

Case Study

## Fostering local supplier development



Local company Prodinsa, a participant in the Cluster Program in Chile, designed a new type of cable that increased by approximately 40 per cent the shelf life of cables used on excavation shovels.

As a large, global organisation BHP Billiton has the capacity to help grow local businesses and foster the long-term development of suppliers in our host communities. In Chile, we are successfully building new relationships with local suppliers through a program that seeks to create lasting business and technological capabilities and increase suppliers' economic value.

The Cluster Program aims to develop 250 Chilean-based resource industry suppliers into 'world-class' global resource industry suppliers by 2020. We define world-class suppliers as those that sell more than 30 per cent of their product internationally, have standards equal to the industry leader and add a high level of value to their customers.

Specifically, the program engages local suppliers to develop innovative solutions to manage at least one aspect of mining identified as critical by our operations – such as water, energy, human capital, maintenance, air quality, acid mist control or leaching. Effectively managing each of these areas is essential to tackling the challenges of our operations.

The program was born out of a broader initiative by the Chilean Government to improve local economic development. BHP Billiton was one of two resource companies to embrace the initiative, which has also helped address some of our own business challenges. Funding is provided by the Chilean Government, BHP Billiton and participating suppliers. Launched in January 2009 with five participating suppliers, the program grew to 39 participants in FY2012. Success is measured against specific supplier project targets, with the overall program deemed successful if two-thirds of all projects meet their monthly targets. In FY2012, our Escondida Asset, Cerro Colorado Operation and Spence Operation participated in the program, and all projects achieved their targets.

At our Cerro Colorado Operation, local supplier Biohydro.cl, which has approximately 115 employees, was commissioned in 2010 to develop a solution for automating the wetting phase in the copper leaching process. The solution was intended to minimise the exposure of operators to acid mist and to reduce the variability of the wetting phase process. By the end of FY2012, initial tests showed the solution had reduced the variability of the wetting phase from seven per cent to less than one per cent, reduced water consumption and increased mineral recovery. Work began in FY2012 to implement the solution into Cerro Colorado's standard operational controls.

This case study is prepared as part of our 2012 Sustainability Report. The Report was subject to limited assurance by KPMG. A copy of the independent assurance report is available on page 44 of the Report.

## Case Study

# Fostering local supplier development continued

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At our Spence Operation in FY2011, Micomo, a technology-based company with 30 employees that develops communication and information solutions for the mining industry, developed a forecast system that assesses a combination of elements, such as weather, geography and operational activities, to predict potential dust emissions from mining activities – a service previously unavailable. The software is capable of predicting with 75 per cent accuracy the likely level of dust output up to 48 hours in advance of planned mining activities. This enables management to schedule activities with greater certainty, minimising dust experienced by nearby residents and reducing costly last-minute changes in work schedules.

At our Escondida Asset, local company Prodinsa, which has approximately 160 employees and provides steel cables to various industries, developed a project that increased by approximately 40 per cent the shelf life of shovel cables, a main component of excavation shovels. During initial testing in 2011, the project involved designing and developing a new type of cable. The project is now being applied more broadly, with plans to extend its application to the entire fleet of shovel machinery.

This process of engaging with suppliers is being further developed with a view to applying it to other operations within the BHP Billiton Group, such as Antamina in Peru, where early adaptation of this program is underway.

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