

Corporate Social Responsibility



Open pit at Los Pelambres.



The Esperanza project will cover various areas of social activity.



The Esperanza project intends to ensure that at least 30% of the staff come from the Antofagasta region.

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Introduction

The Group aims to discover world class mineral deposits and develop and operate its assets safely, responsibly and efficiently, in order to provide good returns to shareholders and benefit stakeholders throughout economic cycles. Sustainable development considerations are an integral part of the Group's decision-making process and it adopts a long-term view in formulating strategy, company policy and everyday business procedures.

Mining companies can be instrumental in the development of economies and communities. The Group recognises both its global and local responsibilities and seeks to contribute to the socio-economic development of communities located around its operations and projects principally through forming mutually beneficial local partnerships.

Some of the Group's operations have sustainable development policies in place, which are implemented in day-to-day business in a number of ways. The Group places the adoption of safe work practices at the centre of operational activity. It exercises stewardship of natural resources to manage social and environmental risk and to minimise pollution and environmental footprint; this includes an integrated approach to the conservation of biodiversity and land and water management. It seeks to minimise stoppages in its mining and processing operations, minimise costs and maximise the benefit gained from a motivated workforce. These policies and practices are underlined by a culture of strong management combined with a focus on innovation, exploration and investment.

As explained in the Chairman's Review on pages 5 to 21, the Group has recently acquired a number of growth opportunities in Chile and abroad, and continues to seek opportunities to secure world-class mining assets. At the same time, the mining industry in Chile has been confronted by new issues in areas such as energy and water usage, labour markets, increased competition for resources and increased scrutiny from its different stakeholders. These developments provide new challenges and opportunities which need to be addressed in an effective and timely manner while taking the sustainable development considerations outlined above into account.

Accordingly, during 2007 the Board decided to develop and implement a Sustainable Development Policy to provide a structured framework through which its strategy and growth plans could be achieved; formulation of this is now in progress. This process, which is being led by the mining division's environmental and external affairs departments, has involved Board members, senior management at corporate and operational level and the sustainability teams of each mining operation. The process will result in specific policies for environment and community relations which are currently under review and are intended to be applied across the Group.

The Group has also placed greater emphasis on its accountability for reporting on sustainable development matters beyond the information contained in this Annual Report. During 2007, Los Pelambres published its first annual sustainability report (relating to the 2006 calendar year) as well as

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a separate report on its integral health system model; Antofagasta Minerals S.A. has also issued a publication to show different initiatives the mining division has taken on environmental and community issues.

Description of the Group's Activities

Mining

The Group's three mines are managed by experienced executives under the supervisory umbrella of Santiago-based Antofagasta Minerals S.A. ("AMSA"). AMSA's activities are outlined in the Chairman's Review on page 8.

Los Pelambres is a world class porphyry copper mine owned 60% by the Group and 40% by two Japanese consortia. Located in the high Andes near Salamanca in Chile's IV Region, its operations extend from its open pit high in the Cordillera to its dedicated port near Los Vilos. Los Pelambres produces copper and molybdenum concentrate with gold and silver credits in the copper concentrate. Tailings are currently held in a dam in the Cuncumen Valley to the south of the concentrator plant. Work has proceeded on the Mauro tailings dam which is described in more detail in the Chairman's Review on page 10. Copper concentrate is transported by pipeline 120 kms to the coast, where it is dewatered, dried and stored prior to shipment by sea. The molybdenum concentrate is packed in drums and shipped from the concentrator plant to roasters.

El Tesoro, 100% owned by the Group, is located in the Atacama mining district in northern Chile's II Region about 200 kms north east of Antofagasta with good road and rail access to the ports of Antofagasta and Mejillones. El Tesoro is an open pit operation and uses a conventional heap-leach SX-EW process to produce LME Grade A copper cathodes.

Michilla, which is 74.2% owned by the Group, is located about 100 kms north of Antofagasta and is the Group's first mine acquired in 1983. Michilla is a mixed copper oxide and sulphide orebody and mines its ore from a combination of open pit and underground operations. Michilla's plant is similar to El Tesoro and also produces LME Grade A copper cathodes through the heap-leach SX-EW process. Michilla is connected by road to the ports of Mejillones and Antofagasta.



Los Pelambres' truck maintenance depot.

As explained in the Chairman's Review on pages 12 and 13, Michilla is currently reviewing several options in order to extend its mine life (which currently runs to the end of 2009) and continue production at its SX-EW plant.

Production and sales details for the three mines are shown on pages 22 and 143. Ore reserve and mineral resource estimates for each mine are shown on page 146.

The Group has a portfolio of exploration and development projects to which it extends similar sustainability considerations as it does to its existing mines. The most advanced is the Esperanza project, which is located approximately four kms south of El Tesoro. Development of Esperanza received Board approval in June 2007 and the Group has submitted an Environmental Impact Assessment (EIA) which is expected to be approved in mid-2008. Construction should take place between 2008 and 2010 and Esperanza is expected to produce copper concentrate containing a significant gold credit from the end of 2010 and molybdenum from 2015. Other projects include Antucoya, located approximately 35 kms from Michilla, and the Reko Diq joint venture, a copper-gold deposit in south-west Pakistan, both of which are expected to undergo feasibility studies during 2008. In addition, the Group has an active exploration programme in the Sierra Gorda district surrounding El Tesoro, a target generation programme in Chile's II and IV Regions and an active search for other opportunities both in Latin America and globally.

Transportation

The Antofagasta Railway (FCAB) has become one of the largest combined rail and road transportation companies in Chile due mainly to the phenomenal growth of mining in the II Region over the last decade. It also controls the Andino network in Bolivia. The combined networks, with a total of 2,350 kms of track, transported 5.0 million tons by rail and 1.3 million tons by road in 2007. The FCAB is regulated by the Superintendency of Railways. Details of tonnage transported are shown on page 143.

Water

Aguas de Antofagasta S.A. ("ADASA") is based in Chile's II Region where it supplies water for domestic and industrial use as well as treating waste water. It is regulated by the Chilean Water Authority and the Superintendency of Sanitary Services. Water statistics are shown on page 143.

Governance and Ethics

The Group is committed to conducting business in an accountable and transparent way reflecting the interests of all stakeholders who may be affected by its activities. In so doing, the Group demands honesty, integrity and responsibility from those related to it. It ensures that human rights, customs and values of its employees are respected, that information about its activities is properly communicated and that environmental matters are properly considered.

In order to achieve this, it has corporate procedures, management structures and risk management procedures in place at both Group level and at the business units. In addition to the Group's procedures and structures, the principal operations have

developed their own business principles and procedures to ensure good governance and adherence to ethics. The Group seeks to ensure similar standards are maintained by its joint venture partners. Further details of the Group's corporate governance and risk management practices are set out in the Corporate Governance statement on pages 64 to 71.

The Group also has a Corporate Code of Ethics which has been adopted by the Board and is aimed at all employees and contractors who are expected to understand and fully comply with its requirements. The Group's Code of Ethics sets the guidelines for all employees' behaviour, highlighting the importance of honesty, integrity and commitment, and warning of potential conflicts of interest and independence.

Systems and Risk Management

Systems

Management systems are in place at all the Group's operations, to ensure quality of processes and products, health and safety of the workforce and compliance with environmental standards. During 2007 the Group continued obtaining certification to international standards for management systems and has set targets for 2008. The progress achieved and targets are summarised in the table below and on pages 39 and 40. Where international standards are not applied, companies use management systems under relevant national standards or have developed in-house systems.

Risk management

The Directors' responsibilities for risk management, internal control, internal and external communications together with the role of the Audit Committee are

Status of certification of ISO 14.001 (environmental management) in Group operations

Company	Area (Business Unit)	Status
Los Pelambres	Whole company	Version 2004, Certified: July 2006
El Tesoro	Whole company	Version 2004, Certified: February 2006
Michilla	Whole company	Under evaluation
FCAB	Whole company	Under evaluation
ADASA	Operative areas of the company – treatment plants, distribution of potable water and sewer system	Under evaluation

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Status of certification ISO 9.001 (quality management) in Group operations

Company	Area (Business Unit)	Status
Los Pelambres	Exploration, extraction, processing of minerals, transport via pipeline and loading of copper concentrate	Version: 2000, Certified: June 2006
El Tesoro	Whole company	In process of implementation with expected certification during 2008
Michilla	Whole company	Implementation process to begin in February 2008
FCAB	Management services (transport of copper and sulphuric acid with enlarged scope to include mineral concentrates and general loading services)	Certified: 2003 with scope enlargement in January 2007
	Integral Repair Shop Centre (electrical control of locomotives, repair and maintenance services with scope enlargement to cover design and metrology)	Certified: July 2005
	Engineering and services (electrical motors repair and maintenance and components recovery with scope enlargement to production management, engineering projects and operator training)	Certified: January 2005
Train Ltda.	Storage and transfer of sulphuric acid and copper cathodes, transport of lime and cement	Certified: October 2006

Status of certification OHSAS 18.001 (safety and occupational health management) in Group operations

Company	Area (Business Unit)	Status
Los Pelambres	Whole company	Version 1999, Certified: June 2006
El Tesoro	Whole company	Certified: March 2006
Michilla	Whole company	Certified: October 2006
FCAB	Whole company	Certified: June 2007
ADASA	Operative areas of the company – treatment plants, distribution of potable water and sewer system	Under evaluation

Other international and national standards

Company	Standard
Los Pelambres	Punta Chungo: The International Ship and Port Security Code (ISPS) certification in June 2004
Michilla	At the Caleta Michilla Maritime Terminal: The International Ship and Port Security Code (ISPS) certification in July 2004
FCAB	Competitive Company Programme, in collaboration with a health care association to manage company risk
ADASA	Water Quality Laboratory: accredited by INN, the Chilean National Standardisation Institute in NCh-17025, Chilean standard certification (equivalent to ISO) for controlling and quality of water. Accreditation for Laboratory Tests in microbiology and chemical physics is a requirement of the Superintendency of Sanitary Services
El Tesoro	System to identify, evaluate and prepare action plans related to worker behaviour, supervisor leadership and the practice of the self-care concept, developed in collaboration with the Mutual de Seguridad, a national organisation which aims to promote health and safety at work

described in the Corporate Governance report on pages 68 to 70. The main risk factors relevant to the Group are set out in the Financial Review on pages 33 to 35.

The Group's risk management system has been developed in-house and is based on conceptual models and various existing risk management systems. Its purpose is to monitor and increase the contribution from each company through a central system designed to prevent potential incidents which could generate losses and reduce the impact of unavoidable incidents. Risk maps identifying key areas exist at each business unit and risk management processes are embedded at all levels including the early project stage, for example at the Esperanza project in Chile and the Reko Diq project in Pakistan. The Group's approach to risk also takes into account sustainability considerations. During 2007, for example, a diagnosis including a stakeholder map was made by Los Pelambres of its operations and surrounding areas, to identify priority areas and define action plans. A reputational survey with local communities was also carried out at some of the Group's operations to provide relevant input for the risk management processes in this area.

An online information system is also in place to manage and report incidents and to collate safety statistics on a centralised basis through the Group's intranet. Employees and contractors who are in charge of an operation or project are responsible for managing risk as it occurs. Using the system they are able to identify risks (including possible losses, incidents and areas of non-compliance) and controls. The information on the system is periodically updated and reviewed at each business unit by a risk control manager as well as the risk management team at Group level, which reports the information including safety statistics and measures this against performance targets for the Group and individual operations. Some operations have had risk management systems audited as part of the requirement for obtaining ISO and OHSAS certifications. The Group shares information relating to risk management with other mining companies in Chile.

The tables on pages 39 and 40 show the various aspects of the detailed processes established by Group companies which have been certified under ISO 14.001 for environmental management, ISO 9.001 for quality management and OHSAS 18.001 for safety and occupational health management.

Communication

The Group recognises the importance of timely and accurate information flows, both within the Group's companies and with external stakeholders. Communication channels include websites, intranets, publications, consultation procedures and face-to-face meetings with internal and external parties. The Group is committed to maximising transparency within the parameters of good business sense and commercial confidentiality. The Board expects its Directors, senior management and other staff to behave with integrity and comply with the ethical standards of the Group and their own professions in preparing and publishing information, for example financial reports and press updates.

External communication is achieved at Group and business unit level through the publication of financial, operational and social and environmental data. This includes production reports, financial reports (including the Annual Report, preliminary, interim and quarterly figures) and press releases through the Regulatory News Service of the London Stock Exchange for any material developments. Spanish language releases are also published contemporaneously in Santiago. At the business unit level, information about operational activities is also made available to local stakeholders through community consultation programmes, open meetings and memos. Grievance procedures allow interested parties to lodge complaints and request information. Recently, the Group has placed greater emphasis on communications with communities in the areas around which its operations and projects are located; for example in the Esperanza project, which was approved during 2007, dialogue with local communities has been encouraged and developed from the start.

As explained in the Introduction to this report, Los Pelambres published a sustainability report in 2007 as well as a separate report on its integral health system model; AMSA has also issued a publication to show different initiatives the mining division has taken on environmental and community issues. This forms part of an overall effort to enhance communications including the development of a communications plan

for each operation and project and the introduction of measureable action plans and training.

Internal communication within the Group is achieved through regular staff meetings with senior management. The principal business units publish regular magazines and use intranets to communicate Group principles and ethics as well as to facilitate the flow of information throughout the Group.

Working in Partnership with Other Organisations

The Group believes that communication and consultation with governments, non-governmental organisations and labour and financial institutions is crucial for the development of economies and communities. Partnerships facilitate the development of sound technologies to improve operational processes, products, and protection of the environment. The Group also considers that its own decision-making processes benefit from consultation with relevant stakeholders. Accordingly, it seeks to work closely with host countries and communities and communicates its views to governmental agencies either directly or through industry associations and representative bodies at both national and international levels.

During 2007, AMSA together with other mining companies and institutions approached the Ministry of Mining with a proposal: "Education and Mining: the Streak of Development". This proposal is aimed at enhancing students' knowledge and understanding of mining activities by including mining education in the school curriculum in Chile.

AMSA was one of the main sponsors of the first "Mining Course for Journalists" organised by SONAMI (the National Mining Society), to encourage the development of closer relationships between mining companies, SONAMI and the media. Over 50 journalists participated in the training course.

Exponor is an international bi-annual event organised by the Antofagasta Association of Industrialists. It took place most recently in July 2007 in the Antofagasta Region where mining accounts for

Organisations of which Group companies are members

Organisation	Description	Group Membership
Sociedad Nacional de Minería de Chile (SONAMI)	An industry body that is an association grouping private entrepreneurs of small, medium and large size mining companies. It represents, leads and looks after the interests of the private mining sector in relation to public and private institutions, authorities, and the local and international communities	Los Pelambres and Michilla
Consejo Minero de Chile (Consejo Minero)	An association of 17 large size Chilean mining companies founded in 1998 for the purpose of protecting, promoting and supporting the Chilean mining sector	Los Pelambres
International Copper Association (ICA)	An international organisation for promoting the use of copper worldwide and co-ordinating and improving the effectiveness of international market development, research, and technology activities of the industry	AMSA (through one of its subsidiaries)
International Molybdenum Association (IMOA)	An international organisation which aims to promote the use of molybdenum, gather technical literature and scientific data on environmental issues, prepare industry guidelines and collect historical statistics on global demand and supply	AMSA (through one of its subsidiaries)
Antofagasta Association of Industrialists	An organisation which aims to foster the concept of sustainable development and promote policies and ideas to the community and other businesses	El Tesoro Michilla ADASA FCAB
AccionRSE	An organisation developed as a result of a private initiative, to promote good corporate social responsibility practices	AMSA Los Pelambres

approximately 90% of regional exports. Exponor is one of the largest mining conferences in Latin America with a focus on promoting mining in the Antofagasta region and was attended by some 400 companies and 25,000 people including suppliers, technicians and professionals working in the mining industry. The event aims to promote mining, encourage relationships between the private and

public sectors, promote development and encourage business and the sharing of technology between producers. At this year's event, commercial activity generated business to the value of US\$180 million and contributed to local commerce. AMSA participated as an exhibitor for the first time and presented an update on the Esperanza project which will be an important local employer in the future.

Human Resources

The Group recognises that its most important assets are its people. It operates within the existing employment legislation in Chile and continually improves working conditions by applying best management practices to maintain a motivated labour force and harmonious employment relations, improve safety conditions and promote a healthy lifestyle amongst its employees and subcontractors.

The Group also respects employee rights by banning discrimination in the workplace. As part of its management of human resources to achieve these objectives, the Group considers the business cycle, environmental factors, socio-economic and political factors as well as the expectations of its employees on both a medium and long-term basis. It also aims, as far as possible, for labour to be sourced locally in order to ensure that the benefits of its operations and projects are shared with the communities in which these are located.

In order to achieve this, AMSA, encourages the mining division to develop suitable policies, guidelines and management procedures in line with the overall corporate vision outlined in its manual of general management policies for human resources. In 1997, AMSA implemented a Labour Control System for all its operations and projects and which involves periodic reviews and audit of labour practices. The Group keeps its human resource systems and procedures under regular annual review and identifies and considers

legal, union and remuneration issues. This review looks three years ahead to identify the challenges facing each company and an action plan is then formulated and updated regularly by senior management.

El Tesoro became the first company in Chile to sign an agreement with the National Service for Women ("SERNAM") to implement a series of actions intended to promote gender equality in the workplace in 2007 as part of the Group's non-discrimination objective.

Similarly, during the development of the Tesoro North-East project, El Tesoro incorporated workers from Calama, Antofagasta and Sierra Gorda in its operations in order to ensure that employment opportunities were made available locally. Employing a local workforce required an intensive training programme at the Technological Mining Centre to improve its ability to operate heavy equipment safely. Many of the 80 participants on the programme were later employed as fulltime workers at El Tesoro and Esperanza. The Esperanza project wants to ensure that at least 30% of workers in its construction and operations areas will be from the Antofagasta region. In order to create a qualified labour force that can achieve the high standards required by the project, a training programme will be established for approximately 1,000 people including school leavers.

In 2007, the Group employed an average of 3,323 employees. An analysis by business segment is provided in Note 7(a) to the financial statements.



Shift meeting at El Tesoro.

Compensation, recruitment and retention

Competition for labour continues in Chile and the Group offers competitive remuneration packages to secure and retain good employees. All the Group's operations seek to encourage their employees to achieve high performance levels with salary increases and bonuses linked to productivity and individual performance. In addition to the normal yearly salary surveys, a detailed review of the compensation structure was carried out during 2007 to ensure the competitiveness of the packages offered. The recommendations resulting from this review will be implemented during 2008.

As explained above, the Group seeks where possible to recruit employees from communities near its operations and from universities and technical colleges. Recruitment and selection processes are under constant review in view of the continued tight labour market to ensure that the right calibre of staff can be recruited. During 2007, a study was carried out amongst employees to identify the main factors affecting employee retention and a number of initiatives will be implemented in 2008 to meet employees' expectations.

Group aggregate remuneration is set out in Note 7(b) to the financial statements.

Career development and training

Career development is important to the Group's operations which offer employees new opportunities to achieve higher levels of seniority and remuneration through internal recruitment processes and certification of abilities. Regular training programmes allow employees, contractors and sub-contractors to update their skills and abilities as well as promoting good working relationships. Courses have included risk prevention, environmental protection, quality and occupational health, technology, business culture and management philosophy.

At Los Pelambres, the System to Reward Creativity and Innovation ("SRCI") programme has been applied since 2004. On a yearly basis, the programme encourages employee participation through the submission of innovative proposals to improve the company's operations in different areas. Since the

beginning of the programme over 2,000 proposals have been submitted by employees of which 360 have been implemented. At Michilla, workers' skills are assessed in relation to their employment requirements through a Labour Capabilities Unit, and a training programme is designed based on any gaps identified. El Tesoro has also developed a training plan involving both internal and external courses, which are regularly assessed for quality.

Unions

The Group respects freedom of association by its labour force and union membership in the Group's companies exceeds 80%. Collective bargaining processes have resulted in collective employment agreements establishing remuneration levels as well as terms and conditions of employment. The Group uses a model for managing its relationship with trade unions which is regularly reviewed and a monthly survey summarises relevant issues which have arisen in the previous month. There are eleven labour unions representing employees within the Group: four at FCAB, one at Michilla, two at El Tesoro, two at Los Pelambres and two at ADASA.



Training at Salamanca near Los Pelambres.

Corporate Social Responsibility continued

During 2007, Los Pelambres and Michilla reached new agreements with their unions for periods of up to four years, approximately six months ahead of the due dates for each negotiation, thus underlining the good labour relations existing across the Group. El Tesoro in its most recent negotiation in 2005 had its collective agreement approved by 85% of the workforce, one of the highest of the industry.

Sub-contractors

The Group's approach is to consider contractors as valuable strategic partners with the aim of maximising value for both parties and the Group's companies have developed sound practices for working with contractor companies. The policy outlining working relationships with third parties and sub-contractors is contained in a Group policy manual. Sub-contractors are subject to the same obligations and responsibilities as employees and contractors' personnel are encouraged to follow the Group's human resources policies and best practices.

At El Tesoro, for example, a management model has been established on the following fundamental principles, so as to ensure that El Tesoro's own objectives regarding optimisation of its operations in a sustainable manner are met:

- tasks where a third party can generate a higher level of value added must be outsourced;
- the tasks to be outsourced must clearly and explicitly be defined as products or services that have tangible, measurable and identifiable results;
- the collaborating company is considered to be a strategic partner; and
- the collaborating company assumes full responsibility with regard to its business and its own resources and personnel.

This management model requires full compliance with contractual and legal requirements as well as applicable internal standards. Key aspects of this relationship are monitored on a regular basis through an annual auditing process carried out by an independent party including commercial, labour, operational, technical, social security and tax, health and safety and environmental aspects. The results over the last three years have been outstanding with a 90% compliance rate.

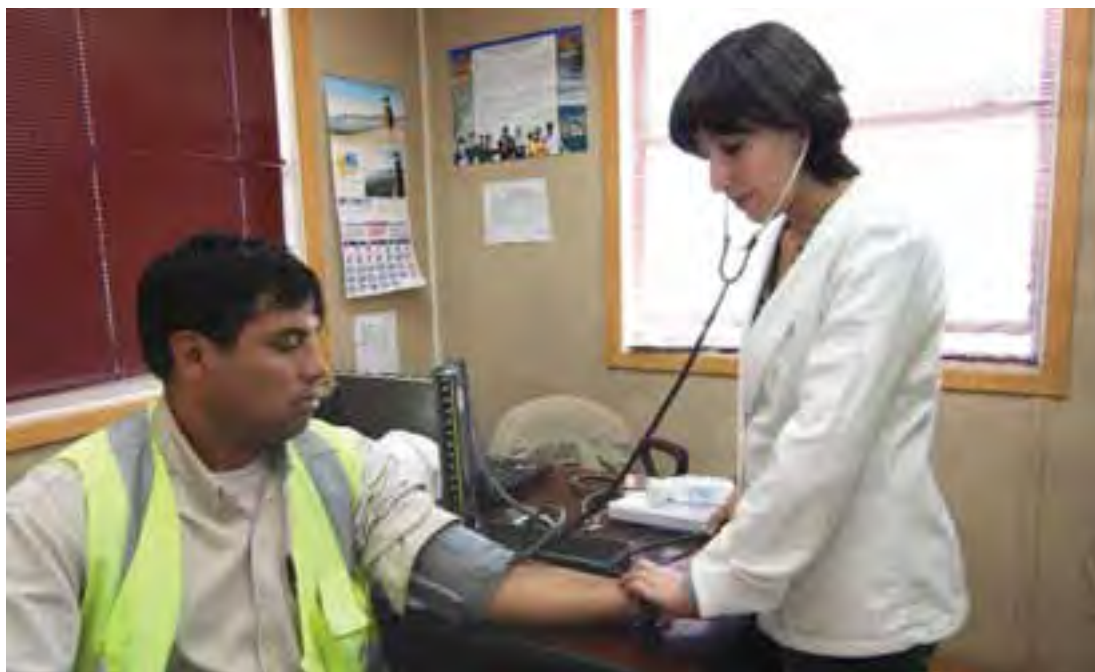
Similar practices are carried out in other operations. At Michilla, labour audits are regularly carried out on collaborating companies to ensure their compliance with legal requirements and to allow Michilla to develop action plans for improvements as necessary. Michilla has also established performance agreements in each commercial contract with collaborating companies. These agreements, which are reviewed annually, allow workers from the collaborating companies to participate indirectly in the results achieved by Michilla.

Law 20123 came into effect in Chile in January 2007. The legislation is aimed at helping workers ensure their rights. One of the main features of this legislation has been to require certain companies to directly employ a number of workers who were previously sub-contracted. The Group believes that continued good management of the relationships with contractor or collaborating companies is crucial to complying with the new obligations imposed by the recent legislation.

Occupational Health

The very nature of the Group's activities means that those involved could suffer health problems. However the Group is committed to providing a healthy workplace for its employees and contractors, eliminating occupational illness and managing health exposures. In addition Chilean legislation covers most aspects of health through the Sanitary Code, the Basic Condition Regulations for Working Areas, Mining Safety Regulation, and specific regulations for food handling, radiation exposure, noise exposure, work accidents and illnesses and the Group seeks to meet or exceed these standards.

All the principal business units have occupational health and safety policies, and each operation or project is responsible for setting its own objectives and targets and communicating them to employees, contractors and, where applicable, the local community. These measures are underpinned by strong leadership from senior management and operational heads. Management systems certified under OHSAS 18.001 are in place in nearly all of the Group's business units. Health policies focus on minimising risk through preventive measures and raising awareness of health issues; medical surveillance and voluntary testing; monitoring



El Tesoro promotes a culture which values the health and wellbeing of its workforce.

and reporting procedures (including occasional internal and external audits); and the use of technology to reduce demands on the workforce. Specific measures include routine examinations for employees and local community members, advice on exercise and diet and educational programmes for community groups, and on-site clinics.

Los Pelambres has approximately 2,500 employees and contractors working at altitudes as high as 3,500 metres down to sea level and consequently, the exposure to high altitude and being isolated from family and social surroundings has the potential to cause health problems. The company has internal policies, regulations, codes of good practice and specific procedures to promote healthy working conditions which are outlined in its Strategic Cornerstones, Quality and Risk Policy and Health Guidelines, covering all aspects of the production activities in all working conditions. Los Pelambres has also developed a model aimed at protecting employee health and implemented it from 2000 to 2006 through an Integral Health System. The programme's focus is on prevention of risks associated with operations as well as workers' habits which may result in illness. Regular monitoring keeps track of health tendencies and allows early warning of occupational illnesses enabling timely treatment or prevention. The

programme is now being reviewed and extended to include contractors, and by December 2007 40% of such workers have been included.

Other more specific programmes at Los Pelambres cover mental health, cardiovascular risk factors, dental health, family health, food and catering, lodging, transportation and recreational activities. Guidelines are provided through various methods both written and spoken. During 2007, the company developed a plan to control emissions and minimise exposure risk and therefore potential illness of the workforce. A Noise Control Plan is also currently in place in an area of the concentrator plant. Both plans are the result of continued assessment of working conditions as part of Los Pelambres' on-going commitment to improve the health of its workforce.

Los Pelambres has one of the most efficient systems in this regard in the mining industry according to benchmarking studies. Further information relating to Los Pelambres' practices in the area of occupational health are contained in a separate publication issued in 2007, "Report on MLP's Integral Health System".

El Tesoro also actively promotes a culture which values the health and wellbeing of its workforce and was the first company in Chile to be certified as a "Workplace that Promotes Health in the Second Level".

Corporate Social Responsibility continued

During 2007, Michilla concentrated on updating its methodology to improve the management of occupational health and this will result in a programme to be presented to the local authorities and implemented in 2008.

Health monitoring and management at ADASA is mainly concentrated around its operations including its water catchment areas, filtration plants and distribution systems, sewage collection and treatment plants. Occupational health programmes have been directed at eliminating physical, chemical and biological risks and establishing preventive measures against influenza, hepatitis, typhoid and sun exposure. ADASA aims to have its existing integral health plan approved by local health authorities and will evaluate implementation of OHSAS 18.001 standards in 2008.

FCAB runs an occupational health programme in conjunction with Mutual de Seguridad in Antofagasta and achieved certification of OHSAS 18.001 in 2007. As part of its policy of maintaining high levels of safety, the company has designed specialised cabs for its diesel-electric locomotives using ergonomic diagnostics. FCAB workers attend regular health examinations and a cardiovascular programme to reduce obesity will be introduced in 2008.

Safety

Safety is a major priority for the Group given the inherent risks in the different operations and development projects. It is committed to providing a safe workplace for its employees and contractors and a safety culture based on the following concepts:

- ensuring that senior management and operational heads provide leadership and are committed to safety measures. Health and safety matters are considered at monthly divisional board meetings;
- the use of management systems, with the majority of the Group's operations certified under OHSAS 18.001. Standards at all operations are expected to exceed national minimum standards, and safety programmes have been approved by the Regional Agency for Mining Safety, a public body which establishes minimum industry standards;
- regular training is provided to all employees and contractors to increase awareness and improve attitudes to safe working practices and contractors and sub-contractors are required to follow specified health and safety standards under the terms of their contracts; and

Safety statistics

	Lost Time Injury Frequency Rate (LTIFR) ⁽¹⁾		All Injury Frequency Rate (AIFR) ⁽²⁾		Severity Rate ⁽³⁾		Number of Fatalities	
	2007	2006	2007	2006	2007	2006	2007	2006
	Chilean mining industry⁽⁴⁾	6.1	5.8	–	–	942	822	30
Los Pelambres	1.7	2.3	5.3	7.5	72	90	–	–
El Tesoro	1.2	2.2	13.1	19.4	67	56	–	–
Michilla	2.6	1.3	12.8	12.7	1,609	1,732	1	1
Mining division	1.8	2.0	9.0	11.6	472	516	1	1
Railway	19.2	15.3	44.3	37.5	335	5,465	–	3
Water	8.6	9.1	28.7	29.9	80	93	–	–
Group	5.6	4.9	17.1	17.5	418	1,427	1	4

⁽¹⁾ Number of accidents with lost time during the year per million of hours worked.

⁽²⁾ Number of accidents with and without lost time during the year per million of hours worked.

⁽³⁾ Number of lost days during the year per million of hours worked. A fatality is calculated as 6,000 lost days.

⁽⁴⁾ Source – Servicio Nacional de Geología y Minería. Comparative figures for 2006 have been updated using final available data. Figures for 2007 reflect the period 1 January to 30 June 2007. Full year figures are not available yet.

- health and safety issues are monitored across the Group by the corporate risk team through its risk management procedures, with risk assessments carried out regularly. Incidents are recorded and followed up and safety committees meet frequently to review incidents, consult with employees, identify improvements in safety systems and procedures and implement training to prevent recurrence of incidents.

The Board is committed to a target of zero fatalities although in 2007 there was one fatality and four fatalities in 2006. Key safety indices for the Group are shown in the table on page 48.

As set out on page 59, various Group companies achieved awards during 2007 for achievements in safety.

Los Pelambres has achieved a successful safety record by applying its policies at all its operations and regularly updating policies to reflect changing situations. During 2007, the company has developed a self-care community and to encourage the participation of employees, it rewards them for exceptional performance.

El Tesoro has increased its health and awareness campaigns and publishes a magazine on accident prevention in the home and workplace.

Michilla has concentrated on identifying risks, risk evaluation (probability and consequence), application of tolerance criteria, classification and generation and monitoring of controls and their effectiveness.

The FCAB has a strategic health and safety model in place which achieved OHSAS 18.001 certification in 2007. The incident system is integrated throughout the company using on-line communication and a system has been installed for analysing the causes of derailments. Both systems investigate the cause of accidents, offer solutions and keep records.

A Safety and Occupational Health System runs safety inspection programmes, courses on self-care and personal safety and is regularly reviewed.

The quality control system adopted by the company is ISO 9000/2000 which covers procedures for operating train and railway safety. Regular external audits ensure

that safety regulations are strictly observed throughout the network.

One of ADASA's main priorities in 2007 was to evaluate the OHSAS 18.001 management system with a view to certification in 2009.

Environment

The Group recognises that its businesses can affect the environment both on natural ecosystems and by its stewardship of natural resources. Accordingly, the Group promotes good environmental performance through effective water management, energy consumption, improvement of air quality, waste minimisation and land stewardship.

Group environmental standards take account of government legislation, local, national and international regulations and the requests of customers and suppliers. The Group's business units have developed policies to assess and manage their specific environmental risks throughout all stages of



The Choapa Valley near Los Pelambres.

Corporate Social Responsibility continued

an operation, including acquisition, exploration, development, operation and closure. These policies take into account economic, technical, environmental and social factors and the Group seeks support for its actions from communities, governments, customers and suppliers.

The legal basis for environmental regulation in Chile is set out in Chilean Law 19.300 (the Environmental Basis Law). This provides that, before commencing certain projects or activities which could cause environmental impact, the project must apply for permission under the Chilean Environmental Impact Evaluation System by submitting an Environmental Impact Assessment ("EIA") or Environmental Impact Declaration ("DIA"), depending on the type of project. The EIA is an exhaustive assessment process managed by the National Environmental Commission ("CONAMA"). Under this procedure, all government agencies with environmental jurisdiction evaluate whether to grant pertinent departmental rulings, licences and permits for a proposed project. The authorities also issue an Environmental Qualification Resolution ("RCA"), indicating what mitigation and compensatory measures or specific commitments should become mandatory for the project owner. The Environmental Impact Evaluation System includes a public participation process intended to ensure that comments by the interested general public are considered in the evaluation of projects. This process took place for the Esperanza project in 2007, as a part of the on-going EIA.

Water

The efficient use of water is fundamental for ensuring its availability for Group operations and neighbouring communities. Group operations try to reduce fresh water requirements and maximise recycling. Contamination and water consumption levels are closely monitored.

Los Pelambres has identified a number of key issues including re-using fresh water, re-circulation of industrial water, ensuring the quality and quantity of fresh water and availability of water sources for other users (principally agricultural and fishing communities) and increasing awareness in communities of the importance of rational water use.

Los Pelambres recycles approximately 80% of the water used and has systems in place in the Choapa basin to control water quality. Surface water quality is monitored in 87 places and underground water quality in 45 places. The concentrate is pumped through a pipeline from the concentrator plant to the port near Los Vilos where it is de-watered and the water used for irrigating a eucalyptus forest nearby.

Water contamination is prevented by various means. The Quillayes and Mauro tailings dams have been built to earthquake safety standards and against extreme weather conditions. The natural flow of the Cuncumén River has been diverted to ensure the quality and flow of water downstream from the Quillayes tailings dam. A similar system has been developed at El Mauro.

Regular meetings are held with the Chilean Water Authority, the Agricultural and Range Service, the Irrigation Canal Association, the Health Service and other authorities to monitor and audit the operations on a continuing basis.

El Tesoro sources water, which is shared with other mines and with farmers, from deep wells in an aquifer near Calama 70 kms from the mine site.

Michilla has no fresh water sources and was the first mining operation in the 1990s to use 100% sea water for its production. Water is pumped from the coast to the mine 800 metres above sea level, where approximately 50% is treated in a desalination plant providing water for both production and for drinking and recycled industrial water is used to water the gardens around the offices and accommodation areas.

The Esperanza project will also use sea water pumped via a 145 km pipeline to its concentrator plant. Some of its operations will need desalinated sea water (amounting to approximately 10% of the overall requirement) to be produced by two reverse-osmosis plants. Another major innovation by the Esperanza project will be the use of thickened tailings, the main benefits being additional water savings and less tailings consigned to its dam. Esperanza will be the first mining company in Chile to use this technology.

ADASA extracts part of its water from the Andes, and supplements this with water from a desalination



Native vegetation at the Choapa Valley.

plant north of the city of Antofagasta. ADASA's supplies approximately 80% of its water to domestic customers and small businesses in and around the main population centres. Water is collected and carried to purification plants by a network of pipelines totalling 1,140 kms extending in all directions across the desert.

ADASA operates in strict compliance with current standards for water quality and arsenical content and its water purification plants achieve high production levels. Water discarded at various stages of the purification processes is subsequently recovered and reintroduced by means of decanting tanks, thickeners, centrifuging and by pumping water back into the plant's reservoirs. In 2007 ADASA formed the Rio Loa Vigilance Committee with other stakeholders to improve the management of the Rio Loa.

The quality of drinking water at ADASA is monitored by the regional health authorities and the Superintendency of Sanitary Services and reports on water quality at source and at the final purification stage are submitted regularly to comply with current regulations. In 2007, The Antofagasta Association of Industrialists awarded the Environmental Management Prize in recognition of the company's success in reducing the arsenic content in drinking water supplied in the II Region. Since 2003 it has consistently delivered water to domestic customers with arsenic levels in line with or below those limits stipulated by Chilean regulations and recommended by the World Health Organisation. ADASA's efforts have been recognised by Regional Health authorities who have awarded the company certification for reducing arsenic levels.

Energy

The Group is committed to conserving energy and aims to use and develop efficient energy conservation technology and energy saving practices. Chile experienced acute shortages of energy in 2007 as gas imports from Argentina decreased compared with previous years. The serious energy supply situation in northern Chile has imposed challenges to all mining operations in the region.

During 2007 AMSA studied this issue in the context of its current operations and future plans. As a result, it decided to invest in auxiliary equipment aimed at providing between 10% to 15% of El Tesoro, Michilla, and Esperanza's energy requirements.

An energy efficiency programme at Los Pelambres was designed during 2007 for implementation in 2008. Different energy sources were assessed including the feasibility of using renewable energy sources such as wind power. A hydroelectric generation project was also studied with the aim of providing Los Pelambres with 20MW of electricity. The company has acquired, as an interim solution, a generating plant with a capacity of 4.6MW to ensure energy supply to its operation. Los Pelambres is an active participant in Chile's Energy Efficiency Program.

The Esperanza project has recently signed a memorandum of understanding with Suez Energy to secure its energy requirements for its future operations.

The Chairman's Review describes some of the steps taken by the Group to address energy issues in the longer term on pages 14 and 15.



Osmosis plant at El Tesoro.

Emissions

The Group seeks to reduce air emissions and ensure good air quality in and around its operations and projects.

At Los Pelambres, several initiatives for dust control are used to counter dust emissions coming primarily from the sands dam of the tailings pond, roads and the crushed ore stockpiles. Dust particles of less than 10 microns (PM10) are monitored on a regular basis in 12 areas located inside and outside the mine's operations. The roads, mine area and stockpiles are regularly sprinkled with water and additives are used on roads to capture dust particles. Beyond the mine operation areas, samples are analysed to ensure air quality for the neighbouring communities including Cuncumén, Quelén Alto, Tranquila, Camisas and Caimanes. Current results show that the emission levels are below the limits set by law. Every effort is made to minimise dust emissions at the port and the concentrate stockpile and the conveyor systems are subject to negative pressure conditions. The loading of concentrates is done by extendible arms with emission collection systems. Close contact is maintained with the authorities and audits are conducted on a continuing basis.

Emissions of dust from mining operations and gases from the leaching process at El Tesoro are controlled by its Environmental Management System which reduces emissions into the atmosphere.

Measurements confirm that the emission levels remain below the PM10 limit. Dust control has

been improved by using reagents in water and continuous dust monitoring is carried out at the mine camp and the neighbouring town of Sierra Gorda.

Waste

The Group's activities generate mineral and non-mineral waste. Mineral waste includes mined rock with no economic value, tailings from the concentrator plant and leached residue from the heap-leach operations. These materials are disposed of in designated waste dumps or tailings dams for which environmental approval has been obtained. Non-mineral waste includes materials from processes which support mining and processing such as used tyres and waste oils. The Group's operations have systems to dispose of industrial and hazardous wastes according to applicable legal requirements. Regular contact is maintained with local authorities, the Health Service and the National Environmental Commission ("CONAMA") and audits of waste management are conducted on an on-going basis.

Environmental guidelines at Los Pelambres use a preventive approach and seek to minimise disturbance of surroundings, pollution, the use of resources, and the disposal of waste. An industrial waste management programme categorises hazardous waste in accordance with current standards and directives. For example, industrial wastes are recycled where possible or sorted and sold as scrap. A waste management plan to sell used lubricant oils to other companies for use as fuel and in the manufacture of explosives was approved by authorities and implemented. Los Pelambres also continued its composting facility for processing organic waste from the dining halls during 2007 and added a vermicomposting process. This enabled more waste to be treated and reduced the overall amount of waste. The disposal of heavy duty tyres is also carried out by a system of external recycling.

Michilla has also been working to improve industrial and hazardous waste management and will present a plan to the authorities for approval in 2008.

Waste disposal considerations at ADASA arise from both the purification process for providing potable water and the treatment and disposal of sewage.

Water purification generates waste which could have an impact on the environment as it contains arsenic

existing naturally in the Andean region. This waste material is disposed of in secure landfill sites which comply with regulatory requirements. The disposal of waste is subject to a fortnightly monitoring programme for pre-treated sewage and to monthly monitoring of the desalination plant, to comply with D.S.N°90/00 “Emission Standard for the Regulation of Pollutants Associated with Liquid Industrial Waste Discharge to Marine and Inland Waters”.

The policy for sewage is centred mainly on sustainable environmental disposal with minimal impact and in full compliance with current standards. ADASA has participated in a biotechnology project in conjunction with the University of Antofagasta to investigate ways to separate arsenic from the hydroxide so as to re-use this in the purification process. Sewage is first treated to remove solids, heavy material, faecal material, sand (fine solids) and oils and fats so it may be discharged safely into the ocean via submarine pipes beyond a coastal protection area established by current regulations. The solid waste generated from these processes is treated with lime prior to being transported to authorised dumps in accordance with relevant health authority requirements. During 2007, ADASA concentrated on improving its control programmes and disposal processes for solid waste

generated by its sewage treatment plants in Taltal, Tocopilla and Mejillones. Steps taken, which also improved safety, included the fencing off of boundaries, covering waste and erecting warning notices at sites.

Biodiversity

The Group wants to maintain existing ecosystems, biodiversity and habitat in all its operations and projects and aims to be a good neighbour and wherever possible ensure continuing access to its properties. The Group accepts the importance of minimising disturbance and all its mining operations have formal closure plans for rehabilitation and restoration of land. In dealing with biodiversity issues it takes account of the interests and concerns of diverse groups including farmers and landowners, local communities and non-governmental organisations.

Los Pelambres has more than 25,000 hectares of protected areas including the Laguna Conchalí Wetlands, a nature sanctuary, the Monte Aranda property and the Quebrada de Llau Llau properties at Los Vilos and Quebrada de Talca, Alto Manque, Alto Piuquenes, Cerro Amerillo and Laguna El Pelado properties at Salamanca. These areas sustain protected species of trees and wild life including Quillay (Quillaja



The Laguna Conchalí nature sanctuary in Los Vilos is protected by Los Pelambres.

Case Study – In the desert: a sustainable response

The Esperanza project will use sea water for its needs

Challenge

The availability of water in the driest desert of the world is a formidable engineering challenge. At present, water from the high Andean plateau of the Antofagasta region is used mainly in agriculture, with little being recycled. There has been a rapid increase in demand for water for industrial and household use and it is essential that new projects develop alternative sources of water supply as well as optimise the efficient use of water as has been done by most of the large mines.

Description

Sea water will be transported 145 kms by pipeline from the coast to Esperanza which is 2,300 metres above sea level. The pipeline will run parallel to the one carrying copper concentrate to the coast. Esperanza will also develop a system of thickened tailings which compared to conventional tailings, allows a considerable amount of water to be saved.

Supply

All equipment will be adapted to use untreated sea water in both the mine and plant installations. There will be a need for fresh water – for example, for human consumption or for washing the concentrate – but this will not exceed 10% and will be obtained using two reverse osmosis plants: one on the coast and the other at the mine. The water contained in the concentrate will also be recovered and re-used, to avoid discharge into the ocean.

Savings

Esperanza is considering a second innovation related to reducing water consumption in its operations by introducing the Thickened Tailings System, which is recommended for desert areas with insufficient water basins.

The Esperanza tailings will consist of 67% solid material in a thick pulp made by increasing the consistency of the tailings and recovering the water in the thickeners, so that the material is no longer separable. The pulp will then be dried through evaporation, resulting in a dense, seismically stable deposit that cannot be liquefied.

Context

The Esperanza project, 30 kms from Sierra Gorda and 180 kms from Antofagasta, is located in a desert area characterised by low or zero precipitation.

Facts and figures

- The Esperanza project will transport sea water 145 kms to supply the mine site.
- The pumping system must be capable of delivering water from the coast to the project at an altitude of 2,300 metres.
- Approximately 10% of the transported water will be desalinated for human and industrial use.
- Antofagasta's copper production will increase by 40% from current levels after production at Esperanza begins at the end of 2010.

saponaria), Espino (*Acacia caven*), Huingan (*Schinus polygamus*), Chacay (*Discaria* sp.) and Canelo (*Drymis winterii*). The wild life includes the guanaco (*Lama guanicoe*) and several species of birds such as Cuervo del Pantano (*Plegadis chi*), and Cisne coscoroba (*Coscoroba coscoroba*).

Los Pelambres also manages a nature sanctuary in the Laguna Conchali Wetlands at Los Vilos (a Ramsar Convention site) which is an area near the Punta Chungo port with a complex ecosystem with many variations in biological diversity, forest structure, and endangered species. This area had previously been used by the local population for several years in an unsustainable way. Fulfilling its role, Los Pelambres has undertaken basic research into the wetlands, consulted extensively with local people about their concerns, established a conservation zone with local stakeholders and built an information centre. Los Pelambres has also requested that sanctuary status be granted to the Monte Aranda and Quebrada de Llau Llau properties at Los Vilos, as well as an area of the cordillera to the south of Salamanca (Laguna El Pelado).

Since 1997, Los Pelambres has allowed livestock herders from the Choapa Valley the use of land in the high southern cordillera in accordance with the company's good neighbour policy. The grazing land available for livestock during the summer benefited over 13,000 animals and 40 herders.

Los Pelambres continued its Biodiversity Monitoring Plan during 2007 and three guanaco monitoring programmes carried out relating to population census and behavioural and reproduction studies were completed. In addition, tracking by satellite telemetry (on a permanent basis) and radio transmitters (on an occasional basis) mapped the movement patterns and the locations of their habitats. Other monitoring programmes undertaken in recent years included:

- research of the Manque and Piuquenes valleys to study subsistence of the guanaco population;
- bird monitoring studies in Laguna Conchalí and the Hualtatas and Piuquenes valleys;
- flora and vegetation monitoring studies at Laguna El Pelado, Monte Aranda and Quebrada de Llau-Llau;

- ichthyic fauna and terrestrial fauna monitoring programmes carried out in connection with the construction and pre-operational phases of the Mauro tailings dam; and
- fish monitoring programmes.

Esperanza has detected 19 species of fauna in the Quebrada del Diablo area around its project which will be conserved and a programme to mitigate the potential impact of construction of pipelines on local flora, including a rescue and relocalisation plan for an endangered lizard, the Corredor de Atacama, will be introduced. A programme is also being designed to increase awareness of employees and subcontractors about biodiversity issues.

Since 2005 ADASA has been developing a habitat management plan in Salar del Carmen where ESSAN S.A., the previous water distributor, deposited arsenic sludge. ADASA has undertaken to protect and restore this area and provide an appropriate water supply.

Community Relations

The Group recognises its operations may have a social and environmental impact on neighbouring communities and regions and takes this into consideration in its decision-making. It recognises the diversity of its neighbouring communities and tries to minimise, mitigate or compensate for its impact where possible and to build solid long-term relationships from the start.

The Group is committed to supporting the development of local economies through mutual collaboration by supporting community based projects in a way that is sustainable and does not create dependency. It tries to employ local people and use local businesses where possible. The Group supports local communities in many ways, including providing education and training, fostering enterprises and encouraging small businesses, job creation, the arts, health, sport, recreational activities and general issues facing local communities. All Group operations and projects now have management systems or programmes to ensure that their efforts in these areas are relevant and effective.

Corporate Social Responsibility continued

Los Pelambres has also developed a community relations management system to identify, analyse and help resolve community related issues. It tries to assess its impact on the community and its contribution to development of the region through specific indicators. Recent initiatives of Los Pelambres include the support for:

- the Andrónico Luksic Abaroa Centre for Copper Mining and Sustainable Development, which is located near the Punta Chungo port and the Laguna Conchali Wetland. Since its inauguration in October 2006, the centre has had over 45,000 visitors;
- teachers in the Choapa valley by providing a new educational environmental programme, De Cordillera a Mar, which supported science at 15 elementary schools started in October 2007. An information technology school was also set up allowing workers to participate as volunteers to teach technology skills to members of the neighbouring village of Cuncumén;
- the introduction of a training programme between 2004 and 2005 enabling 1,200 people from the Choapa valley to be informed on safety and environmental matters, with a further 360 people trained for specific construction trades. The initiative encouraged contractor companies to employ local labour which provided approximately 50% of the workforce for the El Mauro project during construction between 2005 and 2007;
- the Museum of Contemporary Art (MAC) in Santiago during 2006-2007 where Los Pelambres is the principal sponsor. It also implemented a visiting programme to the museum, for over 400 students and teachers from schools from the areas of Los Vilos, Salamanca, Illapel and Canela;
- funding a cultural centre in Los Vilos to promote art and culture through art exhibitions, ceramic workshops and by providing access to local gardens;
- Los Pelambres donated US\$4 million to the engineering faculty of the Pontificia Universidad Católica de Chile for the construction of a new centre for mining research and postgraduate study, an engineering museum and laboratory facilities; and



School children who have participated in a road safety programme funded by the Minera Los Pelambres Foundation.

- The “Together We Can Grow More” programmes which target environmental education, certification of schools’ road and highway safety and the development of local suppliers.

In addition to the activities supported by Los Pelambres, the Minera Los Pelambres Foundation was created in 2003 to formalise the interaction and contribution of Los Pelambres to the welfare and development communities located in the Choapa Valley. The Foundation is an independent entity which develops programmes to encourage sustainable development in the region over a long-term period. The 2003-2007 Development Plan provided a total investment of US\$5 million. Its targets are the optimisation of water usage, local production, education, agriculture and irrigation. Other programmes support local fishing communities by awarding scholarships and also help in developing teaching methods for schools. The Foundation also encourages the development of local businesses.

Specific projects funded by the Foundation over the years include:

- projects relating to irrigation – in 2005 a rotational fund was set up for the use of farmers for irrigation;
- projects in the agricultural sector in partnership with the Government;
- projects in the fishing industry – a work programme at Los Vilos has assisted 300 fishermen;
- projects to fund small businesses – over two years, 25 projects tailored for small business were supported through financial assistance and managerial training;
- projects in agriculture – the Foundation has established a 100 hectare agriculture project in Quebrada Manque in the Salamanca municipality to produce table grapes for export;
- projects in education – during 2006, the Foundation collaborated in the implementation of a free Wi-Fi system for the inhabitants of Salamanca to support education and local development making Salamanca one of the first towns in Latin America to have free wireless access; and



An agricultural project established by Minera Los Pelambres Foundation in Quebrada Manque.

- projects in art and culture – the Foundation has supported the activities of the Museum of Contemporary Art in Santiago.

During 2007, the Foundation continued to fund and support local farmers, fishing communities, local businesses and the development of apiculture. Several educational programmes were supported particularly in rural schools and scholarships were awarded to the children of local fishermen. Training courses included accountancy, e-learning, management and beekeeping.

El Tesoro has also supported community activities in education, employment creation, entrepreneurship, health and sports. During 2007, it supported the Caracoles school at Sierra Gorda, and has provided four scholarships for study at the Technological Mining Centre at the Arturo Prat University in Calama. In partnership with two other mines, Spence and Quadra Mining, and the Municipality of Sierra Gorda, El Tesoro helped develop an initiative called “Good Neighbours Team” to design and develop projects in local communities. This included conducted tours for community residents, sporting events and environmental campaigns for community hygiene. El Tesoro also supported Santiago’s Municipal Theatre diffusion plan which aims to widen its audience

Corporate Social Responsibility continued



The Minera Los Pelambres Foundation supports agricultural development in the Choapa Valley.

nationwide by sponsoring performances in one of Antofagasta's theatres together with AMSA, Esperanza and Michilla.

Michilla works closely with the communities of Mejillones and Caleta Michilla, a small community dependent on fishing. During 2007, the company supported Caleta Michilla by providing drinking water, electricity, and running an emergency service for households. Activities developed in 2007 included guided visits to its operations and a workshop holding discussions on alcohol and drug abuse. The company has continued to strengthen its relationship with other local stakeholders by participating in exhibitions and events locally.

Following a serious earthquake in northern Chile in November 2007, Michilla, El Tesoro and Esperanza were all involved in helping the people and towns affected by providing food, water and heavy duty equipment.

Although ADASA's prime objective is to provide good quality water to its customers it fully recognises its role in the supply and value chains in the area. In this regard, ADASA has established a supportive network with 16 educational bodies, health and municipal authorities and the National Environment Commission ("CONAMA"). The network has developed a programme called "Culture for Life in the Desert", designed to keep the local communities informed on health issues and environment awareness. Public meetings and seminars are held regularly, attended by employees

and their families, local residents, representatives of professional organisations and regional authorities.

In 2004 the FCAB started programmes and projects for computer skills and basic literacy for its employees and their families and local communities and in August 2005 it started the Cyber Train project which was organised and funded by the Andrónico Luksic Abaroa Foundation. The joint project has contributed to the development and culture of vulnerable areas of the Antofagasta community, and was designed to improve opportunities for disadvantaged people. The Cyber Train itself is made up of passenger coaches dating from the 1900s which have been modified and equipped with networked computers and broadband to provide a virtual library and cultural centre. Technical support and supervisory help is provided and being mobile, the Train reaches out to the wider community. It has three modules:

- electronic literacy – basic training in surfing the internet, using email, chat rooms and word processors;
- reading development – designed to motivate electronic and traditional reading and use of library facilities; and
- cultural development which encourages people to surf the net and visit virtual museums and galleries.

The FCAB was the first company to be awarded the Digital Literacy Hallmark prize awarded by the Chilean National Training and Employment Service (SENCE) in the Antofagasta region. During 2006, the Cyber Train exceeded its targets as children and adults took advantage of its computer and educational services. These services were further developed in 2007 to reach a wider audience in neighbouring towns. The FCAB also equipped the Secondary School in Mejillones with computers and awarded student grants for further education at universities.

The FCAB's sponsorship of cultural and artistic activity includes a book fair and cinema festival as well as concerts and plays. Sporting activities have also been organised for the local community and for children. During 2007, the FCAB opened the doors of its Heritage Museum to the local community which has been widely appreciated.

Awards and Recognition

During the year, many of the Group's operations received awards and or recognitions for their contributions to good management, health, safety and the environment at both regional and national level. These included:

AMSA

- AMSA's Vice President of Operations, Sr. Jorge Gómez, was awarded the Distinguished Professional Prize by the Institute of Mining Engineers of Chile.
- In 2007, AMSA received The Award of Honour and other awards for Effective Action, Merit, Business Vision and Effective Executive from the Chilean Security Association. The award recognised the company's efficiency and active participation in controlling risks and the prevention of accidents and illness in the workplace.

Los Pelambres

- Los Pelambres received an award for the fifth time from the Servicio Nacional de Geología y Minería ("Sernageomin"), for Mining Safety since the beginning of its operations.
- The Palladium Group nominated Los Pelambres to the Balanced Scorecard Hall Of Fame For Executing Strategy™ for achieving outstanding performance results using the Balanced Scorecard ("BSC").
- Los Pelambres was awarded the Alberto Hurtado Cruchaga Prize by the Press Club. The award is given to individuals and institutions in recognition of their service to the community. Los Pelambres was

identified as a leader and an example in the area of corporate social responsibility. The Prize recognised the company's contribution to improving the quality of life and employment conditions in the IV Region.

- It also received the National Safety Council and Excellence in Risk Prevention Awards from the National Safety Council of Chile.

El Tesoro

- El Tesoro received the CORESEMIN (Comité Regional de Seguridad Minera) Award 2007 for its safety performance and received The Excellence in Risk Prevention and National Safety Council Awards for its administrative and support areas. The company was also awarded The Effort in Risk Prevention Prize for its subcontractor companies who achieved a 25% reduction in injury rates.

FCAB

- FCAB received the SCM El Abra Prize for outstanding management in safety and occupational health in the workplace in respect of the previous year.

ADASA

- ADASA gained recognition from the National Safety Council and Mutual de Seguridad of Antofagasta with awards for safety.
- The Antofagasta Association of Industrialists awarded the Environmental Management Award in recognition of the company's achievement in reducing the arsenic content in drinking water in the II Region.



ADASA supplies drinking water with an arsenic content of less than 0.01 mg per litre, within guidelines set by the World Health Organisation and well within the local health authority's limit of 0.03 mg per litre.