

antofagasta railway company

ANTOFAGASTA

RAB

The Antofagasta Railway Company ("FCAB") has been in operation for 120 years, contributing to the development of northern Chile and the mining industry.

2008 was a good year for the company. We continue to share the Group's vision of sustainable growth and the creation of social and environmental value through our activities. This year we increased the quantity of cargo transported compared with previous years and signed a 15-year transport contract with Minera Gaby. To improve the quality of our services, we carried out our first client satisfaction survey.

The safety of our workers remains a priority. We are pleased that we have continued to improve our health and safety performance by reducing accident rates. We were recognised by Minera El Abra as an outstanding supplier in view of our safety management.

With regard to environmental issues, we concentrated in 2008 on the efficient use of energy and other resources in our operations and in the homes of our employees and their families, within the framework of the national energy-saving campaign. In addition, we organised the first regional Renewable Energy Show.

During 2008, we also continued our work with the community. Our business is committed to supporting people's connection to the Region, strengthening their cultural identity through preservation of their historical, cultural and architectural heritage. We have organised sightseeing trips by train and we actively participate in the Cultural Heritage Day. We see the future of the Region as important and with this in mind we provide support for digital literacy programmes via Cybertren (Cybertrain) which is run by the Fundación Andronico Luksic.

I am pleased to present our second Sustainability Report. In addition to increasing the number of Global Reporting Initiative (GRI) indicators we have been able to report on, we have also used the GRI transportation sector supplement as a guide to our reporting. I hope our stakeholders will find more information of greater depth and higher quality about our company.



Miguel Sepúlveda
General Manager
Antofagasta Railway Company plc

**MESSAGE FROM
THE GENERAL MANAGER**



DESCRIPTION OF THE BUSINESS

The Antofagasta Railway Company plc (“Antofagasta Railway Company” or “FCAB”) was incorporated in the United Kingdom in 1888 and is a wholly-owned subsidiary of Antofagasta plc.

The main activity of FCAB is the transport of freight by rail, mainly mining products and supplies. It has three principal subsidiaries which provide ancillary services: TRAIN provides cargo transfer services and road transport. FCAB Embarcadores provides storage, loading and unloading services in ports. FCAB Ingeniería y Servicios maintains and repairs equipment for third parties.

FCAB’s main customers are mining companies operating in the Antofagasta Region. The principal markets served in 2008 were northern Chile and western Bolivia.

FCAB has a long-term investment plan to improve connections for its customers. In 2008, it replaced around 18 kilometres of rail track and plans to replace a further 33 kilometres in 2009.

FCAB has 70 locomotives and its own 900-kilometre rail network in the Antofagasta Region with connections to Bolivia and Argentina. It transports solid freight (copper cathodes and anodes, mineral concentrates, food and other materials) and liquid freight (including sulphuric acid, diesel and industrial water) in bulk or packed in boxes, drums, industrial sacks and containers, in accordance with relevant legal requirements.

The TRAIN fleet consists of 115 freight trucks. Services include the receipt and distribution of goods and loading onto ships. The trucks are specially designed for the type of freight carried, which may include copper cathodes, sulphuric acid, solvents, waste products, cement, lime and lithium brine.

FLEET		
	2007	2008
No. of locomotives	65	70
No. of freight trucks	115	115

VOLUME TRANSPORTED (thousands of tons)		
	2007	2008
Rail transport	5,008	5,644
Road transport	1,313	1,353
TOTAL FCAB ^	6,321	6,997

Note: ^ Includes transport data from Ferrocarril Andino in Bolivia.

FCAB has been operating for over 120 years in the north of Chile and has made an ongoing contribution to the region’s development by improving its accessibility. Similarly, its transport business has contributed to the growth of the mining industry by providing an important part of its infrastructure.

In 2008 FCAB signed a new 15-year contract with Minera Gaby to carry over one million tonnes of sulphuric acid and 150,000 tonnes of copper cathodes per year. This agreement involved the construction of a new freight transfer terminal in Baquedano. The sulphuric acid brought by train from Mejillones is transferred at this terminal to TRAIN trucks, which take it to Gaby via the Camino de la Sal. Some of the trucks return to the transfer station carrying cathodes, which are transferred to FCAB’s trains for loading onto ships.



EMPLOYEES AND CONTRACTORS



FCAB's policy is to recruit and retain good employees who are able to contribute skills, experience and innovative ideas in order to deliver a high level of service to customers and to maintain a productive working environment.

FCAB takes care to ensure that the basic rights of its workforce are respected, both within the company itself and by its service providers. The supplies department is responsible for the administrative control of companies providing services. It regularly reviews their compliance with legal obligations, particularly with regard to their employees, and audits aspects such as the proper payment of remuneration, contributions to social benefits and holidays.

The company has a manual for recruitment, selection, contracting and induction, which is designed to facilitate the recruitment of suitable employees while ensuring that there is equality of opportunity and no discrimination of any kind. All applicants must be aged 18 or older and no children are employed.

FCAB employs over 1,000 people directly and gives preference to local staff and contractors. 96% of its own employees are locally employed, while 91% of 654 contractor employees are from local areas.



OCCUPATIONAL HEALTH AND SAFETY

The health and safety of the workforce is a corporate priority, as set out in FCAB's Occupational Health and Safety Policy and in its Quality Policy. It is managed through the Operations Department's operational safety unit and the Quality and Risks Department's occupational health and safety unit.

FCAB complies with safety rules, standards and regulations applicable to its activities. It also has manuals and emergency plans for any incidents arising, so that any danger to the workforce, the community, customers or the environment can be monitored and minimised.

Occupational health and safety is managed through the operational health and safety unit, the risk prevention team and by the Personnel Department and its four joint committees. During 2008, FCAB improved all its accident indicators and there were no fatalities.

FCAB has an occupational health plan to promote better health among its employees through prevention, identifying risk factors, informative talks and medical screening. This year, special attention was paid to issues such as protection from the sun and prevention of addiction. An Alcohol and Drugs Policy was published in July 2008. A seminar was also held on the proper handling of loads.

In March 2008, FCAB opened a modern gym to promote the occupational health of employees. It can accommodate 30 people every hour and has two kinesiologists who draw up an individual plan for each user. By the end of 2008, the gym had 688 registered members and about 3,000 five-a-side football players used the facility every month.

SAFETY STATISTICS		
	2007	2008
Lost Time Injury Frequency Rate Number of accidents with lost time during the year per million hours worked	19.2	13.9
All Injury Frequency Rate Number of accidents with and without lost time during the year per million hours worked	44.3	35.7
Severity index	332	249
Fatalities	0	0



OPERATIONAL SAFETY

FCAB has an Emergency Manual for the Transport of Hazardous Substances. This sets out specific procedures to deal with rail and road emergencies, the management of their potential impact on people and the environment, the training of specialised personnel, emergency equipment maintenance, inspection and the regular updating of the manual.

As in the previous year, one of its customers, Minera El Abra, recognised FCAB for its outstanding performance in operational health and safety management.

FCAB is studying the potential effects of climate change on its business and operating environment. For example, possible increases in rainfall in the Andes, resulting from the “Bolivian winter” climatic phenomenon, could increase damage to rail tracks, increasing the cost of repairs and losses caused by interruptions to service. Appropriate solutions are being studied which include modifications to design and the restructuring of certain lines.

TRAINING AND DEVELOPMENT

A constant focus for FCAB is to offer opportunities for learning and to develop the skills and competencies of its employees. It supports vocational first degree and post-graduate studies through a financial contribution that covers a percentage of the course cost. This commitment is reflected in the current collective labour agreement.

In 2008, 50% of FCAB’s supervisors attended a training programme designed to develop leadership and communication skills. A programme was also initiated to improve the skills of train operators with the support of the Federico Santa María University.

FCAB seeks to offer work which provides opportunities for personal development and achievement. Most employees have annual performance reviews. In 2009, a new assessment system is planned which links remuneration more closely to performance.

FCAB’s labour relations are based on trust, respect, dialogue and compliance with current legislation. At present there are four unions which cover 37% of the workforce, while 70% are covered by collective bargaining agreements.

TRAINING	
Total hours of training	18,885
Average annual no. of hours training per employee	14.1
Note: This data includes both internal and external training time.	



SOCIAL PERFORMANCE

FCAB acts ethically and transparently in its relations with stakeholders, within a framework of compliance with current legislation.

In 2008, FCAB began to use a client satisfaction survey so that opportunities to improve its services further could be identified and customer perceptions could be improved. The survey topics included reliability, safety, quality of service, customer care and brand recognition, with results showing a high level of satisfaction among respondents.

COMMUNITY

FCAB strives to be a good neighbour. The potential social and environmental impact of operations is carefully considered when new projects are submitted for assessment. With regard to community impacts, FCAB focuses on the protection and dissemination of historical heritage, as well as education and the protection of natural resources.

In 2008, FCAB made a train available for the Juego de los Átomos (Atom Game) programme organised by the National Commission for Scientific and Technological Research (CONYCI), so that the exhibition could be taken to five communities in the Region: Antofagasta, Mejillones, Baquedano, Sierra Gorda and Calama. This educational initiative to teach schoolchildren science gave them the opportunity to learn about plastics, polymers, atoms, metals, magnets and biomaterials.

FCAB supports the Fundación Andronico Luksic's Cybertren (Cybertrain) project, which was set up in 2005. A 1907 railway carriage has been refurbished and fitted with up-to-date technology, turning it into a digital centre with 30 internet-connected computers. It visits towns in the Antofagasta Region, providing free classes in digital literacy. In 2008, the Cybertrain was used by 4,020 people.

In December 2008, FCAB organised the first regional Renewable Energy Show jointly with the University of Antofagasta and the regional government. The exhibition, which was held in

the grounds of FCAB's headquarters, comprised 20 exhibits demonstrating different renewable energy and energy-saving applications.

FCAB shares its infrastructure with the community. An example is its agreement with the municipality of Ollagüe, an indigenous village on the frontier with Bolivia. 15 houses formerly used by railway employees have been made available as free accommodation for local inhabitants and people involved in schemes to provide direct support to the Quechua community. The agreement includes 2,700 litres of oil per month for the generator which provides power for the village, and 60 m³ of water each month for the neighbouring village of Cebollar, inhabited by four families.

SAVING THE HISTORICAL HERITAGE

FCAB is strongly committed to saving the Region's historical heritage. Since 2006, it has taken part in National Heritage Day, opening its facilities in the city of Antofagasta to the public. Visitors can see its offices, built in 1888, the century-old steam locomotive no. 34 (still in working order), some refurbished carriages and former administrators' houses, also restored by the company. A section of a 1934 silent film can also be seen, showing the city's old port bustling with activity, including scenes of locomotive no. 34 in action. As part of this event in 2008, a train pulled by locomotive no. 34 took 200 visitors to the ruins at Huanchaca.

In 2008, the historic locomotive made a total of six journeys, carrying groups representing a range of internal and external stakeholders.



ENVIRONMENTAL PERFORMANCE

ENERGY CONSUMPTION (in GJ)		
ELECTRICITY CONSUMPTION	2007	2008
Produced	5	505
Bought	8,554	9,145
Sold	0	0
TOTAL	8,559	9,650
FUEL CONSUMPTION		
Diesel	1,111,010	1,314,813
Liquid gas	293	553
Petrol	*	2,127
TOTAL	1,111,303	1,317,493

Notes: * Data not available.

The values reported here for 2007 do not necessarily coincide with those published in the 2007 Sustainability Report due to the fact that different and more precise methodology and calculations were used in 2008 in accordance with the Carbon Disclosure Project. The above data corresponds to that reported by the Group for the purposes of the Carbon Disclosure Project.

FCAB is firmly committed to identifying, assessing and monitoring the potential environmental impact of its operations and processes. Given the nature of its business (freight, mainly related to the mining industry), FCAB's first priority is the correct handling and control of hazardous and non-hazardous materials and waste.

An important milestone was the approval by the Regional Environmental Commission (Corema) of FCAB's environmental policy on the transport of sulphuric acid on the Augusta Victoria line supplying Minera Zaldívar and Minera Escondida.

In 2008, FCAB made a number of investments related to environmental matters. These included both voluntary initiatives and measures necessary to comply with commitments made by the company to the authorities. Approximately US\$350,000 was invested in studies, permanent soil monitoring in areas used by the rail and road fleets, water treatment plants and improvements to systems for storage and final disposal of hazardous waste.

ENERGY AND EMISSIONS

In response to the national energy-saving campaign promoted by the Government of Chile, FCAB decided to encourage the efficient use of resources both within the company and in the homes of its employees. It distributed information leaflets with suggestions for the careful use of water and electricity, displayed signs making appropriate recommendations at all its sites from Mejillones to Ollagüe, and distributed low-energy light bulbs to employees.

Diesel oil is the most important type of fuel for both the rail and road fleets.

En tiempos
en que escasea la



...nos mueve el ahorro

Campaña de uso eficiente
de la energía en el FCAB

FCAB's current commercial projects include the introduction of new locomotives and improvements to facilities. These, together with higher fuel prices, have led the company to carry out studies and develop guidelines for more efficient engine use.

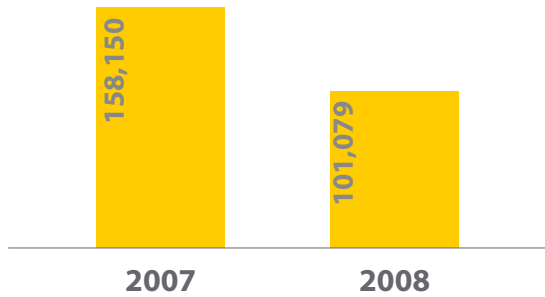
Fuel efficiency is an important consideration in the choice of equipment. Preventive maintenance is also carried out on the injection systems, air filters and power control of locomotives, together with schemes for monitoring visible fumes. In the TRAIN fleet, the use of electronic injection systems guarantees efficient, clean combustion throughout the working life of the vehicle.

In 2008, the TRAIN subsidiary introduced software which enables trucks to be driven more efficiently. This system has been installed on 25% of the fleet, leading to lower average fuel consumption per kilometre.

Conscious of the country's energy needs and the potential for renewable energy in the Region, FCAB has operated a wind monitoring station at Portezuelo since November 2007. The information gathered is being used to determine wind patterns in the area.



WATER CONSUMPTION IN M³



• vivimos en el desierto más árido del planeta • el agua que usamos para vivir cruza todo el desierto • sólo el 2,8% del agua del planeta es potable ...**ENTONCES, HAY QUE TOMAR MEDIDAS...**

¡Vamos a ahorrar agua!

EN EL BAÑO Para lavarte las manos **JUNTA AGUA**. Cuando te laves los dientes o te afeites **CIERRA LA LLAVE**. Si el estanque del baño o cualquier flave filtra agua **REPARALA DE INMEDIATO**. Para botar los papeles **USA UN PAPELERO** y no la taza del baño. Para ducharse sólo bastan 3 minutos o mejor aún, **CIERRA LA DUCHA** entre el jabonado y el enjuague.

EN EL JARDIN El chorro de la manguera no es para barrer, para ello **USA LA ESCOBA**. El agua se evapora durante el día, **RIEGA DE NOCHE**.

EN LA COCINA Para lavar platos o verduras **JUNTA AGUA, ENJUAGA SOLO CON LO NECESARIO**. El agua usada va a las plantas de tratamiento y de allí al mar por ello, **OCUPA EL MINIMO DE DETERGENTE**.

LAVANDO ROPA La lavadora es el artefacto que usa más agua, por ello, el agua del segundo enjuague **VUELVE A USARLA** para lavar el auto, para regar, o para llenar el estanque del baño.

LAVANDO EL AUTO Acumula agua en tiestos y usa paños o esponjas, **EN NINGÚN CASO AGUA CORRIENTE**.

FCAB
PROGRAMA DE DESARROLLO SUSTENTABLE

USA TU CONCIENCIA PARA MEDIR LOS RESULTADOS

RESPONSIBLE WATER MANAGEMENT

FCAB distributes untreated water for industrial use. It also has two wastewater treatment plants. One is near Baquedano and can process 16 m³ per day, all of which is reused for sanitary facilities and watering green areas. The other plant, at Estación Prat, processes 3 m³ per day and all water is also reused.

In 2008 FCAB generated 20,460 m³ of wastewater in its urban facilities. This was disposed of via the sewer system, as required by current legislation.

Agua de Antofagasta supplies FCAB with water for its own consumption. In 2008 consumption was 101,079 m³, a reduction of 30% compared with the previous year.

EMISSIONS AND WASTE MANAGEMENT

CO₂ from internal combustion in diesel engines accounts for the main emissions from both rail and road transport. Locomotive and truck engines have regular maintenance; the latter are subject to six-monthly technical tests to ensure that they comply with regulations from the Ministry of Transport and Telecommunications. Total emissions in 2008, measured in CO₂ equivalent³, are estimated to have been approximately 75,000 tonnes.

FCAB's programme for the handling and control of hazardous and non-hazardous materials and waste includes procedures for handling materials responsibly and reusing them. If this is not possible, they are sold to third parties or disposed of at authorised sites. As part of this programme, a campaign was organised in 2008 to collect electronic and electrical waste. PC screens, keyboards, power supply units and radios were collected and brought to a single location, along with other disused equipment which had been stored in various offices, in order to facilitate recycling and proper disposal.

Water used for washing out trucks is neutralised with limestone to make it non-hazardous. Industrial wastewater used for maintenance and washing in workshops is disposed of in the sewer system in accordance with current regulations.

³ The emissions were calculated based on direct fuel consumption and the purchase of electric power. The calculations were made using the GHG Protocol published by the WBCSD as a basis. For further information see www.ghgprotocol.org.

Hazardous solid waste includes materials contaminated with hydrocarbons (mainly rags, filters and sawdust) and batteries, which are sold to an authorised dealer who reuses the lead content. Oil waste is also generated and this is sent to be incinerated.

The principal consumables acquired by FCAB are listed in the adjacent table.

CONSUMABLES 2008	
Diluents	1,035 litres
Lubricants	261,647 litres
Grease	18,125 kilos
Sleepers	42,696 units
Tyres	752 units

DISPOSAL OF SOLID WASTE 2008		
	AMOUNT GENERATED	TREATMENT
HAZARDOUS WASTE		
Material contaminated with hydrocarbons	10.57 tonnes	27.5 tonnes for sanitary landfill
Acid batteries	1.4 tonnes	Sold to authorised dealer
Waste oil	74.81 m ³	
Acid	0.2 m ³	Incineration
NON-HAZARDOUS WASTE		
Scrap metal	433 tonnes	Recycled
Domestic waste	2,178 m ³	Sanitary landfill

BIODIVERSITY

FCAB's environmental management strategies comprise the commitments included in environmental impact studies and declarations approved by the authorities. Most of the railway network covered by the railway runs between the Atacama Desert and the Andean plateau through a range of different ecosystems and types of vegetation. There are no protected areas except the Loa basin area, which the network crosses at only two points.

FCAB's activities are not considered to have a major impact on biodiversity. The main risks are effects on soil or water quality due to spillage or leakage of hazardous loads during transport, and injury to wildlife by vehicles. To prevent the former, FCAB has a soil-monitoring programme which tracks possible impacts

and includes measures for mitigation and compensation. If an incident occurs at river crossings, a similar programme is applied. To protect wildlife, areas inhabited by llamas, guanacos, vicuñas and other native species have been identified and monitoring procedures are implemented jointly with the relevant public services: the Agriculture and Livestock Service (SAG) and the National Forestry Corporation (CONAF).

In 2008, two derailments occurred, which led to the spillage of 150 tonnes of mineral concentrate on the railway track. Neither of these incidents had a negative impact on the environment, biodiversity or the community. There were no non-compliance fines or sanctions in relation to environmental regulation.