sales. However, if such specific expense information is unavailable cost allocations may be considered. In this case, the party making the adjustment claim must demonstrate that the allocation method reasonably estimates costs incurred.*

*A party seeking an adjustment has the obligation to substantiate the claim by relevant evidence that would allow a full analysis of the circumstances, and the accounting data, relating to the claim.*

*The investigation must be completed within strict time limits therefore you must supply information concerning claims for adjustments in a timely manner. Where an exporter has knowledge of the material substantiating an adjustment claim that material is to be available at the time of the verification visit. The Commission will not consider new claims made after the verification visit.*

**E-1 Costs associated with export sales**

(These cost adjustments will relate to your responses made at question B-4, 'Australian sales')

**1. Transportation**

Explain how you have quantified the amount of inland transportation associated with the export sale ("**Inland transportation costs**"). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

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**The relevant column allocates the actual cost per container as invoiced by freight provider.**

### 2. Handling, loading and ancillary expenses

List all charges that are included in the export price and explain how they have been quantified (“**Handling, loading & ancillary expenses**”). Identify the general ledger account where the expenses are located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

The various export related ancillary costs are identified in the table at question B4, for example:

- terminal handling;
- wharfage and other port charges;
- container taxes;
- document fees and customs brokers fees;
- clearance fees;
- bank charges, letter of credit fees
- other ancillary charges.

**The relevant column allocates the actual cost as invoiced by freight provider.**

### 3. Credit

The cost of extending credit on export sales is not included in the amounts quantified at question B4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. Provide applicable interest rates over each month of the investigation period. Explain the nature of the interest rates most applicable to these export sales eg, short term borrowing in the currency concerned.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, *and if* export prices are influenced by this longer or shorter period, calculate the average number of collection days. See also item 4 in section E-2 below.

**[CONFIDENTIAL TEXT DELETED – trading terms]**

### 4. Packing costs

List material and labour costs associated with packing the export product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed ‘**Packing**’.

**Packing costs for export and domestic sales are the same apart from [CONFIDENTIAL TEXT DELETED – cost differences].**

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### 5. Commissions

For any commissions paid in relation to the export sales to Australia:

- provide a description; and
- explain the terms and conditions that must be met.

Report the amount in the sales listing in question B-4 under the column headed “**Commissions**”. Identify the general ledger account where the expense is located.

[CONFIDENTIAL TEXT DELETED – information about commissions].

### 6. Warranties, guarantees, and after sales services

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses (“**Warranty & guarantee expenses**” and “**Technical assistance & other services**”), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

[CONFIDENTIAL TEXT DELETED – product information].

### 7. Other factors

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed “**Other factors**”. For example, other variable or fixed selling expenses, including salesmen’s salaries, salesmen’s travel expenses, advertising and promotion, samples and entertainment expenses. Your consideration of questions asked at Section G, concerning domestic and export costs, would have alerted you to such other factors.

Scaw SA is not aware of any other export cost factors than those identified in this EQ.

### 8. Currency conversions

In comparing export and domestic prices a currency conversion is required. Fluctuations in exchange rates can only be taken into account when there has been a ‘sustained’ movement during the period of investigation (see article 2.4.1 of the WTO Agreement). The purpose is to allow exporters 60 days to adjust export prices to reflect ‘sustained’ movements. Such a claim requires detailed information on exchange movements in your country over a long period that includes the investigation period.

Not applicable, noting that normal forex gain/loss has been included in the Australian sales spreadsheet.

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### E-2 Costs associated with domestic sales

(These cost adjustments will relate to your responses made at question D-4, “domestic sales”)

*The following items are not separately identified in the amounts quantified at question D-4. However you should consider whether any are applicable.*

#### 1. Physical characteristics

The adjustment recognises that differences such as quality, chemical composition, structure or design, mean that goods are not identical and the differences can be quantified in order to ensure fair comparison.

The amount of the adjustment shall be based upon the market value of the difference, but where this is not possible the adjustment shall be based upon the difference in cost plus the gross profit mark-up (i.e. an amount for selling general and administrative costs (S G & A) plus profit).

The adjustment is based upon actual physical differences in the goods being compared and upon the manufacturing cost data. Identify the physical differences between each model. State the source of your data.

**See Section C “Like Goods” spreadsheet [CONFIDENTIAL ATTACHMENT], and relevant CTMS costing differences.**

#### 2. Import charges and indirect taxes

If exports to Australia:

- are partially or fully exempt from internal taxes and duties that are borne by the like goods in domestic sales (or on the materials and components physically incorporated in the goods), or
- if such internal taxes and duties have been paid and are later remitted upon exportation to Australia,

the price of like goods must be adjusted downwards by the amount of the taxes and duties.

The taxes and duties include sales, excise, turnover, value added, franchise, stamp, transfer, border, and excise taxes. Direct taxes such as corporate income tax are not included as such taxes do not apply to the transactions.

Adjustment for drawback is not made in every situation where drawback has been received. Where an adjustment for drawback is appropriate you must provide information showing the import duty borne by the domestic sales. (That is, it is not sufficient to show the drawback amount and the export sales quantity to Australia. For example, you may calculate the duty borne on domestic sales by quantifying the total amount of import duty paid and subtracting the duty refunded on exports to all countries. The difference, when divided by the domestic sales volume, is the amount of the adjustment).

In substantiating the drawback claim the following information is required:

- copy of the relevant statutes/regulations authorising duty exemption or remission, translated into English;

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- the amount of the duties and taxes refunded upon exportation and an explanation how the amounts were calculated and apportioned to the exported goods;
- an explanation as to how you calculated the amount of duty payable on imported materials is borne by the goods sold domestically but is not borne by the exports to Australia;

### Substitution drawback systems

Annex 3 of the WTO Agreement on Subsidies provides: *“Drawback systems can allow for the refund or drawback of import duties on inputs which are consumed in the production process of another product and where the export of this latter product contains domestic inputs having the same quality and characteristics as those substituted for the imported inputs”*

If such a scheme operates in the country of export adjustments can also be made for the drawback payable on the substituted domestic materials, provided the total amount of the drawback does not exceed the total duty paid.

**There are no government-provided drawback or rebate systems or payments applicable to exports of the GUC.**

**[CONFIDENTIAL TEXT DELETED – cost differences]**

**These steel sales incentives are payments made, by commercial parties, conditional upon export.**

### 3. Level of trade

Question D-4 asks you to indicate the level of trade to the domestic customer. To claim an adjustment for level of trade differences you will need to quantify the amount by which level of trade influences price.

Trade level is the level a company occupies in the distribution chain. The trade level to which that company in turn sells the goods and the functions carried out distinguish a level of trade. Examples are producer, national distributor, regional distributor, wholesaler, retailer, end user, and original equipment.

It may not be possible to compare export prices and domestic prices at the same level of trade. Where relevant sales of like goods at the next level of trade must be used to determine normal values an adjustment for the difference in level of trade may be required where it is shown that the difference affects price comparability.

The information needs to establish that there are real trade level differences, not merely nominal differences. Real trade level differences are characterised by a consistent pattern of price differences between the levels and by a difference in functions performed. If there is no real trade level differences all sales are treated as being at the same level of trade.

A real difference in level of trade (may be adjusted for using either of the following methods:

- (a) *costs arising from different functions*: the amount of the costs, expenses etc incurred by the seller in domestic sales of the like goods

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resulting from activities that would not be performed were the domestic sales made at the same level as that of the importer.

This requires the following information:

- a detailed description of each sales activity performed in selling to your domestic customers (for example sales personnel, travel, advertising, entertainment etc);
- the cost of carrying out these activities in respect of like goods;
- for each activity, whether your firm carries out the same activity when selling to importers in Australia;
- an explanation as to why you consider that you are entitled to a level of trade adjustment.

or

- (b) *level discount*: the amount of the discount granted to purchasers who are at the same level of trade as the importer in Australia. This is determined by an examination of price differences between the two levels of trade in the exporter's domestic market, for example sales of like goods by other vendors or sales of the same general category of goods by the exporter. For this method to be used it is important that a clear pattern of pricing be established for the differing trade levels. Such pattern is demonstrated by a general availability of the discounts to the level - isolated instances would not establish a pattern of availability.

**As mentioned, domestic sales are sold directly to end customers, or transferred pursuant to internal invoice to Scaw SA's distribution centres for sale to end users. Australian sales are made to Haggie Reid (as the distributor) who then sells to the end customer.**

**Scaw SA reserves its rights with respect to the measurement of any level of trade difference and will present as appropriate.**

#### 4. Credit

The cost of extending credit on domestic sales is not included in the amounts quantified at question D-4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. An adjustment for credit is to be made even if funds are not borrowed to finance the accounts receivable.

The interest rate on domestic sales in order of preference is:

- the rate, or average of rates, applying on actual short term borrowings by the company; or
- the prime interest rate prevailing for commercial loans in the country for credit terms that most closely approximate the credit terms on which the sales were made; or
- such other rate considered appropriate in the circumstances.

Provide the applicable interest rate over each month of the investigation

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period.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, and if domestic prices are influenced by this longer or shorter period, calculate the average number of collection days.

Where there is no fixed credit period agreed at the time of sale the period of credit is determined on the facts available. For example, where payment is made using an open account system<sup>1</sup>, the average credit period may be determined as follows:

1. *Calculate an accounts receivable turnover ratio*

This ratio equals the total credit sales divided by average accounts receivable.

(It is a measure of how many times the average receivables balance is converted into cash during the year).

In calculating the accounts receivable turnover ratio, credit sales should be used in the numerator whenever the amount is available from the financial statements. Otherwise net sales revenue may be used in the numerator.

An average accounts receivable over the year is used in the denominator. This may be calculated by:

- using opening accounts receivable at beginning of period plus closing accounts receivable at end of period divided by 2, or
- total monthly receivables divided by 12.

2. *Calculate the average credit period*

The average credit period equals 365 divided by the accounts receivable turnover ratio determined above at 1.

The resulting average credit period should be tested against randomly selected transactions to support the approximation.

[CONFIDENTIAL TEXT DELETED –trading terms].

*The following items are identified in the amounts quantified at question D-4:*

### 5. **Transportation**

Explain how you have quantified the amount of inland transportation associated with the domestic sales (“**Inland transportation Costs**”). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

**The relevant column uses the fixed rate charges specified in the contract with the freight provider.**

<sup>1</sup>

Under an open account system, following payment the balance of the amount owing is carried into the next period. Payment amounts may vary from one period to the next, with the result that the amount owing varies.

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### 6. Handling, loading and ancillary expenses

List all charges that are included in the domestic price and explain how they have been quantified (“**Handling, loading and ancillary Expenses**”). Identify the general ledger account where the expense is located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

[CONFIDENTIAL TEXT DELETED – information about costs].

### 7. Packing

List material and labour costs associated with packing the domestically sold product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed “**Packing**”.

Packing costs for export and domestic sales are the same apart from [CONFIDENTIAL TEXT DELETED – cost differences].

### 8. Commissions

For any commissions paid in relation to the domestic sales:

- provide a description
- explain the terms and conditions that must be met.

Report the amount in the sales listing under the column headed “**Commissions**”. Identify the general ledger account where the expense is located.

[CONFIDENTIAL TEXT DELETED – information about commissions].

### 9. Warranties, guarantees, and after sales services

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses (“**Warranty & Guarantee expenses**” and “**Technical assistance & other services**”), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

[CONFIDENTIAL TEXT DELETED – product information].

### 10. Other factors

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed “**Other factors**”. List the factors and show how each has been quantified in per unit terms. For example:

- *inventory carrying cost*: describe how the products are stored prior to sale and show data relating to the average length of time in inventory.

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Indicate the interest rate used;

- *warehousing expense*: an expense incurred at the distribution point;
- *royalty and patent fees*: describe each payment as a result of production or sale, including the key terms of the agreement;
- *advertising*; and
- *bad debt*.

**Scaw SA notes these other factors: [CONFIDENTIAL TEXT DELETED – information about costs].**

### E-3 Duplication

In calculating the amount of the adjustments you must ensure that there is no duplication.

For example:

- adjustments for level of trade, quantity or other discounts may overlap, or
- calculation of the amount of the difference for level of trade may be based upon selling expenses such as salesperson's salaries, promotion expenses, commissions, and travel expenses.

Separate adjustment items must avoid duplication.

An adjustment for quantities may not be granted unless the effect on prices for quantity differences is identified and separated from the effect on prices for level of trade differences.

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**SECTION F**  
**EXPORT SALES TO COUNTRIES OTHER THAN**  
**AUSTRALIA (THIRD COUNTRY SALES)**

*Your response to this part of the questionnaire may be used by the Commission to select sales to a third country that may be suitable for comparison with exports to Australia.*

*Sales to third countries may be used as the basis for normal value in certain circumstances. The Commission may seek more detailed information on particular third country sales where such sales are likely to be used as the basis for determining normal value.*

**F-1** Using the column names and column descriptions below provide a summary of your export sales to countries other than Australia.

Column heading	Explanation
Country	Name of the country that you exported like goods to over the investigation period.
Number of customers	The number of different customers that your company has sold like goods to in the third country over the investigation period.
Level of trade	The level of trade that you export like goods to in the third country.
Quantity	Indicate quantity, in units, exported to the third country over the investigation period.
Unit of quantity	Show unit of quantity eg kg
Value of sales	Show net sales value to all customers in third country over the investigation period
Currency	Currency in which you have expressed data in column SALES
Payment terms	Typical payment terms with customer(s) in the country eg. 60 days=60 etc
Shipment terms	Typical shipment terms to customers in the third country eg CIF, FOB, ex-factory, DDP etc.

Supply this information in spreadsheet file named "Third country"

**See spreadsheet "Wire Ropes - Exporter - Questionnaire Spreadsheets" attached [CONFIDENTIAL ATTACHMENT].**

**F-2** Please identify any differences in sales to third countries which may affect their comparison to export sales to Australia.

**Prices in sales to different markets and to different customers in those markets vary depending on market circumstances, terms of trade (including**

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freight terms), mix of customers, volume, etc. It is not possible to accurately identify and account for all differences in sales to third countries which would affect their comparison with export sales to Australia.

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**SECTION G**  
**COSTING INFORMATION AND CONSTRUCTED VALUE**

*The information that you supply in response to this section of the questionnaire will be used for various purposes including:*

- *testing the profitability of sales of like goods on the domestic market;*
- *determining a constructed normal value of the goods under consideration (the goods) - ie of the goods exported to Australia; and*
- *making certain adjustments to the normal value.*

*You will need to provide the cost of production of both the exported goods (the goods) and for the like goods sold on the domestic market. You will also need to provide the selling, general, and administration costs relating to goods sold on the domestic market; the finance expenses; and any other expenses (eg. non-operating expenses not included elsewhere) associated with the goods.*

*In your response please include a worksheet showing how the selling, general, and administration expenses; the finance expenses; and any other expenses have been calculated.*

*If, in response to question B4 (Sales to Australia, Export Price) you:*

- *reported that the date of sale is not the invoice date and consider that this alternative date should be used when comparing domestic and export prices, and*
- *provided information on domestic selling prices for a matching period as required in the introduction to Section D (Domestic Sales)*

*you must provide cost data over the same period as these sales even if doing so means that such cost data predates the commencement of the investigation period.*

*At any verification meeting you must be prepared to reconcile the costs shown to the accounting records used to prepare the financial statements.*

**G-1. Production process and capacity**

Describe the production process for the goods. Provide a flowchart of the process. Include details of all products manufactured using the same production facilities as those used for the goods. Also specify all scrap or by-products that result from producing the goods.

**Refer to Haggie Production flowchart of all products attached hereto and marked at Attachment P [CONFIDENTIAL ATTACHMENT].**

**G-2. Your company's total production**

Provide information about your company's total production in the following table:

## FOR PUBLIC RECORD

	PREVIOUS FINANCIAL YEAR	MOST RECENT FINANCIAL YEAR	Investigation Period
A – Production capacity (eg kg, tonnes)*			
B – Actual production in volume (eg kg, tonnes)			
C – Capacity utilisation (%) (B/A x 100)			

\* rather than showing a 'name-plate' optimal capacity it is more meaningful to show the maximum level of production that may reasonably be attained under normal operating conditions. For example assuming: normal levels of maintenance and repair; a number of shifts and hours of operation that is not abnormally high; and a typical production mix.

**See spreadsheet “Wire Ropes - Exporter - Questionnaire Spreadsheets” attached [CONFIDENTIAL ATTACHMENT].**

### G-3. Cost accounting practices

1. Outline the management accounting system that you maintain and explain how that cost accounting information is reconciled to your audited financial statements.

**Scaw SA uses the [CONFIDENTIAL TEXT DELETED – accounting software] system to record sales and costs in profit and cost centres. The [CONFIDENTIAL TEXT DELETED – accounting software] balances by general ledger account and cost/profit centre are then uploaded [CONFIDENTIAL TEXT DELETED – accounting software] on a monthly basis. The Scaw SA group management accounts and financial statements are then compiled [CONFIDENTIAL TEXT DELETED – accounting software] for each BU and consolidated for Scaw SA.**

**Data was directly derived from the management accounts compiled from [CONFIDENTIAL TEXT DELETED – accounting software] for the SWR business unit and the cost centre actual balances per general ledger account [CONFIDENTIAL TEXT DELETED – accounting software] to calculate the goods under consideration income statement, CTMS schedules [CONFIDENTIAL TEXT DELETED – cost allocation].**

- 2 Is your company's cost accounting system based on standard (budgeted) costs? State whether standard costs were used in your responses to this questionnaire. If they were state whether all variances (ie differences between standard and actual production costs) have been allocated to the goods - and describe how those variances have been allocated.

**We use standard cost to value our inventory and actual cost spreadsheets for costing purposes. Actual cost schedules were used in this questionnaire not standard costs.**

- 3 Provide details of any significant or unusual cost variances that occurred during the investigation period.

## FOR PUBLIC RECORD

## FOR PUBLIC RECORD

[CONFIDENTIAL TEXT DELETED – information about unusual costs].

- 4 Describe the profit/cost centres in your company's cost accounting system.

SWR BU has [CONFIDENTIAL TEXT DELETED – number] profit centres and [CONFIDENTIAL TEXT DELETED – number] cost centres. Cost centres consist of direct production processes, support services and administrative functions.

- 5 For each profit/cost centre describe in detail the methods that your company normally uses to allocate costs to the goods under consideration. In particular specify how, and over what period, expenses are amortised or depreciated, and how allowances are made for capital expenditures and other development costs.

We use the production cost centres (essentially production processes) [CONFIDENTIAL TEXT DELETED – cost allocation].

- 6 Describe the level of product specificity (models, grades etc) that your company's cost accounting system records production costs.

Bills of material used in system. Actual conversion costs calculated [CONFIDENTIAL TEXT DELETED – cost allocation].

- 7 List and explain all production costs incurred by your company which are valued differently for cost accounting purposes than for financial accounting purposes.

[CONFIDENTIAL TEXT DELETED – information about unusual costs].

- 8 State whether your company engaged in any start-up operations in relation to the goods under consideration. Describe in detail the start-up operation giving dates (actual or projected) of each stage of the start-up operation.

Not applicable.

- 9 State the total cost of the start-up operation and the way that your company has treated the costs of the start-up operation in its accounting records.

Not applicable.

### G-4 Cost to make and sell on domestic market

*This information is relevant to testing whether domestic sales are in the ordinary course of trade.<sup>2</sup>*

- 1 Prepare this information in a spreadsheet named "Domestic CTMS".

	Quarter X	Quarter X	Quarter X	Quarter X	Investigatio
--	-----------	-----------	-----------	-----------	--------------

<sup>2</sup> The Commission applies the tests set out in s.269TAAD of the Customs Act 1901 to determine whether goods are in ordinary course of trade. These provisions reflect the WTO Anti-Dumping Agreement – see Article 2.2.1.

## FOR PUBLIC RECORD

## FOR PUBLIC RECORD

					n Period
<b>Like Domestic Model/Type – from spreadsheet LIKE GOOD (section C-3)</b>					
Material Costs <sup>1</sup>					
Direct Labour					
Manufacturing Overheads					
Other Costs <sup>2</sup>					
<b>Total Cost to Make</b>					
Production Volume					
<b>Unit Cost to Make</b>					
Selling Costs					
Administration Costs					
Financial Costs					
Delivery Expenses <sup>3</sup>					
Other Costs <sup>3</sup>					
<b>Total SG&amp;A</b>					
Sales Volume					
<b>Unit SG&amp;A</b>					
<b>Unit Cost to Make and Sell</b>					

<sup>1</sup> Identify each cost separately. Include indirect material costs as a separate item only if not included in manufacturing overheads.

<sup>2</sup> Relating to costs of production only; identify each cost separately.

<sup>3</sup> Identify each cost separately. Please ensure non-operating expenses **that relate to the goods under consideration** are included. Where gains/losses due to foreign currency exchange are incurred, please provide detail of the amounts separately for transaction and translation gains/losses.

*Provide this information for each quarter (or month if your company calculates costs on a monthly basis) and over the period of the investigation.*

**See spreadsheet “Wire Ropes - Exporter - Questionnaire Spreadsheets” attached [CONFIDENTIAL ATTACHMENT].**

*If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.*

*Please specify unit of currency.*

**South African Rands (ZAR).**

## FOR PUBLIC RECORD

## FOR PUBLIC RECORD

- 2 Indicate the source of cost information (account numbers etc) and/or methods used to allocate cost to the goods. Provide documentation and worksheets supporting your calculations.

### G-5 Cost to make and sell goods under consideration (goods exported to Australia)

*The information is relevant to calculating the normal values based on costs. It is also relevant to calculating certain adjustments to the normal value.*

- 1 Prepare this information in a spreadsheet named "**Australian CTMS**".

	Quarter X	Quarter X	Quarter X	Quarter X	Investigation Period
<b>Model/Type exported to Australia – from spreadsheet LIKEGOOD</b>					
Material Costs <sup>1</sup>					
Direct Labour					
Manufacturing Overheads					
Other Costs <sup>2</sup>					
<b>Total Cost to Make</b>					
Production Volume					
<b>Unit Cost to Make</b>					
Selling Costs					
Administration Costs					
Financial Costs					
Delivery Expenses <sup>3</sup>					
Other Costs <sup>3</sup>					
<b>Total SG&amp;A</b>					
Sales Volume					
<b>Unit SG&amp;A</b>					
<b>Unit Cost to Make and Sell</b>					

<sup>1</sup> Identify each cost separately. Include indirect material costs as a separate item only if not included in manufacturing overheads.

<sup>2</sup> Relating to costs of production only; identify each cost separately.

<sup>3</sup> Identify each cost separately. Please ensure non-operating expenses **that relate to the goods** are included. Where gains/losses due to foreign currency exchange are incurred, please provide detail of the amounts separately for transaction and translation gains/losses.

## FOR PUBLIC RECORD

*Provide this information for each quarter (or month if your company calculates costs on a monthly basis) and over the period of the investigation.*

**See spreadsheet “Wire Ropes - Exporter - Questionnaire Spreadsheets” attached hereto [CONFIDENTIAL ATTACHMENT].**

*If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.*

*Please specify unit of currency.*

**South African Rands (ZAR)**

- 2 Where there are cost differences between goods sold to the domestic market and those sold for export, give reasons and supporting evidence for these differences.

**These are referred to in Sections B, C and E, and are identifiable in the spreadsheets variously as columns in the sales spreadsheets and as differences in the respective CTMS tables.**

- 3 Give details and an explanation of any significant differences between the costs shown, and the costs as normally determined in accordance with your general accounting system. Reference should be made to any differences arising from movements in inventory levels and variances arising under standard costing methods.

**Not applicable.**

- 4 In calculating the unit cost to make and sell, provide an explanation if the allocation method used (eg number, or weight etc) to determine the unit cost differs from the prior practice of your company.

**Not applicable.**

## G-6 Major raw material costs

List major raw material costs, which individually account for 10% or more of the total production cost.

For these major inputs:

- identify materials sourced in-house and from associated entities;
- identify the supplier; and
- show the basis of valuing the major raw materials in the costs of production you have shown for the goods (eg market prices, transfer prices, or actual cost of production).

Where the major input is produced by an associate of your company the Commission will compare your purchase price to a normal market price. If the associate provides information on the cost of production for that input such cost data may also be considered.

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## FOR PUBLIC RECORD

Normal market price is taken to be the price normally available in the market (having regard to market size, whether the input is normally purchased at 'spot prices' or under long term contracts etc).

The term associate is defined in section 269TAA of the *Customs Act*. Included in that definition are companies controlled by the same parent company (a company that controls 5% or more of the shares of another is taken to be an associated company); companies controlled by the other company; and companies having the same person in the board of directors.

**Important note: If the major input is sourced as part of an integrated production process you should provide detailed information on the full costs of production of that input.**

**See spreadsheet "Wire Ropes - Exporter - Questionnaire Spreadsheets" attached hereto [CONFIDENTIAL ATTACHMENT].**

FOR PUBLIC RECORD

**FOR PUBLIC RECORD**  
**SECTION H**  
**EXPORTER'S DECLARATION**



I hereby declare that **Scaw South Africa (Pty) Ltd** (company) did, during the period of investigation export the goods under consideration and have completed the attached questionnaire and, having made due inquiry, certify that the information contained in this submission is complete and correct to the best of my knowledge and belief.

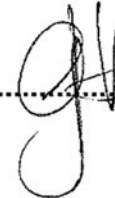


I hereby declare that.....(company) did not, during the period of investigation, export the goods under consideration and therefore have not completed the attached questionnaire.

Name

:.....George Katergarakis.....

Signature

:..........

Position in

Company

:.....EXECUTIVE HEAD : WIRE ROD PRODUCTS.....

Date

:.....09 / JUNE / 2017.....

**FOR PUBLIC RECORD**



**FOR PUBLIC RECORD**

**SECTION I  
CHECKLIST**


*This section is an aid to ensure that you have completed all sections of this questionnaire.*

<b>Section</b>	Please tick if you have responded to all questions
Section A – general information	<input checked="" type="checkbox"/>
Section B – export price	<input checked="" type="checkbox"/>
Section C – like goods	<input checked="" type="checkbox"/>
Section D – domestic price	<input checked="" type="checkbox"/>
Section E – fair comparison	<input checked="" type="checkbox"/>
Section F – exports to third countries	<input checked="" type="checkbox"/>
Section G – costing information	<input checked="" type="checkbox"/>
Section H – declaration	<input checked="" type="checkbox"/>

<b>Electronic Data</b>	Please tick if you have provided spreadsheet
<b>INCOME STATEMENT</b>	<input checked="" type="checkbox"/>
<b>TURNOVER</b> – sales summary	<input checked="" type="checkbox"/>
<b>AUSTRALIAN SALES</b> – list of sales to Australia	<input checked="" type="checkbox"/>
<b>DOMESTICSALES</b> – list of all domestic sales of like goods	<input checked="" type="checkbox"/>
<b>THIRD COUNTRY</b> – third country sales	<input checked="" type="checkbox"/>
<b>PRODUCTION</b> – production figures	<input checked="" type="checkbox"/>
<b>DOMESTIC COSTS</b> – costs of goods sold domestically	<input checked="" type="checkbox"/>

**FOR PUBLIC RECORD**

**FOR PUBLIC RECORD**

<b>AUSTRALIAN COSTS</b> – costs of goods sold to Australia	
---------------------------------------------------------------	-------------------------------------------------------------------------------------

# 2016

Integrated annual report  
for the year ended 31 March 2016

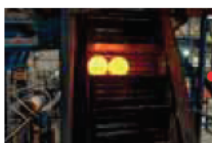
## Our vision

**Be a South African-led, globally competitive and responsible beneficiary of key raw materials into secondary value-added steel products.**

**We seek to realise our vision by continually improving our products and processes, expanding our African footprint and consolidating our global reach. By developing a thriving business, we are better able to benefit all stakeholders and help grow the South African economy.**

## Our operations

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### ▶ **Grinding Media**

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### ▶ **Rolled Products**

Page **10**



### ▶ **Cast Products**

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### ▶ **Wire Rod Products**

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## Our customer sectors

- ▶ Rail
- ▶ Power
- ▶ Mining
- ▶ Construction
- ▶ Industrial
- ▶ Oil and gas

## About this report

Scaw's integrated annual report 2016 is posted on the group's website:

**[www.scaw.co.za](http://www.scaw.co.za)**

### Corporate information

The current Executive Director is Markus Hannemann. He has been CEO of the Scaw group since 2013. He can be contacted at the registered office of the company (see IBC).

*The company's contact details are disclosed on the IBC.*

### Responsibility statement

The Audit and Risk, and the Social, Ethics and Transformation committees acknowledge responsibility on behalf of the Board to ensure the integrity of the Scaw integrated annual report 2016. The committees have accordingly considered the report and believe that it appropriately and sufficiently addresses all material issues, and fairly presents the integrated performance of Scaw for the year within the scope and boundary alongside.

Approved by



**Ufikile Khumalo**  
*Chairman*



**Markus Hannemann**  
*CEO*



**Nkosemntu Nika**  
*Audit and Risk Committee Chairman*



**Neo Mokhesi**  
*Social, Ethics and Transformation Committee Chairman*



**Corporate office:**

**Contact: +27 11 621 1555**

**This is Scaw's third integrated annual report and reflects our aspiration to the highest reporting standards. The report outlines our track record to date and maps our forward-looking strategy.**

Our integrated reporting is an entirely voluntary exercise given that Scaw is not listed on any stock exchange and therefore is not subject to listing rules and regulations regarding integrated reporting. Scaw is regulated by the Companies Act.

Our aim in this report is to provide you, the reader, with a comprehensive review of how Scaw creates sustainable value by providing insight into the group's strategy, relevant changes in the macro-environment and consequent risks and opportunities for Scaw. This report presents the abridged annual financial results and the economic, environmental, social and governance performance of the group for the year 1 April 2015 to 31 March 2016, and follows our prior integrated annual report published in July 2015.

The scope of this report includes Scaw South Africa (Pty) Limited and its subsidiaries. A new high-volume moulding line was commissioned during the year in Cast Products. Following a restructuring process in FY15, there has been a significant change in the size of the company in terms of the number of employees. The business structure was adapted in line with a changing market environment. Scaw's ownership and product range were not changed significantly. There are no specific limitations on the scope or boundary of this report.

Scaw has further considered and applied many of the recommendations contained in the International Integrated Reporting Framework, December 2013. The sustainability information has been compiled with reference to the Global Reporting Initiative (GRI) G4 guidelines based on a self-declared core compliance. The GRI index is available on page 94.

### **Assurance**

The business's external auditors, SizweNtsalubaGobodo (SNG), have independently audited the annual financial statements for the year ended 31 March 2016. Scaw intends to supplement sustainability assurance on an ongoing *ad hoc* basis.

The combined assurance model of the group in its current format is set out below:

Business process	Nature of assurance	Status	Assurance provider
Annual financial statements	Financial statements	Assured	SizweNtsalubaGobodo
B-BBEE	BEE scorecard	Assured	– National Empowerment Rating Agency (NERA) – SANAS accreditation (BVA020) – IRBA accreditation (770825B)
Sustainability information	ISO 9000 series certified	Assured	SABS
	OHSAS 18001 certified	Assured	DQS and SABS
	ISO 14001 Environmental Management System certified	Assured	DQS and SABS
	Verified products for a select product range	Assured	Ecospecifier Global





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QR code links will take you to information suitable to view on your mobile device. Download an application for your phone, take a picture of the code and the relevant page will open in your browser window.

## FY16 highlights and challenges

The group spent R176 million (FY15: R288 million) on capital expenditure during the period to maintain, improve and expand production capacity.

### Financial

- Group total revenue of R5,7 billion for the year is 10% below last year on the back of continued lower demand and depressed margins
- As a consequence, we reported EBITDA loss of R248 million against last year's loss of R254 million
- Non-operating special expense items totalled R138,7 million against last year of R9 million due to R225 million incurred on retrenchment of about 1 200 employees, goodwill impairment of R12 million and R1,7 million loss on the sale of redundant fixed assets reduced by curtailment gain of R100 million on post-retirement medical aid
- Finance costs increased to R477 million against last year of R466 million

#### Key highlights

- Scaw adapts to a changing business climate
- Improved to B-BBEE level 2 on the new dti codes
- Commissioning of R160 million high-speed, high-volume moulding line at Scaw's Union Junction foundry
- World-class producer of rail products
- Integration of the Scrap Processing division into Rolled Products
- Zero fatalities recorded
- Attained two top SEIFSA awards for the best artisan programme and the best SHE programme for the Steel Wire Ropes facility
- R105 million expansionary project for the manufacture of premium chains, cold commissioned

#### Key challenges

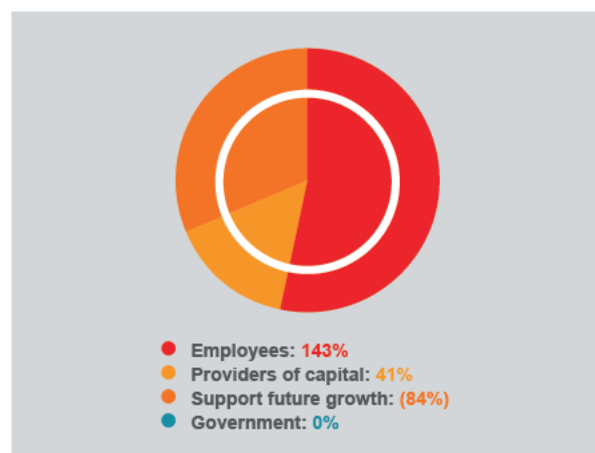
- Difficult global economic and market conditions
- Slowing growth in China shifted focus to exports
- Demand from local mining and construction industry remains sluggish
- Rising electricity costs
- Raw material (scrap metal) pricing and supply remains challenging given the large scale of export material from South Africa
- Increased import competition



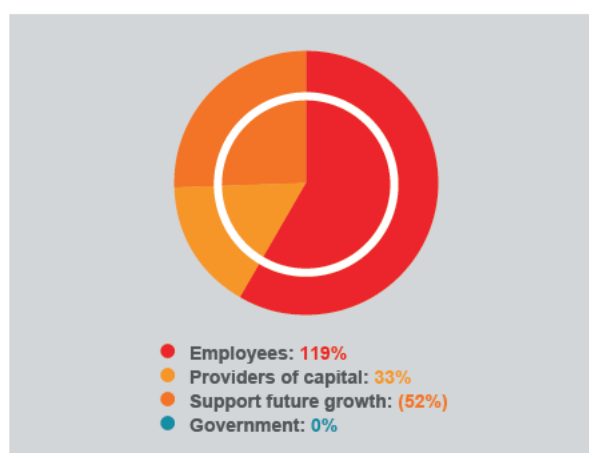
## Value added statement

	March 2016 Rm	March 2015 Rm	March 2014 Rm
<b>Wealth created</b>			
Turnover	5 661	6 268	6 450
Purchase of material and services	4 574	4 946	4 568
Income from investments	1	1	2
<b>Total wealth created</b>	<b>1 088</b>	<b>1 323</b>	<b>1 884</b>
<b>Wealth distributed as follows:</b>			
To employees	1 559	1 578	1 524
To government (in the form of taxes)	0	0	0
To providers of capital	443	437	352
Finance costs on borrowings	443	437	352
Dividends to shareholders	0	0	0
To support future growth	(915)	(692)	8
Depreciation	212	195	174
Retained profit/(loss)	(1 126)	(887)	(166)
<b>Total wealth distributed</b>	<b>1 088</b>	<b>1 323</b>	<b>1 884</b>
	%	%	%
<b>Wealth distribution proportions</b>			
Employees	143	119	81
Government	0	0	0
Providers of capital	41	33	19
Support future growth	(84)	(52)	0
<b>Total wealth distributed</b>	<b>100</b>	<b>100</b>	<b>100</b>

### Value added statement 2016



### Value added statement 2015



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## Chairman's report

**Scaw continues to play a meaningful role in the South African economy. All efforts were put into making sure that the company remains dynamic and agile in responding to negative market externalities.**

### The year in retrospect

The South African GDP growth during the past financial year at 1,3% was way short of the estimated 3,5% growth rate required for the steel industry to be viable. This explains the many internal and external challenges faced by local manufacturers in the steel and engineering sector. Our sector's performance was also negatively affected by the flooding of heavily subsidised steel imports from the Far East. The crisis experienced during the year forced both labour and business to approach government in unison seeking protection from dumping in order to prevent massive job losses. Although the outcome was not ideal for both business and labour, there is great recognition that the support received from the government, in the form of import tariffs on the affected products, will go a long way to reduce company closures and retain employment.

The export of much needed steel scrap will continue to be a threat to our efforts to reduce our input costs. To this end, Scaw is working with all the relevant authorities to ensure that the export of steel scrap is limited and that the price of steel is affordable to the local steelmakers. We remain optimistic that a solution will be found to address vagaries in this market segment.

Despite external challenges encountered, Scaw continues to play a meaningful role in the South African economy. All efforts were put into making sure that the company remains dynamic and agile in responding to negative market externalities. Our company was rightsized, unviable operations were closed and new capital was injected in those areas of our business that show good prospects for growth. We continued to engage with both our suppliers and customers to ensure that our value chain remains active and our respective needs are met. Internally, we have been able to create a stable and conducive environment for engaging meaningfully with our trade unions.

Good progress has been made in restructuring our balance sheet. This year we received new capital injection in the form of equity from our shareholders and we started the process of attracting strategic equity partners into our different divisions who will, in addition to cash, introduce new technology and provide better access to new markets. This introduction of partners into Scaw will guarantee the sustainability of the company under all foreseen operating environments.

### Future outlook

GDP growth is expected to be curtailed by high input costs and is currently forecast to be below 1,0%. This sets the local scene to be a difficult operating environment with subdued demand for our products and possible higher inflation. The depreciation of the rand, if sustained, is likely to bode well for our export revenue generation capacity and will cushion the negative impact introduced by all other external factors.

The Scaw leadership team has the capacity to continue to navigate the company during the expected difficult period ahead. Once again, the focus will be on operational cost control, customer satisfaction and protecting our market share in areas where we operate.

**Ufikile Khumalo** *Chairman*



## Appreciation

I would like to express my gratitude to our shareholders and Board of Directors for their contribution and support during the year. This has been by far the most challenging year to date. I am pleased with the dedication of our executive management who has relentlessly guided the group through tumultuous times and continues to work very hard to ensure that we remain on the right side of history.

My appreciation also goes to our customers and business partners for their ongoing support.



**Ufikile Khumalo**  
*Chairman*

13 June 2016

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## Group snapshot

Scaw is one of South Africa's largest integrated producers of speciality steel products for the mining, construction, industrial, power and rail sectors, with established operations, distribution and marketing channels globally. We boast a substantial footprint of manufacturing plants, mills and foundries across South Africa and internationally.

### Geographic footprint of markets





Integral to our growing business is the recycling of scrap metal into value-added secondary steel products for a wide range of industries, both locally and internationally.

With roots dating back to the 1920s, Scaw was formed in 1998 from the merger of two steel manufacturing giants, Scaw Metals and Haggie Limited. In November 2012, the IDC acquired a 74% stake, driving renewed growth strategy.



#### Legend

- Chain products, fittings and masterlinks
- Grinding media
- PC strand for post-tensioning applications
- Reinforcing bar
- Castings for railway sectors, wheels, couplers, bogie components and loco frames
- PC wire and strand for pre-tensioned applications
- PC strand for flexible roof bolts
- ACSR wire and strand
- Grinding elements castings
- Ground engaging tools and wear parts
- Mining bar for rock anchors
- Mine winding steel wire ropes
- Surface mining ropes
- Drill, anchor and riser tensioner off-shore ropes

*\* All the above are also active in southern Africa.*

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## Our operations

**Our group consists of four divisions: Grinding Media, Rolled Products, Cast Products and Wire Rod Products, as well as a number of international businesses complementary to these divisions.**



### Grinding Media

Scaw's Grinding Media division is a leading producer of high chromium and forged grinding balls in Africa and is southern Africa's market leader in the supply of grinding media to the platinum group metals, gold, ferrochrome, base metals, power generation and cement industries.

The division comprises two main manufacturing plants, which are both situated at the Union Junction site in Germiston:

- **High chrome** ball plant is an extensively automated foundry with three production lines producing cast, high chromium white iron balls with a chromium content range of between 10% and 32%.
- **Forged media** ball plant has three operating lines forging round bar feedstock into forged steel balls through either an upset forging process or a roll forming process.

The manufacturing plants are supported by technical sales teams both in South Africa and Ghana. The company supplies grinding media predominantly into the southern, central and west African markets and across the African continent giving us deep insights into the African minerals extraction industry. Key raw materials, which include ferrous scrap, ferrochrome and round barstock, are all sourced locally with suppliers within close proximity to the plants.

The division is one of the few Grinding Media operations globally with the capability and intellectual property to produce both high chromium and forged grinding media, allowing the business to offer an optimal grinding media solution for the end-user.

**Grinding Media is located in the most industrialised area in Africa and within one of the world's most intensively mined regions, ensuring access to key raw materials and close proximity to a large and diversified mining market.**

### Rolled Products

The division operates the largest scrap shredder in Africa and is one of the three largest suppliers of long steel products in South Africa. It is located in an area of approximately 370 ha at the Union Junction site in Johannesburg. Rolled Products offers a vertically integrated supply of long steel products to other Scaw businesses and to the construction, mining and engineering industries. More than 25% of production is sold to other Scaw business units, with the remaining 75% of production being sold into the regional market.

The division is operated on the mini-mill concept, which includes melting scrap and other ferrous raw materials in an electric arc furnace, continuously casting the molten steel into billets and rolling the billets into long steel products at its rolling mills. It has the capability to manufacture a wide portfolio of products enabling Scaw to optimise the volumes and product mix.

**Rolled Products is attractively positioned to meaningfully benefit from potential upside in the steel cycle. Flexibility exists to change the product mix of the division based on demand from other Scaw businesses and the external market. The division has strong long standing relationships with key customers, as well as transport contractors resulting in preferential rates and reliability of service delivery. The business is ideally situated to make fast and efficient deliveries to customers in Gauteng and surrounding provinces – the area of highest customer concentration.**



Scaw's international businesses, together with some wholly owned IDC businesses (managed by Scaw), act as key distribution channels, each with a focus on driving the sales volume of specific Scaw divisions.



## Cast Products

The division produces sophisticated steel and complex low alloy steel, manganese steel, ductile iron and high chromium iron castings, ranging from 50 kg to 30 tonnes in finished weight. Cast Products is a leading manufacturer of specialised, high-quality cast products used in the mining, railway, power and general engineering industries. The division operates four foundries:

- **Union Junction foundry**, located just east of Johannesburg, is one of the largest foundries in the southern hemisphere and produces castings with a finished weight of up to 30 tonnes. It is a leading supplier of freight wagon bogie components, as well as single piece thin walled locomotive and passenger car frames. The foundry holds the American Association of Railroad's quality assurance certification as well as approval for the manufacture of locomotive frames. Other world-class products manufactured include large, high chromium iron coal pulverising wear parts, slag pots and large girth gear segments.
- **Wheel Plant**, co-located on the Union Junction premises, manufactures high-integrity cast monobloc wheels for use in freight wagon.
- **Eclipse East foundry** specialises in low alloy steel and high chromium iron mill liners, manganese crushing wear parts for gyratory crushers and jaw crushers and low alloy steel earthmoving under carriage wear parts.
- **Eclipse Boksburg foundry** manufactures the complete range of manganese mill liners, screens and grids used in the gold mining industry.

The division further operates **Crushing Equipment**, a bolt-on business wholly owned by Scaw with sales offices in Melbourne, Perth and Brisbane, which is well known in Australasia as a premier supplier of alternative crusher wear parts in alloy steels, high chrome irons and manganese steels, in addition to stocking a large range of crusher auxiliary items.

Cast Products has developed a reputation for meeting customers' product, quality and delivery requirements and has developed strong long-term relationships with leading players in its targeted sectors. The division operates four foundries in South Africa and a distribution network in Australia.

## Wire Rod Products

Wire Rod Products has 95 years' experience in supplying premium steel products to the mining industry and is a leading manufacturer and distributor of specialised ropes, chain, wire and strand for the mining, construction, oil and gas, and industrial sectors. The division comprises five primary businesses:

- **Steel Wire Ropes (SWR)** is a highly specialised operation focused on producing fit-for-purpose ropes. SWR has both unique capability and product range, supplying high-tech ropes to both deep level and surface mining sectors in South Africa and abroad. It has a strong foothold in existing markets and the technical knowledge to grow and diversify its international footprint.
- **Chain Products** is a highly specialised operation focused on producing fit-for-purpose chains. Chain is a unique operations facility in Africa, capable of manufacturing a complete range of chain and chain components. It has a significant local market position supplying mostly into the lifting and mining sectors and with international accreditations and approvals (DNV), it has the technology, capacity and structure to manufacture highly sought after chain products demanded by the oil and gas sector globally.
- **Wire and Strand (W&S)** is focused on producing high-volume commodity wire and strand products. W&S is a globally competitive high-volume, low-cost business supplying its products, notably pre-stressed concrete strand and haulage rope, both locally and globally. It has a captive local market and opportunities to increase volumes into mining and construction sectors, both into Africa and internationally.
- **Distribution Network (DNW)**, the retail and distribution segment of Wire Rod Products, which stocks and sells third-party import products as well as various applications of SWR and Chain Products.

Wire Rod Products has an extensive manufacturing and distribution network in southern Africa, Australia and North America. Its internationally recognised brands include Haggie®, under the SWR division, and McKinnon® and Max-Alloy, under the Chain Products division, with relevant certifications being obtained in key geographies, enabling the division to service key industries around the world.

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## Our supply chain

**Scaw's supply chain team is responsible for the flow of materials and services across the group applying the "total cost of ownership concept" in driving efficiencies to benefit the bottom line.**

The team is driven by the ethos of "deliver more, together" by supporting localisation, supplier and enterprise development while ensuring consistent quality and the highest safety standards. During the year, there were significant changes to our supply chain to align itself with an increasing competitive environment. Our supply chain team applied a strategic sourcing approach to deliver maximum value to our organisation to reduce input costs and create value to our supply chain. This included maintaining focus on value delivery, contract coverage, supplier relationship management, preferential procurement, enterprise development, supplier development and stakeholder engagement to achieve our key performance indicators. Scaw reinforced its commitment to governance and ethical standards during the year by reviewing and implementing updates to our policies and procedures.

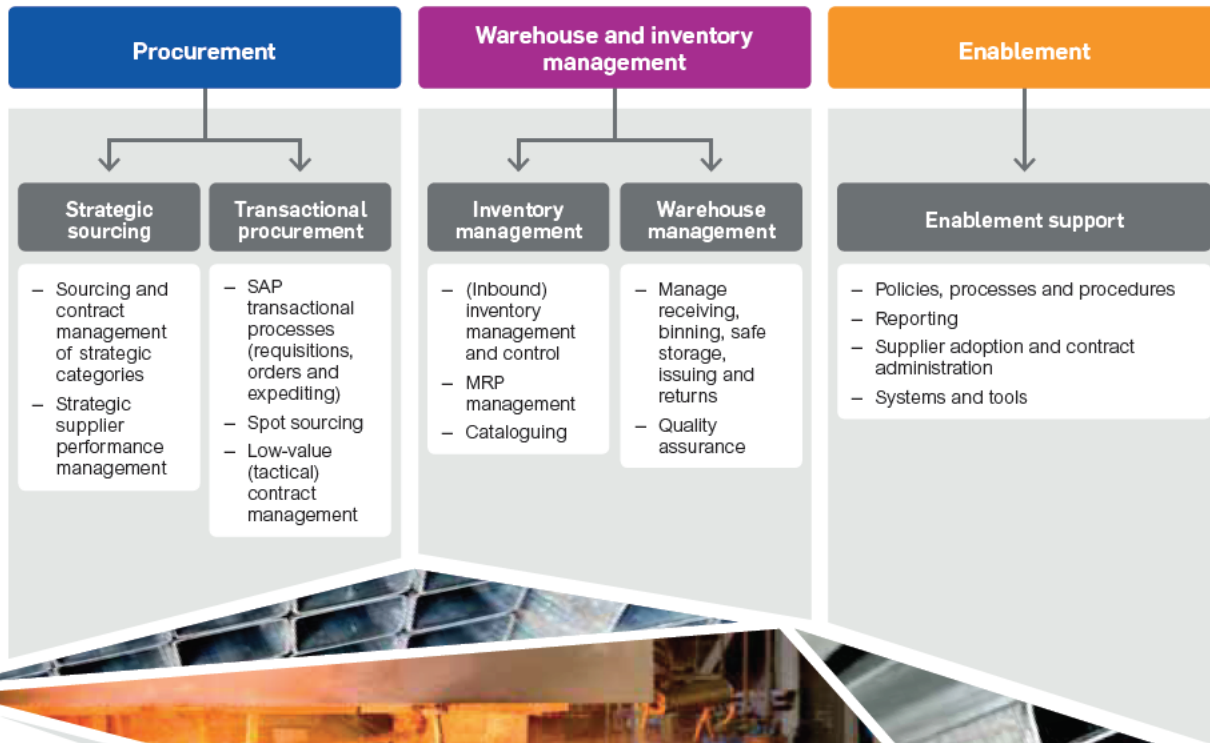


Supply chain's responsibilities are split into three main sections: procurement\*; logistics\*\* and enablement.

\* During the year, our procurement team allocated R4,0 billion (FY15: R4,8 billion) of discretionary spend among 2 800 suppliers for approximately 68 500 orders.

\*\* Our warehouse teams are responsible for approximately 21 000 stock-keeping units, providing 24/7 service to internal customers.

## Scaw group supply chain management



**561**  
EMEs and QSEs active in Scaw's supply chain

**R731 million**  
spend with 561 EMEs and QSEs

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## Operational development

### Transformation vision

**Transformation is at the core of how we do business as it enables us to lead Scaw Metals Group as an innovative company with a great future that benefits all its stakeholders.**

During this year the business launched an employee engagement plan for all local sites. The aim was to ensure operational development through four key facets:

- Management buy-in
- Engagement with all employees
- Team leader training
- Ensuring a cultural change in the behaviour of employees

This began with a roadshow conducted by the CEO together with executives of operations, human resources and public affairs and communications. A further rollout will continue well into the new financial year and include the new Scaw values.

### Value



Safety



Care and respect



Accountability



Teamwork



Continuous improvement



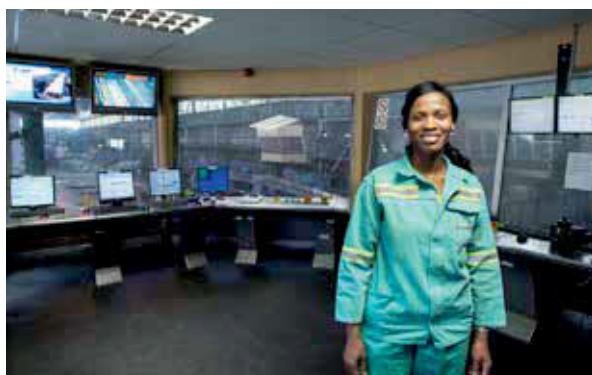
Customer satisfaction



Quality

## Our values

Our values as they stand today are premised on our core belief that the behaviour within will lead to optimal output and in turn continue driving the ethos and performance that we seek as a group.



### What we mean

The safety and well-being of our teams remain our top priority and we are therefore fully committed to achieving a zero harm work environment

Compassion and tolerance underpin the way we treat each other and all external stakeholders, regardless of the circumstances

We understand that taking complete ownership for what we do and consistently delivering on our promises to all stakeholders are critical to sustaining our business

We support each other and drive growth by sharing ideas and knowledge

Our commitment to innovation for improved product quality and operational efficiency means we are able to perform optimally

A priority is to consistently exceed the expectations of our customers by providing an excellent customer experience and world-class steel products and value-added services

We strive to produce good quality products and aim to understand how our actions impact the final product

### How we live it

- Comprehensive SHE programme aligned with the international SHE standards ISO 14001 and OHSAS 18001

- Respectful interactions
- Culture of equality
- Holistic, integrated and sustainable occupational healthcare system for all employees

- Culture of taking responsibility, transparency and taking pride in work
- Performance management plans in place for employees. These are reviewed periodically during the course of the year

- Develop, empower and enable our people (392 000 hours of training in FY16)
- Promote workplace diversity
- Increasing activity for the women's forum
- Encourage debate and trust in the abilities and contributions of others

- Foster, recognise and reward innovation and development
- Develop, empower and enable our people (392 000 hours of training in FY16)
- Promote workplace diversity
- Work hard and play hard together
- Help our people thrive

- Understand and exceed our consumers' needs
- Deliver consistently and on time
- Address customer feedback

- Continuous monitoring and evaluation of production processes and quality systems
- Appropriate corrective action to ensure continuous improvement and compliance with customer specifications

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## Acting sustainably

Scaw is committed to being a good corporate citizen by creating social value to make a meaningful change in South Africa. The company invests and allocates resources to this end and continually tries to improve the quality of life in the communities in which we operate, be this in education, health or sports development.

# Achieved B-BBEE level 2

on the new dti codes

# A first mover: level 2 B-BBEE

steel manufacturer in South Africa

## Empowering our people

We employ over **4 200** permanent people  
(FY15: 5 500)

**482** trainees at Scaw

We conducted over **392 000** hours  
of training in FY16 (FY15: 379 000)

We spent **R44,4 million** on training and  
skills development (FY15: R20,9 million)

We were awarded the **SEIFSA Best  
Artisan Programme**

*Supports government's priority of developing  
technical and artisan skills as well as the  
objectives of the National Youth and National  
Skills Accords*

A large majority of the photos used in this report  
are of women working at Scaw

*Read more on pages 40 – 51.*

## Empowering our communities

We support over **560** small, medium and  
macro-enterprises

We invested **R1,5 million** in corporate  
social investment

We awarded bursaries worth  
**R934 772** (FY15: R539 736)

We invested **R3,85 million** in enterprise  
and supplier development

We spent **R4 billion** discretionary spend with  
more than **2 800** suppliers

Scaw procures from **152** black-owned  
businesses

Scaw spent **R366 million** on these black-  
owned businesses

Scaw procures from **68** black women-owned  
businesses

Scaw spent **R458 million** on these black  
women-owned businesses

*Read more on pages 59 – 65.*

Scaw actively supports the development of local businesses with strong enterprise and supplier development partnerships in place. The company also regards the protection of the environment in our areas of operation as a priority.

**Produced**  
**455 kt**  
of steel (FY15: 521 kt)

## Committed to SHE

We were awarded the **SEIFSA Best SHE Programme** for the Steel Wire Ropes site

We had **zero** fatalities

**18** sites recorded **zero** LTIs during past financial year

Our sustainable **SHE programme** continued to deliver improvements

We continued our **R210 million** emission control project at Union Junction Cast Products plant

All our provisional emission licences were **converted to final licences**

*Read more on pages 52 – 58.*

## Social value in numbers

**R1,2 billion** value added

**R18,3 million** paid to taxes and local metros (FY15: R17,4 million)

*See page 3 for the detailed value added statement.*

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## Case study

### Building a solid manufacturing partnership

Scaw's track record in the manufacture of steel wire and strand products used for different applications has over the years secured an array of local and international customers throughout different industries placing Scaw and South Africa on a competitive global map.

It is remarkable to see how a simple wire can be utilised as a vital input material to manufacture a commercial item such as a coil spring for the bedding industry. Leggett & Platt, a US-based multinational company with a presence in South Africa, manufactures bed spring units using various spring manufacturing technologies and wire manufactured at Scaw's Wire and Strand business.

Leggett & Platt S.A. is located east of Johannesburg and supports the notion of fully localised manufacturing for the manufacture of spring beds that not only end up in the local market but also all over the world. South Africa's capability of making wire is important as this grows local skills, creates sustainable jobs while stimulating the local economy.

Scaw's bedding wire is used as the structure for spring-based mattresses and the manufacturing process at Leggett & Platt has evolved over the years and is now highly automated. The company has seen its number of employees and customers grow immensely driven by the invention of technology and new systems.

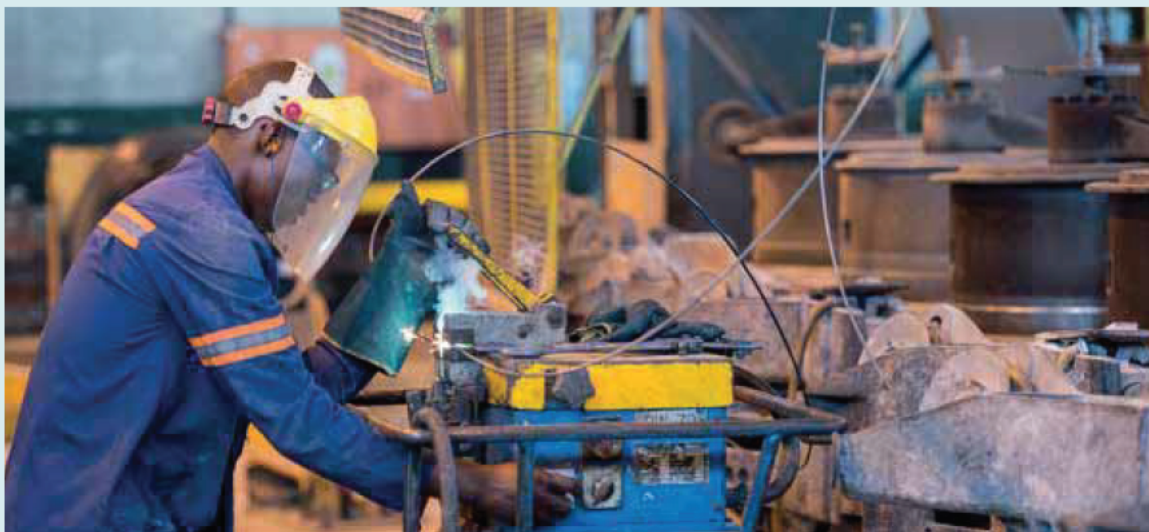
Scaw is able to manufacture wire meeting the different specifications required by Leggett & Platt. As a local

company supplying an international customer, Scaw has had to hone its own standards and manufacturing practices to ensure the company complies to the required specification that meets the quality of supply at the highest standard required globally.

The product demand spans far and wide including Australia, New Zealand, Indian Ocean islands, West and East Africa, Turkey, Continental Europe and India. Meeting stringent quality requirements has ensured the long-term growth, capacity and sustainability for both companies.

Our customer's success is also a success for Scaw and that is why it is important that we build lasting relationships with our customers. Scaw has built its relationship with Leggett & Platt over a 20-year period, diligently supplying quality bedding wire and continually able to compete with both local and multinational manufacturers. This kind of relationship has ensured growth for both businesses and created a significant number of jobs for the local community. The business has seen the number of jobs grow from a start-up bedding mattress operation to 204 employees given the security of supply from Scaw as a local high-quality manufacturer of bedding wire.

Despite the threat of imports from China, Brazil and some Middle East countries, Leggett & Platt is one of four significant players in South Africa in the bedding industry, hence competitiveness, quality and price remain key drivers.







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## Strategy scorecard

Scaw's overarching goal is to build a sustainable business. Our strategic objectives are realised through five KPIs which are intended to align targets and goals across the group. Given that these five KPIs are tangible measures of achieving strategy, they form the basis of our scorecard matrix.

### KPI 1



#### Being globally competitive

##### How we intend to achieve this

- Operational efficiencies
- Cost reductions
- Reducing wastage
- Quality
- Delivering to customers

##### How we did in FY16

- Increased focus on cost and efficiencies as competitive pressures increase globally
- Adapted costs with market conditions

##### Targets FY17

- Increased efforts of improving efficiencies and additional focus on quality control
- Enhancing internal systems to be more responsive to customer requirements

### KPI 2



#### Portfolio alignment

##### How we intend to achieve this

- Driving capacity expansions in core markets and cementing Scaw's position
- Seeking strategic upstream and downstream investments to protect the core
- Focusing on exposure to higher margin products
- Seeking portfolio optimisation

##### How we did in FY16

- Commissioned expansionary projects in two of Scaw's four business divisions
- Further growth of sales and customer base in existing and new markets
- Implemented the optimisation of Scaw's business and operational processes ensuring sustainability in an increasingly competitive market environment

##### Targets FY17

- Complete ramp up to full production of the new plants
- Continue optimising product range by identifying and focusing on niche/attractive products
- Focus on growing sales into other key markets



## KPI 3



### Acting responsibly

#### How we intend to achieve this

- Maintaining an excellent safety record
- Reducing our environmental impact
- Improving the organisational culture of adherence to standards

#### How we did in FY16

- Achieved a total recordable injury frequency rate below the target of 1,84
- Provisional air emission licences converted to final licences
- Signed off all baseline risk assessments
- Reviewed most high-risk, task-based risk assessments
- Identified alternatives to increase waste recycling and conducted R&D
- Commenced recycling slag previously disposed of

#### Targets FY17

- Continuing R&D on identified opportunities to recycle waste
- Finalising review of all high-risk, task-based risk assessments
- Continuing drive to increase compliance with Scaw Fatal Risk Standards

## KPI 4



### Unlocking people potential – Transforming our business

#### How we intend to achieve this

- Improving the industrial relations climate
- Transforming our businesses

#### How we did in FY16

- Signed pacts with all business units
- Embarking on an engagement process drive
- Commenced launch of new company values to all employees

#### Targets FY17

- Continue to focus on issues raised during the workers' indabas
- Review and align all procedural agreements across Scaw

## KPI 5



### Adding value beyond products

#### How we intend to achieve this

- Understanding customer requirements and market opportunities
- Offering more compelling products and services (technical service and features)
- Prioritising product innovation and development

#### How we did in FY16

- Doubled the AVE target
- Maintained technical customer service levels at above market expectations
- Assisted with customer support regarding B-BBEE initiatives

#### Targets FY17

- Grow the Scaw brand by improving the advertising value equivalent (AVE) year-on-year
- Host several customer open days at our operations, providing insight into capability and technical support infrastructure
- Initiate development of customer service software applications
- Increased attention to product development, focusing on enhancing technical properties (where applicable)
- Focused R&D on new products
- Maintain level 2 B-BBEE steel producer offering customers reciprocal BEE scoring on procurement spend
- Maintain being the only accredited green steel manufacturer, providing customers benefit of contributing to Green Star SA rating on qualifying projects

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## Our markets

### Mining

#### Products

<b>Grinding media</b>	High chrome grinding balls, forged grinding balls, grinding rods and cast iron cylpebs/eclipsoids
<b>Steel wire ropes</b>	Haggie® mine winding steel wire ropes, Haggie® shovel ropes, Haggie® dragline ropes and Haggie® hoist ropes
<b>Wire and strand</b>	Haggie® scraper rope and flexible rock anchors (PC strand)
<b>Cast products</b>	Ground engaging tools, dragline wear parts and bucket components, earthmoving under carriage wear parts, mill liners and crushing wear parts for gyratory and jaw crushers
<b>Chain products</b>	McKinnon® mining chain
<b>Rolled products</b>	Fixed rock anchors and roof bolts

### Oil and gas (marine and offshore)

#### Products

##### Oil and gas

<b>Steel wire ropes</b>	Riser tension liners, drill lines and anchor lines
<b>Chain products</b>	McKinnon® high-grade chain and DNV approved masterlinks and quad assemblies
<b>Distribution networks</b>	Fishing ropes

### Infrastructure (rail, power and industrial)

#### Products

##### Rail

<b>Wire and strand</b>	Pre-stressed concrete wire and strand for sleepers
<b>Cast products</b>	Cast wheels, side frames and bolsters, locomotive frames and rail coupler systems

##### Construction

<b>Rolled products</b>	Reinforcing bar and coil, low-carbon wire rod and high-carbon wire rod
<b>Wire and strand</b>	Pre-stressed concrete strand and wire and lintel wire
<b>Cast products</b>	Earthmoving wear parts

##### Power

<b>Cast products</b>	Grinding elements and engineering spares – spiders, yokes, air seals and throat rings
<b>Steel wire rope</b>	ACSR wire

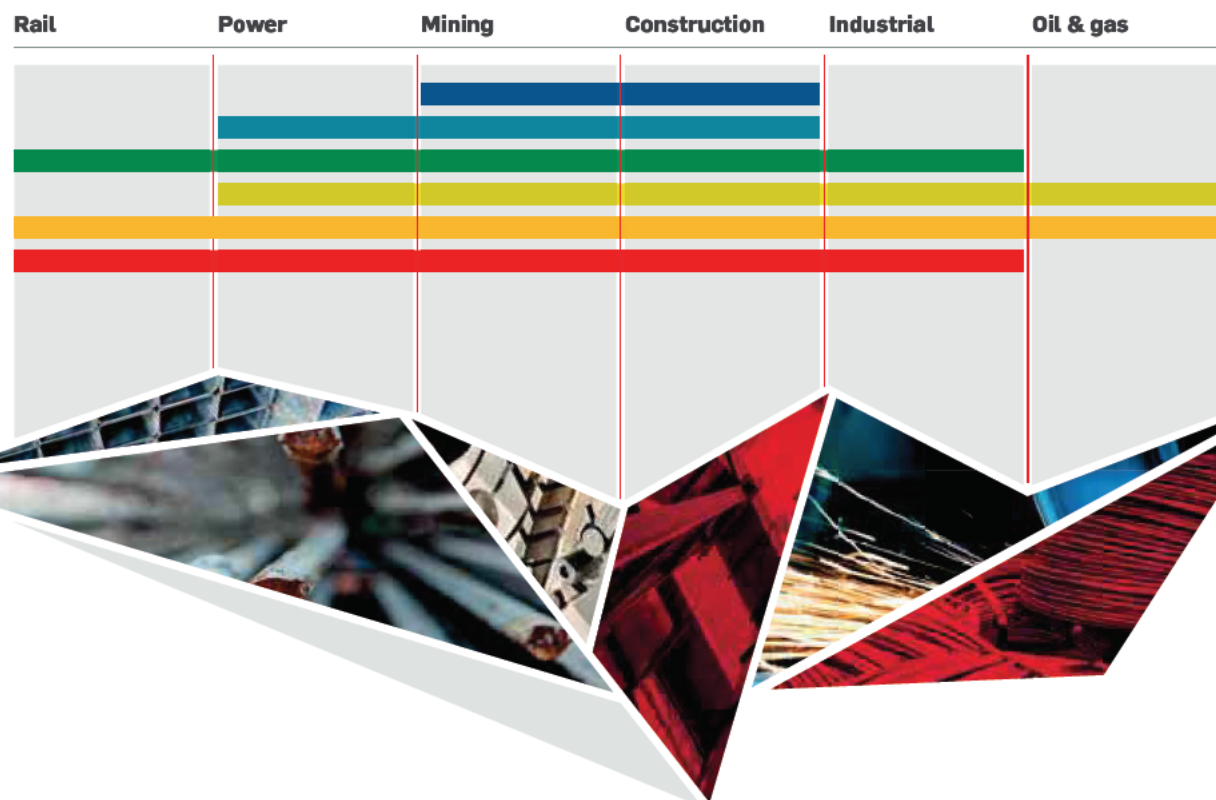
##### Industrial

<b>Wire and strand</b>	Spring steel wire, high-carbon weave wire and bedding spring wire
<b>Cast products</b>	Girth gears, adjustment rings and slag pots, launders and ladles

## Market sector breakdown

### Key

■ Rolled products   
 ■ Grinding media   
 ■ Cast products   
 ■ Steel wire rope   
 ■ Chain   
 ■ Wire and strand



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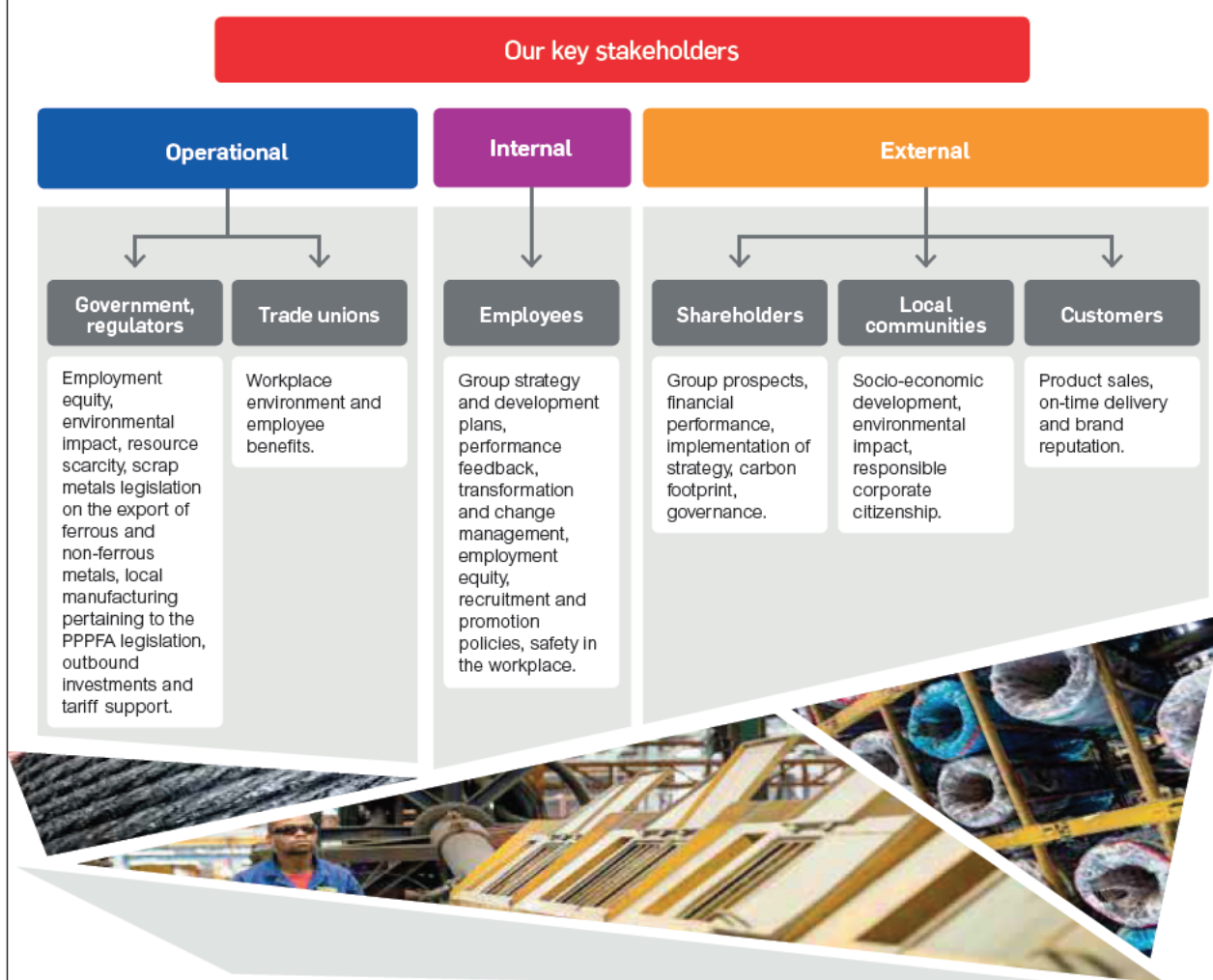
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## Our key stakeholders

Our success is built on collaborative and established stakeholder relationships. These are key in developing and adapting our strategy and maintaining a sustainable business. We define stakeholders as people who can affect our business or are affected by it. Each business unit or portfolio defines its stakeholders and these are then grouped at corporate level, with responsibility assigned to a group executive, after which a tailored engagement process is developed. Our engagement includes established internal and external communications channels, roadshows, the integrated annual report, regular meetings, stakeholder forums, plant tours, independent surveys, advertising, exhibitions and trade shows. This engagement in turn informs our decision making and influences our business strategy.

Our key stakeholders and their concerns are set out below:





## Key stakeholder engagement in FY16

- Extensive employee engagement following the restructuring of our business (read more on page 40)
- Participated in key local and international exhibitions
- Community forums on SHE matters (read more on page 57)

## Scaw is a member of the following industry associations

- Centre for Polymer Technology
- Chamber of Commerce and Industry
- Chartered Institute of Purchasing and Supply (CIPS) Southern Africa Proprietary Limited
- Corporate Lawyers Association of South Africa
- Council for Scientific and Industrial Research (CSIR)
- EIUG
- Engineering Council of South Africa (ECSA)
- Institute of Cast Metals Engineers
- Institute of Safety Management
- Manufacturing Circle
- SABS
- SABS/TCS certification
- SAICA
- SAIF
- South African Institute of Occupational Safety and Health
- South African Institute of Steel Construction
- SAISI
- South African Payroll Association
- South African Wire Association
- Southern African Institute of Welding
- Southern African Institute for Industrial Engineering
- SEIFSA
- The Chamber of Engineering Technology
- The Da Vinci Institute for Technology Management
- The Institute of Directors of Southern Africa NPC
- The Institute of Materials, Minerals and Mining
- The South African Institute of Mechanical Engineering
- UK Certification Authority for Reinforcing Steels (CARES)
- West Rand Metrology Services CC

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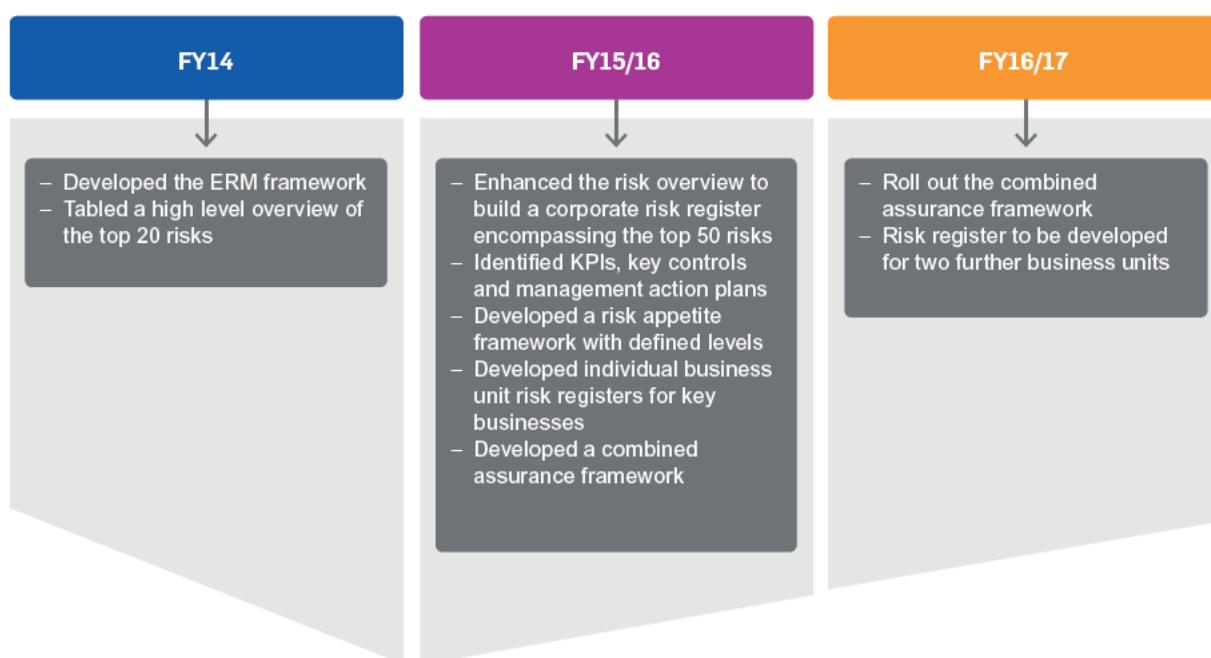
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## Risk management

**Risk identification, management and mitigation are fundamental to sustainable business activities. Our risk management process at Scaw accordingly underpins our day-to-day operational management and our Board's execution of our strategy.**

We have a robust, scalable risk management framework in place that entrenches world-class risk management processes across the group. Over the last three years we have significantly enhanced this and during the year developed a comprehensive corporate risk register.

Our progress:
















Ongoing improvement of our risk management framework and processes continued in the year, marked by a number of milestone developments. Our key focus in terms of formal risk assessment was advancing the corporate risk register. This now includes key risk indicators, risk appetite levels, controls and management action plans, as well as ongoing status tracking. We further developed risk registers for the following individual business units: Grinding Media, Rolled Products, Supply Chain Management and two more to be completed by year-end.

















The combined assurance framework was approved by the Audit and Risk Committee, and comprehensive implementation of the framework will take place in FY17. In the interim, a working model is in place. A second line of defence will be put in place – in functions such as SHE, QA and compliance – to facilitate the roll out of the combined assurance model.







Group-wide risk is monitored by a central risk management team who works closely with our external and internal audit teams to ensure high-risk areas are covered.

The table below sets out the most material risks identified in our risk management process based on an inherent risk rating.

Risk name	Risk description	Aligned strategic objective	Risk mitigations	
<b>External factors</b>				
<b>Macro-economic cycle</b>	<ul style="list-style-type: none"> <li>– Protracted economic downturn negatively impacting the sustainability of the organisation</li> <li>– Slow economic recovery placing strain on market demand for products</li> </ul>	 Be globally competitive  Portfolio alignment  Adding value beyond products	<ul style="list-style-type: none"> <li>– Review product mix and performance</li> <li>– Expansion into rest of Africa</li> <li>– Growing export sales</li> <li>– Securing strategic tenders and long-term contracts</li> <li>– Defensive price strategy</li> </ul>	<div>2</div> <div><b>The year in review</b></div>
<b>Increased competition (locally and internationally)</b>	<ul style="list-style-type: none"> <li>– New entrants in the local and international market in direct competition with Scaw</li> </ul>	 Be globally competitive  Portfolio alignment  Adding value beyond products	<ul style="list-style-type: none"> <li>– Review product mix</li> <li>– Product improvement</li> <li>– Defensive pricing strategy</li> <li>– Improved product quality</li> <li>– Cost reduction and operational efficiency plan</li> <li>– Diversification strategy</li> </ul>	<div>6</div> <div><b>Scaw in overview</b></div> <div>20</div> <div><b>Talking strategy</b></div>
<b>Economic/ industrial policy</b>	<ul style="list-style-type: none"> <li>– Changes in industrial/ economic policy which may place additional pressure on costs, margins and profitability</li> <li>– Removing import tariff barriers (10% increase announced in the year – not significant enough to materially impact the steel industry), imposing export tariffs on scrap and introduction of carbon tax, etc</li> </ul>	 Be globally competitive  Portfolio alignment  Adding value beyond products	<ul style="list-style-type: none"> <li>– Engaging the dti through SEIFSA on tariffs on export scrap and carbon tax</li> <li>– Monitoring tariffs</li> </ul>	<div>32</div> <div><b>Performance review</b></div>
<b>Fast changing industry dynamics</b>	<ul style="list-style-type: none"> <li>– Not keeping pace with industry developments, eg advancements in technology lagging the industry</li> <li>– Negative industry trends affecting product demand</li> <li>– Resourcing challenges (eg in the technical unit) hampering advancements in technology</li> </ul>	 Be globally competitive  Portfolio alignment  Adding value beyond products	<ul style="list-style-type: none"> <li>– Review product mix</li> <li>– Product improvement</li> <li>– Proactive resource planning</li> <li>– Issue-based technical task teams</li> </ul>	<div>66</div> <div><b>Accountability</b></div> <div>78</div> <div><b>Appendices</b></div>
<b>Strategy</b>				
<b>Balance sheet restructuring</b>	<ul style="list-style-type: none"> <li>– High gearing</li> <li>– Limited access to capital</li> <li>– Interest burden on short and long-term debt</li> <li>– Limit on strategic capex</li> </ul>	 Be globally competitive	<ul style="list-style-type: none"> <li>– Restructuring of the balance sheet with shareholders</li> <li>– Ongoing restructuring of debt and shareholder funds</li> <li>– Working capital management</li> <li>– Market diversification</li> <li>– Corporate restructure</li> </ul>	<div>29</div> <div>Scaw Metals Group Integrated annual report 2016</div>

## Risk management continued

Risk name	Risk description	Aligned strategic objective	Risk mitigations
<b>Finance</b>			
<b>Financial sustainability</b>	<ul style="list-style-type: none"> <li>– Balance sheet and income statement ratios negatively impacted</li> <li>– Strength of the order book</li> <li>– Success of tender processes</li> <li>– Working capital management</li> <li>– Financial management</li> </ul>	 Be globally competitive  Portfolio alignment  Adding value beyond products	<ul style="list-style-type: none"> <li>– Securing strategic tenders and long-term contracts</li> <li>– Synergy with junior iron ore mining players</li> <li>– Inventory reduction initiatives</li> <li>– Exploring further backward integration</li> <li>– Supplier agreements with scrap generators</li> <li>– Production incentives</li> <li>– Cost containment programme</li> </ul>
<b>Funding/liquidity challenges</b>	<ul style="list-style-type: none"> <li>– Working capital conversion cycle</li> <li>– Inability to secure finance at a competitive rate due to the balance sheet</li> <li>– Interest burden on short and long-term debt</li> <li>– Dated plant, machinery and equipment</li> <li>– Increased credit risk resulting in supplier guarantees and upfront payments</li> </ul>	 Be globally competitive  Portfolio alignment	<ul style="list-style-type: none"> <li>– Inventory optimisation programme</li> <li>– Procurement management</li> <li>– Migrating scrap customers to terms</li> <li>– Increasing efficiencies with more utilisation of scrap compared to iron ore</li> </ul>
<b>High input costs</b>	<ul style="list-style-type: none"> <li>– Increased raw material, scrap, electricity and labour costs (overtime)</li> <li>– Concentration of supply</li> <li>– Scaw being in some instances a “price taker”</li> <li>– Increased competition</li> <li>– Cheap subsidised Chinese imports</li> <li>– Volatility in the exchange rate</li> <li>– Commodity price fluctuations</li> </ul>	 Be globally competitive  Portfolio alignment  Adding value beyond products	<ul style="list-style-type: none"> <li>– Cost containment programme</li> <li>– Renegotiating supplier contracts</li> <li>– Continual engagement with unions with the object of improving productivity and reducing labour stoppages</li> </ul>
<b>Operations</b>			
<b>Customer service</b>	<ul style="list-style-type: none"> <li>– Product quality/liability risk</li> <li>– Late delivery</li> </ul>	 Be globally competitive  Portfolio alignment  Adding value beyond products  Acting responsibly	<ul style="list-style-type: none"> <li>– Embedding of quality systems and processes</li> <li>– Specification and technical testing for all products</li> <li>– Additional design recommendations to client where appropriate</li> <li>– Senior management oversee customer complaint resolution processes</li> <li>– Training and development</li> </ul>
<b>Production inefficiencies (including wastage)</b>	<ul style="list-style-type: none"> <li>– High costs and lower volumes due to inefficient and outdated production processes, old and outdated plant and equipment, and labour productivity challenges</li> <li>– High scrap rates in certain business units</li> <li>– s189 process impacting production inefficiencies given uncertainty among the workforce</li> <li>– Poor plant throughput</li> </ul>	 Be globally competitive  Portfolio alignment  Adding value beyond products  Acting responsibly	<ul style="list-style-type: none"> <li>– Investment in infrastructure</li> <li>– Proactive resource planning</li> <li>– Proactive communication and engagement with staff</li> <li>– Training and development</li> <li>– Performance management</li> <li>– Compliance with ISO 9000</li> </ul>

Risk name	Risk description	Aligned strategic objective	Risk mitigations	
<b>People</b>				
<b>Attraction and retention of skills</b>	<ul style="list-style-type: none"> <li>– Failure to attract and retain key skills critical to Scaw achieving its strategic objectives</li> <li>– Inadequate succession planning and slow progress on existing succession plans</li> <li>– Dependence on critical/rare skills</li> <li>– Information technology (IT) skills shortages threatening Scaw's ability to grow and innovate</li> <li>– Inability to attract youth to Scaw</li> <li>– Potentially not achieving transformation targets</li> </ul>	 Be globally competitive  Unlocking people potential	<ul style="list-style-type: none"> <li>– Employee retention scheme</li> <li>– Accelerated development programme for high-potential employees</li> <li>– Individual development plans</li> <li>– Internship and apprenticeship programmes</li> </ul>	<div>2</div> <div><b>The year in review</b></div> <hr/> <div>6</div> <div><b>Scaw in overview</b></div> <hr/> <div>20</div> <div><b>Talking strategy</b></div> <hr/> <div>32</div> <div><b>Performance review</b></div> <hr/> <div>66</div> <div><b>Accountability</b></div> <hr/> <div>78</div> <div><b>Appendices</b></div> <hr/> <div>31</div> <div>Scaw Metals Group Integrated annual report 2016</div>
<b>Governance</b>				
<b>Availability, reliability and suitability of IT infrastructure</b>	<ul style="list-style-type: none"> <li>– Ageing IT infrastructure leading to system downtime and affecting future scalability for growth</li> <li>– Numerous single points of failure in the current infrastructure</li> <li>– Non-performance of service providers</li> <li>– Misalignment of IT, the business and strategy</li> <li>– IT skills shortages threatening Scaw's ability to grow and innovate</li> </ul>	 Be globally competitive  Acting responsibly	<ul style="list-style-type: none"> <li>– Strategy in place for replacement of infrastructure</li> <li>– Formulation of standards and architecture</li> <li>– Redundant technology for larger sites</li> <li>– Backup equipment in the event our current equipment fails</li> <li>– Conduct business impact analysis</li> <li>– Managing third-party contracts and SLAs</li> </ul>	
<b>B-BBEE</b>	<ul style="list-style-type: none"> <li>– Maintaining B-BBEE rating – supply and enterprise development</li> <li>– Effect of s189 process on the rating</li> <li>– Changes in the rating are new codes compromising Scaw's competitiveness</li> <li>– Compliance and implementation of employment equity legislation requirements</li> <li>– Slowdown in internal training as a result of s189</li> <li>– Constraints around spend and general financial constraints</li> </ul>	 Unlocking people potential  Acting responsibly	<ul style="list-style-type: none"> <li>– Accelerated development programme for high-potential employees</li> <li>– Individual development plans</li> <li>– Procurement Committee established</li> <li>– Improved contract coverage</li> <li>– More emphasis on enterprise and supplier development</li> <li>– More emphasis on vendor audits overseen by Transformation Committee</li> </ul>	



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## CEO's report

**Scaw continues to strive towards its stabilisation and growth strategy in pursuit of a transformed business, mirroring a rapidly changing and competitive world.**

The full year ended March 2016 has largely been a continuation of the tough trading environment experienced in the prior year.

Scaw recognised the need to adapt the business in line with a changing and increasingly competitive world. As such, we embarked on a group-wide restructuring process in August 2015, while continuing to invest in the future sustainability of the business.

As advances in production efficiency remain a priority, we commissioned a new R160 million high-volume moulding line. This investment boosts Scaw's position as a global competitive manufacturer, particularly for foundry products.

The restructuring exercise is now complete. With a leaner structure, the business is better equipped to meet the challenges of a changing world.

### **Our industry**

Commodity prices have remained at unprecedented lows, impacting industries beyond the commodity producers. Slowing growth from China has dampened demand for all major commodities. With Chinese demand fading, the competitive dynamics of steel products have increased significantly, as Chinese producers upped their focus on exports. The turmoil of FY16 has certainly taken its toll on the industry.

Scaw's business divisions reflected a mixed performance given the company's diverse products and markets. Locally, private and public sector demand remained subdued, with few significant infrastructure projects coming into the market. The dire situation in the mining industry witnessed the curtailment of spend to the essentials.

Despite intense competition, Scaw has managed to retain its market share for the majority of its product range by offering a competitive combination of price and service levels to compete against imported products. While demand in South Africa proved to be erratic, export initiatives absorbed surplus volumes.

Scaw's stability and growth strategy provided a cushion; however, not enough to negate a subdued financial performance.

### **Safety, health and environment**

Once again, Scaw is pleased to have achieved a full year of operation without a single fatality. We are proud of our strong safety ethic and I am grateful to every employee for making this possible.

Scaw's TRIFR improved to 1,18 against 1,20 in the prior year.

The business continues to provide all employees with access to medical clinics across the group. Medical surveillances, hygiene surveys and voluntary counselling and testing for HIV continued unabated and witnessed increased participation. The group has a well-established HIV wellness programme and provides employees with antiretroviral treatment (read more on page 56).

Reducing our impact on the environment remains a priority for Scaw. In FY17, a new fume extraction system will be commissioned at Scaw's Union Junction site. The new system improves emission standards in line with future stricter standards and represents an investment of R210 million.



**Markus Hannemann** CEO



Scaw has made significant progress reducing its waste streams while benefiting from recovery of metal. Furthermore, as an energy intensive user, substantial progress continues to be made in reducing our energy consumption and accordingly our carbon footprint.

## Transformation

Transformation is one of the strategic pillars Scaw has identified as essential in developing a sustainable business.

The introduction of the stricter revised B-BBEE codes has seen many businesses regress from their level rating as they embraced the new requirements. Conversely, Scaw's strong resolve and commitment has seen Scaw leap to an outstanding level 2 rating under the new codes.

Scaw's training school and programmes continue to impart vital skills to our employees while additionally providing much needed skills and experience in the form of apprenticeships, learnerships and internships to some 482 youngsters.

In the broader social context, Scaw is committed to making a change. Our enterprise and supplier development programmes are of the highest quality and our improved B-BBEE level 2 rating bears testament to this achievement.

Scaw's commitment to advancing women in the workplace has taken shape with the formal launch of the Scaw women's forum. See page 61 for more details on this exciting initiative which will benefit current and future female employees of our group.

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## CEO's report continued

### **Strategic actions**

Scaw's strategy is reinforced by the desire to have businesses that are stable, agile, flexible, best in class, profitable, self-sufficient, sustainable, responsible, continuously improving, innovative, caring and respectful of all stakeholders and offering customers quality, value and satisfaction.

Measurable progress combined with robust initiatives currently under way indicate that management is already well advanced in stabilising the business in line with the strategic plan.

Scaw is more than just a producer of primary steel products. Beneficiation of local raw materials combined with meaningful value addition is a core objective. Given the challenging local economic climate, Scaw strives to maximise local content.

While the critical review of Scaw's businesses yielded the restructuring exercise, the group continues to review the business to ensure that optimal value is being derived and that growth opportunities are pursued.

### **Outlook**

We expect the global steel manufacturing market to remain subdued for the medium term. Domestic GDP forecasts combined with market intelligence point to a difficult period ahead.

Scaw management remains confident that although a difficult restructuring process was undertaken last year, the group is now in a stronger position to defend its markets and pursue opportunities beyond its historical market to diversify and mitigate market vagaries.

### **Appreciation**

I wish to express my sincere appreciation to all of Scaw's employees for their commitment and contribution through what has proved to be a challenging year. I am also grateful to our Board and Chairman for their unwavering support and guidance.

Finally, I also wish to thank our business partners, suppliers and customers for their invaluable support.



**Markus Hannemann**  
CEO

13 June 2016



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## CFO's report

**The challenging trading conditions reported in the second half of FY15 have continued into FY16. These conditions are mainly reflected in the subdued local economy, poor commodity prices with adverse effects in mining demand, lower infrastructure activity coupled with electricity supply disruptions and local scrap prices above international benchmarks.**

The steel overcapacity in China and the consequent supply glut has resulted in a significant increase in cheap imports into South Africa which, notwithstanding favourable weaker rand-US dollar exchange rates, has pushed local steel producers against the wall due to a double whammy of lower margins and sales volumes.

### Revenue

As a result of the challenging trading conditions the group's total revenue of R5,7 billion is 9,7% lower than the prior year.

### EBITDA

As a consequence of largely lower sales volumes and narrower realised margins, the group reported an EBITDA loss of R248 million compared to a loss of R254 million in the prior year.

### Non-operating special items

Due to anticipated continued difficult trading conditions, management initiated a set of turnaround initiatives that included sale of redundant properties, rightsizing and closure of loss-making operations. The combined effect of this was a net expense of R138 million including impairments and curtailment gain on post-retirement medical aid.

### Finance costs

As a result of increased borrowings due to operating losses, compounding effects and the rise in interest rates, net finance costs increased from R466 million in FY15 to R477 million in FY16.

### Capital expenditure

The group spent R176 million (FY15: R288 million) on capital expenditure during the period to maintain, improve and expand production capacity. Key capital expenditure projects for the period include the Fumex project, the Chain expansion project, side frame and bolsters (Omega project) and the Thermal sand reclamation project. Capital expenditure for the year was mainly funded by shareholder funds through preference shares.

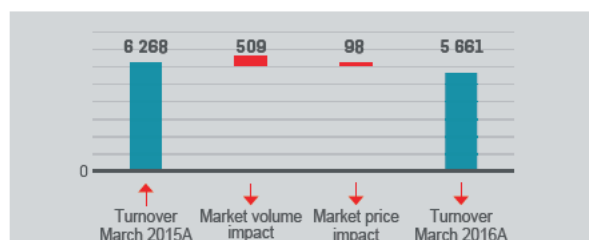
### Funding

During the year, the IDC subscribed for additional preference shares in Scaw amounting to R181 million. The capital raised was fully utilised to fund capital expenditure projects in the period. Furthermore, to ease pressure on the working capital a one-year revolving credit facility of R300 million was raised from the IDC.

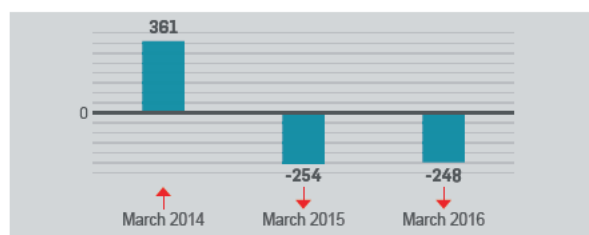
### Outlook

While trading conditions are expected to remain challenging for the next 12 months, we maintain a positive outlook. On the back of completed capital expansion projects (Chain and Cast expansions), efficiency initiatives already implemented, strategic sourcing initiatives, government lobbying (anti-dumping import duties, scrap export control and dti incentives), continued export market drive and balance sheet restructure we anticipate improving our performance going forward.

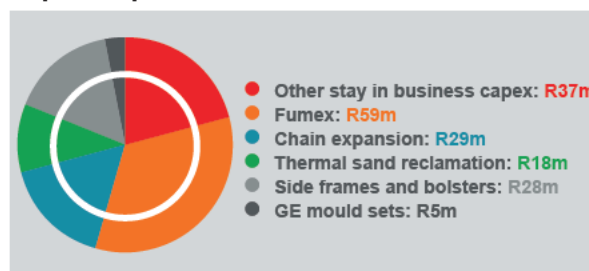
### Revenue R million



### EBITDA R million



### Capital expenditure R million



**Patrick Malaza** CFO



## Extracts from the group's financial statements

	March 2016 Rm	March 2015 Rm	March 2014 Rm
<b>Statement of comprehensive income – key figures</b>			
Revenue	5 661	6 268	6 450
EBITDA	(248)	(254)	361
Net finance costs	(477)	(466)	(379)
<b>Statement of financial position – extracts</b>			
Non-current assets	2 546	2 658	2 245
Current assets	2 168	2 562	2 525
<b>Total assets</b>	<b>4 714</b>	<b>5 220</b>	<b>4 770</b>
Total equity and non-current liabilities	2 657	3 130	3 666
Current liabilities	2 057	2 090	1 104
<b>Total equity and liabilities</b>	<b>4 714</b>	<b>5 220</b>	<b>4 770</b>
<b>Cash flows – extracts</b>			
Cash flows from operating activities	(55)	(51)	65
Cash flows from investing activities	(53)	(285)	(338)
Cash flows from financing activities	296	272	22
<b>Net cash flow movement for the period</b>	<b>188</b>	<b>(64)</b>	<b>(251)</b>



**Patrick Malaza**  
CFO

13 June 2016

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## Our people

### Case study

#### Engaging openly

Two of our values, “teamwork” and “care and respect”, help Scaw foster a culture of proactive and open employee engagement. The significance of this came sharply to the fore in the year with the restructuring of our business as a result of tough economic conditions.

This specific employee engagement demonstrates the introduction of open communication with our employees. It began with workshops for the full management team which examined the extent of compassion for remaining employees. It emerged from these workshops that management has an understanding that active engagement for the group is critical for Scaw to remain sustainable.

Management agreed to build a culture of fairness and shared purpose and values, underpinned by good business practices and a sustainable value chain. They also examined trends and opportunities to help build a sustainable Scaw.

The workshops emphasised working as a cohesive team and buy-in to the “one team; one vision” principle will be reinforced throughout the year ahead. Management understands that to achieve this it needs to build trust across hierarchies, levels and races to foster comradeship and unlock the great pride our workers feel in working for

Scaw. We also concluded that we must create more opportunity for social engagement.

This approach requires personal commitment and all employees are given the chance to engage in this dialogue. The programme will be extended down and across the group through small discussion groups aimed at establishing an inspired team that believes an attractive future is possible. The benefits to employees of Scaw’s business case will be explained and they will be encouraged to make a commitment to support and adopt the initiative.

In the months ahead, we will roll out an internal communication message to underpin this. The message will answer the big “what’s in it for me?” question and present all facts honestly while crafting an effective employee value proposition.

We have adopted the approach of our transformation project, Siyaphambili, which means we are moving forward, and came up with the catchphrase Siyambambili, we are leading. This advances the group from moving forward with internal transformation to taking leadership in our competitive landscape and gaining market leadership in all that we do.







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## Our people continued

**Against the backdrop of a challenging year for our people, the asset of our people remains central to our success, which is why “unlocking people potential” remains one of our critical strategic KPIs (see page 23).**

Scaw Metals Group recognises that skills are scarce in our industry and work hard to retain attractiveness for our existing workforce. We offer optimal working conditions and opportunities for development wherever possible. At the same time we continue to hold our employees to a high standard in order to achieve group performance and sustainability. Given that workforce morale was inevitably impacted by our restructuring programme in the year, we have embarked on a comprehensive employee engagement process under our group employee relations manager. (Read more on page 40.)

### Labour relations

We support the right of every employee to freedom of association and collective bargaining. Employees are represented by five unions – NUMSA, UASA, MEWUSA, Solidarity and SAEWA. The organisational rights of those unions are regulated by sections 11 to 22 of the Labour Relations Act. Scaw’s policy is to negotiate wages centrally and, as a result, 88,32% of employees are covered by the main agreement for the metal industry. The group engages in weekly communication with the individual employee unions and also at the monthly IR meetings. There were no incidents of labour unrest during the year.

### Skills development

Operating as we do in a skills scarce industry, Scaw places particular emphasis on training and development. Our apprenticeship, learnership and bursary programmes support the same end and at the same time are a means to realising our goal of creating social value.

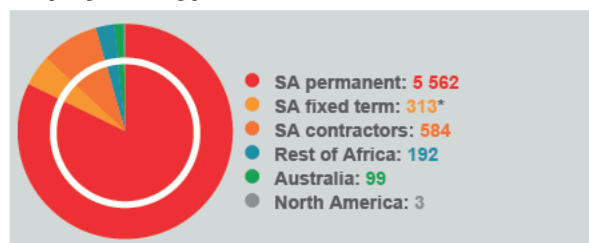
During the year, the group Training division established a number of strong partnership agreements with external stakeholder funding organisations, as a result of its reputation as a consistently reliable and high-quality skills development partner. In particular, the group has been recognised by the Gauteng City Region Academy (GCRA), dti, Department of Infrastructure Development (DID), Mining Quality Authority (MQA) and merSETA as qualifying for special and additional grant funding for national priority training initiatives. These have enabled Scaw to access funding in excess of R12 million for special skills development programmes which have contributed to us achieving a very high score of above 20 points for the skills development element on the new (2013) BEE scorecard.

### Breakdown of workforce by region and employment type 2016



*\*The fixed term figure includes graduates, learners, apprentices and other temporary staff. The increase in the figures for 2016 is due to an increased amount of graduates, learners and apprentices.*

### Breakdown of workforce by region and employment type 2015



*\*The fixed term figure includes graduates, learners, apprentices and other temporary staff.*

Scaw almost doubled our training spend year-on-year to R44,4 million spend (FY15: R20,9 million). Employees received a higher number of accredited training programmes (full qualifications and part qualifications) at 2 231 almost double the prior year (FY15: 1 247). Details on the courses conducted and attendance are set out in the table below:

Training and development courses	Course outline	Attendance FY15/16	Attendance FY14/15	
Crane and machine operators	Training of operators in overhead, pendant crane, forklift, slinging loads, hoist operator, tractors, front-end loaders, bell tractors, truck drivers and loco drivers	1 328	2 072	
Production training	Training of personnel in business understanding, business integrity, future forum, foundry skills, melting methods and operational requirements	388	2 103	2 <b>The year in review</b>
Safety training	Safety training in risk management, fatal risk standards, incident investigation, safety reps and safe operation procedures	6 188	3 792	
Management training	Supervisory programmes, skills programmes, competition compliance, quality programmes, SAP and computer training	899	894	6 <b>Scaw in overview</b>
Sub-total		8 803	8 861	
Internal skills development programmes	Apprentice training	151	114	
	Atrami programme/artisan apprenticeship	13	17	20 <b>Talking strategy</b>
	Welders NQF 2	18	0	
	Welders NQF 3	16	0	
	Internship P1 and P2 students	19	47	
	Graduate programme	94	64	32 <b>Performance review</b>
	NQF L2 production technology learnership	10	0	
	Children of employees learnership	27	0	
	Production learnership (PT2)	14	0	
	Production technology learnership L2	10	0	
	Supervisory learnership	37	0	
	Disabled learnership	105	0	
	Education, training and development programme	28	0	66 <b>Accountability</b>
	Electrical learnership	4	0	
	Mechanical learnership	5	0	
	Fitters learnership	2	0	
	Electrical learnership	2	0	
	Artisan learnership	6	0	
	Production school	105	0	
Sub-total		666	242	78 <b>Appendices</b>
Total non-accredited		8 570	8 078	
Total accredited		2 231	1 247	
Total employees trained		10 801	9 325	

## Our people continued

Training	Objective	Number of employees FY15	Number of employees FY14
Accredited coaching and mentoring training for first-line managers	Training line managers in effectively coaching and developing their teams, managing performance and delivering consistently high performance	38	202
Accredited assessor training for first-line managers	Ensuring first-line managers are accredited and competent in the assessment process in order to support the rollout of accredited qualifications – such as production learnerships, first-line management learnerships and production, safety and quality skills programmes	45	155
Accredited moderators for trainers	Ensuring the quality of our learning and teaching by training trainers in a moderating process for checking and reviewing our assessment processes	–	21
Problem-solving training and root cause analysis for middle and junior managers	Changing the reactive maintenance cycle, improve safety, integrity and reliability and optimise the asset lifecycle to effect significant improvement in performance. Root cause analysis and problem-solving training is a critical foundational skill for achieving operational excellence	129	109
A3 training for senior managers	Establishing a baseline for hazard and risk management, managers received safety risk management training. This included an introduction to risk management as well as models of work processes and management systems used to develop effective risk management strategies	–	22
Black female management development programme (BFMDP)	Equipping black female middle managers with the skills to become effective managers and to pursue the strategic objective of their companies. The management development programme bursary also creates a pathway for development and career growth for participating candidates. This programme attempts to address the skills gaps identified in the merSETA's sector skills plan by enhancing the availability of skilled middle management in the manufacturing and engineering sectors and specifically supports the role of black female managers	–	13

Training	Objective	Number of employees FY15	Number of employees FY14	
EE submission	To train our employment equity committees on correct methodology and requirements in submitting our employment equity plans	37	n/a	
Facilitate with Participlan	Train our trainers in different methods of facilitation to improve training	17	n/a	▶ 2
Finance for non-financial managers	To equip our non-financial managers with the necessary tools to assist in drawing up and maintaining budgets	41	n/a	<b>The year in review</b>
Work profiling	To equip our human resource personnel with the necessary skills and knowledge to develop work profiles and job descriptions	13	n/a	▶ 6
Project breakthrough	Provide first-line managers and facilitators with various options on project management	7	n/a	<b>Scaw in overview</b>
Hydraulic training	Artisan development programme	119	n/a	▶ 20
Crisis management	To equip senior management with the necessary tools to develop a crisis plan for the crisis management team (CMT)	14	n/a	<b>Talking strategy</b>
Accredited measurement and statistics	Provide first-line managers with the skills necessary to apply knowledge of statistics and probability to critically interrogate and effectively communicate findings on life-related problems	9	n/a	▶ 32
Accredited labour relations	Training line managers, foremen and potential foremen with the necessary skills to demonstrate basic understanding of the primary labour legislation that impacts a business unit	58	n/a	<b>Performance review</b>
Accredited supervisory techniques	Training line managers, foremen and potential foremen in effective supervisory techniques to assist in managing their teams, managing performance and delivering consistently high performance	76	n/a	▶ 66
				<b>Accountability</b>
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## Our people continued

Training	Objective	Number of employees FY15	Number of employees FY14
Train the trainer	Train our trainers in different methods of facilitation to improve training	18	n/a
Accredited introduction to manufacturing environment	Train our line managers, foremen and potential foremen to the world of manufacturing	30	n/a
Accredited introduction to warehousing	To train warehouse personnel with the necessary knowledge and skills to manage and maintain a warehouse	15	n/a
Driven machinery regulations	Introduce senior manager to the change in the driven machinery regulations	13	n/a
Accredited apply quality techniques	To equip first-line managers with the necessary skills to enable them to monitor and control quality control practices in a manufacturing/engineering environment	13	n/a
Accredited project management	Training line managers in effective methods of managing projects and budgets associated with these projects	29	n/a
Accredited maintain and monitor SHEQ	Apply safety, health, environmental and quality principles which will enable them to design, implement and maintain management programmes related to health, safety, the environment and quality	8	n/a
Accredited allocator and planner of production tasks	Provide planners and expeditors with the necessary knowledge and skills to enable them to explain the planning and scheduling of tasks in a production environment	22	n/a

Training	Objective	Number of employees FY15	Number of employees FY14	
Accredited production process operator	Train first-line managers to demonstrate an understanding of manufacturing principles, methodologies and processes and to be able to control production and resource scheduling and planning in a manufacturing environment	12	n/a	
Accredited SHE business relations	Train line managers, foremen, SHE personnel and potential foremen in all aspects of business related to SHE	10	n/a	▶ 2 <b>The year in review</b>
Accredited computer skills	Ensure employees have the correct competency levels to deliver consistent high performance	6	n/a	▶ 6 <b>Scaw in overview</b>
Accredited tool setting and troubleshooting	Provide artisan and machine operators with the necessary knowledge and skills to effective setting up of machines and troubleshooting	7	n/a	▶ 20 <b>Talking strategy</b>
Automated pneumatic system installation	Read and interpret electro-pneumatic circuit diagrams and related component symbols; identify and select electro-pneumatic components; install manual electro-pneumatic circuits; construct and programme an integrated programmable logic controller (PLC) electro-pneumatic circuit	45	n/a	▶ 32 <b>Performance review</b>
Accredited facilitate learning	Upskill trainers in facilitating methods to ensure quality training provided for continuous improvement	21	n/a	

## Our apprenticeship programme

Scaw has been committed to recruiting and training apprentices for over 40 years and was recognised in FY15 for these efforts by the SEIFSA “Best Artisan Programme” award. Our programme provides technical training in a number of trades with the majority of successful candidates embarking on a long and fruitful career with the company. It further serves a social value purpose as it promotes skills development beyond the company in the broader community – we have consistently produced more well-trained artisans than we can effectively accommodate at Scaw. In FY15, 23 apprentices successfully completed their trade.

The apprenticeship programme segues into an innovative career ladder framework which provides successful candidates with a structured progress path to senior technical and management positions. It is supported by structured skills and knowledge transfer. For Scaw, the programme enables structured succession planning and talent retention. We have now expanded apprenticeship programmes to technical learnerships, where a number of our internal employees and unemployed youth are being trained in these critical skills development programmes, supporting our career pipeline requirements and promoting employability of our youth.

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## Our people continued

The following apprenticeships were offered during the year:

Apprenticeship	Enrolment			Enrolment			Enrolment		
	FY15	Male	Female	FY14	Male	Female	FY13	Male	Female
Millwrights	5	2	3	10	8	2	8	4	4
Electrical	9	5	4	19	12	7	8	7	1
Fitter	13	8	5	17	10	7	9	8	1
Fitter and turner	4	3	1	5	4	1	4	4	0
Turner	13	10	3						
Boilermaker				5	5		2	2	0
Tool jig and die maker	2		2						
Instrumentation	4	2	2	3	2	1			
Total	50	30	20	59	41	18	31	25	6

### Production technology learnership NQF L2 to 4

In FY15, we launched our new production training facility in conjunction with Gauteng City Region Academy – a first for the steel industry. The facility forms part of the production technology – metals specialisation learnership offered by merSETA and is accredited by SAQA. It provides a comprehensive 12-month technical production operator course which is conducted in a ratio of 30% theory:70% on-the-job learning. The pilot programme started in FY15 with 125 learners which includes a number of children of Scaw Metals employees. Scaw has also simultaneously rolled out a production technology programme for its internal employees, supporting our critical production career pipeline.

### Bursary scheme and graduate intern sponsorship

Scaw offers university bursaries in engineering disciplines. In the year, bursaries worth R934 772 (FY15: R539 736) were awarded to previously disadvantaged students. A total of 57 employees (FY15: 54) benefited from study assistance in the year.

Electrical, mechanical and metallurgical engineering graduates who join the group undergo Scaw-specific training in the group's operations. A total of 113 interns were appointed in FY16 (FY15: 77). Notably, the majority of these are women in line with our drive to empower females in the industry.

### Graduate intern sponsorship by gender





Details of the graduate trainee programmes are set out below:

Discipline	FY16			FY15		
	Gender		% Interns	Gender		% Interns
	Male	Female		Male	Female	
Metallurgical engineering	8	5	11,50	1	2	5,56
Metallurgical engineering P1 – P2	9	7	14,16	5	5	18,52
Mechanical engineering	1	2	2,65	1	3	7,41
Mechanical engineering P1 – P2			0,00	1		1,85
Electrical engineering	4	1	4,42	2		3,70
Electrical engineering P1 – P2			0,00	2		3,70
Industrial engineering	3	4	6,19		1	1,85
Industrial engineering P1 – P2			0,00	1		1,85
Chemical engineering	1	1	1,77			0,00
Chemical engineering P1 – P2			0,00	1	2	5,56
Non-destructive testing	1	1	1,77			0,00
Non-destructive testing P1 – P2	1	1	1,77	1	1	3,70
Administration			0,00	3	7	18,52
Industrial psychology		1	0,88		1	1,85
Human resource management	1	5	5,31		4	7,41
Public relations and communications		1	0,88		3	5,56
Law			0,00		1	1,85
Accountancy	1		0,88			0,00
Accounting		1	0,88	1		1,85
Information technology	8	14	19,47	1	1	3,70
Information technology P1 – P2			0,00		1	1,85
Logistics	1	1	1,77		1	1,85
Environmental sciences			0,00	1		1,85
Administration in local government		1	0,88			
Analytical chemistry	1	1	1,77			
Computer systems	1	1	1,77			
Cost management accounting		1	0,88			
Office management and technology		9	7,96			
Office management and technology P1 – P2	1	1	1,77			
IT systems support		1	0,88			
Management assistant		3	2,65			
Draughting	2	2	3,54			
Finance management	1	1	1,77			
Business management	1		0,88			
Welder	1		0,88			
<b>Total</b>	<b>47</b>	<b>66</b>	<b>100,00</b>	<b>21</b>	<b>33</b>	<b>100,00</b>

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## Our people continued

The group has the following training accreditations:

<b>Manufacturing, Engineering and Related Services Seta (merSETA)</b> <ul style="list-style-type: none"> <li>– National certificate: GETC – manufacturing, engineering and related services NQF level 1 (23253)</li> <li>– National certificate: production technology NQF level 2 (58781)</li> <li>– National certificate: production technology NQF level 3 (64189)</li> <li>– National certificate: production technology NQF level 4 (66449)</li> <li>– National certificate: manufacturing and assembly operations NQF level 4 (48915)</li> <li>– National certificate: GETC foundry production NQF level 1</li> <li>– National certificate: GETC foundry production NQF level 2</li> <li>– National certificate: GETC foundry production NQF level 3</li> </ul>	<b>MerSETA skills programmes</b> <ul style="list-style-type: none"> <li>– Introduction to the manufacturing environment</li> <li>– Life skills – understand and deal with HIV/Aids</li> <li>– SHE business relations</li> <li>– Post-production finishing operations</li> <li>– Production process operations</li> <li>– Apply quality assurance techniques</li> <li>– Supervisory techniques</li> <li>– Labour relations in the workplace</li> <li>– Measurements and statistics within quality control</li> <li>– Post-production finishing operations</li> <li>– Maintain and monitor SHEQ systems and procedures</li> <li>– Optimising production</li> <li>– Tool setting and troubleshooting</li> </ul>
<b>Transport, Education Training Authority Seta (TETA)</b> <ul style="list-style-type: none"> <li>– Operating cranes</li> <li>– Operating lift trucks</li> </ul>	<b>Media, Information and Communication Technologies Seta (MICT SETA)</b> <ul style="list-style-type: none"> <li>– National certificate: information technology; end-user computing</li> </ul>
<b>CESA</b> <ul style="list-style-type: none"> <li>– Accredited programme: steel wire rope technical training course</li> </ul>	<b>Education, training and development programme (ETDP) accreditation</b> <ul style="list-style-type: none"> <li>– National higher certificate 50334 occupationally directed education training and development practices</li> <li>– National diploma 50333 occupationally directed education training and development practices</li> </ul>



## Case study

### Skills development – producing excellence

Scaw has taken the lead in professionalising production to become an attractive career option for shop-floor employees, particularly in the steel manufacturing and engineering sectors.

During the year, we established a school of production excellence programme and launched a pilot production professional development programme with the intention of developing fit-for-purpose production skills.

The programme supports government's strategy for industrialisation and localisation by offering skills development and work opportunities for unemployed youth. Candidates will be trained to become highly skilled production professionals who can progress from the shop floor to production operation managers, ensuring that not only Scaw but the sector as a whole has a steady, skilled talent pool. Further, the country's manufacturing sector will benefit by becoming globally competitive.

A vibrant manufacturing sector is critical to the economy. It retains revenues inland, creates employment and boosts the social fabric of the country (SEIFSA June 2015: 16). Over the past 25 years, there has been a steady decline in the contribution of the manufacturing sector to the South African economy and a major driver has been the lack of professional production skills. Traditionally, shop-floor production employees are employed off the street with no prior training. By equipping the labour force with suitable skills we hope to address this.

Similar development programmes, supported by heavy funding, exist for artisans. However, this programme is a first in developing production employees with potential to create sustainable employment for unemployed youth. The ratio of production workers to artisans in manufacturing is 10:1.

The programme is based on a combination of 12 to 15 months' theoretical and practical training and assessments in the production school, combined with workplace experiential learning and assessments. The learners will then be certified as competent to be appointed into permanent production positions.

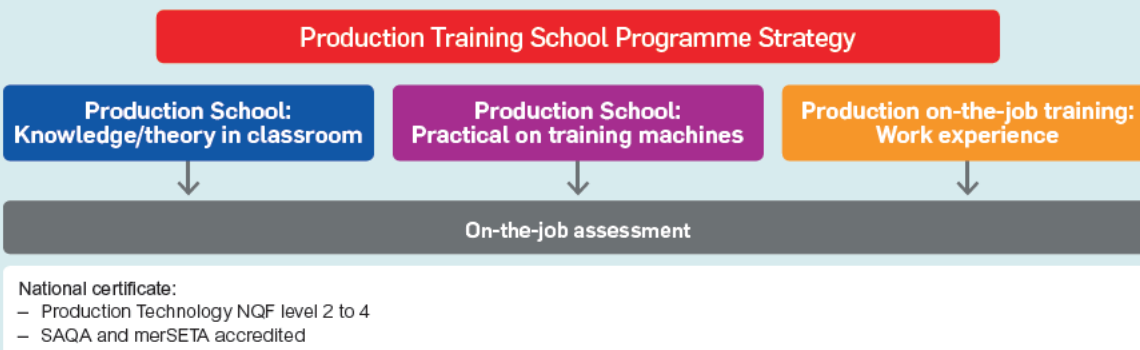
Significant effort has been made designing and developing a career path for the production professional in Scaw. The pathway has multiple entry and exit points and is built on knowledge progression.

We are monitoring the pilot programme and will use the lessons learnt to shape and improve rollout in the future. Going forward, we anticipate that the programme can be replicated by other companies and industries as a model for technical skills training, with the key output being well-prepared, work-ready learners.

The lessons we have already learnt to date can also be applied to our existing apprenticeship training programmes and include:

- Using a problem-based approach in delivering the curriculum, ensuring practical classroom interaction
- Providing a learner-centred delivery model
- Going beyond traditional "chalk and talk approach"
- Using innovative technology-based blended learning
- Using an interactive e-learning platform
- Rigorous upfront assessment and matching regime to ensure the most appropriate candidates for the programme in terms of ability and career interest
- Introducing a work readiness and personal leadership mastery programme including real life simulations of the workplace

The framework for the learnership is set out below:



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## SHE

Driven by all of our values, the health and safety of our employees and the protection of the environment are priorities. We are committed to a policy of zero harm and seek to achieve this through leadership, education and collaboration.

### Safety

#### Key safety indicators at a glance

	FY16	FY15	FY14	FY13
Fatalities	–	–	–	1
TRIFR	1,18	1,20	1,46	1,87
LTIFR	0,51	0,44	0,34	0,41

We place safety first at all times and believe we should provide an environment free from harm that avoids injury or ill health, and that all employees should be able to return home fit and well at the end of each shift armed with the knowledge to educate their families and communities on SHE issues. To this end we seek to ensure our operations have fundamentally safe, well-designed plant, equipment and infrastructure with risk-based SHE management systems.

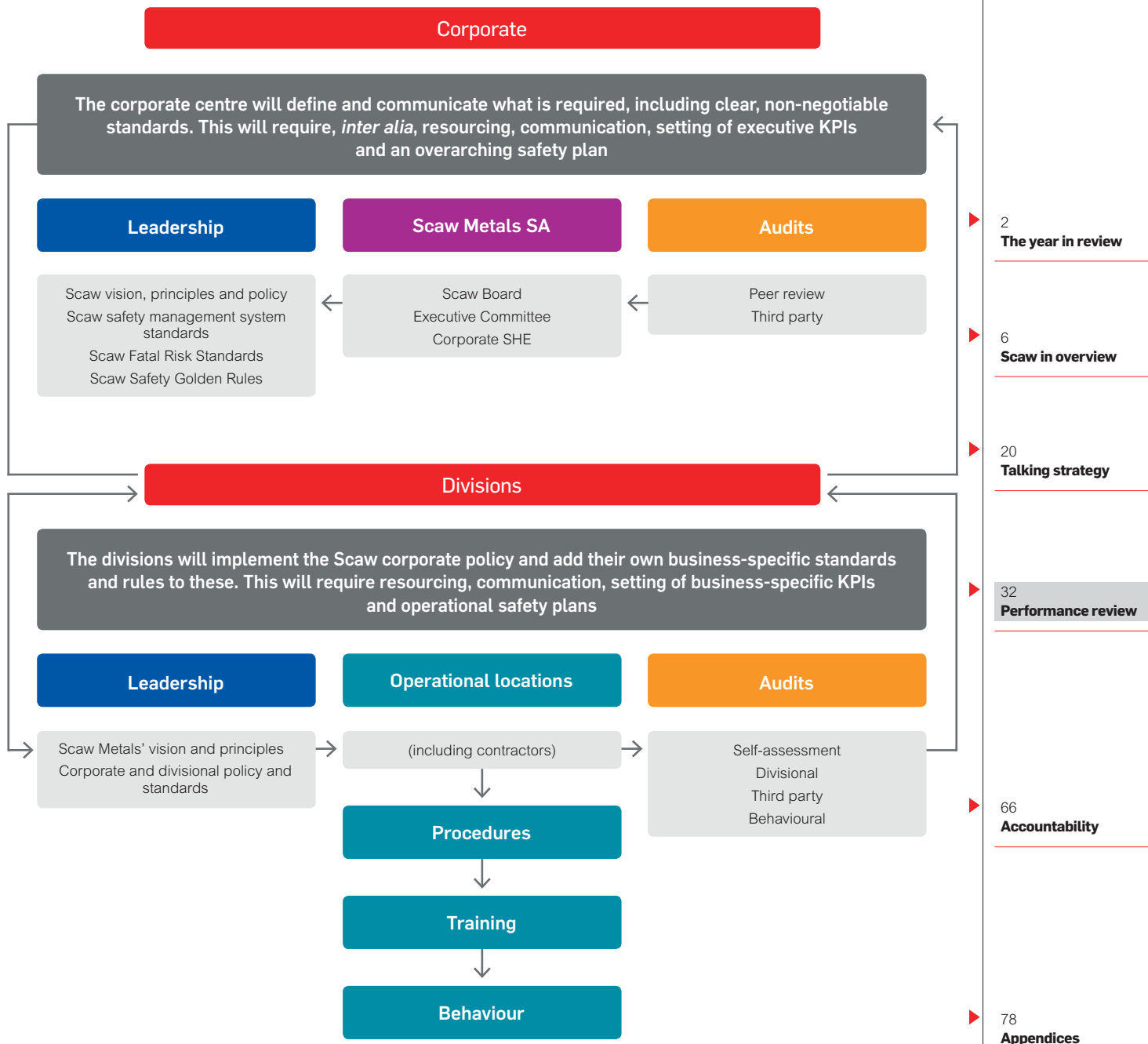
### SHE principles

- **Zero harm mindset:** An acceptance of and responsibility for the premise that all injuries and occupational illnesses are preventable and that the group can avoid, minimise or mitigate environmental impacts arising from our operations.
- **No repeats:** All unsafe practices and incidents, environmental incidents and poor environmental practices will be investigated to determine the root causes and the steps necessary to prevent recurrence.
- **Strict rules and standards:** Scaw has adopted SHE standards to ensure that minimum standards are maintained throughout the group (see Scaw's SHE management framework on the next page). Divisional line management at all levels are responsible for implementing and maintaining these.

Our SHE management framework defines the roles and responsibilities of the corporate centre and business units in respect of SHE. SHE performance is a main agenda item in all forums in the group and a KPI at all levels of the organisation.

The group SHE department is based at the Union Junction operation with teams also located at the various operating sites. The SHE department is responsible for ensuring that the SHE management framework is maintained and continuously improved in line with the ISO 14001 environmental and the OHSAS 18001 safety and health accreditations, as well as other policies and procedures to which the group subscribes.

## Scaw's SHE management framework





## SHE continued

### SHE management standards

These standards form the basis for the group-wide SHE management system and are based on the ISO 14001 and OHSAS 18001 management system standards. For those sites where certification to the latter standards is not pursued, a Scaw safety standard has been created and published in our document *The Group Safety Way*. We intend to focus on the implementation of the Group Safety Way at these sites before any further new standards are introduced. Gap analyses on compliance with the Group Safety Way have been conducted at the relevant sites and action plans are being rolled out to address any shortcomings. Although restructuring in the group during the prior year delayed the implementation, it will receive renewed focus in the new year.

In addition, Scaw has implemented the Fatal Risks Standards (FRS) which determine requirements for managing specific high risks. These are specific in-house controls associated with identified fatal risks and apply beyond Scaw business units and operations to contractors and visitors involved in controlled activities. To activate the FRS, we retained focus in the year on the implementation of the risk assessment review programme. All baseline risk assessments were reviewed and formally signed off. In addition, the review began of the task-based risk assessments. In the coming year, focus will be on reviewing these task-based risk assessments for high-risk tasks and related procedures. Training on the safety risks management programme will also continue in the year ahead.

In May 2015, Scaw also introduced a new hazard identification and risk assessment (HIRA) standard, which determines the minimum requirements for all sites, while allowing each site to add its own improvements or deal with its unique requirements without restriction.

### Living our safety principles

In order to entrench a culture of safety, everyone working for and with the group is required to embody our SHE principles. This is facilitated through visible leadership and clear accountability. During the year, we concentrated on the time that managers spend on the shop floor and senior and line managers conducted VFL walkabouts and engaged directly with employees at least once a week. This continues to have a positive impact on safety behaviour, safety awareness and the early identification of potentially unsafe acts.

Regular SHE Committee meetings are held in all plants on a monthly or bi-monthly basis, which include representation from management, labour force via the appointed SHE representatives and the SHE team. SHE box talks are also held at least once a week in the workplace to maintain a high level of awareness on an informal basis, which also allows the team members to raise issues of concern. In addition, safety improvement books are provided for in all the factory workplaces to allow any person to record an incident or issue of concern. This book is then considered during the morning supervision meetings at the plant.

### Training

The group human resources department manages the roll out of training, while a training matrix and schedule are maintained in the individual operations of any SHE training courses required. During the year, group-wide specialised competency-based training included:

- Gas safety (shop floor and classroom)
- Slinging and safe lifting practices training (basic level, shop floor and classroom)
- Transport Education Training Authority (TETA) accredited pendant and overhead crane training
- TETA-accredited forklift training
- Vienna testing for all mobile equipment operators
- HIRA training for shop floor level
- SHE representative training
- First aid training
- Confined spaces training
- Lock out and isolation training



Contractor induction training is provided by an external service provider. Advances were made in the year when the visitor's induction was upgraded and rolled out. The main employee induction training video is currently being reviewed.

### Safety audits and reviews

External safety compliance audits continue to be regularly conducted for OHSAS 18001 and ISO 14001-accredited sites. During prior audits, certain non-compliances were identified and have now been addressed.

The types of reviews conducted internally are determined primarily by the perceived risk profile of the respective business units. They comprise:

#### Annual reviews

- Scaw's Exco reviews the group's SHE objectives, targets, standards and policies annually to ensure that they remain current and valid.
- Occupational hygiene surveys are conducted every two years to measure workplace exposure.
- During the year, 96% of employees scheduled for medical surveillance attended the consultations.

#### Peer review programme (PRP) and internal audits

- The PRP and internal audits provide some assurance that fundamentally sound, risk-based management systems are in place at all operations, but also work to build core competence and act as a mechanism for learning and sharing across Scaw. The PRP uses the SHE personnel in certain plants to cross-audit other plants. This will be expanded to more sites in the coming years.

#### Self-assessment and safety plans

- Conducting self-assessments of the implementation of FRS is key to continuous improvement. The gaps between the self-assessments and full compliance provide a basis for safety improvement plans and reporting on self-assessments forms part of the assurance process required by Exco.

## Our employees' well-being

### Health objectives

Objective	Target FY15	Actual FY15	Target FY16
Employee participation in VCT (including previously tested)	85%	67%	80% (including previously positively tested)
Enrolment of known HIV positive cases on a recognised wellness programme	90%	94%	90%
Uptake of employees for risk-based medical surveillance	100%	96%	100%
Reduction in South Africa of level 3 and level 4 NIHL cases	40% reduction	No cases	<10 cases
Group health improvement plan	To be maintained	Has been maintained	To be maintained

We aim to proactively protect the well-being of employees, providing primary and acute healthcare services, lifestyle and chronic disease assistance and facilities and trained staff to manage medical emergencies at work.

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### **Health clinics**

Scaw provides employees access to occupational health clinics or medical centres equipped with professional medical staff and equipment. These clinics provide care for employee disease and injury and are responsible for monitoring treatment until recovery.

At the two largest sites, Union Junction and Steel Wire Rope, the clinics are open 24/7. Medical personnel treat injury-on-duty cases, manage a wellness HIV/Aids clinic and will arrange for the evacuation of South African employees who are injured on duty overseas. The Union Junction medical facility is staffed by 17 medical and associated professionals with an on-site ambulance. Access is provided to advanced medical emergency vehicles including a helicopter. The site's X-ray facility is available to other medical centres within the group.

### **HIV/Aids**

Scaw's HIV/Aids programme continues the battle against the pandemic in the workplace with ongoing education on prevention, treatment (including nutrition), family and social impacts, and destigmatisation of the disease. Specifically the programme includes:

#### *VCT*

- Monthly testing targets are set to achieve an annual testing target of 80%. Although this target was not achieved in the year, many employees who had never been tested came forward to be tested.

#### *Wellness programmes*

- When an employee has been diagnosed with HIV, he or she is enrolled in a wellness programme unless he or she refuses. Testing of the CD4 count is repeated at set intervals. Antiretroviral treatment (ART) is commenced when the CD4 count reaches a certain level. In addition, the employee is counselled and his or her general health is monitored.

#### *ART*

- The provision of ART has proven to be greatly successful, with the result that nearly all employees who have been treated are performing their normal duties. The critical importance of adhering to therapy requirements and the continuance of treatment form the thrust of ART counselling.

#### *Training*

- To improve employee understanding of the impact of HIV on individuals and society, Scaw conducts HIV/Aids awareness campaigns and training on an ongoing basis. One of these programmes is peer education facilitated by HIV-positive employees as trainers/speakers, who encourage participants to get tested and use Scaw's wellness programme.

#### *HIV committees*

- A number of employees have joined Scaw's volunteer HIV/Aids education programme as peer educators. HIV committees formed by the peer educators at most of the large sites are integral to the HIV/Aids management programme. Committee members and other employees participate in the annual World Aids Day activities.

### **Occupational disease**

The principal occupational health risks in Scaw are NIHL, illness due to dust exposure, and dermatitis or asthma due to chemical exposure. During the year, two incidents of occupational disease were reported.

## **The environment**

One of our strategic KPIs is acting responsibly and this includes ensuring the protection of the environment. Steel is the most recyclable material on the planet, which means that as a manufacturer of value-added steel products from steel scrap and directly reduced iron, we are active in one of the world's most sustainable industries. Recycled steel is used in every new steel product with some countries achieving a recycle rate of 85%. We procure and process our own steel scrap requirements and recycle significant volumes of scrap steel in our steelmaking operations.

Our approach to general environmental management is based on international best practice and legal compliance. Most of our operations are ISO 14001:2004 certified. Responsibility for environmental management extends to every employee and a comprehensive environmental management framework and Scaw assurance programme are in place.

Environmental objectives, targets and standards are reviewed annually by Exco. These include objectives for energy consumption, water consumption and waste reduction. As a result of our efforts, energy consumption and water use per steel tonne produced are being continually reduced year-on-year throughout the group.

Another of Scaw's key environmental objectives is finalising closure of historic legal non-conformances. To date, 93% have been closed out. The remaining items require either substantial capital investment or are dependent on completion of the authorisation process. The former includes the R210 million secondary emission extraction system for the Union Junction foundry which is in progress and expected to be completed in FY16. Construction of the fume extraction project – which is set to reduce dust emissions at Meltshop 1 and 2 at the Cast Products division – progressed to 80% completion with final commissioning expected by July 2016.

The non-compliances that require authorisations include the issuing of a waste disposal site permit at the decommissioned Dimbaza site. It is hoped that all the required authorisations will be finalised during the next financial year.

There were no significant spills at any of the group's operations during the year. Scaw did not receive any significant fines for non-compliance with environmental laws and regulations.

### Interested and affected parties

In line with our approach to stakeholder engagement and our core value of care and respect, we engage regularly with our environmental stakeholders to ensure we keep open lines of communication. The Union Junction site hosts an annual environmental stakeholder forum meeting. Stakeholders in this instance include local residents, national, provincial and local government authorities such as the Department of Environmental Affairs (DEA), the Gauteng Department of Agriculture and Rural Development (GDARD) and the Department of Water and Sanitation (DWS), as well as the Ekurhuleni metropolitan municipality.

Complaints from the communities in which we operate are recorded as and when they are received and addressed. Feedback is then provided to complainants. Each site maintains a register of complaints received and the status quo.

### Energy

The group is focused on improved energy management and has been tracking improvements on a central database since 2005. Over this time, Scaw has achieved a reduction of more than 10%.

The group has a number of short and long-term initiatives under way in this regard which include:

- Variable speed drives for arc furnace regulation
- Energy-efficient motor survey
- Energy-efficient lights for various plants at Union Junction and the Benoni foundry.

### Water

Scaw is committed to conserving water where possible as well as ensuring its responsible discharge. The primary source of water consumption at Scaw is municipal or Rand Water Board. Within our operations water was withdrawn from the following sources during the year:

- Groundwater (Union Junction and Steel Wire Rope): 12 823 kilolitres
- Rainwater, stormwater and dams (Union Junction): 109 454 kilolitres
- Purchased (SA operations): 1 041 864 kilolitres

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## SHE continued

### Emissions

Scaw has participated in the Carbon Disclosure Project for the past two years and intends continuing. Greenhouse gas (GHG) emissions, specifically of carbon dioxide, are managed as part of the programme. Furthermore, particulate emissions are continuously monitored at certain stacks at Union Junction and a dust fallout sampling programme is also in place at the site. This consists of dust buckets placed in strategic locations on the boundary of the site and in the surrounding communities. In addition, external consultants undertake annual emission surveys. Scaw does not implement any initiatives specifically to reduce GHG emissions. However, the energy-saving initiatives already in place to reduce electricity usage or natural gas consumption automatically result in reductions in GHG emissions.

Scaw's CO<sub>2</sub> emissions are set out below:

	CO <sub>2</sub> tonnes
Scope 1	116 475
Scope 2	610 253

(Note: These values have not been formally verified.)

At present, the group does not measure scope 3 emissions.

The upgrade of the fume extraction system at the Union Junction foundry, which is expected to reduce emissions, was approved at a capital cost of R210 million. The project was anticipated to conclude by end-FY15, but will only be finally commissioned during the first half of FY16.

All provisional air emission licences, except for one, have been converted to final licences.

### Waste

Scaw ultimately aims to recycle as much waste produced on site as possible and therefore reduce the need for a separate disposal site, while at the same time aiding in not overburdening an already disturbed footprint. Scaw is appropriately licensed to recover metal for recycling as far as possible. To cater for the remaining instances, two sites have been secured for waste disposal.

Currently, the Union Junction site is the largest producer of process waste in the group. A phased approach has been adopted. All slag from the furnaces is recycled and the metal extracted and reused in the furnaces, together with additional recovery from one of the older waste disposal sites. With the drop in production due to market conditions, the waste disposal to the landfill site at Union Junction reduced significantly, extending the life of the existing facility. It is hoped that financial circumstances will allow the continuation of the R&D of a recycling option for the fumex waste.

### Biodiversity

All of the group's properties are industrial brownfield sites and none are adjacent to areas of sensitive ecosystems.

## Transformation at Scaw

Scaw is a first mover, being one of the first steel producers to attain a level 2 B-BBEE certification. This achievement bears testament to Scaw's commitment to transformation. This extends not only to racial diversity but promoting women in a traditionally male-dominated industry. Our success in this regard is evident in Scaw's women's forum (read more on page 61).

Following a review of the new incoming B-BBEE codes, the Social, Ethics and Transformation Committee set a target of level 4 and action plans were set in motion to achieve this. Notably, Scaw exceeded its target achieving level 2 under the new codes.

### Siyaphambili

Siyaphambili is Scaw's transformation project which encapsulates our commitment to transforming our workforce and houses the ongoing staff education and communication in this regard.

### B-BBEE scorecard

B-BBEE code*	Maximum points (old codes)	FY14	Maximum points (new codes)	FY15
Equity ownership	23	23	25	25
Management control	11	8,9	19	12,48
Employment equity	18	4,0	n/a	n/a
Skills development	15	5,3	20	21,23
Preferential procurement	20	19,3	n/a	n/a
Enterprise and supplier development	15	15	40	31,93
Socio-economic development	5	5	5	5
<b>Total</b>	<b>107</b>	<b>80,5</b>	<b>109</b>	<b>95,64</b>
		<b>B-BBEE level 3</b>		<b>B-BBEE level 2</b>

\*Description as per new codes where applicable.

### Employment equity

Since June 2013, a formalised five-year employment equity plan has been in place. The plan places an emphasis on achieving a demographic that is in line with South Africa's environment. We believe our approach will ensure a mix of skills and cultures as well as a balanced cross-generational worker profile. In addition, we place particular emphasis on improving gender representation.

Our national Employment Equity Committee drives the group's employment equity agenda in compliance with legislation and according to the five-year plan. Employees are encouraged to communicate any concerns related to employment equity (diversity, discrimination or harassment) to committee members in their respective areas, or to the group transformation and employment equity manager.

There were no reported incidents of discrimination during the year.

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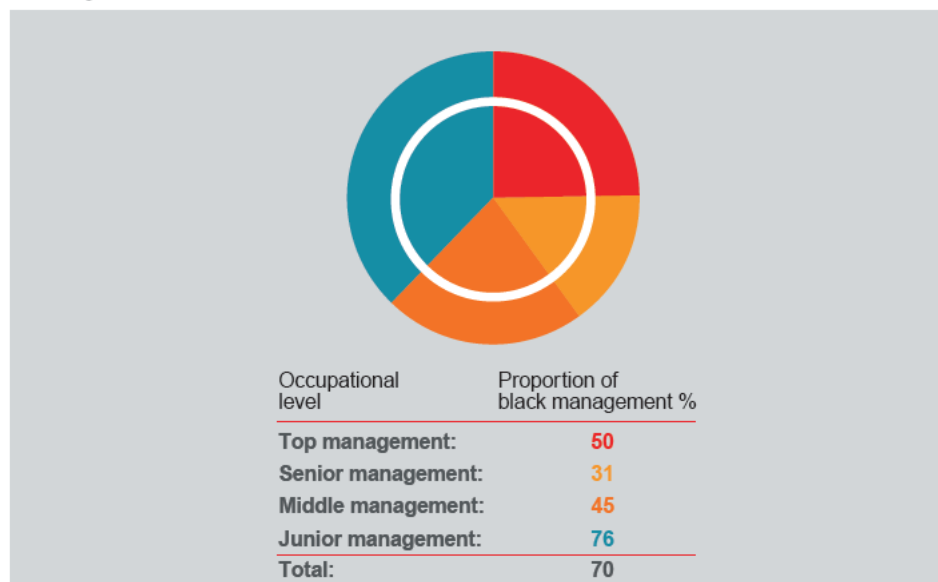
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## Transformation at Scaw continued

The group's employment equity by occupational level is set out below:

### Management control %



### Gender equity

#### Women in management performance



**255**

Total number of women in management

Target: 14,89%

Required: (26)



**607**

Total number of women at Scaw Metals

Target: 12,62%

Required: (149)

Scaw has

**301**

QSE businesses in its supply chain

Scaw has

**279**

EME businesses in its supply chain

Scaw spent

**R392 million**

on these QSE businesses

Scaw spent

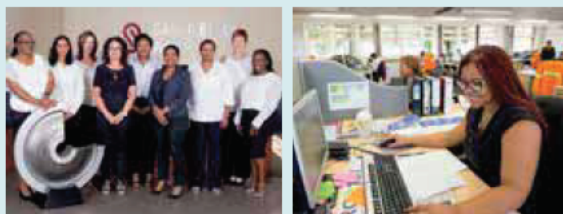
**R345 million**

on these EME businesses



## Case study

### Women to the fore



Scaw has made a public commitment to encouraging and promoting women in the workplace. To this end the group launched the Scaw women's forum (SWF) during 2015. The forum is tasked with driving the agenda of women in the workplace and developing a plan to uplift female employees. Its objectives include nurturing and mentoring female employees with the end goal of increasing gender diversity, making Scaw an organisation that attracts females. We strive to offer attractive opportunities for women within both the technical – electrical, mechanical and metallurgical engineering – and professional administration fields.

The industry in which we operate is neither conducive nor attractive for women, creating a very small pool of potential female employees. There are no specific legislative requirements that require the promotion of gender diversity,

save for the general tenets of the Employment Equity Act. This makes the work of the SWF a long-term journey.

SWF has identified three immediate challenges:

- Internal engagement
- Upgrading women's facilities
- Creating awareness of female presence in the industry, particularly with male colleagues

The forum has put in place a comprehensive action plan which includes:

- Ensuring female employees and students are included in existing employee development plans such as graduate and learnership programmes
- Creating a database of all female employees to communicate messages relating to women's issues
- Establishing a buddy system for female employees
- Conducting a roadshow to all sites during Women's Month
- Arranging a plant visit for girl students from the local community
- Profiling female employees with rare skills to different stakeholders

The forum kicked off by communicating its objectives internally and to external stakeholders and encouraging employee support for building a new culture that addresses women's issues.

#### SWF in action – Scaw's first female boilermaker

Hamese Maite, the fourth of six children, was born and raised in Limpopo and in 2012 was offered the opportunity to do a boilermaker apprenticeship with Scaw. She qualified as an artisan boilermaker in October 2015 and was employed at Scaw – making her the first female boilermaker in the company's history!

"I enrolled in Scaw's apprenticeship programme despite knowing that my chances were limited and through the programme realised my passion for engineering. In a male dominated industry I knew the odds were against me. Men and women are treated differently and women are not given as much opportunity to apply themselves as men are. They always need to exceed boundaries to be acknowledged. However, for me it's not a matter of gender but rather ability and capability.

"During my studies I faced a number of struggles being a female student. I had to discover my identity within the organisation while also learning about the organisational structure and as a female student was constantly told that I am too young or not physically fit to do the job. However I had a hunger to learn and the support from my fellow trainees and senior artisans, who showed me the way. Although discouraged at times and close to quitting, I stepped up every time to prove my worth.

"I thank God and my family for being there with me through this journey. I pay homage to senior artisans who showed me the ropes as well as the knowledge given to me. Women should not be afraid to enter male dominated industries and take on leadership roles.

Through this opportunity I intend to empower women as well as the youth to aspire for more and do the impossible. I have also been equipped with tools that I will use beyond my work environment as through the programme I learned to ignore set standards and boundaries, to disprove myths and really show that women can do what men can do. This is my greatest achievement as it is a life accomplishment. The globally recognised certificate also enables me to work anywhere in the world."



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## Enterprise and supplier development

As part of our commitment to achieving sustainable growth and having an impact on the wider community, we continue to promote enterprise development. Scaw is invested in and committed to the process of assisting small businesses to thrive as they are one of the key vehicles through which poverty alleviation and inequality can be tackled effectively in South Africa. During the year, we contributed a total of R3,85 million towards enterprise and supplier development programmes.

All of our enterprise and supplier development initiatives are aimed at ensuring that businesses become capable of supplying their products and services to Scaw and/or their larger markets. The aim is to help these entities become more agile and competitive to foster a strong likelihood of meaningful market share gain and sustainable job creation in the near future.

Our FY16 programmes included:

- Scaw employees providing human capital support to small, 51% black-owned enterprises
- Purchasing equipment for high-potential suppliers and external enterprises
- Sponsoring the incubation of high-potential suppliers and external enterprises
- Assisting outstanding suppliers and external enterprises in testing their products at Scaw and if proven effective and competitively priced, purchasing these products where feasible

### Case study

#### Supporting localisation through supplier development

Scaw's enterprise development programme provides opportunities for small organisations to participate in a meaningful development programme that could ultimately lead to them becoming a vendor. One such beneficiary is **Torque Services**. Scaw identified an opportunity to support a local supplier in developing a range of products that would enable the group to not only support a black women-owned company but foster localisation by eradicating the need to import these particular products.

Torque Services was permitted to conduct development work and trials at our site in order to achieve our desired levels of product specifications and standards. In addition, Scaw provided approximately R50 000 to procure equipment which assisted Torque Services in improving its research work and enabled the company to deliver to Scaw as well as other customers faster, thereby driving localisation. The equipment was used during the FY15 shutdown where the supplier conducted pressure testing on a gas and water pipe installation in Meltshop 1.

The support provided by Scaw, which will run over two to three years, has resulted in job creation, the development of local content and the expansion of a local supplier's South African and international customer base. The programme has also helped Torque Services migrate from our enterprise development programme to being an approved vendor.

Scaw has seen a benefit in its pricing, while technical support from a local supplier has been appreciated at a plant level and we are proud to support an organisation that is local and on par with international suppliers. We are committed to supporting initiatives such as this that enable



development of local suppliers and support our operations. In doing so, our enterprise and supplier development programme is designed to not only create value for our supply chain, but potentially the greater manufacturing industry in South Africa.

**Torque Services** is an engineering solutions provider specialising in providing the mechanical and electrical services to the petrochemical, power and energy, mining and industrial sectors. The company is based in Midrand, Gauteng. Owner/CEO, Nosipho Mhlongo, is a chemical engineer with over 17 years' industry experience. Her skills in operations and technical services, logistics planning and operations management were gained in the fast moving consumer goods and chemical and petrochemical industries.

## Our communities

In striving to be a sustainable company and contributing to growth in South Africa, we are committed to helping develop and improve the quality of life in the communities in which we live and work. We have an established CSI Committee which assesses and makes suggestions for projects which include education, health, housing, community and infrastructure. During the year, the committee placed emphasis on increasing employee participation in these projects and employees consequently assisted the vegetable garden projects at two local schools. In the year ahead, employees will be further encouraged to donate their time to assist with our social development projects.

Scaw invested a total of R1,5 million in CSI projects during the year. This is an unfortunate reduction from the prior year's contribution of R1,8 million as a result of reduced available funding due to challenging market conditions.

An overview of some of our beneficiaries during the year is set out below:

### Education

#### Adopt-a-School: Eketsang Secondary School in Katlehong

Scaw has supported this school since 2012 when it was adopted by the human resources department (before the creation of the CSI Committee). The school is located in Wadeville which is near our largest premises. Scaw's support has helped Eketsang to implement the following:

- Literature educator development programme and classroom support for grades 8 to 12
- Library books
- Text books
- Science equipment, educator development and classroom support
- Mathematics educator development and classroom support programme for grades 10 to 12

Scaw's commitment

**R360 000**

#### Adopt-a-School: Mohloli Secondary School in Sharpeville

Scaw adopted this school, which is situated close to our Vereeniging Chain operation, in FY13/14. Mohloli stood out during our selection process due to the dedication of its educators. They have implemented a communal teaching method which enables learners to gain additional assistance from extra classes before and after school as well as on Saturday mornings. Scaw's support has contributed to the renovation of the science laboratory.

Scaw's commitment

**R390 000**

#### Epworth Children's Village – community educational outreach programme

Epworth provides a community resource centre to both residents and the surrounding communities. In collaboration with the Gauteng Provincial Department of Education, it provides education support services to educators, parents, guardians and the learners at 13 schools in the Tembisa area.

Scaw's commitment

**R250 000**



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## Our communities continued

### Sports development

#### Cricket

The Scaw Cricket Club supports the development of youth from the communities surrounding Union Junction. The club runs a December holiday programme where schoolchildren have the opportunity to refine their cricket skills. Transport, cricket gear and refreshments are provided for these young batsmen and bowlers.

Scaw's commitment

**R20 000**

#### Soccer

Scaw sponsored new uniforms, equipment, referee fees and transport for the junior soccer side from the surrounding areas of the Union Junction site.

Scaw's commitment

**R10 000**

#### Athletics

Scaw provided Scaw Harriers Club with financial support for the junior development team. The youth are trained in both athletics and cross-country running. The club ensures that the registration fees, transport and refreshments are paid for the junior runners.

Scaw's commitment

**R50 000**



## Environment

### Food and Trees for Africa

To date, Scaw has planted 3 000 trees at Katilehong homes and schools. The group, together with community members, also planted two vegetable gardens at schools in the area in the year.

Scaw's commitment

**R400 000**

### Ad hoc

Scaw sponsored two buses to transport learners to the Youth Week Expo at Nasrec arranged by the Department of Education.

Scaw's commitment

**R35 000**

Scaw also donated funds to the University of Johannesburg (UJ). This donation was intended for the "missing middle" – students who are unable to qualify for National Student Financial Aid Scheme loans, but are academically eligible. The campaign has raised R60 million to date.

Scaw's commitment

**R10 000**

We also had the pleasure of engaging with all our partners at the end of FY15 to acknowledge the importance of having credible partners who have the ability to roll out the projects at grassroots level.



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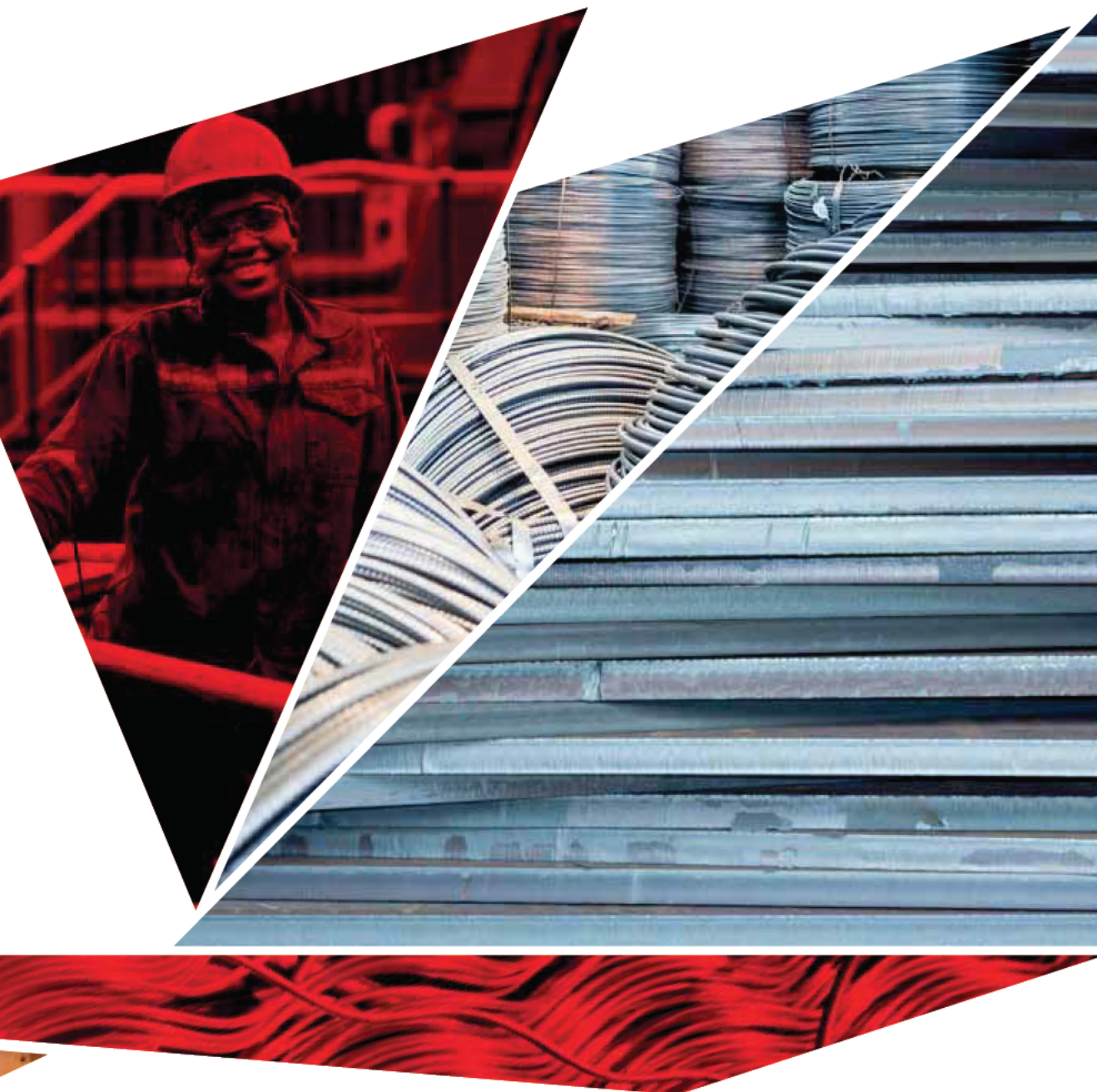
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## Ethical leadership

**We are committed to acting with the highest standards of ethical behaviour and effective governance, in the interests of all stakeholders, which is imperative to our reputation and ensuring a sustainable business. Personal and organisational integrity are embedded in our culture and translate into our values.**

A business integrity policy is in place which is reviewed regularly. This is further supported by policies on gifts, conflicts of interest and whistleblowing. Adherence to these policies extends beyond our employees to include our suppliers, who are required to agree to be guided by the policies. We have implemented an awareness programme relating to these policies.

The Social, Ethics and Transformation Committee continues to regularly monitor the group's ethical compliance including regular feedback from the whistleblower hotline and the internal audit department. Our anonymous whistleblowing facility is available to employees, customers, suppliers and shareholders to report dishonesty, fraud and other inappropriate or unethical behaviour in the workplace in a safe, confidential and secure way. It is operated and managed by Tip-offs Anonymous. The whistleblower facility operates 24/7 through varied channels including a toll-free telephone line, email, FreePost and free fax. Trained telephone operators answer in English, isiZulu, Afrikaans, isiXhosa and seSotho. Reports are "sanitised" and provided to internal audit who prioritises (with the approval of the Chairman) and investigates said reports.

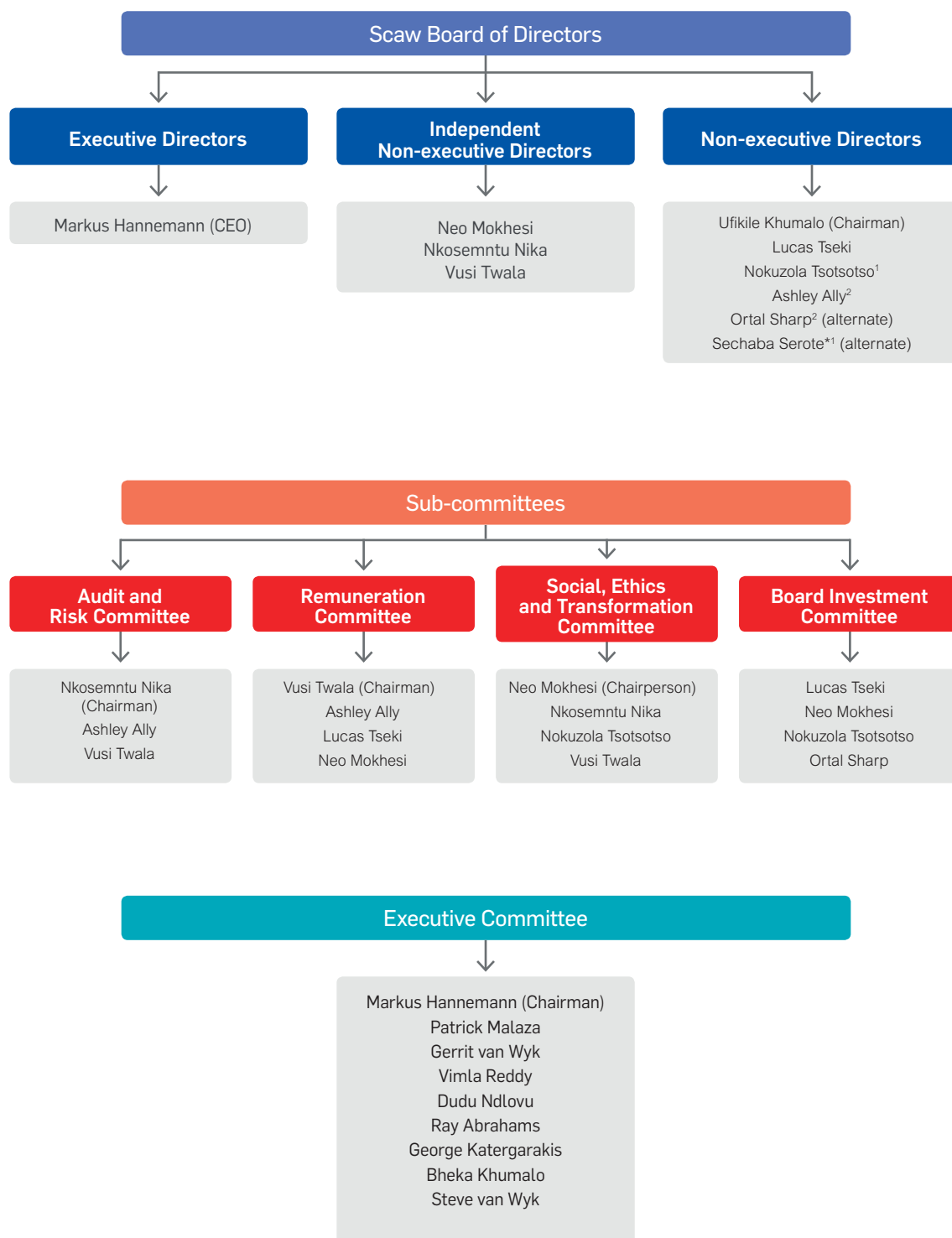
A Fraud Prevention Committee is responsible for strategies to prevent, detect and respond to fraud and corruption and occurrences of corporate crime. The committee further provides a forum for consideration of all ethics-related issues within the group as well as raising group awareness of ethical issues.

Directors are required to declare their personal interests at each Board and sub-committee meeting. In addition, they are required to complete an annual declaration of interest form. They are also required to recuse themselves from any discussion and decision on matters in which they have a personal interest. The Board has delegated the function of evaluating the Directors' declarations of interest to the Social, Ethics and Transformation Committee. A Directors' declaration of interest policy has been developed, endorsed by the Social, Ethics and Transformation Committee and finally approved by the Board. This matter is a standing agenda item for the committee.

There were no ethics-related penalties, fines or criminal prosecutions during the year.

## Corporate governance

### Governance structure



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## Corporate governance continued

**Scaw is committed to applying high corporate governance standards to ensure the group's ongoing sustainability and the creation of long-term shareholder value and benefits for other stakeholders.**

Applying good corporate governance principles is a dynamic responsibility in line with developments in South Africa and internationally. A table setting out Scaw's compliance with King III appears on page 86 of this report.

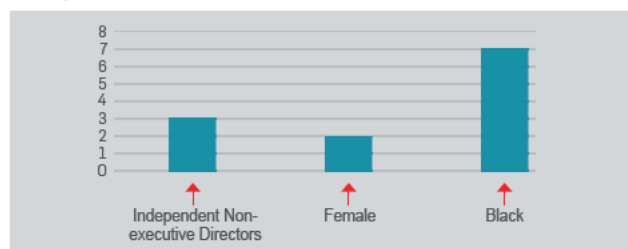
### The Board

Our Directors have a diverse range of qualifications, experience and expertise. In addition, they have an understanding of the complicated and demanding business environment in which we operate and a knowledge of the challenges facing the business.

The Board's responsibilities include assessing and approving strategic plans, monitoring operational performance and management as well as approving policies and processes for the group's risk management and internal controls.

The Board comprises eight Directors, three of whom are independent. During the year, it was announced that Executive Chairman, Ufikile Khumalo, was appointed by the company's majority shareholder, the IDC, to become the new CEO of Foskor Limited with effect from 1 April 2016. As a result of this appointment, his role has changed from Executive Chairman to Non-executive Chairman. However, albeit in a non-executive capacity, he will continue to support the company in managing change, prioritising transformation and providing leadership through the Board, that will enable the company to attract appropriate strategic equity partners for further market penetration and technology transfer while working closely with the IDC.

### Independence of Non-executive Directors



The appointment of Directors is a formal process that takes into account the applicable provisions of the company's memorandum of incorporation (MOI) and the Companies Act, 2008. When appointments to the Board are considered, skills, experience, gender and racial composition are considered. An induction programme is in place for Directors.

The role and responsibilities of the Chairman and the CEO have been clearly defined and are distinct. The Chairman is responsible for the overall leadership of the Board, liaison between the Board and management and particularly between the Board and the CEO. The CEO is responsible for providing strategic leadership, stabilising the business and growing it in line with the strategy approved by the Board, facilitating the positioning of Scaw as a benefactor of steel scrap into value-added secondary steel products and contributing his insight gained from over 20 years at Scaw. The Non-executive Directors draw on their experience, skills and business acumen to ensure impartial and objective viewpoints in decision-making processes and standards of conduct.

The independence of the Non-executive Directors is monitored having due regard to the relevant factors which might impair this. The Board charter provides that self-assessments are to be conducted on an annual basis and every third year an independent external service provider should undertake an independent evaluation.

## Board and committee meeting attendance

Directors	Board meetings	Audit and Risk Committee meetings	Remuneration Committee meetings	Social, Ethics and Transformation Committee meetings	Board Investment Committee meetings
<b>Executive Directors</b>					
Ufikile Khumalo (Chairman)*	7/7	^^^^	^^^^	^^^^	^^^^
Markus Hannemann (CEO)	7/7	^^^^	^^^^	^^^^	^^^^
<b>Independent Non-executive Directors</b>					
Nkosemntu Nika^	6/7	3/3		2/2	
Vusi Twala^^	7/7	3/3	3/3	2/2	
Neo Mokhesi^^^	7/7		3/3	2/2	2/2
<b>Non-executive Directors</b>					
Lucas Tseki^^^^	7/7		3/3		2/2
Nokuzola Tsotsotso	5/7			0/2	2/2
Ashley Ally	3/7	1/3	2/3		0/2
Ortal Sharp (alternate to A Ally)	4/7	2/3	0/3		2/2
Sechaba Serote ** (alternate to N Tsotsotso)	1/7			2/2	

\* Effective 1 April 2016 Non-executive  
 ^ Chairman Audit and Risk Committee  
 ^^ Chairman Remuneration Committee  
 ^^^ Chairman Social, Ethics and Transformation Committee  
 ^^^^^ Chairman Board Investment Committee  
 ^^^^^ By Invitation  
 \*\* Resigned 31 December 2015

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## Corporate governance continued

## Board committees

	<b>Audit and Risk Committee</b> See page 74 for full report	<b>Remuneration Committee</b> See page 75 for full report	<b>Social, Ethics and Transformation Committee</b> See page 76 for full report	<b>Board Investment Committee</b>
<b>Responsibilities</b>	<ul style="list-style-type: none"> <li>– The committee has an independent role with accountability to the Board and shareholders</li> <li>– Oversees and makes recommendations to the Board for its consideration and final approval</li> <li>– Risk management, internal controls, accounting systems and information, accounting policies, internal audit, external audit, information technology systems, protection of assets and public reporting, and monitoring of compliance with laws, rules, codes of conduct and standards</li> <li>– Assisting the Board in ensuring that the company implements an effective risk management policy and plan</li> </ul>	<ul style="list-style-type: none"> <li>– The committee does not assume the functions of management, which remain the responsibility of the Executive Directors, officers and senior management</li> <li>– Assisting the Board in ensuring that the company remunerates Directors and executives fairly and responsibly; remuneration is competitive, accurate, complete and transparent</li> <li>– Ensuring effective retention, succession planning and talent management is in place</li> <li>– Assisting with recruitment of the CEO and CFO, making independent recommendations to the Board for its consideration and final approval</li> </ul>	<ul style="list-style-type: none"> <li>– The role of the committee is to assist the Board with strategic direction, monitoring and providing oversight of social, ethical and transformation matters related to the company and reporting thereon, as required</li> </ul>	<p>The committee has an independent role, operating as a decision maker where applicable and as an overseer and maker of recommendations to the Board for its consideration and final approval. The committee's functions include the following:</p> <ul style="list-style-type: none"> <li>– Considering and, if appropriate, approving new investments, capex, sale or scrapping of assets, acquisition/merger of businesses, and disposal of existing businesses</li> <li>– Reviewing progress with implementation of key projects (capital investment &gt; R75 million)</li> </ul>
<b>Number of independent Directors</b>	2	2	3	1

Exco is responsible for the day-to-day management of the company and implementing the strategy approved by the Board.

## Company Secretary

The Company Secretary plays a significant role in facilitating good governance, supporting the Chairman and the Board by providing guidance on discharging responsibilities; and ensuring the effective functioning of the Board in accordance with the relevant laws. The Company Secretary also acts as Secretary for the sub-committees of the Board.

Access to the advice and services of the Company Secretary and to company records, information, documents and property is unrestricted. In its annual evaluation, the Board has considered and satisfied itself on the competency, qualifications and experience of the Company Secretary, and that an arm's length relationship is in place.

The Chairman, in consultation with the CEO and the Company Secretary, is responsible for setting the agenda of each Board meeting. Board meetings are scheduled in advance in order to facilitate decision making and implementation. The Board is timeously provided with all relevant information to enable efficient and well-informed decision making.

## IT governance

IT is a standard item on the Board and the Audit and Risk Committee agendas and is included as a formal responsibility in their respective charters. A formal IT strategy is documented and monitored by Exco, which is aligned to Scaw's vision and strategy.

Exco has delegated implementing the strategy to an IT Steering Committee (ITSC) comprising representatives from business and IT, including the Head of IT who reports into the Executive Head of professional services. The ITSC maintains an IT risk register, comprising IT and operational risks. These risks are reported to the Audit and Risk Committee.

The internal control framework comprises independent assurance to Exco, the Board and the Audit and Risk Committee by internal and external audit that is formally documented and then tracked by internal audit. Over the past year, auditing tasks focused on security aspects of the network, with particular attention given to penetration and security controls of core systems such as enterprise resource planning and email services.

All IT investments are approved by the Board Investment Committee. Capital and operating expenditure including project monitoring is presented at the quarterly Board and Audit and Risk Committee meetings. IT assets are comprehensively protected through day-to-day IT practices, such as being bar-coded before distribution to the business. Assets are also recorded in an information security management system. Scaw's IT department provides information processing services to all divisions and departments. Using a formal business impact analysis (BIA) of the major systems and business processes, an IT disaster recovery plan was developed and is maintained by performing two recovery tests a year.

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## Audit and Risk Committee report

**This report is provided by the committee in respect of Scaw South Africa Proprietary Limited in compliance with section 94 of the Companies Act, 71 of 2008, as amended (the Act). The committee's function is guided by a detailed charter that is informed by the Act and King III and approved by the Board.**

The committee is chaired by an independent Non-executive Director, Nkosemntu Nika, and comprises a further independent Non-executive Director Vusi Twala and Non-executive Director Ashley Ally. The committee meets three times a year and attendance is set out on page 71. Special meetings are convened as required. The external auditors, internal auditors and executive management are invited to attend every meeting.

### Declarations

The committee is satisfied that it has met its responsibilities for the year under review and to the date of this report with respect to its terms of reference as set out in its charter. Further, the committee is satisfied that it has complied with its legal and regulatory responsibilities throughout the year. In terms of the Act, the committee has considered and satisfied itself of the appropriateness of the expertise and experience of Patrick Malaza, CFO.

Further, following an endorsement from the committee, the shareholders have approved the appointment of the new external auditor for the company, namely, SizweNtsalubaGobodo represented by Dumisile Manana. The committee has satisfied itself that SizweNtsalubaGobodo and Dumisile Manana are independent of Scaw. The auditor's independence was not impaired by any consultancy, advisory or non-audit services undertaken by the auditor.

### Reporting

The committee is tasked with reviewing the interim and annual financial statements and integrated annual report of Scaw South Africa.

The committee is of the view that in all material respects they comply with the relevant provisions of the Act and the International Financial Reporting Standards, and fairly present the group and company's financial position at that date and the results of operations and cash flows for the period ended 31 March 2016.

The committee recommended the annual financial statements for the year ended 31 March 2016 for approval to the Board and has reviewed for completeness and accuracy the 2016 integrated annual report.

The committee has also reviewed an assessment by management of the going concern premise of the group before recommending to the Board that the group will be a going concern in the foreseeable future.



**Nkosemntu Nika**

*Audit and Risk Committee Chairman*

13 June 2016

## Remuneration Committee report

**The Remuneration Committee assists the Board in ensuring that group remuneration and recruitment is aligned with the overall business strategy, with the aim of enabling us to attract and retain personnel who will create long-term value for all stakeholders.**

It ensures that executive remuneration is linked in part to individual performance, the group's performance, market conditions and benchmarks. The committee considers and makes recommendations to the Board on remuneration packages and policies in this regard. It is therefore authorised by the Board to seek any information required from any employee and may further obtain external legal and/or other independent professional advice if deemed necessary.

The committee meets three times during the year and attendance is set out on page 71. Special meetings are convened as required. The Executive Chairman, CEO, CFO and Executive Head of human resources are invited to attend every meeting. Executive Directors who attend committee meetings by invitation are barred from deliberations in respect of their own or each other's remuneration.

The committee is chaired by independent Non-executive Director, Vusi Twala, and further comprises independent Non-executive Director, Neo Mokhesi, and Non-executive Directors, Lucas Tseki and Ashley Ally.

The fees for Non-executive Directors are set out in the table below:

### Directors' fees

Type of fee (per annum)	FY15 fee per meeting attendance R	FY16 fee per meeting attendance R
<b>Board</b>		
Board member	27 000	28 350
<b>Audit and Risk Committee</b>		
Chairman	36 000	37 800
Member	16 000	16 800
<b>Remuneration Committee</b>		
Chairman	4 000	25 200
Member	13 000	13 650
<b>Social, Ethics and Transformation Committee</b>		
Chairman	24 000	25 200
Member	13 000	13 650
<b>Investment Committee</b>		
Chairman	24 000	25 200
Member	13 000	13 650



**Vusi Twala**  
Remuneration Committee Chairman

13 June 2016

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## Social, Ethics and Transformation Committee report

**The Social, Ethics and Transformation Committee's responsibility is to ensure that the company acts as a responsible corporate citizen and also establishes ethical guidelines within which staff should engage with stakeholders and interact with the environment.**

Although management is tasked with overseeing the day-to-day operational sustainability of their respective areas of business and reporting thereon to the committee, the Board remains ultimately responsible for the objectives which it has delegated.

The committee is chaired by independent Non-executive Director, Neo Mokhesi, and further comprises independent Non-executive Directors Nkosemntu Nika, Vusi Twala and Non-executive Director Nokuzola Tsotsotso. Details of attendance are set out on page 71. Executive management including the CEO, CFO and the Executive Heads of human resources, legal, sales and marketing, public affairs and communications and SHE are invited to attend every meeting.

The purpose of the committee is to guide the Board's approach to the ethical conduct of business and to regularly monitor the group's activities with regards to, *inter alia*:

- monitoring the social, labour, economic and environmental activities of the company;
- ensuring that the company remains a socially committed corporate citizen; and
- evaluating Directors' declarations of interests and making recommendations thereon.

The committee draws these matters to the attention of the Board and reports on them to shareholders at the annual general meeting.

### **FY16 review**

The committee met twice in the period under review and considered, *inter alia*, standing agenda items related to social and economic development, labour, employment and training, customer relations, environment, health and safety and ethics.

An impact assessment of the CSI projects was conducted and the committee was pleased with the progress including that Scaw has invested more than R5 million over the past years in community upliftment projects relating to sports development, environment, and education. It is the intention to fund new projects in the new financial year with the same focus areas in mind and further, to focus on employee engagement.

In respect of customer relationships, the key activities have centred on trade shows, customer engagement and developing an in-house system to capture information about customers, visiting sales representatives, customer comments, etc. The implementation of a formal CRM system is on hold due to cost constraints.

The ethics initiatives included communicating the business integrity policy in a phased approach to the company. Further, a Directors' conflict of interests policy has been formulated, endorsed by the committee and approved by the Board. The Competition Law Manual was updated and a training session (dos and don'ts) was provided to Scaw employees who attend industry body association meetings.

The committee's terms of reference were updated to accommodate the mandate from the Board to consider Directors' conflicts of interests and to make recommendations thereon.



A report on the company's B-BBEE performance was provided and the potential rating that can be expected in terms of the new dti codes. A new verification agency has been appointed to conduct the BEE audit for the new financial year.

With respect to labour, employment and transformation, the company embarked on company-wide s189 process and the committee was kept informed of the developments. Further, a plan to improve relations with our labour partners was presented to the committee. Management advised that generally, the company was tracking relatively well against its employee equity targets. However, there are gaps in terms of women in management as well as people with disabilities.

Regarding training, management advised that 65% of all accredited learnerships and skills programmes are funded from external grants, thus making a huge contribution to the company's B-BBEE scorecard.

Safety, health and environment reports are regularly provided to the committee.

No human rights violations/incidents were reported. Scaw does not tolerate any use of child labour within its own operations.



**Neo Mokhesi**

*Social, Ethics and Transformation Committee Chairperson*

13 June 2016



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## Directorate and executive management



### 1 Executive Director

**Markus Michael Hannemann (48)**

**CEO**

NHD Mech Eng, GCC (Mech Eng)  
Factories, MBA, AMP

**Appointed:** August 2013

### 2 Independent Non-executive Directors

**Nkosemntu Nika (58)**

**CA(SA)**

**Appointed:** January 2013

**Vusi Oppen Twala (53)**

BSc (Acc), MBA, MA  
Development Finance

**Appointed:** January 2013

**Neo Violet Mokhesi (55)**

**BCom, MAP**

**Appointed:** January 2013

In addition to CEO Markus Hannemann, Exco comprises:



### 5 Executive management

**Patrick Malaza (55)**

**CFO**

**CA(SA)**

**Appointed:** August 2014

**Steve van Wyk (44)**

**Scaw operations**

BSc Metallurgical Eng, AMP

**Appointed:** September 2013

**George Katargarakis (42)**

**Wire Rod Products/Haggie®  
operations**

BTech Metallurgical Eng,  
MBA

**Appointed:** December 2013

**Gerrit van Wyk (56)**

**Professional services**

BCom (Hons), MCom, MBL,  
AMP

**Appointed:** March 2014



### 3 Non-executive Directors

#### Ufikile Khumalo (50)

**Chairman**

BSc Elec Eng, MSc Eng, MAP, EDP, AMP

**Appointed:** February 2013

#### Ashley Basil Ally (52)

BSc Elec Eng, Town and Regional Planning, Business and Public Administration

**Appointed:** May 2007

#### Nokuzola Amanda Tsotsotso (37)

CA(SA), MBA

**Appointed:** January 2013

#### Lucas Lefu Tseki (37)

BCom

**Appointed:** November 2008

### 4 Alternate Directors

#### Ortal Sharp (34)

CA(SA)

**Appointed:** December 2013, alternate to Ashley Ally

#### Sechaba Serote (35)

CA(SA)

Resigned as at 31 December 2015



#### Ray Abrahams (47)

**Technical**

BSc Mechanical Eng

**Appointed:** September 2013

#### Bheka Khumalo (50)

**Human resources**

BCom, Post-graduate Diploma in Management, Master of Management

**Appointed:** August 2013

#### Vimla Reddy (40)

**Company Secretary**

BA LLB, LLM

**Appointed:** October 2012

#### Dudu Ndlovu (46)

**Public affairs and communication**

BA Comm, MAP

**Appointed:** December 2012

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## Definitions

ACSR	Aluminium conductor steel reinforced
Aids	Acquired immune deficiency syndrome
AMP	Advanced management programme
ART	Antiretroviral treatment
AVE	Advertising value equivalent
B-BBEE	Broad-based black economic empowerment
BEE	Black economic empowerment
the BEE consortium	Shanduka Resources Proprietary Limited, Izingwe Holdings Proprietary Limited and Southern Palace Group of Companies Proprietary Limited, which owns 21% of Scaw
BFMDP	Black female management development programme
BIA	Business impact analysis
the Board	The Board of Directors of Scaw South Africa Proprietary Limited
capex	Capital expenditure
CARES	UK Certification Authority for Reinforcing Steels
CCI	Chamber of Commerce and Industry
CEO	Chief Executive Officer at Scaw, Markus Hannemann
CESA	Consulting Engineers South Africa
CET	The Chamber of Engineering Technology
CFO	Chief Financial Officer at Scaw, Patrick Malaza
CIPS	Chartered Institute of Purchasing and Supply
CLASA	Corporate Lawyers Association of South Africa
CMT	Crisis management team
CNC	Computer aided machining
COSATU	Congress of South African Trade Unions
CPT	Centre for Polymer Technology
CRM	Customer relationship management
CSI	Corporate social investment
CSIR	Council for Scientific and Industrial Research
the current year	The year ending 31 March 2017
CWI	Consolidated Wire Industries
DEA	Department of Environmental Affairs
DED	Department of Economic Development
DFI	Development Finance Institution
DID	Department of Infrastructure Development
DNV	Det Norske Veritas
DNW	Distribution network
DQS	DQS South Africa, an independent and competent management partner
DRI	Plant located at Union Junction
DTI	Department of Trade and Industry
DWS	Department of Water and Sanitation

EBITDA	Earnings before interest, tax, depreciation and amortisation
ECSA	Engineering Council of South Africa
EE	Employment equity
EIUG	The Energy Intensive User Group of Southern Africa
EMEs	Exempted micro-enterprises
ERM	Enterprise risk management
ESOP	Employee share ownership plan
ETDP	Education, training and development practices
Exco	Executive Committee of Scaw
FRS	Fatal Risks Standards
FY	Financial year
GCRA	Gauteng City Region Academy
GDARD	Gauteng Department of Agriculture and Rural Development
GDP	Gross domestic product
GE	General Electric
GETC	General Education and Training Certificate
GHG	Greenhouse gas
GRI	Global Reporting Initiative
HCBP	High chrome ball plant
HDSA	Historically disadvantaged South African/s
HIRA	Hazard Identification and Risk Assessment
HIV	Human immunodeficiency virus
IBC	Inside back cover of this integrated annual report
ICME	Institute of Cast Metals Engineers
IDC	Industrial Development Corporation (of South Africa), the largest state-owned national development finance institution and a majority shareholder in Scaw
IFRS	International Financial Reporting Standards
IoDSA	The Institute of Directors of Southern Africa NPC
IOM3 SA	The Institute of Materials, Minerals and Mining
IOSM	Institute of Safety Management
IR	Industrial relations
IRBA	Independent Regulatory Board for Auditors
ISO	International Organisation for Standardisation
ISPA	Iron and Steel Producers Association
IT	Information technology
ITAC	International Trade Administration Commission of South Africa
ITSC	Information Technology Steering Committee
JSE	Johannesburg Stock Exchange
King III	King Report on Corporate Governance for South Africa, 2009
KPI	Key performance indicator

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## Definitions continued

LTI	Lost-time injury
LTIFR	Lost-time injury frequency rate
MEIBC	Metal and Engineering Industries Bargaining Council
MEWUSA	Metal and Electrical Workers Union of South Africa
merSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
MICSETA	Media, Information and Communication Technologies Seta
MOI	Memorandum of incorporation
MQA	Mining Quality Authority
MRP	Manufacturing resource planning
MVA	Reference installations for Tamini furnace transformers in South Africa
NEEC	National Employment Equity Committee
NERA	National Empowerment Rating Agency
NIHL	Noise induced hearing loss
NQF	National Qualifications Framework
NUMSA	National Union of Metalworkers of South Africa
OHSAS	Occupational Health and Safety Assessment Series
PC	Pre-stressed concrete
Pig iron	Crude iron from the blast furnace, refined to produce steel
PLC	Programmable logic controller
PPE	Personal protection equipment
PPPFA	Preferential Procurement Policy Framework Act
PRP	Peer review programme
QA	Quality assurance
QSEs	Qualifying small enterprise
R&D	Research and development
RSI	Rand Scrap Iron
SABS	South African Bureau of Standards
SAEFA	South African Engineers and Founders Association
SAEWA	South African Equity Workers Association
SAICA	South African Institute of Chartered Accountants
SAIE	Southern African Institute of Industrial Engineering
SAIF	South African Institute of Foundrymen
SAIMechE	The South African Institute of Mechanical Engineering
SAIOSH	South African Institute of Occupational Safety and Health
SAISI	South African Iron and Steel Institute
SAISC	South African Institute of Steel Construction
SAIW	Southern African Institute of Welding
SANAS	South African National Accreditation System

SAP	Systems, applications and products
SAPA	South African Payroll Association
SAPICS	South African Production and Inventory Control Society
SAQA	South African Qualifications Authority
SAWA	South African Wire Association
Scaw South Africa	Scaw South Africa Proprietary Limited, comprising all local operating divisions: Grinding Metal, Wire Rod Products, Rolled Products, Cast Products, as well as Scaw Ghana Limited and Ozz International Limited (BVI), including Crushing Equipment Australia
Scaw Metals Group	Scaw Metals Group Proprietary Limited, comprising Scaw South Africa Proprietary Limited
SEFA	Small Enterprise Finance Agency
SEIFSA	Steel and Engineering Industries Federation of South Africa
SETA	Small Enterprise Training Agency
SHE	Safety, health and environment
SHE plan	Safety, health and environment management plan
SHEQ	Safety, health, environment and quality
SPD	Scrap Processing division
SLAs	Service level agreement
SNG	SizweNtsalubaGobodo
SWF	Scaw women's forum
SWR	Steel Wire Rope
TCS	Total control systems
TETA	Transport, Education Training Authority
TRIFR	Total recordable injury frequency rate
UASA	United Association of South Africa
UJ	University of Johannesburg
Union Junction operations	The various operations at the Union Junction site, Germiston
VAR	Volt-ampere reactive
VCT	Voluntary counselling and testing
VFL	Visible felt leadership: At Scaw executives and senior management are expected to lead by example in adopting a zero harm mindset and demonstrating the desired visible leadership behaviours that will drive continuous improvement in safety performance
WCap	Winfield Capital Corporation
W&S	Wire and Strand
year under review	The year ended 31 March 2016

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## King III application

### Corporate governance principles

This table is a useful reference to each of the King III principles and how, in broad terms, they have been applied by Scaw.

King III reference	King III principle	Application of principle
<b>1. Ethical leadership and corporate citizenship</b>		
1.1	The Board should provide effective leadership based on an ethical foundation.	The Board directs Scaw's activities with integrity, by the tone it sets through its actions, decisions, policies and codes, the culture it instils and the example set by its Directors, thereby demonstrating transparency, accountability, fairness, honesty and responsiveness to stakeholders.
1.2	The Board should ensure that the company is and is seen to be a responsible corporate citizen.	The Board ensures through its Social, Ethics and Transformation Committee that Scaw conducts its affairs in a manner that takes into account the realistic expectations of its stakeholders and is sensitive to <i>inter alia</i> , Scaw's social, economic and environmental impacts, and ensures that it reports on its initiatives in this regard in its integrated annual report.
1.3	The Board should ensure that the company's ethics are managed effectively.	The Board has endorsed Scaw's business integrity policy, business philosophy, ethical values, codes of conduct and disciplinary policies developed by management, and monitors the application and effectiveness thereof through the Social, Ethics and Transformation Committee.
<b>2. Board and Directors</b>		
2.1	The Board should act as the focal point for and custodian of corporate governance.	The Board's charter records the Board's responsibility for good corporate governance by Scaw. The Board seeks to practise good corporate governance through its structures, actions and reporting and regularly monitors same.
2.2	The Board should appreciate that strategy, risk, performance and sustainability are inseparable.	The Board understands and executive management appreciates that Scaw's strategy, risk, performance and sustainability are interrelated, and ensures that Scaw's activities are designed, managed and reported on in an integrated manner.
2.3	The Board should provide effective leadership based on an ethical foundation.	The Board directs Scaw's activities with integrity, through its decisions, policies and codes and the example set by its Directors demonstrating transparency, accountability, fairness and honesty.
2.4	The Board should ensure that the company is and is seen to be a responsible corporate citizen.	The Board ensures through its Social, Ethics and Transformation Committee that Scaw conducts its affairs in a manner that takes into account the realistic expectations of its stakeholders and is sensitive to, <i>inter alia</i> , Scaw's social, economic and environmental impacts, and ensures that it reports on its initiatives in this regard in its integrated annual report.
2.5	The Board should ensure that the company's ethics are managed effectively.	The Board has endorsed Scaw's business integrity policy and business philosophy developed by management, and monitors the application and effectiveness thereof through the Social, Ethics and Transformation Committee.
2.6	The Board should ensure that the company has an effective and independent audit committee.	The Board has in place an Audit and Risk Committee whose responsibilities are documented in a written charter, whose members are financially literate and constitute at least two independent Non-executive Directors, whose Chairman is not the Chairman of the Board and whose activities, observations and recommendations are reported to the Board regularly.
2.7	The Board should be responsible for the governance of risk.	The Board's charter records that it is responsible for risk governance and the standard agenda items for its meetings is the report of the chairman of the Audit and Risk Committee which includes risk. Further, risk features as a standard agenda item in the Audit and Risk Committee meetings.



King III reference	King III principle	Application of principle
2.8	The Board should be responsible for information technology (IT) governance.	The Board's charter records that it is responsible for information technology governance and one of the standard agenda items for its meetings is the report of the chairman of the Audit and Risk Committee which includes IT governance. Further, IT governance features as a standard agenda item in the Audit and Risk Committee meetings.
2.9	The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	A robust compliance policy has been approved by the Board to complement the compliance initiatives well under way in Scaw, together with a Compliance Framework.
2.10	The Board should ensure that there is an effective risk-based internal audit.	The Board, through its Audit and Risk Committee, promotes the standing and value of Scaw's internal audit department, assesses the adequacy of its resources and the effectiveness of its work and engages with management to ensure audit plans are risk based.
2.11	The Board should appreciate that stakeholders' perceptions affect the company's reputation.	The Board is sensitive to the fact that Scaw's reputation is most important. Management endeavours to engage meaningfully and frequently with Scaw's stakeholders, through a variety of forums and channels, to ensure that negative perceptions are identified and appropriate remedial action is taken.
2.12	The Board should ensure the integrity of the company's integrated report.	Following a recommendation from the Scaw Exco, the Board through its Audit and Risk Committee, supported by the Social, Ethics and Transformation Committee, reviews the fairness and adequacy of the disclosures made in Scaw's integrated annual report, and formally approves the report.
2.13	The Board should report on the effectiveness of the company's system of internal controls.	Based on assurance provided by the internal audit department to the Audit and Risk Committee and reported to the Board, the Board reports in the integrated annual report on the effectiveness of Scaw's system of internal control.
2.14	The Board and its Directors should act in the best interest of the company.	The Directors are aware of their fiduciary duties to act in the best interest of the company and to avoid conflicts of interest, and disclose annually to the Board, their personal financial interests.
2.15	The Board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act (71 of 2008, as amended).	To the extent that this may be necessary, the Board will consider such proceedings and mechanisms if and when appropriate.
2.16	The Board should elect a Chairman of the Board who is an independent Non-executive Director. The Chief Executive Officer of the company should not also fulfil the role of Chairman of the Board.	The Board has an Executive Chairman. The non-independence of his role is adequately addressed by the composition of the Board and particularly by the appointment of a lead independent Non-executive Director, who is also the chairman of Scaw's Audit and Risk Committee. The CEO is not the Chairman of the Board.
2.17	The Board should appoint the Chief Executive Officer and establish a framework for the delegation of authority.	The Board has appointed the CEO whose appointment has been vetted and recommended by the Scaw Remuneration Committee. Further, there is an approved delegation matrix in place.

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## King III application continued

King III reference	King III principle	Application of principle
2.18	The Board should comprise a balance of power, with a majority of Non-executive Directors. The majority of Non-executive Directors should be independent.	The majority of the Board is non-executive, including three (3) Non-executive Directors who are independent.
2.19	Directors should be appointed through a formal process.	New Directors are appointed in terms of Scaw's MOI and in line with the applicable legislation.
2.20	The induction of and ongoing training and development of Directors should be conducted through a formal process.	New Directors undergo an induction programme including site visits. Ongoing Director education and development takes place through presentations by management and attendance at external educational events.
2.21	The Board should be assisted by a competent, suitably qualified and experienced Company Secretary.	The Board is assisted by a Company Secretary and according to the most recent assessment the Board is satisfied that she is suitably competent, qualified and experienced for the role.
2.22	The evaluation of the Board, its committees and the individual Directors should be performed every year.	The Board charter requires that the evaluation of the Board, individual Directors including Board committees takes place annually.
2.23	The Board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	The Board has established the Social, Ethics and Transformation Committee, the Audit and Risk Committee, the Remuneration Committee and the Board Investment Committee as committees of the Board in terms of written charters and reporting obligations to the Board.
2.24	A governance framework should be agreed between the group and its subsidiary boards.	There are informal practices in place regarding Scaw's interaction with its subsidiary boards. Further improvements are required to implement a more formal process.
2.25	Companies should remunerate Directors and executives fairly and responsibly.	The Board believes that Scaw's remuneration policy and strategy are designed to ensure that executives are appropriately remunerated, with an acceptable balance between guaranteed and performance-based elements, as well as between short and long-term incentives, and ensures that reward levels benchmark fairly against sector norms.
2.26	Companies should disclose the remuneration of each individual Director and certain senior executives.	The company discloses in its annual financial statements, the remuneration of Directors and prescribed officers in accordance with the requirements of the Companies Act (71 of 2008, as amended).
<b>3. Audit committees</b>		
3.1	The Board should ensure that the company has an effective and independent audit committee.	Scaw's Audit and Risk Committee operates in terms of a written charter and performs the duties prescribed. This committee meets at least three times annually, considers detailed reports from management and reports and makes recommendations in writing to the Board.
3.2	Audit committee members should be suitably skilled and experienced independent Non-executive Directors.	Scaw's Audit and Risk Committee comprises financially literate, professionally qualified and commercially astute members and is constituted by a majority of independent Non-executive Directors.

King III reference	King III principle	Application of principle
3.3	The Audit Committee should be chaired by an independent non-executive director.	The Audit and Risk Committee is chaired by an independent Non-executive Director.
3.4	The Audit Committee should oversee integrated reporting.	The Audit and Risk Committee does oversee Scaw's integrated reporting process, and does review the content of the integrated annual report, recommending same for approval by the Board.
3.5	The Audit Committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	The Audit and Risk Committee ensures that it obtains regular and comprehensive assurance from the external auditor, the internal audit department and/or management in relation to matters such as financial reporting, legal compliance, adequacy of internal controls and veracity of risk management processes.
3.6	The Audit Committee should satisfy itself of the expertise, resources and experience of the company's finance function.	The Audit and Risk Committee is satisfied as to the expertise, resources and experience of the company's finance function and the CFO.
3.7	The Audit Committee should be responsible for overseeing of internal audit.	The Audit and Risk Committee's mandate imposes an oversight role in regard to internal audit, and the committee monitors internal audit resources, activities, findings and coverage plans via the comprehensive reports submitted by internal audit management to each committee meeting.
3.8	The Audit Committee should be an integral component of the risk management process.	The Executive Head of professional service has line responsibility for risk and is a permanent invitee to Audit and Risk Committee meetings. Risk is a standing agenda item for the committee meetings.
3.9	The Audit Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	In terms of the Audit and Risk Committee's charter and its mode of operation, the Audit and Risk Committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process, including receiving reports on the external auditor's findings during the annual audit.
3.10	The Audit Committee should report to the Board and shareholders on how it has discharged its duties.	The Audit and Risk Committee reports to each Board meeting. The chairman of the Audit and Risk Committee is a permanent invitee to annual general meetings and reports to shareholders by way of the Audit Committee report which forms part of the group's annual financial statements, on its activities, findings and recommendations.
<b>4. The governance of risk</b>		
4.1	The Board should be responsible for the governance of risk.	The Board's charter reflects its responsibility for risk governance and it discharges this responsibility by receiving reports from the chairman of the Audit and Risk Committee at its quarterly meetings and by making recommendations to management on its risk management programme.
4.2	The Board should determine the levels of risk tolerance.	The approved risk management plan, the risk appetite framework and risk tolerance levels are deliverables for FY16.
4.3	The Risk Committee or Audit committee should assist the Board in carrying out its risk responsibilities.	The charter of the Audit and Risk Committee requires said committee to assist the Board in carrying out its risk governance responsibilities and this committee provides this assistance by monitoring Scaw's risk management activities.

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## King III application continued

King III reference	King III principle	Application of principle
4.4	The Board should delegate to management the responsibility to design, implement and monitor the risk management plan.	The Executive Head of Professional Services is responsible for designing, implementing and monitoring the risk management plan. The Board has entrusted the Audit and Risk Committee to monitor the activities and processes regarding risk.
4.5	The Board should ensure that risk assessments are performed on a continual basis.	The Board receives assurance from the Audit and Risk Committee that risk assessments are carried out continually and that Scaw's corporate risk registers are updated at least annually by management.
4.6	The Board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	The ERM framework has been implemented and the Board receives assurance from the Audit and Risk Committee that the process of continual risk assessment by management takes into account emerging and unusual risks not typical of normal operating and environmental conditions.
4.7	The Board should ensure that management considers and implements appropriate risk responses.	The Board receives assurance from the Audit and Risk Committee and the Executive Head of Professional Services that management appropriately identifies, manages, transfers and mitigates risks facing Scaw.
4.8	The Board should ensure continual risk monitoring by management.	The Board receives assurance from the Audit and Risk Committee that it and management continually monitor risks facing Scaw through Scaw Exco, Opco and other management committees.
4.9	The Board should receive assurance regarding the effectiveness of the risk management process.	As the risk management process in Scaw is still being embedded, an audit of the effectiveness of the risk management process is scheduled for FY18.
4.10	The Board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	The Board ensures that Scaw's integrated annual report appropriately discloses risk-related information of importance to stakeholders.
<b>5. The governance of information technology</b>		
5.1	The Board should be responsible for information technology (IT) governance.	The written charter of the Board records its responsibility for IT governance, and it discharges this duty by monitoring reports on IT governance-related matters provided by the Audit and Risk Committee.
5.2	IT should be aligned with the performance and sustainability objectives of the company.	Scaw's IT strategy is designed to support Scaw's business strategy and with the aim of ensuring that Scaw will operate effectively and remain sustainable.
5.3	The Board should delegate to management the responsibility for the implementation of an IT governance framework.	The Scaw Exco takes responsibility for IT governance. IT governance forms an integral part of the IT strategy. IT is a standard agenda item at the monthly Scaw Exco meetings. An IT Steering Committee (ITSC) comprising representatives from business and IT has been established.
5.4	The Board should monitor and evaluate significant IT investments and expenditure.	All IT investments are approved by the Board Investment Committee, as applicable. Expenditure is controlled by budgets. Strategic projects have been included within the IT strategy document. Capital and operating expenditure including project monitoring is presented at the quarterly Audit and Risk Committee meetings.

King III reference	King III principle	Application of principle
5.5	IT should form an integral part of the company's risk management.	The risks associated with Scaw's IT infrastructure, applications and networks are identified, managed and mitigated as a key element of Scaw's risk management processes that are overseen by the Scaw Exco, the Audit and Risk Committee and by the Executive Head of Professional Services.
5.6	The Board should ensure that information assets are managed effectively.	IT assets are extensively protected through normal day-to-day IT practices. IT assets are appropriately bar-coded before distribution to the business. Assets are recorded within an information security management system.
5.7	A risk committee and audit committee should assist the Board in carrying out its IT responsibilities.	The Audit and Risk Committee assists the Board in carrying out its IT governance responsibilities, as required by its written charter.
<b>6. Compliance with laws, rules, codes and standards</b>		
6.1	The Board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	The Board monitors compliance/adherence through the Audit and Risk Committee.
6.2	The Board and each individual Director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	A robust compliance policy and compliance framework have been adopted by the Board which will be rolled out. Laws applicable to Scaw have been identified and provisionally risk rated. Further, a gap analysis of the top laws applicable to Scaw has been conducted.
6.3	Compliance risk should form an integral part of the company's risk management process.	Compliance risk is a key area of focus of Scaw's risk management programme and departmental heads will be actively considering regulatory compliance when compiling and annually reviewing the risk registers for their business units.
6.4	The Board should delegate to management the implementation of an effective compliance framework and processes.	The Executive Head of Legal and Company Secretary is responsible for the design and implementation of an effective compliance framework. Key elements will include the establishment of project teams to ensure compliance with applicable legislation.
<b>7. Internal audit</b>		
7.1	The Board should ensure that there is an effective risk-based internal audit.	Scaw has established an internal audit function that the Board considers to be effective and substantially risk-based.
7.2	Internal audit should follow a risk-based approach to its plan.	The internal audit department's coverage plan is informed by Scaw's risk registers, the audit plan of the external auditor and the requirements of top management, and is endorsed annually by the Audit and Risk Committee as being appropriately risk based.
7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.	No opinion is provided to the Board by the internal audit department on the effectiveness of the company's system of internal controls. Given the limited number of audits that are performed by Scaw's outsourced internal audit service provider, they are not in a position to express an opinion on the company's system of internal controls. To be able to express an opinion on the control environment would require substantially more internal audits to be performed. This is not a financially viable option at this time.

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## King III application continued

King III reference	King III principle	Application of principle
7.4	The Audit Committee should be responsible for overseeing internal audit.	The internal audit department reports on its work, findings and recommendations at each meeting of the Audit and Risk Committee, presents its coverage plan annually to the Audit and Risk Committee for approval, and the Head of Internal Audit Reports functionally to the Chairman of the Audit and Risk Committee.
7.5	Internal audit should be strategically positioned to achieve its objectives.	The stature of the internal audit department within Scaw, the appropriateness of its resources, its reporting line to the CEO and its regular reporting to the Audit and Risk Committee indicate that the department is well positioned to fulfil its mandate. However, the resourcing of the department remains a priority.
8. Governing stakeholder relationships		
8.1	The Board should appreciate that the stakeholders' perceptions affect a company's reputation.	The Board recognises that perceptions of its key stakeholders can impact Scaw's reputation and encourages management to engage meaningfully with such stakeholders with a view to upholding Scaw's reputation.
8.2	The Board should delegate to management to proactively deal with stakeholder relationships.	The Board has tasked management with the responsibility of engaging with Scaw's key stakeholders, being customers, employees, as well as suppliers, regulators and community organisations, of devising suitable forums and communications channels for such interaction and of responding appropriately following such engagements, in the interests of Scaw.
8.3	The Board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interest of the company.	The Board aims to ensure that the interests of Scaw's different stakeholders are suitably considered and appropriately balanced.
8.4	Companies should ensure the equitable treatment of shareholders.	The company does have a majority shareholder, and endeavours to ensure that all shareholders are treated in a fair manner, through the dissemination of information, its transparent financial reporting and its encouragement of shareholder involvement at meetings.
8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	The Board and management work to ensure that communication with Scaw's stakeholders is frequent, substantive, transparent and credible, recognising that such communication leads to trust and mutual respect and helps to ensure the sustainability of Scaw.

King III reference	King III principle	Application of principle
8.6	The Board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	The Board encourages management to resolve disputes with customers, suppliers, employees and regulators in an effective and reasonable manner and in appropriate forums including alternative dispute resolution mechanisms, having due regard for contractual and legislative obligations and the best interest of Scaw.
9. Integrated reporting and disclosure		
9.1	The Board should ensure the integrity of the company's integrated annual report.	The Board ensures the integrity of Scaw's integrated annual report by requiring management to draft it in a fair, balanced and transparent manner, through requiring an initial review thereof by the Scaw Exco, the Audit and Risk Committee, supported by the Social, Ethics and Transformation Committee.
9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	Scaw adheres to GRI 3 guidelines in the compilation of the integrated annual report.
9.3	Sustainability reporting and disclosure should be independently assured.	Scaw is committed to ensuring sustainability reporting is independently assured over a period of time.

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## GRI index

Indicator	Description	Page
Strategy and analysis		
G4-1	Provide a statement from the most senior decision maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	4, 34 – 36
Organisational profile		
G4-3	Report the name of the organisation.	IFC/flap
G4-4	Report the primary brands, products and services.	10 – 11
G4-5	Report the location of the organisation's headquarters.	IBC
G4-6	Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	8 – 9
G4-7	Report the nature of ownership and legal form.	IFC/flap
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	8 – 11, 24 – 25
G4-9	Report the scale of the organisation.	8 – 11
G4-10	Report the total number of employees by employment contract and gender; number of permanent employees by employment type and gender; by employees and supervised workers and by gender; any significant variations in employment numbers.	42
G4-11	Report the percentage of total employees covered by collective bargaining agreements.	42
G4-12	Describe the organisation's supply chain.	12 – 13
G4-13	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain.	IFC/flap
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation.	28
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	IFC/flap
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organisations.	27

Indicator	Description	Page
<b>Identified material aspects and boundaries</b>		
G4-17	List all entities included in the organisation's consolidated financial statements or equivalent documents. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.	IFC/flap
G4-18	Explain the process for defining the report content and the aspect boundaries. Explain how the organisation has implemented the reporting principles for defining report content.	IFC/flap
G4-19	List all the material aspects identified in the process for defining report content.	IFC/flap
G4-20	For each material aspect, report the aspect boundary within the organisation.	IFC/flap
G4-21	For each material aspect, report the aspect boundary outside the organisation.	IFC/flap
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	IFC/flap
G4-23	Report significant changes from previous reporting periods in the scope and aspect boundaries.	IFC/flap
<b>Stakeholder engagement</b>		
G4-24	Provide a list of stakeholder groups engaged by the organisation.	26 – 27
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	26 – 27
G4-26	Report the organisation's approach to stakeholder engagement.	26 – 27
G4-27	Report key topics and concerns that have been raised through stakeholder engagement.	26
<b>Report profile</b>		
G4-28	Reporting period for information provided.	IFC/flap
G4-29	Date of most recent previous report.	IFC/flap
G4-30	Reporting cycle.	IFC/flap
G4-31	Provide the contact point for questions regarding the report or its contents.	IBC
G4-32	Report the "in accordance" option the organisation has chosen. Report the GRI content index for the chosen option.	IFC/flap
G4-33	Report the organisation's policy and current practice with regard to seeking external assurance for the report.	93

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## GRI index continued

Indicator	Description	Page
Governance		
G4-34	Report the governance structure of the organisation, including committees of the highest governance body.	69
Ethics and integrity		
G4-56	Describe the organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	14 – 15, 68
Category: Economic		
<b>Aspect: Economic performance</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	3
G4-EC1	Report the direct economic value generated and distributed.	3
G4-EC4	Report the total monetary value of financial assistance received by the organisation from governments during the reporting period.	3
<b>Aspect: Market presence</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	24 – 25
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	42
G4-EC7	Report procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	42
<b>Aspect: Procurement practices</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	12 – 13
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	59



Indicator	Description	Page
Category: Environmental		
<b>Aspect: Energy</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	56 – 58
G4-EN3	Energy consumption within the organisation. Report total fuel consumption from non-renewable sources in joules or multiples, including fuel types used.	57
G4-EN6	Report the amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives, in joules or multiples.	57 – 58
<b>Aspect: Water</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	56 – 58
G4-EN8	Report the total volume of water withdrawn from surface water and ground water.	57
G4-EN9	Report the total number of water sources significantly affected by withdrawal by type.	57
<b>Aspect: Biodiversity</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	56 – 58
G4-EN11	Report on operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	58
<b>Aspect: Emissions</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	56 – 58
G4-EN15	Report gross direct (scope 1) GHG emissions in metric tonnes of CO <sub>2</sub> equivalent, independent of any GHG trades, such as purchases, sales, or transfers of offsets or allowances.	58
G4-EN16	Report gross energy indirect (scope 2) GHG emissions in metric tonnes of CO <sub>2</sub> equivalent, independent of any GHG trades, such as purchases, sales, or transfers of offsets or allowances.	58
G4-EN19	Report the amount of GHG emissions reductions achieved as a direct result of initiatives to reduce emissions, in metric tonnes of CO <sub>2</sub> equivalent.	58

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Indicator	Description	Page
<b>Aspect: Effluents and waste</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	56 – 58
G4-EN24	Report the total number and total volume of recorded significant spills.	57
<b>Aspect: Products and services</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	56 – 58
G4-EN27	Report quantitatively the extent to which environmental impacts of products and services have been mitigated during the reporting period.	56 – 58
<b>Aspect: Compliance</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	56 – 58
G4-EN29	Report significant fines and non-monetary sanctions in terms of total monetary value and total number of non-monetary sanctions.	57
<b>Category: Social</b>		
<b>Sub-category: Labour practices and decent work</b>		
<b>Aspect: Labour/management relations</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	42
G4-LA4	Report the minimum number of weeks' notice typically provided to employees and their elected representatives prior to the implementation of significant operational changes that could substantially affect them.	42

Indicator	Description	Page
<b>Aspect: Occupational health and safety</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	52 – 56
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety.	54
G4-LA6	Report types of injury, injury rate (IR), occupational diseases rate (ODR), lost day rate (LDR), absentee rate (AR) and work-related fatalities, for the total workforce.	52
<b>Aspect: Training and education</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	42
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	43 – 49
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	43 – 49
<b>Aspect: Diversity and equal opportunity</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	59 – 61
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	59 – 61
<b>Sub-category: Human rights</b>		
<b>Aspect: Non-discrimination</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	59
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	59

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Indicator	Description	Page
<b>Sub-category: Society</b>		
<b>Aspect: Local communities</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	63
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes.	63 – 65
<b>Aspect: Anti-corruption</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	68
G4-SO4	Communication and training on anti-corruption policies and procedures.	68
G4-SO5	Confirmed incidents of corruption and actions taken.	68
<b>Aspect: Anti-competitive behaviour</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	68
G4-SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	68
<b>Aspect: Compliance</b>		
G4-DMA Generic disclosures on management approach	Report why the aspect is material. Report the impacts that make this aspect material. Report how the organisation manages the material aspect or its impacts. Report the evaluation of the management approach.	68
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	68

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**scaw**

METALS GROUP



# Surface Mining

## Steel Wire Ropes for Open-Pit Mining

Haggie's vast experience in the supply of ropes to open-cast mining operations, enables the Company to recommend and supply wire ropes which provide optimum performance.

**Wire ropes for face shovels** must be able to withstand repeated bending, shockloading and high radial pressures. Ropes used on **draglines** must also offer resistance to abrasion and plastic deformation.



*Experience  
Matters*

# Technical aspects pertaining to open-pit mining

## Tolerance

- a. **Length**
  - i. General
    - <400 m: -0% and +4%
    - >400 m: -0% and 20 m for each 1000 m or part thereof.
  - ii. For matched sets of excavator ropes up to 95mm diameter the difference in length shall not exceed:
    - Length <150 m: 90 mm, or
    - Length >150 m: 90 mm +20 mm for each 30 m or part thereof.
- b. **Mass**
  - 7% and +0% based on the tables herein, which furnishes approximate masses for normally lubricated ropes.
- c. **Diameter**
  - The actual rope diameter shall be within the tolerance of -1% and +4%.

## Measuring of rope diameter and lay

To find the correct diameter and lay length use the same method as for shaft mining ropes as described in paragraph 11 section “d” in the previous section.

## Percentage reserve strength

This is the ratio of the metallic area of all the inner wires to the total metallic area expressed as a percentage. This ratio is somewhat academic but will provide an indication of the ropes performance in severe applications.

Rope Construction	Percentage Reserve Strength
6x19(9/9/1)/IWRC	33%
6x25(12/6F+6/1)/IWRC	50%
6x36(14/7+7/7/1)/IWRC	57%
6x41(16/8+8/8/1)/IWRC	61%
6x49(16/8+8/8/8/1)/IWRC	61%
6x41C(16/8+8/8/1)/IWRC	61%
6x49C(16/8+8/8/8/1)/IWRC	61%
8x36(14/7+7/7/1)/IWRC	62%

## Excavator Rope Selection

### Selection Guide

Dragline and face shovel ropes are required to withstand fatigue caused by repeated bending, high radial pressures, and shock loading. In addition, drag ropes must offer resistance to abrasion

and plastic deformation. The construction will invariably be a compromise between one which offers resistance to abrasion on the one hand, and resistance to bending fatigue on the other. A rope failure may cause not only downtime, but considerable damage could result. It is for this reason that it is vitally important to consider the correct rope selection. As with any type of equipment one must select the right rope for the right application. Different machine design characteristics, maintenance procedures, ground and operating conditions necessitates the selection of different rope constructions for optimum operating performance.



A length of rope being manufactured - usually in lengths of 1000m.

## How to order rope

When ordering rope, please refer to the procedure shown in section “Ordering and Handling of Steel Wire Ropes for Mining”. If in any doubt as to your requirements, please contact Haggie Technical Services Department.

## Wire Ropes For Draglines

### Hoist & Drag Ropes

The same rope construction has commonly been used for hoists and drags, in the interest of stock rationalisation.

The present trend is to use the 6x49/IWRC construction as drags and the 8x36/IWRC as hoists. Compared to the normal 6-strand ropes, the 8-strand configuration has the following advantages :

- greater flexibility
- higher fatigue cycles
- lower bending stresses
- good wear resistance
- good resistance against crushing

The 8-strand construction uses approximately the same size outer wires as the 6-strand construction, thus the wear resistance is the same or better. In general, as far as bending fatigue is concerned, the 8-strand rope is far superior to the 6-strand rope. In general the direction of Lay is Right Hand. Some users still consider the use of a Left and Right Hand pair of ropes on certain draglines to be advantageous. Practical experience to date has not shown any conclusive benefits.





## New Developments

Although Haggie has extensive experience in rope plastication, a new line has been installed which will enable Haggie to plasticate ropes up to 127mm in diameter.

Thus, in the foreseeable future, Haggie will develop hoist ropes that are fully plasticated and drag ropes with "cushion cores".

## Advantages of Plastication

- reduces wear and rifling in the drum and sheave grooves
- keeps the lubrication within the rope and core, thus also keeping the machinery clean
- prevents the ingress of water, dirt etc.. into the rope
- prevents inter-strand and inter-layer nicking of outer wires

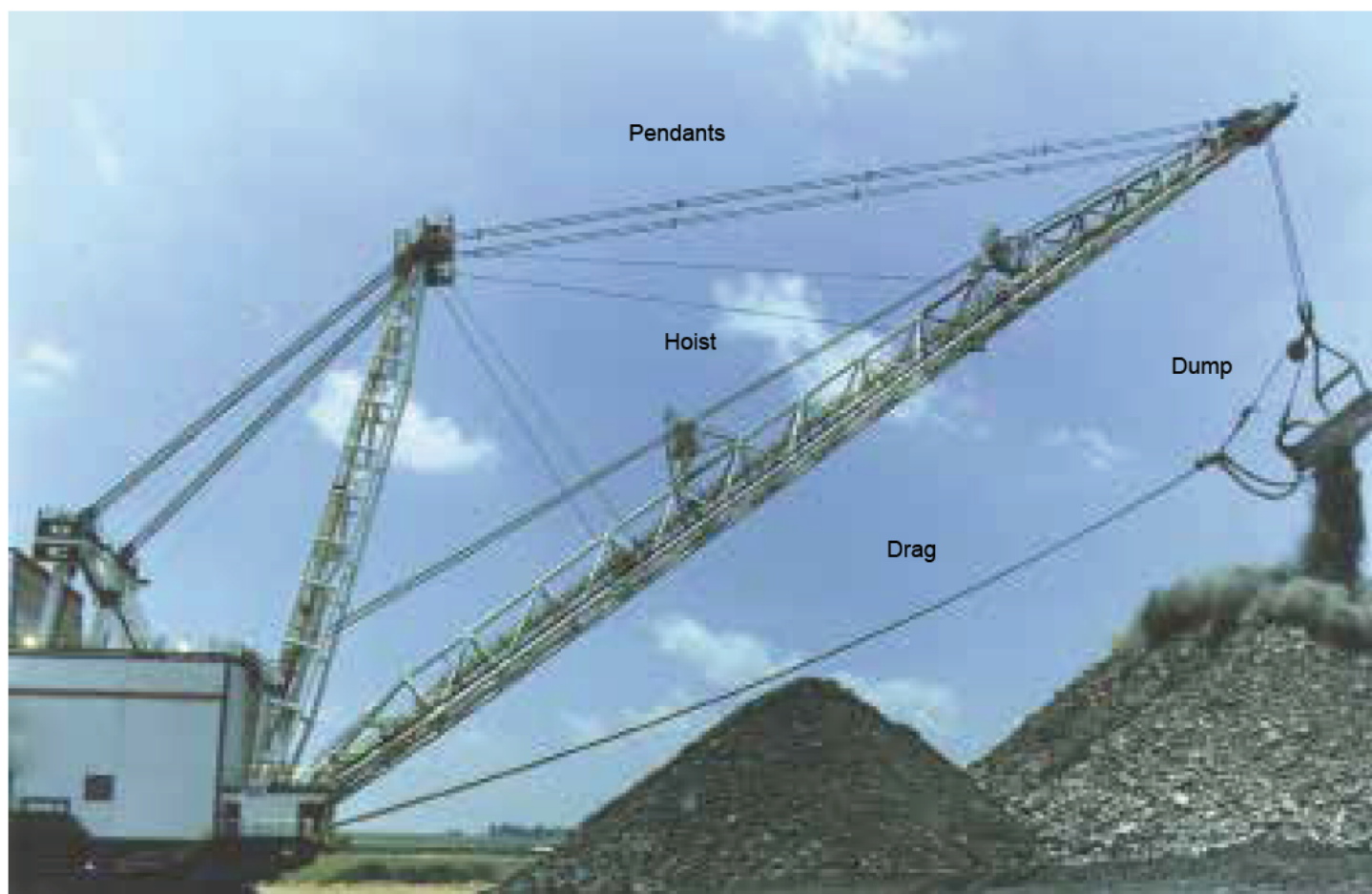


## Boom Hoist Ropes

Recommended constructions are 6x49/IWRC for larger machines and 6x25/IWRC for smaller draglines.

## Boom Pendants

Spiral bridge strand is generally recommended, although in some cases 6x25/IWRC suffices. Haggie spiral strands vary in size from 57mm to 98mm in diameter.



The table below provides basic information on the type of ropes used on draglines. Rope construction, strength and mass details are listed in the back of this brochure.

Rope Type	Purpose	Recommended Rope Construction
Boom Hoist	Raises and lowers the boom for maintenance purposes	6x19/IWRC 6x25/IWRC 6x36/IWRC 6x41/IWRC 6x43/IWRC 6x49/IWRC
Pendants (Suspension)	Holds the boom and/or jury mast in their elevated positions under dynamic loadings	6x25/IWRC Spiral Strand
Hoist	Raises and lowers the bucket from the pit to the spoils bank and vice versa	6x19/IWRC 6x25/IWRC 6x36/IWRC 6x41/IWRC 6x43/IWRC 6x49/IWRC 8x36/IWRC 8x41/IWRC
Drag	Drags the bucket in the pit to load material	6x19/IWRC 6x25/IWRC 6x36/IWRC 6x41/IWRC 6x43/IWRC 6x49/IWRC 8x36/IWRC
Dump	Tips the bucket	6x25/IWRC 6x36/IWRC 6x41/IWRC
Safety	Provides an additional support for the jury mast	6x25/IWRC 6x36/IWRC 6x41/IWRC Spiral Strand

## Wire Ropes for Face Shovels

### Hoist Ropes

The most commonly used constructions (depending on bucket size and D/d ratios) are :

- 6x25/IWRC
- 6x41/IWRC
- 6x43/IWRC
- 6x49/IWRC

Available in conventional and in compact strand.

The following sizes are also available plasticated :

- 38mm, 44mm, 50mm - 6x41/IWRC
- 56mm - 6x49/IWRC

### Crowd & Retract Ropes

Again depending on machine type, the following are recommended :

- 6x25/IWRC for smaller capacity machines

- 6x36/IWRC for intermediate capacity machines
- 6x41/IWRC or 6x49/IWRC for larger capacity machines

Available in conventional and compact strand.

### Boom Hoist/Boom Suspension Ropes

- 6x19/IWRC for smaller machines
- 6x25/IWRC for larger machines
- Bridge strand for pendants on certain large machines.





The table below provides basic information on the types of ropes used on face shovels. Rope construction, strength and mass details are listed in the back of this brochure.

Rope Type	Purpose	Recommended Rope Construction
Boom Hoist	Raises and lowers the boom for maintenance purposes	6x19/IWRC 6x25/IWRC
Pendants (Suspension)	Holds the boom in an elevated position under dynamic loadings	6x19/IWRC 6x25/IWRC Bridge Strand
Hoist	Raises and lowers the dipper	6x25/IWRC 6x41/IWRC 6x43/IWRC
Crowd/ Retract	Moves the sliding dipper sticks back and forth	6x25/IWRC 6x36/IWRC 6x41/IWRC
Trip	Opens the dipper door	6x19/IWRC 6x25/IWRC 6x36/IWRC

## Installation, Inspection and Maintenance of Ropes for the Opencast Applications

### Dragline/Excavator rope lives are dependant on factors including:

- Correct wire rope selection for the specific application.
- Proper handling, storage, installation and the correct maintenance of steel wire ropes.
- Types of overburden, interburden and more importantly the blast and size of the fragmentation achieved.
- Planned maintenance aspects relating to daily, weekly and monthly rope inspections, servicing and/or repairs being carried out as required.
- The depth of the excavation, (dragline ropes digging in a shallow pit for extended periods are prone to a short cycling of the ropes, resulting in an accelerated fatigue break-up over a shorter working length of the ropes in service.)
- The type of work being carried out by the dragline/excavator, viz normal production, rehandling, or the type of chop down mode of excavation, will directly affect rope performance.
- Serviceability of the dragline/excavator hoist and drag drums, as well as all sheaves in all the sheave assemblies i.e. boom deflection, boom point and the fairlead sheave assembly.
- Competence, skill and moods of all dragline or excavator operators with respect to the overloading, shock loading and the general mishandling of wire ropes from time to time.

With all wire ropes - it is recommended that the maintenance teams involved begin taking the appropriate care and handling measures required with the ropes from the moment that the ropes are received on the mine from the rope suppliers.

### Some of the factors which can adversely affect rope life and performance include:

- Bending of wire ropes over small diameter sheaves causes kinks and severe abrasion.
- Excessive vibration from damaged sheave bearings will result in premature fatigue type wire break-up failures.

- Sheaves that do not rotate freely, or the ropes sliding over or striking a stationary piece of equipment or obstruction, results in early wire failure.
- Abrasion causes work hardening and surface embrittlement of the outer crown wires of a rope (referred to as "Surface Martensite").

Comprehensive advice on all aspects relating to dragline/excavator rope performance is provided to the Haggie Technical Services Department.

## 1. Inspections

### 1.1 Sheaves

Ensure that all sheaves grooves are within specification, or are machined prior to the installation of new ropes (i.e. the profiles of the sheave grooves should be uniformly machined to a plus tolerance of between 5 to 7,5 % of the nominal rope diameter.)

*Ensure that all sheaves are correctly aligned and can rotate freely.*





*Tight or worn sheaves will adversely affect expected rope performances!!!*

## 1.2 Drums

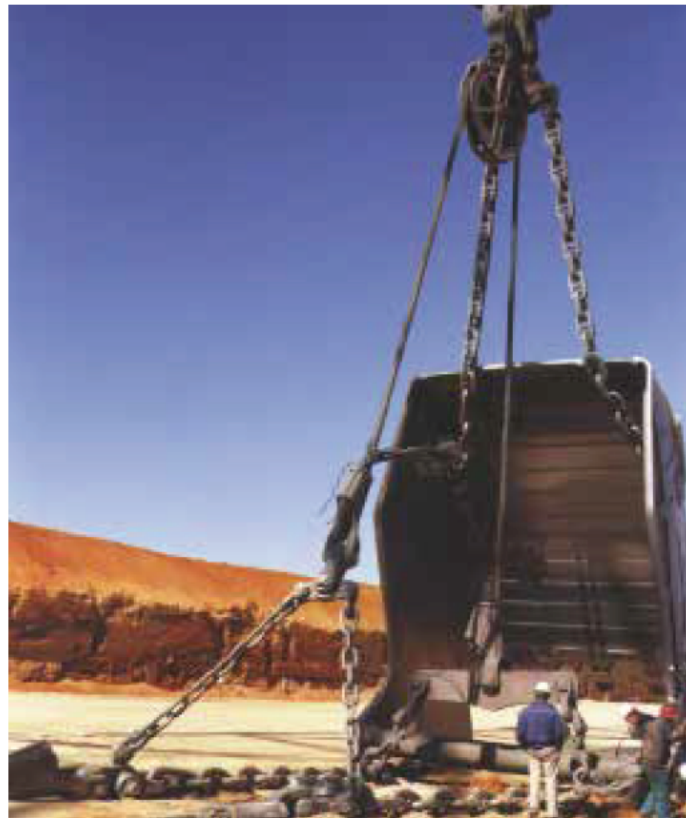
Drums should be carefully checked for the following:

- a) Rope indentations (rifling in the grooves).
- b) Undersized or worn grooves.
- c) Poor coiling resulting in the ropes jumping a groove.
- d) Loose or poor clamping of the ropes in the rope anchors.



## 1.3 Rope end terminations

Check that the drag and hoist sockets and/or wedges are not damaged or cracked when replacing ropes. The damaged socket and/or wedges will increase the risk of damage occurring to the rope itself. A poorly attached end fitting may result in the development of waviness throughout the rope and an inevitable premature failure of the rope.



## 1.4 Users Assessment of Rope Condition

The following points have been set out to assist the responsible person with his daily/weekly inspections:

- Plastic flow over rope length. If plastic flow is evident, check the sheave and drum grooves. These may be undersize and will cause broken wires due to fatigue. Heavy plastic wear early in the rope's life is an indication of undersized sheave grooves.
- Wear: Generally speaking wear of outer wires will not seriously affect the rope's breaking strength unless accompanied by broken wires. Check for localised wear as this may indicate that the rope has jumped off a sheave or is running over or striking an object.
- Mechanical damage: Irregularities caused by kinks, bends, or accidental damage can reduce the rope strength considerably. Care must be taken when installing ropes.
- Broken wires: Remove broken wires as soon as they are discovered, in order to prevent damage to neighbouring wires.





## 2. Installation and Maintenance

- 2.1 When lifting the rope reels, care should be taken not to damage or to distort the reels, using a lifting or spreader beam.

Be very careful when releasing the rope ends from the reel as the rope is under tension. (Read the warning label on the reel.)

During installation, ropes should be paid out from the reel in a straight line without slack, to prevent the possibility of kinking or disturbance to the lay of the rope.

It is essential to ensure that the reel does not overrun and some form of braking system should be applied. This braking should be applied to the reel only and not to the rope, as the reel will still tend to overrun if the braking is applied to the rope, to avoid the possibility of the rope slackening on the reel and becoming damaged.

It is recommended that steel reels fitted with a properly designed brake be used. This, apart from eliminating the risk of damage during handling, will speed up the installation process or procedure.

- 2.2 When a wedge socket is used, pressure from the rope strands imprint corrugations on the inside wall of the socket and or wedge, these ridges have a tendency to hold one or more strands tighter than the other strand in the rope when the rope takes up load, the result will be unbalanced loading on the rope, resulting in a "high strand" and possible failure. These indentations should therefore be removed periodically.
- 2.3 Break off any protruding broken wires to prevent damage occurring to crown wires on any of the adjacent strands as the rope operates. This is especially important for all ropes.
- 2.4 Rope life will be increased by installing the maximum possible rope length, so that the wear and indentation areas can be altered by pulling in systematically, resocketing and also end for ending at the correct time.



## 3. Operating Techniques

- 3.1 As previously stated the excavator operator has a major influence on rope performance and expected rope life, by minimising the damage due to falling rocks, excessive tensile shock loads and ensuring good maintenance practices.
- 3.2 Poor fragmentation may result in the excavator having to operate under particularly arduous conditions, which will adversely affect rope performance and reduce the expected rope life. Hoist rope life will be extended by allowing the ropes to "bed down" during the first few cycles of the operation, this will be achieved by operating at reduced loads during the "bedding in period".



- 3.3 Pulling the ropes through the overburden on the bank and/or over the edge of the pit will cause severe abrasion and this will markedly shorten the rope life.



- 3.4 The dragline should stand as close to the pit edge as possible.

This minimises the tendency or chance of pulling the ropes through the bank.

## Product description

During the manufacturing process the completed strands are drawn through a die which has the effect of compacting the wires. Visually the rope appears to have been manufactured from flattened wire.

The result of this compacting is a wire rope of higher density which offers advantages over conventional ropes for certain applications.

### Advantages include:

- Higher breaking strength for a given diameter. This feature enables users to specify smaller diameter ropes, or to lift increased loads.

- Improved surface contact. The compaction provides a smoother finish as the outer wires have been flattened. As a result the compacted ropes have greater resistance to abrasion while decreasing wear on sheaves and drums.

- Enhanced resistance to crushing. The reduction of internal voids and gaps enables the compacted ropes to withstand external forces to a greater degree.

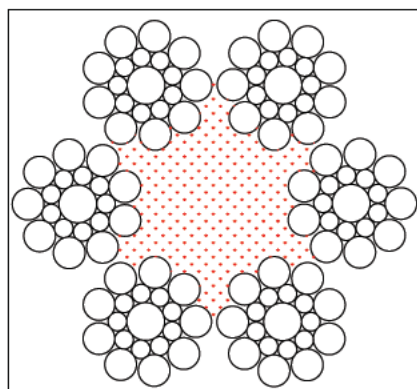
- Increased fatigue endurance. Laboratory tests and field performance have shown that fatigue resistance is significantly increased.

- Longer service life. The benefits of Haggie's compacted ropes ultimately mean greater rope life - thereby improving cost effectiveness.



## Open Pit Mining Rope Tables:

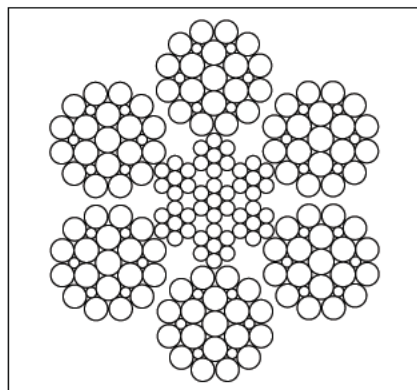
### 6x19(9/9/I)/IWRC



Nominal Diameter (mm)	Estimated Mass (kg/m)	Estimated Breaking Force (Tensile Grade)		Outer Wire Diameter (mm)
		1600 MPa	1800 MPa	
16,0	1,09	150	167	1,28
19,0	1,50	207	230	1,48
20,0	1,67	230	256	1,56
22,0	2,01	277	308	1,72
24,0	2,45	338	376	1,92
26,0	2,88	369	444	1,64
28,0	3,34	462	514	1,76
30,0	3,74	519	576	2,36
32,0	4,27	592	657	2,50
34,0	4,87	677	752	2,70

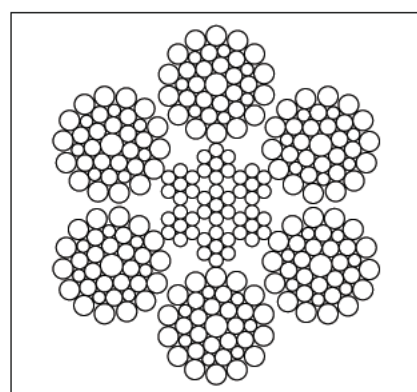
## Open Pit Mining Rope Tables:

### 6x25(12/6F+6/I)/IWRC



Nominal Diameter (mm)	Estimated Mass (kg/m)	Estimated Breaking Force (Tensile Grade)		Outer Wire Diameter (mm)
		1600 MPa	1800 MPa	
26,0	2,89	369	444	1,64
28,0	3,34	462	514	1,76
30,0	3,92	543	605	1,92
32,0	4,43	614	684	2,04
34,0	5,00	695	774	2,16
35,0	5,20	723	805	2,20
36,0	5,52	766	853	2,28
38,0	6,18	857	955	2,40
40,0	6,95	966	1076	2,55
41,0	6,95	966	1076	2,55
42,0	7,50	1042	1161	2,65
44,0	8,72	1215	1354	2,85
46,0	9,01	1255	1398	2,90
48,0	9,86	1375	1531	3,05
50,0	10,58	1477	1645	3,15
52,0	11,59	1618	1802	3,30
54,0	12,43	1737	1935	3,40
56,0	13,64	1904	2121	3,60
58,0	14,24	1987	2214	3,65
60,0	15,30	2131	2374	3,78

### 6x36(14/7+7/7/I)/IWRC

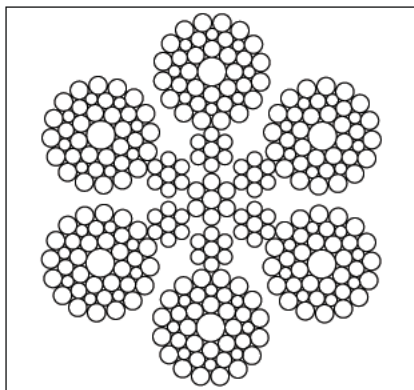


Nominal Diameter (mm)	Estimated Mass (kg/m)	Estimated Breaking Force (Tensile Grade)		Outer Wire Diameter (mm)
		1600 MPa	1800 MPa	
38,0	6,22	862	961	2,12
40,0	6,95	964	1075	2,24
42,0	7,72	1072	1196	2,36
44,0	8,69	1207	1345	2,50
46,0	9,08	1262	1407	2,55
48,0	10,05	1398	1559	2,70
50,0	10,82	1506	1679	2,80
52,0	11,66	1623	1809	2,90
54,0	12,62	1758	1960	3,00
56,0	13,60	1895	2113	3,15
58,0	14,61	2037	2271	3,25
60,0	15,20	2119	2362	3,25
64,0	17,78	2482	2768	3,60



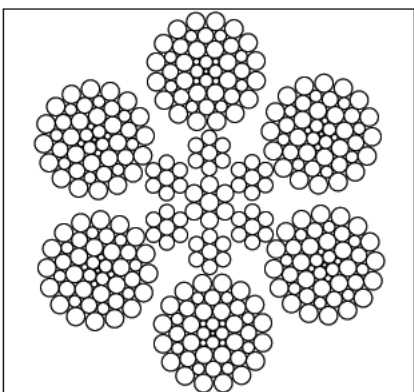
## Open Pit Mining Rope Tables:

### 6x41(16/8+8/8/I)/IWRC



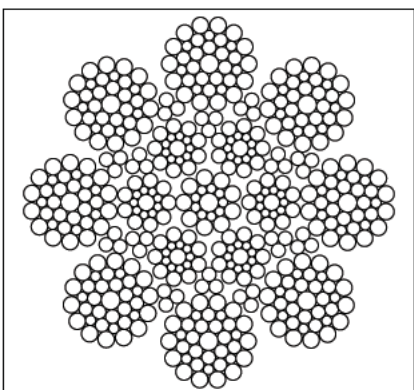
Nominal Diameter (mm)	Estimated Mass (kg/m)	Estimated Breaking Force (Tensile Grade)		Outer Wire Diameter (mm)
		1600 MPa	1800 MPa	
40,0	7,06	971	1081	2,00
42,0	7,67	1057	1177	2,08
44,0	8,83	1220	1357	2,24
45,0	8,83	1220	1357	2,24
46,0	9,15	1265	1408	2,28
48,0	10,16	1404	1563	2,40
50,0	11,00	1520	1692	2,50
52,0	11,93	1648	1834	2,60
54,0	12,83	1775	1975	2,70
56,0	13,75	1901	2115	2,80
58,0	14,78	2045	2276	2,90
60,0	15,64	2164	2408	3,00

### 6x49(16/8+8/8/4F+4/I)/IWRC



Nominal Diameter Rope (mm)	Estimated Mass (kg/m)	Estimated Breaking Force (Tensile Grade)	Outer Wire Diameter (mm)
		1700MPa	
50,0	10,77	1628	2,50
56,0	13,57	1917	2,80
60,0	15,44	2181	3,00
64,0	17,62	2673	3,20
70,0	21,08	2990	3,50
75,0	23,65	3395	3,74
80,0	27,75	3934	3,94
83,0	30,12	4517	4,14
85,0	31,18	4404	4,18
92,0	36,33	5149	4,58
95,0	38,66	5482	4,74

### 8x36(14/7+7/7/I)+8xP/6xP+IWRC

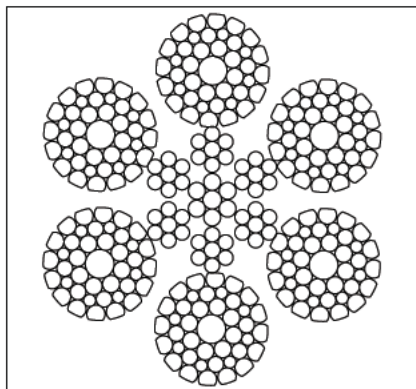


Nominal Diameter Rope (mm)	Estimated Mass (kg/m)	Estimated Breaking Force (Tensile Grade)	Outer Wire Diameter (mm)
		1700MPa	
83,0	31,20	4599	3,86
85,0	32,72	4787	3,94
92,0	38,22	5589	4,26
95,0	40,31	5844	4,34
111,0	54,20	8167	5,030
127,0 *	71,40	9882	5,78

\* 1600 MPa Tensile Grade

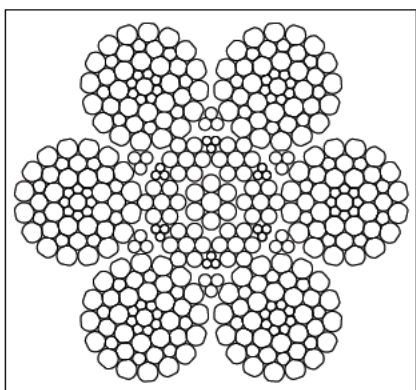
## Open Pit Mining Rope Tables:

### 6x41C(16/8+8/8/I)/IWRC



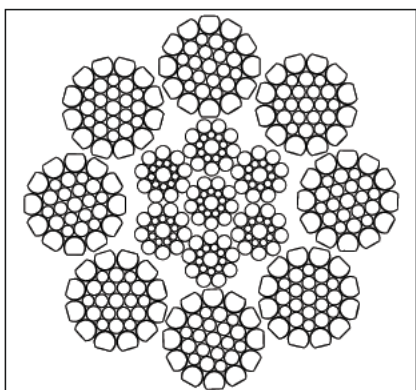
Nominal Diameter Rope (mm)	Estimated Mass (kg/m)	Estimated Breaking Force (Tensile Grade)	Outer Wire Diameter (mm)
		1600MPa	
38,0	6,88	1007	2,00
44,0	9,41	1360	2,20
48,0	11,22	1620	2,53
50,0	11,78	1743	2,60
56,0	14,95	2063	2,80

### 6x49C(16/8+8/8/8/I)/IWRC



Nominal Diameter Rope (mm)	Estimated Mass (kg/m)	Estimated Breaking Force (Tensile Grade)	Outer Wire Diameter (mm)
		1600MPa	
60,0	16,81	2413	3,10
64,0	19,05	2738	3,30
67,0	20,90	3005	3,45
70,0	22,70	3267	3,60

### Shovel Ropes



Nominal Diameter Rope (mm)	Minimum Breaking Force (kN)	Mass (kg/m)	Construction
35	813	5.81	8X37 Plasticated Compact Strand
38	956	6.78	8X37 Plasticated Compact Strand
44	1289	9.11	8X37 Plasticated Compact Strand
50	1679	11.86	8X37 Plasticated Compact Strand
56	2114	14.91	8X37 Plasticated Compact Strand
60	2430	17.14	8X37 Plasticated Compact Strand
64	2743	19.33	8X37 Plasticated Compact Strand
67	2978	20.98	8X37 Plasticated Compact Strand
70	3288	23.14	8X37 Plasticated Compact Strand
73	3331	23.74	8X37 Plasticated Compact Strand
73	3326	23.88	8X37 Plasticated Compact Strand



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