

# Antofagasta

Corporate Sustainability Extract from the 2008 Annual Report

# Corporate Sustainability

## Introduction

As explained in the Chairman's Statement on page 7 and the Business Review on page 11, the Board continues to place importance on a range of considerations including health and safety, environmental matters, community relations and management of human resources. Sustainable development forms an important element of the Group's decision-making process and it adopts a long-term view in formulating strategy, company policy and everyday business procedures.

With the growth of the Group in Chile and the acquisition of opportunities abroad, the Board decided in 2007 to develop a set of Group Sustainable Development principles to provide a structured framework through which its strategy and growth plans could be achieved. These principles were adopted during 2008 together with social and environmental policies for the mining division and have been framed within the context of the Group's strategic plan for 2009 – 2015. As explained in the Chairman's Statement on pages 6 and 7, this plan is based on the three pillars of:

- securing and strengthening the core business of the Group, comprising its operations and development projects including the Los Pelambres expansion and Esperanza;
- continuing to grow this core business in a sustainable manner in the longer-term with particular focus on the significant Sierra Gorda and Los Pelambres districts; and
- continuing to develop and search for additional opportunities for early stage growth in copper both in Chile and abroad, such as the Group's interest in the prospective Reko Diq joint venture in Pakistan.

The strategic plan recognises the continued importance of ensuring the Group generates social value (by building and consolidating its contribution to society) and environmental value (by achieving efficient use of natural resources), in order to achieve the aim of continuing to grow the business in a sustainable manner.

In order to support this, a Corporate Sustainability committee was formed during 2008 at Board level to provide direction and oversight of the Group's

corporate sustainability activities and performance. An executive corporate sustainability reporting committee has also been established.

This section focuses on the key corporate sustainability matters which have received attention during 2008 in respect of its operations and capital projects. During 2008 the Group published its first separate sustainability report covering its activities in respect of 2007, and intends to also report on activities in respect of 2008 during 2009.

## Corporate Sustainability Governance

The corporate sustainability governance arrangements exist within the overall Group governance arrangements described in the Corporate Governance report on pages 58 to 64. Corporate procedures, management structures and risk management procedures are in place at both a Group level and in the business units. As stated above, elements of the corporate sustainability governance structure were reviewed during 2008.

The Directors' responsibilities, including responsibilities relating to risk management and control are described in the Statement of Directors' Responsibilities on page 69.

Management systems are in place at the majority of the Group's principal operations for quality of process and products (ISO 9001), health and safety (OHSAS 18001), and environmental management (ISO 14001). To supplement these, during 2008 Antofagasta Minerals S.A. ("AMSA"), the corporate centre for the mining division, developed social and environmental policies to provide a framework for managing these matters.

In addition, the Group has a risk management system in place which is described in the Corporate Governance statement on page 62. Its purpose is to centrally monitor the risks arising from each operating company to enable management to mitigate and prevent potential situations and incidents which might have a negative impact on business objectives. Risk maps identifying key risk areas are prepared within each division and risk management processes are embedded at all levels across the Group's operations and projects.

## Ethics

The Group is committed to conducting business in an accountable and transparent way and demands honesty, integrity and responsibility from its employees and others involved with it. It strives to ensure that the human rights, customs and values of its employees, contractors and the communities close to its operations are respected.

The Board has a Corporate Code of Ethics aimed at all employees and contractors. This Code was reviewed during 2008, including benchmarking against peers. The Code is monitored by an Ethics Committee, which reports to the Chief Executive of AMSA and comprises the Head of Risk, Head of Human Resources and Head of Corporate Affairs. Its responsibilities include investigation of any alleged major instances of non-compliance.

## Engagement and Communication with Stakeholders

The Group believes that communication and consultation are important for the achievement of its goals and therefore works closely with local communities where it communicates its views to governmental agencies either directly or through industry associations and representative bodies at both national and international levels.

Direct engagement exists primarily at the divisional and operating company levels. Engagement exercises during 2008 included several programmes which are core to the business in particular:

- employee survey programmes across the divisions;
- customer engagement programmes in ADASA and FCAB; and
- community engagement by all operating companies, but in particular at the mine operations where ongoing, regular local dialogue processes are established. For example Los Pelambres has developed a formal procedure to help maintain strong relationships with local communities.

## Human Capital

The Group is committed to ensuring that its employees are provided with a safe, healthy and respectful working environment, the training to perform their responsibilities, equal opportunity for development and fair reward which reflects their contribution and potential. Contractors form a significant element of the Group's total workforce. Under Chilean law, they are subject to the same obligations and responsibilities as employees.

The Group operations have human resource as well as health and safety policies, guidelines and management procedures.



Training at El Tesoro.

## Corporate Sustainability *continued*

In line with its Social Relations Policy, the Group continues to source employees from within local communities as far as practical, this is particularly evident at Esperanza (see case study on page 49). The success of its approach in human capital management is reflected in some of the awards received in 2008 including:

- for El Tesoro: Honours from the Antofagasta Association of Industries for support and commitment to the Social Responsibility for Businesses Programme: Empowerment of Human Capital in the Region 2007; and
- for Los Pelambres: the award from INACAP Technological University for developing Human Capital in Choapa Province.

The Group is committed to comply with legal requirements contained within employment laws in Chile relating to child labour, discrimination and equal opportunity.

Human rights considerations form part of human capital management programmes. No cases of human rights breaches have been identified in 2008.

During 2008, the following areas of focus within this area were:

- safety and occupational health among employees and contractors;
- compensation and reward arrangements;
- employee development and engagement; and
- labour relations.

### Safety and occupational health

The safety and health of employees and contractors is a priority and the Group seeks to go beyond relevant legislative requirements in this area.

The principal Group operations have occupational safety and health policies and management arrangements in place.

The Group has an established safety and health culture based on the following concepts:

- senior management leadership commitment to safety and health, with these matters considered at monthly divisional board meetings;

### Safety statistics

	Lost Time Injury Frequency Rate (LTIFR)			All Injury Frequency Rate (AIFR)			Number of Fatalities		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
<b>Chilean mining industry</b>	n/a	5.9	5.8	n/a	n/a	n/a	n/a	40	31
Los Pelambres	1.3	1.7	2.3	6.6	5.3	7.5	–	–	–
El Tesoro	2.0	1.2	2.2	6.6	13.1	19.4	–	–	–
Michilla	4.4	2.6	1.3	12.1	12.8	12.7	–	1	1
Esperanza	1.6	n/a	n/a	8.2	n/a	n/a	–	n/a	n/a
AMSA including exploration	5.4	–	–	13.1	–	–	1	–	–
<b>Mining</b>	<b>2.2</b>	<b>1.8</b>	<b>2.0</b>	<b>8.2</b>	<b>9.0</b>	<b>11.6</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>FCAB</b>	<b>13.9</b>	<b>19.2</b>	<b>15.3</b>	<b>35.7</b>	<b>44.3</b>	<b>37.5</b>	<b>–</b>	<b>–</b>	<b>3</b>
<b>ADASA</b>	<b>1.5</b>	<b>8.6</b>	<b>9.1</b>	<b>21.6</b>	<b>28.7</b>	<b>29.9</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Group</b>	<b>4.4</b>	<b>5.6</b>	<b>4.9</b>	<b>12.9</b>	<b>17.1</b>	<b>17.5</b>	<b>1</b>	<b>1</b>	<b>4</b>

#### Definitions:

LTIFR – Number of accidents with lost time during the year per million hours worked.

AIFR – Number of accidents with and without lost time during the year per million hours worked.

Chilean mining industry source – Servicio Nacional de Geología y Minería. Comparative figures for 2007 have been updated to reflect the full year; 2008 full year figures have not yet been released by Servicio Nacional de Geología y Minería and therefore are not shown above.

- safety and health management systems, with the majority of the Group's operations certified under OHSAS 18001;
- regular training to employees and contractors, to ensure awareness and improve attitudes and behaviours to achieve safe working practices; and
- incident investigation and response, with internal investigation of all serious incidents and follow up action plans prepared.

Key safety indices for the Group are shown below.

During 2008, the investment in preventative health programmes has continued, while also providing ongoing support where there are identified occupational health cases. Examples of the initiatives established in 2008 include:

- AMSA undertook annual preventative health examinations for all employees who have been with the company for at least 12 months;
- FCAB completed a qualitative survey during 2008 of staff exposed to potential occupational illnesses such as deafness and ergonomic injury; specific training has been provided to these staff to help them understand the risks and protection measures; and
- ADASA established an occupational health programme as well as a campaign focusing on preventative behaviours.

Some of the Group's operating companies received awards for safety and health management in 2008 including:

- eleven new distinctions from the National Safety Council at Los Pelambres; and
- accreditation of El Tesoro by the Ministries of Health and Labour and Social Welfare as "Workplace Health Promoter Level 3" (the first company in Chile to receive this accreditation) as well as three awards from the Chilean National Safety Council.

### Employee development and engagement

The Group continues to make a significant investment in employee training and development.

In 2008, programmes have included:

- in AMSA, the Talent Management Programme to develop leadership ability and promote high performance. In addition to the Talent Management Programme there are specific training programmes conducted at a project and mine level. Individual development plans should be finalised in AMSA during 2009;
- in ADASA a management and technical skills programme has been established to develop the specific competencies required within teams; and
- FCAB commenced a leadership training programme in addition to continuing its sponsorship of pre- and post-graduate training courses.

Employee engagement has also been increased in 2008 with a workplace survey conducted by AMSA. In response to feedback from the survey the Group plans to focus more attention on work-life balance initiatives in 2009.

### Labour relations

The Group respects freedom of association and union membership by its work force. Collective bargaining processes have resulted in collective employment agreements establishing remuneration levels as well as terms and conditions of employment. Labour relations are managed at an operating company level with management working to maintain compliance with the requirements of the Chilean Labour Codes. There are thirteen labour unions across the Group.

### Community Relations

The Group is committed to managing the social impact of its activities through promoting respect for its people, local capacity building, and developing dialogue with key stakeholders. It uses its operating companies to become a social and economic platform for local communities, and contributes to long term development through building socio-economic capital.

During 2008, the Board of AMSA approved a Social Relations Policy which brings together the areas of community priority and focus for the mining division. This policy will be supported by a social management

## Corporate Sustainability *continued*



Work with the community of Los Pelambres.

system which is expected to be developed further in 2009 together with performance measures.

In 2008, AMSA has focused on the following areas which all form part of the Social Relations Policy:

- ongoing dialogue with key stakeholders (see “Engagement”);
- promotion of local capacity building;
- promotion of respect amongst employees and contractors towards local communities; and
- training to acquire new skills to neighbouring communities.

The Group’s data for economic contributions such as employee salaries and payments to government are provided in Notes 7 and 8 to the financial statements.

The Group operating companies are responsible for the design and execution of their social programmes with each having areas of focus relevant to their local communities needs. For example during 2008:

- the Los Pelambres Foundation focused on three main areas: water conservation, local production and education. Programmes in 2008 have ranged from supporting micro-enterprise projects in Choapa, providing skills training to 200 people, obtaining approval for the development of the Los Vilos Maritime Vocational School and completing a tender process for building a digital network in the Choapa Valley; and

- AMSA actively participated in the Mining Council’s programme in 2008, aimed at giving support to 150 mine workers from Tocopilla affected by the November 2007 earthquake in the Antofagasta Region. The Mining Council’s programme benefited the small-scale and artisanal miners who were members of the Mine Worker’s Union before the earthquake occurred.

### Environmental Management and Protection

The Group is committed to managing the environmental impacts of its activities from mine planning through to closure. It promotes efficient natural resource management and seeks to generate environmental benefits where possible. The environmental impacts of mine closure are considered at the planning stage for each operation, in line with local regulatory requirements.

During 2008, the Board approved an Environmental Policy for AMSA which brings together the areas of environmental priority and focus for the Mining division.

In 2008, AMSA focused on the following areas which are all within the Environmental Policy:

- developing an overarching environmental management system including establishing performance indicators;
- managing natural resources efficiently with a focus on energy and water resources; and
- respecting the environment and encouraging conservation, protection of natural and social diversity and heritage.

### Environmental management system

The management of environmental matters is carried out jointly by the environment department at AMSA and the environmental departments at each of the operating companies. ISO14001 certified systems are in place or underway across the Group’s principal operating companies.

In 2008, in addition to the development of the new Environmental Policy, progress has been made by AMSA in the following areas:

## Sustainable Development at Esperanza

In 2008, construction at the Esperanza operations began. Sustainable development was a key consideration when applying for the permits and approvals and is a priority for the management at Esperanza. The Environmental Impact Assessment was approved by the Regional Commission of the Environment ("COREMA") for Chile's Antofagasta Region in June 2008; social and environmental commitments are being undertaken by management under the terms of this approval.

A Health, Safety and Environmental (HSE) management committee has been established as well as emergency and clinical services established and a HSE management system designed. In addition social management processes have been developed to manage and support the interests and needs of employees, contractors and local communities.

During 2008, development of the workforce and local communities has been the priority and the following steps have been taken:

- establishing a multiple skills Apprentice Programme. This will focus on the workforce from the Antofagasta Region who will receive training from the experienced hires;
- completing quarterly performance evaluations for all staff;
- developing a three year programme to address the concerns of the local communities. This has included a number of workshops entitled "My Life, My Hope";
- completing health and cultural awareness workshops with employees and contractors. In 2008 these were held with the construction project teams; and
- initiating a Road Safety Campaign for local communities and drivers for Esperanza; this includes for a bi-annual survey by the police into road accidents and incidents which have involved mine related traffic.



Construction at Esperanza.



El Manque, Choapa Valley near Los Pelambres.

- a registry of the significant environmental aspects for every mining operation has been created and a response plan prepared;
- an early warning system has been developed to provide a further level of supervision over the operations and drive high level of consistency in environmental management across the operating companies; and
- environmental performance indicators have been defined in three main areas: operational efficiency, impact control and value creation.

### Energy security and management

The Group is committed to conserving energy and aims to use and develop energy efficient technologies and energy saving practices.

Energy efficiency programmes are established in the Group's operations. In recognition of the work completed at Los Pelambres during 2008, it received the Confederation of Production and Trade and Ministry of Energy distinction for Commitment to Energy Efficiency.

The Group continues to undertake significant work to secure alternative supplies and establish longer term agreements and contracts with energy suppliers.

Contracts have been signed for long term energy supply and a joint venture with ENAP for geothermal energy.

### Water management and supply

The efficient use of water is fundamental for ensuring its availability for Group operations and neighbouring communities. Water consumption and quality are both closely monitored across the Group's operations in accordance with legislative requirements.

The operating companies have established water supply arrangements that seek to minimise the demand on water resources, in particular through water recycling. For example, Los Pelambres recycles the majority of the water used, while Michilla, and Esperanza in due course, rely on use of sea water. ADASA is also seeking to increase its use of sea water for provision of potable water to customers in the Antofagasta Region.

### Waste management

The Group is committed to implementing solutions to enable waste reduction and reuse where possible. The Group's operations have arrangements in place to dispose of waste according to applicable legal requirements.

At Los Pelambres, the Mauro tailings dam is now operational providing sufficient waste disposal capacity for the remaining 28 year mine life. Due to Esperanza's geographical and meteorological location, it will be able to use technology to develop "thickened tailings". This system of tailings management will reduce water consumption and enable improved evaporation so reducing the potential for soil contamination; it will also help ensure a high level of stability for the tailings both during and after the cessation of the operations.

### Carbon emissions management

The Group is committed to developing a suitable response to climate change that recognises the needs of the business. The energy efficiency programmes already underway are a means to achieve carbon emission reduction. An assessment to measure

AMSA's carbon impact has begun in 2008. Carbon measurement systems will be developed by AMSA during 2009.

### Biodiversity

The Group aims to maintain existing ecosystems and biodiversity and minimise habitat disturbance. Biodiversity plans exist for the Group operations in accordance with relevant legislative requirements and conditions of environmental approvals. The management approach adopted, for example at Los Pelambres, comprises four main elements: mitigation plans, compensation plans, internal management procedures to prevent impact and monitoring schedules. Los Pelambres has more than 25,000 hectares of protected areas, including a Ramsar Convention site.



Wildlife at Los Pelambres.



5 Princes Gate, London SW7 1QJ  
[www.antofagasta.co.uk](http://www.antofagasta.co.uk)