

#### REPORT APPLICATION LEVELS

		C	C+	В	B+	Α	<b>A</b> +
Mandatory	Self Declared		ssured		ssured	GRI REPORT	ssured
Optional	Third Party Checked		Externally A		Externally A		 
Opt	GRI Checked		Report		Report		Report

Year's Results

## Fine copper production 638,792 tonnes

### Tax US\$736 million

Net Income US\$1.622 billion



### Anglo American Chile

please contact:

Marcelo Esquivel External Affairs Manager maesquivel@anglochile.cl

In seeking to mitigate the possible impacts of this process on the environment, this Sustainable Development and Financial Statements Report 2008 was printed on paper made from 100% chemical paste and free of chlorine and acid, and used vegetable-based dye in the printing process.

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# Operations in Chile

Anglo American operates sustainably in Chile by means of five divisions, plus its 44% interest in Collahuasi.













**Los Bronces** The Los Bronces Division is located in the Andes mountains, 3,500 metres above sea level and 65 kilometres from Santiago in the Metropolitan region (Chile's central zone).

Los Bronces is an open-pit copper mine containing molybdenum. It has a grinding plant to treat sulphide ore and two electro-winning plants for the low-grade ore heap leaching process, and produces copper cathodes from electro-winning.

The ore is transported from the mountains down a 56-kilometre ore slurry pipeline to Las Tórtolas with an elevation difference of 2,604 metres. The Las Tórtolas concentrator plant and the tailings dam are located in Colina, where the flotation process is undertaken to obtain copper and molybdenum concentrates.

Los Bronces	2008	2007	2006
Total Copper Production (tonnes)	235,792	231,216	226,020
Copper Concentrate (tonnes)	190,012	182,894	183,487
Copper Cathodes (tonnes)	43,679	46,420	42,533
Molybdenum Production (tonnes)	2,578	2,582	2,549
C1 Direct Cost (USc/lb)*	67.2	57.7	56.1

**Mantos Blancos** The Mantos Blancos Division is 800 metres above sea level in the Antofagasta Region, 45 kilometres northeast of the regional capital.

It is an open-pit mine with crushing plants, solvent extraction and electro-winning to treat oxide ores. It also has a sulphide ore treatment plant.

Mantos Blancos	2008	2007	2006
Total Copper Production (tonnes)	87,734	90,630	91,746
Copper Concentrate (tonnes)	46,820	40,165	42,607
Copper Cathodes (tonnes)	40,914	50,464	49,138
C1 Direct Cost (USc/lb)*	153.4	121.7	109.3

**El Soldado** The El Soldado Division is located in the coastal mountains, 600 metres above sea level in the district of Nogales, Valparaíso Region.

It consists of an open-pit mine, an underground mine, and oxide and sulphide ore treatment plants.

El Soldado	2008	2007	2006
Total Copper Production (tonnes)	49,791	72,768	68,697
Copper Concentrate (tonnes)	43,071	65,297	62,200
Copper Cathodes (tonnes)	6,720	7,471	6,497
C1 Direct Cost (USc/lb)*	173.1	108.2	113.1

**Mantoverde** The Mantoverde Division is located 900 metres above sea level in the Atacama Region, 56 kilometres from the port of Chañaral.

It consists of an open-pit copper mine, a crushing plant, a mechanised ore conveyance and stockpiling system, heap leaching, and a solvent extraction and electro-winning process to process oxide ores.

Mantoverde	2008	2007	2006
Copper Cathode Production (tonnes)	62,501	61,001	60,322
C1 Direct Cost (USc/lb)*	138.6	91.9	79.9

**Chagres** The Chagres Division is located in the district of Catemu in the Valparaíso Region V, 100 kilometres north of Santiago.

It smelts the copper concentrates produced at El Soldado and Los Bronces to obtain anodes/blister and sulphuric acid.

Its productive process, based on copper concentrate fusion, is undertaken by means of a state-of-the-art technological process (flash furnace) with low emissions, which makes Chagres a leading smelter in environmental terms in Chile.

Chagres	2008	2007	2006
Copper production (tonnes)	146,144	164,107	173,413
Acid production (tonnes)	486,616	493,382	499,243
C1 Direct Cost (USc/lb)*	1.1	15.4	12.4

**Collahuasi** Doña Inés de Collahuasi is located in the Tarapacá Region I, 185 kilometres southeast of the city of Iquique at an average altitude of 4,400 metres above sea level. The company produces and markets copper concentrate, copper cathodes and molybdenum concentrate. Anglo American has a 44% interest in Collahuasi.

Minera Collahuasi**	2008	2007	2006
Fine Copper Producction (tonnes)	204,317	198,899	193,609
Molybdenum Production (tonnes)	1,087	1,777	1,479
C1 Direct Cost (USc/lb)*	101.6	71.3	80.8

<sup>\*</sup> C1 Cost: mine cost, plant cost, overheads, smelting, refining and freight cost (in US cents per pound).

<sup>\*\*</sup> Accounts for 44% of the production that is attributable to Anglo American.

### Statement by the Chief Executive

# New challenges

"The new expense and cost contention requirements will not be attained at the expense of the environment, safety of our employees or communities where we operate."

The global financial crisis since the last quarter of 2008 sets us large new challenges as a country, mining industry, and company in particular.

There has never been such a fast drop in the copper price as that seen in late 2008. That unexpected and unforeseeable situation radically changed our company's priorities. We shifted from a scenario in which we had to maximise production and be more efficient with market arrival to one in which the key factor is to reduce costs and take care of the financial resources available in a world where it is no longer easy to secure external financing.

Nevertheless, this change does not nor should not alter the focus on the sustainability of our business. The new expense and cost contention requirements will not be attained at the expense of the environment, the safety of our employees or the communities where we operate. Our commitment is to carry on working very hard so our mining business continues to be a good business for those who invest and risk their capital in our company, is the best place to work, is a business that provides benefits to the country and the communities around our operations, and a business that respects the environment. We will thereby fulfil our ambition of being the investment, partner and employer of choice.

### **Safety**

The safety of employees is a core value for Anglo American, which is why we make large endeavours and allocate extensive human and financial resources to develop policies, standards and action plans to achieve the goal of zero accidents.

Although we have made progress with reducing accidents and we are the leaders in Chile, we have still not attained our goal, which compels us to carry on reinforcing what we are doing and to study new ways of making operations safer. A new world class training programme has been designed and is being implemented at our operations. We hope to reap the benefits of this in the short term.

We deeply regret the accident at the El Soldado Division leading to the death of Patricio Arancibia, a mine truck operator with more than 11 years in the company. We hope to prevent further accidents such as this from occurring with the measures we are adopting and the personal commitment of each of our employees.

### **One Anglo**

One unified company with the same standards and values that aims to be the leading global mining company. That is the aim of the One Anglo strategy, which continued to be rolled out by our company in 2008 with the objective of harnessing the value of being a global organisation with a wide set of knowledge and skills.

A key part of this strategy is embracing a set of six values common to the whole organisation that will distinguish us worldwide for the way we do things. Such values are: safety; care and respect; integrity; accountability; collaboration; and innovation. We have been working on disseminating these values and will continue to do so in the forthcoming months so all our employees know and live them in their daily work.

One Anglo also means being a much more integrated company, which provides possibilities of developing an international career. Hence, Chilean professionals are now lending their knowledge and experience to different projects and operations of Anglo American in North America, Brazil, Africa and Europe. In Chile we are benefitting from receiving professionals and executives from other countries who provide us with their knowledge, experience and cultural diversity.

### Social development

Our objective is for the communities around our operations to receive a part of the benefits generated by mining. We therefore aim to enhance their standard of living in a sustainable way, and with that objective in mind each one of our operations has community engagement programmes to such effect. To improve those programmes and draw up new initiatives, in 2008 we carried out our second social assessment using the Socio-Economic Assessment Toolbox (SEAT) methodology designed by Anglo American, which is applied at all our operations worldwide. Based on this assessment, we have adjusted our community plans to meet the needs and concerns of our neighbours.

With that same objective, we continued to make progress with our Emerge Programme, which supports small and medium-sized entrepreneurs in the communities around our operations. We are already supporting over 2,700 entrepreneurs and hope to reach 7,000 by late 2010 with a positive impact on nearly 30,000 people, including the families of the direct beneficiaries. This Programme received the Good Corporate Citizenship Award from the Chilean-North American Chamber of Commerce (AMCHAM) in 2008, in addition to the Bicentenary Seal it was awarded by the Government of Chile in 2007.

In the educational area, we decided to join the Enseña Chile project, which is an initiative focused on improving education in high-risk schools and colleges in Chile. We have high expectations that this programme will make a contribution to solving the urgent problem of the quality of education in Chile. We will report on the results in 2010.

Outlook

2009 is forecast to be tough and very demanding due to the current economic situation we are facing. In this scenario, we must give priority to measures that enable us to carry on being competitive and maintain a profitable business for our shareholders. That is the only way we can assure the sustainability of the company. The challenge is to continue to do things with excellence and at the same time use fewer resources and be more efficient.

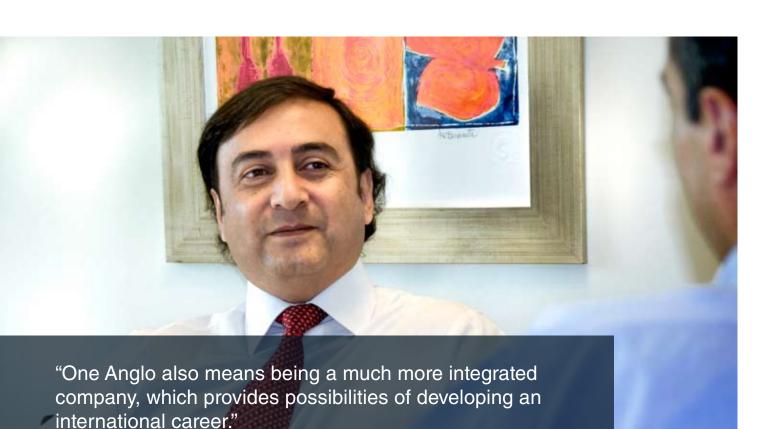
We aim to be the best mining company in Chile and in 2009 we will continue to make efforts to achieve this goal.

This fifth annual Sustainable Development Report provides all the information we deem necessary so company stakeholders can fully understand our economic, social and environmental performance and the positive and negative impacts we generate.

As in previous years, we have drawn up this report based on the guidelines of the Global Reporting Initiative and we have used different sources of information and mechanisms to detect those issues of interest to our stakeholders.

Please review it carefully and send us your comments, which will be very useful to enhance our reporting process and rectify our management or information, wherever necessary.

> Miguel Ángel Durán Chief Executive



## Scope



Anglo American Chile is part of the Base Metals Division of Anglo American plc. As part of the group, we abide by a series of regulations and principles that guide our environmental, economic, ethical and social activities. We adhere to the principles of the International Council on Mining and Metals (ICMM)<sup>1</sup>, to the United Nations Global Compact<sup>2</sup>, to the Extractive Industries Transparency Initiative (EITI)<sup>3</sup> and the Voluntary Principles on Security and Human Rights<sup>4</sup>, among others. Moreover, ever since the first Sustainable Development Report released in 2004, we have committed to drawing up reports in accordance with the guidelines of the Global Reporting Initiative (GRI)<sup>5</sup>, which Anglo American plc Chairman Sir Mark Moody-Stuart was a Director of up to 2007.

For the fifth year running, we have therefore drawn up our Sustainable Development Report, which reports on the economic, environmental and social performance from January 1 to December 31, 2008. Just as last year, we have merged the financial results with the sustainable development indicators into one single document.

We also used the G3 quidelines and Mining and Metals Supplement of the GRI. We considered compliance with the ICMM principles and, although we adhered to the Global Compact principles, we did not present this report as Communication on Progress (COP), as Anglo American plc does this in its own consolidated report, which includes the performance of all its operations. To such effect, we have rated our report as Level A like that of last year. The difference is that this year we strived to focus issues better from the standpoint of the content definition process.

#### **Content definition**

To define the content, we hired an expert consultant on the implementation of the GRI, who guided us on the information materiality process. The first task was to review the indicators that are significant for the company. This was carried out by the Vice-President of Marketing and Corporate Affairs, the Vice-President of Human Resources, the Environmental Manager, the Safety and Occupational Health Manager, the External Affairs Manager, the Anglo American Foundation Manager and the Procurement and Contracts Manager. The entire process was endorsed by the company CEO.

A benchmark was then made of the industry, which analysed the main issues addressed by four of the most important mining companies with operations in Chile and overseas.

A third stage was to find out external insight. The SEAT II process was reviewed for this, which identified the most significant issues for the communities around operations as part of the second application of this tool. Press articles in the year were reviewed to establish the main issues addressed by the media on mining, and the comments on improvement made by the judges and jury of the Best Sustainable Development Report Competition 2008 were considered, and for the second year running we won in the Best Report in Chile and Environmental Performance categories. We also reviewed the 39 comments and suggestions about the report uploaded to our web site.

Based on these stages, 27 GRI aspects for reporting were selected, which accounted for 45 core indicators of the G3. Moreover, the 13 indicators of the Mining and Metals Supplement of the GRI were

CORE G3 - GRI ASPECTS AND INDICATORS REPORTED

**TOTAL** 

	ASPECTS REPORTED	INDICATORS REPORTED
Economic Performance	3	7
Environmental Performance	7	17
Social Performance: Labour Practices	5	9
Social Performance: Human Rights	7	6
Social Performance: Society	5	6
Social Performance: Product Responsibility	0	0
G3 TOTAL	27	45
Mining and Metals Supplement		13

www.icmm.com

www.globalcompact.com

www.eitransparency.org www.voluntaryprinciples.org

www.globalreporting.org





### **Scope of operations**

This report outlines the economic, environmental and social performance of the Los Bronces, Mantos Blancos, El Soldado, Mantoverde and Chagres Divisions and includes data from the corporate office in Santiago.

Anglo American also has a 44% interest in Compañía Minera Doña Inés de Collahuasi, and this percentage is reported with regard to the financial and operating information, as we deem this is the only possible way of appraising the real contribution of Anglo American in Chile. It is not included in other chapters as Collahuasi draws up its own Sustainable Development Report. The last report covering the 2006-2007 period was published and distributed in 2008.

### **Verification**

Anglo American plc undertakes an annual verification process of the information included in the Sustainability Report released by the company. This year PricewaterhouseCoopers appraised the information of various operations worldwide, which included the Los Bronces Division of Anglo American Chile. Its verification report can be found in the Report to Society 2008 of Anglo American plc.

The financial statements were analysed by the external auditors Deloitte & Touche and their report is enclosed at the end of this report.

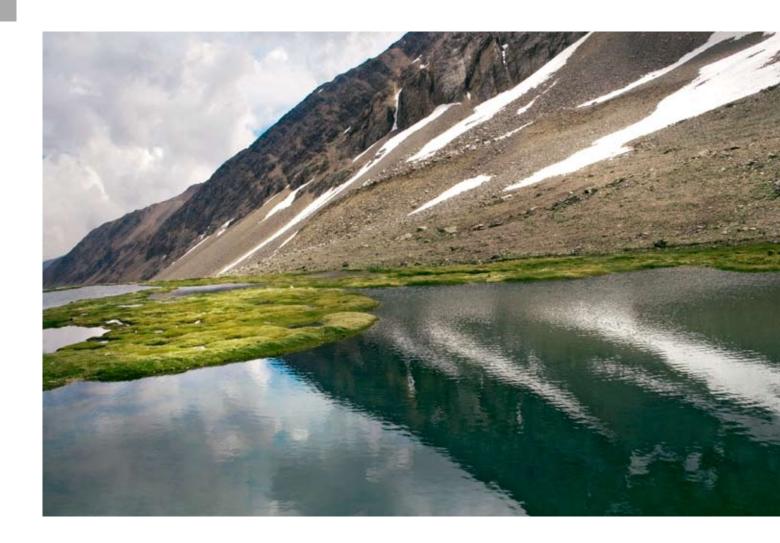
To guarantee the principles of information transparency, balance, clarity and reliability, we have listed all the sources consulted to draw up this report in Appendix 2. This process involved reviewing 177 documents and holding 30 interviews with company executives.

### **Availability**

To ensure that people have access to our fifth Sustainable Development Report, this year we did the following:

- We printed 1,500 copies in Spanish.
- We printed 300 copies in English.
- We published 5,000 summarised versions.
- We developed an interactive web site of the report (www.anglochile.cl).
- We made a CD with the financial statements accompanying this document and this is also available on the corporate web site.

All the PDF files of the reports and annual reports published by Anglo American Chile can be downloaded from the corporate web site. www.anglochile.cl



**Anglo American plc** 

## One Anglo

To carry out its commitment to safety and sustainable development, Anglo American plc embraced a global model shared by all its operations worldwide.

Anglo American plc is a global leader in mining with operations in 45 countries around the world, and provides jobs to over 140,000 employees. Its head office is in London and its shares are mainly traded on the London stock exchange.

Its six business units (Platinum, Diamonds, Base Metals, Ferrous Metals, Coal, and Industrial Minerals) had sales of US\$32.964 billion and net income of US\$5.215 billion in 2008. Mining operations in Chile generated 12% of the earnings and accounted for 22.5% of the company's net income.

#### **Road to excellence**

A large transformation took place in 2008, the focus of which was to drive the ambition of Anglo American plc of becoming the investment, employer and partner of choice and thereby the leading global mining company. CEO Cynthia Carroll said this goal means embracing a global strategy based on common behaviour around the following guiding values:

- Safety
- Care and respect
- Integrity
- Accountability
- Collaboration
- Innovation

The One Anglo model and culture underpins this change process, the aim of which is to implement common regulations, guidelines and practices in the company's six business units. This will maximise value creation and the synergies among its activities.

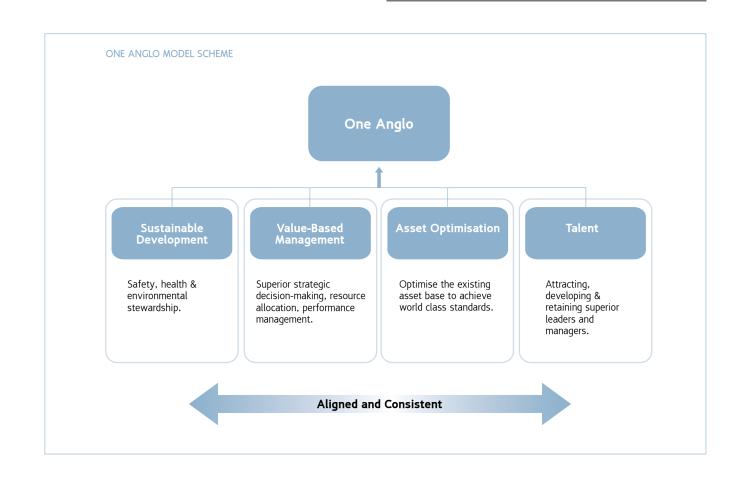
One Anglo entails developing specific programmes in strategic areas like risk prevention and safety, operating and financial practices, and supply chain and technology innovation, among others, which are led by work teams comprising representatives of the worldwide operations of Anglo American plc.

This work will enable the group to gain new competitive advantages arising from the "Value-Based Management Approach," i.e. asset optimisation to the full and the complete development of the abilities and skills of its employees and partners.



### Key Aspects of the "One Anglo" Model

- The Group's corporate centre defines the strategi objectives, action lines and capital allocations.
- The Group's regulations and policies are applied in a clear, coherent and globalised way.
- Business units have greater decision-making freedom within the strategic framework defined by the Group.
- Communication, co-operation and teamwork among the business units are present in the development of all its operations.
- The Group focuses on the shared management of resources, services and talent.





The core aspects of Good Corporate Citizenship are:

- Anglo American as a workplace
- Anglo American as an investment
- Anglo American as a Good Corporate Citizen
- Anglo American in the business world

45
countries
participate in One Anglo

144,000 employees work at Anglo American worldwide

### **Change agent**

The way proposed by One Anglo is directly related to the vision of sustainable development, which is acknowledged to be a change instrument to strengthen and increase the economic, social and environmental value arising from its operations and businesses.

This way of operating, which is especially relevant in places where the development benefits have not reached all the social groups, recognises that the critical success factor lies in partnerships with public, private and civil society institutions that share this concern.

It also emphasises that corporate ethics, transparency and accountability must be values that are present in all activities, as laid down in the document "Good Corporate Citizenship: Our Business Principles," whose content is disseminated, applied and supervised everywhere the group is present.

In 2008, various global institutions highlighted the consistency and efficiency of policies and actions related to this focus, with the following awards:

- Building Public Trust (PricewaterhouseCoopers)<sup>7</sup>.
- The British Association of Communicators in Business (CiB) Award<sup>8</sup>.
- Excellence in Sustainability Reporting Award (ESR) (Ernst & Young Group)<sup>9</sup>.
- African Business Development Award (Commonwealth Business Council - CBC)<sup>10</sup>.
- Brazilian Shared Practice Programme Award in the Environmental Area<sup>11</sup>.

Anglo American has also strengthened its global corporate leader status in the fight against HIV/AIDS with a specialised programme for all people working at its operations. This initiative, which entails prevention and detection policies and actions and provides free anti-retroviral treatment, has special significance on the African continent where the company has a large presence. Contractor companies have even been actively incorporated into this programme so their HIV-positive employees can get care, support and specialised treatment.

In the case of South Africa, more than 3,000 HIV-positive employees working at Anglo American are on an integral programme that gives them and their families medical, psychological and sanitary support. This commitment also includes working with other public, private and civil society institutions on initiatives aimed at access to diagnosis and specialised treatment, education to fully understand sexuality in teenagers and the dissemination of reproductive and health rights focused on the female population.

Anglo American is also doing its utmost so HIV-positive employees leaving the company find an alternative source to address their health situation.

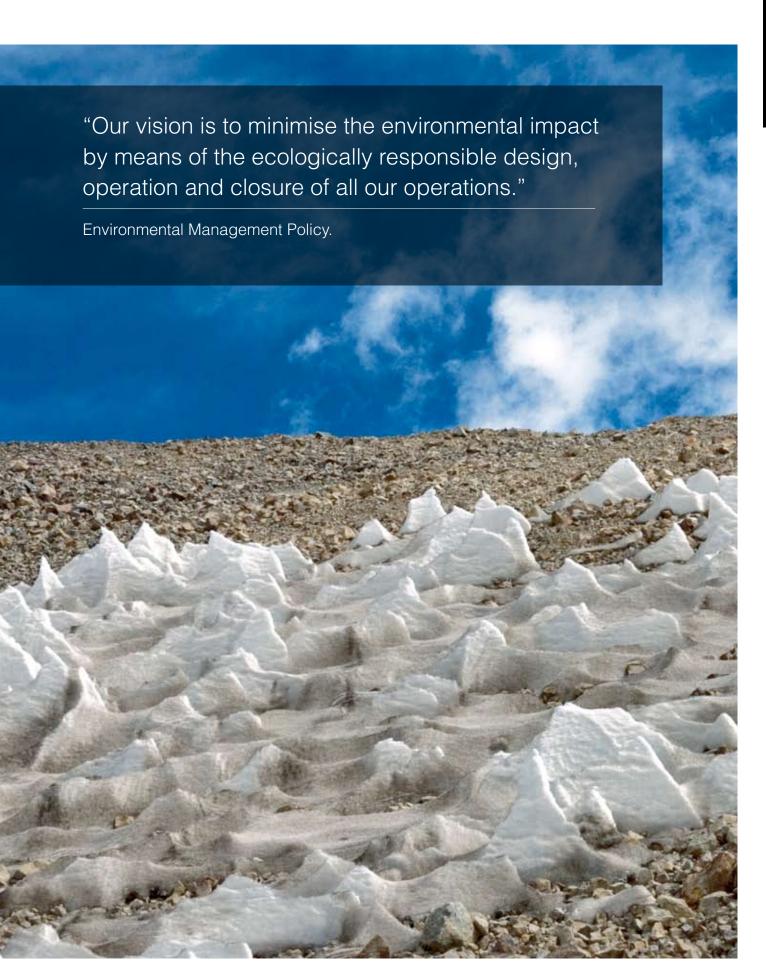
<sup>&</sup>lt;sup>6</sup> The complete version of "Good Corporate Citizenship: Our Business Principles" is available on the company web site www.anglochile.cl

www.bptawards.com

<sup>8</sup> www.cib.uk.com

<sup>9</sup> www.ey.com10 www.cbcglobal.org

<sup>11</sup> www.maisprojetos.com.br/benchbrasil



**Anglo American Chile** 

# Global vision and local practice

Anglo American Chile is focused on embedding the One Anglo culture, and adding its resources, experience and good practice to the global embracement of this model.



Anglo American Chile, which belongs to the Anglo American plc group through its Base Metals Division (Anglo Base Metals), is focused on the exploration, mining and marketing of copper (cathodes, anodes, blister and concentrate), molybdenum and sulphuric acid. Anglo American started up in Chile in 1980 and, after acquisitions and project development, has become the third largest copper producer in the country.

It currently has five productive divisions:

- Los Bronces (Metropolitan Region)
- Mantos Blancos (Antofagasta Region)
- El Soldado (Valparaíso Region)
- Mantoverde (Atacama Region)
- Chagres (Valparaíso Region)

Its head office is in Santiago in the Metropolitan Region, which is also the base of the unit in charge of the exploration projects of Anglo American plc in South America (Anglo Exploration Division).

Furthermore, Anglo American has a 44% interest in Compañía Minera Doña Inés de Collahuasi (Tarapacá Region), which produces copper and molybdenum. It shares ownership with the Xstrata plc mining group (44%) and a consortium of Japanese companies led by Mitsui & Co. Ltd (12%).

The company's legal structure has three main business names: Anglo American Norte S.A. (Mantos Blancos and Mantoverde); Anglo American Sur S.A. (El Soldado, Chagres and Los Bronces); and Anglo American Chile Ltda. (in charge of providing administration services to the two former companies).

For the year ended December 2008, the company had a total workforce of 9,742 employees, of which 2,973 are company employees and 6,769 contractors<sup>12</sup>. In 2008, Anglo American Chile's operations had total production of 638,792 tonnes of fine copper and net income of US\$1.622 billion after income tax<sup>13</sup>.

### Working actively for change

Anglo American Chile has committed to the "guidelines" defined by the One Anglo model, working actively to achieve common systems and processes and attain the maximum efficiency of its organisation and operations.

All the global strategies related to the model are being developed by specialised teams of all operations, many of whose members also participate in the international committees that Anglo American plc has formed for each work area.

This structure allows Anglo American Chile to fulfil its aspiration of being the best mining company in Chile, securing leadership in four strategic areas:

- Safety and sustainable development.
- Value-based management.
- Optimisation of asset base use.
- Getting and developing leaders and partners of excellence.



### Dissemination of an unpublished work of Gabriela Mistral

Anglo American is aware that Chile's development includes the social and public dissemination of the country's cultural and artistic heritage.

To such end, it contributed towards the release of the "Almácigo" anthology of 205 unpublished poems of Gabriela Mistral, some of which were recited by renowned national performers to form part of the CD with the same name that was released with the anthology in October 2008.

Ediciones Universidad Católica and Corporación Patrimonio Cultural de Chile (Chile's Cultural Heritage Corporation) also contributed to this cultural initiative, covered by the Law of Cultural Donations. Luis Vargas Saavedra, a researcher and academic who is a specialist on the works of the poetess, awarded the Nobel Prize for Literature in 1945, edited and compiled "Almácigo."

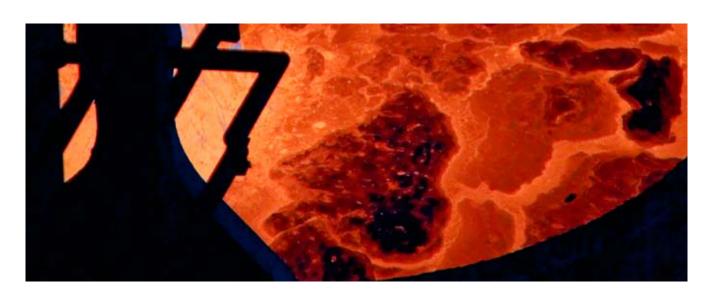
The anthology is of particular interest as it reveals subjects unknown until today in Mistral's poetry, like her vision of political problems and aggressive incidents and references to historical figures like Sandino y Martí.

205 unpublished poems are included in "Almácigo"

The employee total does not include the Collahuasi workforce.
 The financial and production information of Anglo American's 44% interest in Collahuasi is presented in this report. However, all the other indicators only refer to the five divisions operated by Anglo American, as Collahuasi draws up its own sustainable development report.



 $<sup>^{14}\,</sup>$  Full information on this award is published on the web site www.capital.cl



### **Marketing value added**

Anglo American Chile's structure has a high degree of integration of its operations, which enables greater value creation throughout its productive chain and with regard to its customers.

For example, 70% of the copper obtained at its deposits undergoes smelting and refining processes in Chile (at company or third-party facilities) and is then exported as anodes or cathodes. This leads to competitive advantages for its distribution and marketing processes, and from the socio-economic standpoint it generates more direct and indirect opportunities like jobs, investment and development from its activities.

Anglo American Chile specifically markets copper (concentrate, anodes, blister and cathodes), molybdenum concentrate and sulphuric acid through its head office in Santiago, which is in charge of the commercial operations for global markets.

In 2008, 55% of the copper concentrate production of Los Bronces and 92% of that of El Soldado went to the Chagres Smelter to produce copper anodes/blister. Moreover, 15% of the Los Bronces output was sold to Codelco's Ventanas Smelter. The rest was sold by means of long-term contracts with smelters overseas and on the spot market<sup>15</sup>, mainly through traders.

Fifty per cent of the copper concentrate production of Mantos Blancos was sold to Xstrata Copper's Alto Norte Smelter at La Negra in Antofaqasta

The anodes/blister produced by the Chagres Smelter were shipped to four refineries:

- Codelco Ventanas (Chile)
- Freeport McMoRan Copper & Gold (United States)
- Cobre de México (Mexico)
- Cumerio (Belgium)

The copper cathode production of Anglo American Chile was purchased by customers from different parts of the world by means of long-term contracts (accounting for approximately 70% of the total) and the rest was sold in the spot market.

The company's major long-term customers are:

- Southwire and Encore Wire (United States)
- PPE-Invex (Brazil)
- Cumerio (Belgium)
- Codelco Kupferhandel and Thyssenkrupp (Germany)
- KME (Germany)
- Walsin & Cheng Kuo (Taiwan)
- Furukawa (Japan)

The partners owning Compañía Minera Doña Inés de Collahuasi (Anglo American, Xstrata plc and the consortium of Japanese companies led by Mitsui & Co. Ltd) made the decision in 2008 to be directly in charge of selling the copper and molybdenum production generated by this deposit in the market.

Based on this agreement, which will be carried out with due attention to current contracts and gradually through the second quarter of 2009, each of the parties will market a portion of Collahuasi's production equivalent to its own shareholding.

In the case of Anglo American Chile, this decision will enable it to optimise its strengths on issues like access to more customers and markets, cut down costs due to the higher sales volumes, and undertake operations in co-ordination with other divisions.

The Chagres Division produced 486,616 tonnes of sulphuric acid in 2008; its marketing is organised according to strict criteria of safety, prevention and protection of people, communities and the environment.

Los Bronces and Collahuasi produce molybdenum concentrate, and the former generated 2,578 tonnes in 2008 and Collahuasi produced 1,087 tonnes in the same period<sup>16</sup>.

<sup>15</sup> The spot market is where products are normally sold for immediate delivery in the commercial terms at that time.

<sup>16</sup> This figure corresponds to 44% of the production attributable to Anglo American Chile based on its interest in Compañía Minera Doña Inés de Collahuasi.



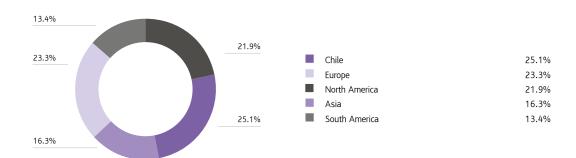
### **Marketing map**



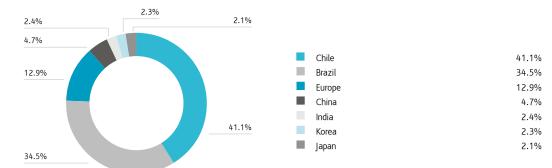
<sup>&</sup>lt;sup>17</sup> Source: Chilean Copper Commission (COCHILCO) (www.cochilco.cl)



### 2008 sales markets\*



### 2008 concentrate sales markets (in MT)\*



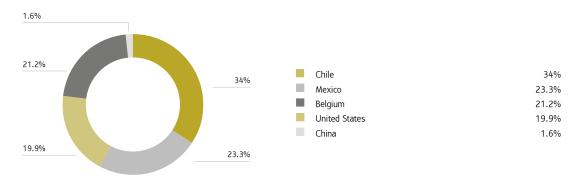
<sup>\*</sup> Amounts exclude Collahuasi



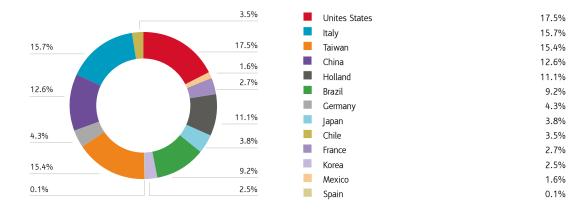




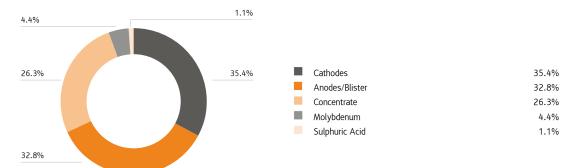
### 2008 anode sales markets (in MT)\*



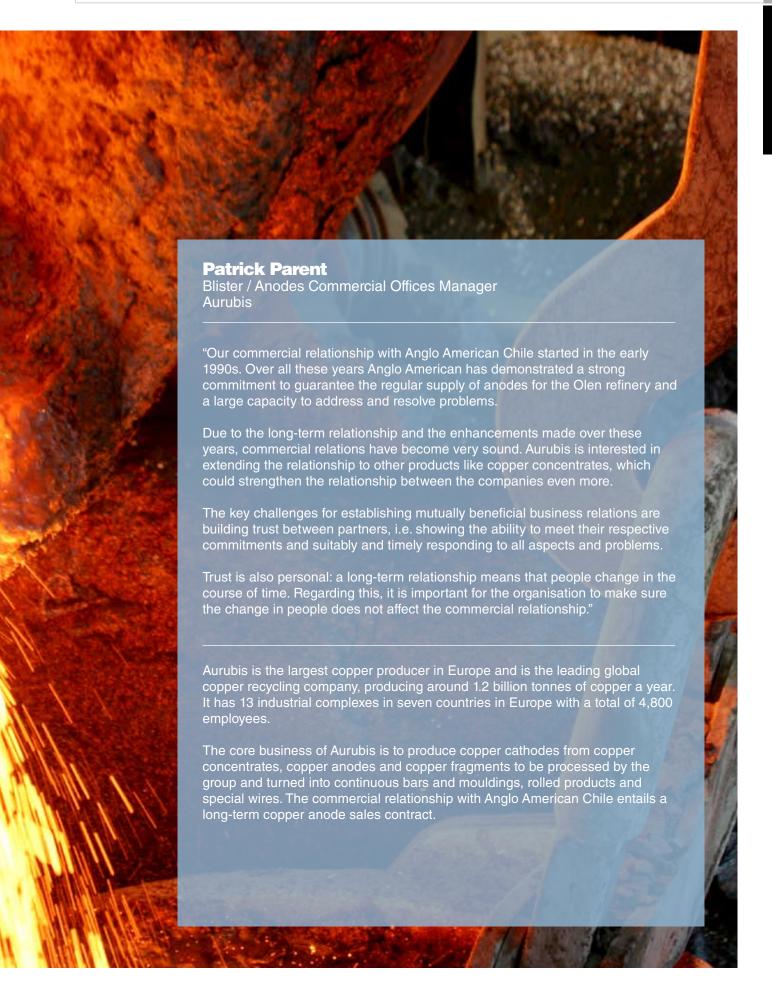
### 2008 cathode sales markets (in MT)\*



### 2008 earnings by product\*



<sup>\*</sup> Amounts exclude Collahuasi



# 2008 Performance and 2009 Targets

Issue	2008 Targets	Compliance
HUMAN CAPITAL		
Safety		
	Maintain zero fatalities.	×
	Zero lost-time accidents.	×
	Consolidate the Anglo Safety Way (ASW) System in the ISO/OHSAS integrated systems of operations.	✓
	Increase dedication of on-site "Visible Leadership" of the entire management and supervision team.	<b>✓</b>
	Consolidate the AngloSafe system as a proactive indicator follow-up and analysis tool.	<b>✓</b>
	All operations must be 70% compliant with the guidelines defined in the Anglo American Fatal Risk Standard (AFRS).	<b>✓</b>
	Complete the implementation of the Equipment Anti-Collision System at all operations	<b>✓</b>
	Launch the risk management retraining programme for the entire management supervision team.	✓
	Undertake a safety environment survey according to the scheme defined by Anglo Base Metals.	×
	Continue to implement the Contractor Plan in accordance with the minimum standards and criteria laid down in the plan.	✓
	Maintain the ISO and OHSAS certifications.	<b>✓</b>
	Maintain the Peer Review Process.	<b>✓</b>
	Start work to standardise good safety practices as part of the One Anglo programme.	~
Occupational Health		
	Implement the Anglo Health Way System at all operations.	<b>✓</b>
	Implement a Fitness Programme at all operations.	/
	Ensure contractor compliance with Anglo American's occupational health and hygiene guidelines.	<b>✓</b>
ENVIRONMENTAL CAPITAL		
Environment		
Certifications	Maintain ISO 14001 certification.	✓
Environmental management system	Implement the new Anglo Environment Way at the five divisions, identifying existing gaps and drawing up an action plan to rectify them.	×
Alternatives / productive uses of tailing water	Maintain the system without dissipation of surplus water until the water recirculation system is expanded to Los Bronces.	<b>✓</b>
Particulate material emissions	Implement the emission control systems at the Las Tórtolas dam wall, set forth in environmental permit RCA 3159 of November 2007, and install a certified air quality monitoring system.	/
Process water discharges compliant with Supreme Decree No 90	Maintain discharges fully complying with the quality standards of Supreme Decree No 90.	<u> </u>
Energy consumption	Undertake/commit new initiatives that align the company with the 2014 targets of Anglo American plc.	<b>→</b>
Water consumption	Maintain consistency of the unit water consumption of the divisions and alignment with the corporate	
Implementation of key biodiversity action plans	target.  Commit third parties to plant the trees produced according to the programme. Undertake a biodiversity	<b>→</b>
	protection initiative in the central mountains.	<b>✓</b>
Closure plans	Draw up and present the official closure plans to the National Geology and Mining Survey (SERNAGEOMIN), in accordance with the current Mine Safety Regulation.	<b>✓</b>
SOCIAL CAPITAL		
Social Development		
Community engagement plans	Apply the Socio-Economic Assessment Toolbox (SEAT) and update the community engagement plans at the five divisions.	<b>✓</b>
	Continue the "Open Door" programme at all the divisions.	<b>✓</b>
	Develop the fourth Sustainable Development Report.	✓
	Develop the fourth Sustainable Development Report.  3,000 small-sized businesses were supported with micro-credits, and 60 medium-sized businesses with business training.	<b>✓</b>

The table below shows the degree of compliance with the aspects considered in the previous report and the commitments for 2009. There was 73.3% compliance with commitments in 2008.



Achieved Not achieved Partially achieved

Actions undertaken in 2008	2009 Targets
There was one fatality at the El Soldado Division. The incident was analysed at all the operations of Anglo American plc to share the lessons learnt and an action plan was completed to avoid a similar situation in the future.	Maintain zero fatalities.
All the initiatives implemented in the year helped towards the lowest accident rate in the company's history in 2008, with a 27% decrease on 2007	Zero lost-time accidents.
The Anglo Safety Way was consolidated as the basis of the integrated management systems, which in turn comply with the OHSAS 18001 certification requirements.	
Objectives were set defining the time each leader must devote on site, which were followed up each month by the company presidency. Regarding this, the targets set for the annual period were exceeded.	Maintain dedication and strengthen the quality of on-site "Visible Leadership" of the entire management and supervision team.
In 2008, the AngloSafe system was consolidated as a proactive indicator follow-up and analysis tool.	Add new functionalities to the AngloSafe system that help to analyse accidents and follow up on the action plans.
All Anglo American Chile's operations complied with the 70% target compliance in October 2008.	All operations must be 90% compliant with the guidelines defined in the Anglo American Fatal Risk Standard (AFRS).
The process was completed at all Anglo American Chile's operations.  All Anglo American Chile's executives completed risk management training called A4. The SRMP - A3 risk management	
training was prepared and started, aimed at managers and superintendents with the support of the Catholic University of the North and the consultant ABS Training. The programme will continue in 2009	Complete the risk management retraining programme for the entire management supervision team and start the process at all supervision and worker levels.
The survey was postponed to 2009 to carry out a joint process at all the operations of Anglo Base Metals.	Undertake a safety environment survey according to the scheme defined by Anglo Base Metals.
The Contractor Plan was completed.	
All operations received ISO 14001 and OHSAS 18001 re-certification.	Maintain ISO 14001 certification and change the OHSAS 18001 certification to the new 2007 version.
All operations participated in the training to carry out the Peer Review.	
	Continue work to standardise and share good safety practices as part of the One Anglo programme. $ \\$
	All operations must have specific plans to support the implementation of the Safety Improvement Plan of Anglo American Base Metals.
Anglo American Chile actively participates in detecting good practices and drawing up standards for the Anglo American group. The strategic work areas were redefined in 2008 for the whole company as part of the One Anglo	Implement a "fatigue management system" for truck drivers.
model.	All operations will undertake a global review of the risk inventories in keeping with the methodology established in the One Anglo Risk Management programme.
	Raise the quality of investigation of accidents and the learning systems from reviewing them.
	Terrening dielin
	Zero people with occupational diseases.
The implementation of the Anglo Health Way was started at all operations, attaining a compliance level of around 80% for Anglo American Chile, exceeding the objectives set for 2008.	Consolidate the Anglo Health Way System in the OHSAS 18001 integrated management systems.
All operations have Fitness for Work Programmes.	
In keeping with the respective plan, the first training stage and dissemination of Anglo American's occupational health guidelines was completed, and the contractual documents were modified to require application in all new contracts and major contracts in force.	Ensure contractor compliance with Anglo American's occupational health and hygiene guidelines.
All de Principal de La Company	Historia Kondanda arifa di
All the divisions maintained the certification.  Dissemination of the new Anglo Environment Way and its performance standards by Anglo American plc was	Maintain ISO 14001 certification.  Implement the new Anglo Environment Way at the five divisions, identifying
postponed to March 2009. The target was scheduled for 2009.  There was no surplus water dissipation in wetting. The current water recirculation system was optimised to Los	existing gaps and producing an action plan to rectify them.  Maintain the system without dissipation of surplus water until the water
Bronces, and the new piping and pumping stations were installed.  The windbreak mesh and wetting of the top of the wall were implemented, in accordance with RCA 3159.	recirculation system is expanded to Los Bronces.  Extend the wetting system to cover the entire wall slope according to Resolution. No. 130-6 feb. National Environmental Assets (CONAMA), dated January 2000.
The new air quality monitoring stations were installed.  The dam was inspected by the Controlling Operative Committee (COF) without any remarks.	No 139 of the National Environmental Agency (CONAMA), dated January 2005 For concentrations of particulate material (PM-10) and suspended particulate material (SPM) on the boundary of the property to be below the reference level:
Discharge of refrigeration water from the smelter complied with the requirements of Supreme Decree No 90. There	Maintain discharges fully complying with the quality standards of Supreme
were no other process water discharges.	Decree No 90.
were no other process water discharges.  Various initiatives were implemented to reduce energy consumption, but the target of Anglo American plc was not	Undertake/commit new initiatives that align the company with the 2014 targets
were no other process water discharges.  Various initiatives were implemented to reduce energy consumption, but the target of Anglo American plc was not achieved.  Various initiatives were implemented to decrease water consumption, but the target of Anglo American plc was not achieved.  Around 12,000 "Belloto del Norte" plants were handed over to private third parties and municipalities for plantation. The agreement with the National Forestry Corporation (CONAF) was renewed to plant native trees in the	Undertake/commit new initiatives that align the company with the 2014 targets of Anglo American plc.  Maintain consistency of the unit water consumption of the divisions and
were no other process water discharges.  Various initiatives were implemented to reduce energy consumption, but the target of Anglo American plc was not achieved.  Various initiatives were implemented to decrease water consumption, but the target of Anglo American plc was not achieved.  Around 12,000 "Belloto del Norte" plants were handed over to private third parties and municipalities for plantation. The agreement with the National Forestry Corporation (CONAF) was renewed to plant native trees in the Yerba Loca Sanctuary.  Closure Plans for the five divisions were submitted to SERNAGEOMIN within the timescale and according to the	Undertake/commit new initiatives that align the company with the 2014 targets of Anglo American plc.  Maintain consistency of the unit water consumption of the divisions and
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**Sustainable Development Approach** 

# Value-added mining

Embracing the principles of corporate citizenship and specialised management systems entails Anglo American Chile incorporating sustainability as a key source of value creation and competitiveness in all its operations.

01. Anglo American

Anglo American's sustainable development strategy is one of the key elements of the change process involved in the One Anglo model and culture. This focus leads to value creation, considering five core aspects:

- Financial capital
- Human capital
- Social capital
- Natural capital
- Manmade capital

Besides adhering to the guiding principles of benchmark institutions in the industry like the International Council on Mining & Metals (ICMM)<sup>18</sup>, the company has corporate guidelines and management tools that enable it to implement this model in each of its business units.

Its application undergoes constant follow-up and assessment so it efficiently meets the different realities of Anglo American and generates economic, social and environmental impacts.

### **Challenges and opportunities**

Anglo American has stepped up its operating efficiency and resource optimisation in Chile and worldwide due to the negative impact of the financial crisis on the mining industry, reflected by a sharp fall in metal prices in general and particularly for copper.

The aim of the cost containment measures Anglo American Chile is adopting is to attain the maximum efficiency of its activities to meet its corporate objectives, among which the enhancement of its sustainable development approach is a key factor.

Besides specific adjustments in the light of this new scenario, the company maintains its commitment to the different programmes and activities to generate economic, social and environmental value it has undertaken with its stakeholders.

Anglo American Chile's main challenges regarding this are:

- Ongoing progress towards the goal of Zero Harm at operations by means of the Safety Improvement Plan, enhancing accident investigation processes, training of the entire organisation and suitable risk management.
- The application in Chile of the policies, processes, standards and indicators related to the One Anglo Supply Chain global programme, whose objective is to attain maximum efficiency of the company's supply chain.
- The responsible management of the environmental impacts of operations by optimising the use of natural resources, reducing the generation of waste, controlling emissions and progress towards achieving the targets set in the Energy Efficiency Programme.
- Strengthening of relations between the company and the communities located in the influence areas of its productive sites, by means of dialogue and conciliation mechanisms based on mutual respect and transparency, along with participative investment and social development initiatives.

### Corporate citizenship dialogue

The document "Good Corporate Citizenship: Our Business Principles" 19 sets out the values and standards that guide the company's actions in the financial, business, labour and community relations areas.

Anglo American established consultation and dialogue mechanisms in 2008 to assess how these guidelines manifest themselves in the practices and dealings the company has daily with its different stakeholders worldwide.

In the case of Chile, the preliminary analysis of applying these surveys reveals that the corporate commitments set out in the document are suitably commensurate with the engagement reality of those it concerns. Moreover, it indicates that climate change and its sustainability effects have become top priority for people and organisations that have relations with the company.

Regarding this, Anglo American has adopted an active position regarding this reality by means of actions of global scope that are guided by its "Policy on Climate Change." In the introduction to this policy, Anglo American identifies this phenomenon as an international concern and reaffirms its willingness to work towards finding and applying solutions that address its consequences.

This document is a general reference work for the Energy Efficiency Programme the company applies in Chile and worldwide.

### Policy on Climate Change Commitments

- Monitor and participate in international processes to consider ways of addressing the challenges of climate change.
- Strive to understand stakeholder concerns about climate change.
- Collaborate with the research and development of programmes to address the challenges of climate change.
- Strive to use energy efficiently and reduce the greenhouse gas emission intensity of operations.
- Incorporate climate change considerations in business planning and promote co-operation among operations to manage greenhouse gas emissions.
- Explore opportunities to use market mechanisms to reduce emissions established in the Kyoto Protocol.

<sup>18</sup> www.icmm.com

<sup>&</sup>lt;sup>19</sup> See www.anglochile.cl for the full version of the Principles of Good Corporate Citizenship.

### **SEAT 2008 process**

Anglo American developed a tool called the Socio-Economic Assessment Toolbox (SEAT<sup>20</sup>) to obtain a detailed view of how its operations engage with the surrounding communities.

The company drew up this system in 2002 in collaboration with the consultant Environmental Resources Management (ERM)<sup>21</sup> to gather information about each operation and its socio-economic aspects, identify and assess the impacts caused, come up with answers, and report the results.

On applying this methodology, ties are established between Anglo American and the surrounding communities to thereby contribute to economic, social and environmental sustainability by means of specific programmes and actions based on partnership and joint work.

Anglo American Chile applied this tool for the second time in 2008 to the communities around its operations in conjunction with the Casa de la Paz Foundation<sup>22</sup>. This process, called SEAT II, allowed for analysis of the management measures applied in the first version of this process in 2004 and review of the Community Engagement Plans (CEP) developed from 2004 to 2008.

Based on the analysis of its first application to over 50 operations of Anglo American worldwide, SEAT II incorporated changes to improve its performance, which included the following:

- Strengthening of the information and training on the application of SEAT at each of the divisions.
- Support of communication programmes and actions aimed at stakeholders during the development of the process.
- Incorporation of measures to facilitate the management of programmes by means of partnerships with third parties.



### **Participation and dialogue**

Driving sustainable development practices requires the co-operation and joint work from local and international public, private, trade and civil society organisations. Anglo American Chile therefore works or collaborates with various entities that undertake initiatives in this area.

### **Industry and trade associations:**

Sociedad Nacional de Minería.<sup>23</sup>

Consejo Minero de Chile A.G.<sup>24</sup>

Instituto de Ingenieros de Chile A.G.<sup>25</sup>

Cámara Chileno – Norteamericana de Comercio (AMCHAM).<sup>26</sup>

Cámara Chilena Sudafricana de Comercio.

Cámara Chileno Británica de Comercio.<sup>27</sup>

Corporación de Desarrollo Productivo de la Región

de Antofagasta.28

Asociación de Industriales de Antofagasta.<sup>29</sup>

Corporación para el Desarrollo de la Región de Atacama (CORPROA).30

Corporación Pro Til Til.

Corporación para el Desarrollo de Colina.

### **Safety:**

Consejo Nacional de Seguridad de Chile.31 Comité Regional de Seguridad Minera (CORESEMIN). Comité Nacional de Seguridad en la Montaña.

### **Sustainable development:**

AcciónRSF.32

Chilean section of the World Business Council for Sustainable Development (WBCSD).33

#### Other institutions:

Instituto Libertad y Desarrollo.34

Instituto Libertad.35

Instituto Chileno de Administración Racional de Empresas

(ICARE).36

Centro de Estudios Nueva Minería.

Centro de Estudios Públicos (CEP).37

UDP - EXPANSIVA

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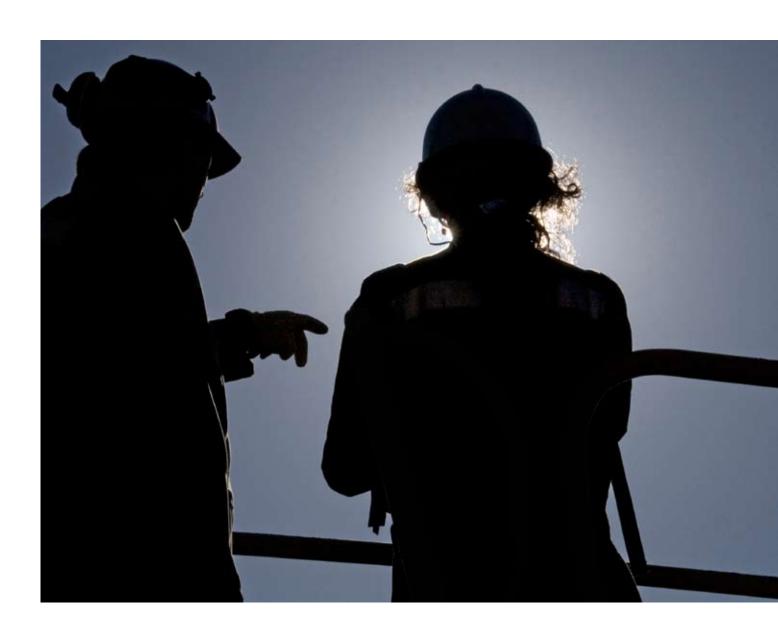




**Sustainability Management** 

# Embodying the Anglo culture

Anglo American Chile has sustainability management systems aimed at translating its vision, principles and policies into action programmes with a different level of scope.



As part of embracing the One Anglo global model and strengthening the commitment to the Principles of Good Corporate Citizenship, Anglo American plc redefined its "Safety, Occupational Health and Environmental Management" policy. This document contains the company's vision, principles and general guidelines on these issues which are the core elements of its sustainable development approach.

This policy stresses the priority of achieving the "Zero Harm" goal at all operations by means of effective safety management based on the conviction that people are the core factor of the company's activities, and it is therefore unacceptable for them to have accidents, injuries or diseases. It also reaffirms adherence to an "ecologically responsible" way of acting in mine site design, operation and closure to minimise the impact on the environment.

In 2008, Anglo American Chile informed all its partners of the content of this policy, highlighting that its content should lead to management objectives and targets being set that allow for continuous improvement of its operations.

### Reporting

With regard to the above, the company has constantly striven to disseminate and communicate the guidelines set out in the Principles of Good Corporate Citizenship, which govern Anglo American's acts in the labour, financial, business and citizenship areas.

From an external standpoint, the fact that the company draws up and publishes a Sustainable Development and Financial Statements Report each year reflects its commitment to the principles of transparency and social responsibility which it promotes with its stakeholders and the community in general.

In the in-house area, the content is incorporated to all the new employee induction and training processes, and also forms part of specific thematic programmes and general information campaigns.

From the corporate standpoint, Anglo American Chile must report to Anglo Base Metals each year on the significant events that have occurred regarding issues included in the Principles of Good Corporate Citizenship document. This report is consolidated with those of Anglo American's other global operations to become a formal report by the CEO of the Group to the company's Board of Directors.

This report is undertaken by means of a so-called Letter of Assurance which, among other aspects, addresses the development of labour relations, progress with diversity and non-discrimination policies, relations with communities around operations, respect for human rights and corporate governance issues. This document is a source of key information to develop the content of the company's Sustainability Reports.

### Follow-Up and Control

Moreover, Anglo American Chile's management systems have a series of tools and certification mechanisms that enable its sustainable development approach to be applied to all its operations. These include:

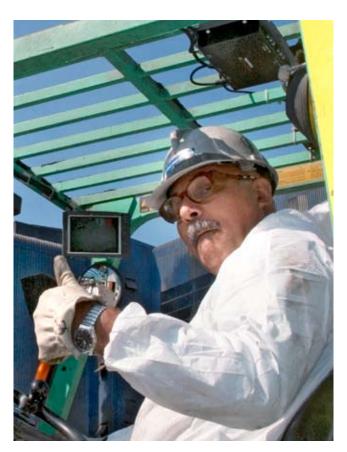
- Integrated Risk Management (IRM) System: Its objective is to embed this concept in all the processes of the divisions of Anglo Base Metals and underpin it with a culture based on continuity, proactivity, management and systematic assessments.
- Safety and Sustainable Development Database: This contains information on environmental, safety and occupational health variables.
- Community Engagement Plans: These consider the information on the community requirements and the activities the company undertakes in its influence areas. They are drawn up from information generated in the SEAT process.
- Integrated Health, Safety and Environmental Management System: All the divisions have approved their respective integrated environmental and safety systems, in accordance with the ISO 14001 and OHSAS 18001 certification standards. Mantos Blancos and Mantoverde also have certification in accordance with the ISO 9001 quality standard.



### Safety, Occupational Health & Environmental Management Policy

OUR VISION	Safety	Occupational Health	Environmental Management
Zero Harm	Our vision is to achieve "Zero Harm" by means of effective safety management at all the operations we run.  We believe that people are our main asset and we will not tolerate them having accidents or injuries while working for us. All employees must return home safe and sound at the end of their working day.	Our vision is to achieve "Zero Harm" and have a healthy and productive work team by means of effective occupational health risk management at all our operations.  We believe that people are our main asset and we will not tolerate them having accidents or injuries while working for us. All employees must return home safe and sound at the end of their working day.	Our vision is to minimise the environmental impact by means of the ecologically responsible design, operation and closure of all our operations.
OUR PRINCIPLES			
Zero Goal	All accidents and occupational diseases are preventable.	All occupational diseases are preventable.	We will implement the necessary measures to prevent, minimise and mitigate the possible environmental impacts caused by our activities, products and services.
Zero Repeats	We will take all the necessary action to learn from accidents and prevent repeats.	Learn from our follow-up on exposure and record of disease occurrence and use this information to prevent occupational diseases from occurring.	We will take all the necessary action to learn from environmental impacts and incidents, the results of audits and other non-conformities to prevent them from occurring again.
Simple, non-negotiable standards and rules	The safety standards and regulations are applied uniformly throughout Anglo American.	The occupational health standards and regulations are applied uniformly throughout Anglo American.	Common environmental management systems, performance standards, and procedures will be applied as a minimum non-negotiable requirement throughout Anglo American.
OUR POLICY			
This policy will be reviewed periodically and, if necessary, modified to keep it updated and current at all times	Our leaders are accountable for the safety of our employees.  We expect our managers and supervisors to provide effective safety leadership and recognise that good safety performance is the responsibility of everyone working in the company.  The managers of each business area or operation are accountable for the full implementation of our safety management system (Anglo Safety Way), the Fatal Risk Control Standards and Golden Rules. This requires the allocation of suitable resources and training, education, consultation and audits to assure compliance.  We commit to maintaining open communication with our employees, contractors, suppliers, other commercial partners and third parties to promote a safety culture that reflects what is intended by this policy.  We will set suitable objectives and supervise the progress towards meeting these objectives to guarantee continuous improvement towards our goal.	The line management is accountable for implementing this policy. We also expect all employees and contractors to contribute towards maintaining a workplace with no significant health hazards.  We commit to reducing risks at their origin by means of good engineering practices and applying the ALARP³ principle; complying with legislation will always be a minimum requirement.  We will provide the resources, systems and right training to protect, maintain and promote the health and work ability of our employees.  We commit to maintaining open and transparent communication on occupational health with all interested parties.  We will set suitable objectives and supervise the progress towards meeting these objectives to guarantee continuous improvement towards our goal.	Our leaders are accountable for the environmental management of our activities.  We expect our line managers and supervisors to provide effective environmental leadership and recognise that environmental management is the responsibility of everyone working in the company.  The executives of each business area or operation are accountable for the full implementation of Anglo's Environmental Management System and participation in Anglo's Peer Review Programme. This requires:  Allocation of the right resources, training, education, consultation and audits to guarantee compliance.  Development, implementation and update of environmental policies, programmes and procedures.  Identification, assessment and effective control of the environmental impact, aimed at establishing proactive management of our activities, products and services.  We will maintain and protect environmental resources by means of the efficient use of energy and water, minimising waste and reducing pollution, among others.  We will demonstrate active management of land, drinking water systems and the biodiversity we engage with.  We respect people's culture and traditions.  We will comply with environmental legislation and other requirements to which we adhere, and develop an improvement culture.  We commit to maintaining open communication with our employees, local communities, contractors, suppliers, investors, commercial partners and other interested parties to promote an environmentally responsible culture that reflects what is intended by this policy.

 $<sup>^{\</sup>rm 39}\,$  As Low As Reasonably Practicable.



"We will provide the resources, systems and right training to protect, maintain and promote the health and work ability of our employees."

Safety, Occupational Health and Environmental Management Policy.



**Economic Performance** 

# **Economic**sustainability

A new global economic scenario came into play as of September 2008. The increase in operating costs and the lower sales price of products hit the company's results. Nevertheless, in 2008 the commitment to sustainability was not affected: investment was maintained and even increased in the community, in employees and purchasing local goods and services.



### **Corporate governance**

The company is structured based on two operating companies called Anglo American Norte S.A. and Anglo American Sur S.A., and an administering company called Anglo American Chile Limitada, which supports the daily operations and administration of the operating companies.

Anglo American Norte S.A. owns the Mantos Blancos Division in the district of Antofagasta, Region II of Antofagasta, and the Mantoverde Divison in the district of Chañaral, Region III of Atacama. Anglo American Sur S.A. is the owner of the El Soldado Division in the district of Nogales, Region V of Valparaíso, the Los Bronces Division in the district of Lo Barnechea, Metropolitan Region, and the Chagres Division in the district of Catemu, Region V.

The company also has a corporate office in Santiago, and all of these are managed according to the following single structure:

#### **Organisation Chart for the year ended December 2008**





MIGUEL ÁNGEL DURÁN











SENIOR VP PROJECTS & TECHNICAL SERVICES<sup>40</sup>

VP MARKETING AND CORPORATE AFFAIRS

VP FINANCE AND ADMINISTRATION

VP HUMAN RESOURCES

SENIOR SAFETY & OCCUPATIONAL HEALTH MANAGER

FELIPE PURCELL

JAMES BEAMS

ALEJANDRO MENA

ROBERTO MARTINEZ

BARRY MURPHY

 $<sup>^{\</sup>mbox{\tiny 40}}$  Barry Murphy was appointed VP Projects & Technical Services as of March 2009.

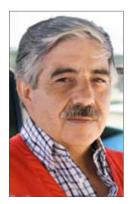
### **Organisation Chart for the year ended December 2008**



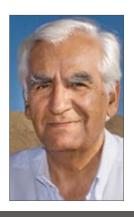
CEC

MIGUEL ÁNGEL DURÁN











GENERAL MANAGER LOS BRONCES DIVISION

GENERAL MANAGER MANTOS BLANCOS DIVISION

GENERAL MANAGER EL SOLDADO DIVISION

GENERAL MANAGER MANTOVERDE DIVISION

GENERAL MANAGER CHAGRES DIVISION

ALVARO ALIAGA

SERGIO PARADA

ALEJANDRO VASQUEZ

CARLOS FLORES

PEDRO REYES

### MANAGEMENT APPROACH

VICE-PRESIDENCY/ SENIOR MANAGEMENT	AREAS OF RESPONSIBILITY
Senior VP Projects & Technical Services	<ul> <li>Mining/Geology/Metallurgy/Projects</li> <li>Operating Excellence</li> <li>Maintenance</li> <li>Environment &amp; Regulatory Affairs</li> <li>Energy Efficiency</li> </ul>
VP Marketing & Corporate Affairs	<ul> <li>Marketing</li> <li>Community Relations</li> <li>Corporate External Affairs</li> <li>Legal Compliance</li> <li>External Communications</li> </ul>
VP Finance & Administration	<ul> <li>Finance &amp; Planning</li> <li>Controllership</li> <li>Acquisitions and Contracts</li> <li>Information Technology</li> </ul>
VP Human Resources	<ul> <li>Labour Relations</li> <li>Development &amp; Leadership</li> <li>Partnerships</li> <li>Internal Communications</li> </ul>
Senior Safety & Occupational Health Manager	<ul><li>Safety</li><li>Occupational Health</li></ul>

### **Legal system and ownership**

For the year ended December 31, 2008, the only shareholders of Anglo American Sur S.A. were Anglo American Sur S.A. with 99.99% of the capital stock, and Clarent Ltd with the remaining 0.01%, both subsidiaries of Anglo American plc.

As of the same date, the main shareholders of Anglo American Norte S.A. were the subsidiaries of Anglo American plc, Inversiones Anglo American Norte Limitada, Minorco Inversud S.A. and Inversiones Minorco Chile S.A., with 99.98% ownership.

### Corporate governance of operating companies

Anglo American Norte S.A. is managed by a Board of Directors composed of three incumbent directors and three deputy directors. The following directors were elected in the Ordinary General Shareholders' Meeting, held on April 29, 2008:

INCUMBENT DIRECTORS	DEPUTY DIRECTORS
Miguel Ángel Durán Vergara (Chairman)	Noelle Duronea Burgalat
Álvaro Aliaga Jobet	Alejandro Mena Frau
Felipe Purcell Douds	Ignacio Quiñones Sotomayor

Anglo American Sur S.A. is managed by a Board of Directors composed of three incumbent directors and three deputy directors. The following directors were elected in the Ordinary General Shareholders' Meeting, held on April 18, 2008:

INCUMBENT DIRECTORS	DEPUTY DIRECTORS
Miguel Ángel Durán Vergara (Chairman)	Noelle Duronea Burgalat
Giancarlo Bruno Lagomarsino	Alejandro Mena Frau
Felipe Purcell Douds	Ignacio Quiñones Sotomayor

Giancarlo Bruno presented his resignation as an incumbent director in a Board meeting held on July 15, 2008, and Alejandro Mena, his respective deputy, became an incumbent director.

Both companies undertake full accounting, an annual report, balance sheet and financial statements, which are reviewed by external auditors each year. Deloitte & Touche was the company chosen in 2008.



### **Hotline**

Anglo American Chile has a confidential hotline, which exclusively receives complaints and reports about possible breaches of Good Corporate Citizenship: Our Business Principles.

The company changed the telephone number and the technical supplier of the service in 2008 to facilitate access to this tool. A communication campaign was launched for this change aimed at its customers, suppliers, contractors and company employees. Information was provided by means of graphic material, the corporate portal, and a letter was sent out by the CEO, highlighting Anglo American Chile's commitment to eliminating any practice contrary to its corporate principles and values.

The hotline received ten complaints in 2008, generally concerning the labour situation of the company's contract company employees.

10 complaints were received by the hotline in 2008

"We urge our employees to be personally responsible for assuring that our conduct is commensurate with our principles."

Good Corporate Citizenship: Our Business Principles.

### **Economic value generated and distributed**

The copper market had two very different facets in 2008. In the first half of the year, the copper price continued its upward trend in international markets, reaching the peak of the cycle on July 3 (US\$4.08 per pound).

However, there was a sharp drop as of September with the price reaching the lowest in the year (US\$1.26 per pound) on December 24. The average copper price in the year was US\$3.15 per pound, which was a 2.5% drop on 2007.

This reduced the company's earnings by 13%, and this was exacerbated by the inherent copper sales conditions, which led to an even lower price received than the average on the London Metal Exchange.

Anglo American Chile's profits were 35% down on 2007 amounting to US\$1.622 billion after tax. This decrease is explained by the lower sales price of its products and higher costs that affected the mining industry in general. The company paid total taxes of US\$736 million in 2008 for mining operations in Chile, with first category income tax accounting for US\$354 million; the profit remittance additional tax accounting for US\$258 million in 2008 and the specific mining tax for US\$84 million. All these figures include Anglo American's 44% interest in Minera Collahuasi.

The average direct unit cost (C1)<sup>41</sup> of the divisions operated by Anglo American was US\$1.02 per pound of payable copper. The cost increase was due to a phenomenon that has affected the entire mining industry and is mainly explained by the higher costs of key raw materials and the greater energy cost.

Nevertheless, the divisions operated by Anglo American managed to partly offset the cost increase due to various continuous improvement initiatives with savings of US\$160 million.

We have reported on how Anglo American Chile distributes its economic value to the different stakeholders with whom it engages, in accordance with the G3 guidelines of the GRI. This considers the company's value and the 44% stake in the results of Collahuasi to comprehend the organisation's total contribution to the country.

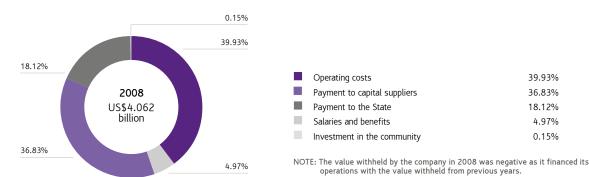
The economic value generated in 2008 was US\$3.947 billion and the economic value distributed was US\$4.062 billion. The difference was due to the value withheld the previous year. Operating expenses accounted for 39.93% and payments to suppliers for 36.83% of the value distributed.

In relation to benefit plan liabilities coverage, although Anglo American has not implemented a special pension fund for its employees, as part of a special compensation package, it does make an agreed deposit in each employee's individual capitalisation account of its pension fund administration company (AFP). The total contribution made by the company for this amounted to US\$4.6 million in 2008.

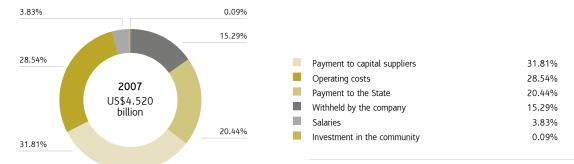
The situation of Doña Inés de Collahuasi is similar to that of Anglo American, in that a special pension plan has not been implemented either. However, as part of a compensation package for supervisory staff a contribution of 2% of the base salary (with a limit of UF60) was created in 2008 as a voluntary social security contribution for all those employees that contribute 1% of their base salaries. The contributions made by the company for this item in 2008, based on Anglo American Chile's 44% interest, amounted to US\$326,920.

Moreover, Anglo American Chile includes a severance indemnity liability on its balance sheet. In the case of employees, this is higher than the legal requirement of one month's salary per year worked, in accordance with what is set forth in the collective agreements. The balance for this provision amounted to US\$79 million for the year ended December 31, 2008.

### Consolidated economic value distributed in 2008



### Consolidated economic value distributed in 2007



<sup>41</sup> C1 Direct Cost: mine cost, plant cost, overheads, smelting, refining and freight cost.

#### 2008

ECONOMIC VALUE GENERATED - 2008 (given in millions of US\$)	ANGLO AMERICAN CHILE	COLLAHUASI (44% BASE)	CONSOLIDATED
A) Earnings (1)			
Gross sales	2,772	1,135	3,907
Net income from financial investments	21	3	24
Net income from sales of fixed assets and others	(3)	19	16
ECONOMIC VALUE GENERATED	2,790	1,157	3,947

ECONOMIC VALUE DISTRIBUTED – 2008 (given in millions of US\$)	ANGLO AMERICAN CHILE	COLLAHUASI (44% BASE)	CONSOLIDATED
B) Operating costs	(1,192)	(430)	(1,622)
C) Employee salaries and benefits (2)	(158)	(43)	(201)
D) Payments to capital suppliers (3)	(932)	(564)	(1,496)
E) Payment to the State (4)	(582)	(154)	(736)
F) Investment in the community	(4)	(2)	(6)
ECONOMIC VALUE DISTRIBUTED	(2,868)	(1,194)	(4,062)
ECONOMIC VALUE WITHHELD	(78)	(37)	(115)

#### NOTES

- Includes operating and non-operating earnings. Excludes training as an employee benefit. (1) (2)
  - - employee benefit.

      Considers the interest paid on loans received, minority interest (paid to minority shareholders) and dividends paid (majority shareholders).

      Please see the tax rate in the operating and financial overview on page 39.
- (4)

#### 2007

ECONOMIC VALUE GENERATED – 2007 (given in millions of US\$)	ANGLO AMERICAN CHILE	COLLAHUASI (44% BASE)	CONSOLIDATED
A) Earnings (1)			
Gross sales	3,124	1,383	4,507
Net income from financial investments	18	4	23
Net income from sales of fixed assets and others	(12)	1	(10)
ECONOMIC VALUE GENERATED	3,130	1,389	4,520

ANGLO AMERICAN CHILE	COLLAHUASI (44% BASE)	CONSOLIDATED	
(951)	(338)	(1,290)	
(143)	(30)	(173)	NO
(894)	(544)	(1,438)	(1)
(739)	(185)	(924)	(2)
(2)	(2)	(4)	(3)
(2,729)	(1,099)	(3,829)	
401	290	691	(4)
	(951) (143) (894) (739) (2)	(951) (338) (143) (30) (894) (544) (739) (185) (2) (2) (2,729) (1,099)	CHILE     (44% BASE)       (951)     (338)     (1,290)       (143)     (30)     (173)       (894)     (544)     (1,438)       (739)     (185)     (924)       (2)     (2)     (4)       (2,729)     (1,099)     (3,829)

#### IOTES

- (1) Includes operating and non-operating earnings.
  (2) Excludes training as an employee benefit.
  (3) Considers the interest paid on loans received, minority interest (paid to minority shareholders) and dividends paid (majority shareholders).
  (4) Please see the tax rate in the operating and financial overview on page 39.

#### **Prevention of antitrust practices**

Commensurate with its "Principles of Good Corporate Citizenship: Our Business Principles," Anglo American plc has driven assurance of compliance with the antitrust law programmes applied at its divisions.

These initiatives aim to prevent any antitrust conduct in the activities developed by the company in the market, and for its employees to respect laws in the countries where the company operates.

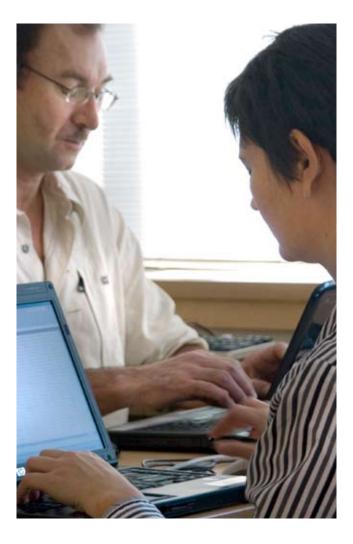
Based on the competition risk assessment each division carries out for its operations, the following measures set out in the global policy on this issue are adopted:

- Distribution of the Antitrust Compliance Manual to all employees who work with issues related to the competitive area.
- Development of classroom training cycles or using on line tools for employees with participation in the company's competitive area, called "significant employees."
- Certification of knowledge and significant employee adherence to the provisions of the Antitrust Compliance Manual and specific related policies.
- Report on the "significant employee" contact with competitor company representatives.
- Review and report of the content of meeting agendas in commercial or industry associations.

Anglo American Chile carried out a training and certification cycle on the Corporate Antitrust Compliance Policy from October 2007 to January 2008. Sixteen work meetings were held during this, attended by 137 management executives, or those whose responsibilities entail making commercial decisions and relations with competitor companies, and trade associations.

Among other aspects, this classroom course included: study of the Antitrust Compliance Manual of Anglo American plc; analysis of specific regulations and practical cases; dissemination of training activities that employees must undertake using on line tools; and the signing and registry of the certification letter expressing the participant's commitment to the company's guidelines on this matter.

Anglo American Chile's antitrust compliance plan also includes regular content updates, periodical audits and activities aimed at new employees.





137
executives were trained
in the Corporate Antitrust Compliance Policy

16 training workshops were held

#### State contributions

Anglo American Chile identifies two types of contributions it receives from the State, mainly regarding tax: the credit from the National Training and Employment Department (SENCE)<sup>42</sup> for training; and the credit from cultural donations or Valdés Law<sup>43</sup>. Doña Inés de Collahuasi receives a similar contribution.

Anglo American acknowledges that the timely and suitable payment of taxes can generate social benefits since the State uses money from its reserves to provide a better social infrastructure, like schools, roads and utilities, and even better environmental conditions. A company's operations also generate other indirect benefits related to the presence of its customers and suppliers who also generate employment and pay taxes.

To such effect, Anglo American has a Tax Strategy that has been renewed and approved by the Board of Directors and is aligned with the long-term business strategy and the Principles of Good Corporate Citizenship. This strategy guarantees that there is suitable payment of taxes in each country where the company is present, based on the principles of EITI<sup>44</sup>, which promotes transparency and generates reports on the taxes paid per company and countries in which each of its members is present. Maintaining a constructive partnership with the tax authorities of each country is a priority for suitable management of this strategy.

FINANCIAL AID RECEIVED FROM THE STATE (given in thousands of US\$)		2008		2007				
	ANGLO AMERICAN CHILE	COLLAHUASI (44% BASE)	CONSOLIDATED	ANGLO AMERICAN CHILE	COLLAHUASI (44% BASE)	CONSOLIDATED		
Tax credits and reduction:								
SENCE(1)	450	103	553	503	112	615		
National Training and Employment Department.								
Credit and donations (2)	91	326	417	358	331	689		
2% specific mining tax	-	-	-	40,967	20,276	61,243		
Mining licence, credit against PPM (3) Provisional monthly tax payment.	21	33	54	37	39	76		
6% fixed assets credit (4)	77	17	94	90	20	109		
TOTAL	639	479	1,118	41,955	20,778	62,732		

#### NOTES

This information is based on provisional net income.

- (1) This amount is 1% of the 2008 remunerations, which is the accounting amount stated, as at the closure of the report the Intermediate Technical Training Bodies (OTIC) had not released the official information.
- (2) This amount is the donations that have tax certification for the year ended December 31, 2008, which might vary when determining the definitive tax result in April 2009.
- (3) As of 2008, the specific mining tax is only an expense for the effects of first category tax. This amount is the value recorded from determining the provisional tax result for the year ended December 31, 2008, which might vary against the definitive tax result in April 2009.
- (4) This amount is the 650 UTM (Monthly Tax Unit ) limit, with one UTM amounting to Ch\$37,652 at December 31, 2008, at a closing exchange rate of Ch\$636.45 per US dollar.



- 42 www.sence.c
- <sup>43</sup> The Law of Donations for Cultural Purposes Article 8 of Law 18.985 or Valdés Law is a legal mechanism to promote private intervention in the financing of artistic and cultural projects. The Treasury provides 50% of the financing, granting a credit against certain taxes, and private companies or individuals finance the remaining percentage, which is considered to be an expense.
- 44 www.eitransparency.org. The Extractive Industries Transparency Initiative (EITI) aims to strengthen company governance by means of greater transparency and rendering of accounts in the extractive company sector.

#### **Project investment**

Investment by Anglo American Chile's divisions amounted to US\$170 million in 2008, which was a US\$22 million increase on 2007. This amount excludes the Los Bronces Development Project.

The main initiatives were those concerning the company's sustainable development strategy, with an investment of US\$17 million in the safety, occupational health and environmental management areas. This area included projects to review and improve issues like fatality prevention standards, anti-collision systems installed on mining equipment, fire protection systems and service infrastructure for workers, among others. Progress was also made with the feasibility studies on energy and water saving systems and on reducing CO2 emissions as part of Anglo American Chile's Energy Efficiency Programme.

The high international copper price throughout most of 2008 enabled US\$28 million to be allocated to creating conditions to increase the future production of fine copper. However, due to the impact of the global financial crisis on the copper price, in the last quarter of the year the company decided to reduce the capital spend and adjust its 2009 budget in line with the new economic reality of the mining industry.

#### PROJECT HIGHLIGHTS 2008

1.

#### LOS BRONCES DIVISION

PROJECT	INVESTMENT AMOUNT
Installation of the new 60"x 89" primary crusher to treat harder ore.	US\$35 million
Development of a new 66 kv electric power line from San Francisco to Los Bronces and an increase in the capacity of the respective substations to withstand the greater power draw and increase the reliability of the system.	US\$8.5 million
First stage of the project to replace 26 kilometres of the piping of the slurry pipeline that has come to the end of its life, carried out jointly with the assembly of the Los Bronces Development Project slurry pipeline.	US\$19 million
Infrastructure and tailings launder systems improvement at the Las Tórtolas dam.	US\$17 million

2

#### **EL SOLDADO DIVISION**

PROJECT	INVESTMENT AMOUNT
First stage of works at the El Cobre plant to install new crushing and regrinding equipment, flotation cells and ancillary equipment to expand the production capacity and metal recovery.	US\$10 million
Infrastructure works to adapt to the normal growth of the El Torito tailings dam, which consider the relocation of the recirculation water conveyance facilities, the construction of a new road and contour channel to manage the surface water, and the construction of a new emergency evacuator.	US\$15 million

3.

#### CHAGRES DIVISION

PROJECT	INVESTMENT AMOUNT
Improvement of the operating conditions and availability of fusion equipment of the acid and oxygen plant.	US\$7.9 million

4.

#### MANTOS BLANCOS DIVISION

PROJECT	INVESTMENT AMOUNT
Development of the projects to install an additional ball mill and increase the critical velocity of the three current mills was completed.	US\$4 million
The first stage started of works on secondary leaching of launder gravel.	US\$15 million

5.

#### MANTOVERDE DIVISION

PROJECT	INVESTMENT AMOUNT
The project to increase the capacity of the southern leach dump was completed, and new leaching heaps were developed to process ore up to 2009. Improvements to the dynamic heap were also continued.	US\$2.4 million
Improvement of the Division's water supply installations; projects were completed to evacuate mine water and studies continued to find supply alternatives.	US\$1.2 million

#### **Operating overview**

Anglo American Chile's total fine copper production in 2008 amounted to 638,792 tonnes, which was slightly down on the previous year. This difference is essentially explained by a lower contribution from the El Soldado Division, whose output dropped by approximately 22,000 tonnes due to a lower ore grade. This was envisaged in its mining development plan and is expected to be reverted over two years.

The Los Bronces and Mantoverde divisions had record production of 235,792 and 62,501 tonnes of fine copper, respectively. Mantos Blancos produced 87,734 tonnes, which was a 3% decrease on the previous year. This is mainly explained by the lower output of copper cathodes, which was partly offset by an increase in concentrates.

Total molybdenum production was 3,665 tonnes, with the Los Bronces Division accounting for 2,578 tonnes and the 44% interest in Collahuasi for 1,087 tonnes. The Chagres Division, where the El Soldado and Los Bronces concentrates were processed, showed production of 146,144 tonnes of copper anodes, which was 11% down on 2007. This was due to the lower grade of the concentrates processed at the smelter.

The sulphuric acid production was slightly down on the previous year amounting to 486,616 tonnes.

#### **Los Bronces Development Project**

More than 2,500 people were hired in 2008 to undertake work in the Los Bronces Development Project, whose construction started up in December  $2007^{45}$ .

In 2008, project engineering progress of 55% was attained and investment of US\$962 million was committed. Earth movement also started with 64% progress, the first concreting and iron reinforcement works of the new grinding plant were carried out and construction started on the four-kilometre tunnel that will connect the mine to the new grinding plant in the Confluencia sector.

The Los Bronces Development Project envisages an investment of US\$2.2 to US\$2.5 billion and its objective is to build new grinding, ore conveyance and concentrate facilities to increase the Division's current production capacity of 230,000 tonnes of fine copper a year to an average of 400,000 tonnes.

Due to the effects of the global financial crisis, Anglo American decided to cut back its investment plan worldwide in 2009. On account of this, some of the investments envisaged this year for the Los Bronces Development Project were delayed, and its progress will therefore be a little less than originally planned. Start-up is therefore expected to be in the last quarter of 2011 instead of in January 2011 as originally planned.

OPERATING & FINANCIAL OVERVIEW (given in millions of US\$)	2008	2007	2006
Anglo American Chile's earnings	2,772	3,124	3,095
Collahuasi's earnings (44%)	1,135	1,383	1,442
TOTAL EARNINGS (1)	3,907	4,507	4,537
Anglo American Chile's income tax	228	266	322
Anglo American Chile's specific mining tax	55	82	91
Collahuasi's income tax (44%)	126	144	143
Collahuasi's specific mining tax (44%)	29	40	42
Profit remittance tax	258	367	541
Other taxes	40	25	-
TOTAL TAX	736	924	1,140
Anglo American Chile's net income	1,126	1,697	1,685
Collahuasi's net income (44%)	496	803	777
TOTAL NET INCOME	1,622	2,500	2,462
Anglo American's fine copper production (tonnes)	434,475	453,891	446,784
Collahuasi's fine copper production (44%) (tonnes)	204,317	198,899	193,609 N
TOTAL FINE COPPER PRODUCTION (TONNES)	638,792	652,791	<b>640,393</b> (2
Average C1 Unit Cost (US\$/lb) (2)	1.02	0.82	0.74

NOTES

- Only includes operating earnings.
- ) C1 Direct Cost: mine cost, plant cost, overheads, smelting, refining and freight cost.

<sup>&</sup>lt;sup>45</sup> The Sustainable Development Report 2007 provides more information about the Los Bronces Development Project, and is available at www. anglochile.cl.



#### **Proportion of spend on suppliers**

Domestic suppliers and contractors account for 85% of the goods and services purchases, and the remaining 15% is purchased from abroad. Collahuasi purchases 75% from Chile and the rest from other countries.

PROPORTION OF SPEND ON LOCAL SUPPLIERS (given in millions of US\$)	2008								2	007		
		GLO An Chile	COLLAHUASI CONSOLIDATED (44% BASE)		ANGLO AMERICAN COLLAHUA: CHILE (44% BASE							
Domestic goods & services	1,459	85%	322	75%	1,781	83.1%	1,002	95%	267	92%	1,269	94%
Foreign goods & services	256	15%	108	25%	364	16.9%	56	5%	22	8%	79	6%
TOTAL	1,715	100%	430	100%	2,145	100%	1,059	100%	289	100%	1,348	100%



NUMBER OF ANGLO AMERICAN SUPPLIERS PER REGION	TOTAL N°	%
Metropolitan Region	1,317	78
Valparaíso Region	133	8
Antofagasta Region	127	8
Atacama Region	38	2
Other Regions	75	4
TOTAL CHILEAN SUPPLIERS	1,690	100%





**Safety and Occupational Health** 

### Unwavering efforts

The company's accident rate indexes have dropped steadily since 2003. Despite this, the contractor result was not always what was expected. This trend was successfully reverted in 2008, as the best contractor accident and safety index in the history of the company was achieved. This was the result of systematic joint work by all employees working in the organisation.

In 2008, Anglo American Chile maintained the downward trend of the accident rate at its operations for the sixth year running, and it achieved its best historical record in the year, i.e. the total average rate was 0.21 compared with 0.29 in 2007. The company's work accident lost-time index plunged 45.6% on 2007 and amounted to 1,138 days in 2008 against 2,093 days the previous year.

This achievement would not have been possible without the efforts of partner companies, who have demonstrated they can systematically improve, and are sometimes even better than the company. This

success is the outcome of teamwork developed since 2003 between these companies and Anglo American Chile.

Despite this progress and all the efforts made with safety, the organisation regretted the death of one of its workers, father, coworker and high tonnage truck operator, who worked at the El Soldado Division. According to procedure, this accident immediately led to an investigation of the accident and its cause, a general review of safety standards and protocols and a visit by Cynthia Carroll, CEO of Anglo American plc, to find out about the work done and action taken to prevent any similar occurrence.

This work gave rise to a manual with the conclusions of the analysis of different cases from global mining, outlines the lessons learned and bolsters good practice that forms part of all the company's activities. The manual content was shared at the work sites in Chile and abroad, complying with the express request of Cynthia Carroll, who has made achieving the objective of "Zero Harm" to people a core aspect of her management.

Progress towards the goal of "Zero Harm" drove the modification of the organisational structure in Chile, transforming the Sustainable Development Management into Safety and Occupational Health Managements at each of the divisions as of January 2008. The objectives of this modification were to bolster safety-related issues,

focus work according to the particularities of the different operations and maintain ongoing communication about its development results with the CEO, to whom they report directly.

Forty-three workers lost their lives in the Chilean mining industry in 2008. Moreover, the disabling accident rate was 5.8<sup>46</sup>. At the close of this document, the National Geology and Mining Survey (SERNAGEOMIN) had not released any figures on the average age of workers, turnover rate and absenteeism.

2008	LTIFR*				LTISR**	
	COMPANY EMPLOYEES	CONTRACTORS	TOTAL	COMPANY EMPLOYEES	CONTRACTORS	TOTAL
Los Bronces	0.20	0.23	0.22	150	121	132
Mantos Blancos	0.20	0.17	0.18	125	79	93
El Soldado	0.12	0.07	0.09	139	6	54
Mantoverde	0	0.47	0.28	0	153	93
Chagres	0.55	0	0.27	253	0	125
Los Bronces Development Project	0	0.37	0.37	0	52	51
CONSOLIDATED INDEX	0.18	0.23	0.21	124	70	87

2007	LTIFR				LTISR	
	COMPANY EMPLOYEES	CONTRACTORS	TOTAL	COMPANY EMPLOYEES	CONTRACTORS	TOTAL
Los Bronces	0.25	0.38	0.33	431	179	279
Mantos Blancos	0	0.45	0.31	0	445	309
El Soldado	0.14	0.21	0.18	119	79	98
Mantoverde	0.23	0.16	0.19	73	63	67
Chagres	0.55	0.56	0.55	148	142	145
CONSOLIDATED INDEX	0.21	0.34	0.29	203	199	201

2006	LTIFR			LTISR		
	COMPANY EMPLOYEES	CONTRACTORS	TOTAL	COMPANY EMPLOYEES	CONTRACTORS	TOTAL
Los Bronces	0.24	0.23	0.23	202	181	191
Mantos Blancos	0.44	0.22	0.29	374	45	154
El Soldado	0	0.68	0.41	0.00	434	263
Mantoverde	0	0.48	0.28	13	149	93
Chagres	1.19	0.47	0.79	408	364	384
CONSOLIDATED INDEX	0.27	0.38	0.34	170	221	199

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

 $<sup>{\</sup>rm **Lost-Time\ Injury\ Severity\ Rate\ (LTISR):\ Number\ of\ working\ hours\ lost\ per\ 200,000\ man-hours\ worked.}$ 

 $<sup>^{\</sup>rm 46}$  Source: SERNAGEOMIN. The disabling accident frequency rate is measured for every one million man-hours worked.



#### **Global safety standards**

One of the highlights in 2008 was the implementation of the Anglo Fatal Risk Standard (AFRS) programme, which includes learning from hundreds of fatalities that have occurred at many mining companies worldwide, thereby meeting the target of "Zero Harm" and the One Anglo culture. The aim of this project is to reduce accidents and eliminate fatalities at all the company's operations in all those countries where it is present.

To attain this, Anglo American defined compulsory safety requirements that consider plants, equipment, procedures and people. These standards must be fully embraced worldwide in the next three years, according to the following scaled progression:

2008: 70% compliance2009: 90% compliance2010: 100% compliance

By late 2008, Chile had met and slightly exceeded the 70% implementation progress target. At the same time, concerning the development and application of standards and the related requirements, it stepped up its focus on identifying and managing risks by bolstering transversal competencies at all company levels.

This work is channelled through the Safety Risk Management Programme (SRMP), which is focused on developing competencies and skills that give the organisation a sound platform to achieve the "Zero Harm" goal and be able to sustain it over time.

The project, created from a partnership between Anglo American plc and the University of Queensland in Australia<sup>47</sup>, provides tools that will allow the organisation to fulfil its vision of "Zero Harm" based on suitable risk control, the basis of which is that all people make the best decisions when they especially affect safety. The SRMP model provides a development level model as a follow-up system, which will allow the organisation to carry on making progress each year towards attaining risk management excellence.

Due to its scope and its high application potential in other industries, the company entered into a partnership with the Catholic University of the North (UCN)<sup>48</sup> for it to develop Anglo American's SRMP and include risk management modules in the undergraduate and postgraduate curricula, thereby using best practice on this, which is widely addressed in the SRMP.

203,336
man-hours
dedicated to safety training in 2008

10

years without any accidents in the Mantoverde crushing-leaching area

1

million man-hours
without any accidents at El Soldado



#### **Commitment and safety culture**

The Anglo Base Metals (ABM) Division, to which Anglo American Chile belongs, is making progress in improving its safety and risk prevention standards and results with an initiative called the Safety Improvement Plan (SIP).

Its objective is to promote a culture of commitment and personal accountability throughout the organisation. To achieve this, work is focused on detecting and analysing the particular needs of each of the operations, and, in a second stage, on drawing up and launching action plans around seven work areas:

- 1. Implementation of the Leadership Development Programme.
- 2. Improvement of the On-Site Visible Felt Leadership Programme.
- 3. Modification of the Level of Safety Resources and Structures.
- 4. Modification of the Contractor Management Strategy.
- 5. Improvement of the Commitment to Employees.
- 6. Identification of Risks and Management Ability.
- 7. Alignment of the Performance Management System to Safety.

www.uq.edu.au

<sup>48</sup> www.ucn.cl

#### **Prevention approach**

Anglo American Chile's Sustainable Development Reports 2006 and 2007 fully outline the Anglo Safety Way and Anglo Health Way programmes, which are the current safety and occupational health management systems, respectively<sup>49</sup>.

The Anglo Safety Way had 94% implementation progress at the company's operations in Chile in 2008, according to the results of periodical assessments, external audits and expert peer reviews of international operations.

The company managed to apply 80% of the Anglo Health Way standards in 2008 by developing dissemination and training activities, which were reinforced with the publication of a document outlining the main characteristics of this system. The work areas that need to be reinforced in the next few years were determined from the analyses each division made of the degree of compliance with this programme.

The occupational health prevention approach was bolstered with training initiatives and communication campaigns involving employees and their families in protection from issues like alcoholism, drug addiction and HIV/AIDS. The company has specialised programmes when an employee declares he or she is affected by any of these, which include funding of the medical and psychological treatment.

In the case of HIV/AIDS, Anglo American Chile adheres to the company's international commitments regarding fully supporting partners who inform they are carriers of the virus or have the disease. All action related to these cases is undertaken with due respect for the privacy of those affected and confidentiality in handling the information received.

Moreover, Anglo American Chile establishes commitments with the unions of each of its operations to work together to prevent and reduce the exposure to professional disease-related risks. This working partnership is linked to specific targets, and meeting them entails personal, divisional and corporate incentives.

Anglo American Chile continued to develop and certify its management system based on the OHSAS 18001 international standards. These guidelines, which in the case of Anglo American are applied in co-ordination with its Anglo Health Way and Anglo Safety Way programme, help organisations to identify, assess, administer and manage occupational health and the labour risks as part of their usual policies and practices.

#### MAN-HOURS ALLOCATED TO SAFETY TRAINING

DIVISION	M-H - 2008
Los Bronces	80,252
Mantos Blancos	41,696
El Soldado	35,947
Mantoverde	11,934
Chagres	33,507
TOTAL	203,336

<sup>&</sup>lt;sup>49</sup> Anglo American Chile's Sustainable Development Reports 2006 and 2007 are available at www.anglochile.cl



#### **Health initiatives**

Campaign to Prevent Cardiovascular Risk Factors at Los Bronces:

Company employees and external companies participated in clinical checkups (weight, height, arterial pressure and cholesterol level, among others) and received educational material and professional guidance on issues like a healthy diet and smoking.

 Promotion of Physical Exercise and Active Rest during Work at Mantos Blancos:

The aim of this initiative is for employees, especially those with monitoring and control jobs, to prevent posture and physical fatigue by means of brief exercise routines that facilitate an alert disposition focused on the work assigned. This plan was also effectively applied at Los Bronces, Chagres and the offices in Santiago.

Winter Flu Vaccination Plan:

As every year, in 2008 a voluntary vaccination plan was carried out at operations and the corporate office in Santiago. This campaign was aimed at company employees and contractors, focused on those with a risk of catching this disease, like employees over 50 or those with a history of serious respiratory symptoms. In 2008, 3,150 vaccinations were given throughout the organisation.

#### **Partnership drive**

The structure of Anglo American Chile's Order, Hygiene and Safety Parity Committees (CPHS) was modified in 2008 to meet the requirements of new legislation on subcontracting and providing transitory services (Law N $^{\circ}$  20,123/2006). In accordance with this regulation, work groups must adopt one of the following integration modalities:

- The Parity Committee existing at a Division identifies the activities of contractors as its own, and its management defined by law therefore includes all the activities that are undertaken in the operation.
- The Division forms a site Parity Committee comprising representatives of the company and contractors, who undertake management defined by the law for all the activities carried out at the operation.

Anglo American Chile establishes commitments with the trade unions of each of its operations to work together to prevent and reduce the exposure to professional disease-related risks.

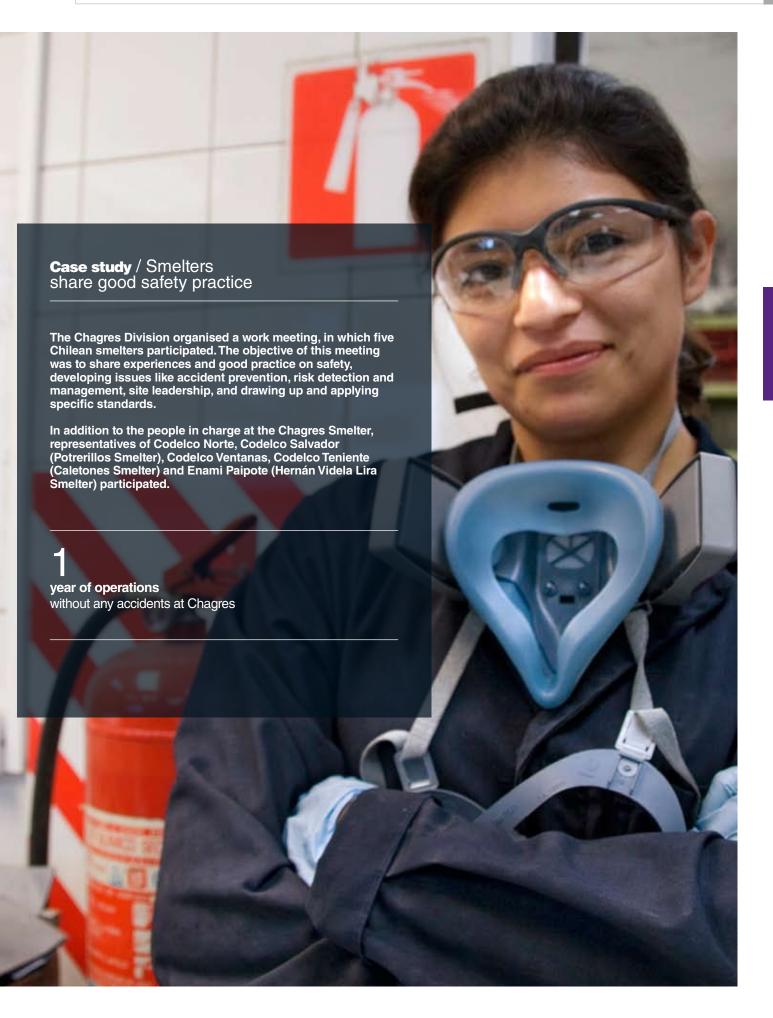
This restructuring process was undertaken at Los Bronces, Mantos Blancos, El Soldado and the Chagres Smelter according to the first option, whereas Mantoverde opted for a mixed integration system. At the same time, a new internal regulation was drawn up that includes these modifications, which was disseminated to company employees and contractors at all operations.

Collaboration with safety and occupational health issues that Anglo American Chile promotes at all its operations was recognised by the Consejo Nacional de Seguridad de Chile<sup>50</sup> (National Safety Council), which awarded the "Outstanding Parity Committee Prize" to the Parity Committee of the Los Bronces Division.





 $^{50}\ www.consejonacional deseguridad dechile.cl$ 







### Sulphuric acid handling and transport safety

Anglo American Chile's operations for the production, handling and transport of sulphuric acid are subject to specific protocols on safety and protection of people, communities and the environment based on the specific national regulation. It also considers requirements based on the Anglo American Fatal Risk Standards (AFRS) global programme.

The Chagres Division produced 486,616 tonnes of sulphuric acid in 2008, of which around 75% was transported to the Los Bronces, El Soldado, Mantoverde and Mantos Blancos Divisions, as this is a basic raw material in the leaching process.

The remaining percentage was sold to chemical industries and paper companies in the centre and south of Chile, who are required to remove the acid from the smelter. They must adopt safety protocols during transport operations, in accordance with the considerations set forth in the sulphuric acid marketing contracts with third parties. Any breach means that the transaction cannot be carried out.

These protocols, which are in force at all the divisions of Anglo American Chile, include measures like:

- The requirement of a five-year maximum manufacture age limit for trucks that transport acid (the current regulation in Chile establishes an age limit of 15 years). Random checks are made to verify full compliance with the technical and safety requirements for vehicles.
- The theoretical and practical evaluation of the suitability of drivers who transport sulphuric acid, according to their competencies and command of the related legal and regulatory provisions (storage and handling of hazardous substances, loading and unloading procedures and highway code, among others). Anglo American Chile provides advice and specialised training on these issues to its own and external teams related to these operations.
- The establishment of loading and unloading times in accordance with days and periods with less traffic and movement of people on nearby roads. These provisions are under constant assessment in co-ordination with public, private and social representatives of the communities around operations.

The divisions also have partnership agreements with municipalities, health services, the Police and Fire Department, among other institutions, to develop preventive plans and act in co-ordination in emergencies. The application of these programmes and actions led to no significant incidents in 2008 arising from handling and transporting sulphuric acid.



**Our People** 

# Generating value with development

Anglo American Chile identifies investment in human capital as a decisive factor so that progress made with efficiency and productivity is constant and sustainable.



The right management of talent, one of the core aspects of the One Anglo model, includes the activities of attracting, developing and retaining talent and partners with a high capacity at all the company's operations and organisation levels.

The Human Resources Vice-Presidency undertakes this challenge with the work of its four areas: people development; human resources management; labour relations and continuous improvement; and partnership.

To promote the corporate values of non-discrimination and equal work opportunities, Anglo American Chile has boosted the participation of women in its operations by means of hiring and talent attraction programmes.

For the year ended December 31, 2008, the company had a workforce of 9,742 people. Women accounted for 3.6% of the company workforce in 2007 and this increased to 4.9% in 2008, highlighting their presence at supervisor level (13.6% of the total). Moreover, women accounted for around 30% of the thesis student, apprentice and professional practice programmes in 2008.

The average age of company employees was 42 in 2008, maintaining the downward trend mainly due to the new young talent hiring programme. Concerning this, the overall turnover rate was 6.1% (4.7% for employees and 11.3% for supervisors). Work absenteeism dropped from 2.6% in 2007 to 2.4% in 2008, confirming the downward trend since 2006.



<b>EMPLOYMENT GENERATED</b> (at December 31 each year)	2008	2007	2006
BY DIVISION (including third parties)			
Los Bronces	1,712	1,420	1,355
Mantos Blancos	1,337	1,014	997
El Soldado	1,472	1,138	1,053
Mantoverde	824	731	678
Chagres Smelter	457	461	425
Santiago Offices	330	275	264
Project Contractors	3,610	815	851
TOTAL WORKFORCE	9,742*	5,854	5,623

<sup>\*</sup> The significant increase in the total workforce is explained by the greater contractor workforce related to the start-up of the Los Bronces Development project.

EMPLOYMENT BY DEPENDENCE	2008	2007	2006
Company employees	2,973	2,723	2,505
Service contractor personnel	948	710	749
Operations contractor personnel	2,211	1,606	1,518
Project contractor personnel	3,610	815	851
TOTAL WORKFORCE	9,742*	5,854	5,623

 $<sup>^{*}</sup>$  The significant increase in the total workforce is explained by the greater contractor workforce related to the start-up of the Los Bronces Development project.

BREAKDOWN OF MANAGEMENT POSITIONS	2008	2007	2006
N° of male vice-presidents or senior managers	41	39	41
N° of female vice-presidents or senior managers	1	1	1
NO OF VICE-PRESIDENTS OR SENIOR MANAGERS	42	40	42
N° of male managers	107	110	100
N° of female managers	2	0	1
NO OF MANAGERS	109	110	101

CONTRACT TYPE OF ANGLO AMERICAN CHILE EMPLOYEES - 2008*	INDEFINITE CONTRACT	FIXED-TERM CONTRACT
Supervisors	95.8%	4.2%
Employees	92.5%	7.5%
TOTAL	93.3%	6.7%

<sup>\*</sup> The total full-time employees.

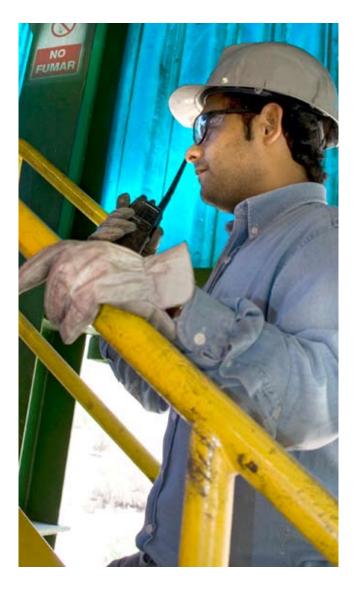
#### **New competencies and leadership**

Anglo American Chile is striving for employees to provide their ability to create company value by means of its competency and skill development programmes. In 2008, 7,384 people participated in training on safety, occupational health, the environment, quality and management, among other topics. There was therefore a 39% increase on the previous year in the number of participants and duration of the training programmes measured in "man-hours" (M-H).

The Situational Leadership Programme also continued, the aim of which is to improve the leadership abilities of the supervision and, by means of workshops, implement the key values promoted by the company for the conduct of its leaders.

This initiative considers the delivery of tools so the participant is able to make a correct diagnosis of the development abilities and levels of each member of his or her team to address the different tasks, besides driving a more flexible leadership style so the leader understands the best way of establishing and exercising leadership of them. The programme was launched in 2007 and lasts three years. The senior and middle management training was completed in 2008 and all supervisors are scheduled to be trained in 2009.

Participants in this and other activities related to embracing the One Anglo culture can get involved in and learn about their progress on the Source portal, which is an on line information, collaboration and knowledge management tool that allows people working at the different operations of Anglo American worldwide to interact and exchange information.



#### **Talent attraction initiatives**

#### ■ Trainee Engineer Programme (Trainee):

This is an induction, preparation and performance cycle in the different company areas, focused on professionals who have just graduated with excellent study results, and who also fit the profile of the company competency model. When the trainee stage has been completed, the possibility is evaluated of participants filling permanent positions in the organisation.

#### ■ Apprentice Programme:

This enables youngsters of 18 to 21 years old, who have completed their secondary education at technical schools in the communities near Anglo American Chile's operations, to undertake an apprenticeship in the company under the quidance and supervision of an internal tutor.

#### ■ Thesis Student Programme:

This supports university students in the last few years of careers related to the mining industry to undertake studies and research at the company's operations.

#### Professional Practice Programme:

This is an efficient tool for youngsters with a good professional projection to learn about the work and culture of Anglo American Chile and to have the opportunity of joining its team.

292

#### youngsters participated

in the talent attraction programmes

22%

#### increase

in youngsters undertaking professional practice compared with 2007

US\$710,000

#### was invested

in talent attraction programmes

#### **Labour relations**

According to the figures at December 2008, 98% of company workers are represented by one of the 11 trade unions (two in each division, except Mantoverde where there are three) headed by 39 trade union leaders.

In co-operation with them, every two years Anglo American Chile reviews and studies the remunerations and benefits of mining companies operating in Chile. Such analysis provides a complete picture of the market situation and best practice in the labour and human resources area, also enabling alignment of the company's policies on these to the current industry conditions. This process also serves as a basis for informed dialogue between the administration and its workers, especially during collective bargaining periods.

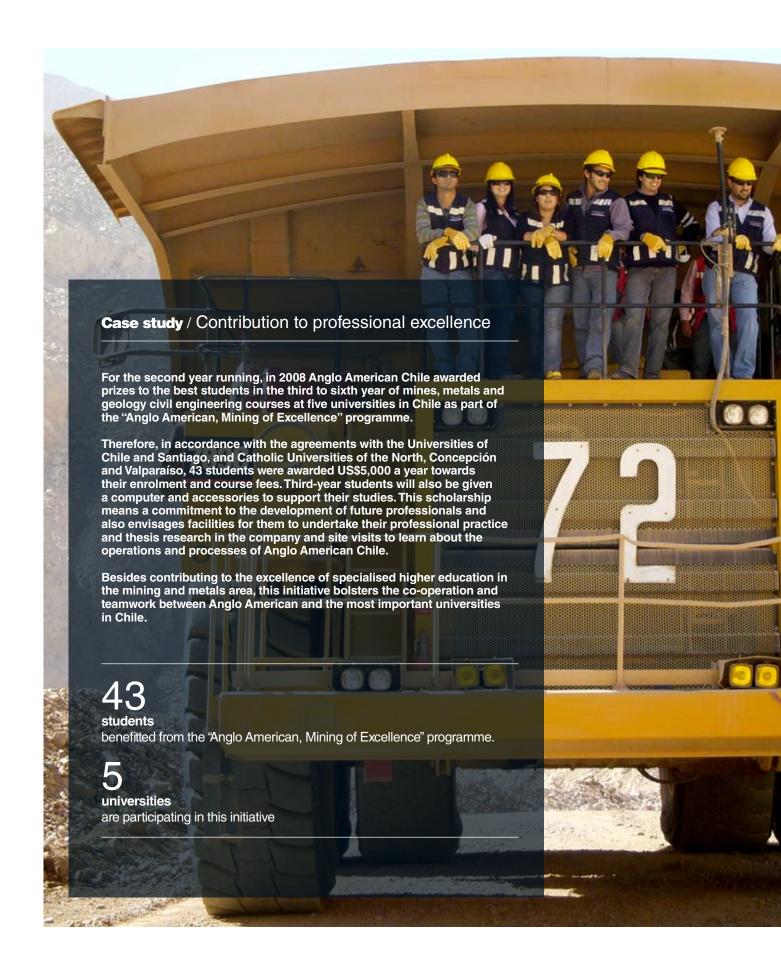
The early collective bargaining process with the Los Bronces, El Soldado and Chagres unions was completed in December 2008 with the signing of the respective collective agreements that will last 48 months (the maximum term allowed by Chilean labour legislation). These agreements came into force on December 1, 2008, and will remain effective until November 30, 2012.

In the case of Mantos Blancos and Mantoverde, the current collective agreements came into force on May 1, 2007, after the agreement reached in the early bargaining process between the company and unions of such operations. The agreement will last 43 months and will remain effective until November 30, 2010.

Besides complying with labour legislation on remunerations and social security, these collective agreements include additional benefits such as:

- Coverage of complementary medical and dental insurance.
- Special leave in personal and family emergencies.
- Longer annual holiday than legally required.
- Special economic allowances for birth and marriage.
- Agreements with excellent health centres for the care of workers and their families.
- Assistance with the education of workers' children according to their educational level.
- Financial contributions to unions to promote and develop cultural, recreational and sports activities for workers and their families.
- Construction and maintenance of a sports infrastructure at all the company's operations.

In 2008, Anglo American was given a fine for a labour offense infringement given by the First Local Police Court of Copiapó, which meant Mantoverde had to pay the equivalent of 41 Monthly Tax Units (UTM) for extending a shift's duration as an exception in two election processes in 2005 and 2006. The aim of this change was to allow all workers to vote in such election processes without affecting the continuity of Mantoverde's operations. The authority believed that the fine was, in any case, applicable.



#### **Contractor integration**

Full adherance to the Principles of Good Corporate Citizenship<sup>51</sup> by contractor companies is an ongoing concern of Anglo American. Regarding this, any external service company that wants to participate in a tender must formally declare that its activities will be commensurate with the corporate principles on safety, labour rights and ethical business conduct.

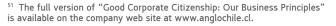
In the contractual assessment and execution process, respect of these guidelines is reviewed periodically by Anglo American's representatives, who directly supervise the development of the activities or works commissioned. Breach of any of them is grounds for termination of contractual relations as laid down in the contract that was signed.

In the case of Anglo American Chile, the Integral Contractor Plan has allowed for the homologation of standards in different areas and their application to all the company's activities, which has led to a more efficient supervision of operations and significant progress with key indicators. For example, contractor companies reduced their accident rate indexes by 32% in 2008, achieving a safety and risk control management performance very close to that of the company's own workforce.

In July 2008, Anglo American Chile implemented its "Anglo Mine Site Minimum Monthly Wage" policy, which applies to any contractor-dependent worker and/or subcontractors who provide permanent service at any of its divisions and at the head office in Santiago. This monthly net wage was set at Ch\$250,000 (the minimum legal wage in force in Chile is Ch\$159,000).

In the case of wages paid by Anglo American, no discrimination is made for gender or at supervisor or employee level. To define the wage, variables like the job function, its complexity, level of responsibility, the competencies of the person to undertake such role and the performance level are considered, among other factors. Regarding this, the minimum wage of company workers is about three times more than the legal minimum.









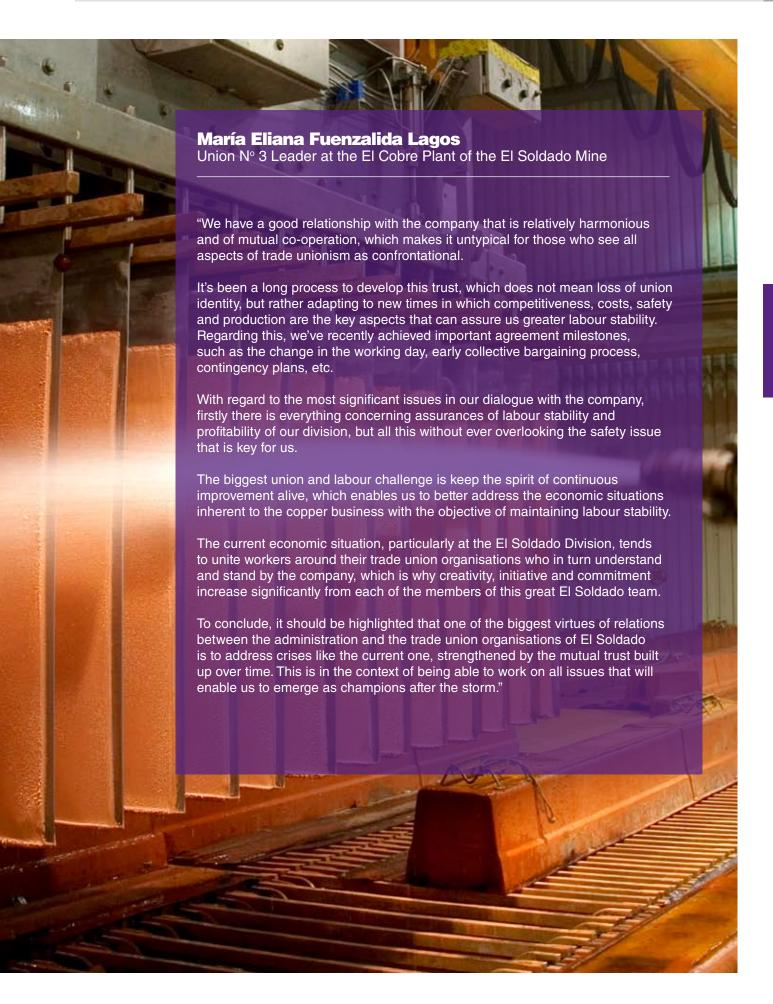
TRAINING AREA	2008		2007		20	006
	M/H	NO OF PEOPLE	M/H	N° OF PEOPLE	M/H	N° OF PEOPLE
Safety, occupational health, environment and quality	30,676	2,029	16,629	1,736	21,014	1,695
Management	39,411	1,960	37,602	2,052	35,607	1,393
Technical	94,695	3,227	56,976	1,162	82,392	1,302
Others	3,277	168	9,092	358	13,317	457
TOTAL	168,059	7,384	120,299	5,308	152,330	4,847

COMPANY EMPLOYEE EDUCATION LEVEL	2008	2007	2006
Basic education	89	109	125
Secondary	635	589	541
Technical	1,267	1,080	967
University	982	945	872
TOTAL COMPANY EMPLOYEES	2,973	2,723	2,505

THESIS STUDENT PROGRAMME	2008	2007	2006
No of men	23	25	56
No of women	10	9	10
TOTAL THESIS STUDENTS	33	34	66
AMOUNT INVOLVED (US\$)	109,723	101,184	161,440

APPRENTICE PROGRAMME	2008	2007	2006
No of men	86	84	84
No of women	44	35	13
TOTAL APPRENTICES	130	119	97
AMOUNT INVOLVED (US\$)	419,804	394,347	274,882

PROFESSIONAL PRACTICE PROGRAMME	2008	2007	2006
No of men	94	76	109
No of women	35	29	4
TOTAL PRACTICES	129	105	113
AMOUNT INVOLVED (US\$)	180,763	89,390	158,119





**Community Relations** 

## SEAT II process

Anglo American Chile applied its SEAT tool for the second time to update the information obtained in the previous process in 2004 and assess the community engagement plans of each Division.

The SEAT
methodology is
available for the

The core aspect of Anglo American's sustainable development approach is the identification, assessment and management of the impacts of its operations on the surrounding community.

The first part of this Report outlined how the periodical application of the Socio-Economic Assessment Toolbox (SEAT)<sup>52</sup> allows ties between Anglo American and its surrounding community to help maximise shared value creation in the economic, social and environmental areas. This chapter outlines the main conclusions of the second application of this tool in 2008, which covered the communities around all Anglo American Chile's operations. This work was undertaken jointly with the Casa de la Paz Foundation<sup>53</sup>.

The aim of the SEAT II process was to update the information obtained in the first assessment made in 2004. It also analysed and reviewed the management measures applied in response to the issues raised by SEAT I and the community engagement plans developed from 2004 to 2008 at each Division.

Regarding this, Anglo American Chile decided that the efficiency and sustainability of these programmes are related to:

- Focus on a smaller number of strategic high-impact work lines.
- Enhancement of the management, assessment and measurement mechanisms of the results of the initiatives carried out.
- Full co-ordination of the action plans with the work of the different company areas.
- Constant assessment of the needs and requirements of the surrounding community to provide a suitable company response.



#### **SEAT II innovations**

The second version of the SEAT methodology includes modifications to more efficiently address the bond between Anglo American and the communities around its operations. The following are the main innovations compared with SEAT I:

- Strengthening of the importance given to health and human rights issues.
- New tools that help operations manage their stakeholder relations by means of improved complaints procedures and focus on the community scope of emergency and resettlement planning.
- Greater variety of options to support the improvement of community abilities and development.
- Better design of management measures by means of partnerships with third parties.

www.anglochile.cl/es/desarrollo/seat.htm

<sup>53</sup> www.casadelapaz.cl

#### **Commitments undertaken**

The challenges identified in the SEAT II process have been incorporated to the community management developed by Anglo American Chile at all its divisions. Some of the main issues being addressed are:

DIVISION	CHALLENGES IDENTIFIED IN THE SEAT II PROCESS
Los Bronces	Open up more direct communication with the community.
	Strengthen the company's ties with the productive activities developed in the area.
Mantos Blancos	<ul> <li>Evaluate possible partnerships with other companies in the area to promote social programmes in health, educational, recreational and quality of life areas.</li> </ul>
	• Integrate multi-sector organisations of local and regional reach to promote socio-economic development in the area.
El Soldado	<ul> <li>Constitute institutionalised community dialogue to share the environmental information of the Division and the measures it adopts to mitigate impacts such as noise and particulate material.</li> </ul>
	• Increase insertion in the regional and local development plans, specifically concerning planning and strategies related to the ecosystem intervened by the Division.
Mantoverde	Drive direct communication opportunities with the community.
	Strengthen dialogue mechanisms and a local agreement on the issue of water use.
Chagres	<ul> <li>Draw up specific strategies to get closer to different social players to address the concern expressed about health and environmental issues.</li> </ul>
	Focus the division's community engagement programme to avoid the dispersion of initiatives in different areas.

#### INFLUENCE AREAS COVERED BY THE SEAT II PROCESS

DIVISION	DISTRICTS	LOCALITIES
Los Bronces	Lo Barnechea, Til Til and Colina.	Corral Quemado, Huertos Familiares, Lo Barnechea Urbano, Quilapilún Bajo, Reina Norte, Riecillos, Santa Filomena, Villa Peldehue and Esmeralda.
Mantos Blancos	Antofagasta and Sierra Gorda.	Baquedano.
El Soldado	Nogales.	Los Caleos, Chamizal, Collahue, El Melón and El Garretón.
Mantoverde	Chañaral.	Barquito, Chañaral and El Salado.
Chagres	Catemu, Llay Llay, Panquehue and San Felipe.	Chagres, Lo Estancilla, Reinoso, San Carlos Alto, San José, Santa Isabel, Santa Rosa, Santa Margarita and Villa Lo Campo.

2002
The SEAT methodology was created

#### The 7 steps of the SEAT II process

#### STEP 1

Draw up a profile of Anglo American's operation

### STEP 2 Community profile and engagement

1

#### STEP 3

Identify and assess the social and economic impacts of Anglo American's operation and the key development problems, and assess management measures and current social investment



#### STEP 4

Improve the management of socio-economic impacts and problems during operation and closure



#### STEP 5

Support community development



#### STEP 6

Develop a monitoring and management plan



#### STEP 7

Draw up a socio-economic report, feedback for the community and assess the SEAT process



**Emerge Programme** 

# Supporting entrepreneurs

In its second year of application, the Emerge Programme made progress with the objectives of supporting entrepreneurs seeking to overcome poverty and raise the quality of life of their families by developing small and medium-sized businesses.



In 2008, Anglo American Chile's Emerge Programme, the key focus of which is to support the development of businesses in areas around the company's operations based on its sustainable development approach, met the expansion schedule and positioning among its stakeholders set for its second year of application<sup>54</sup>.

This initiative is developed based on two work areas. The first small-sized business area is focused on people from poor sectors, in which Anglo American in partnership with Fondo Esperanza<sup>55</sup> provides microcredits for entrepreneurs grouped into communal banks.

The second area of medium-sized businesses includes people who, although they have managed to emerge from poverty, find it difficult to gain access to loans from the commercial banking sector. Anglo American works at this level in partnership with the eClass Programme of the Business School of the Adolfo Ibáñez University<sup>56</sup> that leads to a New Business Development Diploma, providing training and ongoing advice on the management of their businesses and capital contributions too.

2,701

small-sized business entrepreneurs were supported by the Emerge Programme

133

#### communal banks

made up of small-sized business entrepreneurs.

entrepreneurs' fairs were held in 2008

#### **Expansion and enhancement**

At the close of 2008, the Emerge Programme had already benefitted 2,701 small-sized entrepreneurs in Chile (1,856 in the central area and 845 in the north), making progress towards the target of supporting 6,800 people set for 2010. Eighty-eight per cent of the current participants are women, of whom 48% are female household heads.

Commerce (bazaars, fruit and vegetable market vendors, street sellers, among others) accounted for 61% of the businesses at this level, production and sales (pastry making, dressmaking and craftwork, to mention a few) for 34%, and services (like hairdressing and plumbing) for 5%.

The following were the achievements for small-sized businesses in 2008:

- Expansion in the north: The main progress was the presentation of the programme in the cities of Antofagasta and Chañaral, establishing its presence in regions II and III.
- Entrepreneurs' fairs: Seven entrepreneurs' fairs were held in all the areas where the project is developed (Antofagasta, Chañaral, Til Til, Quillota, Colina, Nogales and Catemu), which had sponsorship of the respective municipalities. These were therefore a new form of making known and marketing the products offered by participants in the programme.
- Strengthening of communal banks: The communal banks comprise 18 to 25 people that live in the same neighbourhood; they develop their businesses independently and are voluntarily united as joint and co-guarantors to secure micro-credits. The entrepreneur education and training programmes on managing businesses developed in these units were extended in 2008 to meet the expansion stage of the programme.

#### Corporate citizenship accolade

One of the highlights of 2008 was the Chilean-North American Chamber of Commerce (AmCham)<sup>57</sup> awarding Anglo American Chile the Good Corporate Citizenship Prize for its Emerge Programme.

The prize aims to highlight those social responsibility programmes that directly support the community where companies operate, thereby promoting good practice in this area in Chile.

This award is in addition to the Bicentenary Seal<sup>58</sup> which the Emerge Programme was awarded in 2007 by President Michelle Bachelet, which distinguishes projects that make a significant contribution to the country's development.

<sup>&</sup>lt;sup>54</sup> Anglo American Chile's Sustainable Development Report 2007 outlines the grounds for creating the Emerge Programme and its main achievements in that annual period analysed. The document is available on the company's web site at www.anglochile.cl.

<sup>55</sup> www.fondoesperanza.cl

<sup>56</sup> www.uai.cl

<sup>57</sup> www.amchamchile.cl

<sup>58</sup> www.chilebicentenario.cl

The following goals were achieved for the medium-sized business area:

#### Start of the second cycle of entrepreneurs:

27 new entrepreneurs with different projects joined the programme in June with the start of their training by means of the partnership with the eClass Programme of the Adolfo Ibáñez University.

#### Graduation of the first cycle of entrepreneurs:

The graduation ceremony of the first cycle of medium-sized business entrepreneurs was held in September. Thirteen participants received their New Business Development Diplomas after having passed all the courses.

#### Delivery of Economic Contributions:

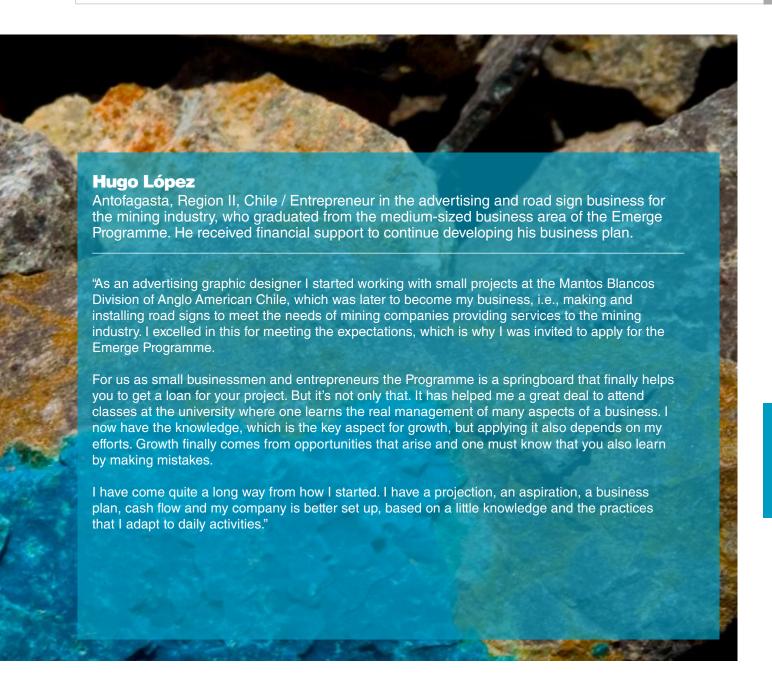
The ceremony delivering the first economic contributions to entrepreneurs that successfully completed the first training and development cycle of their business plan was held in December. The beneficiaries were nine entrepreneurs, whose business plans were approved by the Emerge Programme Committee after having demonstrated economic viability and completing the initial commercial development stages with the ongoing site support of the Anglo American Foundation. The contributions delivered amounted to \$110 million.



On Thursday, December 11, 2008, the first nine medium-sized business entrepreneurs of the Emerge Programme received an economic contribution to apply their business plans. The following people were awarded credits:



ENTREPRENEUR	BUSINESS
Adriana Flores (San Felipe, Valparaíso Region)	I have been making and selling homemade conserves and jams with no added sugar, preservatives or colouring for eight years.
Ángel Núñez (Antofagasta, Region II)	<ul> <li>His company ANR Maestranza repairs and makes spare parts for equipment and plants.</li> <li>He is a contractor at the Mantos Blancos Divison.</li> </ul>
Guillermo Vásquez (Catemu, Valparaíso Region)	He makes fine goat's cheese that is sold through the Lomas de Catemu Agricultural Cooperative.
Juan Alfaro (Antofagasta, Region II)	He founded the company Innovatronic, which provides information technology-based services to the mining industry.
Pamela Altamirano (Nogales, Valparaíso Region)	She runs a family floriculture company that cultivates gerberas in greenhouses.
Hugo López (Antofagasta, Region II)	He is an advertising graphic designer who makes and installs road signs for the mining sector.
Guillermo Hidalgo (Chañaral, Atacama Region)	His company harvests, processes and markets seafood.
Ismael Maturana (Antofagasta, Region II)	<ul> <li>He runs Tecnoseal, a company specialised in repairing hydraulic components for different types of machinery.</li> </ul>
Adela Henríquez (Llay Llay, Valparaíso Region)	Her business makes and sells smoked garlic paste.



"I have a projection, an aspiration, a business plan, cash flow and my company is better set up based on a little knowledge and the practices that I adapt to daily activities."

Hugo López, entrepreneur

graduates
in the first cycle of entrepreneurs

27
new entrepreneurs

\$110 million

of financial support to develop business plans



**Community Engagement Plans** 

## Partnerships for development

Anglo American Chile is incorporating the One Anglo model and the conclusions of the SEAT II process to the strategic management of relations with communities around its operations.

Based on the characteristics of the One Anglo model and culture and conclusions of the SEAT II process, each of Anglo American Chile's divisions is adjusting its Community Engagement Plan (CEP) to approach requirements to improve project management, assessing impacts and co-ordinating with the different company areas.

The general strategy regarding this stresses the need for strengthening a corporate vision and management of community relations, which is clearly represented by the professional teams that deal with this issue at the divisions. The aim is therefore to progress towards an integral model of action that prevents the dispersion of initiatives and maximises shared value creation from the economic, social and environmental standpoint.

Regarding this, the sustainable development partnership that Anglo American establishes with the communities around its operations is focused on:

- Thoroughly knowing the community concerns.
- Assuring effective communication and dialogue channels.
- Attaining the greatest risk management effectiveness.
- Maximising the positive socio-economic impacts of the projects developed.
- Clearly establishing the action strategy and related responsibilities.
- Enhancing the quality of community investment.



#### 2008 results

Anglo American Chile's divisions invested US\$2.8 million in their community engagement plans in 2008 compared with US\$2 million in 2007. This budget considers payments to associations, donations and sponsorship, and support of social initiatives.

Additionally, the company considered an initial contribution of US\$3 million to implement the Emerge Programme throughout its period of effectiveness (2006-2010). However, due to the success achieved, Anglo American has forecast that it will invest an additional US\$3 million up to 2010. US\$4 million were therefore invested from 2006 to 2008, with the bulk of this investment amounting to US\$2.9 million concentrated in 2008.

The main characteristics of the community engagement programmes that were developed at the divisions in 2008 are outlined below:

#### **Los Bronces Division**

Its related districts are Lo Barnechea, Colina and Til Til, with which it undertakes partnership work focused on the education, healthcare, addiction prevention, community development and environmental education areas. Some of the main initiatives were:

- Refurbishment of the Public Assistance Service (SAPU) at the Municipality of Colina, helping to improve the quality of first aid.
- Expansion of the Lo Barnechea Reading Centre and creation of the Chemical Laboratory Technician speciality at the Huertos Familiares school, district of Til Til.
- Formation of roundtables comprising representatives of the company and neighbours' committees to analyse and drive social development projects at district level.
- Collaboration with the Private Corporation of Colina and the Pro Til Til Development Corporation to participate in sustainability initiatives in its influence areas.
- Promotion of technical education by supporting 26 youngsters that joined the Apprentice Programme. Support scholarships were awarded to the five best-performing students to continue their studies.
- Work with school communities to promote recycling and solid waste management plans to bolster education on environmental issues.



#### **Mantos Blancos Division**

Its influence area covers the communities of Sierra Gorda, Baquedano, Antofagasta and Mejillones, where education is its main focus of action. The following initiatives were carried out in 2008, among others:

- DeLTA<sup>59</sup> Programme (Developing and Leading Academically Talented Students): this is a project undertaken in partnership with the Catholic University of the North (UCN) that promotes extracurricular academic attendance of poor students from sixth grade of basic education to the last year of secondary education, who have outstanding abilities and are highly motivated. Three hundred and fifty children and youngsters are currently in this project that awards university scholarships to talented leavers.
- Enterprise Promotion Programme: This is carried out in partnership with the Enterprising Youth Foundation and has enabled 52 teachers and 366 students to receive training and to enhance their personal, social and technical skills to lead business projects.
- Baquedano Astronomy Project: This boosts scientific knowledge with extracurricular school activities. The Division supported the repair of the dome of the astronomy observatory of School G-130 in Baquedano, directly benefitting more than 100 students of this school

#### **El Soldado Division**

Its influence area covers the districts of Nogales and areas near El Melón, Collahue, Los Caleos, Chamizal, Macal and Garretón. Its work is mainly focused on community development, environmental and educational projects, highlighting the following:

- As part of its good neighbour policy and to make a contribution to the water supply to the surrounding communities, El Soldado signed an agreement with the Municipality of Nogales and the Department of Hydraulic Works to build a rural drinking water system for the Los Caleos and Collahue communities, which are immediately to the west of the Division. It provided 80% of the resources needed to achieve this, and this will benefit 250 families, equivalent to around 1,000 people.
- Reforestation of tailings dams: The Division's work with specialised institutions has enabled the preservation and expansion of native vegetation by suspending intervention in old tailings dams and developing conditioning works.
- Expansion of school transport coverage: The Division finances 80% of the school transport expense of 210 children in coordination with five neighbours' committees.
- Trade courses: 120 people from El Melón and Nogales participate in work training programmes approved by the National Training and Employment Department (SENCE)<sup>60</sup>.
- "Skills for Life" multi-workshop: This benefits 350 students from municipal schools, who have special educational needs (disability, learning difficulties, among others).



#### **Mantoverde Division**

It carries out work in Chañaral, Diego de Almagro, Copiapó and El Salado. The priority was established in 2008 of strengthening the work partnership with the Chañaral Development Corporation based on its "key strategic aspects" of community sustainability. The following were some of the initiatives undertaken:

- Development of training courses and talks to promote enterprise ability in youngsters. This initiative is developed jointly with the Chile Califica<sup>61</sup> programme, the Technical Co-operation Department (SERCOTEC)<sup>62</sup> and Chile's Economic Development Agency (CORFO)<sup>63</sup>.
- Training programmes with social scholarships for specialisation courses given to people who need to improve their labour competencies.
- Cultural programme developed with the Cultural Corporation of Pro Arts and Culture Companies (EMPROARTE). It included the presentation of seven cultural events with plays, music and dance at the Sports and Cultural Complex of Chañaral.

#### **Chagres Division**

Catemu, San Felipe, Llay Llay and Panquehue are in its influence area. Work was focused on socio-cultural development and strengthening the community participation in educational, health and environmental issues.

- Training of environmental monitors: This programme arose in response to the great interest of community groups in this area. Seventeen people were trained for 11 months to address local environmental issues in their communities and organisations.
- Tenderable funds for social organisations:
   This is a project applied in partnership with different municipalities that enables 50 institutions to receive funding and advice to carry out community development projects in various areas.
- Environmental certification of schools:
   This promotes environmental training for students and teachers at schools in the district of Llay Llay.
- Social Responsibility Award:
   This is a prize awarded to people who have stood out in promoting local progress initiatives in educational, health, culture and sports areas.

<sup>59</sup> www.ucn.cl/web\_delta\_ucn

<sup>60</sup> www.sence.gob.cl

<sup>61</sup> www.chilecalifica.cl

<sup>62</sup> www.sercotec.cl

"Our support of community projects should reflect the priorities of the local people, their sustainability and a suitable cost-efficiency ratio."

Good Corporate Citizenship: Our Business Principles.

### Case study / Visit by communities from Peru and the United States

Communities from Peru and the United States, which are located in sectors where the company is undertaking mining projects, visited Anglo American Chile's operations in 2008.

The delegations could see on-site how the company operates and the relationship it establishes with its socio-community environment. A delegation of 35 people from agricultural areas around the Michiquillay project (Department of Cajamarca, northern Peru) arrived in the first week of May and visited the Los Bronces and El Soldado divisions, whose geographical, economic and social characteristics have similarities with those in Peru.

Besides visiting the facilities and talking to executives and workers at these divisions, the group could see how operations can be developed without affecting agricultural activity. They also met neighbours and authorities of the district, who told them their experience as beneficiaries of the Emerge Programme, which drives the development of small- and medium-sized businesses in the surrounding towns.

Bearing in mind the results of this visit and the conclusions of the negotiation between representatives of the community and Anglo American, the Michiquillay Community General Assembly approved a social agreement to start mining exploration studies. Local authorities and the Defence Council of the People of Peru acted as observers and supervisors of the process to guarantee its legitimacy and transparency.

The second delegation comprised representatives of communities in the influence areas of the Quellaveco Project (Department of Moquegua, southern Peru) and the third delegation was made up of people related to the Pebble project (southwest Alaska, United States) as part of its own dialogue and negotiation process with Anglo American



**The Anglo Environment Way** 

# New environmental management tool

Anglo American published a new policy and developed an environmental management tool in 2008. It also drove compliance with performance audits to assess and improve the results in this area.



To carry out the One Anglo commitment of protecting the environment, in 2008 a new policy was published and an environmental management system and specific performance standards were drawn up to be applied from 2009. These guidelines are contained in the Anglo Environment Way document, which is reviewed yearly and is applied at all Anglo American's operations worldwide. The Senior Environmental Manager is in charge of implementing them and reports to the new Vice-Presidency of Operational Excellence and is supported by a person in charge of this area at each operation.

The environmental performance standards envisage those areas of greater risk, known as social and environmental impact assessment, and address management of issues like water, air, mining and nonmining waste, hazardous substances, biodiversity, land use and closure plans.

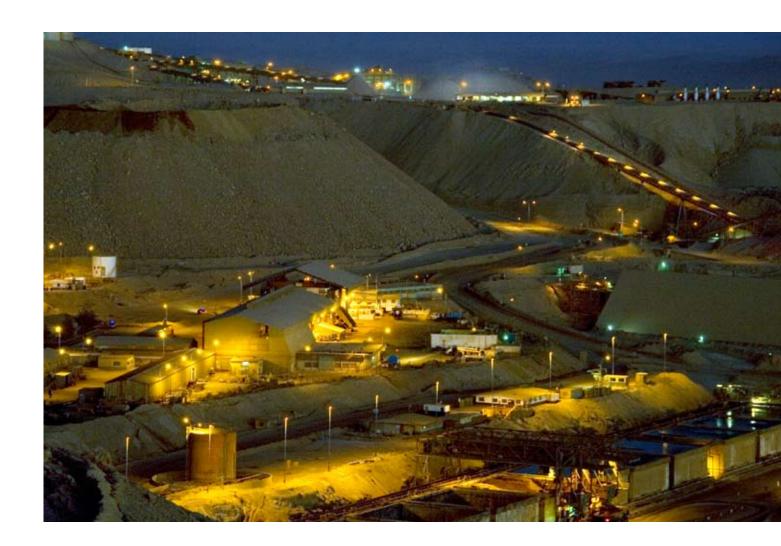
Related to this, all Anglo American Chile's divisions have made progress with complying with environmental standards by reviewing their certification for their integrated management systems with the OHSAS 18001 and ISO 14001 standards. Mantos Blancos and Mantoverde also maintained their ISO 9001 quality certification.



### 2008 highlights

- All the divisions maintained their certification in accordance with the ISO 14001 and OHSAS 18001 environmental management, safety and occupational health standards.
   Mantos Blancos and Mantoverde maintained their ISO 9001 quality certification.
- The Vice-Presidency of Operational Excellence was created
- The Energy Efficiency Programme continued to reduce CO2 emissions by 10% and the Energy Efficiency Policy was published. There were 28 Level 1 incidents.
- Three incidents recorded and reported in 2007 were also re-classified as Level 2.





**Energy Efficiency Programme** 

## An ongoing challenge

Anglo American Chile stepped up its commitment to the sustainable use of natural resources by publishing its Energy Efficiency Policy, which sets out the initiatives and specific targets for improvement at each of its operations.

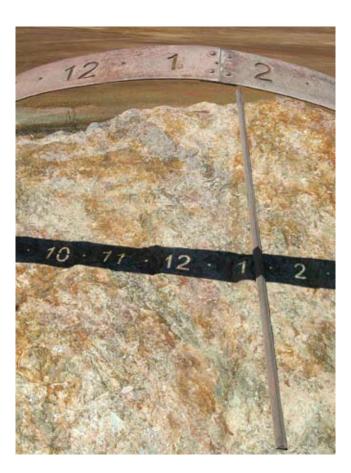
Anglo American plc launched a programme at all its operations worldwide in 2004 to improve the energy efficiency use by 15% and reduce CO2 emissions per saleable unit of production by 10%. These targets must be complied with by 2014.

The company also added to these targets a 15% improvement in the efficiency of water use, and to promote research to use renewable energies and get involved in biodiversity protection plans in its influence areas.

In August 2008, a new drive was given to Anglo American's environmental management and its Energy Efficiency Programme from a strategic standpoint with the creation of the Vice-Presidency of Operational Excellence. This organises its work through four management channels that address issues of asset optimisation, management and maintenance, efficient energy and water use, control of emissions, environmental protection and regulatory affairs.

One of the achievements of the Energy Efficiency Programme was the creation and publication of a policy on this, the introduction of which states that all operations are carried out "considering the company's commitment to the country's sustainable development and the communities where it operates, as well as the efficient use of resources."

There are divisional leaders at all operations in charge of implementing this policy and driving their teams to detect opportunities and apply measures to help achieve the targets. To such end, the company analysed and explored alternative sources of energy from renewable natural resources to supply its operations. Therefore, in 2008 satellite aeolian energy tests were carried out at Los Bronces, Mantos Blancos and Chagres. If interesting potential is detected, measurement towers will be installed that will remain the whole year. Studies were also undertaken to assess the use of solar energy at the operations of Mantos Blancos and Mantoverde, the technology of which has not been proved yet in Chile.



### **Multisector work**

Anglo American Chile has participated actively in the Energy Efficiency Mining Roundtable (MMEE) since it was established in 2006, and its subsequent transformation into the First Mining Roundtable related to the Country Energy Efficiency Programme<sup>64</sup>.

This voluntary technical roundtable, comprising representatives of public, private and trade association sectors, develops projects and activities focused on getting the mining industry in Chile recognised as a global leader in the management of efficient energy use.

Anglo American became the chair of the roundtable in the second half of 2008, and it will maintain this office up to December 2009. The most important achievement of the Mining Roundtable was the analysis, debate and drawing up of the "Agreement Protocol on Energy Efficiency in Large Mining," which was signed by the players in the mining sector in November 2008.

This document represents the commitment by the public and private sectors to drive an improvement in the productivity and competitiveness of this industry by developing better practice on efficient energy use in its operations.

The following initiatives should be highlighted in the 2006-2008 period:

- Creation of a manual for drawing up energy efficiency strategies and policies for mining companies.
- Determination of a common measurement methodology so companies can report on the energy savings gained from efficiency programmes.
- Development of a pilot project to change to highly efficient engines in four companies with the participation of the Mining Ministry<sup>65</sup>, the Chilean Copper Promotion Centre (ProCobre-Chile)<sup>66</sup> and the company WEG<sup>67</sup>.

### ANGLO AMERICAN CHILE'S ENERGY EFFICIENCY POLICY

- To manage all its operations in accordance with an ongoing Energy Efficiency Programme, which optimises energy consumption and reduces greenhouse gas emissions.
- To promote the training of our employees, suppliers and contractors, who are responsible for the use and management of energy resources.
- To continuously monitor, manage and report on energy consumption and efficiencies at our operations.
- To promote and invest in the development of technologies and process modifications to make energy use more efficient at our operations.
- To design and build our projects and facilities so they maximise energy consumption efficiency during their operation.
- To promote the use of non-conventional renewable energy sources
- To contribute to the development of policies, legislation and standards which promote efficient energy use.

<sup>64</sup> www.ppee.cl

<sup>65</sup> www.minmineria.cl66 www.procobre.org

<sup>67</sup> www.weg.net/cl



<sup>68</sup> These initiatives were outlined in the Sustainable Development Report 2007, which is available at www.anglochile.cl.

### **Energy consumption and emissions**

Fuel and electric power are two of the main energy supplies needed by operations. In 2008, 24.65 gigajoules (CJ) per tonne of fine copper produced were used compared with 24.10 CJ in 2007.

Overall CO2 emissions amounted to 1,151,934 tonnes in 2008 against the 856,814 tonnes in 2007<sup>69</sup>. This increase was due to a change in the emission factors, and the country's energy grid emitted more CO2 per GW produced as a result of the greater use of diesel and coal to fire power generators to offset the natural gas supply shortage. The increase was therefore largely due to indirect emissions.

Higher energy consumption is due to three factors:

- The specific energy consumption is increasing in the mining industry since ore grades drop steadily, transport distances are greater every year as pits become deeper and rock hardness also tends to increase.
- The incorporation of new equipment with better environmental performance, like sleeve filters or other emission control systems, increases energy consumption per tonne treated.
- Adding value to the product affects specific energy consumption when this is measured per unit of fine copper. This is, for example, what happens when Chagres raises its production, since by producing more, energy consumption increases in relation to consumption of the same tonne of fine copper in concentrates.

### SUMMARY OF ENERGY CONSUMPTION AND EMISSIONS BY OPERATIONS 2006-2008

	TOTAL ENERGY CONSUMPTION (GIGAJOULES, GJ)		TONNES OF CO <sub>2</sub> FR	SSIL FUELS AND		
	2008	2007	2006	2008	2007	2006
Los Bronces	4,462,137	4,700,778	4,338,492	417,681	285,375	261,075
Mantos Blancos	1,965,872	1,936,047	1,798,830	290,762	243,148	234,808
El Soldado	1,906,147	1,847,176	1,690,394	175,275	120,581	109,648
Mantoverde	1,444,877	1,434,009	1,416,467	178,784	140,724	141,993
Chagres	979,850	1,053,948	1,075,194	88,657	66,583	64,365
Santiago	7,571	7,538	7,720	774	403	413
TOTAL	10,766,454	10,979,495	10,327,096	1,151,934	856,814	812,301

### ENERGY CONSUMPTION (COMPANY TOTAL)

	2008	2007	2006
Oil (tonnes)	8,905	8,472	4,854
Diesel (m³)	122,997	117,446	102,466
Gasoline (kl)	628	1,363	1,589
Anfo (explosive in tonnes)	40,838	39,652	36,814
Natural gas (m³)	8,484*	1,750,535	7,284,161
Liquefied gas (tonnes)	1,273	1,448	938
Electricity (MWh)	1,624,343	1,675,398	1,639,330

<sup>\*</sup> Up to 2007, Chagres was the only Division that consumed natural gas. It consumed no natural gas in 2008, so the value stated only considers the office in Santiago.

### SPECIFIC CONSUMPTION/EMISSIONS

	2008	2007	2006
Total Energy (GJ)	10,766,454	10,979,495	10,327,096
CO2 Emissions (tonnes)	1,151,934	856,814	812,301
Fine Cu Production (tonnes)	434,475	453,891	446,784
Fine Cu - GJ/tonne	24.78	24.19	23.11
Fine Cu - CO <sub>2</sub> /tonne	2.65	1.89	1.82
Fine Cu - water/tonne	70.11	65.6	76.47

The CO2 emission figure includes the consumption of fossil fuels, the leaching process emissions and the indirect CO2 emissions caused by electric power plants that supply power to operations. In this latter case, for the years 2006 and 2007 the average conversion factor of the years 1996-2005 was used for the Central Interconnected Grid (SIC) and the Great North Interconnected Grid (SING). The SIC indirect energy factors are 192 tonnes of CO2 per GWh generated, and the SING 517 tonnes of CO2 per GWh generated. The emission factor was corrected in 2008 according to the emission matrix of that year and the years 2006–2007 remained constant.

**Resource Management** 

### Striving for better results

The Environmental Management Policy establishes that the company commits to conserve and protect natural resources by means of rational water use, minimisation of waste and reduction of pollution, and it will also demonstrate active management of lands, water systems and the biodiversity with which it interacts.



Water is a highly valued resource by Anglo American and the company therefore manages it rigorously, permanently seeking efficient consumption alternatives. Mining operations use water in the grinding, flotation, and leaching processes and in the refrigeration system of the smelter. Most of the water used is recirculated from processes and complemented with fresh water to make up for losses, mainly due to evaporation.

The targets set were not met in 2008. More fresh water was used than in 2007 (with a total of around 30.5 million  $m^3$ , equivalent to 685,000  $m^3$  more than the previous year), and the specific consumption per tonne of fine copper was also higher than in 2007, increasing from 65.6  $m^3$  per tonne of fine copper in 2007 to 70.11  $m^3$  in 2008. In any case, this indicator was better than the 76.47  $m^3$  in 2006.



### FRESH WATER CONSUMPTION BY OPERATION (IN THOUSANDS OF M<sup>3</sup>)

DIVISION	2008	2007	2006
Los Bronces	18,156	18,402	22,649
Mantos Blancos	4,009	3,903	3,767
El Soldado	3,993	3,204	3,197
Mantoverde	2,982	2,849	3,039
Chagres	1,314	1,407	1,504
TOTAL	30,454	29,766	34,156

### 2006-2008 WATER CONSUMPTION BY SOURCE (IN THOUSANDS OF M³)\*

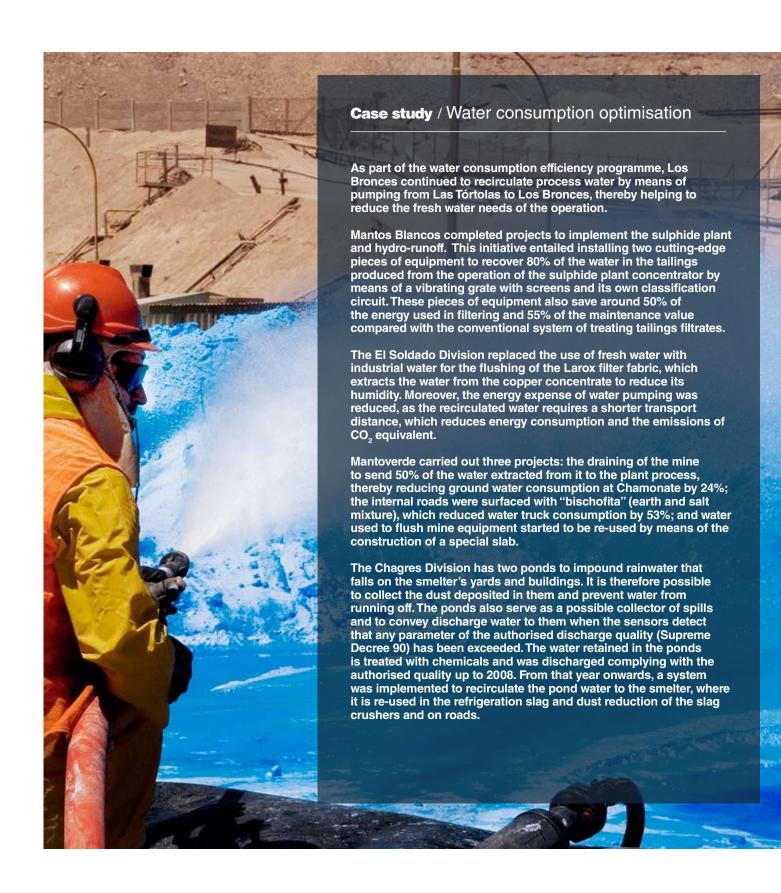
SOURCES	2008	2007	2006
Ground Water	12,934	11,364	11,506
Surface Water	17,520	18,411	22,658
TOTAL	30,454	29,775	34,164
Ground Water	42%	38%	34%
Surface Water	58%	62%	66%

### 2008 - FRESH WATER CONSUMPTION BY DIVISION AND PERCENTAGE BY SOURCES (IN THOUSANDS OF M3)\*\*

SOURCES	LOS BRONCES**	MANTOS BLANCOS	EL SOLDADO	MANTOVERDE	CHAGRES	TOTAL
Ground Water	636	4,009	3,993	2,982	1,314	12,934
Surface Water	17,520	0	0	0	0	17,520
TOTAL CONSUMPTION	18,156	4,009	3,993	2,982	1,314	30,454
Ground Water (%)	3.5%	100%	100%	100%	100%	42%
Surface Water (%)	96.5%	0	0	0	0	58%

 $<sup>\</sup>ensuremath{^{\star}}$  These values exclude the consumption in Santiago.

<sup>\*\*</sup> Los Bronces is the only division that uses surface water; all the others use ground water. Santiago has consumption of 6,000 m³ of water, giving a total of 30,460,867 m³.



### **Discharges**

Supreme Decree No 90 was enacted in 2000, which governs discharges of liquid waste into surface water courses. In 2008, only Chagres discharged process water into surface water courses, mainly arising from purging the refrigeration water of the smelter, complying with the maximum concentrations of the regulation and in accordance with authorisation from the Superintendency of Sanitary Services (SISS). The difference compared to 2007 was due to a higher measurement of flows with the installation of an instrument that measures discharges continuously.

The Los Bronces and El Soldado Divisions have water discharges from wastewater treatment plants registered in the SISS. Both undertake monthly and half-yearly monitoring of the water discharge quality.

### TOTAL WATER DISCHARGES (m3 annually)

2008	2007
345,954	485,506

The difference compared to that reported in 2007 is due to using an instrument as of 2008 to measure the discharge quantity.



### Seepage

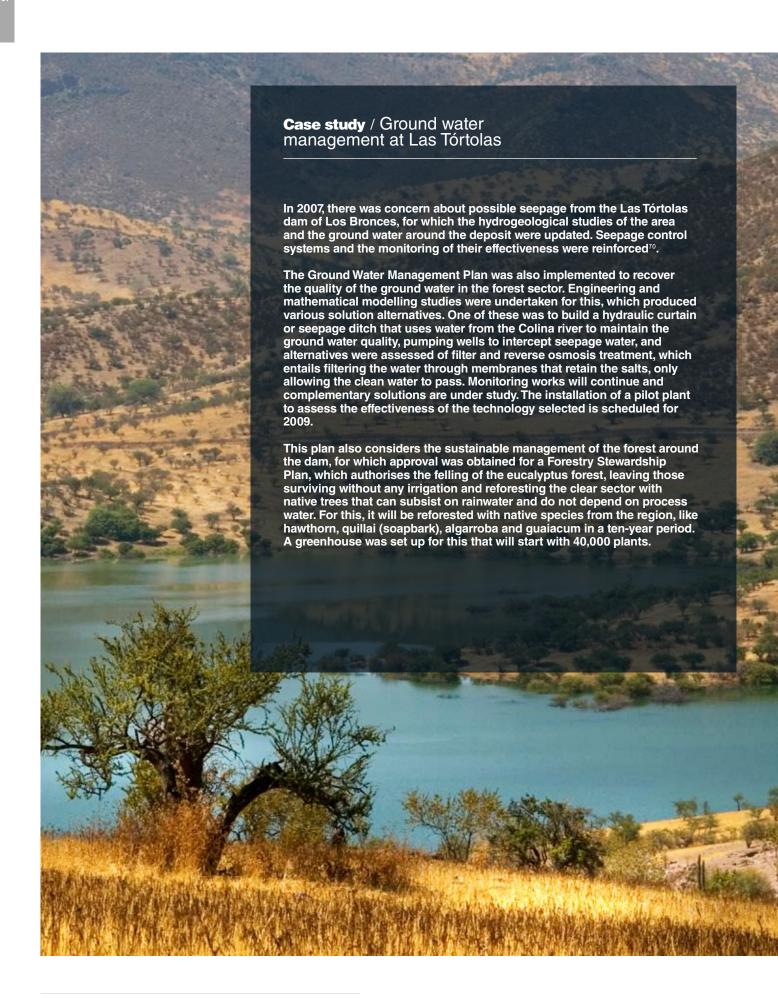
There are various monitoring systems and actions to control potential seepage into ground water that could arise from the tailings dams of the Los Bronces, Mantos Blancos, and El Soldado Divisions.

The Las Tórtolas dam of the Los Bronces Division has a system of drains and curtains of wells at the foot of the main wall that intercept water, which is pumped back to the dam to prevent contamination of the aquifer. Forest irrigation from this dam, originally conceived to dissipate the surplus water deposited, ended in 2007 due to the increase in sulphates detected at a well near the forest. A Forestry Stewardship Plan was implemented in 2008 to replace it with a mixed forest of re-growth of eucalyptus trees that might survive the environmental humidity and native species that complement the low density sectors.

Mantos Blancos installed an impermeable liner on the slope upstream of the tailings dam wall to prevent seepage from the lagoon. In the case of El Soldado, the wall also has an impermeable liner upstream, should the lagoon approach the wall as forecast. However, most of the time the potential source of seepage is the clear water lagoon making contact with the natural slope of the dam's basin. To control seepage in this sector, slimes (fine fraction of tailings) are deposited to make the slope impermeable in the area that will come into contact with the lagoon as the deposit grows. To complement this, engineering studies were started on building, if necessary, interception works for the long-term control of possible seepage under the dam's basin.

Mantoverde had three seepages classified as Level 1 due to spills of acidic solutions from the operation. As a result, enhancing the maintenance and control of the piping that conveys solutions from the leaching process is under study.





<sup>&</sup>lt;sup>70</sup> Further information is available in the Sustainable Development Report 2007 on the company web site www.anglochile.cl

### **Biodiversity**

El Soldado and Los Bronces are the only operations that are in areas classified as a priority for biodiversity conservation, and therefore undertake a more systematic and permanent management of their environment than the other divisions.

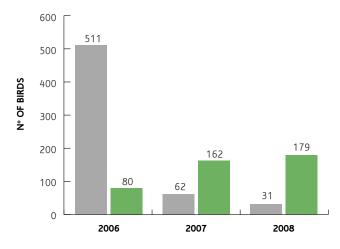
El Soldado continued to develop its Biodiversity Action Plan, for which it maintained relations with the Pontifical Catholic University of Chile for studies related to the biology and ecology of forests that are the habitat of the "Belloto del Norte" and continued agreements with the Christa Mock High School and neighbours of the Collahue and Los Caleos communities, with whom it produced around 21,000 trees of native species in 2008. About 100,000 plants of the "Belloto del Norte," Guaiacum, Naranjillo (all three in conservation status), Peumo, Quillai (soapbark), Boldo, Lingue, Pepper Tree, Lilén, Litre and Hawthorn have been produced in the last three years by means of various agreements the Division has. These plants are used in the plantations committed in the Forestry Stewardship Plans approved by the National Forestry Corporation (CONAF) for El Soldado, and are delivered to institutions and private bodies to boost their reforestation in other places.

As informed in the previous report, in late 2005 duck mortality was detected at the Las Tórtolas dam and in other wetlands in the sector. A series of studies was started with public organisations and private companies in the area to detect the causes of this situation.

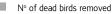
Follow-up of the migratory birds that fly over the dam continued in 2008. The activities undertaken included the rescue of sick birds to then heal and release them. Regarding this, the Division maintains weekly statistics of dead birds and those rescued, and also carries out censuses every two months. The information gathered is periodically sent to the Agriculture and Livestock Department (SAG) in the Metropolitan Region.

The graph below shows the trend of rescued and dead birds at the Las Tórtolas dam, from when bird mortality arose at various dams and lagoons. The last dead bird was found in May 2008 and there have been no new cases since then.

### HISTORICAL SUMMARY - NO OF BIRDS AT THE LAS TÓRTOLAS DAM



N° of birds rescued







21,000

trees

of native species were produced with the community

The Mantoverde Division also undertakes hydrochemical monitoring of ground water each month, and annual monitoring of flora, fauna and the air quality inside and around the mine site. The flora, fauna and archaeological environmental baseline was updated in 2008 as part of the sulphide project, which considered the intervention of new areas where part of the project might be located.



### **Biodiversity Strategy Principles**

- To allocate resources and responsibilities for biodiversity management.
- To include biodiversity elements in the business planning.
- To implement awareness and education programmes, and training on this issue.
- To develop action plans that include biodiversity inventories resources and systems, risk assessment and impact of activities on the biodiversity, monitoring programmes and remedial action.
- To incorporate biodiversity criteria related to closure, abandonment and rehabilitation.

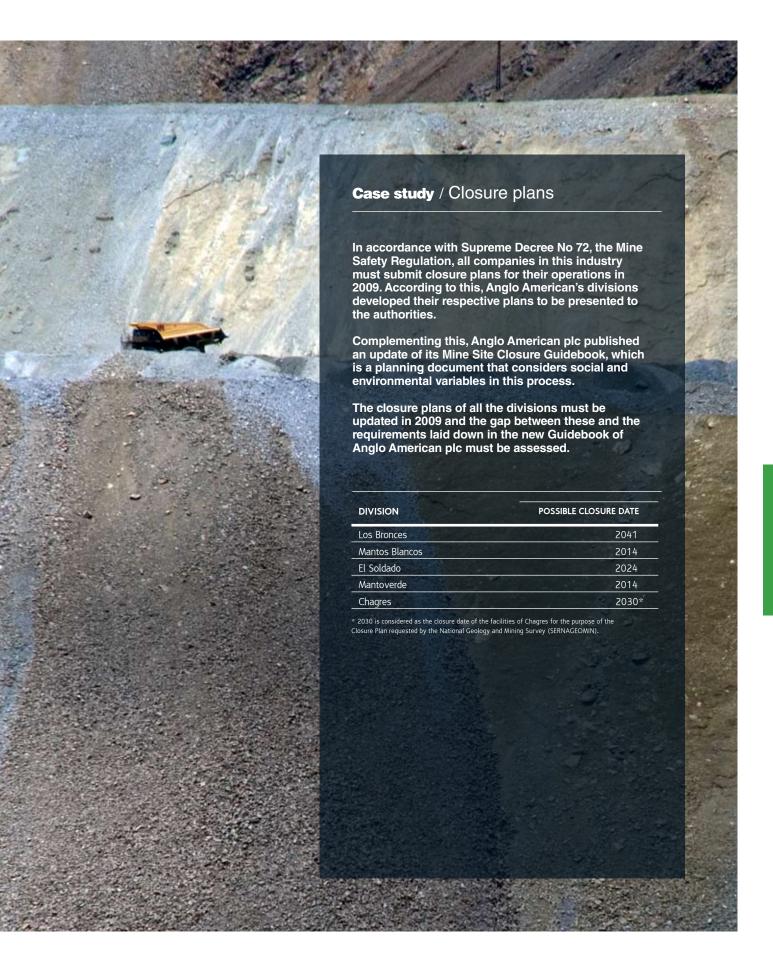
### **COMPANY LANDS**

DIVISION	TOTAL COMPANY- CONTROLLED LANDS (HECTARES)	TOTAL LANDS USED IN OPERATIONS (HECTARES)	TOTAL LANDS RESTORED OR UNDER RESTORATION (HECTARES)
Los Bronces*	35,592	4,710	0
Mantos Blancos	6,800	1,888	0
El Soldado	8,155	1,091	126
Mantoverde	3,250	1,557	0
Chagres**	70	46	0.5

<sup>\*</sup> The Los Bronces Development Project has not reported a figure on the area intervened due to the modifications made as a result of the change in the project timeline.

<sup>\*\*</sup> The difference from that reported in 2007 is due to the fact that this time agricultural lands were not considered.





### **Waste management**

Around 90% of the main hazardous waste of Anglo American's divisions consists of used oil, garbage contaminated with oils or solvents, grease, batteries, used gloves and cloths, lead sludge, contaminated empty drums, small batteries and fluorescent tubes.

There is a management system for handling this type of waste, which complies with the provisions of Supreme Decree No 148 in relation to minimum sanitary and safety conditions for the generation, possession, storage, transportation, treatment, re-use, recycling, final disposal and other means of disposal of hazardous waste.

Moreover, all the divisions have plans to control and manage waste from generating points, by segregation at source, differentiated management of hazardous and non-hazardous waste and recycling, whenever possible.

The Mantos Blancos Division held a tender for the new integral waste management contract. The company that was awarded the responsibility of this contract must incorporate high handling and training standards for industrial and domestic waste. In 2008, Mantoverde organised a campaign to reduce hazardous waste by means of suitable segregation and control according to the operative areas. This reduced the waste generated by 46.3% compared with 2007.

El Soldado continued the practice of recycling ferric waste by means of transferring it to a smelter to recover iron and other metals. It has also had a Hazardous Waste Management Plan in place since 2004, which includes the management of all the waste generated at operations. It has the support of specialised external companies for this, which have effective certification and authorisation for the transportation and treatment/final disposal of such waste.

### NON-MINING WASTE MANAGEMENT

2008	HAZARDOUS WASTE (TONNES)		NON-HAZARDOUS INDUSTRIAL WASTE (TONNES)		
DIVISION	EXT	ERNAL	INTERNAL	EXTER	NAL
	RECYCLING	FINAL DISPOSAL	FINAL DISPOSAL	RECYCLING	FINAL DISPOSAL
Los Bronces	3,837	449	0	1,304	2,413
Mantos Blancos	490	106	278	446	0
El Soldado	144	155	0	837	563
Mantoverde	183	66	203	96	0
Chagres	24,417	314	0	0	181
ANGLO AMERICAN CHILE	29,071	1,090	481	2,683	3,157

2007	HAZARDOUS WASTE (TONNES)		NON-HAZARDOUS INDUSTRIAL WASTE (TONNES)		
DIVISION	EXT	ERNAL	INTERNAL	EXTER	NAL
	RECYCLING	FINAL DISPOSAL	FINAL DISPOSAL	RECYCLING	FINAL DISPOSAL
Los Bronces	1,070	408	0	1,952	2,014
Mantos Blancos	535	110	8	578	35
El Soldado	286	299	0	720	517
Mantoverde	198	167	0	185	316
Chagres	21,022	0	0	551	131
ANGLO AMERICAN CHILE	23,111	984	8	3,986	3,013

2006	HAZARDOUS WASTE (TONNES)		NON-HAZARDOUS INDUSTRIAL WASTE (TONNES)		
DIVISION	EXT	ERNAL	INTERNAL	EXTER	RNAL
	RECYCLING	FINAL DISPOSAL	FINAL DISPOSAL	RECYCLING	FINAL DISPOSAL
Los Bronces	1,129	230	0	1,819	1,811
Mantos Blancos	197	31	0	138	28
El Soldado	119	145	0	1,331	484
Mantoverde	220	195	0	34	380
Chagres	29,044	0	0	2,105	131
ANGLO AMERICAN CHILE	30,709	601	0	5,427	2,834

### **Mass mining waste**

Anglo American's mass mining waste mainly includes mine gravel<sup>71</sup>, low-grade ore that is not processed in plants, tunnel bases, underground excavation, leaching gravel (ore already leached), tailings and slag. This waste must be managed and disposed of via approved projects and designs, in accordance with current legislation and in compliance with international criteria and best international practice for these deposits.

One of the issues raised by the community is the environmental and social safety of tailings dams. Anglo American has three tailings dams in operation, for which it has a Management Plan that complies with Supreme Decree No 248 of 2006 which establishes the regulations on the design, construction, operation and closure requirements for mining tailings dams and the layout of their ancillary works to guarantee the safety of people and goods. The National Geology and Mining Survey (SERNAGEOMIN) monitors compliance with this regulation.

Mass mining waste is the material left over from the mining process that is produced in large quantities and is not hazardous, as defined in Supreme Decree N° 148.



### ANGLO AMERICAN'S MASS MINING WASTE

<b>GRAVEL/LOW-GRADE ORE</b> (in millions of tonnes)	2008	2007
Tonnage accumulated in gravel deposits	1,687	1,408
Tonnage accumulated in leaching deposits	469	283
<b>TAILINGS</b> (in millions of tonnes)		
Tonnage accumulated in active dams	479	447
Quantity of active dams	3	3
Tonnage accumulated in inactive dams	109	109
Quantity of inactive dams	7	7
<b>SLAG</b> (in millions of tonnes)		
Slag produced in the year	337	346

<sup>71</sup> Waste material

### **Raw materials**

Anglo American's main raw material is the ore extracted from its mines. Around 46.6 million tonnes of ore were processed by plants in 2008, which was a 1% decrease on 2007.

The main raw material of the Chagres Smelter is copper concentrate, which is provided by the company's other divisions and is used to produce metallic copper in the form of anodes and sulphuric acid as a by-product. This Division does not use waste from external sources as raw materials.

### ORE SENT TO PLANTS (IN THOUSANDS OF TONNES)\*

DIVISION	2008	2007	2006
Los Bronces	20,013	21,125	20,515
Mantos Blancos	9,006	8,468	8,514
El Soldado	8,002	8,193	8,182
Mantoverde	9,557	9,281	9,502
TOTAL	46,578	47,067	46,713

<sup>\*</sup> This year we have reported on the ore sent to plants and not the material stripped as in 2007. This leads to differences from the previous year, but all the figures were adapted.

### CONCENTRATE SMELTED (IN THOUSANDS OF TONNES)

DIVISION	2008	2007	2006	
Chagres	538.2	577.7	578.2	







Anglo American also consumes some strategic raw materials for its operations, and these are listed in the table of strategic raw materials below:

### STRATEGIC RAW MATERIALS

MINE AREA – CONCENTRATOR PLANT OPERATIONS	2008 CONSUMPTION	USE/APPLICATION
Tyres	605	45" rim tyres and larger used in loading, transportation and support mine equipment.
Grinding balls	24,256	Steel balls of different diameters used for grinding in SAG and ball mills.
MIBC	579 tonnes	Frothing agent, which lines minute air bubbles to help them stick to the collector-impregnated (xanthate / polysulphide) copper particles.
Xanthate	26 tonnes	Reagent used in the copper flotation process. It acts as a collector, lining the particles of copper contained in the sulphide ore, making them impermeable, which causes them to stick to the bubble and rise to the surface.
Polysulphide (xanthate alternative)	401 tonnes	Reagent used in the copper flotation process. It acts as a collector, lining the particles of copper contained in the sulphide ore, making them impermeable, which causes them to stick to the bubble and rise to the surface.
Sodium sulphydrate (NaSH)	2,577 tonnes	Reagent used in selective molybdenum flotation.
Lime	101,000 tonnes	pH conditioner. It is used in the flotation process and for water treatment.
HYDROMETALLURGICAL PLANTS	2008 CONSUMPTION	USE/APPLICATION
Sulphuric acid	588,094 tonnes	This is used in the copper leaching processes to dissolve the copper contained in the oxide ores.
Thinners	5,407	They thin the extractant, preserving and enhancing its properties.
Extractants	416	Selective reagent that separates the copper dissolved in the aqueous solution.

Note: The consumption of fuels, energy and water are strategic raw materials for the mining process. The consumption figures are listed in other chapters on pages 75 and 77.



**Emissions** 

## Operation management & control

In its Environmental Policy, the company commits to identify, assess and effectively control its environmental footprint with proactive management of its activities, products and services. Anglo American measures, controls and manages the emissions generated from its operations. The main mining emissions are  ${\rm CO}_2$  as a result of the consumption of fuels and electric energy (see the Energy Efficiency Programme), particulate material (PM10) from blasting, movement of materials and traffic of haulage trucks on unpaved roads. The main emissions of the smelter are sulphur dioxide ( ${\rm SO}_2$ ), particulate material and arsenic contained in this.

### **Operations**

The Los Bronces Division increased the measurement stations of the monitoring network from two to seven at Las Tórtolas, thereby providing better characterisation of the particulate material around the tailings dam. There is a measurement station at the Los Bronces mine. There are also mitigation measures committed to with the authorities, like wetting of roads, installation of a Raschel-type mesh on the top of the dam wall and keeping it damp.

Mantos Blancos made PM10 environmental measurements for two days a week throughout the year. It also undertook a PM10 measurement campaign from July to August at four stations located at points indicated by the authorities. One of these was at the high school in Baquedano, 27 kilometres northeast of Mantos Blancos. The PM10 concentration was permanently below the limit of the regulation (Supreme Decree 90/98) at three stations, including that of Baquedano. The concentration at the fourth station in the period was below the limit of the regulation, even though it exceeded the limit by seven times. Complementing this, bischofita was used to control dust emissions as a dust stabiliser and suppressor on roads and the capsuling of the crusher ore stockpiles was reconditioned.

El Soldado carried out particulate material monitoring campaigns in the communities around its operations from 2004 to 2008. Although the results are satisfactory as the indexes remained below the regulation, there are additional measures to control these kinds of emissions like compacting and wetting of roads to the pit. The same occurs at Mantoverde, which undertakes annual monitoring of the air quality inside and around the mine site.



The regulation lays down a particulate material (PM10) limit of 150 ug/m³ as a 24-hour average and 50 ug/m³ as a three-year moving average. For Las Tórtolas, the sedimentable particulate material limit is 200 mg/m² a day.

The results of measurements at all operations in 2008 were below the limits laid down in the regulation<sup>72</sup>.

### **Chagres smelter**

Besides monitoring the concentration of sulphur dioxide  $(SO_2)$  and particulate material (PM10) in the environment, the smelter controls and manages emissions of arsenic (As). There is monitoring at four stations located at Santa Margarita, Romeral, Catemu and Lo Campo. The PM10 is also measured at the latter two stations. Arsenic emissions in 2008 were 8.9 tonnes lower than the limit of 95 tonnes/year laid down in the regulation (Supreme Decree 165/98 Segpres).

### SO<sub>2</sub> CONCENTRATION (REGULATED BY SUPREME DECREE 113/02 AND SUPREME DECREE 185/91)

MONITORING STATION	PEAK PER HOUR	PEAK PER DAY	MONTHLY AVERAGE
REGULATION	1,000	250	80
Santa Margarita	1,208	172	58
Lo Campo	594	94	23
Catemu	980	86	12
Romeral	313	47	16

### PM10 CONCENTRATION (UG/M³)

	24-HOUR PEAK		THREE-YEAR MOVING AVERAGE		
	2008	2007	2008	2007	
Regulation	15	150		0	
Lo Campo	88	132	40	39	
Catemu	129	141	60	50	

EMISSIONS (in tonnes)	2008	2007
Yearly arsenic emissions	8.9	47.5
(regulation: 95 tonnes/year)		
Yearly sulphur emissions	5,754	6,854

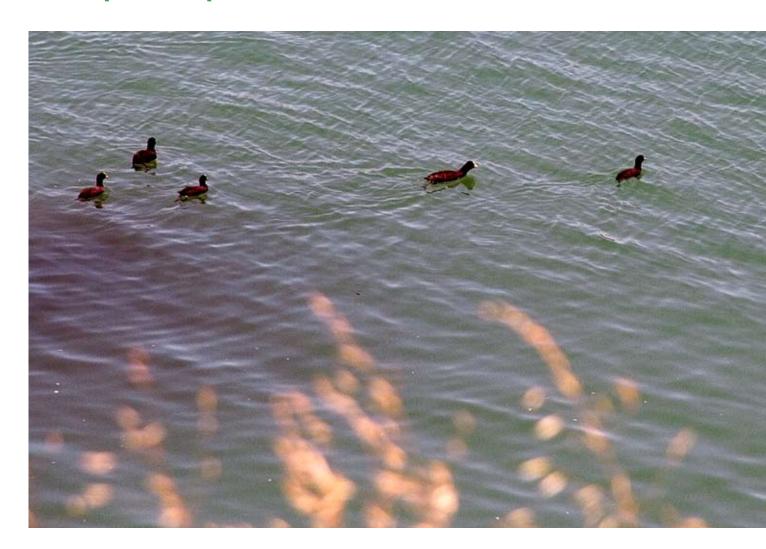
### NUMBER OF SO, REGULATION BREACHES AT CHAGRES

	2008	2007	2006
No of daily regulation breaches	0	0	0
No of hourly regulation breaches	1	0	0

**Environmental Compliance** 

## Learning from mistakes

No repeats is one of the three principles of the company's Environmental Management Policy. This is essential in incident management, as the commitment is to adopt all the necessary measures to learn from environmental impacts and incidents, the results of audits and other non-conformities to prevent repeats.



Anglo American classifies environmental incidents according to their impact and effect on the environment, in relation to the physical or biological environment, protected species, level of community disturbance, third-party health and property, cultural values and compliance with legislation. In 2008, there were 28 Level 1 incidents, and three events recorded and reported in 2007 were re-classified as Level 2, mainly as a result of the amount of the fines levied by the authorities in the period. The Sustainable Development Report 2006 reported an environmental incident that arose as a result of the slurry pipeline from Los Bronces to Las Tórtolas breaking. At the time, the company acted immediately, responding with permanent monitoring of the quality of the water, vegetation and insects in water courses. One year after this incident, fresh monitoring was undertaken, which showed that the area initially affected had been fully restored. Nevertheless, Anglo American had to pay a fine of US\$158,000 in 2008. This meant that the incident that was originally classified as Level 1 due to the minor environmental impact caused was reclassified as Level 2.

The two other re-classified incidents occurred at El Soldado. In 2007, the company reported that a contractor company had unintentionally cut a "Belloto del Norte" during land burning in the interior road construction for the El Torito tailings dam project. Due to this incident, the Regional Environmental Agency (COREMA) fined the Division 500 monthly tax units (UTM), equivalent to US\$36,000, for breaching some commitments set forth in the Environmental Qualification Resolution of the El Torito dam. To make sure this does not happen again, an expert in recognising species was hired to lead the land burning operations and a compensation plan was submitted, which included reforestation of the area and recovery of the "Belloto del Norte" cut. The tree now has new growth from buds, the area is fenced off and the forest has been restored.

The second case concerned the cutting of forest without a Forest Stewardship Plan to build the access road to the El Torito tailings dam works, which did not involve "Bellotos del Norte" and was also reported in 2007. In this case, the Local Police Court of Nogales levied a fine of Ch\$1,024,380 (equivalent to US\$2,000) for breaching Decree Law No 701 of 1974 on the cutting of native forest. To compensate for this, a Forest Stewardship Plan was voluntarily submitted before the corresponding legal penalty was issued and the company committed to reforest a similar area to that affected with the same species as the forest that had been cut.

Another environmental fine in 2008 entailed activity of Los Bronces, which during an air pollution pre-emergency situation in 2007 unintentionally continued to operate the molybdenum drier. Due to this situation, the Regional Ministerial Secretariat in the Metropolitan Region levied a fine of 10 UTM. The division stopped the drier immediately and certified that its emissions even allow for operation in accordance with the regulation during an environmental pre-emergency.

### **Classification of Environmental Incidents**

- **Level 1:** Minor impact, short-term effect.
- **Level 2:** Moderate impact, medium-term effects.
- **Level 3:** Major impact, long-term effects.

### NUMBER OF LEVEL 1 ENVIRONMENTAL INCIDENTS

YEAR	LOS BRONCES	MANTOS BLANCOS	EL SOLDADO	MANTOVERDE	CHAGRES	TOTAL
2008	2	4	7	3	14	28
2007	6	1	20	5	20	52
2006	1	15	5	9	11	41

### SPILLS OF SUBSTANCES (m³)

2008	LOS BRONCES		MANTOS BLANCOS		EL SOLDADO		MANTOVERDE	
	N°	VOLUME	N°	VOLUME	N°	VOLUME	N°	VOLUME
Process water	0	0	2	1.5	1	900	0	0
Sulphuric acid/solutions	1	0.15	1	1	1	2	3	750
Acid/refined solutions	1	3	0	0	0	0	0	0
Oil/fuel	0	0	1	0.6	3	1	0	0
Slurry/tailings	0	0	0	0	0	0	0	0

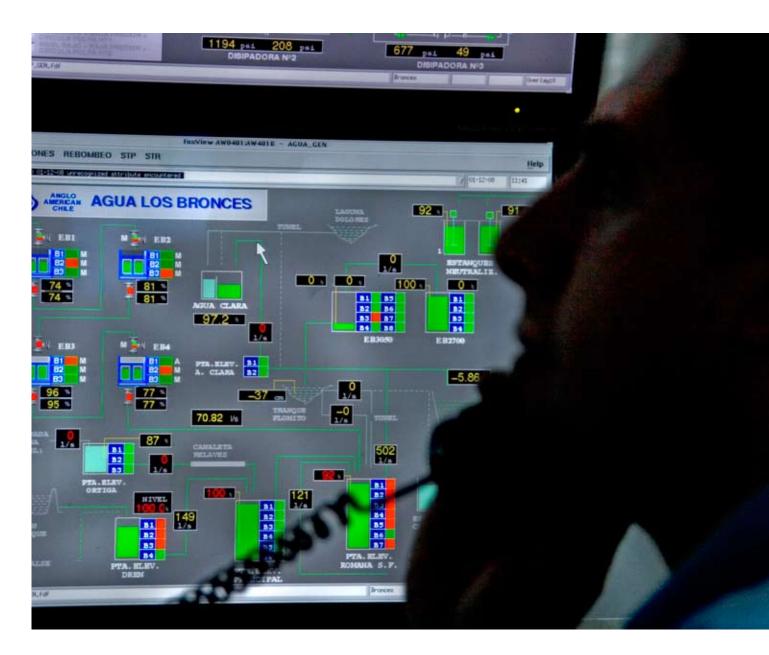
2007	LOS B	LOS BRONCES MAN		MANTOS BLANCOS		EL SOLDADO		MANTOVERDE	
	Nº	VOLUME	N°	VOLUME	N°	VOLUME	Nº	VOLUME	
Process water	0	0	0	0	5	202.5	0	0	
Sulphuric acid/solutions	0	0	1	5	2	0.5	3	960	
Oil/fuel	0	0	0	0	7	0.85	2	0.2	
Slurry/tailings	0	0	0	0	1	20	0	0	

2006	LOS BRONCES		MANTOS BLANCOS		EL SOLDADO		MANTOVERDE	
	Nº	VOLUME	Nº	VOLUME	Nº	VOLUME	Nº	VOLUME
Process water	0	0	2	7	0	0	0	0
Sulphuric acid/solutions	0	0	2	5	1	40	1	0.1
Oil/fuel	0	0	0	0	0	0	1	0.13
Slurry/tailings	1	700 tonnes	0	0	0	0	0	0

**Procurement and Contracts** 

# Global & sustainable management

Progress with the One Anglo Supply Chain (OASC) project reflects the company's decision of embedding its sustainable development approach in all strategic activities.



Manmade Capital is one of the five core elements underpinning Anglo American's sustainable development approach. This area concerns capital goods, intellectual property and infrastructure that make it possible to generate the final products marketed by the company.

Optimising the use of manmade capital provides cost savings and promotes the efficient use of resources with activities like applying information and communication technologies, suitable management of transport systems, review and adjustment of supply operations and application of waste and recycling management programmes.

Regarding this, Anglo American plc has placed special emphasis on developing a global organisation that allows for the sustainable management of its supply chain in four years, becoming the industry leader and benchmark on this issue.

To achieve this objective, in 2008 the company launched its Supply Chain Sustainable Development Policy and Supplier Sustainable Development Code, which sets out the commitments and expectations to make progress with this issue. The indications of both documents are being added to the management of all operations around the world by means of the One Anglo Supply Chain (OASC).

This initiative is based on a balanced perspective, underpinned by four pillars:

- Value: To develop a sustainable value generation management based on the principles of Value-Based Management (VBM) and Total Cost of Ownership (TCO), managing business and financial risks.
- Operational Excellence: Optimal service delivery, transparency and decision-making by means of standardised approval processes and structures; safe, reliable and top quality goods and services; efficient services and operations.
- Suppliers and Customers: Close work with suppliers and customers to measure performance transparently and consistently; showing interest in embracing product and service innovation and development in the respective business agreements.
- Organisation and Personnel: Assure a performance-focused culture, based on excellence, competencies, teamwork and accountability, focused on multifunctional work and integration of business units.

To such end, the OASC project was developed by means of three work lines:

- Management of Purchase Categories and Strategic Supply.
- Infrastructure, Processes and Systems.
- Organisational transformation, administration of the change and communications.



### **Commitments and expectations**

Anglo American's Supply Chain Sustainable Development Policy and Supplier Sustainable Development Code establish work lines as:

- The inclusion of economic, social and environmental sustainability factors in the supplier selection process
- The explicit communication of Anglo American's expectations in the business undertakings of its suppliers
- Constant monitoring of supply activities so they are commensurate with the Principles of Good Corporate Citizenship.
- Support and technical assistance by means of mechanisms like supplier development programmes (SDP)

The area in charge of this particular project is the Senior Procurement and Contracts Management, which is structured around two areas of action: managing purchases (procurement), and contracts, and warehouse and materials stewardship. This unit is in charge of the relationship with goods and services suppliers.

### **Active participation**

As of December 2008, Anglo American Chile had held more than 30 workshops to implement the OASC model, which were attended by representatives of the company's business units. Supply Chain Management Councils have also been formed, which are constantly assessing the progress made and outstanding issues.

According to the OASC project progress schedule, 2009 will be heavily focused on implementing the policies, processes and systems needed to apply the supply categories scheme. The aim will also be to make sure the projected benefits are obtained from applying this strategy (Anglo American plc estimates it will create economic value equivalent to US\$1.1 billion by fully adopting this model).

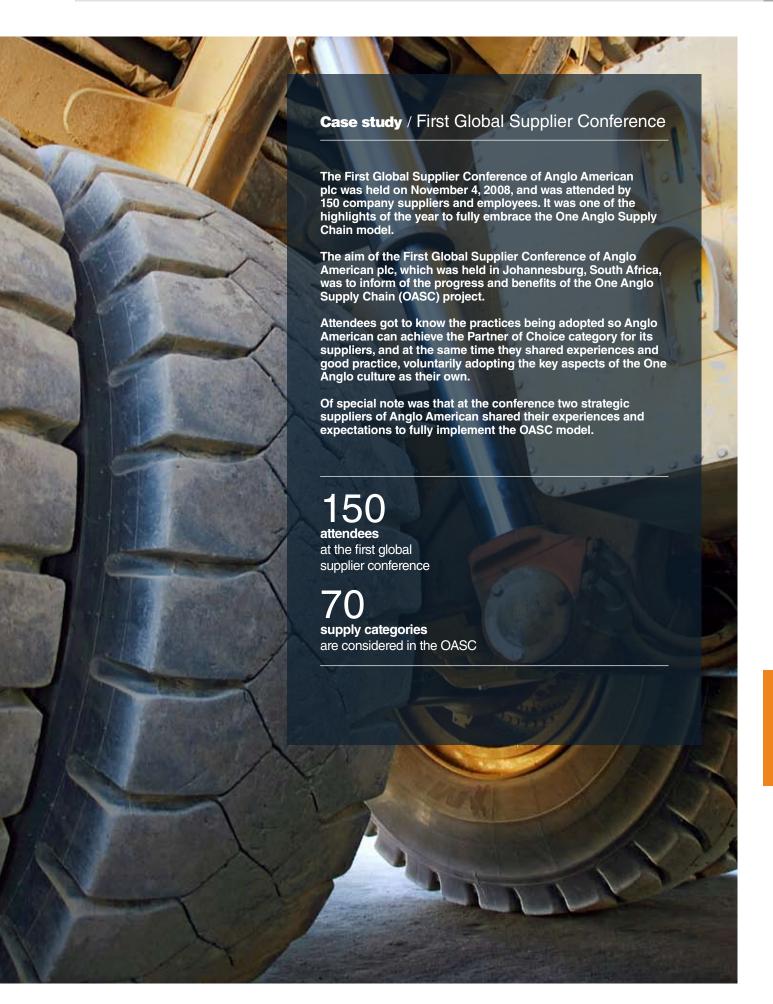
All Anglo American's strategic suppliers worldwide have been informed of the One Anglo Supply Chain characteristics and progress stages so they participate in this change process and fully take advantage of its benefits.





The following was the main progress of the OASC project in 2008:

- Completion of the pilot analysis stage of supply process related expenses
- Development, validation and training of methodologies on strategic categories planning and strategic supply
- Development of policies, processes and tools of the benefit measurement model arising from the sustainable supply chair management.





**Supplier Development** 

# Partnership towards sustainability

Teamwork and promoting good corporate practices are key aspects in the relations Anglo American forges with its goods and services suppliers.

Global and Sustainable Management

Anglo American deems that co-operation and teamwork with its goods and services suppliers is essential to get its sustainable development approach fully embedded in the supply chain management, in accordance with the objectives of the One Anglo Supply Chain project.

The Supplier Development Programmes (SDP) the company has carried out at the Chagres and Mantoverde divisions since 2007 reflect the progress towards this goal. These initiatives, whose financing is shared by the respective division, Chile's Economic Development Agency (CORFO)<sup>73</sup> and participating companies, have the following specific objectives:

- To train suppliers in different areas of business management by means of workshops on organisational development, strategic planning, financial indicators and commercial proposals, leadership and customer focus, among other areas.
- To attain immediate improvements in co-ordination, registration of contractors and organisational structure in relation to activities of providing the divisions with goods and services.
- To design and implement the basis of a continuous improvement system that enables participating companies to work for all its clients with high quality, safety and environmental protection standards.

The Sustainable Development Report 2007 of Anglo American Chile<sup>74</sup> reported on the start and initial progress with meeting these objectives for the respective annual period.

### **Continuous improvement**

The Supplier Development Programme of the Mantoverde Division, which has the support of the Corporación para el Desarrollo de la Región de Atacama (CORPROA)<sup>75</sup>, includes 14 small- and mediumsized companies in the area.

The first application stage, lasting 12 months, ended in October 2008 in accordance with the objectives set with regard to holding business training workshops, achieving immediately in operations and generating the basic conditions for continuous improvement.

The roundtables specifically agreed that concrete measures will be adopted in a maximum term of six months to improve the communication channels, schedule and undertake regular co-ordination meetings, design more efficient information formats and execute business and training projects.

The suppliers participating will also register in the Integral Mining Contractor and Supplier Registry (REGIC)<sup>76</sup>, managed externally by Achilles Chile. With this tool, Anglo American Chile has an updated database of companies with which it works, and it establishes risk prevention and control programmes that might arise in these relations.



The result of the final stage of Mantoverde's SDP will be the establishment of a service management model that will be in keeping with the characteristics of each supplier participating. The aim is therefore to establish for those feasible cases a system of variable incentives in contracts in accordance with the indicators of good practice in the services, safety, work, administration and operations areas.

### **Generating competencies**

The work of the Chagres Division's SDP in 2008 was focused on generating technological, technical and management competencies in 18 small- and medium-sized companies participating in the Metropolitan and Valparaíso Regions.

Due to the operating characteristics of the Chagres Division, the priority was set for suppliers to strengthen their commitment to meeting the safety, occupational health, and environmental regulations and labour obligations, and full adherence to the additional protocols that Anglo American establishes for these issues.

The training, review, process enhancement and risk prevention activities were aimed at creating the conditions so each company can:

- Consolidate a management system (policy, procedures, controls, costs, labour obligations) to attain business maturity to certify its operations on quality, safety, occupational health and the environment.
- Participate suitably in implementing an integrated management system of the Smelter and supplier companies.
- Define action plans to improve services and supply.
- According to the schedule planning, companies should achieve these objectives in the second half of 2009.

<sup>73</sup> www.corfo.cl

<sup>&</sup>lt;sup>74</sup> The document is available on the company web site at www.anglochile.cl.

<sup>75</sup> www.corproa.cl

<sup>76</sup> www.regic.cl

Life Cycle

## Life cycle approach

The supervision and sustainable management of material flows is generating new opportunities of creating value and productive efficiency.



Anglo American is gradually embracing the life cycle approach for its productive activities. This approach entails efficient and sustainable management of the material flows in all the processes it undertakes from exploration to recycling or eliminating waste.

Progress with this is enabling the company to identify new opportunities of generating value and attaining greater efficiency in managing its resources by means of asset optimisation, continuous improvement of processes, adopting new technologies and transferring good practice to its operations worldwide.

Regarding this, various areas of Anglo American are working globally on investigating and drawing up policies on the impacts generated by its processes on human health, the environment and other areas.

### **Progress with the REACH process**

In the case of preventing possible risks from using chemicals, Anglo American has made progress with its commitment to fully apply the European Union (EU) Regulation on Registration, Evaluation and Authorisation of Chemicals (REACH)<sup>77</sup>.

This regulation, which came into force on June 1, 2007, attributes greater responsibility to industry in managing sanitary and environmental risks that substances and preparations of this kind might cause.

The company established a firm based in the United Kingdom to represent all the divisions of the group in complying with the REACH requirements. The pre-registry of chemicals was successfully completed in 2008 and progress was made with characterising all ores, products and other materials required for this registration process that will end in 2010.

Anglo American Chile provided all the documentation required to comply with this REACH application stage. Product labelling required by this EU Regulation will be analysed in 2009.

30,000 chemicals must be included in the REACH

2/

### countries

are currently members of the European Union

32% of the annual demand is met with recycled copper



### **Benefits in Various Areas**

The International Copper Association (ICA)<sup>78</sup> promotes the research and dissemination of the benefits of using this product in different areas (health, energy efficiency, technological development and mitigation of climate change, among others).

The following are some of the positive impacts of copper highlighted in different studies:

- Ability to de-activate microbes like bacteria, fungi and viruses which makes its use highly recommended in sanitary products and hospital facilities.
- Contribution to energy efficiency due to its high electrical and thermal conductivity and resistance to corrosion.
- Ability to be recycled without losing its properties. It is estimated that currently 32% of the total annual demand is met with recycled copper.
- A key material in increasing the power of computer processing and reducing the size of components in the telecommunications, telephony and information technology

 $<sup>^{77}</sup>$  www.ec.europa.eu/environment/chemicals/reach/reach\_intro.htm  $\,$ 

<sup>78</sup> www.copperinfo.com

### Waste recycling

One of the concerns of the company is to have suitable waste generation and sustainable management of this. Not only recycling options but also reduction initiatives are considered for this.

Mantoverde organised a campaign in 2008 to reduce hazardous waste by segregating and controlling this according to the operative areas. This will reduce the waste generated by 46.3% compared with 2007.

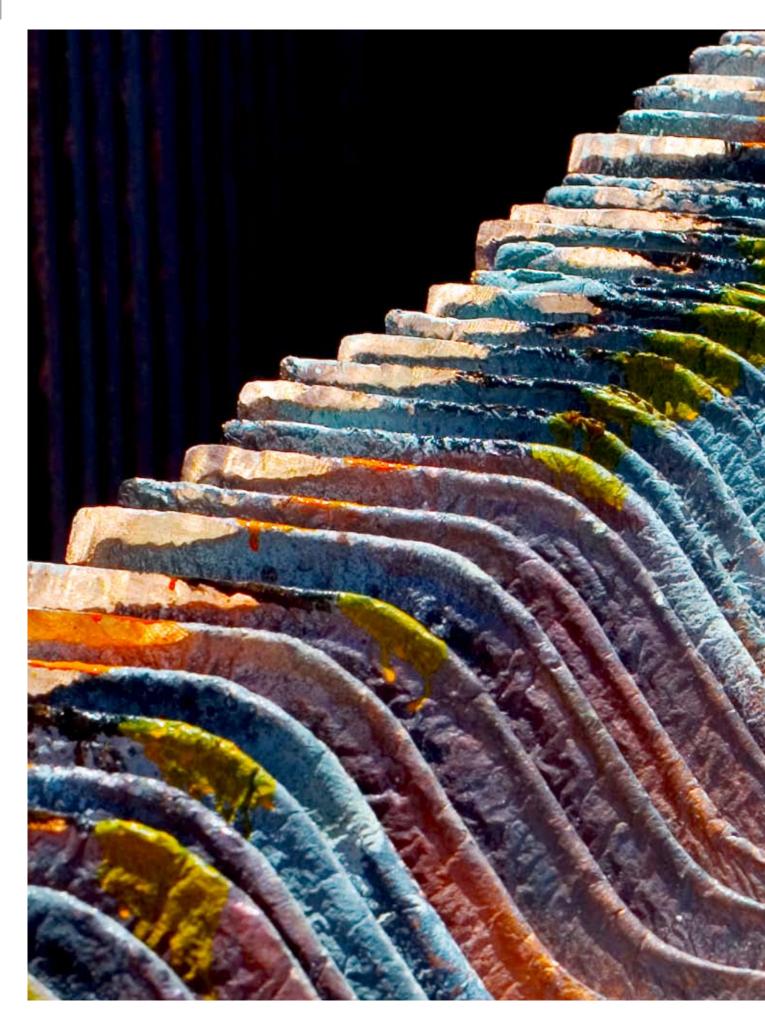
El Soldado continued the practice of recycling ferric waste by means of transferring it to a smelter to recover steel. It has also had a Hazardous Waste Management Plan in place since 2004, which includes the management of all the waste generated at the operation. It has the support of specialised external companies for this, which have effective certification and authorisation for the transport and final treatment of such waste.

Anglo American generated 36,482 tonnes of hazardous and non-hazardous waste in 2008, and 87% of this was recycled and the rest was sent to authorised disposal centres.



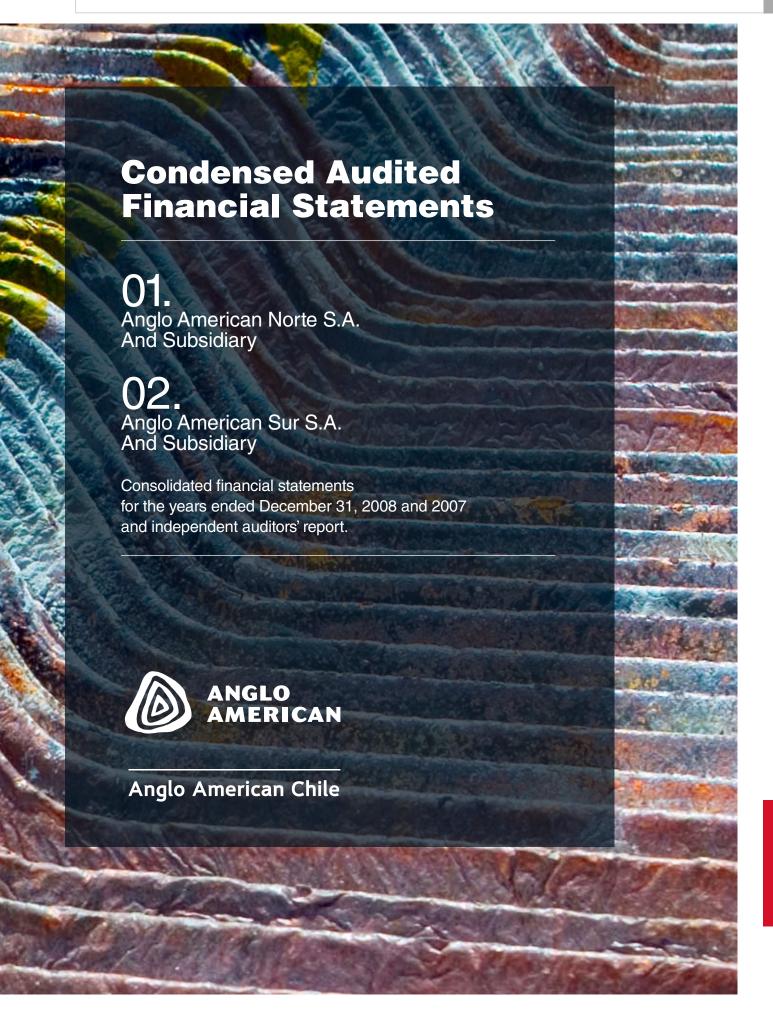


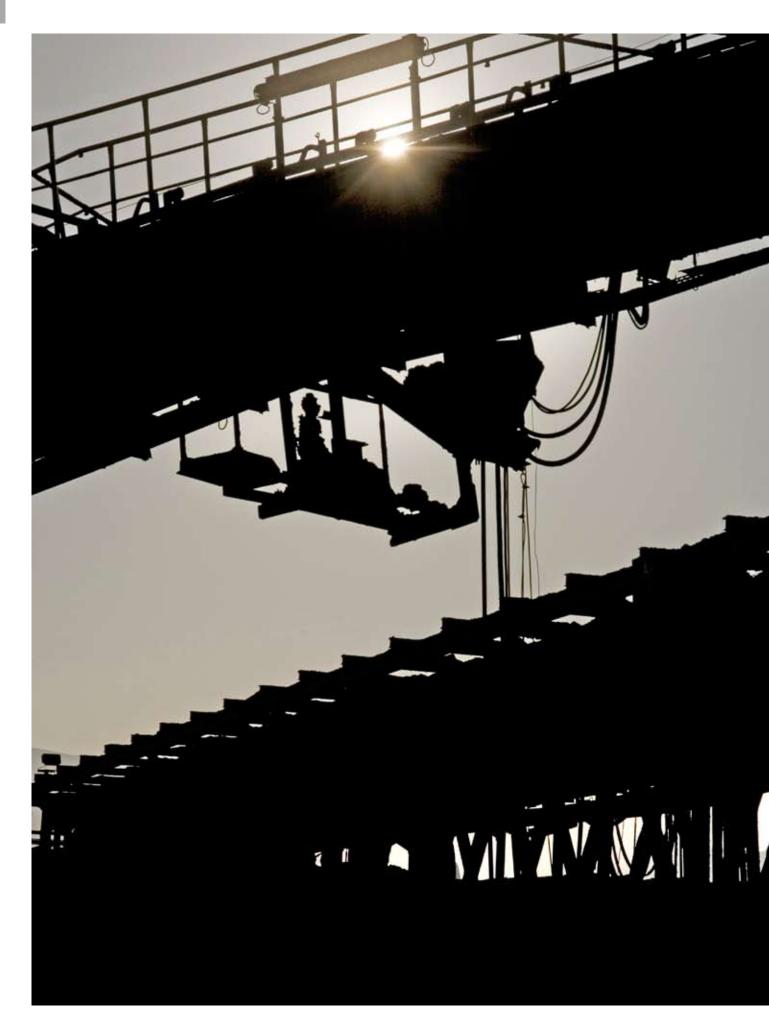




**Anglo American Chile** Sustainable Development & Financial Statements Report 2008







### **07.** Financial Statement

### **Anglo American Norte S.A. and Subsidiary**

### O1. Independent auditors' report Anglo American Norte S.A. and Subsidiary

### Deloitte.

To the Directors and Shareholders of Anglo American Norte S.A. and Subsidiary

We have audited, in accordance with auditing standards generally accepted in Chile, the consolidated balance sheets of Anglo American Norte S.A. and Subsidiary as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in equity and cash flows for the years then ended (included herein). In our report dated January 16, 2009, we expressed an unqualified opinion on those financial statements, which includes an explanatory paragraph to describe the basis of preparation of the financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived However, as condensed financial statements are presented in considerably less detail than complete financial statements, they should be read in conjunction with the audited consolidated financial statements.

The accompanying financial statements have translated into English solely for the convenience of readers outside Chile.

) eloitte. January 16, 2009

Member of **Deloitte Touche Tohmatsu** 

### **Anglo American Norte S.A. and Subsidiary**

### **CONSOLIDATED BALANCE SHEETS**

AT DECEMBER 31, 2008 AND 2007 (In U.S. dollars - US\$)

	Notes	2008 US\$	2007 US\$
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	12	171,070,202	159,175,888
Investments in related companies	13	4,630,079	4,123,000
Trade debtors and other accounts receivable	15	928,707	
Deferred taxes	11d	13,792,972	35,112,611
Total non-current assets		190,421,960	198,411,499
CURRENT ASSETS:			
Inventories	14	54,301,002	67,579,699
Trade debtors and other accounts receivable	15	178,459,629	79,734,764
Recoverable taxes	11c	32,707,217	42,189,210
Cash and cash equivalents	22	66,346,585	76,374,027
Total current assets		331,814,433	265,877,700
TOTAL ASSETS		522,236,393	464,289,199

# 07. Financial Statements

# **Anglo American Norte S.A. and Subsidiary**

# **CONSOLIDATED BALANCE SHEETS**

AT DECEMBER 31, 2008 AND 2007 (In U.S. dollars - US\$)

	Notes	2008 US\$	2007 US\$
SHAREHOLDERS' EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Paid-in capital		156,077,488	156,077,488
Retained earnings		121,587,389	105,828,151
Other reserves		(2,781,719)	(152,427,087)
Total shareholders' equity, ascribed to shareholders		274,883,158	109,478,552
Minority interest		10,267,944	291,989
Total shareholders' equity		285,151,102	109,770,541
NON-CURRENT LIABILITIES:			
Accrual for employee benefits	18	17,534,285	17,870,003
Accruals	16	35,562,708	28,952,854
Total non-current liabilities		53,096,993	46,822,857
CURRENT LIABILITIES:			
Accounts payable and other payables	17	164,857,606	105,433,141
Accruals	16	19,130,692	19,617,335
Other financial obligations	19b		182,645,325
Total current liabilties		183,988,298	307,695,801
Total liabilities		237,085,291	354,518,658
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		522,236,393	464,289,199

# CONSOLIDATED STATEMENTS OF INCOME

	Notes	2008 US\$	2007 US\$
CONTINUING OPERATIONS			
REVENUES	6	807,859,592	851,764,300
NEVERVOES		001,033,332	031,101,300
COSTS		(555,945,497)	(379,382,074)
OTHER OPERATING INCOME AND EXPENSE - NET	7	(5,605,378)	(4,944,631)
Result from investments in related companies	13	1,346,122	480,872
TOTAL INCOME FROM OPERATING ACTIVITIES AND ASSOCIATES		247,654,839	467,918,467
Financial income	8	5,877,125	7,114,734
Financial expense	9	(4,833,852)	(3,006,582)
Other income	10	115,301,251	
Exchange difference	3c	(9,396,346)	4,848,786
FINANCIAL INCOME - NET		106,948,178	8,956,938
NICOUE PEROPE NICOUE TIVES		254 602 047	176 075 105
INCOME BEFORE INCOME TAXES		354,603,017	476,875,405
INCOME TAXES	11a	(68,689,764)	(90,055,216)
INCOME BEFORE MINORITY INTEREST		285,913,253	386,820,189
MINORITY INTEREST		(8,616,933)	142,237
INCOME FROM CONTINUING OPERATIONS		277,296,320	386,962,426
EARNINGS PER SHARE		1.7567	2.4515
NUMBER OF SHARES	20a	157,847,925	157,847,925

# 07. Financial Statements

# **Anglo American Norte S.A. and Subsidiary**

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (In U.S. dollars - US\$)

	Notes	Paid-in capital US\$	Retained earnings US\$	Other reserves US\$	Minority interest US\$	Total US\$
Balances at January 1, 2007		156,077,488	18,880,943	(234,714,324)	434,228	(59,321,665)
Dividends paid	20c		(300,015,218)			(300,015,218)
Actuarial variations of employee benefits	18			894,972		894,972
Cash flow hedges				98,246,278		98,246,278
Deferred tax	11d			(16,854,013)		(16,854,013)
Net - income for the year			386,962,426		(142,239)	386,820,187
Balances at December 31, 2007		156,077,488	105,828,151	(152,427,087)	291,989	109,770,541
Balances as at January 1, 2008		156,077,488	105,828,151	(152,427,087)	291,989	109,770,541
Dividends paid	20c		(260,023,046)			(260,023,046)
Actuarial variations of employee benefits	18			(2,132,729)		(2,132,729)
Reorganization			(1,514,036)		1,349,815	(164,221)
Acquisition effect in subsidiary				109,212		109,212
Cash flow hedges				182,356,025		182,356,025
Deferred tax	11d			(30,687,140)		(30,687,140)
Net - income for the year			277,296,320		8,626,140	285,922,460
Balances at December 31, 2008		156,077,488	121,587,389	(2,781,719)	10,267,944	285,151,102

# CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2008 US\$	2007 US\$
CASH FLOW ORIGINATED BY OPERATING ACTIVITIES:	21	291,312,642	321,849,211
CASH FLOW ORIGINATED BY INVESTMENT ACTIVITIES:			
Interest received from other investments		3,603,586	6,933,307
Sales of fixed assets		489,350	4,966,910
Purchase of fixed assets	12	(44,618,170)	(25,529,229)
Net cash flow used in investing activities		(40,525,234)	(13,629,012)
CASH FLOW ORIGINATED BY FINANCING ACTIVITIES:			
Payment of loans received from related companies		498,217	(68,274,668)
Loans granted to related companies		(585,278)	69,337,174
Interest paid		(704,743)	(136,714)
Dividends paid	19d	(260,023,046)	(300,015,218)
Other			(434,514)
Net cash flow used in financing activities		(260,814,850)	(299,523,940)
NET VARIATION IN CASH AND CASH EQUIVALENTS		(10,027,442)	8,696,259
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		76,374,027	68,037,768
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	66,346,585	76,734,027

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In United States Dollars - US\$)

### 1. Incorporation and corporate purpose

The Company was incorporated in the city of Santiago in 1995. On October 1, 2007 the legal name of the Company was changed to Anglo American Norte S.A. The Company currently operates the copper mines and processing plants of Mantos Blancos, located 45 kilometers North East of Antofagasta, and Mantoverde located in the Province of Chañaral in the Third Region of Atacama.

The execution of mining explorations and mining prospecting and the rendering of services related to the mining industry are also considered among the operations of the Company.

The subsidiary Minera Anglo American Chile Ltda. was incorporated under public deed dated December 29, 1980 and its corporate purpose is the performing and execution of all kinds of mining and industrial activities and business, whether on its own account or on behalf of third parties, including specifically, the exploration and prospecting of areas of geological interest and of deposits and mines of any kind of mineral and their exploitation.

As of this date, the Subsidiary has been executing activities related to the exploration and prospecting of areas of geological interest, on its own behalf or on behalf of others. As a consequence of the consolidation of its operations through its Parent Company, the Subsidiary does not have any personnel of it own.

The employees of the Company correspond mainly to operators at the worksites. The executives and supervisors in charge of, among other, the financial, operating, tax, legal and human resources issues, are hired by the related company Anglo American Chile Ltda.

## 2. Bases of preparation

The accompanying consolidated financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS") and the interpretations of the International Accounting Standards adopted by the European Union as of the information submitted by the Company for consolidation purposes with its Parent Company since January 1, 2005, date on which it adopted for the first time the International Financial Reporting Standards adopted by the European Union. The financial statements have been prepared under the criterion of historical cost, modified by the revaluation of the financial instruments.

The new financial reporting standards and interpretations adopted are as follows:

IAS 39 Financial Instruments: Recognition and Measurement

IFRS 7 Financial Instruments: Disclosures

The new financial reporting standards and interpretations, which have not yet been adopted, are as follows:

IFRS 8		Operating segments (valid January 1, 2009)
IAS 23	(Revised)	Borrowing costs (valid January 1, 2009)
IAS 1	(Revised)	Presentation of the financial statements (valid January 1, 2009)
IFRS 3	(Revised)	Business combinations (valid July 1, 2009)
IAS 27	(Revised)	Consolidated and separate financial statements (valid July 1, 2009)
IFRS 2		Share-based payments (valid January 1, 2009)
IAS 32		Operating segments (valid January 1, 2009)
IFRIC 13		Customer Loyalty Programmes (valid July 1, 2008)
IFRIC 15		Agreements for the construction of real estate (valid January 1, 2009)
IFRIC 16		Hedges of a net investment in a foreign operation (valid October 1, 2008)
IFRIC 17		Distribution of non-cash assets to owners (valid July 1, 2009)

Management believes that the adoption of these standards and interpretations in future periods will have no material effect on the consolidated financial statements.

The preparation of these financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the income and expense amounts during the informed period. These estimates are based on of Management's is best knowledge of the reported amounts, events or actions. The detail of the significant accounting policies and critical estimates are detailed in Note 4.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In United States Dollars - US\$)

The accompanying financial statements were prepared on a pre-consolidated basis in conformity with IAS 27 "Consolidated and Separate Financial Statements".

The Company and its subsidiary prepare their statutory financial statements in conformity with accounting principles generally accepted in Chile

## 3. Summary of significant accounting policies

- **a. Basis of preparation of the consolidated financial statements** The accompanying consolidated financial statements of Anglo American Norte S.A. include the balances of its subsidiary Minera Anglo American Chile Ltda., which is controlled by the Parent Company, with a participation of 61.11% in 2008 (in 2007: 57.22%) All balances and transactions with the subsidiary have been eliminated upon consolidation as well as the unrealized gains and losses from such operations, and the participation of the minority investors has been recognized in the minority interest accounts in liabilities and net income.
- **b. Functional currency** The Company and its subsidiary maintain their official accounting records in US Dollars (their functional currency).
- **c. Basis of conversion** Assets and liabilities, which are not stated in United States dollars have been converted at the corresponding year-end exchange rate. As of December 31, 2008 the exchange rate of the Chilean peso was of Ch\$636.45 per 1 US dollar (Ch\$496.89 as at December 31, 2007).

The variations in the exchange rates in the different currencies, generated a net loss in relation to the US dollar in the amount of US\$9,396,346 (2007: gain of US\$4,848,786), which is presented in non-operating income in the item "Exchange rate difference".

- **d. Net sales** The net sales are recorded when the ownership rights and obligations are substantially transferred to the purchaser, in conformity with IAS 18 "Revenue".
- **e. Income tax and deferred taxes** The provision for income tax is determined based on the first category taxable income, prepared in accordance with current legal provisions.

The deferred taxes generated by temporary differences and other events giving rise to differences between the accounting and tax base of assets and liabilities are recorded according to IAS 12 "Income Taxes".

Similarly, the Company records any temporary differences arising between tax and book entries as a result of calculating the Taxable Operating Income in order to calculate the specific tax on mining.

**f. Fixed assets and depreciation** - Fixed assets are presented at cost and include major renewals and improvements. Maintenance expenses are charged to income.

Fixed assets are depreciated using the straight-line method based on the estimated useful life of the assets. The depreciation associated with the Mining Reserves is amortized through the method of the units of fine copper produced, considering the proven and probable ore reserves, in comparison to the useful life of the mine, as appropriate.

**g. Lease agreements** - In addition to the lease agreements, other significant agreements are also evaluated in order to determine if they, substantially, are a lease on contain one. This includes the assessment as to whether the agreement includes the use of a specific asset as well as the right to use such an asset.

The rental cost under an operating lease is charged to the statement of income in annual amounts based on the contract terms.

The assets under financial lease are recognized as assets at the beginning of the lease at the lower of the fair value and the net present value of the minimum lease payments derived when discounting the implicit interest rate.

- **h. Mine preparation** Costs incurred in mine preparation for the sole purpose of maintaining the current level of production are charged to the cost of production.
- i. Investments in related companies Investments in related companies are stated at acquisition cost.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In United States Dollars - US\$)

**j. Inventories** - Inventories are stated at cost, using the following methods.

Finished products and products in process : At the average monthly production cost, including depreciation

of fixed assets.

Raw material, supplies and spare parts : At the average monthly purchase cost.

Ore in piles, at the lower of the average cost of monthly extraction, or the recoverable value

At purchase cost.

The cost allocated to inventories does not exceed their net realizable value. At 2008 year-end, the inventories are stated adjusted to the lower of market price and production cost. This methodology implied recognizing a charge to net income of US\$1,633,677.

**k. Trade debtors** - Shipments of ore are presented at net realizable value based on sales contracts.

The Company recognizes a mark to market provision when the sale price of billed shipments, whose final price is still not known, is lower or higher than the market price at each year end.

- **l. Time deposits** Investments in time deposits include capital plus accrued interest.
- **m. Operations with repurchase agreement** Purchases of financial instruments with repurchase agreements are recorded as a fixed rate deposit and presented as other current assets.
- **n. Mining reserves** The costs related to the Mining Reserves are amortized at year-end through the unit of production method, considering the proven and probable ore reserves, regarding the useful lives of the mine.
- **o. Mining projects** The disbursements related directly with the exploration of mining properties are charged to income until the start of the project's feasibility stage. The disbursement incurred in the feasibility or development stages of the projects are capitalized and amortized based on future production, considering the proven ore reserves. Abandoned projects are charged to income in the year in which the decision is made. Also, a provision is made for those projects where there is evidence that they will not be executed according to the original plans.
- **p. Cost of employee benefits** The Company recognizes the cost of employee benefits according to an actuarial calculation, as required by IAS 19 "Employee benefits", which includes variables such as the life expectating, salary increases, etc. To determine such calculation a discount rate of 7.26% per year has been used for 2008 (discount rate of 5% in 2007).
- **q. Provision for mine closure** The Company recognizes the future cost of mine closures and the abandonment of the sites, at their net present value in conformity with corporate standards and in accordance with IAS 37 "Provisions, Contingent Assets and Contingent Liabilities". The provision for this concept is included in the item "Accruals", within non-current liabilities.

During 2007 the Company updated its costs estimate for mine closures and site abandonment of all its divisions; this implied a net increase in the accrual of US\$1,713,367, recording US\$6,795,904 with credit to the restoration provision and US\$5,082,537 as a charge to the dismantling provision.

- r. Employee vacations The provision for vacations is recorded as an expense in the year the employee earns this benefit.
- s. Statement of cash flows This includes cash and time deposits, both short-term and highly liquid, which are easily converted into a know amount of money and are subject to an insignificant risk of change in its value.
- **t. Derivative financial instruments and hedge accounting** In order to cover its exposure to risks related to the copper prices, the Company has signed forward agreements. The Company does not use derivative financial instruments for speculation purposes. The sales agreements of copper (normal purchase or sale) that comply with the requirements of IAS 39, are recognized in net income upon their physical delivery or when the risks and benefits of ownership have been substantially transferred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In United States Dollars - US\$)

All derivatives designated as hedge agreements are classified as current or non-current assets or liabilities, depending on the maturity date of the derivative.

The changes in the fail value of the derivative financial instruments that are allocated as "effective cash flow hedge agreements" are recognized directly in equity.

**u. Reclassifications** - The Company has reclassified certain items of the financial statements as at December 31, 2007 for comparative purposes.

# 02. Independent auditors' report Anglo American Sur S.A. and Subsidiary

# Deloitte.

To the Directors and Shareholders of Anglo American Sur S.A. and Subsidiary

We have audited, in accordance with auditing standards generally accepted in Chile, the consolidated balance sheets of Anglo American Sur S.A. and Subsidiary as of December 31, 2008 and 2007, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended (included herein). In our report dated January 16, 2009, we expressed an unqualified opinion on those financial statements, which includes two explanatory paragraphs to describe the basis of preparation of the financial statements and the merger of the Company with its subsidiary in 2007.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived However, as condensed financial statements are presented in considerably less detail than complete financial statements, they should be read in conjunction with the audited consolidated financial statements.

The accompanying financial statements have been translated into English solely for the convenience of readers outside Chile.

Delaitte. January 16, 2009

Member of **Deloitte Touche Tohmatsu** 

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2008 AND 2007 (In U.S. dollars - US\$)

	Notes	2008 US\$	2007 US\$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	1,975,923,269	1,459,673,355
Other accounts receivable	20c	1,142,375	
Intangibles	4i	120,000,000	120,000,000
Total non-current assets		2,097,065,644	1,579,673,355
CURRENT ASSETS			
Inventories	13	95,794,818	85,616,288
Trade debtors and other accounts receivables	14	174,489,430	205,978,664
Recoverable taxes	11 c	45,766,761	62,233,064
Cash and cash equivalents	22	593,825,385	189,698,574
Total current assets		909,876,394	543,526,590
TOTAL ASSETS		3,006,942,038	2,123,199,945

# **CONSOLIDATED BALANCE SHEETS**

AT DECEMBER 31, 2008 AND 2007 (In U.S. dollars - US\$)

	Notes	2008 US\$	2007 US\$
SHAREHOLDERS' EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Paid-in capital		1,240,735,737	1,240,735,737
Retained earnings		976,140,818	356,939,193
Other reserves		(112,009,806)	(48,535)
Total shareholders' equity, ascribed to shareholders		2,104,866,749	1,597,626,395
Minority interest		4,580,023	4,035,572
Total shareholders' equity		2,109,446,772	1,601,661,967
NON-CURRENT LIABILITIES			
Accounts payable and other payables	17	61,444,152	
Accrual for employee benefits	18	68,737,610	71,113,647
Deferred taxes	11d	46,376,960	81,977,628
Accruals	15	130,109,428	119,178,544
Total non-current liabilities		306,668,150	272,269,819
CURRENT LIABILITIES			
Accounts payable and other payables	16	553,567,947	217,481,263
Accruals	15	37,259,169	31,786,896
Total current liabilities		590,827,116	249,268,159
Total liabilities		897,495,266	521,537,978
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		3,006,942,038	2,123,199,945

# CONSOLIDATED STATEMENTS OF INCOME

	Notes	2008 US\$	2007 US\$
CONTINUING OPERATIONS			
REVENUES	7	2,000,343,945	2,292,948,185
COSTS		(804,425,423)	(743,780,307)
000.0		(661,123,123)	(1.15,1.55,251)
OTHER OPERATING INCOME AND EXPENSE - NET	8	(44,205,734)	(37,607,880)
TOTAL INCOME FROM OPERATING ACTIVITIES AND ASSOCIATES		1,151,712,788	1,511,559,998
			, , ,
Financial income	9	11,398,468	11,863,816
Other income		3,895,251	
Financial expenses	10	(78,920,680)	(11,166,952)
Exchange difference	4c	(33,278,456)	6,749,256
FINANCIAL INCOME - NET		(96,905,417)	7,446,120
INCOME BEFORE INCOME TAXES		1,054,807,371	1,519,006,118
INCOME TAYES	11	(199 222 064)	(200.041.525)
INCOME TAXES	11	(188,322,964)	(209,041,535)
INCOME BEFORE MINORITY INTEREST		866,484,407	1,309,964,583
			.,,
MINORITY INTEREST		(2,333,806)	(480,929)
INCOME FROM CONTINUING OPERATIONS		864,150,601	1,309,483,654
EARNINGS PER SHARE		0.6965	1.0554
NUMBER OF SHARES			

# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Notes	Paid-in capital US\$	Retained earnings US\$	Other Reserves US\$	Minority interest US\$	Total US\$
Balances as at January 1, 2007		1,257,783,023	(9,464,796)	386,073	4,433,532	1,253,137,832
Merger		(17,047,286)	476,113			(16,571,173)
Withdrawals paid	20d		(590,003,620)			(590,003,620)
Dividends paid	20d		(353,552,158)			(353,552,158)
Actuarial variations of employee benefits	18			(523,643)	25,344	(498,299)
Deferred taxes	11b			89,035	(4,324)	84,711
Net income for the year			1,309,483,654		(418,980)	1,309,064,674
Balances as at December 31, 2007		1,240,735,737	356,939,193	(48,535)	4,035,572	1,601,661,967
Balances as at January 1, 2008		1,240,735,737	356,939,193	(48,535)	4,035,572	1,601,661,967
Dividends paid	20d	1,240,133,131	(244,948,976)	(40,555)	7,033,312	(244,948,976)
Cash flow hedges	200		(244,540,570)	(130,777,419)		(130,777,419)
Actuarial variations of employee benefits	18			(4,115,676)	(348,619)	(4,464,295)
Deferred taxes	11b			22,931,824	59,267	22,991,091
Net - income for the year			864,150,601		833,803	864,984,404
Balances as at December 31, 2008		1,240,735,737	976,140,818	(112,009,806)	4,580,023	2,109,446,772

# CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2008 US\$	2007 US\$
CASH FLOW ORIGINATED BY OPERATING ACTIVITIES:	21	1,100,405,283	1,172,348,226
CASH FLOW ORIGINATED BY INVESTMENT ACTIVITIES:			
Interest received from other investments	9	11,398,468	11,863,816
Intercompany interest received		15,799	
Purchase of fixed assets	12	(462,597,064)	(142,041,747)
Loans to subsidiaries		2,737,077	
Net cash flow used in investing activities		(448,445,720)	(130,177,931)
CASH FLOW ORIGINATED BY FINANCING ACTIVITIES:			
Payment of loans from related companies			(65,000,000)
Loans granted to related companies			65,000,000
Interest paid		(1,383,776)	(1,307,868)
Dividends paid	20d	(244,948,976)	(943,555,778)
Withdrawals		(1,500,000)	(900,000)
Net cash flow used in financing activities		(247,832,752)	(945,763,646)
NET VARIATION IN CASH AND CASH EQUIVALENTS		404,126,811	96,406,649
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		189,698,574	93,291,925
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	593,825,385	189,698,574

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In United States Dollars - US\$)

### 1. Incorporation and corporate purpose

The Company was incorporated per public deed on September 6, 1916 as a closely held corporation. On November 02, 1998, by agreement of the Extraordinary Meeting of Shareholders held on October 09, 1998, the Company became a limited partnership.

The Company's business purpose is the exploration, extraction, exploitation, production, smelting and trading of ores, concentrates, precipitate, copper bars and all metal and non-metal mineral substances and, in general, all fossil substances and liquid and gas hydrocarbons, in any form in which they are naturally present, including exploration, exploitation and use of all sources of natural energy susceptible to industrial use and products or by-products obtained from them and, in general, the performance of any other related, connected or complementary activities agreed to by the partners.

The Subsidiary Anglo American Chile Ltda. was incorporated on March 14, 2003 as a limited partnership. The purpose of the Subsidiary is to render administrative, planning and advisory services in various areas such as managerial; financial; treasury; accounting; internal audit; evaluation and control of projects; mining; metallurgy; engineering and maintenance support; insurance administration; acquisition of supplies; materials and equipment; contracting of external services; geology; information technology; sales and marketing; safety, health, environment and quality; human resources; and legal, particularly for mining activities and specialized in the needs and requirements of this type of company, rendering them by itself or through third parties, coordinating with them on how to perform these services, as well as the performance of the activities directly or indirectly related with the above mentioned, and others agreed to by the partners.

The employees of the Company correspond mainly to operators at the worksites. The executives and supervisors in charge of, among other, the financial, operating, tax, legal and human resources issues, are hired by its subsidiary Anglo American Chile Ltda.

### 2. Bases of preparation

The accompanying consolidated financial statements have been prepared in conformity with International Financial Reporting Standards ("IFRS") and the interpretations of the International Accounting Standards adopted by the European Union as of the information submitted by the Company for consolidation purposes with its Parent Company since January 1, 2005, date on which it adopted for the first time the International Financial Reporting Standards adopted by the European Union. The financial statements have been prepared under the criterion of historical cost, modified by the revaluation of the financial instruments.

The new financial reporting standards and interpretations adopted are as follows:

IAS 39 Financial Instruments: Recognition and Measurement

IFRS 7 Financial Instruments: Disclosures

The new financial reporting standards and interpretations, which have not yet been adopted, are as follows:

IFRS 8		Operating segments (valid January 1, 2009)
IAS 23	(Revised)	Borrowing costs (valid January 1, 2009)
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IAS 1	(Revised)	Presentation of the financial statements (valid January 1, 2009)
IFRS 3	(Revised)	Business combinations (valid July 1, 2009)
IAS 27	(Revised)	Consolidated and separate financial statements (valid July 1, 2009)
IFRS 2		Share-based payments (valid January 1, 2009)
IAS 32		Operating segments (valid January 1, 2009)
IFRIC 13		Customer Loyalty Programmes (valid July 1, 2008)
IFRIC 15		Agreements for the construction of real estate (valid January 1, 2009)
IFRIC 16		Hedges of a net investment in a foreign operation (valid October 1, 2008)
IFRIC 17		Distribution of non-cash assets to owners (valid July 1, 2009)

Management believes that the adoption of these standards and interpretations in future periods will have no material effect on the financial statements.

The preparation of these financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the income and expense amounts during the informed period. These estimates are based on Management's best knowledge of the reported amounts, events or actions. The detail of the significant accounting policies and critical estimates are detailed in Note 5.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In United States Dollars - US\$)

The accompanying financial statements were prepared on a pre-consolidated basis in conformity with IAS 27 "Consolidated and Separate Financial Statements".

The Company prepares its statutory financial statements in conformity with accounting principles generally accepted in Chile.

# 3. Merger, change of name and corporate purpose of the company

On July 23, 2007, the Company changed its name from Inversiones Anglo American Sur Ltda. to Anglo American Sur S.A. Subsequently, on July 31, 2007, by agreement at the Extraordinary Shareholders' Meeting, the merger was carried out with Minera Sur Andes S.A. (formerly Minera Sur Andes Ltda.) into Anglo American Sur S.A. (formerly Inversiones Anglo American Sur Ltda.), whereby the latter assumed all rights and obligations of the company that was taken over.

This merger was made based on the balance sheets as at December 31, 2006.

As at December 31, 2006, the value of the assets, liabilities and shareholders' equity transferred to Anglo American Sur S.A. was as follows:

	US\$
Assets:	
Current assets	296,045,644
Fixed assets, net	718,615,854
Other assets	13,751,587
Total assets	1,028,413,085
Liabilities:	
Current liabilities	318,315,358
Long-term liabilities	164,141,310
Total liabilities	482,456,668
Shareholders' equity:	070 700 700
Paid-in capital	970,702,790
Withdrawals	(2,292,216,035)
Retained earnings	591,757,233
Net income for the year	1,275,712,429
Total shareholders' equity, net	545,956,417
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,028,413,085

The difference in the value of the abovementioned assets and liabilities is recorded in the account retained earnings in the shareholders' equity in the amount of US\$476,113.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In United States Dollars - US\$)

### 4. Summary of significant accounting policies

- **a.** Basis of preparation of the consolidated financial statements The accompanying consolidated financial statements of Anglo American Sur S.A. include the balances of its subsidiary Anglo American Chile Ltda., which is controlled by the Parent Company, with a participation of 70.00%. All balances and transactions with the subsidiary have been eliminated upon consolidation as well as the unrealized gains and losses from such operations, and the participation of the minority investors has been recognized in the minority interest accounts in liabilities and net income.
- **b. Functional currency** The Company and its Subsidiary maintain their official accounting records in US Dollars (their functional currency).
- **c.** Basis of conversion Assets and liabilities, which are not stated in United States dollars, have been converted at the corresponding year-end exchange rate. As of December 31, 2008 the exchange rate of the Chilean peso was of Ch\$636.45 per 1 US dollar (Ch\$496.89 as at December 31, 2007).

The variations in the exchange rates in the different currencies, generated a net loss in relation to the US dollar in the amount of US\$33,278,456 (2007: gain of US\$6,749,256), which is presented in non-operating income in the item "Exchange rate difference".

- **d. Net sales** The net sales are recorded when the ownership rights and obligations are substantially transferred to the purchaser, in conformity with IAS 18 "Revenue".
- **e. Income tax and deferred taxes** The provision for income tax is determined based on the first category taxable income, prepared in accordance with current legal provisions.

The deferred taxes generated by temporary differences and other events giving rise to differences between the accounting and tax base of assets and liabilities are recorded according to IAS 12 "Income Taxes".

Similarly, the Company records any temporary differences arising between tax and book entries as a result of calculating the Taxable Operating Income in order to calculate the specific tax on mining.

**f. Fixed assets and depreciation** - Fixed assets are presented at cost and include major renewals and improvements. Maintenance expenses are charged to income.

Fixed assets are depreciated using the straight-line method based on the estimated useful life of the assets. The depreciation associated with the Mining Reserves is amortized through the method of the units of fine copper produced, considering the proven and probable ore reserves, in comparison to the useful life of the mine, as appropriate.

**g. Lease agreements** - In addition to the lease agreements, other significant agreements are also evaluated in order to determine if they, substantially, are a lease or contain one. This includes the assessment as to whether the agreement includes the use of a specific asset as well as the right to use such an asset.

The rental cost under an operating lease is charged to the statement of income in annual amounts based on the contract terms.

The assets under financial lease are recognized as assets at the beginning of the lease at the lower of the fair value and the net present value of the minimum lease payments derived when discounting the implicit interest rate.

- **h. Mine preparation** Costs incurred in mine preparation for the sole purpose of maintaining the current level of production are charged to the cost of production.
- **i. Goodwill** As at December 31, 2008 and 2007 the Company recorded a goodwill of US\$120,000,000 generated by the payment of a Price Participation, in conformity with the original conditions of the acquisition agreement. Said Goodwill is submitted to an annual impairment test in conformity with IAS 36 "Impairment of assets".
- **j. Impairment of goodwill** Any impairment is recognized immediately in the statement of income. The impairments of goodwill are not subsequently reversed.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In United States Dollars - US\$)

k. Inventories - Inventories are stated at cost, using the following methods.

Finished products and products processe : At average monthly production cost, which includes

the depreciation of fixed assets.

Raw materials, goods and consumable spare

parts consumption

At average purchase cost.

Ore in stockpiles, at the lower of the average cost of monthly extraction, or the recoverable value

At purchase cost.

The cost allocated to inventories does not exceed their net realizable value. At year-end 2008, the inventories are stated adjusted to the lower of market price and production cost. This methodology implied recognizing a charge to net income of US\$2,387,793.

**l. Trade debtors** - Shipments of ore are presented at net realizable value based on sales contracts.

The Company recognizes a mark to market provision when the sale price of billed shipments, whose final price is still not known, is lower or higher than the market price at each year end.

- m. Time deposits Investments in time deposits include capital plus accrued interest.
- **n. Operations with repurchase agreement** Purchases of financial instruments with repurchase agreements are recorded as a fixed rate deposit and presented as other current assets.
- **o. Mining reserves** The costs related to the Mining Reserves are amortized at year-end through the unit of production method, considering the proven and probable ore reserves, regarding the useful lives of the mine.
- **p. Mining projects** The disbursements related directly with the exploration of mining properties are charged to income until the start of the projects feasibility stage. The disbursement incurred in the feasibility or development stages of the project are capitalized and amortized based on future production, considering the proven ore reserves. Abandoned projects are charged to income in the year in which the decision is made. Also, a provision is made for those projects where there is evidence that they will not be executed according to the original plans.
- **q. Cost of employee benefits** The Company recognizes the cost of employee benefits according to an actuarial calculation, as required by IAS 19 "Employee benefits", which includes variables such as the life expectancy, salary increases, etc. To determine such calculation a discount rate of 7.26% per year has been used for 2008 (discount rate of 5% in 2007).
- **r. Provision for mine closure** The Company recognizes the future cost of mine closure and the abandonment of the sites, at their net present value in conformity with corporate standards and in accordance with IAS 37 "Provisions, Contingent Assets and Contingent Liabilities". The provision for this concept is included in the item "Accruals", within non-current liabilities.

During 2007 the Company updated its costs estimate for mine closure and site abandonment of all its divisions; this implied a net increase in the accrual of US\$2,526,059, recording US819,642 with credit to the restoration provision and US\$3,345,701 as a charge to the dismantling provision.

- s. Employee vacations The provision for vacations is recorded as an expense in the year the employee earns this benefit.
- t. Statement of cash flows This includes cash and time deposits, both short-term and highly liquid, which are easily converted into a know amount of money and are subject to an insignificant risk of change in its value.
- **u. Derivative financial instruments and hedge accounting** In order to cover its exposure to risks related to the copper prices, the Company has signed forward agreements.

The derivative agreements are stated at fair value in the balance sheet in the item Other financial assets (derivatives) and Other financial liabilities (derivatives). The agreements designated as hedge agreements are stated in the short and/or long term considering, the maturity date of date of the hedged item or the associated derivative. Those derivatives not considered as hedge agreements are stated in the short term, as indicated in IAS 1 "Presentation of the financial statements".

# 07. Financial Statements

# **Anglo American Sur S.A. and Subsidiary**

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In United States Dollars - US\$)

The changes in the fair value of the financial instruments that are designated as cash flow hedge and comply with the effectiveness levels are recognized directly in shareholders' equity. The losses and/or gains associated to the portion defined as non-effective are recognized in the statement of income. Where the financial instruments that are designated as cash flow hedges in relation to firm commitments or an expected transaction generate the recognition of a non-financial asset or liability, upon recognition of such asset, the associated losses or gains that had previously been recognized in the shareholders' equity are included in the initial recognition of such non-financial asset or liability. In the case of hedge instruments that do not result in the recognition of a financial asset or liability, the amount previously recognized in shareholders' equity is recorded in the statement of income in the same period in which the hedged item affects the losses or gains in the balance sheet.

In the case of the financial instruments exposed to changes in their fair value, the losses or gains from the re-measurement of such instruments are recognized in the statement of income.

Any change in the fair value of the financial instruments not considered to be hedge instruments are recognized in the statement of income and classified as part of the income or losses or net financial expense depending on the kind of risk covered by the related derivative.

Hedge accounting is discontinued when the instruments expire or when they are sold, terminated or executed or when they are not longer classified as hedge instruments. In such period any associated gain or loss is withheld in the shareholders' equity waiting for the hedged item to occur. Where the hedged item's occurrence is not expected, any gain or loss previously recognized in shareholders' equity should be included in the statement of income of the same period.

v. Reclassifications - The Company has reclassified certain items of the financial statements as at December 31, 2007 for comparative purposes.

# **Appendix 1**



# **Affiliates and Related Companies**

Anglo American Norte 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. Holds 61.11% stake of the capital stock.
- Anglo American Chile Limitada, engaged in providing management, planning and consultancy services in various areas. Holds 30% stake of the capital stock.
- c) Compañía Minera Anglo Cominco Limitada, engaged in mine exploration and exploitation. Anglo American Norte S.A. participates in this company indirectly through its stake in Minera Anglo American Chile Limitada. The latter company holds 50% of the capital stock of Compañía Minera Anglo Cominco Limitada.

Anglo American Sur S.A. has a stake in Anglo American Chile Limitada, engaged in providing management, planning and consultancy services in various areas. Holds 70% stake of the capital stock.

# **Legal System and Ownership**

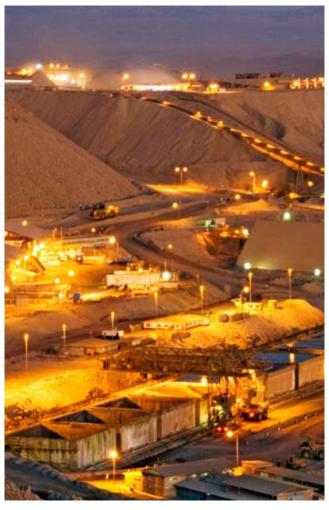
The company Anglo American Sur S.A. was established through a public deed issued by the Santiago Notary Office of Mr. Patricio Zaldívar Mackenna, on May 31, 2002. Its excerpt was registered on sheet 13.657 No 11.320 of the Santiago Commerce Registry of the Real Estate Registrar of the same year, and an extract was published in the Official State Gazette No 37.275, on June 5, 2002.

Its current and only shareholders are Anglo American Sur S.A with 99.99% of the capital stock and Clarent Ltd. with the remaining 0.01%, both subsidiaries of Anglo American plc.

Anglo American Norte S.A. was established as a corporation by means of a public deed issued by the Santiago Notary Office of Mr. Jaime García Palazuelos on October 19, 1955, and an extract of its file was registered on sheet 6.101 No 3.598 of the Santiago Commerce Registry of 1955.

Its capital stock is divided into 157,847,925 registered shares of a single series, of which approximately 99.98% is held by Anglo American plc's subsidiary companies called Inversiones Anglo American Norte Limitada, Minorco Inversud S.A., and Inversiones Minorco Chile S.A.

With the aim of using 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, through a public deed, dated March 14, 2003, issued by the Santiago Notary Office of Mr. Andrés Rubio Flores, whose file was registered on sheet 7.114 No 5.596 of the Santiago Commerce Registry in the same year.





# Corporate Governance of Anglo American Chile Ltda.

The administration and use of the trade name Anglo American Chile Ltda. is vested in the partners through the Board of Directors, made up of three Incumbent Directors and three Deputy Directors, who meet as many times as necessary to evaluate the company's performance according to the Articles of Association. All the Board meetings and decisions are recorded in the Board of Directors' Book.

By means of a public deed dated March 24, 2008, issued by the Santiago Notary Office of Mr. Álvaro Bianchi Rosas, both partners appointed the following people as directors:

BOARD OF DIRECTORS OF ANGLO AMERICAN CHILE LIMITADA FOR THE YEAR ENDED DECEMBER 31, 2008

INCUMBENT DIRECTORS	DEPUTY DIRECTORS
Miguel Ángel Durán Vergara*	Noelle Duronea Burgalat
Giancarlo Bruno Lagomarsino	Alejandro Mena Frau
Felipe Purcell Douds	Ignacio Quiñones Sotomayor

<sup>\*</sup> The position of Chairman of the Board is exercised by Miguel Ángel Durán Vergara.

# **Appendix 2**

# **Sources of Information for the Anglo American Report 2008**

Thirty interviews were held and 177 formal documents of the organisation were reviewed to draw up this Sustainable Development Report 2008 of Anglo American Chile. The information sources used to produce this report are listed below.

FORMAL INTERVIEWS AND SENDING OF INFORMATION

GENERAL CONTENT	SOURCE
	Miguel Ángel Durán, CEO.
	Felipe Purcell, Vice-President Marketing and Corporate Affairs.
	Marcelo Esquivel, External Affairs Manager.
COMPANY PRESENTATION	
	Rodrigo Toro, Senior Marketing Manager.
	Roberto Ecclefield, Non-Refined Products Sales Manager.
	Hernán Montes, Attorney.
	······································
FINANCIAL CAPITAL	Finish Distriction of the
	Eric Pivet, Planning & Finance Specialist.
	Ignacio Quiñones, Legal Manager.
HUMAN CAPITAL	
	Alejandro Mena, Vice-President Human Resources.
	Roberto Martínez, Senior Safety & Occupational Health Manager.
	Benjamín Galdames, Labour Relations & Effectiveness Manager.
	Rodrigo Hidalgo, Human Resources Development Manager.
	Raimundo Díaz, Strategic Supplies Advisor / Procurement & Contracts Management.
	Germán Escobillana, Internal Communications & Content Management.
NATURAL CAPITAL	
NATURAL CAPITAL	Fernando Valenzuela, Senior Environmental Manager
	Fernando Valenzuela, Senior Environmental Manager.
	Ferruccio Medici, Energy Efficiency Manager.  Karin Espíndola, Environmental Advisor – Los Bronces.
	Ricardo Valero, Senior Environmental & Sustainable Development Advisor - Mantoverde.
	Marcelo Glavic, Sustainable Development Advisor - Mantos Blancos.
	José Campillay, Safety & Occupational Health Advisor - Mantos Blancos.
	Jorge Bordoli, External Advisor on Legal Aspects & Environmental Management - Mantos Blancos.
	Rafael Cisternas, Safety & Occupational Health Manager - Mantos Blancos.
	Alvaro Canales, Environmental & Communities Head - El Soldado.
	Carlos Salvo, Environmental & Community Advisor - Chagres.
SOCIAL CAPITAL	
	Jorge Poblete, Anglo American Foundation Manager.
	Consuelo Herreros, Social Responsibility Manager / Fondo Esperanza.
MANMADE CAPITAL	
	Juan Alberto Ruiz, Senior Procurement & Contracts Manager.
	Valeria Rojas, Procurement & Contracts Manager.
	Juan Morales, Procurement & Contracts Head - Chagres Division.
	Juan M. Saldias, Procurement & Contracts Head - Mantoverde Division.
MIDITIEN COLIDERS	•
WRITTEN SOURCES	
POLICIES AND GUIDELINES	
	Anglo American: "Good Corporate Citizenship: Our Business Principles."
	Voluntary Principles on Security and Human Rights.
	Anglo Environment Way Manual (environment).
	Anglo American: Policy on Climate Change.
	Anglo American: Safety, Occupational Health & Environmental Management Policy.
	Anglo American: Sustainable Development Policy in the Supply Chain.
	Anglo American Chile: Energy Efficiency Policy.
SUSTAINABLE DEVELOPMENT REPORT	
SUSTAINABLE DEVELOPMENT REPORT	Anglo American Chile's Sustainable Development Report 2005
SUSTAINABLE DEVELOPMENT REPORT	Anglo American Chile's Sustainable Development Report 2005  Anglo American Chile's Sustainable Development Report 2006
SUSTAINABLE DEVELOPMENT REPORT	

# WRITTEN SOURCES

REPORTS	SOURCE
	Anglo American Chile: Press Coverage Report 2008.
	Report on the Socio-Economic Assessment (SEAT II) at Anglo American Chile's five divisions (Casa de la Paz
	Foundation / September 2008) and material enclosed.
	Emerge 2008 Programme Progress Report (Anglo American Chile and Fondo Esperanza).
	Reports on Community Engagement Plans at Anglo American Chile's divisions in 2008.
SPEECHES	
CYNTHIA CARROLL, CHIEF EXECUTIVE, ANGLO AMERICAN PLC	Nurturing Orphans of AIDS for Humanity (NOAH), Johannesburg, April 3, 2008.
	Chatham House, June 18, 2008.
	Global Reporting Initiative, Amsterdam, May 7, 2008
	Visit to Lima, Peru, June 24, 2008.
	"Presenting our strategy," presentation in the Merrill Lynch Conference, May 2008.
	Notes from the speech for analysts of SRI Analyst, Tuesday, June 17, 2008
SPEECHES AND ARTICLES	
SIR MARK MOODY-STUART, CHAIRMAN OF ANGLO AMERICAN PLC	Article "On addressing the climate challenge for BBC's The Green Room," January 28, 2008.
	China Development Forum, March 2008.
	United States, America and the Caribbean Economic Forum, Lima, May 14-15, 2008.
PRESENTATIONS	
	Public reporting key challenges and external, Anglo American's energy day, September 2007.
	Presentation: "Anglo Value-Based Management: The right choice for the future."
	Presentation: "One Anglo Model and Values."
	Anglo American: Presentation of 2008 Results.
	Presentations of the XII Annual Mining Supply Chain Meeting (October 29-31, 2008).
CORPORATE MAGAZINES	
	AngloWorld, May 2008, No 31
	AngloWorld, October 2008, No 32
	Anglo Chile No 20
	Anglo Chile No 21
	Anglo Chile No 22 Anglo Chile No 23
	Anglo Chile No 23
REVIEW OF NEWS ON THE THESOURCE INTRANET	
	2 corporate news items.
	29 news items - Los Bronces Division.
	18 news items - Mantos Blancos Division.
	23 news items - El Soldado Division.  36 news items - Mantoverde Division.
	17 news items - Chaqres Division.
	The Horizontal Charles Division.
OTHER DOCUMENTS	
	Report on personnel movement.
	Press release, first half results.  Communication Plan 2008–2009.
	Report on 2008 results.
	Internal releases.
	Anglo American's 2007 sustainable performance presentation to the financial community, June 17, 2008.
	Anglo American Chile's Energy Efficiency Programme: 2008 Monthly Reports.
	Information on the Energy Efficiency Mining Roundtable in Chile.
	Agreement Protocol on Energy Efficiency in Large Mining (Santiago, Chile, November 18, 2008).
	Anglo American Chile: Letter of Assurance 2008.
	Anglo American Chile's Press Releases in 2008.
	Graphical and dissemination material of the Emerge Programme.
	Revista Capital: "Managers of the Year 2008" Special Edition.  Brochure of Initiatives with the Community of the Los Bronces Division 2008
	Brochure of Initiatives with the Community of the Los Bronces Division 2008.

# Global Reporting Initiative (GRI) Index G3 and Global Compact Indicators

		PRINC	CIPLE	REFERENCE				REPORTED		
		*WW	Global Compact	Page	Related information (link)	anoni scope	Completed	Partially Completed (		
	PROFILE									
1.1	Statement from the most senior decision maker of the organisation regarding sustainability.	P2		4						
1.2	Description of key impacts, risks and opportunities.	P10		4, 5, 23	www.icmm.com					
	ORGANISATIONAL PROFILE									
2.1	Name of the organisation.	P10		6						
2.2	Primary brands, products and/or services.			2, 3, 15 - 18	www.collahuasi.cl					
2.3	Operational structure, including main divisions, operating companies, subsidiaries and joint ventures.			2, 3, 126						
2.4	Location of organisation's headquarters.			6, 8, 13						
2.5	Number of countries in which the organisation operates.			8-10						
2.6	Nature of ownership and legal form.			33, 126						
2.7	Markets served.			15-18	www.cochilco.cl www.auribis.com					
2.8	Scale of the reporting organisation.			13						
2.9	Significant changes during the reporting period.			6-7						
2.10	Awards received in the reporting period.			14, 25, 46, 63	www.capital.cl www.accionrse.cl www.consejonacionaldeseguridaddechile.cl					
	REPORT PARAMETRES									
	REPORT PROFILE									
3.1	Reporting period for information provided.	P1		6						
3.2	Date of most recent previous report.	P1		6						
3.3	Reporting cycle.	P1		6						
3.4	Contact point for questions related to the report or its content.	P1		Cover						
	REPORT SCOPE AND BOUNDARY									
3.5	Process for defining report content.	P1		6						
3.6	Boundary of the report.	P1		6						
3.7	State specific limitations on the scope or boundary of the report.	P1		7						

		PRING	CIPLE			REFERENCE		RF	PORTE	D
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		ICWW*	Global Compact	Pa	Related information (link)	Information scope		Completed (	Partially Completed 🔵	Not material 🔾
	REPORT PARAMETRES									
	REPORT PROFILE									
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities.	P1		6						
3.9	Data measurement techniques and the bases for calculations.						Formulae in the report			
3.10	Explanation of the effect of any restatements of information provided in earlier reports.						Reported where relevant			
3.11	Significant changes from previous reporting periods in the scope.			6						
3.12	Table identifying the location of the standard disclosures in the report.			130 - 136						
3.13	Policy and current practice with regard to seeking external assurance for the report.	P2		7						
	GOVERNANCE, COMMITMENTS, AND STAKEHOLDER ENGAGEMENT									
4.1	Governance structure of the organisation.			31, 33	www.anglochile.cl					
4.2	Indication of whether the Chair of the highest governance body is also an executive officer.			31, 32, 33						
4.3	Number of members of the highest governance body that are independent or non-executive members.			33						
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.						Not applicable			
4.5	Linkage between payment for members of the highest governance body, senior managers, executives, and the organisation's performance.						Not applicable. They are not remunerated positions			
4.6	Processes in place for the highest governance body to ensure conflicts of interests are avoided.			27						
4.7	Processes for determining the qualifications and expertise of the members of the highest governance body.						Not applicable			
4.8	Statement of mission, vision and codes of conduct.			8, 9, 23, 27 and 28	www.anglochile.cl					
4.9	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, social and environmental performance.			27						
4.10	Processes for evaluating the highest governance body's own performance.						Not applicable			

<sup>\*</sup> In this index we worked with the 10 principles of the ICMM correlated to the 2002 indicators of the Global Reporting Initiative. As there is no version that can be used with the G3–GRI guidelines, Anglo American correlated each of the principles to the corresponding indicators.

		PRIN	CIPLE		REFE	RENCE	RE	PORTE	:D
		*WW	Global Compact	Page	Related information (link)	Information scope	Completed	Partially Completed (	Not material $\bigcirc$
	REPORT PARAMETRES								
	COMMITMENTS TO EXTERNAL INITIATIVES								
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.		P7	28		This is recorded in the Safety, Health & Environmental Policy.			
4.12	Externally developed economic, environmental, and social charters to which the organisation subscribes.			36, 45, 48, 53, 54, 59 - 91					
4.13	Memberships in associations.			6, 24					
	STAKEHOLDER ENGAGEMENT								
4.14	List of stakeholder groups engaged by the organisation.	P10		23, 24 58-61					
4.15	Basis for identification and selection of stakeholders with whom to engage.	P10		23 <i>-</i> 24 58 <i>-</i> 61				$\bigcirc$	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	P10		23-24 58-61				•	
4.17	Key topics and concerns that have been raised through stakeholder engagement.	P10		60					
	ECONOMIC AREA								
DMA	Management Approach			32					
	ECONOMIC PERFORMANCE								
EC1	Direct economic value generated and distributed.	Р9		34, 35					
EC2	Financial implications of climate change.			23, 28				lacksquare	
EC3	Coverage of the organisation's defined benefit plan obligations (retirement).			34					
EC4	Financial assistance received from government.	P9		37	www.sence.cl www.eitransparency.org				
	MARKET PRESENCE								
EC5**	Range of ratios of standard entry level wage compared to local minimum wage.			55					
EC6	Policy, practices and proportion of spending on locally-based suppliers.	P9		40,93, 97	www.corfo.cl www.regic.cl www.corproa.cl				
EC7	Procedures for local hiring and proportion of senior management hired from the local community.		P6	4		For the first time the company's CEO is Chilean.		•	

<sup>\*\*</sup> Additional indicator

		PRING	CIPLE			REFERENCE		RI	EPORTED
				Page	훋		<u> </u>		
		*	Global Compact	Pa	Related information (link)	Information scope		Completed	Partially Completed   Not material
	ECONOMIC AREA								
	INDIRECT ECONOMIC IMPACTS								
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit.			60, 63, 64, 67, 68					
EC9**	Understanding and describing of significant indirect economic impacts, including the extent of such impacts.			58 - 64 67 - 68					
MM1	Identifying those sites where the local economic contribution and development impact is of particular significance and interest to stakeholders (e.g., remote sites) and outline policies with respect to assessing this contribution.		P9	58-60 67-68					
MM2	Value added disaggregated to country level.		P9	34, 35					
	ENVIRONMENTAL AREA								
DMA	Management Approach.			32, 71					
	ENVIRONMENTAL PERFORMANCE								
EN1	Materials used by weight or volume.	P6	P8	86-87					
EN2	Percentage of materials used that are input materials.	P6		86-87					
EN3	Direct energy consumption by primary energy source.	P6	P8	75					
EN4	Indirect energy consumption by primary source.	P6		75					
EN8	Total water withdrawal by source.			77					
EN9**	Water sources significantly affected by withdrawal of water.						There were no sources affected.		
EN11	Description of lands adjacent to, or located in, natural protected areas or areas of high biodiversity outside protected areas.	P7		81, 82					
EN12	Description of the most significant impacts on biodiversity in natural protected areas.			81, 82					
EN13**	Habitat protected or restored.			81, 82					
EN14**	Strategy and actions in place and future plans for managing impacts on biodiversity.	P7		81,82					
EN16	Total direct and indirect greenhouse gas emissions.	P6	P8	75 89					
EN17	Other relevant indirect greenhouse gas emissions.	P6		75 89					
EN19	Emissions of ozone-depleting substances.	P6	P8	75 89					
EN20	NOx, SOx and other significant emissions.	P6		75 89					
EN21	Total water discharge by quality and destination.	P6		91					
EN22	Total weight of waste by type and disposal method.		P8	84, 85 100					
EN23	Total number and volume of significant. accidental spills.	P6		91					

<sup>\*\*</sup> Additional indicator

			CIPLE	-		REFERENCE		R	EPORTE	_
		*WW	Global Compact	Page	Related information (link)	Information scope		Completed	Partially Completed 🌔	Not material 🔾
	ENVIRONMENTAL AREA									
	ENVIRONMENTAL PERFORMANCE									
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	P8		73, 74 78, 79, 80, 81, 84, 89, 99,	www.anglochile.cl					
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	P8					Not applicable			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	P6		91						
EN29**	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.			15 48			Transport of sulphuric acid, a by-product of the anode production process, is reported.		lacktriangle	
ММЗ	The number/percentage of sites identified as requiring biodiversity management plans, and the number/percentage of sites with plans in place. Also include criteria for deciding that a biodiversity management plan is required and the key components of a plan.	P7		81, 82						
MM4	Percentage of product(s) derived from secondary materials.	P8					Not applicable			
MM5	Describe policies for assessing the eco- efficiency and sustainability attributes of products.	P8		28 99					lacktriangle	
MM6	Describe the approach to management of overburden, rock, tailings, and sludges/ residues including: assessment of risks; structural stability of storage facilities; metal leaching potential; and hazardous properties.	P6		84, 85						
	SOCIAL AREA									
DMA	Management Approach.			32, 51						
	LABOUR PRACTICES & DECENT WORK									
LA1	Total workforce by employment type, employment contract, and region.	Р3		51						
LA2	Total number and rate of employee turnover by age group, gender, and region.	P9	P6	51					lacktriangle	
LA3**	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	P9		53						
LA4	Percentage of employees covered by collective bargaining agreements.	Р3	P1 P3	53						
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.	Р3	P3	53						
LA6**	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.	P5		46			In accordance with the law, all the workers are represented.			

<sup>\*\*</sup> Additional indicator

		PRINC	IPLE	REFERENCE		REPORTED			
		*WW	Global Compact	Page	Related information (link)	Information scope	Completed	Partially Completed (	Not material 🔾
	SOCIAL AREA								
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	P5		42, 43, 51	www.sernageomin.cl				
LA8	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.			44, 45, 46, 47	www.consejonacionaldeseguridaddechile.cl				
LA9**	Health and safety topics covered in formal agreements with trade unions.	P2		45, 53					
LA10	Average hours of training per year per employee by employee category.			56				$\bigcirc$	
LA11**	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.			52, 53					
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	P3	P1 P6	31, 32, 51, 52					
LA14	Ratio of basic salary of men to women by employee category.		P6	55					
	SOCIAL PERFORMANCE HUMAN RIGHTS					_			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	P3	P2	55, 93, 94, 97	www.anglochile.cl				
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	Р3	P2 P6	6, 27, 55					
HR4	Total number of incidents of discrimination and actions taken.	Р3	P1 P6	33		There were no incidents.			
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	P3	P1 P3	27	www.icmm.com www.globalcompact.com www.eitransparency.com www.voluntaryprinciples.org www.qlobalreporting.org	Anglo American undertakes activities considering the adherence to various initiatives that			
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	P7	P1 P5	27	www.globalicporting.org	safeguard the right to association, protection of child labour and safe work.			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.	P8	P1 P4	27					
HR8**	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.					49 security guards at the operations were trained on the Voluntary Principles on Security and Human Rights.			

PRINCIPLE		REPORTED	
ICMM* Global Compact	Page Related information (link)	Information scope	Completed Partially Completed Not material

					∝			
	SOCIAL PERFORMANCE							
	SOCIETY							
SO1	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	P4	P1	59, 60 63, 64, 67, 68				
SO2	Percentage and total number of business units analysed for risks related to corruption.	P1	P10	33, 36				
SO3	Percentage of employees trained in the organisation's anti-corruption policies and procedures.	P1	P10	36				
SO4	Actions taken in response to incidents of corruption.		P10	33, 36				
SO5	Public policy positions and participation in public policy development and lobbying.		P10			Anglo American does not undertake any lobbying.		
SO6**	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.		P10			Contributions are not made.		
SO7**	Total number of legal actions for anti- competitive behaviour, anti-trust, and monopoly practices and their outcomes.			33, 36				
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.			53, 91				
	MINING AND METALS SECTOR SUPPLEMENT							
MM7	Describe significant incidents affecting communities during the reporting period.		P9	91				
MM8	Describe programmes in which the reporting organisation has been involved that addressed artisanal and small-scale mining (ASM) within company areas of operation.		P9	36		Anglo American, through the Mining Council, supported artisanal mining in Tocopilla. In 2008, Mantos Blancos received an award from the SONAMI for its support of small-scale mining in 2007.	•	
MM9	Describe resettlement policies and activities.		Р3	36		Not applicable		
MM10	Number or percentage of operations with closure plans (covering social, environmental and economic aspects). Describe company policy, stakeholder engagementprocesses, frequency of plan review, and amount and type of financial provisions for closure.		P2	83	www.sernageomin.cl			
MM11	Describe process for identifying local communities' land and customary rights, including those of indigenous peoples, and grievance mechanisms used to resolve any disputes.		P3		www.anglochile.cl Sustainable Report 2006, page 76			0
MM12	Describe approach to identifying, preparing for, and responding to emergency situations affecting employees, communities, or the environment. Include a description of the nature of existing skills, teams who respond to emergency situations, training, drills, review processes and community involvement.		P4	49				
MM13	Number of new cases of occupational disease by type. Describe programmes to prevent occupational disease.		P5	45				

<sup>\*\*</sup> Additional indicator



# Anglo American Chile

Sustainable Development & Financial Statements Report 2008

# **Participate in our next Report**

Thank you for taking the time to help us improve our reporting process in 2009.

We are interested in your opinion about our Sustainable Development Report 2008 to improve the process of the next Report we will publish in 2010. Please send your comments, concerns or requests to our web site <a href="https://www.anglochile.cl">www.anglochile.cl</a>, by email to maesquivel@anglochile.cl or by fax to (56 2) 2306180.

1.	Stakeholder to which you be	long
	Company employee	Community
	Government	NGO authorities
	Customer	Other groups, which ones?
	Supplier/Contractor	
2.	What is your opinion about t	the Sustainable Development Report 2008?
	Very good	Average
	Good	Bad
3.	What do you think about the (Consider length, clarity, colo	e format of our Sustainable Development Report 2008? ours, artwork, etc).
	Very good	Average
	Good	Bad
4.	What is your opinion about t	the presentation of the scope of our Sustainable Development Report 2008?
	It contains good information	There are not enough details
	It is too long	It is very short
5.		nted in our Sustainable Development Report 2008 give you a good idea about nomic, environmental and social performance?
	Yes	
	No. Why?	
6.		you consider are more important for this industry? ater interest and 3 of less interest).
	Business ethics	Worker benefits
	Company description	Community relations
	Labour relations	Environment
	Economic value generated and distr	
	zeonomie value generales une sisti	
7.	Which chapter did you like n	nost? Why?
0	What in your opinion was th	a weakest shantar? Why?
8.	What in your opinion was the	e weakest chapter? why?
9.	What information would you	like to see in the next Sustainable Development Report?
	That inclination fround you	15 555 the field eacturated persophilate hopert

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Yasmina Zabib M.
PHOTOGRAPHY
Anglo American Chile

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# Anglo American Chile

Av. Pedro de Valdivia 291 Cp 750 - 0524 Providencia, Santiago Chile

Telephone (56 - 2) 230 6000 Fax (56 - 2) 230 6551

www.anglochile.cl

