



ANGLO AMERICAN CHILE

**Sustainable
Development
Report**

2005



ANGLO AMERICAN CHILE

Sustainable Development Report

2005





Content

4	Message from the CEO
6	Scope
7	Company Profile
15	Management Policies and Systems
23	Commitments
31	SEAT, a Long-Term Commitment
41	People
51	Safety and Occupational Health
57	Environmental Performance
71	Social Performance
79	Economic Performance
83	Targets and Commitments
85	Appendix
86	Global Reporting Initiative Index



Message from the CEO

Anglo American Chile is the second largest private mining company in Chile with production of over 600,000 tonnes of fine copper and sales of US\$1,900 million a year. Our profile in the industry and in the domestic economic activity makes us feel proud, but in turn compels us to be very responsible for all the activities we undertake, all the partnerships we enter into, and the steps we take towards continuous improvement.

Anglo American's practices are governed by the principles of Good Corporate Citizenship that set out the guidelines for the company to act with integrity and ethics in the businesses and in the relations with our stakeholders. We have included these principles throughout this report, as they relate to our economic, environmental and social performance.

For example, in 2005 we invested around one million U.S. dollars in almost 128,000 hours of training and development for our employees; we made progress with transmitting our principles of Good Corporate Citizenship to our contractors and we greatly improved the safety indexes. The latter earned us two recognition prizes for the Mantoverde division: the Annual Mining Safety Prize awarded by the National Geology and Mining Service (SERNAGEOMIN), and the John T. Ryan Prize awarded by the Canadian Institute of Mining, Metallurgy and Petroleum and the Chilean Institute of Mine Engineers.

Besides this improvement with our internal performance, we can exhibit interesting progress on social and environmental issues. The optimisation of the Chagres smelter facilities, which commenced last November, will enhance both its operation and its environmental performance. We sponsored the Condor Conservation and Release Programme, whose aim is to protect wild birds that live in the Los Andes mountain range. We designed a programme to attain savings on the specific consumption of power and fresh water and lower the CO₂ emissions, thereby contributing to reducing global warming.

We are sure the introduction of the socio-economic assessment toolbox (SEAT) in Chile, included as a special chapter in this report, will be a contribution to the mining and industrial community. This is a methodology designed by Anglo American, whose purpose is to improve the company's relationship with its stakeholders by means of plans developed jointly with the local authorities and the communities themselves to establish concrete and quantifiable initiatives that can be permanently evaluated.

These are just a few examples of the actions and programmes we have included in our second report on sustainable development, where we attempt to present a balanced and reasonable vision of our economic, environmental, and social performance in 2005.

I am proud of what we have achieved, but I am also certain there is still work to be done. I invite you to read this document and share your doubts, concerns and comments with us. We believe an open discussion of the achievements and challenges will help us to continuously improve our performance.



Pieter Louw
CEO
Anglo American Chile

Scope

This is Anglo American Chile's second sustainable development report. Like the previous year, it includes the operation of its five productive divisions, Los Bronces, Mantos Blancos, El Soldado, Mantoverde and the Chagres Smelter, plus the Santiago where relevant.

The information contained in this document aims to meet the economic, environmental and social indicators required by the 2002 guidelines of the Global Reporting Initiative (GRI), some indicators proposed in the draft of the Mining Supplement of this same organisation, and more importantly, the doubts and requirements raised by over 130 people that participated in the socio-economic assessment toolbox (SEAT) process at all of Anglo American Chile's mine sites.

This methodology, developed by Anglo American plc and the international consultant ERM, enables the company's relationship with the community to be improved, and at the same time provides parameters to add value to the company by means of activities that do not fall within the traditional competences of mining companies, like the establishment of partnerships with community organisations, the development of

social investment initiatives and the financing of works of public benefit, among others. Due to the success perceived during its application, Anglo American Chile deems that its experience must be reported and shared to offer the business community a tool that contributes to the development of external social responsibility strategies.

To ensure the transparency and impartiality of the information and abidance by the GRI guidelines, the services of an external and independent professional were hired, that drew up the document published by reviewing reports, annual reports, surveys and interviews. This report contains information from 2005 and 2004 so as to compare these periods. Whenever necessary, information from 2003 was also included.

Regarding external verification, the economic indicators for 2005 were analysed by Deloitte & Touche and its letter is published in the company's annual report.

To facilitate access to this document, contact names have been included. Should an electronic copy be needed, you can review this report and the previous one on the Web site of Anglo American plc (www.angloamerican.co.uk).

Contact Us

For further information, contact us:

Lorenzo Menéndez

Safety and Sustainable Development Manager
lmenendez@anglochile.cl

Fernando Valenzuela

Environmental and Community Manager
fvalenzuela@anglochile.cl

Marcelo Esquivel

External Affairs Manager
maesquivel@anglochile.cl





Company Profile

Anglo American Chile is the second largest private mining company in Chile with production of over 631,000 tonnes of fine copper in 2005, including the company's 44% stake in Doña Inés de Collahuasi.

Anglo American plc

Anglo American plc is a global leader in mining and natural resources. It has a headcount of 195,000 people who work in more than 120 mining and forestry operations in around 64 countries on all the continents. Anglo American plc had earnings of US\$3,700 million in 2005 and its equity amounted to US\$27,578 million. Its shares are mainly traded on the London stock market and on the financial markets in South Africa, Switzerland, Namibia and Botswana.

The company, whose head office is in London, participates in eight businesses through the following divisions:

- Anglo Platinum
- Anglo Diamonds
- Anglo Gold
- Anglo Coal
- Anglo Industrial Minerals
- Anglo Ferrous Metals and Industries
- Anglo Paper and Packaging
- Anglo Base Metals

The strategy of Anglo Base Metals is to find, acquire, develop and operate base metal mining deposits in the long term and at a low cost. Anglo Base Metals focuses base metal production on copper, nickel, zinc, mineral sands and by-products like molybdenum. Anglo American Chile forms part of this division.

International Recognition

Anglo American plc received the "UK's Business in the Community" Award sponsored by Oracle in July 2005 for its support of the Corporate Social Responsibility area, mainly developed in Africa. This recognition is one of the most important international awards in this area and was awarded for its work on programmes to combat HIV/AIDS, community engagement, local business development initiatives and the company's active involvement in good Corporate Governance initiatives, like the Extractive Industries Transparency Initiative. Moreover, in 2005 Anglo American plc maintained its ranking of previous years as one of the components of the Global Dow Jones Sustainability Index (DJSI) and the European STOXX Index. In 2004, the company obtained 82% satisfaction and moved up from third place in the mining sector to being ranked as the "sector leader" of the Index. This year the score rose to 84%, however it did not manage to attain this position for the second consecutive year and remained in second place. The average score of companies in the mining sector seeking to be included in the DJSI was 66%.



Anglo American Chile

Anglo American started up its operations in Chile in 1980 through Empresa Minera de Mantos Blancos. It subsequently acquired a 44% stake in Compañía Minera Doña Inés de Collahuasi SCM, sharing its management control. In 2002, it acquired Compañía Minera Disputada de Las Condes, which is currently Minera Sur Andes Ltda., and this made it the second largest private mining company in Chile.

Anglo American Chile produced over 631,000 tonnes of fine copper in 2005, including the company's 44% stake in Collahuasi, and sales of around US\$1,890 million a year. The company has a headcount of 5,753 own workers and contractors who work at its five mine sites and the office in Santiago.

Four of the company's divisions, i.e., Los Bronces, Mantos Blancos, El Soldado and Mantoverde, are engaged in the exploration, exploitation, processing and marketing of copper concentrate and cathodes. Its fifth division, the Chagres Smelter, produces and markets anodes/blister and sulphuric acid, and Los Bronces also produces and markets copper by-products like molybdenum.



Operating Overview

Division	Los Bronces	Mantos Blancos
Start-up of operations	1917	1961
Location	The mine and the grinding plant are 3,000 m.a.s.l. at Los Bronces, in the Andes mountains, Metropolitan region. The floatation plant and the tailings dam are in Las Tórtolas sector in Colina.	The mine is 800 m.a.s.l. 45 km northeast of Antofagasta, Second Region.
Neighbouring communities	Lo Barnechea (mine), Colina and Til-Til (Las Tórtolas plant and dam) and Las Condes.	45 km from Antofagasta and 22 km from Baquedano.
Headcount (own & contractors)*	1,270	977
Closure of operations	2044	2009
Copper Production (tonnes)		
2005	227,268	87,711
2004	231,554	94,877
Cathode Production (tonnes)		
2005	38,834	48,603
2004	31,729	58,169
Concentrate Production (tonnes)		
2005	188,434	39,108
2004	199,825	36,708
Molybdenum Production (tonnes)		
2005	2,123	-
2004	1,706	-

Division	Chagres Smelter
Start-up of operations	1917
Location	Province of San Felipe, 100 km from Santiago.
Neighbouring communities	3.5 km from Catemu, 3 km from Llay Llay and 7 km from Lo Campo.
Headcount (own & contractors)*	445
Fine Copper Production (tonnes)	
2005	138,063
2004	165,010
Acid Production (tonnes)	
2005	371,870
2004	440,514



* Excludes project contractors.

El Soldado	Mantoverde
1842 (first mining concession)	1995
It is located in the district of Nogales, Fifth Region.	It is located 50 km southeast of Chañaral, Third Region.
Los Caleos, Collahue and Carretón 3 km downstream of the operations. La Calera, Nogales and El Melón.	53 km from Chañaral, 20 km from El Salado and Diego de Almagro.
1,036	768
2024	2013
66,480 68,832	62,000 60,111
6,508 8,105	62,000 60,111
59,972 60,727	- -
- -	- -





Corporate Governance

There was no change to the board structure of Anglo American Chile Limitada in 2005, whose administration and use of the business name correspond to the partners, acting through a board made up of seven incumbent directors and the same number of alternate directors.

All the board members are company executives and they were all appointed by the partners. Hence, Minera Sur Andes Ltda. and Empresa Minera Mantos Blancos S.A. designated three incumbent and three alternate directors each, and both companies jointly appointed a seventh incumbent director and an alternate.

The company created a sustainable development committee in 2003, headed by the company CEO and made up of the vice-presidents. Its objectives are to embed the sustainable development concepts in the company's strategic definitions, to identify core aspects of social responsibility and evaluate and develop a structure for the integration of the social values inside the organisation, and establish specific targets in the different areas of sustainable development.

The Board	
Incumbent Directors	Alternate Directors
Peter Smith	Robert Cunningham
Pieter Louw	John Dyer
Felipe Purcell	Lorenzo Menéndez
Simon R. Thompson	Alejandro Mena
Brian Beamish	Jorge Betzhold
Mike John Gordon	James Edward Beams
Miguel Angel Durán	Eduardo Muñoz



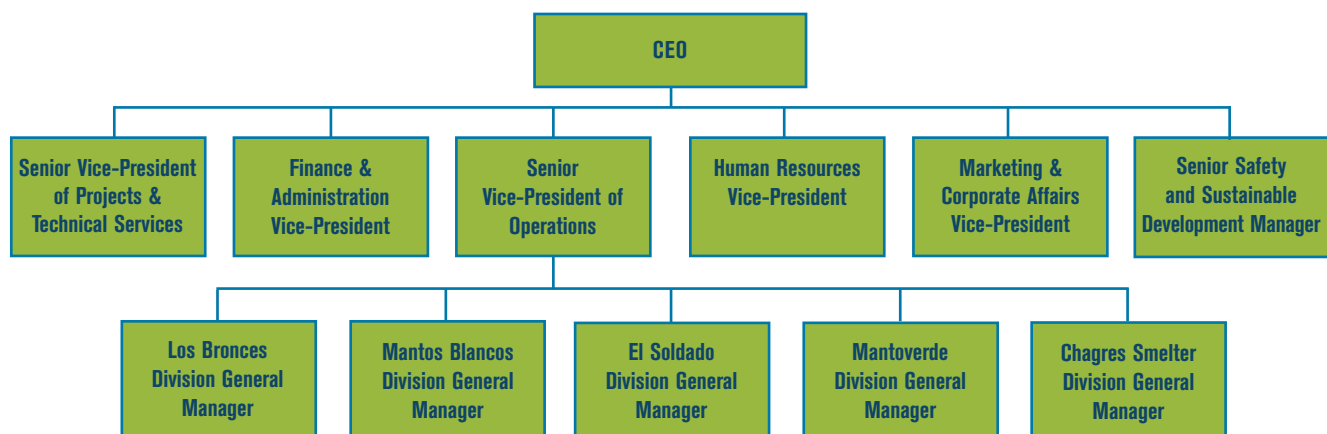


Executive Committee (from left to right): Miguel Angel Durán, **Senior Vice-President of Operations** / John Dyer, **Finance and Administration Vice-President** / Robert Cunningham, **Senior Vice-President of Projects and Technical Services** / Pieter Louw, **CEO** / Alejandro Mena, **Human Resources Vice-President** / Lorenzo Menéndez, **Senior Safety and Sustainable Development Manager** / Felipe Purcell, **Marketing and Corporate Affairs Vice-President**.

Organisational Structure

There was one of the most important changes to the company's organisational structure in March 2005, which helped to consolidate Anglo American Chile. This restructuring involved recognising the five divisions as autonomous units, with the corporate area undertaking a services expertise and support role and its function mainly focused on two aspects: for Anglo American Chile's values and principles to be met and to generate the necessary

synergies among the five operations so as to achieve the continuous improvement of all the processes. This new model is less centralised than the previous one and aims to solve problems more efficiently and quickly, considering that all the operative units have their own realities, different life cycles, specific challenges and diverse environments, which is why it is important to spread out projects and initiatives over the 5 divisions.





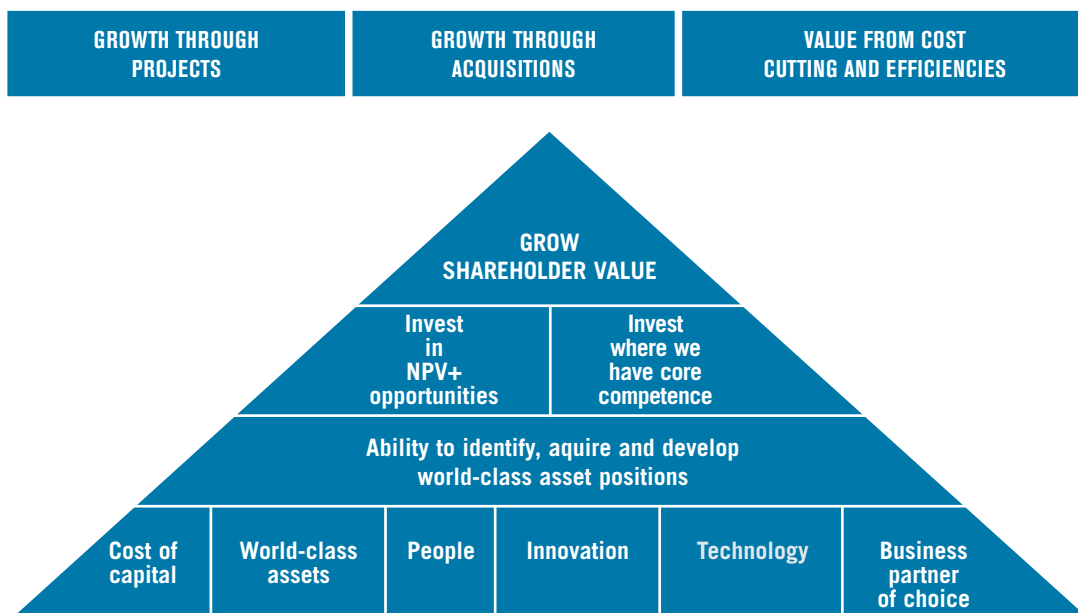
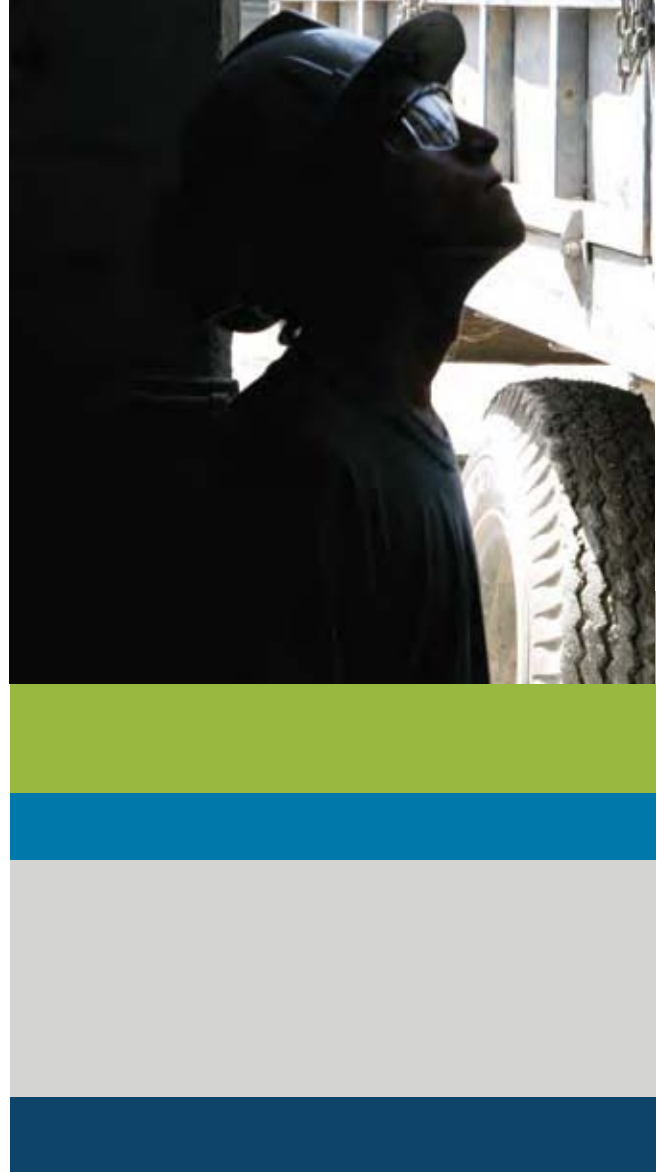
Management Policies and Systems

The “Good Corporate Citizenship” principles govern the company’s activities on issues such as business integrity, its stakeholders, respect for dignity and human rights, protection of health, work safety, and care of the environment.

Business Strategy

Anglo American Chile's vision is to "build one of the most valuable and revered copper businesses in the world." For this, it considers a series of strategic aspects like cutting operating costs, creating permanent ties of trust over time with neighbouring communities, developing and bolstering the company's organisational culture, and implementing programmes that reduce and control the environmental impact.

The company's strategy aims to generate value in all the business areas and it therefore operates according to the scheme below:



Good Corporate Citizenship:

Our business principles

All Anglo American Chile's activities are based on the Good Corporate Citizenship principles, which set out how it is necessary to conduct the business in a sustainable way. Good Corporate Citizenship covers issues of business integrity, the company's obligation to its stakeholders, the respect of human dignity and the rights of individuals, health protection, work safety and care of the environment. This document embodies the organisation's operation and supports how Anglo American Chile does business. It is a guide for employees and a reference for stakeholders, especially investors, the government, the families and communities associated with its operations. Moreover, the company is committed to extending these standards to its business partners, contractors and suppliers.

So as to socialise the Good Corporate Citizenship principles, the divisions made general presentations on these and inserted them into the induction programmes. The objective is for the whole company to know these guidelines and to turn them into the guiding principles of its activities. The company's abidance by these principles was even included in the collective bargaining agreement signed with the unions of Minera Sur Andes in 2005.

To make them known, a welcome manual was drawn up for all the workers with a presentation on the company's most important policies, i.e., Good Corporate Citizenship and the Safety, Health, Environmental and Quality Policy, which explicitly sets forth the duties and actions the company must consider in these areas of action.

The Good Corporate Citizenship principles will be mentioned throughout this report to clearly establish the interrelation of these guidelines with the company's activities.



The core aspects of Good Corporate Citizenship are:

1. Anglo American as a workplace

- We propose to attract, develop and retain the services of the most appropriately skilled individuals.
- We require all our employees and contractors to perform their duties according to the highest standards of ethics and integrity.
- We will not tolerate any kind of discrimination and will promote workplace equality.
- We will not tolerate injuries to our workers and contractors and we shall carry out our operations pursuant to this standard.

2. Anglo American as an investment

- We deem that offering our shareholders an excellent return shouldering our share of social and environmental responsibilities are complementary aspects of mutual benefit.

3. Anglo American as a good corporate citizen

- We seek to make a contribution to the well-being of the communities associated with our operations and we are committed to abiding by the principles of sustainable development.
- We will fully comply with the current regulation and will not take part whatsoever in any corrupt or anti-competitive practices.

4. Anglo American in the business world

- We will try and establish mutually beneficial relationships with our customers, business partners, contractors and suppliers. We will strive for them to see us as their preferred suppliers and partners.



Good Corporate Citizen: Corporate Citizenship

We respect human dignity and the rights of individuals and of the communities associated with our operations. We seek to make a contribution to the economic, social and educational well-being of these communities, including through local business development and providing opportunities for workers from disadvantaged backgrounds.

We recognise the sensitivities involved in addressing issues which relate to the cultural heritage of indigenous communities. We will seek to ensure that such matters are handled in a spirit of respect, trust and dialogue.

We believe we have the right and the responsibility to make our positions known to governments on any matters which affect our employees, shareholders, customers or the communities associated with our operations.

Whilst the primary responsibility for the protection of human rights lies with governments and international organisations, where it is within our power to do so, we will seek to promote the observance of human rights in the countries where we operate. We support the principles set forth in the Universal Declaration of Human Rights.

2003

- Establishment of Anglo American Chile, made up of its 5 divisions.
- Signing of the Cooperation Agreement with the Labour Bureau (see page 50).
- Implementation of the occupational health guidelines of Anglo American plc.
- Publication of the safety, occupational health, environmental and quality policy.
- Publication of the golden safety rules.
- Start of the Visible Felt leadership programme.

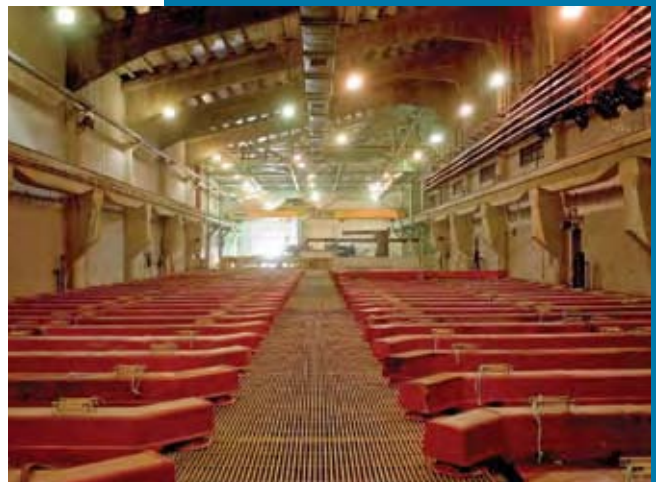
2004

- Creation of the Speakup Programme.
- Mantos Blancos was awarded a prize in the National Safety Council Awards.
- Application of the SEAT jointly with Casa de la Paz.
- Signing as co-founder of the Chilean Chapter of the World Business Council on Sustainable Development (WBCSD).
- Mantos Blancos and Mantoverde are the first mining companies in Chile to obtain the OHSAS 18001 certification.

Management Systems

Anglo American Chile has an integrated environmental and safety management system in place in all its divisions since December 2005, by means of attaining the last stage of the accreditation process for the OHSAS 18001 standard at Los Bronces, El Soldado and the Chagres Smelter. All the company's operations currently have the international ISO 14001 and OHSAS 18001 certifications for operations.

The company was an icon in the industry in 2004, because its Mantos Blancos and Mantoverde divisions obtained certification pursuant to the OHSAS 18001 standard of occupational health and safety, thereby making Anglo American Chile the first mining company in the country to have this certification for all its operations.



2004

- Formal adoption of the community engagement plans.
- First safety meeting with contractor company executives.
- Launch of the northern acorn conservation programme.
- Two fatal accidents at El Soldado.
- ISO 14001 certification for all the divisions.

2005

- Publication of the first sustainable development report drawn up according to the GRI guidelines.
- Organisation of the social forum of Anglo American's companies and of the SEAT dissemination workshop.
- Completion of the ISO 14001 and OHSAS 18001 certification process, with all the divisions certified.
- The Mantoverde division obtained important safety awards (John T. Ryan and National Geology and Mining Survey [SERNAGEOMIN]).
- The "Catemu experimental agricultural farm" social programme of the Chagres Smelter picks up the "Good Business Citizen" award from the Chilean-North American Chamber of Commerce (AMCHAM).

Certification Processes

Division	Certification	Year
Los Bronces	ISO 14001	2004
	OHSAS 18001	2005
Mantos Blancos	ISO 9001	1999
	ISO 14001	2002
	OHSAS 18001	2004
El Soldado	ISO 14001	2004
	OHSAS 18001	2005
Mantoverde	ISO 9001	1999
	ISO 14001	2001
	OHSAS 18001	2004
Chagres Smelter	ISO 14001	2004
	OHSAS 18001	2005

OHSAS

The acronym stands for Occupational Health and Safety Assessment Series and consists of a standard for occupational health and safety management to improve the control of labour risks. It was published in 1999 by the British Standards Institute (www.bsi-global.com).

ISO

This is the abbreviation standing for the International Organisation for Standardisation. Standardisation provides a reference framework between suppliers and consumers, which facilitates the transfer of technology and trade. ISO is a network of 156 countries with a Central Secretariat in Geneva, Switzerland, that coordinates the entire system. The organisation uses the Greek word “iso” meaning “equal” to call this standard by anywhere in the world, thereby avoiding the problems of abbreviation in different languages (www.iso.org).

Good Corporate Citizenship: Safety, Health and Environmental Stewardship

We have adopted a comprehensive safety, health and environmental programme and will report regularly on our performance with this issue. We will continue to review and enhance this programme.

We strive to prevent fatalities, work-related injuries and health impairment of employees and contractors.

We recognise the need for environmental stewardship to minimise consumption of natural resources and waste generation and to minimise the impact of our operations on the environment.

Senior executives and line management are accountable for safety, health and environmental issues and for the allocation of adequate financial and human resources within their operations to address these matters. We will work to keep health, safety and environmental matters at the forefront of workplace concerns and will report on the progress attained against our policies and objectives.

We recognise the seriousness of human tragedy caused by the HIV/AIDS epidemic, particularly in sub-Saharan Africa. We have a clear policy for addressing HIV/AIDS in the workplace and are committed to a comprehensive prevention strategy, linked to programmes of care for those with HIV/AIDS. We will strive to eliminate any stigma or unfair discrimination on the basis of real or perceived HIV status.

We are committed to the principles of sustainable development, by which we mean striking an optimal balance between economic, environmental and social development. We will strive to innovate and adopt the best practices, wherever we operate, working in consultation with our stakeholders.

This Statement should be read in conjunction with fuller policy statements such as our Safety, Health and Environmental Principles and such other work codes and guidelines, which may be issued from time to time.



Safety, Occupational Health, Environmental and Quality Policy

Anglo American Chile is a mining company that seeks excellence in the production of copper. It carries out its activities in a socially and environmentally responsible manner, is committed to the principles of sustainable development endorsed by its parent company Anglo American plc, providing quality products that meet the requirements and expectations of its customers.

To achieve this objective, Anglo American Chile undertakes continuous improvement management based on the following commitments, encouraging its collaborators to adopt them:

- Allocate the human, material and financial resources needed to comply with this policy.
- Identify and evaluate the risks associated with its activities and implement the necessary prevention and control measures to protect the health and physical integrity of employees and contractors that work in the divisions and prevent or reduce adverse environmental impact and damage to property.
- Respond efficiently to emergencies, accidents or incidents arising from operations.
- Guarantee a healthy, competent, responsible and committed work force by means of ongoing employee selection, education, training and evaluation.
- Comply with applicable laws and regulations and other commitments undertaken by the company adopting, whenever appropriate, the best international practices commensurate with other company policies. Promote suitable regulations based on sound scientific knowledge and with due consideration of the risks, costs and benefits.
- Promote the conservation of natural resources with the efficient use of power and water, among other measures, maintaining active follow-up of the effects of its activities on these resources and on the biodiversity.
- Set objectives, targets and performance indicators for all the operations and evaluate their progress against such objectives and targets, including the applicable legal requirements.
- Cooperate with and maintain open and constructive dialogue with employees, customers, suppliers, local communities, authorities and other interested parties, reporting on the progress towards the achievement of the aims set.

All the members of the organisation will be informed of this policy so they can incorporate it to their daily activities. It will be available to other interested parties and will be reviewed regularly.





Commitments

Anglo American Chile deems it is essential to know the expectations and requirements of its stakeholders to achieve the sustainable development goals.

Good Corporate Citizenship: Our responsibilities to the stakeholders

Our primary responsibility is to our stakeholders. We will seek to maximise share value over time. We believe that this is best achieved through an intelligent regard for the interests of other stakeholders including our employees, the communities associated with our operations, our customers and business partners. A good reputation for integrity and responsible behaviour will enhance our commercial performance through motivating employees and building trust and goodwill in the wider world. The following considerations guide our dealings with stakeholders:

Investors

We will ensure full compliance with relevant laws and rules. We are committed to correct, transparent and honest corporate governance.

Employees

We aim to attract and retain the services of the most appropriately skilled individuals. We are committed to treating employees at all levels with respect and consideration, to investing in their development and to ensuring that their careers are not constrained by discrimination or other arbitrary barriers to advancement. We will seek to maintain a regular two-way flow of information with employees to maximise their identification with, and ability to contribute to, our business.

Communities

We aim to promote close relationships with, and enhance the capacities of, the communities of which we are a part. We will seek regular engagement about issues that may affect them. Our support for community projects will reflect the priorities of local people, sustainability and cost effectiveness. We will increasingly seek to assess the contribution our operations make to local, social and economic development and to report upon it suitably.



Customers and business partners

We seek mutually beneficial long-term relationships with our customers, business partners, contractors and suppliers based on fair and ethical professional practices.

Governmental bodies

We respect the laws of host countries whilst seeking to observe, within our operations, the universal standards promulgated by leading intergovernmental organisations. We aim to be seen as socially responsible and an investor of choice.

Non-governmental organisations

We aim for constructive relations with the respective non-governmental organisations. Their input may lead to better practices and increase our understanding of our host communities.

Relationship with our stakeholders

Anglo American Chile's biggest challenge is to attain its economic growth and the social progress of the communities around its mine sites without omitting the protection of the environment. These concepts, which underpin sustainable development, are essential for the present and future of the company. With this objective in mind, in June 2004, it signed the document of Anglo American plc called Good Corporate Citizenship, i.e., our business principles that embody the guidelines on how to act with ethics in business, the relationship with workers, suppliers, customers, authorities and communities, the handling of resources, closure plans and any other type of action arising from the company's productive activities.

Complementarily, to achieve the sustainable development targets it is essential to know the expectations and requirements of the stakeholders or interest groups. With this aim, in 2003 Anglo American plc created a toolbox for the socio-economic assessment of the communities surrounding its operations. This instrument, called the socio-economic assessment toolbox (SEAT) was applied in 2004 in Chile and in a further 29 operations worldwide, which raised the comprehension of the needs and priorities of the local communities. In 2005, a workshop was held for related companies, along with a social forum in which NGOs from Peru and Chile participated, and a development workshop was held in all the divisions to define indicators to measure the social actions undertaken. The NGO Casa de la Paz supported the latter activity and played a key role in applying the SEAT in 2004.

Anglo American Chile deems that corporate social responsibility is an issue that is learnt every day from the experience of all the companies worldwide. This is why the examples of good practices and those exceptional actions, which enable significant results of social responsibility to be obtained, must be shared and disseminated. For this reason, a special chapter has been drawn up in this report about the SEAT with the aim of sharing a practice that has been successful for the company and that can be repeated by any other company in the country.



The Good Corporate Citizenship principles define the stakeholders or interest groups with which companies worldwide must engage. Considering this, as of 2004 each division of Anglo American Chile formally draws up its own community engagement plans, which envisage factors like stakeholders, action plans, the environmental aspects of the initiatives, expected benefits and indicators. The community engagement plans are addressed in the social performance chapter (see page 71).

With this general segmentation of stakeholders as a basis, the Anglo American Chile divisions have identified the following specific groups, according to its community engagement plans:

Division	Stakeholders
Los Bronces	<ul style="list-style-type: none"> ● Neighbours of Lo Barnechea (from Las Puertas to Paso Marchant), Corral Quemado sector (16 km from the facilities), Quilapilún, Til Til, Peldehue and Santa Filomena Estate. ● District organisations: El Arrayán Neighbours' Committee, Mapocho River Irrigation Committee, Colina Municipal Corporation, Colina Private Corporation and Grandmothers' Club. ● Borough Councils: Lo Barnechea and Colina. ● Schools: Colina and Lo Barnechea technical schools, San José School of Lo Barnechea, borough council schools. ● Chilean Army (Peldehue), National Forestry Corporation. ● Drugs and Alcohol Commission of the Lo Barnechea Borough Council. ● Other companies: Aguas Andinas (and other drinking water companies.)
Mantos Blancos	<ul style="list-style-type: none"> ● Neighbours who walk along the road in front of the mine site. ● Astronomy Community, Second Region. ● Borough Council of Baquedano. ● Educational establishments: private and state universities, industrial secondary school, Don Bosco secondary school, schools. ● Baquedano police and fire brigade. ● Healthcare centres.
El Soldado	<ul style="list-style-type: none"> ● Neighbours of Los Caleos, Collahue, Chamizal, Carretón, El Melón, Nogales, La Calera, Quillota. ● District organisations: Farm owners of El Litre, Nogales and El Melón Neighbours' Committee, Las Rosas Foundation and the Nogales Old People's Home. ● Fifth Region provincial and regional authorities, Nogales Borough Council. ● Controlling authorities: National Environmental Commission, National Geology and Mining Service, National Forestry Corporation, Agricultural and Livestock Department, General Water Board and the Fifth Region Health Service. ● Fire brigade, police and special investigation department of Nogales and El Melón. ● Native Forest Austral Centre. ● Other companies: Sopraval and Cemento Melón.
Mantoverde	<ul style="list-style-type: none"> ● Neighbours of Chañaral, Diego de Almagro and El Salado. ● Educational establishments: Chañaral and El Salado industrial secondary schools, universities, Chañaral professional institutes. ● Borough Council of Chañaral. ● Corproa, Chañaral Development Board. ● Fire Brigade and Underground Rescue School.
Chagres Smelter	<ul style="list-style-type: none"> ● Neighbours of Catemu, San José, Santa Margarita, Chagres and Llay Llay. ● District organisations: Irrigation Committee, Mothers', Old Age and Handicapped People Centres, and sports club. ● Borough Councils of Catemu, Panquehue, San Felipe and Llay Llay. ● San Felipe Governor's Office. ● San Felipe, Catemu and Llay Llay police and fire brigade of the same communities plus Puchuncaví. ● Aconcagua Healthcare Service and Catemu Healthcare Centre. ● Controlling authorities: Agricultural and Livestock Department, Fifth Region National Environmental Commission, National Geology and Mining Survey.



International Agreements

Anglo American plc participates in numerous groups and initiatives that seek transparency and the best environmental, social and economic practices in the sector it works in, and the promotion of the Universal Declaration of Human Rights. The most significant agreements include Voluntary Principles on Security and Human Rights, The Extractive Industries Transparency Initiative and Global Compact.

Anglo American Chile undertakes the same level of commitment as the parent company to these voluntary agreements and applies them locally in Chile. For example, an introduction to the guidelines of the Voluntary Principles on Security and Human Rights is being added to the Welcome Manual for the workers hired, and some of its guidelines have been included in the bases of the 2006 safety contract.



Anglo American plc also participates in other initiatives of the industry, which seek to promote sustainable development practices:

- *International Council on Mining and Metals (ICMM)*
- *World Business Council on Sustainable Development (WBCSD)*
- *International Business Leaders Forum*
- *Global Business Council on HIV and AIDS*
- *Global Reporting Initiative (GRI)*
- *Global Corporate Citizenship Initiative of the World Economic Forum*



Voluntary Principles on Security and Human Rights

Anglo American plc was accepted into membership of the Voluntary Principles on Security and Human Rights in January 2005, which are intended to provide a framework within which companies in the extractive sector can ensure the security of their employees, and they also consider the respect of the human rights of people living close to company operations.

The Principles were launched in 2000 and the process was initially convened by the governments of the United States and the United Kingdom. They have, more recently, been joined by the governments of Norway and the Netherlands.

Participating bodies also currently include:

- Amnesty International
- Human Rights Watch
- Pax Christi
- Leading global mining, gas and oil companies
- International Business Leaders Forum
- Business for Social Responsibility (administration of the initiative)



The Extractive Industries Transparency Initiative

Anglo American endorsed the Extractive Industries Transparency Initiative (EITI) at its launch at the World Summit on Sustainable Development held in Johannesburg in 2002. Its objective is to promote the transparency around the generation of employment and resources in countries where there are extractive operations by means of good practices and the stimulation of open debate as about how corporate resources are to be generated and invested.

Anglo American plc is a participant in the transparency process proposed by the EITI through having a representative on the International Advisory Council and has also been involved in the development of EITI in Peru.



The Extractive Industries Transparency Initiative (EITI)

The EITI is a multi-stakeholder process involving developed and developing country governments, the international financial institutions, non-governmental organisations and a group of significant investors

Global Compact

Anglo American plc adhered to the 10 principles of the Global Compact in June 2004. This initiative was driven by Kofi Annan, the Secretary-General of the United Nations (UN), during the World Economic Forum meeting held in Davos on January 31, 1999.

The Global Compact is an ethical commitment initiative for entities from all countries to voluntarily embrace, as part of their strategy and operations, ten principles of conduct and action on human rights, labour standards, the environment, and anti-corruption.

Its aim is to promote the creation of global corporate citizenship that contributes to reconcile the interests and processes of corporate activities with the values and demands of civil society and with the United Nations projects, international organisations, trade unions and NGOs.



10 Principles of the Global Pact

(www.globalcompact.org)

Human Rights

1. *Businesses should support and respect the protection of internationally-proclaimed essential human rights within their area of influence.*
2. *Businesses must make sure that they are not complicit in human rights abuses.*

Labour Standards

3. *Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.*
4. *Businesses should eliminate all forms of forced and compulsory labour.*
5. *Businesses should support the effective abolition of child labour.*
6. *Businesses should eliminate discrimination in respect of employment and occupation.*

Environment

7. *Businesses should support a precautionary approach to environmental challenges.*
8. *Businesses should undertake initiatives to promote greater environmental responsibility.*
9. *Businesses should encourage the development and diffusion of environmentally-friendly technologies.*

Anti-Corruption

10. *Businesses should work against all forms of corruption, including extortion and bribery.*

Voluntary National Agreements

Besides supporting international initiatives, Anglo American Chile signed national agreements on sustainable development and operations.

Chilean Chapter of the WBCSD

The World Business Council for Sustainable Development (WBCSD) brings together 180 international companies in a shared commitment to sustainable development by means of three pillars: economic growth; ecological balance; and social progress.

The WBCSD members benefit from a global network of around 50 regional business councils and partner organisations involved with some of the thousands of global businesses.

On August 17, 2004, Anglo American Chile, along with eight other companies, signed as co-founder the constitution of the Chilean Chapter of the WBCSD.

Clean Production Framework Agreement

The Clean Production Framework Agreement was signed in November 2000 by the Mining Council and public sector bodies with competence in issues related to the agreement. The objective is for both sectors to work together to apply a preventive environmental strategy in the work processes, products, services and organisation to increase efficiency and competitiveness, to prevent the generation of residues of origin, and reduce risks to people and the environment.

Membership

In Chile, the company actively participates in trade organisations related to the extractive industry, safety and sustainable development.

Mining	Safety	Sustainable development
National Mining Board	National Safety Council	Corporate Social Responsibility (CSR) Action
Mining Council	Regional Mining Safety Committee (CORESEMIN)	
College of Chilean Engineers	National Mountain Safety Committee	





SEAT, a Long-Term Commitment

"The SEAT methodology has been a pioneer concept in its field of action. Although the tools and concepts it involves are widely accepted and known in social and economic sciences, its structure and systematisation applied to improving the company's social performance is original and quickly furnishes good information to order and focus the company's social investment issue and its community engagement plans."

From the document "Sustainable Coexistence" of Casa de la Paz Foundation, May 2005.

What is SEAT?

The corporate vision of Anglo American plc embraces as an ethical duty that its productive actions generate rewards in terms of social reciprocation. This leads to a self-imposed mission that each one of its operations in any part of the world must not only give the company a return but also provide better economic and social conditions for the area where it is located.

Although it is hard to analyse this reciprocation to the community on scientific or exact bases, beyond the fact that the contributions can be measured regarding job creation or payment of taxes, Anglo American Chile believes in making reliable measurements that incorporate more subjective dimensions inherent to the social ties. Hence, the company's policy is that each new operation or expansion of its units is preceded by the corresponding social and environmental impact assessment.

Due to these needs, Anglo American plc developed the Socio-Economic Assessment Toolbox (SEAT) process. By means of this methodological model designed to gather and analyse information about the environments where its operations are located, the company can obtain standardised data that facilitates the comparative analysis among its productive divisions.

Designed by Anglo American plc in 2002 with the collaboration of the consultant Environmental Resources Management (ERM), a global leader in environmental consultancy services, SEAT entails a process in which an operation or business unit must answer 18 questions, split into four clearly-defined stages. This is a sequential-type model as it compels the interviewee to answer the first questions in the affirmative to move on to the second question, and do the same to pass to the third and following questions.

The tools allow effective results to be achieved regarding community commitments and help to provide guidance on how to deal with the social aspects related to the different phases of an operation, like for example the closure of a mine. Moreover, this tool provides parameters to add value to the company by means of activities that fall outside the traditional competences of mining companies, like establishing partnerships with community organisations, developing social investment projects and funding works of public benefit, among others.

One of the main characteristics of the SEAT is that its development requires those implementing it to establish participative bonds with the stakeholders during the process stages. Most of the tools available involve gathering information from stakeholders, be this data, evaluations or personal opinions and also share the research results with them.



SEAT is a system of standardised guidelines for socio-economic assessment, designed to identify and manage the social and economic impacts (both positive and negative) of operations. It also provides guidance on how to improve overall social performance, where this is necessary.



Before and After SEAT

In Chile, as in many other countries, embracing the concept of Corporate Social Responsibility (CSR) as an essential dimension for integral business management has been a process of complexity for companies. Many initiative aims have become diluted or have failed, mainly due to making unsuitable diagnosis about the environment where they operate.

More than a matter of improvisation, something is lacking: apart from the fact that there are few organisations in Chile that have the capacity to advise on the suitable development of a community social management and engagement plan, the gathering of information needed to study the socio-economic situation is not reliable in most cases, either lacking rigorously or due to the research method chosen.

In this light of this, Anglo American Chile's application of the SEAT process is for the company a contribution to the knowledge and structure of consistent and harmonious models to study the variables affecting an organisation's integration to the community where it operates.

This was found by the Casa de la Paz Foundation, an organisation that is engaged in promoting sustainable development by articulating agreements between communities, companies and public authorities. In 2004, Anglo American Chile asked it to apply the SEAT in the five productive divisions of the company. The objective was to generate relevant information about the communities around the company's operations and to make enquiries within these to identify their main issues of interest with regard to the operation of the productive divisions.

The results of this work were useful for Anglo American Chile, allowing it to define more clearly its influence area and identify its significant stakeholders (see page 26). In turn, the results enabled the company to analyse the performance of the divisions in the light of the Good Corporate Citizenship principles. The use of this new tool has bolstered the divisions' commitment to their communities to improve this role and with this new background build ties of trust.

Objectives of the SEAT Process

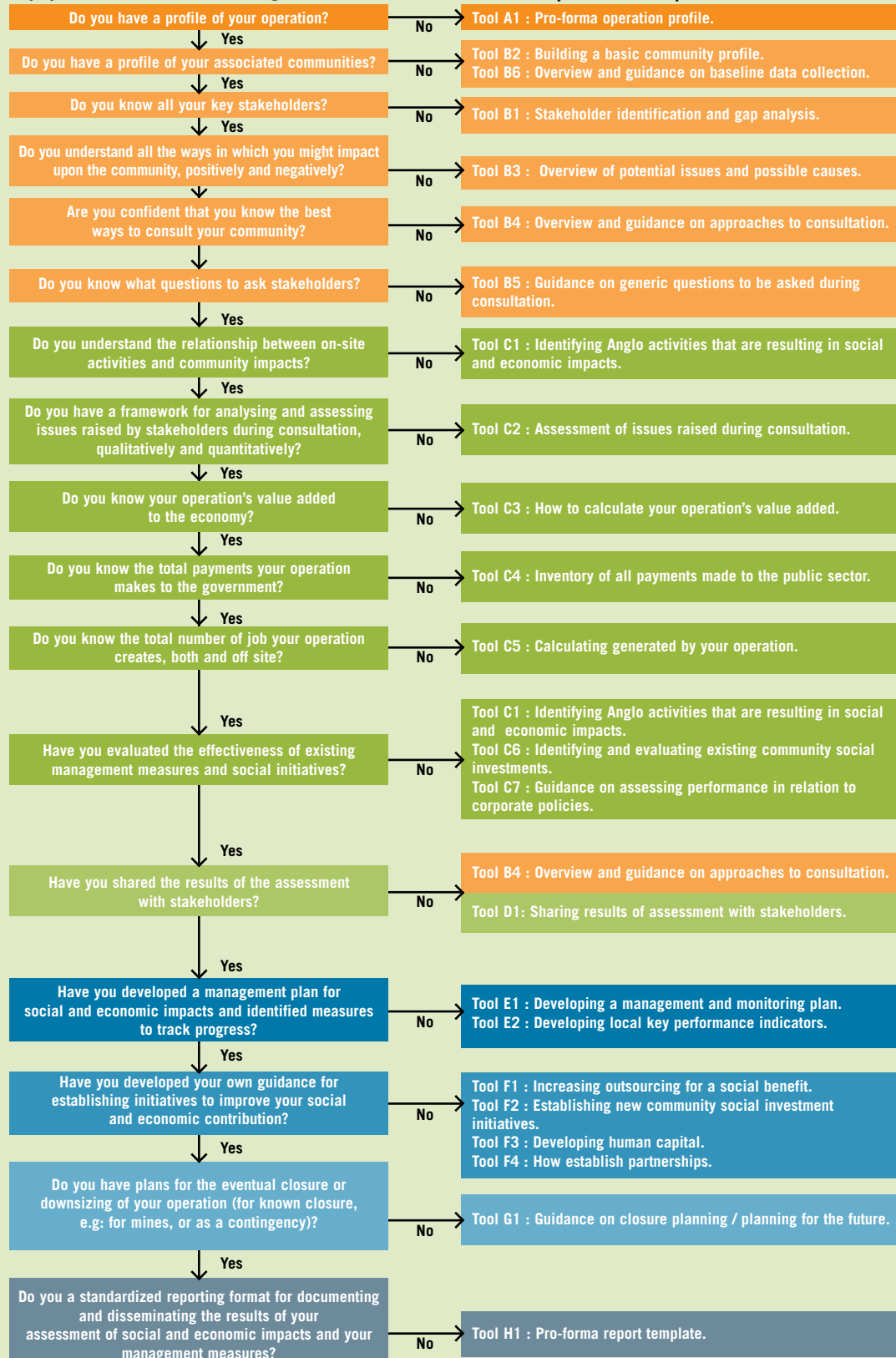
- To identify the key social and economic impacts and issues which need to be managed.
- To assess existing initiatives, provide feedback on their success and suitability, and identify where improvements might be made.
- To provide an analytical framework to assist operations to assess their overall sustainability, especially in balancing up the extraction of natural resources with an enhancement of social and human capital.
- To ensure that "best practice" is undertaken and shared by Anglo American Chile.
- To provide a planning tool for managing a mine's social and economic impacts, including social investment and mine closure.
- To gather and collate data for corporate social reporting purposes, as well as develop indicators that are relevant to local conditions.
- To provide a methodology that allows for the ongoing assessment and follow-up of the community engagement instances, incorporating improvements continually.

In those cases where a certain question cannot be answered, this has one or more specific tools that must necessarily be implemented to achieve the objective. For example, to answer the question “Do you know your mining exploitation’s value added to the domestic economy?” it is necessary to resort to tool C3, which teaches how to calculate this. Each one of the 23 tools available are included in a manual with pre-determined formats and data requirements that must be completed according to such instructions.



Key question to ask at each stage

Tools to help answer the questions





The community speaks: these are its main insights according to the SEAT

One of the main results of the SEAT is the empathy the company has achieved with the needs of its respective communities. Nevertheless, it is necessary to work on three core aspects: to generate dialogue about the environmental performance of the divisions by means of greater contact and commitment to the communities and the local authorities; to design tools to involve the communities directly; and the use of indicators to measure the effectiveness of the initiatives.

The table further below shows the main insights of the communities about the company's divisions arising from the study made using the SEAT and the response the company has implemented, on occasions in advance, but without dissemination. The chapter on Social Performance (see page 71) shows all the projects carried out by the company, some analysed in depth.

Multiple Contact

To draw up the five standardised reports of each division pursuant to the SEAT methodology with the results of the assessment and their respective recommendations, a multidisciplinary team of the Casa de la Paz Foundation interviewed around 130 people during the consultation process.

During the process, contact was made with district and environmental authorities, neighbour and social organisation leaders, public service officials, agricultural producers, irrigation associations, representatives of companies in the area, contractor workers and beneficiaries of the company-driven initiatives, among others.

Moreover, representatives of the staff of Anglo American Chile's five divisions, mainly from the human resources, operations and safety, and sustainable development areas, gave their own vision of the issues discussed.

The results of these interviews were shared with the same stakeholders by means of presentations to the communities, thereby complying with the objective of providing feedback to the ties established.

Los Bronces

Mine area (access in Las Condes, relationship with Lo Barnechea)

Local Insight	Company's Response
Potential risks related to the transport of heavy loads on public roads.	The company will extend the maintenance of the land to public roads and will be responsible for contingencies like rock falls and closure of roads due to snow, etc. It provided support to improve the G.21 Santiago-Farellones-La Parva road on the occasion of the bicentenary activities.
Possible contamination of the river, its natural bed, and in turn the flow related to the mine.	Process water recirculation and elimination of effluents.
The Alcohol and Drugs Programme is greatly valued by the community.	Support of eight courses to reduce the consumption of alcohol and drugs.
There is the fear the tailings dam will collapse with the consequential environmental and social impact.	Removal of the tailings dam from the sector at high altitude in the cordillera.
Unemployment problems, people have little access to information, culture and entertainment.	The division implemented various plans to contribute to local development: the bus library, trade courses, and apprentice programme for pupils in Lo Barnechea and Colina.

Colina District (Las Tórtolas Dam, relationship with Colina)

Local Insight	Company's Response
Dust emission from the tailings.	The dam wall is kept damp to prevent dust emissions, and the effectiveness of this measure has been proved with particulate matter measurements.
Ten families that live near the company lands feel the company ignores them. They know the social programmes of Anglo American Chile, but they consider these are "only for other people."	Various meetings were held with these families, who were included in the permanent contact and joint division work programme.
600 hectares of forest managed by the company to dissipate the excess tailings water are considered an advantage by the community.	



One of the main features of the SEAT is that its development requires those implementing it to establish participative ties with the stakeholders during a large part of the process steps.

Mantos Blancos

Mine (located in the desert, away from any communities)

Local Insight

Mantos Blancos is recognised as one of the oldest companies in the region, but it is perceived as distant from the community.

It was acknowledged the company causes some kind of environmental impact, but this does not cause the community to have a negative perception of the company.

Some local NGOs are concerned about occasional winds causing dust emissions that may hamper road traffic.

Company's Response

The community engagement programmes were re-assessed according to the results of the SEAT and the needs of the division's closure plan.

Dust emission control measures are being included in the division closure plan.

PM10 is being monitored.





El Soldado

Mine (located in an agricultural rural area)

Local Insight	Company's Response
Potential limitation of irrigation water availability/ pollution of phreatic water	Process water recirculation/control discharges/ apply emergency procedures/special monitoring in emergencies/monitor wells and other measures under study.

Permanent lack of jobs due to the seasonal migration of a large part of the community in search of work opportunities.	Trade course with National Training and Employment Department (SENCE) funds available.
--	--

It is on average an old-age community as youngsters leave the area in search of work opportunities. The public healthcare system for old-aged people is inadequate.	Support of the Las Rosas Foundation and the Nogales Old People's Home.
---	--

Risk of faults and environmental impact due to problems with the tailings dam.	There is a programme to inform the community about the tailings dam operation procedures in the case of heavy rainfall/inform about the measures considered in the dam closure plan and other facilities.
--	---

Mantoverde

Mine (located in the desert, far away from any communities)

Local Insight	Company's Response
Failure to meet expectations about the possible socio-economic impact of the project.	The division has joined initiatives to promote a development project for Chañaral.

The division's social projects are greatly valued by the community.	The division supports trade courses, professional practice, thesis student, apprenticeship programmes, study scholarships and periodic meetings with local organisations.
---	---



Chagres Smelter

The closest community is 3 km away

Local Insight

There is concern about the potential impact of the smelter emissions on people's health.

Company's Response

Large modifications have been made to the equipment to permanently improve the capture emissions into the atmosphere. An open door programme was started to inform the community about these enhancements.

People believe the company makes little local contribution to the economy. The people in the surrounding communities have little education, there is a lot of unemployment, and the company is the most important in the sector.

A development programme was undertaken to privilege local suppliers/trade programme for people unemployed in Catemu/technical-professional training of pupils at the Chagres secondary school/professional practice, thesis student and apprenticeship programmes.

Effects of smelter emissions on agriculture.

The area uses pesticides inadequately; there are emissions from the burning of fields; unpaved roads; and heating with wood. The aim is to promote suitable handling of local crops and improve the environmental management of the neighbouring communities. Support for the "Environmental Strivers" project to create a recycling centre in Catemu/evaluation of the experimental farm project for innovative crops and good agricultural practices.

There is mistrust about the environmental monitoring undertaken.

To improve the local information, Chagres has developed an open door programme and benchmarking for the participative monitoring system.

There is a good perception of the technology installed (flash furnace) that has reduced emissions.



People

“Workers will quickly realise this was a good collective bargaining process, and we will explain to those who still hold doubts – all legitimate – why we were all winners in this process,” Miguel Calderón, President of El Soldado’s Union N°3.

Organisational Management

The essential objective of Anglo American Chile's human resources management is to generate a competitive advantage for the business with people, recruiting and retaining the best and developing their full potential (Summit Project).

Anglo American Chile has a headcount of 5,753 people, 297 more than in 2004, of which 2,387 are own headcount, 707 are service contractors, 1,651 are operations contractors and 1,008 are project contractors. The increase in the own headcount compared with the previous year was mainly due to the process of "in-housing" the loading, transport and drilling operations at the Mantoverde division, which involved recruiting 157 people.

Regarding the sex of employees, the female headcount remained at 4%. In relation to the average age of employees, this is 43 years old with an average company service of 15 years. The company sectors are split into employees, accounting for 74% of the total workers, and into supervisors accounting for 26%. Most of the latter have a university degree in areas like civil or technical engineering, geology, accounting, commercial and industrial engineering, among others.

The main human resource milestones in 2005 were the early signing of the collective bargaining agreement with the Los Bronces, El Soldado, and Chagres Smelter divisions, the start of the organisational culture socialisation process, and the design of an internal communications plan in response to the differences detected in the work environment survey carried out in 2004.





Employment generated (as of December 31, 2005)		
By division (including third parties)	2005	2004
Los Bronces	1,270	1,288
Mantos Blancos	977	1,041
El Soldado	1,036	949
Mantoverde	768	666
Chagres Smelter	445	462
Santiago Offices	249	287
Project Contractors	1,008	763
Total headcount	5,753	5,456

By dependence	2005	2004
Own staff	2,387	2,253
Service contractor workers	707	760
Operations contractor workers	1,651	1,680
Project contractor workers	1,008	763
Total headcount	5,753	5,456

Own workers' education level		
Education	Workers in 2005	Workers in 2004
Basic	134	170
Secondary	432	462
Technical	966	749
University	855	872
Total own workers	2,387	2,253

Training area	2005		2004	
	M/H *	Nº of people	M/H *	Nº of people
Safety, occupational health, environment and quality	36,109	1,794	14,755	1,780
Management	39,879	2,835	19,073	1,272
Technical	50,730	1,024	59,861	3,027
Others	1,207	78	803	56
Total	127,926	5,731	94,492	6,135

* Man-Hours.

Employee Development

One of the roles of human resources is to be an agent of change and mobilisation of the human capital and the organisation. Its focus is to undertake initiatives aimed at developing the company and its people to make Anglo American Chile a high-performance company, open to learning, and that is flexible and can adapt to changes (Summit Project).

Anglo American Chile has systematically worked on managing the "talent." Various internal audits have been carried out to detect such talent and undertake training to reduce the gap discovered in these studies. The Management for the Development of Professionals course was held in 2005 with the support of the Adolfo Ibáñez University, in which 25 employees participated. The aim was to give the participants the tools needed to assume positions of greater responsibility within the organisation. It also allowed them to interact with their colleagues, and at the end of the course they put their knowledge and experience into a multidisciplinary project. This course and those given to the entire supervision on leadership, communication and teamwork led to a doubling of the time invested in training the management.

Additionally, the 2005 increase in the time allocated to training on safety, health, the environment and quality was mainly due to the workshops held with DuPont as part of the Effective Safety Leadership Programme (see page 54).



Good Corporate Citizenship: business integrity and ethics

- We support free enterprise as the system best able to contribute to the economic welfare of society as well as to promote individual liberty. Without profits and a strong financial foundation, it would not be possible to fulfil our responsibilities to shareholders, employees, society and to those with whom we do business. However, our investment criteria are not solely economic. They also take into account social, environmental and political considerations.
- We will comply with all laws and regulations applicable to our businesses and to our relationships with our stakeholders.
- We are implacably opposed to corruption. We will not offer, pay or accept bribes or condone anti-competitive practices in our dealings in the marketplace and will not tolerate any such activity by our employees.
- We prohibit employees from trading securities illegally when in possession of unpublished price-sensitive information.
- We require our employees to perform their duties conscientiously, honestly and with due regard for the avoidance of conflicts between any personal, financial or commercial interests and their responsibilities to their employer.
- We will maintain high standards of planning and control to: identify and monitor material risks; safeguard our assets; and to detect and prevent fraud.
- We will promote the application of our principles by those with whom we do business. Their willingness to accept these principles will be an important factor in our decisions to enter into, and remain in, such relationships.
- We will encourage employees to take personal responsibility for ensuring that our conduct complies with our principles. No one will suffer for raising with management, violations of this policy or any legal or ethical concern.

Work Environment Administration

The first sustainable development report of the company in 2004 reported about the work environment survey carried out that year on all the company workers. This activity, which included the pioneer entire headcount in an Anglo Base Metals company, produced a picture of the organisational environment. Subsequently, a focus group process was undertaken to make a detailed analysis of the most significant points and it was then defined that the two most important variables to work on would be leadership and communications.

Bearing this in mind, in 2005, the company designed a special four-module programme for the supervision. These courses addressed issues like communication skills, teamwork, effective communication, strategic leadership and action. The entire supervision participated in this programme during the year.

Moreover, to bolster internal communications, the Intranet portal was reinforced and a plan of monthly communication meetings was designed in each division. The purpose of this is for people to know first hand what is happening in the organisation, the company's progress with production and costs and how its main challenges are progressing.

Another significant issue in the work environment study and that was worked on in 2005 was employees' need of recognition. A policy was therefore created to recognise a job well done. Each division celebrates the successes achieved and those who have contributed to improving the company's targets are rewarded. In addition, the remuneration system benefits are based on work performance. This idea was reinforced in 2005, as all the supervisor contracts included this variable as well as the collective agreements signed with the unions.



Organisational Culture

The Organisational Culture Alignment Project, which commenced in 2004, reaped the rewards in 2005 when the Summit Project dossier containing the main guidelines of this initiative was launched. The purpose was to align the internal culture by seeking greater company efficiency, reinforcing its identity and conduct so the organisation can achieve the business objectives, using the values of Anglo American plc, Anglo Base Metals and the best practices of Anglo American Chile.



Recruitment

Another of the ongoing concerns of the human resources area is to draw up succession plans, as they are the basis of the future company development. For this reason, Anglo American Chile maintains the Engineers in Training Programme, and they are young professionals with the potential of entering the company to work with a specific plan. There are also other instances allowing for the recruitment of students doing their professional practice and of others doing their thesis.

Reinforcing this point, for the first time the company attended the Labour Fair, organised by Capital magazine for the third consecutive year. The objective was to position the company in the labour market and increase the organisation's curricular base for the next staff selection processes.

In this same area, in 2005 all the divisions started the dual education programme for apprentices, which allows youngsters leaving industrial schools or technical-professional colleges to work on the premises of Anglo American Chile for one year and thereby apply the knowledge acquired in their respective establishments and learn work habits and safety issues. In all these cases, students from the communities around the company's operations were privileged, like Colina, Chañaral, Catemu and Antofagasta, among others (see page 73).

Future Challenges

Anglo American Chile's main challenge in 2006 is to create a Centre for Potential Evaluation to evaluate candidates with a high potential and draw up individual training plans.



Labour Relations

Anglo American Chile respects the right of its workers to belong to a union laid down in the Labour Code, and promotes relations based on trust and transparency. 91% of the workers with a contract governed by the collective bargaining process belong to one of the nine unions.

One of the most significant milestones in labour relations in 2005 was the early completion of the first collective bargaining process with the six unions of Los Bronces, El Soldado and the Chagres Smelter as part of Minera Sur Andes and that benefited 1,250 employees.

This achievement meant signing collective agreements for four years with the different union organisations in reasonable terms for both parties, generating ties of trust and consolidating the principles Anglo American Chile upholds, i.e., recognition of union organisations as organised and representative bodies and the respect for people and labour rights.

During the period, the current working hours of the Mantos Blancos and Mantoverde divisions were reviewed and confirmed by the respective regional Labour Bureaus in joint work with the union leadership.

Another important achievement was the signing of the "Permanence Prize" for workers of the Mantos Blancos division. The closure plan establishes this division will close down operations in 2009 (see page 68). This operating unit needs to maintain all its workers until the actual closure date, and a strategy was drawn up for this with the union leaders to reward those who continue working up to the last day of operation.

Information workshops were also organised with the union leaders focused on making known the characteristics of the copper industry, the significance of it being a cyclical business, its risks and challenges. 60% of the workers at Los Bronces have participated in this initiative, whereas this figure is slightly lower in the other divisions. The aim is for 100% of the headcount to know more about the business in which it works.



Good Corporate Citizenship: Employment and Labour Rights

- We are committed to the adoption of fair labour practices at our workplaces and our conditions of service will comply with applicable laws and industry standards.
- We will promote workplace equality and will seek to eliminate all forms of unfair discrimination.
- We will not tolerate inhumane treatment of employees including any form of forced labour, physical punishment, or other abuse.
- We prohibit the use of child labour.
- We recognise the right of our employees to freedom of association.
- We will operate fair and appropriate means for the determination of terms and conditions of employment. We will provide appropriate procedures for the protection of workplace rights and our employees' interests.
- We will provide employees with opportunities to enhance their skills and capabilities, enabling them to develop fulfilling careers and to maximise their contribution to our business



Diversity and Opportunity

The company explicitly states that it is committed to treating employees at all levels with respect and consideration, to investing in their development and to ensuring that their careers are not constrained by discrimination or other arbitrary barriers to advancement. We will seek to maintain a regular two-way flow of information with employees to maximise their identification with, and ability to contribute to, our business.

An internal procedure manual was drawn up in 2005, which includes information on sexual harassment and discrimination according to sex or age to work in the company. Chilean law and the company's policies prohibit any form of discrimination and to prevent this the Open Line was created in 2004, which besides these kinds of complaints receives calls regarding the ethics and integrity of Anglo American Chile's workers (see box).

In general, the relationship with contractors in Chilean companies and specifically in the mining industry is exclusively governed by the contracts signed. Anglo American Chile considers that this is also a form of discrimination and has therefore made endeavours to reduce this gap with its 3,000 contractor workers.

For this reason, the company signed a commitment agreement with the National Labour Bureau on work respect and rights in 2003 to safeguard the labour rights of contractor company workers. Moreover, Anglo American Chile complements this by using its own internal system to verify compliance with their labour rights.

Breakdown of Management Positions	2005	2004
N° of Vice-Presidents or Senior Managers	28	28
N° of Male Vice-Presidents or Senior Managers	27	27
N° of Female Vice-Presidents or Senior Managers	1	1
N° of Managers	48	37
N° of Male Managers	47	36
N° of Female Managers	1	1

Speakup Programme

In 2004, an open telephone line called the 'Speakup Programme' was established for company workers, contractors, and suppliers. Its objective is to reduce to a minimum the possibilities of practices that infringe the Good Citizenship Principles by means of anonymous complaints.

By December 2005, around 40 calls had been received, mainly regarding some contractor companies failing to pay social security payments and benefits, the unilateral modification of contracts, and fraud, among others. Each one of these reports was attended, investigated, and the necessary measures and sanctions were taken according to each case.

This initiative has become an informative tool that helps to safeguard the company principles, but does not replace the current communication channels within the organisation.



Occupational Health and Safety

Anglo American Chile received recognition for its progress with safety. The Mantoverde division was awarded two important safety prizes: the Annual Mining Safety Prize awarded by the National Geology and Mining Service (SERNAGEOMIN), and the John T. Ryan Prize awarded by the Canadian Institute of Mining, Metallurgy and Petroleum and the Institute of Mine Engineers of Chile.



Zero Accidents Vision

Mining is in essence a risky activity, and therefore any endeavour made on work safety is permanent. The average incident rate each year in the mining industry in Chile is around 2,000, which is equivalent to three incidents a day. Anglo American has historically had an outstanding record for its lower accident rates compared with the rest of the industry. Diverse recognition and initiatives like those highlighted in this chapter are the outcome of the organisation's commitment to the health and safety of its workers.

Concern for safety is evident in the demanding application of a transversal vision throughout the organisation of "All accidents are preventable," which is embodied in the Safety, Occupational Health, Environmental and Quality Policy. Based on this philosophy, Anglo American Chile has driven the Zero Tolerance, Target Zero (OTTO) motto as its safety principle, which overlap all the possible assurance guidelines and actions until the accident rate in its operations is reduced to zero. Compliance with this requires total abidance by the most demanding standards and no unsafe acts or conditions are tolerated. This compels each one of the sectors and workers of Anglo American Chile to stop any unsafe work until the conditions of full protection of the integrity of the operators and facilities are restored.

The training programmes, the definition of safe conduct guidelines and risk assessment, among other issues, are based on the application of this scheme, backed up by the Golden Rules that are met in each hazardous activity.

The application of the Golden Rules and other initiatives such as the Effective Safety Leadership Programme for managers and supervisors, and the care of work equipment by means of the right conduct or self-care, led to the accident rate dropping by over 20 points compared with 2004.

Safety Recognition

For the second time, the Mantoverde division obtained the Annual Mining Safety Prize awarded by the National Geology and Mining Service (SERNAGEOMIN), for having attained the lowest accident rates in Chile in 2004 in the category of mining companies that work 200,000 to 1,000,000 man-hours a year.

For the second consecutive year, Mantoverde received the John T. Ryan Prize, awarded by the Institute of Mine Engineers of Chile, the National Mining Board (SONAMI), SERNAGEOMIN, and the Canadian Institute of Mining, Metallurgy and Petroleum (CIM).

Contractors

Anglo American Chile makes no distinction between its employees and those of its contractors as far as safety is concerned, as care at the mine sites is a shared concern, which is why they all participate in training on and knowledge of the guidelines to be followed. In 2005, Anglo American Chile stepped up efforts to transmit the work safety principles, values and actions

it applies to its own employees to its contractors. The idea was to reduce the difference between the safety culture of the company and the less-structured vision outsourced operations may have of this. Due to this emphasis, it was able to reduce its accident rate by 40%, with the general index also falling.

2005 own employee and contractor accident and severity rates						
	LTIFR*			LTISR**		
	Own Employees	Contractors	Total	Own Employees	Contractors	Total
Los Bronces	0.09	0.56	0.35	35	323	194
Mantos Blancos	0.83	0.26	0.48	337	215	261
El Soldado	0.16	0.88	0.58	515	158	306
Mantoverde	0.40	0.33	0.35	67	132	113
Chagres	0.52	0.26	0.35	281	57	132
Santiago	0.00	0.00	0.00	0	0	0
Consolidated Index	0.29	0.48	0.40	213	195	202

2004 own employee and contractor accident and severity rates						
	LTIFR			LTISR		
	Own Employees	Contractors	Total	Own Employees	Contractors	Total
Los Bronces	0.37	0.66	0.56	115	314	202
Mantos Blancos	0	0.90	0.60	0	489	344
El Soldado	0.63	2.05	1.37	108	538	336
Mantoverde	0	0.43	0.35	0	146	140
Chagres	0.56	0.63	0.59	305	173	252
Services & Projects	0	0.60	0.52	0	225	194
Consolidated Index	0.33	0.85	0.65	100	334	244

*Lost-Time Injury Frequency Rate (LTIFR): Number of lost-time accidents per 200,000 man-hours worked.

**Lost-Time Injury Severity Rate (LTISR): Number of working hours lost per 200,000 man-hours worked.

Golden Rules

The “golden rules” in safety are basic guidelines that must be complied with in all the company's activities. These have contributed to creating clear, demanding and quantifiable standards on potentially hazardous issues like the following:

- *Work in confined spaces.*
- *Work at altitude.*
- *Energy and Machinery lockout.*
- *Driving transport vehicles.*
- *Lifting and handling of materials.*
- *Landslides, rock falls and other mining operation risks.*
- *Handling of metals at high temperatures and other hazardous substances.*

An audit was carried out on the Golden Rules in 2005, which detected various areas for improvement. Specific action plans were drawn up in each division for the shortcomings found.

Visible Felt Leadership Training

The Visible Felt Leadership Programme was one of the most significant specific actions carried out in 2005. The objective was for executives and supervisors to improve their skills and competences on this by means of daily on-site contact with the workers, to support and encourage more appropriate work practices in terms of safety.

This initiative was the idea of Anglo Base Metals and was implemented in all its operations. In Chile, it was carried out with the support of the company DuPont (safety experts and that also designed the initial programme model) and entailed undertaking work in two phases: the first phase consisted of surveying the workers about their safety perceptions, a focus group and interviews of the professionals in key positions on this issue. The results enabled the training content to be structured, in which all the management staff and supervisors participated and that was the second stage.

This initiative increased the presence of managers on site, with contact rising from 9,512 in 2004 to 12,985 in 2005. There was also an increase in the number of people, who rose from almost 31,000 to around 41,000 and the contact hours were also up from 4,803 in 2004 to 5,800 in 2005.





Risk Control

Two accidents in 2004, which caused the death of six contractors, led, among other actions, to a benchmarking process, i.e., the best global work safety practices, especially at mine sites, were sought and embraced. This process identified the greatest potential risks of facilities and compared their activities according to the guidelines followed by international leaders on this matter, so as to adopt the most suitable actions to resolve the deficiencies detected.

The main measures involved improving the risk conditions that are inherent to open-pit and underground mine sites, and also controlling the tailings dams and risks at the Chagres Smelter.

Moreover, the practice was established of exchanging information within the company about situations that could potentially result in accidents. This was carried out from the reports of near misses so the factors are timely studied and shared.

Although each worker at Anglo American Chile is responsible for undertaking his or her work suitably and safely, Anglo American Chile's Housekeeping, Hygiene and Safety Parity Committees, established pursuant to Law 16.744, have become a very important reference point for bolstering safe activities and its members are continuous advocates of safety-related activities in the company and home.



Accident Log

Whenever there is a material or labour incident, the Safety and Sustainable Development Management of the division determines the type of accident and investigates the circumstances in which it occurred. In the case of lost-time, fatal and high-potential accidents (that can generate other hazardous situations), specific investigations are carried out to determine the causes, draw up and execute action plans, assign deadlines and those responsible. These reports are distributed to the entire organisation to share experiences and prevent similar events from occurring again.

Forms called Accidentgrams are used in all the divisions for investigation and reporting, which include information about the accident, its description, causes, lessons learned and a diagram. These are posted on the Intranet and the results are shared with the parent company of Anglo Base Metals. In addition, weekly reports of the safety incidents are drawn up and these are consolidated into a monthly report. Lastly, Anglo American Chile also submits an accident rate report to the Chilean Geology and Mining Survey (SERNAGEOMIN) to comply with the law.

Occupational Health

The health protection and physical integrity of workers and contractors is another priority of Anglo American Chile. This is embedded in the Safety, Occupational Health, Environmental and Quality Policy, in the Good Corporate Citizenship Principles and the Internal Regulations governing each one of the divisions.

This ongoing concern arises when the worker enters the company by means of pre-occupational health exams. Additionally, all workers exposed to risks must undertake a periodic health check-up or when required by the supervision to detect or control professional illnesses endangering their general health.

Significant initiatives regarding this include the Fitness for Work Programme and the Medical Service with the support of the Workers' Safety Association (Mutual de Seguridad), and a specialised Committee makes technical inspection visits to identify the places and people that are most exposed to some kind of health risk. Homogeneous risk groups are then formed and work to implement suitable protection programmes and measures to control such risks.

The occupational health activities are mainly focused on:

- Hearing loss.
- Pneumoconiosis from exposure to silica.
- Dermatitis and other diseases caused by acid fog.
- Effects from combustion gases.
- Effects from exposure to heat.
- Effects from working at altitude.
- Ergonomic problems.

Emerging risks are also now controlled, like those caused by ultraviolet radiation, which is an important factor at mine sites located in the north of the country. In this case, the first stage entailed measuring the ultraviolet radiation at peak-intensity times in all the work areas of Mantos Blancos. The homogeneous risk groups were then defined by job position, classified according to results, and recommendations were made regarding dress, use of sun blocks or rotation of personnel to control this emerging risk.

Main Achievements

In 2005, the occupational health management was fully incorporated to the Integral Safety, Health and Environmental Management System and certified pursuant to the OHSAS 18001 standard. Moreover, there were no cases of professional illnesses. The occupational health and fitness for work programmes continue to be commensurate with the corporate guidelines of Anglo American plc.





Environmental Performance

In 2005, Anglo American Chile spent US\$10.4 million on environmental enhancement projects and actions for its processes and on external initiatives related to the protection of the autochthonous flora and fauna in the areas where its productive divisions operate. Additionally, it invested US\$20 million on environmental improvements of the Chagres Smelter operation, which will enable it to increase its production and reduce the environmental impact.

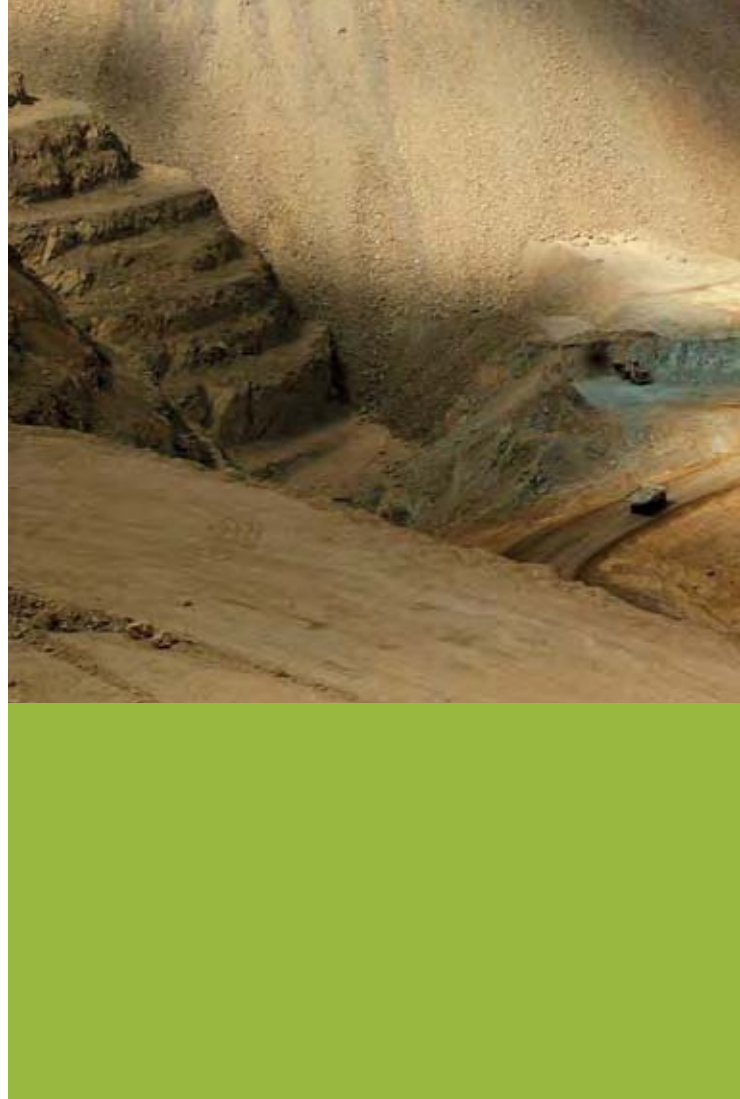
Raw Materials

Anglo American Chile consumes, as the main product, the rock extracted from the open-pit and underground mines that contain the metal in the form of sulphide or oxide ore. The raw material consumption was 185 million tonnes in 2005, 6.3% more than the 174 million tonnes in 2004. The fine copper in products dropped by 2.6%, and therefore the raw material consumption rate per tonne of product increased by 8.4% compared with 2004.

The main raw material of the Chagres Smelter is copper concentrate, provided by the other divisions of the company. Chagres produces metallic copper in the form of copper anodes and sulphuric acid. Based on this scheme, the company does not use residues from external sources as raw materials.

With regard to other supplies and materials used to produce copper, the following can be highlighted:

Other consolidated consumption		
	2005	2004
Sulphuric acid (tonnes)	596,521	708,932
Solvents for SX (m³)	2,869	2,442
Lime as CaO (tonnes)	110,193	86,162
Explosives (tonnes)	33,709	34,051



Energy Programme: Use of natural resources

The search for energy efficiency and the rational use of resources like water or raw materials is a priority for mining companies, mainly due to the growing worldwide concern about the future availability of natural resources and global warming. Moreover, the productive processes transform the resources into emissions and effluents, and suitable handling therefore not only makes a contribution to the environment but also leads to lower costs and greater efficiency for the company.

In 2004, Anglo American Chile announced its commitment to attain a 10% saving on the specific consumption of energy and fresh water and a similar decrease of the CO₂ emissions by 2008. The target is to achieve a 15% reduction in all the divisions by 2013.

To carry this out, the Energy Committee was created in 2005 with representatives from all the divisions who, by means of quarterly meetings, drew up a general consumption and emission table for 2003-2005 with forecasts up to 2013. One of the main achievements of this team was the start as of September 2005 of a monthly report on the consumption of energy and water, and CO₂ emissions.

Additionally, the Responsible Use of Energy Campaign was launched to get the support of all the workers at Anglo American Chile to reduce the consumption of these resources. The examples of energy saving made by the workers are the outcome of the systematisation of good practices and investment projects.



Consolidated Consumption of Energy and Water, and CO ₂ Emissions						
	Energy (GJ ²)			CO ₂ (tonnes)		
	2005	2004	2003	2005	2004	2003
Los Bronces	4,099,824	3,834,870	3,517,774	246,080	228,032	211,107
Mantos Blancos	1,751,789	1,995,478	1,892,872	232,412	271,493	246,700
El Soldado	1,486,222	1,442,300	1,468,764	97,161	94,452	95,708
Mantoverde	1,345,251	1,373,730	1,308,631	127,813	132,178	121,098
Chagres	961,309	1,071,558	1,108,956	59,093	62,371	71,714
Santiago	7,715	7,133	8,895	412	381	476
Total	9,652,110	9,725,070	9,305,892	762,971	788,907	746,804

The indicators include the CO₂ emissions from the electric power generation of Anglo American Chile's suppliers.
GJ²: Gigajoules

Direct Energy Consumption			
	Company Total		
	2005	2004	2003
Petroleum N°6 (tonnes)	6,015	3,459	11,295
Oil Used (m ³)	0	27	17
Diesel (m ³)	92,519	89,694	91,643
Petrol (litres)	2,274,260	2,631,847	2,366,085
Kerosene (litres)	3,933	0	0
Natural Gas (m ³)	6,514,577	11,497,700	2,973,003
Liquid Gas (tonnes)	337	225	261
Electricity (KWh)	1,586,706,144	1,612,885,948	1,474,944,521



At the close of this publication, the Energy Committee was developing indicators to measure the energy consumption intensity (consumption per product unit) focused on each process.

Water Consumption and Discharges

The optimisation of resources is vital for a mining operation like that of Anglo American Chile, because it not only generates a production cost saving but also allows for the sustainable management of a scarce resource. The water consumption of the divisions dropped by just over 500,000 m³ compared with 2004, and the total water discharged in the year was 1.1 million m³, 26% less than the previous year due to a decrease in the discharges of the Chagres Smelter during its maintenance.

Water Consumption		Water (m ³)		
		2005	2004	2003
Los Bronces	22,498,192	21,954,000	21,727,565	
Mantos Blancos	3,564,396	3,974,576	3,712,900	
El Soldado	3,362,959	3,575,811	3,334,480	
Mantoverde	2,610,897	2,802,436	2,656,023	
Chagres	1,125,540	1,474,833	1,288,600	
Santiago	8,312	7,259	12,153	
Total	33,170,296	33,788,915	32,731,721	

Moreover, the recirculation of process water is one of the main tools to manage the use of fresh water. The proportion of water re-circulated in the operations was 65% in 2005, i.e., 3% less than in 2004.

The operations had 7 specific discharges into surface water courses that qualify as an industrial liquid residue source pursuant to Supreme Decree N°90 of 2000 (DS90/00) and were declared as such to the Superintendency of Sanitary Services (SISS). The main discharge, accounting for over 80% of the total, was the purge of the refrigeration system water at the Chagres Smelter. A recirculation system will therefore be implemented in 2006 to reuse virtually all of the refrigeration water.

In addition, the company has expressly made a commitment to reduce infiltration into underground water and has made ongoing investment to such end. An example of this is what happens at the Las Tórtolas tailings dam, as from the start-up of operations in 1992 measures were considered to control the underground water contamination and eliminate the possibilities of spills into surface water. Over US\$1.5 million have been invested in this project since 1996 to build arrays of underground water impoundment wells and a water quality monitoring system.

Water Discharges (Mm ³)		2005	2004	2003
Total water discharged	1.1	1.5	2.5	
Variance on previous year	-26%	-40%	-	



Discharges:

Why does the Mapocho river look yellow at the start of Summer?

In a meeting organised by the Borough Council of Lo Barnechea, the Neighbours' Committee, Anglo American Chile executives from the Los Bronces division and neighbours in the sector met to clarify concerns about the colour of the Mapocho river during the months of thaw.

The meeting, which was attended by around 100 people, addressed how the operations of the division are undertaken and their effect on the water of the Mapocho river. In particular, it was stated that the Los Bronces operations at high altitude in the Andes make no discharges into water courses, despite the fact that the mine site is located at the source of the San Francisco creek, one of the affluents giving rise to the Mapocho river, along with the Molina river, and the Yerba Loca and El Arrayán creeks. The executives said the ore is crushed and ground at Los Bronces and then transported down a pipeline to the Las Tórtolas plant, located in the Colina valley where the concentration process is completed.

The executives presented initiatives implemented to improve the quality of the water of the San Francisco creek, including the construction of a treatment plant to extract copper deposited on the bed of the creek and the progressive removal of the old tailings dams. This has led to a significant improvement in the quality of the San Francisco water in the last few years.

They also explained the specific phenomenon of the colour of the Mapocho river, known as "Polcura," which in the Mapuche language means "yellow soil." This essentially comes from the Yerba Loca creek, which starts from the La Paloma glacier, located on altered rock and that during thaws drags down a yellow material with a high copper and sulphate content, explaining the colour of the river.



Significant Emissions

The main emissions produced from mining activity are CO₂ gases (see page 59) as a result of the use of fuels at mine sites and the consumption of electricity (see page 59), and particulate matter (PM10) because of blasting, the rock movement in the extractive stage and the permanent traffic of trucks and other vehicles on unpaved roads. Unlike the CO₂ emissions, the PM10 is controlled by stations indicated by the authority that measure the concentration according to monitoring programmes.

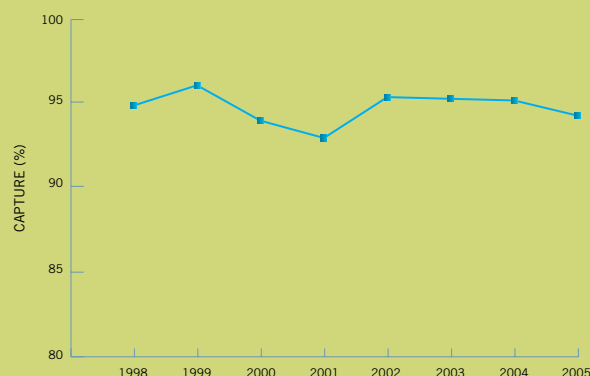
Regarding other types of significant emissions, the Chagres Smelter operation mainly produces sulphur dioxide (SO₂). Chagres was the first smelter in Chile to install a sulphuric acid plant in 1972 to reduce the SO₂ emissions and is the smelter with the highest percentage of sulphur capture (95%) in Chile. This value is expected to reach 97% with the Chagres optimisation process that started in 2005 (see page 63).

For these emissions, the authority requires that the environmental concentrations in the environment meet the primary quality standard (DS113/02¹) and secondary quality standard (DS185/92²). This concentration depends on the level of emission, but is heavily influenced by the weather conditions prevailing during the year. To control these emissions, there is a monitoring network with four official stations in sectors defined by the authority where the environmental concentration of SO₂ is recorded. These results are reported each month.

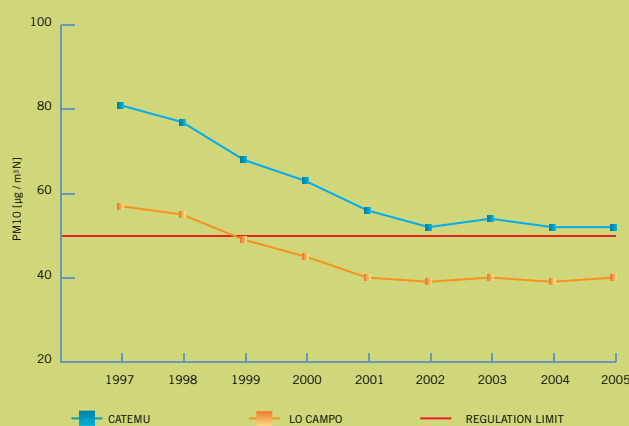
N° of times the standard was exceeded			
	2005	2004	2003
N° of times the standard was exceeded daily	0	0	0
N° of times the standard was exceeded hourly	0	0	1

Annual Environmental Concentration of SO ₂ (ug/m ³ N)					
				Standard Limit	
	2005	2004	2003	Primary	Secondary
Annual SO ₂	66.0	66.7	66.1	80	80

SULPHUR CAPTURE PERCENTAGE



3-YEAR PM10 CONCENTRATION



The Chagres Smelter, which is the most regulated division regarding air quality due to its location in an agricultural valley, also carries out initiatives to reduce the emissions of arsenic. These fell from 76.2 tonnes a year in 2004 to 88.3 tonnes in 2005, i.e., 7% below the limit of 95 tonnes laid down by the regulation (DS165/98³). This increase is due to the higher content of arsenic in the copper concentrate that entered the system. These emissions are expected to be reduced once the Chagres optimisation has been completed in 2006.

¹ Supreme Decree N°113 de 2002.

² Supreme Decree N°185 de 1992.

³ Supreme Decree N°165 de 1998

Chagres Smelter Optimisation

In October 2005, large changes were made to the facilities during the scheduled maintenance of the Chagres Smelter, which will increase the production and at the same time reduce its environmental impact. Despite the fact this initiative does not consider significant changes to the processes, the technical improvements to the main equipment are expected to provide a notable enhancement of the general operation. For example, the plant production capacity will increase from 165,000 tonnes to 184,000 tonnes of fine copper a year. Moreover, the modifications to the concentrate injection processes, gas refrigeration and dust elimination, among others, will stabilise the activity, thereby reducing the stoppages with the consequential benefits of the efficiency of the gas capture systems leading to lower emissions.

The technical and environmental commitment in force with the authorities and the community, which exceeds the current regulation, will be evident in the performance in 2006, mainly regarding the sulphur and particulate matter (PM10) emissions. Of the total investment of US\$60 million, environmental enhancements accounted for around US\$20 million.

Some of the maintenance tasks were as follows:

- Replacement of the electrostatic precipitator with a new one that will improve the dust capture and the operation of the gas handling system, thereby optimising the acid plant performance.
- Replacement of the converter hoods and the gas conduction systems, increasing the sulphur capture efficiency from 95% to 97%.
- Overhaul of the acid plant that will ensure maximum efficiency in the next few years.
- Installation of a fourth Peirce Smith converter to maintain a more stable and steadier production rate with the benefits of productivity and emission control.
- Increase in the boiler capacity that will reduce stoppages and improve the performance of the downstream processes.
- Increase in the flash furnace cooling surface, generating a better reactor seal that will reduce the formation of SO₃.
- New oxygen plant that will help to reduce costs and avoid the transport of liquid oxygen on public roads.



Waste Management

The hazardous waste management plans of all the divisions were updated and presented to the health authority in 2005, pursuant to Supreme Decree N°148.

These management plans seek to minimise the generation of waste and boost internal and external recycling. To achieve an effective disposal of this waste, classification at origin is encouraged in all the divisions.

Waste Management (tonnes)					
Division	Hazardous Waste		Non-Hazardous Waste		
	External		Internal	External	
	Recycling	Final Disposal		Recycling	Final Disposal
Los Bronces	437	18	0	1,507,947	1,336
Mantos Blancos	278	89	55	855,150	62
El Soldado	117	311	28	258,100	541
Mantoverde	245	186	16	104,868	306
Chagres	0	0	0	491,158	208
Total	1,076	604	99	3,217,223	2,453



Waste: Waste recycling in Catemu

Two activities were carried out in 2005 in relation to the Chagres Smelter's concern about waste management and the Integral Solid Waste Management Policy of the National Environmental Commission.

The recycling programme "Environmental Strivers for the Catemu District" was organised. This was developed to support the annual health plan of the districts in the community education area, and to reward environmental improvement and the performance of the self-management capacities of local groups by means of recycling.

The first phase of this pioneer programme in the Fifth Region was carried out in the year, which consisted of training 68 volunteers, mostly women, for two months to give them the necessary tools and knowledge to manage the district-generated waste on their own.



WASTE DEPOSIT
 ● RECYCLABLE
 ● INDUSTRIAL
 ● DOMESTIC

A competition was also organised in all the schools in the sector in an effort to give the project its own identity. This involved designing a logotype and slogan for the project. A ceremony was held to formalise these activities, and the winners were awarded prizes. These were two pupils from the Ñilhue School with the slogan “Catemu, así te quiero” (“Catemu, that’s how I want you”) and a letter of commitment was signed, in which the Chagres Smelter undertook the following commitment:

- To complete the training of volunteers from the rural and urban sectors of the district.
- To donate colour-coded waste cans located at the critical points identified by the volunteers.
- To deliver two manuals (the recycling technique manual, and the handbook of manual skill techniques with recycled materials), and a T-shirt with the issues of the projects for each one of the participants.
- 10-month participation in the technical committees of the projects, starting as of signing the letter of commitment.



Biodiversity

Anglo American shares the global concern about the depletion of non-renewable natural resources and the role played by the ecosystems. It therefore has a corporate strategy, whose essential commitment is to:

- Use natural resources (water, energy, land) efficiently.
- Protect and restore the ecosystems affected by its intervention.
- Draw up proactive biodiversity action plans.

Regarding this, a study was made in 2003 to implement projects to protect the biodiversity in all the divisions. Based on this study, Los Bronces and El Soldado are the divisions with the greatest wealth, as part of their lands are in areas the authority deems to be priority sites for biodiversity conservation.

For example, the El Soldado division has 8,000 hectares of own land. Of these, 930 hectares are occupied with areas of operation and it is estimated that half the remaining hectares, i.e., 3,500 hectares, are native forest. At El Soldado there are greater concentrations of the Northern Acorn (natural monument), and also Naranjillos (rare), Guaiacum (endangered) and Puya berteroniana (endangered). There are fewer Northern Lingue, Temo and the Puya chilensis (all in the endangered category). Regarding the fauna, there are species in the conservation category like the Culpeo, Chilla and Cururo foxes and the Lemniscata lizard. The condor and ringdove can be highlighted among the birds.

To protect this diversity of flora and fauna, the division has entered into a series of agreements and programmes: technical research of native forest reproduction and forestation plans undertaken by the Christa Mock School of Nogales, called the Tree Nursery Project of Difficult-to-Reproduce Species like the Naranjillo and the Guaiacum; maintenance of the agreement with the Foundation for the Recovery and Promotion of the Chilean Palm Tree for the “Northern Acorns for Future Generations” project, which consists of the research, conservation, protection and promotion of the environmental wealth of



the northern acorn; sustainable use plan for the El Soldado mine territory with the Universidad Mayor; a vegetative reproduction research project of the acorn with the Playa Ancha University; scientific research on the acorn with the Catholic University, which entails designing a transfer protocol, vegetative nursery stock and micro-nursery stock with genetic material of the species transferred and the research into the self-ecology of the species, among others.

The Los Bronces division has developed the Yerba Loca Nature Sanctuary Conservation project with the Borough Council of Lo Barnechea and the National Forestry Corporation (CONAF), whose aim is to undertake activities to increase knowledge about and contribute to the conservation of the biodiversity in this sanctuary. In 2005, birds held in captivity were released (see page 67), and contributions were made to the CONAF to reforest land with different species.



Conservation of the Andean Condor

Guacolda, Rayen and Ankatu are the names of the three Andean condors born and raised in captivity that were released in the Yerba Loca Nature Sanctuary of Lo Barnechea in January 2005 as part of the Condor Conservation and Release Programme, sponsored by the Los Bronces division.

This initiative enabled a further 15 condors to be released, which grew in captivity and then returned to their natural habitat in the Andes mountains. Besides being focused on raising and protecting the Andean condor, the programme is aimed at recovering and releasing other predator birds that live in this area like the eagle, the eaglet, the falcon and the chimango that have been hurt by hunters or for other reasons.

The programme includes the follow-up and control of the birds that were protected, recovered and reintegrated to their own natural habitats by means of a monitoring process. The objective in the future is to carry on with the reintegration process of condors and other birds from this sector to contribute to the protection of the biodiversity of this zone.

This activity is part of the Binational Andean Condor Conservation Programme, made up of the Union of Chilean Ornithologists (UNORCH), the Buenos Aires Zoo, the Temaikén Foundation, the Argentinean Bioandean Foundation, and Jornadas de Paz y Dignidad. It is also sponsored by the National Zoo of Chile, the National Forestry Corporation (CONAF), the Zoo Conservation Group (ZCOG) and the Borough Council of Lo Barnechea.

Biodiversity Meeting

The seminar called "Biodiversity and Mining" was held in July 2005, organised by the National Mining Board (SONAMI) and sponsored by Anglo American, which was attended by representatives from the academic world, leading mining companies on this issue, NGOs and the authorities.

In the opinion of the organisers, the event marked a milestone as it allowed different stakeholders to hold an open and transparent dialogue about their different and even opposing visions and perceptions of biodiversity protection.

The contribution made by mining to this issue, along with the quality and quantity of information there is and that has been generated from the commitment mining companies have to protecting and looking after the diversity was highlighted during the seminar.

Land Use and Closure Plans

The company manages around 64,000 hectares of land distributed over its five divisions. Of these, 9,000 hectares have been altered to various degrees by the mining extraction process, notwithstanding the classification of the land. Anglo American Chile is committed to minimising the disturbance caused by its operations. This commitment is also for contractors who must implement special methodologies on those construction sites located on land that has not been altered by prior mining activities.

Closure Plans

The main objective of the mine site closure plans is to prevent, minimise and/or control the risks and negative effects caused, or that continue, after the closure of a mine site's operations, to health, people's safety or to the environment.

Anglo American Chile has closure plan provisions for all its divisions. These were drawn up by a specialised external company and are reviewed every two years. This review is undertaken because the operations are flexible and hence the resources allocated to them are also changing over time.

The details of the closure plans are adapted as the mine site closure date approaches. Besides identifying the possible impacts caused by the operation, solutions are defined and their value quantified to provision the cost of the closure. The provisions that currently exist for the closure of Anglo American Chile's mine sites amount to US\$134 million.

Mantos Blancos is the division closest to ending operations, which will close down in 2009. This is why there is a greater level of progress with the planning details and development for the tasks involved in closing down its operation. Along with meeting commitments of civil works like removing process equipment, signposting the roads suitably and closing the risk areas, its closure plan envisages other types of variables that seek to minimise the social and environmental effects of the closure of the mine site like ongoing dialogue with the workers, the commitment to the community engagement plans and the restoration of the lands used.

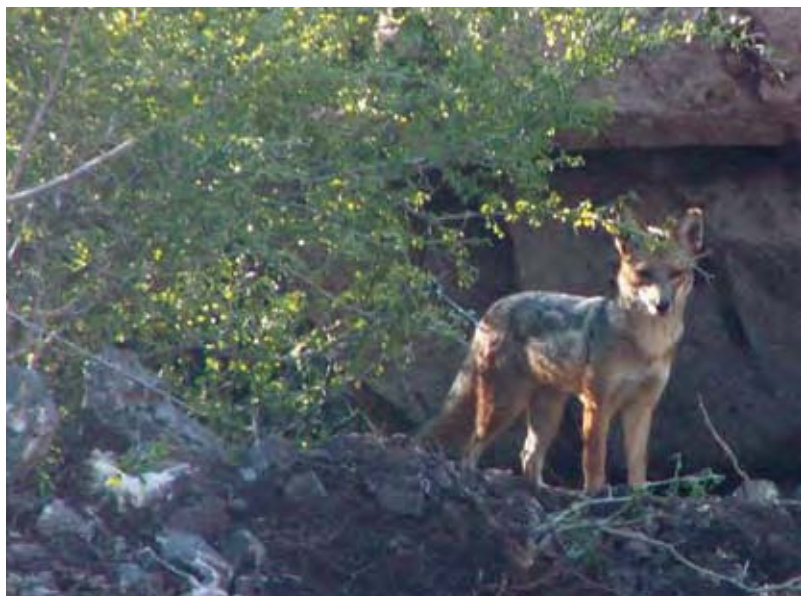
Re-pulping of the Pérez Caldera Dam at Los Bronces

Anglo American Chile made a commitment in 1989 to remove the material forming the Pérez Caldera dam of the Los Bronces division, thereby allaying the concerns of the related community of the more than 50-year presence of this tailings dam located at altitude in the Andes mountains near Santiago. The objective is to use this material in a new dam built near Colina (current Las Tórtolas dam). The removal envisages a re-pulping technique to retransform now dry tailings material into pulp that can be conveyed down a pipeline for its final disposal. The total cost of this re-pulping amounts to over US\$100 million. Such activities commenced in 1995 and are scheduled to be completed by 2019.

SCHEDULED CLOSURE YEAR BY DIVISION

Division	Last Year of Operation
Mantos Blancos	2009
Los Bronces	2044
El Soldado	2024
Mantoverde	2013
Chagres Smelter	2055

*These dates may be altered.



Environmental Incidents

The company classifies environmental incidents according to their impact and effect on the environment, considering the physical and biological environment, protected species, level of community disturbance, third-party health and property, cultural values and compliance with regulations.

Categories:

Level 1: Minor impact, short-term effects..

Level 2: Moderate impact, mid-term effects

Level 3: Material impact, long-term effects.

In 2005, the environmental incidents increased from 28 to 47 compared with 2004. This was due to the improvements made to detect environmental incidents. All the situations informed were level 1 and the number of these kinds of incidents is expected to increase as their systematisation is extended and enhanced.

One of the incidents reported in 2005 was the detection of levels of sulphate and copper exceeding the regulation in one of the water monitoring wells downstream of the Las Tórtolas dam forestation area of the Los Bronces division. This situation triggered an action plan to re-establish the underground water quality in the area.

N° of Environmental Incidents						
	Los Bronces	Mantos Blancos	El Soldado	Mantoverde	Chagres	Total
2005	6	2	14	16	9	47
2004	6	10	6	5	1	28
2003	7	15	6	11	3	42

Spills in 2005 (m³)							
	Los Bronces		Mantos Blancos		El Soldado		Mantoverde
	Nº	Volume	Nº	Volume	Nº	Volume	Nº Volume
Process water	2	1,461	-	-	2	3,240	- -
Acid/Solutions	1	50	3	6	-	-	12 0.36
Oil/Fuel	-	-	-	-	7	0.5	4 0.13
Slurry/Tailings	1	16	-	-	-	-	- -



Product Impacts

Copper's chemical symbol is Cu, its density is 8.94, and melting point is 1,083°C. It is a dull, red, shiny, malleable and ductile metallic element. It has very good electrical and thermal conductivity and is very resistant to atmospheric corrosion.

This ore is present in everything around us: in homes and places of study and work; in the means of transport; in modern technologies; artisanal goods and artworks. This is because, besides being a good electrical and thermal conductor (60% of the global production is focused on this function), copper has various benefits for human health, agriculture, communications and medicine.

For example, although the body does not produce copper, it is necessary for it to have copper to function properly as it fulfils such important tasks as preventing anaemia, osseous diseases, and also helps the foetus to develop and to stop cell damage.

Furthermore, copper alone contributes to conserving natural resources, minimising waste and reducing the use of energy. It is estimated that around 80% of all the copper ever extracted is still in use. Moreover, up to 40% of the annual worldwide demand for copper comes from recycling.

2,000 scientists attended the 2nd Copper Summit held in Cuernavaca, Mexico, in 2005. This congress presented important advances with the uses of this metal. The U.S. and Israeli armies are evaluating using socks made of copper to prevent "athlete's foot." A pilot scheme is also being carried out using cellulose fabrics impregnated with copper for sheets, curtains and the dress for hospital staff as it reduces attacks from viruses, bacteria and parasites.





Social Performance

Anglo American Chile's main community engagement initiatives concern education, culture and support of sustainable local businesses. The 2005 community engagement budget amounted to US\$1.3 million.

The Hallmark of Anglo American Chile

Anglo American Chile is perceived as a player that participates in the community by means of specific actions with advantages for the beneficiaries. Its main endeavours are focused on maximising labour opportunities for local manpower with the support

of appropriate training programmes, endorsement of training of workers and their families, development of permanent partnerships with various significant sectors of the community, and promotion of small community businesses, among others.

To fulfil this role, all the operations drawn up their own community engagement plans having a five-year budget. This is reviewed each year according to the company's results, the feedback of beneficiaries and the monitoring of the programmes undertaken. The budget for this was US\$1.3 million in 2005, 70% more than in 2004. These community engagement plans were reviewed in 2005 to include the results and concerns of the SEAT application process (see page 31). All the divisions complement this with ongoing dialogue with their stakeholders to improve their contributions. The company also had the support of Casa de la Paz in 2005 to design new indicators and include them to assess the effectiveness of each initiative or programme.

Community Engagement Plan Budget (US\$)		
2005	2004	2003
1,300,000	734,000	295,000

To complement the community engagement plans, an additional budget of US\$3 million was approved to create a rotating fund for sustainable social and economic undertakings and development in the influence areas of the five divisions.





Training for the future

Although there is a low unemployment rate in Chile, it is estimated that a fourth of youngsters who have completed their schooling do not manage to find work, mainly due to the lack of training and opportunities to demonstrate work experience. The Apprentice Programme is based on this, and it is an initiative extended to all the divisions as of 2005. It entails providing 12-month employment with training characteristics to 18-21-year-old youngsters from communities near the divisions, who have completed their secondary education at technical schools. The aim is to help them develop labour and personal skills and if possible for them to opt to be hired as grade A or B external or plant personnel.

The Apprentice Programme started 12 years ago at the Mantos Blancos division, and Mantoverde joined this initiative in 1997, then the Chagres Smelter in 2004, and El Soldado y Los Bronces in 2005. Last year, 122 youngsters benefited from this system of education.

In addition to this initiative, the company offers the possibility of participating in professional practice and thesis student programmes, with special places for workers' children and for students from universities in the areas where the company's operations are located.

Another transversal programme is the training courses using the National Training and Employment Department (SENCE) tax benefit for families and people from Lo Barnechea, Colina, Antofagasta, Baquedano, El Melón, Nogales, Chañaral, Diego de Almagro, El Salado and Catemu.

Lastly, each division holds special visit and contact programmes with authorities, governmental and non-governmental bodies and neighbours' organisations as a way of strengthening ties of trust with the people from the communities around the company's facilities.



Apprentice Programme			
Year	2005	2004	2003
Nº of males	115	60	46
Nº of females	7	19	8
Total apprentices	122	79	54
Amount involved (US\$)	245,571	160,484	109,698

Professional Practice Programme			
Year	2005	2004	2003
Nº of males	88	91	83
Nº of females	3	39	31
Total students	91	130	114
Amount involved (US\$)	72,223	101,446	92,649

Thesis Student Programme			
Year	2005	2004	2003
Nº of males	50	40	35
Nº of females	6	7	6
Nº of thesis students	56	47	41
Monto involucrado (US\$)	119,791	112,863	87,781

Catemu Agricultural Farm AMCHAM Prize-Winning Initiative

Bee honey and goat's cheese for sale on the roadside is a characteristic sight in many sectors of the Valparaíso Region. Catemu is no exception, and for decades the livelihood of hundreds of families has depended on this artisan production, although with no objective other than subsistence in precarious conditions.

The future of that poverty circle changed thanks to a project implemented by the Chagres Smelter as of November 2003, i.e., the Catemu Agricultural Farm, a centre for the transfer of self-sustainability techniques and skills for the small goat and bee honey producers in Catemu. This initiative embodies the spirit of the relationship of all Anglo American Chile's divisions with their neighbouring communities, i.e., to become a partner that contributes towards the self-improvement of the community members.

One of the most significant actions of this project was the assistance provided to small goat producers by means of a breeding plan, which included 40 male goats of the South African Boer race. They were crossbred to enhance the genetic quality of the local herd and thereby obtain a better production of milk and meat. A technical program was also implemented to improve the herdsmen's productive practices and produce quality goat's cheese. The result of this is that in two years the Catemu Agricultural Farm has trained around 300 people, of whom over 80% say this assistance has increased their income and quality of life.

Regarding bees, the objective was to enhance the genetic quality of the honeycombs and for qualified professionals to give training and technical assistance to improve the beekeepers' results. The project also considered delivering honeycombs to established producers, enhancement of the genetic quality, training on care and production, and technical assistance.

One of the greatest benefits obtained was an improvement in the sanitary aspect of beekeeping, as for the first time all the bees were treated for varroasis, thereby preventing the mortality that usually affects the area and generally kills 30% of the bees. This also improved the conditions to face the new season that started in December, potentially boosting the people's productivity by around 20%.

Both programmes were consolidated in 2005 with the creation of the Lomas de Catemu Agricultural Cooperative that designed the "Lomas de Catemu" brand and logotype to market the farm's products. Official production commenced in early October with the inauguration of the sales stall at kilometre 5 on the main road to the north.

In 2005, the Chagres Smelter division of Anglo American Chile was awarded the Good Business Citizen prize by the Chilean-North American Chamber of Commerce (AMCHAM) for the Catemu Agricultural Farm in recognition of the implementation of the best corporate social responsibility practices. The company received the award in a ceremony headed by the former First Lady Luisa Durán de Lagos.



Besides the programmes to further education and work training, each one of the divisions undertakes specific plans according to the needs of the communities surrounding them. Some of the most significant projects of each division are listed below.

Los Bronces Division: Bus Library

Education is one of the tools to break the poverty trap and aspire to a better standard of living. For this reason, the Los Bronces division actively participates in initiatives to further culture and education in the communities of Lo Barnechea and Colina.

In 2004, it helped to implement a bus library fully equipped for the children and youngsters of Lo Barnechea. This vehicle is adapted to contain reading material and information to take knowledge to the poorer community, who otherwise would never have access to these kinds of educational and entertaining texts. Due to the success of this initiative, the division decided to implement another bus library but this time to benefit the inhabitants of Colina. Los Bronces along with the Municipal Social Development Corporation of Colina made a commitment to deliver this vehicle in March 2006.

Additionally, Los Bronces supports various initiatives related to furthering education and improving the teaching methods, like the English training programme for teachers at the San José School of Lo Barnechea, support of the children's library through the Private Corporation of Colina, and courses to prevent alcoholism and drug addiction through the Borough Council of Lo Barnechea.



Mantos Blancos Division: DeLTA –UCN Project, looking ahead

In order to have better training tools for academically bright students in Antofagasta and Tocopilla, the DeLTA (Developing and Leading Academic Talent) – UCN (Catholic University of the North) programme started in 2004, which the latter university is in charge of with the support of the Mantos Blancos division, the Andes Foundation and the Borough Councils of both cities.

DeLTA – UCN is an extra-curricular academic programme complementing school education aimed at pupils from poor backgrounds from the sixth year of basic education to the last year of secondary education, who stand out due to their skills or talents and are also highly motivated to further their knowledge. The idea is to empower their skills and interests by designing a curriculum of the pupil's free choice in any of the educational areas (basic sciences, engineering and technology, personal and social development, natural sciences and social sciences).

These youngsters have the possibility of remaining in the programme until they finish their secondary education and may eventually pursue a university degree course in keeping with the curricular programme followed. In the first year of this project, there were 80 pupils of the sixth year of basic education and first year of secondary education. This figure increased to 160 pupils from 41 Borough Council schools in the Antofagasta and Mejillones areas in 2005. Similar numbers are expected to enter the project in the next few years.

Mantos Blancos is also implementing short-term initiatives like the Visual/Hearing Support Project for basic education pupils at the Baquedano Borough Council School. This entailed 100% of the pupils taking an ophthalmological and hearing exam, which is a medical diagnosis and gives solutions to possible problems detected, either by providing glasses or some other subsequent treatment.

www.ucn.cl/deltaucn/



El Soldado Division: Pupil transport to El Melón

Up to 2005, 120 children and youngsters from Collahue, Los Caleos and the Macal III neighbourhood used to walk around 10 kilometres a day to attend classes at the Felipe Cortés Secondary School, the Santa Isabel School and the Borough Council School in El Melón. This changed thanks to the Pupil Transport project supported by the El Soldado division, which involves hiring school vans in coordination with the social organisations of these three towns.

The objective is for these vehicles to pick the children up from their homes and take them to their respective schools. This initiative not only boosts the school attendance with the consequential increase in pupil performance but also improves the safety during the transport of the children and gives their parents peace of mind.

In addition, the division had initiatives with the Chilean Police, the special investigation department of El Melón and Nogales, the Fire Brigade of Nogales, the neighbours' committees of the surrounding districts, the Santa Isabel School, the Felipe Cortés Secondary School, Borough Council schools, the Las Rosas Foundation and the Nogales Old People's Home.

Mantoverde Division: For the development of the Atacama Region

Mantoverde received public recognition in 2005 by the Governor's Office of Chañaral for all the social and community support initiatives the division undertakes in the Region.

These include its participation in the Citizen Development Corporation of Chañaral, made up of representatives of government offices and private companies that want to boost the development of the province. To achieve their goals, they split up into three commissions: Social, Educational and Economic. Mantoverde participates in the latter and presented an initiative to the district's Borough Council in 2005 called the Port Project. This entails building a port terminal with a larger docking area and greater depth than the current one to encourage ships to enter Chañaral to transport different products from Argentina and Chile. This initiative was accepted with enthusiasm and will be disseminated at government level as a Country Project.

Mantoverde also plays an important role in the Corporation for the Development of the Atacama Region (CORPROA), which

is made up of businessmen and company representatives. Its objectives are to promote the mining cluster to consolidate the process in Atacama, boosting small and mid-sized local companies related to mining, and to support and carry out development strategies in the Atacama Region based on improving education, entrepreneurship and productivity so its inhabitants can raise their standard of living and work in a sustainable way.

The division has also promoted various courses for the workers' wives and neighbours in the area to give them the tools to improve their employability. These workshops included courses on hydroponic crops, typical regional and international cuisine, home electrical installations, and warehouse and packing assistant. Study scholarships were also awarded to outstanding pupils leaving the Borough Council secondary school system in Chañaral to give youngsters from poor backgrounds the possibility of pursuing higher education. Gastronomy Assistant Courses are held each year for students of the technical tourism course of the Federico Varela Secondary School of Chañaral.

Furthermore, the division collaborated with different local institutions like the Hogar de Cristo (Christ's Home), the Fire Brigades of the districts of Chañaral and El Salado, Agrupación de Atrapa Nieblas (Mist Capture Association), Maritime Stevedores, the Church, the Borough Council of Chañaral, CORESEMIN, Chile Solidario, the Police and special investigation department, and the National Environmental Commission (CONAMA) for the Clean Beach agreement.

(www.corproa.cl)



Chagres Smelter Division: The Open Door Concept

Based on the SEAT study, one of the main concerns expressed by the community in 2005 was the need to have more direct knowledge of the Chagres Smelter operations. For this reason, an Open Door programme was created, which involves informative meetings being held every weekend with guests from the community (authorities, other companies, neighbour and private bodies, among others). After these meetings, which present Anglo American Chile, its principles and the operation of the Smelter, there is a tour of the facilities. Over 1,500 people got to know the facilities and operations of the division in 2005.

Furthermore, the Chagres Smelter signed an agreement with the National Training Institute (INACAP) to develop the Professional Training Programme. This entails training secondary school youngsters from the Chagres Secondary School in trades to help them improve the agricultural potential of the valley.

Another significant initiative is the support the division has given to the voluntary work of its workers, who give prevention talks on the use of alcohol and drugs aimed at children and youngsters in the province of San Felipe. Around 1,500 people attended these workshops in 2005.

Social Forum

A work activity called the Social Forum was developed in 2005 to share experiences and boost Anglo American Chile's commitment to sustainable development. This two-day activity was led by Edward Bickham, the External Affairs and Community Development Executive Vice-President of Anglo American plc.

Over 50 managers from Brazil, Chile, Colombia, Peru and Venezuela from the copper, iron and industrial mineral business units took part, along with the AngloGold Ashanti exploration teams. Social leaders and important NGOs from Chile and Peru also attended.

Social Forum Issues:

- General vision of Anglo American's social strategy and emerging issues.
- Expectations and consent of society.
- What have we learnt so far from the SEAT implementation?
- Best social investment practices.
- Community engagement plans.
- Indigents and political and social activism.
- Extractive Industries Transparency Initiatives.
- The response to resolve Anglo American's social challenges.
- Voluntary safety and human rights principles.
- Development of local businesses.
- Mining and sustainable development (presentation by NGOs: Casa de la Paz of Chile and Cooperación of Peru).





Economic Performance

Anglo American Chile had record profits of US\$ 800 million in 2005. It also paid US\$ 243 million of taxes, with income tax accounting for US\$ 183.8 million and profit remittance taxes for US\$ 59.2 million.

Highlights of the Year

The company's economic performance in 2005 was characterised by the high copper price that reached an average of 161.7 US\$/lb, the increase in net income due to this record price, efforts to maintain the production levels and contain cost increases. Despite this, the total production of fine copper dropped by 2.6% on 2004. This was mainly due to the difficulties some deposits had, like the ore hardness and its declining grade.

All the divisions carried out various projects in this period to increase production, prolong the life of the deposits and optimise operations. The most significant projects included: the conceptual study to evaluate the development options of the Los Bronces division, the study of options to prolong the life of Mantos Blancos, whose closure is scheduled for December 2009 (see page 68), the progress with the extended pit at El Soldado, the in-housing of mining operations at Mantoverde, and the optimisation of the Chagres Smelter. For further information about the company's economic performance, please request the annual report.



2005 Results

Anglo American Chile had record profits of US\$ 800 million in 2005, 25.4% higher than the US\$ 638 million in 2004. Operating income amounted to US\$ 1,890 million, 29% up on 2004.

The company's average unit operating cost (C2) amounted to 73.2 US\$/lb in the period, i.e., 11.9 US\$/lb higher than in 2004. The rise in costs was mainly due to the price increase of the main supplies, to lower output, and the drop in the exchange rate. This situation could not be reverted despite the US\$ 66.5 million saving attained with continuous improvement initiatives and the higher credit from the increase in earnings from greater output and the higher molybdenum price.

Moreover, Anglo American Chile paid US\$ 243 million of taxes in 2005, with income tax accounting for US\$ 183.8 million and profit remittance taxes for US\$ 59.2 million. There were no environmental fines in 2005.

The company invested US\$ 123 million in operational projects in 2005, and the social development budget increased by 70% compared with 2004. In practice, this meant an increase from US\$ 700,000 invested in 2004 to US\$ 1.3 million in 2005. Anglo American Chile spent US\$ 10.4 million in the environmental area in the year compared with the US \$9.9 million in 2004. Moreover, it invested US\$ 20 million to make environmental enhancements of the Chagres Smelter operations (see page 63).

MAIN RESULTS		
	2005	2004
Sales (millions of US\$)	1,890.7	1,461.6
Total Tax (millions of US\$)	243	53.2
Net Income (millions of US\$)	800.2	638.4
Anglo American Chile's		
Fine Copper Production (tonnes)	443,460	455,375
Operating Cost (US\$/lb)	73.2	61.3
Investment (millions of US\$)	123	115
ROCE	75 %	46 %
Average Copper Price (US\$/lb)	167.1	130.1

*C2: Operating cost including exploitation, sales and administration, depreciation and amortisation cost.

Chile, a mining country

Mining is one of the main economic activities in the country and Chile is the leader of this industry worldwide. It is currently the top producer in the world of mine copper, molybdenum, natural nitrates, iodine and lithium. This productive sector had exports of US\$21,950 million in 2005, which accounted for 56% of the country's total exports and 14.7% of the Gross Domestic Product (GDP) measured at current prices.

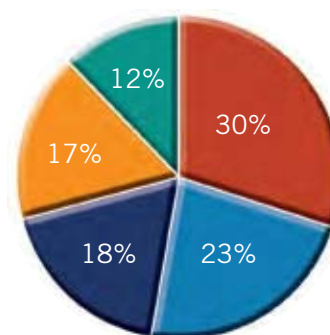
Mining has numerous impacts on the economy. To mention just a few examples, it offers the highest remunerations of all the economic activities in the country, has the lowest work accident rate index, accounts for a significant portion of the fiscal income and it is undertaken in geographical areas of the country where, in many cases, it is the only significant economic activity.

Chile currently produces 5,300,000 tonnes of copper a year, which accounts for 37% of the global production, and total output is expected to reach 6,300,000 by 2010. Chile at present has 39% of the known reserves worldwide amounting to 88 million tonnes and 23% of those of molybdenum, a copper by-product.

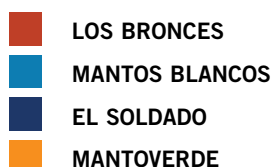
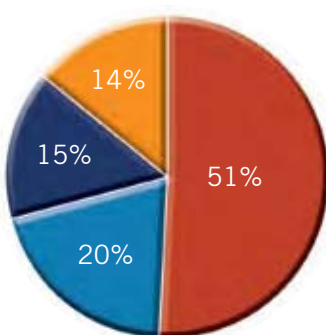
2005 was a record year for the industry as the average copper price was 167.1 cents of a U.S. dollar per pound of copper (US\$/lb) with a peak of 210.9 US\$/lb in December, a record price in the history of copper mining since 1966.

Source: the National Mining Board (SONAMI).

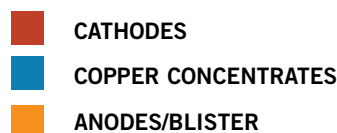
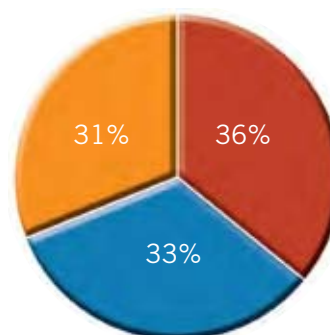
MAIN COPPER MARKETS



ANGLO AMERICAN CHILE'S FINE COPPER PRODUCTION (Excluding Collahuasi's production)



ANGLO AMERICAN CHILE'S SALES (Fine copper by type of product)



Around 85% of the copper produced by Anglo American is smelted in Chile and leaves the country as metallic copper. Only the remaining 15% is shipped as concentrate.

Targets and Commitments

En 2005 Anglo American Chile definió sus objetivos para el año 2005. En la siguiente tabla es posible ver el nivel de cumplimiento en los aspectos considerados en el reporte anterior, así como los compromisos para el año 2006.

Issue		2005 Target	
Safety			
	Zero fatal accidents		✓
	Zero lost-time accidents		✗
	90% and beyond compliance with the Golden Rules		✓
	95% compliance with the Visible Leadership Programme, including contractors.		✓
	Adoption of the Behaviour-Based Safety Programme for all employees.		▶
	To attain the OHSAS 18000 certification at Los Bronces, El Soldado and Chagres.		✓
Occupational Health			
	To undertake a study of work positions based on the Fitness for Work Programme.		✓
	Full compliance with the Anglo American plc guidelines on occupational health and industrial hygiene, including contractors.		✓
Environment			
Certificaciones	Maintain the ISO 14001 certification in all the divisions.		✓
Tailings dam infiltrations	To carry out the plans to continue decreasing the tailings dam infiltrations.		✓
Alternatives/productive use for tailings water	Develop the Las Tórtolas pilot project for the agricultural use of tailings water.		✗
Process water discharges complying with Supreme Decree 90.	To implement water recirculation systems at Los Bronces, El Soldado and Chagres, to dispose of discharges pursuant to Supreme Decree 90.		▶
Industrial waste management	To attain full compliance with the plans approved. Review the waste management procedures to comply with the regulation for new hazardous waste.		▶
Land use	To define the area to be protected for conservation of the biodiversity at El Soldado.		✗
	Forestation of 15.5 hectares with native species.		▶
Atmospheric emissions at Chagres	To implement the enhancements envisaged in the Optimisation Project.		▶
Consumo de energía	To maintain endeavours to decrease the energy consumption by 10% in 5 years. To develop specific plans.		▶
Water consumption	To maintain endeavours to decrease the water consumption by 10% in 5 years. To complete the recirculation project.		▶
Implementation of key biodiversity action plans	To reproduce a further 20,000 acorns from seeds.		✓
	Implementation of the Yerba Loca project at Los Bronces.		✓
Plant Closure	To reclaim the emergency ponds of the El Soldado concentrator.		✓
	Detailed Mantos Blancos closure plan		▶
Social Development			
Community Engagement Plans	Update the plans based on the SEAT results.		✓

Target achieved: ✓ Processes being developed: ► Target not achieved: ✕

Actions carried out in 2005	2006 Target
The accident rate dropped from 0.65 to 0.40 in 2005.	To maintain zero fatal accidents. Zero lost-time accidents.
Programme reinforced by safety training undertaken by DuPont.	Implementation of the Golden Rules audit plans.
Large progress at the Mantos Blancos division and maintenance at Los Bronces, El Soldado and Chagres Smelter divisions.	Implement initiatives/close up the gaps detected in the DuPont diagnostics.
	To complete implementation at Mantoverde. Reinforcement at other divisions.
	To maintain ISO 14000 and OHSAS 18000 integrated certifications in all the divisions.
	To implement a standards and conditions alignment programme for contractor personnel.
El Soldado division and Chagres Smelter joined the Los Bronces division.	Implementation at the Mantos Blancos and Mantoverde divisions.
Compliance of around 100%.	To ensure contractor compliance with Anglo American's occupational health and industrial hygiene guidelines.
	To maintain ISO 14000 and OHSAS 18000 integrated certifications in all the divisions.
Positive progress with deep, new, large-sized wells at Las Tórtolas.	To continue improving the control of the Las Tórtolas and El Torito tailings dams.
The pilot project development was delayed.	To develop a pilot project study at Las Tórtolas for the agricultural use of tailings water.
The system has been implemented at Los Bronces and is under process at El Soldado and Chagres.	Improvements must be submitted to and approved by the authorities before September 2006.
The five divisions' plans were submitted to the authority. The approval of some of them is pending.	Approval of industrial waste management plans.
It was delayed until 2006.	To define the area to be protected for conservation of the biodiversity at El Soldado.
There are currently 12.5 hectares forested at El Soldado. There are 3 hectares pending that will be recovered together with the hectares established for 2006.	The forestation of 7.8 hectares plus the 3 hectares pending from 2005 are equivalent to a total of 10.3 hectares recovered in 2006.
Initiatives to decrease emissions at Chagres are being implemented. The main investment was made in October 2005.	To complete implementation of the optimisation project.
The Rational Use of Energy Programme was designed to achieve the company's energy target.	Identify/create new energy reduction initiatives.
The Rational Use of Water Programme was designed to achieve the company's target.	Identify/create new initiatives to reduce water consumption.
The original project envisages the annual reproduction of 20,000 acorn species. After two years, a total of 50,000 have been reproduced.	To reproduce 20,000 acorns from seeds.
Second stage of the Condor project and study of high Andean wetlands.	To undertake another project at Yerba Loca.
Area recovered and undergoing recovery process.	To carry out studies/research at the old dams for recovery using autochthonous flora.
Progress has been made with the conceptual engineering development of the closure plans.	To complete the next detailed stage of the Mantos Blancos closure plan.
	Consolidation/implementation of the 2006 Community Engagement Plans.
	To implement the "Open Door" concept in all the divisions.
	To publish the second Sustainable Development Report.



Appendix

Legal System and Ownership

Minera Sur Andes Limitada, former Compañía Minera Disputada de Las Condes Ltda., was established as a stock company by means of a public deed issued by the Santiago Notary of Mr. Eulogio Altamirano, on September 6, 1916. The folio of its excerpt was registered on sheet 793 N°406 of the Santiago Commerce Registry of the Real Estate Registrar the same year. Its current and only partners are Inversiones Anglo American Sur Limitada with 99.9% of the capital stock, and Anglo American Sur S.A. with the remaining 0.1%, and both are subsidiaries of Anglo American plc. Empresa Minera de Mantos Blancos S.A. was established as a stock company by means of a public deed issued by the Santiago Notary of Mr. Jaime García Palazuelos, on October 19, 1955, and the excerpt of its folio was registered on sheet 6.101 N°3.598 of the Santiago Commerce Registry the same year. Its capital stock is divided into 157,847,925 registered non-par value shares and of a single series, of which approximately 99.98% belong to Anglo American plc's subsidiary companies called Inversiones Anglo American Norte Limitada, Minorco Inversud S.A., and Inversiones Minorco Chile S.A. To leverage the synergies arising from the work of two copper-producing companies with similar products, and especially with human resources that could work in either company, it was decided to form Anglo American Chile Limitada pursuant to a public deed, dated March 14, 2003, issued by the Santiago Notary of Mr. Andrés Rubio Flores, whose folio excerpt was registered on sheet 7.114 N°5.596 of the Santiago Commerce Registry in the same year.

Subsidiaries, Affiliates and Related Companies

Empresa Minera de Mantos Blancos S.A. has a stake in the following companies:

- a) Minera Anglo American Chile Limitada, engaged in mine exploration and exploitation, the purchase and sale of mining claims. 57.22% stake of the capital stock.
- b) Minera Santa Rosa SCM, engaged in the exploration, development and exploitation of mining claims. 25.12% stake of the capital stock.
- c) Anglo American Chile Limitada, engaged in providing management, planning and consultancy services in various areas. 30% stake of the capital stock.
- d) Compañía Minera Anglo Cominco Limitada, engaged in mine exploration and exploitation. Mantos Blancos participates in this company indirectly through its stake in Minera Anglo American Chile Limitada. The latter company owns 50% of the capital stock of Compañía Minera Anglo Cominco Limitada. Minera Sur Andes Limitada has a stake in Anglo American Chile Limitada, engaged in providing management, planning and consultancy services. 70% stake of the capital stock.

Corporate Governance of Related Companies

Empresa Minera de Mantos Blancos S.A. has a board made up of three incumbent directors and three alternate directors. There is also a General Manager appointed by the company board, and John Dyer Hopwood holds this position.

Incumbent Directors	Alternate Directors
Pieter Louw	Felipe Purcell
John Dyer	Gastón Véliz
Eduardo Muñoz	Lorenzo Menéndez

Minera Sur Andes Limitada has a board made up of 5 incumbent directors and 5 alternate directors.

Incumbent Directors	Alternate Directors
Pieter Louw	Alejandro Mena
Miguel Angel Duran	Lorenzo Menéndez
John Dyer	Claus Bungler
Felipe Purcell	Gustavo Tapia
Robert Cunningham	Ignacio Quiñones

Global Reporting Initiative Index

Vision and Strategy		
GRI Indicator	Report Section	Page N°
1.1. Organisation vision and strategy	In a message from the CEO	4
1.2. Organisation vision and strategy	Message from the CEO	4

Profile		
GRI Indicator	Report Section	Page N°
2.1. Name of the organisation	Anglo American Chile	9
2.2. Major products and/or services	Highlights of the Year	80 – 81
2.3. Operational structure of the organisation	Operational overview	10 - 11
2.4. Description of major divisions, operating companies, affiliates, and joint ventures.	Operational structure Appendix	14 85
2.5. Countries in which the organisation's operations are located	Anglo American plc	8
2.6. Legal form	Appendix	85
2.7. Nature of markets served	Highlights of the Year	80 – 81
2.8. Organisation Size	Anglo American Chile	9
2.9. List of stakeholders	Relationship with stakeholders	26
2.10. Contact person(s) for related issues	Contact us	6
2.11. Reporting period	Scope	6
2.12. Date of most recent previous report	Scope	6
2.13. Report coverage	Scope	6
2.14. Significant changes to the organisation	N/A	
2.15. Basis for reporting annual reports of affiliates	N/A	
2.16. Explanation of changes in relation to earlier periods	The calculation basis was modified and the energy consumption and CO2 indicators of previous years were re-calculated	
2.17. Decisions not to apply GRI principles	N/A	
2.18. Criteria and definitions used	Throughout the report	
2.19. Significant changes to methods	N/A	
2.20. Policies and internal practices about the accuracy, completeness, and reliability of the information	Scope	6
2.21. Policies and current practices with regard to providing independent assurance	Scope	6

Governance Structure and Management Systems		
GRI Indicator	Report Section	Page N°
3.1. Governance Structure	Corporate Governance	12
3.2. Independent non-executive directors	Corporate Governance	12
3.3. Process for determining the directors' expertise	N/A	
3.4. Processes for overseeing the organisation's identification and management of economic, environmental, and social risks and opportunities.	Strategic Indicator	
3.5. Linkage between direct remuneration and achievement of the organisation's financial and non-financial goals	Strategic Indicator	
3.6. Organisational structure	Organisational structure	14
3.7. Mission and statements of values, principles, codes of conduct and policies relevant to economic, environmental, and social performance.	Management Policy Chapter	15-22
3.8. Mechanisms for shareholders to provide their recommendations to the board of directors	N/A	
3.9. Process for identification of major stakeholders.	Relationship with stakeholders	25
3.10. Consultation methods to interested parties	SEAT Chapter	31-40
3.11. Type of information generated by stakeholder consultations.	SEAT Chapter	31-40
3.12. Use of information resulting from engagements with stakeholders.	SEAT Chapter	31-40
3.13. Explanation of how the precautionary approach is addressed	There is no indicator	
3.14. Commitments, sets of principles, or other voluntary economic, social or environmental initiatives developed outside the organisation	International Agreements	27
	Voluntary National Agreements	30
3.15. Memberships of industry and business associations	Membership	30
3.16. Policies and/or systems for managing impacts caused by previous and subsequent processes to those of the organisation.	There is no indicator	
3.17. Organisation's approach to managing indirect economic, environmental, and social impacts resulting from its activities.	Environmental Performance Chapter	57-70
	Social Performance Chapter	71-78
	Economic Performance Chapter	79-81
3.18. Major decisions during the reporting period regarding the location of, or changes in, operations	N/A	
3.19. Programmes and procedures related to economic, environmental, and social performance.	Environmental Performance Chapter	57-70
	Social Performance Chapter	71-78
	Economic Performance Chapter	79-81
3.20. Status of certification of economic, environmental, and social management systems.	Management Policy Chapter	19-20

Economic Performance		
GRI Indicator	Report Section	Page N°
EC1. Net sales	Highlights of the Year	80-81
EC2. Geographical breakdown of markets for each product	Highlights of the Year	80-81
EC3. Cost of all goods, materials and services purchased and of all services contracted	There is no indicator	
EC4. Percentage of contracts paid in accordance with agreed terms	There is no indicator	
EC5. Total payroll	Strategic indicator	
EC6. Distributions to providers of capital broken down by interest on debt and borrowings	There is no indicator	
EC7. Increase in retained earnings at end of period.	Highlights of the Year	80-81
EC8. Total sum of taxes of all types paid	Highlights of the Year	80-81
EC9. Subsidies received.	N/A	
EC10. Donations to community broken down in terms of cash and per type of group.	There is no indicator	80-81
MM1. Identify those places where the economic contribution is specially important for the stakeholders, and policies related to the evaluation of these contributions	SEAT Chapter	31-40

Environmental Performance		
GRI Indicator	Report Section	Page N°
EN1. Total consumption of raw materials	Raw materials	58
EN2. Percentage of raw materials used that are waste	Raw materials	58
EN3. Direct energy consumption by primary sources	Energy programme	58-59
EN4. Indirect energy consumption	Energy programme	58-59
EN5. Total water consumption	Water	60
EN6. Location and extension of company-owned land with habitats rich in biodiversity	Biodiversity	66
EN23. Total amount of land or property allocated to production or extractive activities.	Biodiversity	66-67
EN25. Impacts of activities and operations on protected and sensitive areas	Biodiversity	66-67
EN26. Changes to natural habitats resulting from activities and operations, and percentage of protected or restored habitats.	Biodiversity	66-67
EN27. Objectives, programmes, and targets for protecting and restoring native ecosystems and species in degraded areas.	Biodiversity Goals and commitments	66-67 82-83
EN8. Greenhouse gas emissions with greenhouse effect.	Energy programme Significant emissions	58-59 62

EN9.	Use and emissions of ozone-depleting substances.	Energy programme	58-59
		Significant emissions	62
EN10.	NOx, SOx, and other significant air emissions by type.	Energy programme	58-59
		Significant emissions	62
EN11.	Total amount of waste by type.	Waste management	64-65
EN12.	Significant discharges to water (by amount or impact).	Water	60
EN13.	Spills of chemicals, oils, and fuels.	Water	60
EN31.	Any production, transport, import or export of hazardous waste.	Waste management	64-65
EN14.	Significant environmental impact of the main products.	Product Impacts	70
EN15.	Percentage of the weight of products sold that may be recovered at the end of the products' useful life.	Product Impacts	70
EN16.	Incidents of and fines for non-compliance with agreements, treaties, declarations.	2005 Results	80
EN35.	Total environmental expenditures.	2005 Results	80

Social Performance			
GRI Indicator		Report Section	Page N°
LA1.	Breakdown of workforce, by region/type of employment/contract modality/contractors.	Organisational management	43-44
LA2.	Net employment creation and average turnover.	There is no indicator	
LA3.	Percentage of employees represented by trade union organisations.	Labour relations	48
LA4.	Policy and procedures involving information, consultation, and negotiation with employees.	Labour relations	48
LA5.	Methods on recording and notification of work accidents and professional diseases.	Accident log	55
LA6.	Description of joint health and safety commissions comprising management and trade unions.	Risk control	55
LA7.	Rates of absenteeism, accidents, labour damage, lost days, and number of fatalities.	Zero accident vision	53
LA8.	Description of policies or programmes on HIV/AIDS.	Safety, Health and Environmental Stewardship	21
LA9.	Average hours of training per year per employee by category of employee (executives, operators, technicians).	There is no indicator	
LA10.	Description of equal opportunity policies or programmes, and review systems.	Good Corporate Citizenship: employment and labour rights	49
LA11.	Composition of senior management and corporate governance bodies, including female/male ratio and other indicators of diversity.	Diversity and opportunity	50
HR1.	Policies, guidelines and corporate structure to deal with human rights.	Good Corporate Citizen: corporate citizenship	18

HR2.	Evidence of consideration of human rights in the company's strategy.	Good Corporate Citizen: corporate citizenship	18
HR3.	Policies and procedures to evaluate human rights performance within the supply chain and contractors.	N/A	
HR4.	Global policy and programmes to prevent discrimination.	Diversity and opportunity	50
HR5.	Analysis of freedom of association policy and the extent to which this policy is applied.	Labour Relations	48-49
HR6.	Statement on the policy to exclude child labour.	Good Corporate Citizenship: employment and labour rights	49
HR7.	Statement on the policy to prevent forced and compulsory work.	Good Corporate Citizenship: employment and labour rights	49
SO1.	Description of policies to manage impacts on communities in areas affected by activities.	SEAT Chapter	31-40
SO2.	Description of the policy and management systems/compliance procedures addressing bribery and corruption.	Good Corporate Citizenship: business ethics and integrity	44
SO3.	Description of management systems/ policy, compliance procedures for managing contributions and political lobbying.	N/A	
SO5.	Amount of money donated to institutions or political parties for financing campaigns.	N/A	
SO7.	Description of policy and management systems for preventing anti-competitive behaviour.	Good Corporate Citizenship: business ethics and integrity	44
PR1.	Description of policy on customer health and safety during the use of the product.	N/A	
PR2.	Description of policy and management systems focused on labelling and information about the product.	N/A	
PR3.	Description of policy and management systems addressing customer privacy	N/A	
MM7.	Describe significant incidents that have affected the community and define mechanisms to solve them	The community speaks	36-40
MM10.	Number or percentage of operations with closure plans covering social, environmental and economic aspects. Describe the company's policies, the commitment processes with stakeholders, the review frequency of the plans and the financing type of closure provisions.	Land use and closure plans	68
MM13.	Number of fatalities due to work. Describe the programmes to prevent them	Risk control	55

We are interested in your opinion

To improve next year's report, we would like to know your opinion and therefore ask you to complete this questionnaire.

1. What interest group do you belong to

- | | |
|---------------------------------------|--|
| <input type="checkbox"/> Shareholders | <input type="checkbox"/> Suppliers and Contractors |
| <input type="checkbox"/> Customers | <input type="checkbox"/> Authorities |
| <input type="checkbox"/> Workers | <input type="checkbox"/> Community in general |

2. What is your opinion about the 2005 Sustainable Development Report?

2.1. Generally speaking:

- ☐ The information is provided comprehensibly and with an orderly structure.
- ☐ The information is provided comprehensibly but disorderly.
- ☐ The information is not provided very comprehensibly but is orderly.
- ☐ The information is not provided very comprehensibly and is disorderly.

2.2. Concerning the content:

- ☐ I consider it provides all the information I need.
- ☐ I consider the information provided is not what I need.
- ☐ I consider the information is provided impartially.
- ☐ I consider the information provided is partial.

3. If you consider the information provided is not what you need, help us to improve our next report by telling us what kind of information you would like to see in our report.

4. Comments or suggestions

Please send to Pedro de Valdivia 291, Providencia
CP 750-0524

Thank you very much for your time



Anglo American Chile

Av. Pedro de Valdivia 291
CP 750-0524
Providencia, Santiago
Teléfono (56-2) 230 6000
Fax (56-2) 230 6551

