

Antofagasta

Sustainability Report 2012



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Report application level, Sustainability Report Antofagasta plc 2012, according to Global Reporting Initiative (GRI)

REPORT APPLICATION LEVEL	C	C+	B	B+	A	A+	
STANDARD DISCLOSURES	G3 Profile Disclosures	Report on: 1.1 2.1 - 2.10 3.1 - 3.8 - 3.10 3.12 4.1 - 4.4 - 4.14 4.15		Report on all criteria listed for Level C plus: 1.2 3.9 - 3.13 4.5 - 4.13 - 4.16 4.17		Same as requirement for Level B.	REPORT EXTERNALLY ASSURED
	G3 Management Approach Disclosures	Not required.	Management Approach Disclosures for each Indicator Category.		Management Approach Disclosures for each Indicator Category.		
	G3 Performance Indicators & Sector Supplement Performance Indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of: Economic, Environmental, Human Rights, Labor, Society, Product Responsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

* Sector supplement in final version.



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About this report

Welcome to our 6th annual sustainability report, where we summarise our approach to social and environmental issues and update you on our progress since 2011.

The report includes information on our three business divisions:

- Antofagasta Minerals - mining
- Antofagasta Railway Company - transport
- Aguas de Antofagasta - water

Our sustainability reporting focuses primarily on the mining division which represents over 95% of Group revenue. We also discuss exploration activities and projects in their early stages where relevant. A short summary of performance in our transport and water divisions is provided at the end of this report.

This report covers the period 1 January 2012 to 31 December 2012. We report on the issues most material to our business and stakeholders, following the Global Reporting Initiative (GRI) G3.1 guidelines, including the Mining and Metals Sector Supplement.

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External verification

We commissioned independent external assurance for our report this year for the first time. PwC Chile has assured the content and indicators of the report (excluding the Antofagasta Railway Company, the Aguas de Antofagasta sections and information contained therein; and the greenhouse gas inventory, see page 49), based on the requirements established by the attestation work rules issued by the Association of Accountants of Chile AG. These correlate to those of the international standard on assurance engagements, ISAE 3000, established by the International Federation of Accountants.

The main aspects of the report subject to assurance procedures were:

- Workers and labour relations
- Health and safety
- Community engagement
- Water resources
- Waste management

Greenhouse gas emissions inventory (scope 1 and scope 2) was independently verified by SGS in accordance with ISO 14064-1, the GHG protocol and the Investor Carbon Disclosure Project 2013 information request.

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Antofagasta at a glance

Mining

Mining is our core business, representing over 95% of Group revenue and EBITDA. We operate four copper mines located in Chile, of which two also produce significant by-products. The Group has a major portfolio of growth opportunities, also located predominantly in Chile.

+ See page 30

Our strategy

The strategy for growing our mining business is based around three pillars:

+ See page 16



1 The existing core business

Los Pelambres

60% owned

Our largest mine, with a resource base which could support significant future expansion. Produces copper concentrate containing a gold by-product and molybdenum concentrate.

Esperanza

70% owned

Commercial production commenced at the start of 2011, and Esperanza is currently the Group's lowest-cost operation. Produces copper concentrate containing a gold by-product.

El Tesoro

70% owned

Currently processing ore from the Mirador open-pit, with further ore reserves in the Tesoro Central and Tesoro North-East pits. Produces copper cathodes.

Michilla

74.2% owned

Michilla operates both underground and open-pit mining operations, as well as processing ore mined by third parties. Produces copper cathodes.

Production	Copper (tonnes)		Molybdenum (tonnes)		Gold (ounces)	
	2012	2012	2012	2012	2012	2012
Los Pelambres	403,700		12,200		51,500	
Esperanza	163,200				248,400	
El Tesoro	105,000					
Michilla	37,700					
Total	709,600		12,200		299,900	

Transport

The Transport division operates the main cargo transport system in the Antofagasta region of Chile, moving sulphuric acid and copper cathodes to and from mines on its 900km rail and road network. It also operates a railway in Bolivia.

+ See page 62

Volume transported	Rail ('000 tonnes)		Road ('000 tonnes)	
	2012	2012	2012	2012
Transport	6,137		1,543	

Water

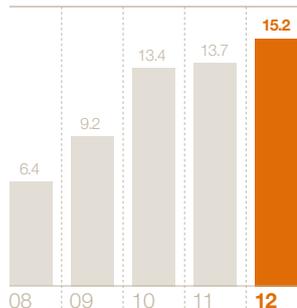
Aguas de Antofagasta operates the concession for the distribution of water in the Antofagasta region, supplying domestic and industrial users.

+ See page 70

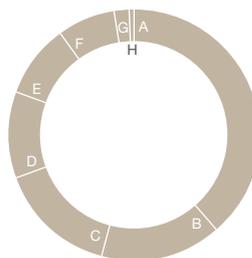
Volume sold	('000 m ³)	
	2012	2012
Water		50,794

Mineral resources (including ore reserves)
of the Group's subsidiaries

15.2bn tonnes



Breakdown by subsidiaries



A Los Pelambres	5,604 mt @ 0.52% Cu
B Esperanza Sur	2,263 mt @ 0.36% Cu
C Twin Metals	2,200 mt @ 0.53% Cu
D Esperanza sulphides	1,611 mt @ 0.39% Cu
E Encuentro	1,349 mt @ 0.40% Cu
F Antucoya	1,106 mt @ 0.31% Cu
G El Tesoro	256 mt @ 0.55% Cu
H Michilla	67 mt @ 1.57% Cu
Total	15.2bn tonnes @ 0.45% Cu plus by-products

2 Organic and sustainable growth of the core business

Centinelita Mining District

The Group's primary area of focus for exploration in Chile. A feasibility study is being performed in respect of the Encuentro oxides and Esperanza Sur projects. A mineral resource estimate has also been completed in respect of the Encuentro sulphides deposit.

Los Pelambres

A pre-feasibility study is underway, analysing how best to develop Los Pelambres' very large resource base, which could potentially support a major increase beyond current processing levels.

Resources	(billions of tonnes)
	2012
Los Pelambres	5.6
Esperanza Sur	2.3
Encuentro	1.3

Antucoya 70% owned

Antucoya is a development project and is not included in the performance data in this Sustainability Report.

3 Growth beyond the core business

Twin Metals

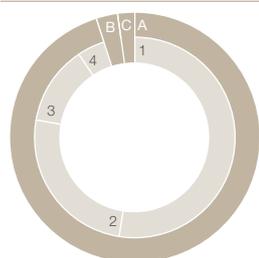
We have a 40% controlling stake in Twin Metals, a large copper-nickel-PGM project in Minnesota, USA. Work is continuing on the project's pre-feasibility study.

Energy

The Group has a number of investments in the energy sector in Chile, with a particular focus on renewable sources. We are exploring for geothermal energy prospects, and have a 30% stake in Chile's largest wind farm which is due to start operating in 2014.

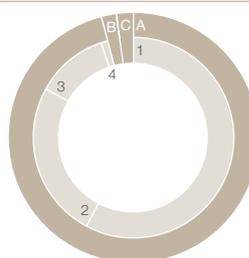
Group

Revenue by division
US\$6,740m



A Mining	6,416
1 Los Pelambres	3,554
2 Esperanza	1,704
3 El Tesoro	851
4 Michilla	307
B Transport	190
C Water	133

EBITDA by division
US\$3,829m



A Mining	3,674
1 Los Pelambres	2,457
2 Esperanza	1,074
3 El Tesoro	493
4 Michilla	48
5 Exploration	(301)
6 Corporate and other items	(97)
B Transport	74
C Water	81

Antofagasta in Chile

LOCATION

Our existing operations are located in Chile. In 2012 we achieved a record year of production, with significant growth at Esperanza reflecting the ongoing optimisation of the operation.

The focus of the Group's growth opportunities is to ensure that the potential production from existing operations is maximised through debottlenecking or incremental plant expansions. The Group also has a number of opportunities in its current growth pipeline which are expected to increase production beyond current levels.



Environmental and social context of our operations

			
Location	Activity is concentrated along the agricultural Choapa Valley. Los Pelambres comes into contact with around 40 communities from its deposit in the Cordillera de los Andes to its port at Los Vilos. Coquimbo Region.	Located a few kilometres from El Tesoro, and 30km from the nearest community at Sierra Gorda. The port is located in Caleta Michilla. Antofagasta Region.	Operates in a desert area with a mining tradition. Sierra Gorda, the nearest populated area, is 21km away and has 800 inhabitants. Its main activity is providing mining services. Antofagasta Region.
Climate	High altitude, cold climate.	High altitude desert climate.	High altitude desert climate.
Rainfall - Annual average¹	81.8 millimetres.	4.2 millimetres.	4.2 millimetres.
Pit altitude	3,800 masl ⁴	2,300 masl ⁴	2,300 masl ⁴
Regional poverty rate²	15.3%	7.5%	7.5%
Regional unemployment rate³	6.0%	4.9%	4.9%
Operations and process			
Products	Copper and molybdenum concentrate.	Copper concentrate with gold.	Copper cathodes.
Operation	Open pit mine.	Open pit mine.	Three open pit mines: Tesoro Central, Tesoro Noreste and Mirador Run-of-Mine ('ROM') operation.
Processing	Flotation.	Flotation.	Leaching.
Water source	Local surface water and groundwater.	Seawater.	Surface water from third-party supplier and groundwater from wells in Calama.
Transport	Copper concentrate is transported via a 120km underground pipeline crossing farming communities.	Copper concentrate is transported across the Atacama desert through a 145km pipeline.	Cathodes are transported by truck to a transfer station, then onward by train to the port.
Environment			
Local environmental challenges	<ul style="list-style-type: none"> - Preventing incidents. - Marine biodiversity. - Air quality. - Water conservation and quality. - Biodiversity. 	<ul style="list-style-type: none"> - Preventing incidents. - Marine biodiversity. - Air quality. 	<ul style="list-style-type: none"> - Preventing incidents. - Water conservation. - Air quality.
Biodiversity context	Operation: High Andean wetland, sclerophyll shrubland and forest, hydrophyllous forest and wildlife. Port: Protected bird species; abundance of marine life; and the Conchalí Lagoon coastal wetlands.	Operation: Sparse flora and fauna. Port: Marine birds and mammals, benthic flora and fauna.	Operation: Sparse flora and fauna. The water well is located among desert thicket vegetation and fauna.

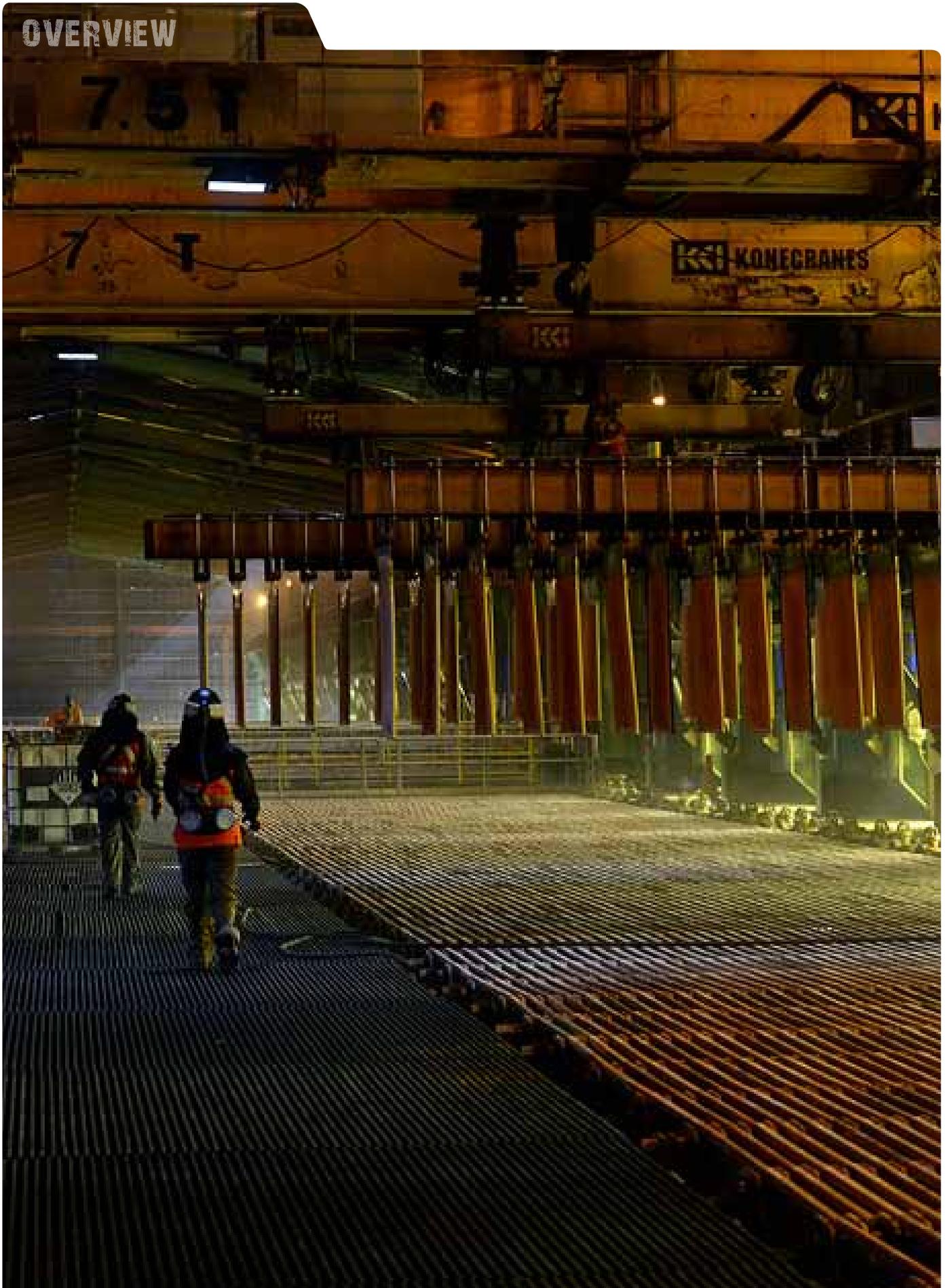
¹ DGA, Bulletin 416, December. 2012.

² National survey CASEN 2011 (National Socio Economic Characterization Survey).

³ Institute of National Statistics – 2012. The rate includes both the unemployed and those seeking work for the first time.

⁴ Metres above sea level.

 MINERA MICHILLA S.A.		
<p>Operates in a coastal desert area with little population, close to Caleta Michilla, with 250 inhabitants whose main activity is providing mining services and small-scale artisanal fishing. Antofagasta Region.</p>	<p>Antofagasta Region (connects northern Chile with Peru, Bolivia and Argentina).</p>	<p>Antofagasta Region.</p>
<p>Coastal desert climate.</p>	<p>Highland and coastal desert climate.</p>	<p>Coastal desert climate.</p>
<p>4.2 milimetres.</p>	<p>4.2 milimetres.</p>	<p>4.2 milimetres.</p>
<p>800 masl⁴</p>		
<p>7.5%</p>	<p>7.5%</p>	<p>7.5%</p>
<p>4.9%</p>	<p>4.9%</p>	<p>4.9%</p>
Operations and process		
<p>Copper cathodes.</p>	<p>Transport service.</p>	<p>Drinking water and wastewater collection.</p>
<p>Underground Estefanía mine and open pit mine called Lince, and other underground operations leased to third parties.</p>	<p>Railroad transportation of copper cathodes and supplies for the mining industry.</p>	<p>Collection, treatment and distribution of water.</p>
<p>Leaching.</p>		
<p>Seawater.</p>	<p>Operates two plants in wastewater treatment facilities, supervised by Aguas Antofagasta.</p>	<p>Water mountainous and desalinated seawater.</p>
<p>Cathodes are transported by truck on public roads.</p>		
Environment		
<ul style="list-style-type: none"> - Preventing incidents. - Marine biodiversity. 	<ul style="list-style-type: none"> - Preventing incidents. 	<ul style="list-style-type: none"> - Preventing incidents.
<p>Operation: Sparse flora and fauna. Port: Marine birds and mammals.</p>	<ul style="list-style-type: none"> - Sparse flora and fauna. - Marine birds and mammals. 	<ul style="list-style-type: none"> - Sparse flora and fauna. - Marine birds and mammals.



Chairman's letter

Jean-Paul Luksic



Good relationships with local communities and other stakeholders remain essential, underpinning our social licence to operate. We strengthened our engagement processes during the year with the launch of a formal community grievance mechanism.

We launched our Social Performance Assessment Tool, with KPIs for monitoring progress in our mining companies and we published new guidance for our workers on managing environmental issues. For the first time the data and information in our Sustainability Report has been externally verified, reflecting our commitment to transparent communications. The Group's Ethics Code, updated in 2011, has now been rolled out to employees and contractors working at our sites.

Recognising the importance of sustainability to our business we took further steps in 2012 to strengthen our policies and governance structures. As part of this, our Board-level Sustainability and Stakeholder Management Committee met three times to review strategy and progress.

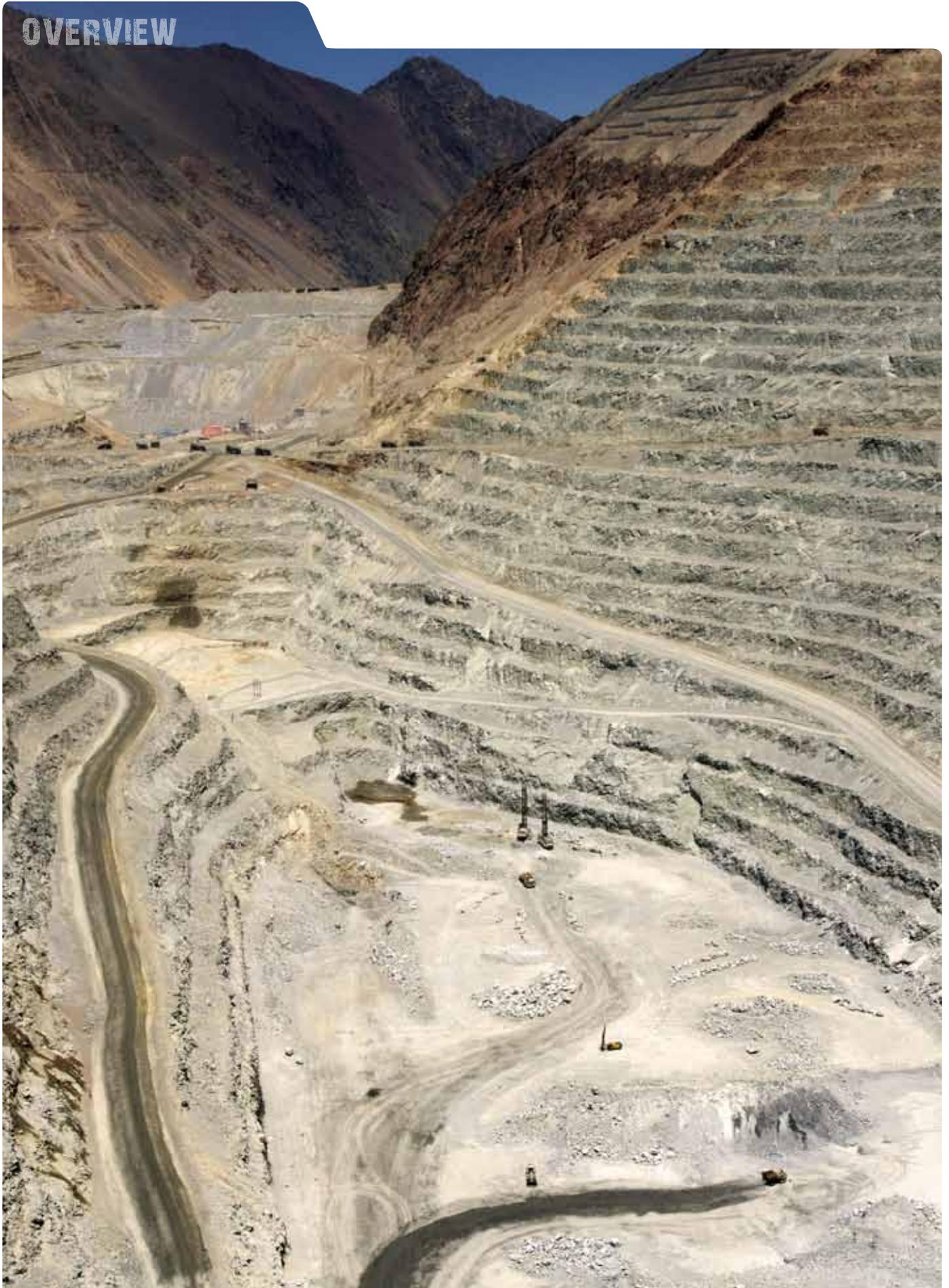
In 2012, the Sustainability and Stakeholder Management Committee also reviewed and approved a new Health and Safety Policy and management function for our mining division. This will ensure we take a consistent approach across all our activities. While our accident rates remained lower than the industry average, we deeply regret that one of our workers lost his life in an accident at our Michilla mine. This is a reminder of the continued vital importance of our work to integrate a safety culture and improve our safety practices.

For new projects such as Antucoya and Óxidos Encuentro we engage with communities right from the start, providing a sound basis for future operation. Our joint company community initiatives such as the Quillayes dam closure committee and participative monitoring at Los Pelambres show the benefits of a collaborative approach.

Our business continues to generate significant economic benefits for society through payment of taxes, licences and royalties, through employment, by supporting contractor companies to become world-class mining providers and contributing to local community development. In 2013, we will continue to focus on sustainability, looking to reduce negative impacts and create sustainable benefits for our shareholders and stakeholders.

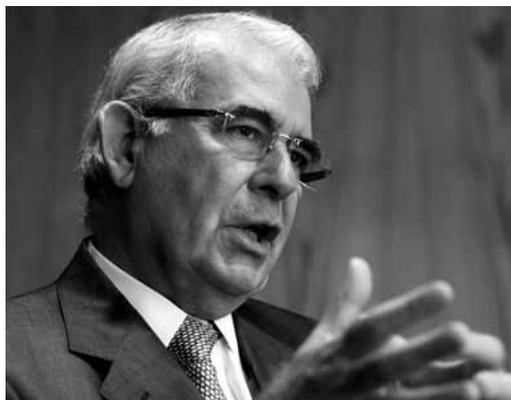
I welcome your feedback and I look forward to updating you on our progress again next year.

Jean-Paul Luksic
Chairman
Antofagasta plc



CEO letter

Diego Hernández



Sustainability is fundamental to our ability to ensure operational efficiency and secure long-term access to resources. It is also a source of innovation and competitive advantage for our business.

Our Group has a strong track record in using advanced technologies to tackle sustainability challenges, from pioneering large-scale use of non-desalinated seawater to investing in renewable energy solutions. This work continued in 2012 with the inauguration of a new solar thermal plant at our El Tesoro mine. The US\$15 million facility is the largest solar thermal plant within the global mining industry and will provide 25 thermal GWh a year.

We are already major investors in wind energy, through the El Arrayán wind farm development which will eventually supply Los Pelambres with 20% of its energy requirements and in geothermal exploration through Energía Andina S.A. Recognising the need for continued innovation, we created a new energy unit within Antofagasta Minerals in 2012 to develop and secure affordable energy supplies and explore new technologies.

We are also investing in innovative approaches to waste management, reaching a milestone in the closure of the Quillayes tailings dam at Los Pelambres. Here the first 30 hectares of the dam have been covered in topsoil and planted with native species which will restore the ecosystem and help neutralise contaminants and control dust.

Alongside our work on environmental issues, we are proud of our reputation as a responsible and forward-thinking employer. This is encapsulated by the opportunities for employee development and training that we offer. I am especially excited that a cohort of 25 young professionals joined our graduate scheme this year. We are also developing the talents of Chile's future mining workforce, providing US\$4 million to support a partnership with the Chilean government, universities, technical colleges and peer companies that will increase the number of skilled mining professionals.

Our annual labour survey showed that the vast majority of our current workforce are satisfied at work, and 2012 marked yet another year without significant labour disputes of any kind.

In the year ahead we will continue to innovate and pioneer new approaches around our business, to meet future sustainability challenges and create a strong business for the long term.

Diego Hernández
CEO
Antofagasta Minerals S.A.

CHAPTER ONE

Sustainability at Antofagasta





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Strategy and Sustainability principles

Our vision is to be a world leader in mining ventures which create value for shareholders and stakeholders.

Sustainability is integral to the Group's long-term success and the Board continues to place importance on a range of considerations, including health and safety, management of human resources, the environment and community relations. Managing sustainability issues effectively supports our business strategy by improving operational efficiency and helping us to secure access to resources.

Our ten 'Sustainable Development Principles' and our social and environmental policies are communicated via 'The Way We Think, The Way We Act', a key document available on the Group's website www.antofagasta.co.uk and the website for Antofagasta Minerals www.aminerals.cl.

Each of Antofagasta plc's divisions – mining, transport and water – identify and manage their environmental impacts. They work to maintain positive relations with stakeholders and to contribute social and environmental value.

Managing sustainability performance supports the Group's business strategy in the following ways:

Good labour relations – Antofagasta Minerals' focus on training, worker satisfaction and positive relations with contractors and trade unions supports productivity and helps to prevent disruptions from strikes. [+ See page 34](#)

Attracting and retaining talent – there is a growing shortage of skilled mining professionals in Chile. Antofagasta Minerals' focus on attracting talented workers helps it to access the labour it needs to grow its core business. It is also increasing its efforts to retain its qualified workers. [+ See page 35](#)

Innovation – meeting challenges such as climate change and water scarcity requires new processes, technologies and ideas. The Group is developing innovative responses such as pioneering the use of non-desalinated seawater and thickened tailings to reduce continental water use, and managing its carbon footprint by investing in renewable energy projects. [+ See page 52](#)

Complying with regulations – carefully monitoring and managing the social and environmental impacts of the Group's operations helps it to meet current and future regulatory requirements.

Maintaining a social licence to operate – maintaining good relations with communities, regulators and other stakeholders is critical to the smooth operation of the business and its future growth. Having clear social and environmental guidelines and ongoing stakeholder engagement helps to manage potential conflicts and maintain the Group's social licence to operate.

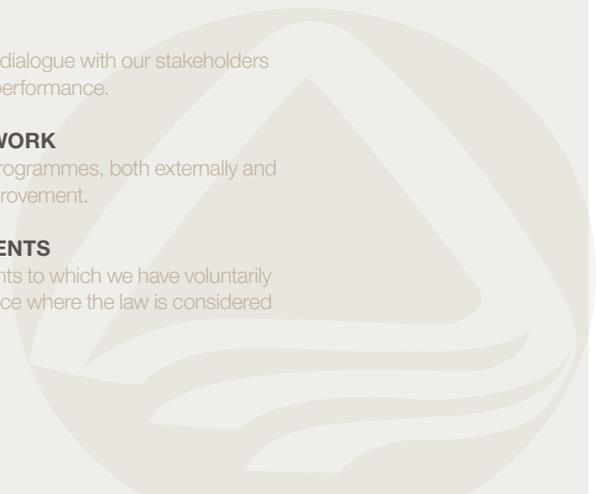
SUSTAINABILITY

THE WAY WE THINK

These Principles apply to the whole Antofagasta Group, including its contractors and suppliers. Their compliance must be guided and enforced by the corporate government in an integrated fashion with the overall management of the business.

SUSTAINABLE DEVELOPMENT PRINCIPLES

- 1 PEOPLE COME FIRST**
Respect fundamental Human Rights by placing special emphasis on safeguarding health and safety issues in the workplace and across all areas of activity.
- 2 THE DEVELOPMENT OF OUR BUSINESS IS OUR DRIVING FORCE**
Ensure the achievement of strategic objectives by integrating economic, social and environmental variables into the decision-making process throughout the value chain.
- 3 OUR ACTIONS ARE GOVERNED BY VALUES**
Develop the business and ensure that our behaviour is in line with the ethical values of the company in terms of its responsibilities and commitments.
- 4 MANAGEMENT EXCELLENCE IS AN IMPERATIVE**
Consider business administration processes that include planning, delegation, execution, monitoring and evaluation practices which ensure organisational effectiveness in resources management, innovation promotion and continuous improvement.
- 5 A PREVENTIVE APPROACH STRENGTHENS THE QUALITY OF OUR ACTIONS**
Identify and assess the risks and impact of our activities by setting objectives, actions and indicators to manage them.
- 6 RESPECT IS THE START OF A GOOD RELATIONSHIP**
Promote mutual understanding with neighbouring communities paying attention to their cultural diversity and contributing to their development without creating dependent relationships.
- 7 RESPECT FOR THE ENVIRONMENT IS OUR RESPONSIBILITY**
Prevent and control the impact of our activities, using natural resources efficiently, generating improvements in the environment where possible.
- 8 COMMUNICATION IS THE BASIS OF TRUST**
Establish effective, direct, transparent and timely channels for dialogue with our stakeholders which consider their opinions and provide an account of our performance.
- 9 CUSTOMERS AND STAKEHOLDERS JUSTIFY OUR WORK**
Generate value for those who use our products, services or programmes, both externally and internally, turning their requirements into a stimulus for our improvement.
- 10 COMPLIANCE WITH THE LAW AND OUR COMMITMENTS**
Ensure compliance with applicable legislation and commitments to which we have voluntarily agreed. Applying standards based on best international practice where the law is considered insufficient.



Governance



The Antofagasta plc Board (“the Board”) is collectively responsible for the Group’s long-term success. Responsibilities include leadership and strategic direction, and oversight of the Group’s performance, risks and internal control systems. The Board has ultimate responsibility for sustainability.

The Board is assisted by four committees: Audit and Risk, Remuneration and Talent, Nomination and Sustainability and Stakeholder Management.

The Sustainability and Stakeholder Management Committee met three times in 2012 to review sustainability strategy and monitor performance. The Committee comprises three Board members: its chairman Ramón Jara and independent directors Juan Claro and Tim Baker.

The Sustainability and Stakeholder Management Committee reviewed and approved the sustainability chapter of the 2011 Annual Report and the 2011 Sustainability Report, and requested that the 2012 Sustainability Report be externally verified.

The Sustainability and Stakeholder Management Committee approved the new Health and Safety policy to ensure a consistent approach is taken across the mining division. It reviewed health and safety performance reports for the operations, projects and explorations.

Other key Board activities relating to sustainability in 2012 were undertaken by the Audit and Risk Committee which reviewed sustainability and reputational risks, among other issues. It requested that all operation and project sites are audited regularly by the internal audit team with a particular focus on health and safety. The Committee also reviewed the Environmental Risk Management System for evaluating, classifying and controlling environmental risks.

Responsibility for implementing the Group’s sustainability policy falls to senior environmental and public affairs managers in each company.

+ More information on the Group’s governance structure and Board committees can be found in the 2012 Annual Report, on pages 72-88. Information on our compliance with the UK’s Corporate Governance Code is also available in our Annual Report.



Ethics and Human Rights

High ethical standards are essential for maintaining stakeholders' trust, our licence to operate and reputation. The Group complies with anti-bribery and anti-corruption laws in the United Kingdom and in Chile. In 2012, the Group's ethical procedures were independently audited by a third party to verify compliance across all three business units.

All workers are required to comply with our Code of Ethics, which sets out our ethical expectations as well as detailed policies and guidelines on issues such as gifts and hospitality. Workers must sign a form to say that they have received and understood the Code.

In 2012, we introduced online training on the Code as well as anti-bribery policies and procedures. This course was completed by over 95% of our employees. The Code was also formally communicated to the Group's main contractor companies.

In 2012, the Group strengthened its whistle-blowing procedures and introduced an independently managed telephone hotline. Following a widespread communications campaign, seven reports of possible unethical conduct were reported and investigated.

The Group has procedures in place to protect the rights of those that come into contact with its business. These are based on guidance from the International Council of Mining and Metals (ICMM) and the International Finance Corporation (IFC).

Indigenous people

Chile has ratified the ILO 169 Convention which deals with the rights of indigenous and tribal peoples, but has not yet dictated the necessary national regulations to enforce it.

At present the Group has no operations or projects near indigenous communities since the Mulpun underground coal gasification project was suspended in 2012. However, we are developing specific guidance for our workers on how to be culturally sensitive and respectful of Human Rights when engaging with indigenous groups so we are prepared should the need arise in future projects.

The Group is committed to meeting high ethical standards and its Code of Ethics covers:

- Compliance with laws and regulations in all the jurisdictions where we operate
- Avoiding conflicts of interest
- Anti-bribery, anti-corruption and tackling fraud
- Ensuring good working conditions
- Protecting confidential company information
- Instructions for workers to report concerns about unethical behaviour
- Responsibilities of the Group Ethics Committee

+ The Code of Ethics can be downloaded at www.antofagasta.co.uk

We protect Human Rights in the following ways:



Governance

Stakeholder engagement

Openly engaging with stakeholders helps the Group to understand their needs, avoid conflict and build relationships based on trust and mutual benefits. The Group's key stakeholders are investors, employees, contractor companies and contracted workers, communities, local and national governments and regulators, and the media. The Sustainability and Stakeholder Management Committee is ultimately responsible for ensuring that we manage our relationships with these groups in a way that builds trust and creates mutual benefit, strengthening our social licence to operate and grow.

Examples of formal engagement include the mining division's annual stakeholder perception survey covering employees, contractors, workers' families, local people, NGOs and politicians, and Aguas de Antofagasta's annual customer survey conducted by the Chilean Sanitary Services Commission. The mining companies also participate in several joint community company committees that meet regularly to discuss issues of common interest such as water quality, air quality and local development. More examples of engagement are featured throughout this report.

We provide investors with information on our performance through our report, by participating in the Carbon Disclosure Project (CDP) and CDP Water Disclosure Project, and through our annual sustainability roadshow for investors in the mainstream and responsible investment markets.

Public policy

Antofagasta's businesses can be affected by political developments and changes to legislation. New and proposed legislation is monitored to enable the Group to anticipate, mitigate or reduce impacts to its operations. Through Chilean mining sector trade associations, the Consejo Minero and the Sociedad Nacional de Minería de Chile (SONAMI), Antofagasta Minerals engages with governments and industry on public policy, laws, regulations and procedures that impact its business.

Aguas de Antofagasta participates in the Asociación Nacional de Empresas de Servicios Sanitarios.

In 2012, the Chilean government introduced a new mine closure law (Reglamento de Cierre de Faenas Mineras). This establishes requirements for the physical and chemical stability of sites, and requires mining companies to provide financial warranties to pay for site closures. Under the new law, companies have a two-year period in which to present a cost estimate for their closure plans. Michilla, El Tesoro and Esperanza have updated their closure plans to comply with the new requirements, and this process is also underway at Los Pelambres.

During 2012 Antofagasta plc and its businesses were members of various trade associations and local industrial associations.

 Read a complete list on our website www.antofagasta.co.uk

Recognition received during 2012 included the Benjamin Teplizky Award (Ministry of Mining) to Los Pelambres for its conveyor belt renewable energy generation and the Chilean Institute of Mining Engineers Award to El Tesoro in recognition of its solar thermal plant.

US\$ 26.4
million

were invested in
community and
charitable projects

95%

of our employees completed
the online training on the
Code of Ethics



Management systems

The Group's businesses have implemented management systems based on international standards which address environmental, quality and safety challenges. Additionally, the mining division has developed specific corporate management systems to help it monitor environmental and social performance using key performance indicators.

 See page 31

CERTIFICATION

	ISO 14001	ISO 9001	OHSAS 18001
Los Pelambres	✓	✓	✓
El Tesoro	✓	✓	✓
Michilla	Environmental management system based on ISO 14001.	✓	✓
Esperanza	Esperanza will assess its readiness to gain a combined certification for ISO 9001, ISO 14001 and OHSAS 18001 standards during 2013.		
Antofagasta Railway Company	Implementing ISO 14001 and plans to achieve certification in 2013.	✓	✓
Aguas de Antofagasta¹	For all wastewater collection and treatment systems.	Uses a management system based on ISO 9001.	Will assess its readiness to gain the OHSAS 18001 certification in 2013.

¹ Aguas de Antofagasta uses a management system based on ISO 9001 and is in the process of extending its ISO 14001 certification to all facilities. Its water purification plants are certified ISO 22000. It will assess its readiness to gain the OHSAS 18001 certification in 2013.

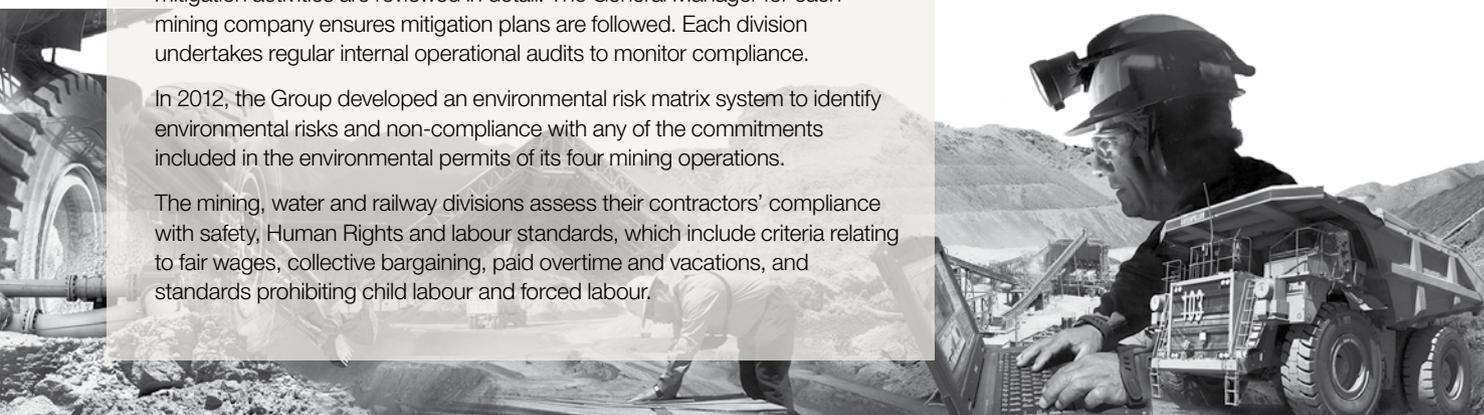
Risk management

We identify and monitor risks to each division, including social and environmental issues, through the Group's central risk management system. In 2012, the Group continued to embed risk reporting and management procedures.

Risk workshops are held at least annually with the general managers and risk coordinators for each business. Each business unit's risks and corresponding mitigation activities are reviewed in detail. The General Manager for each mining company ensures mitigation plans are followed. Each division undertakes regular internal operational audits to monitor compliance.

In 2012, the Group developed an environmental risk matrix system to identify environmental risks and non-compliance with any of the commitments included in the environmental permits of its four mining operations.

The mining, water and railway divisions assess their contractors' compliance with safety, Human Rights and labour standards, which include criteria relating to fair wages, collective bargaining, paid overtime and vacations, and standards prohibiting child labour and forced labour.



Material issues and risks

The Group's strategy focuses on the risks and opportunities that are most material to its business and its stakeholders.

These risks and opportunities are identified through our risk management processes (explained below and in our Annual Report, page 30) and through our regular engagement with key stakeholders such as workers, contractors, local communities and investors. We have identified seven sustainability issues and associated risks that we consider most material.

RISKS AND OPPORTUNITIES

Material issue	What are the risks?
<p>LABOUR RELATIONS: maintaining positive relations with workers, contractors and the unions that represent them.</p> <p> See page 34</p>	<p>Failure to maintain good relationships with workers or the unions that represent them could impact on the Group's production, reputation and ability to recruit and retain workers. Contractors make up around 70% of the Group's workers so maintaining good relations with contractors is important to ensure operational continuity.</p>
<p>TALENT: attracting and retaining workers and developing their skills.</p> <p> See page 35</p>	<p>The Group's highly skilled workforce and experienced management team is critical to maintaining its current operations, implementing its development projects, and achieving longer-term growth. The loss of key individuals and the failure to recruit appropriate staff may have a negative impact on the performance of the existing operations and the growth of the Group.</p>
<p>HEALTH AND SAFETY: protecting the health, safety and wellbeing of workers and contractors' workers.</p> <p> See page 36</p>	<p>Health and safety incidents could result in harm to the Group's workers, contractors or communities. Ensuring safety and wellbeing is first and foremost an ethical obligation for the Group. Poor safety records or serious accidents could have a serious impact on the Group's production and reputation.</p>
<p>COMMUNITY RELATIONS: maintaining positive relations with communities near to the Group's operations.</p> <p> See page 39</p>	<p>Failure to adequately manage relations with local communities could have a direct impact on the Group's reputation and ability to operate at existing operations and the progress and viability of development projects.</p>
<p>COMMUNITY INVESTMENTS: targeting community investment programmes to benefit local people.</p> <p> See page 41</p>	<p>Investing in communities is an opportunity for the Group to transfer capacity and maintain good relations with people close to its operations.</p> <p>Charitable activities and donations must be carefully managed to ensure the Group's investments comply with anti-bribery and anti-corruption legislation and that they have the greatest positive impact on communities.</p>
<p>RESOURCE USE EFFICIENCY: including water, energy, fuel, land and waste.</p> <p> See page 45</p>	<p>Failure to balance rising energy needs with unreliable supplies of fossil fuels and climate change legislation could impact the Group's operations and reputation.</p>
<p>REDUCING ENVIRONMENTAL IMPACTS: including air quality, water quality and availability, greenhouse gas emissions, biodiversity and heritage.</p> <p> See page 43</p>	<p>An operational incident which damages the environment could affect the Group's relationship with local stakeholders and the Group's reputation, and ultimately undermine its social licence to operate and to grow.</p>

Targets for 2013

Maintain our record of zero significant labour disputes with workers and contractors.

Maintain our employee satisfaction rate above 80% in our yearly climate survey.

Implement a consistent Group-level talent management process including identification of key positions in the group succession pipeline and a corporate talent mobility strategy.

Zero fatalities for workers and contractors.
Reduce the Lost-Time Injury Frequency Rate (LTIFR) for the mining division from 1.3 to 1.12.

Answer 98% of community grievances within a maximum of 20 days and raise awareness of the grievance reporting system among relevant communities.

Introduce a quarterly internal reporting system to track the number of community initiatives funded, location, focus and number of people that have benefited.

Undergo external verification of our data for scope 1 and 2 carbon emissions from the mining operations, and use this to improve data quality and to set a baseline and action plans for mitigating our emissions.

Zero operational incidents with an environmental impact.



Performance 2012

SUSTAINABILITY TARGETS

Safety



Zero fatalities.

Reduce the Lost-Time Injury Frequency Rate (LTIFR), the number of accidents resulting in lost time per million hours worked for workers and contractors.¹

Society



Improve accountability for and measurement of community contributions.

Complete design and implementation of the Social Performance Assessment Tool.

Environment



Strengthen environmental protection at mining sites by implementing Antofagasta Minerals' protocol for classifying operational incidents with an environmental impact.

Water: Aguas de Antofagasta to attain the highest world-class water quality standards.

Generate energy from renewable sources.

¹ These figures include the mining division's own employees, as well as contractors.

2012 Target	Performance
Zero fatalities.	 FAILED. We regret the loss of life of one worker at our Michilla mine and we remain committed to zero fatalities.
<ul style="list-style-type: none"> - Los Pelambres: Reduce LTIFR to 1.3 - Esperanza: Reduce LTIFR to 1.4 - El Tesoro: Reduce LTIFR to 1.2 - Michilla: Reduce LTIFR to 3.0 	 PARTIALLY ACHIEVED. The average LTIFR for the mining division decreased from 2.1 in 2011 to 1.3 in 2012, although Michilla fell slightly short of achieving its individual target. <ul style="list-style-type: none"> - Los Pelambres 0.7 - Esperanza 1.0 - El Tesoro 0.7 - Michilla 3.1
Implement key performance indicators (KPIs) and improve measurement of community contributions.	 ACHIEVED. KPIs were introduced as part of the roll-out of the Social Performance Assessment Tool, part of our social management system. The companies established reliable baseline data in 2012 and will use this to improve the transparency and effectiveness of their community investment.
Introduce KPIs to regularly measure and report social performance. Include social performance indicators in monthly reports to the Antofagasta Board and regular reports to the Sustainability and Stakeholder Management Committee.	 ACHIEVED. KPIs have been introduced and we plan to verify data in 2013.
Zero operational incidents with an environmental impact according to the company protocol.	 ACHIEVED. In 2012, there were no operational incidents resulting in an environmental impact at our sites.
Implement the ISO 22000 standards in all its facilities in 2012.	 ACHIEVED. During 2012, our filtering plants at Salar del Carmen and Cerro Topater, and our desalination plant at La Chimba achieved accreditation to ISO 22000.
Complete construction of El Tesoro's solar thermal plant.	 ACHIEVED. The solar thermal plant began operations in November 2012. It will provide 25 thermal GWh a year, reducing El Tesoro's diesel consumption for the electro-winning process by 55%. It will enable El Tesoro to reduce its CO ₂ emissions by 8,000 tonnes a year, equivalent to 4% of its total CO ₂ emissions.



Economic contribution

We aim to create value for shareholders and stakeholders. Through our products, services, operations and investments, Antofagasta aims to contribute to sustainable development and bring lasting benefits to local communities and society.

This includes:

- **Products and services:** Copper and molybdenum are used in a variety of products and equipment on which society and business depend, including construction, telecommunications networks, electrical and electronic products, and increasingly in health-related applications because of copper antibacterial properties. The mining business in the Antofagasta Region depends on the reliable transportation of their products and supplies by the Antofagasta Railway Company. Thousands of people and businesses rely on the consistent supply of safe water provided by Aguas de Antofagasta.
- **Royalty and taxes:** A portion of the wealth that the Group generates is distributed through taxes paid by the company. Additionally, each company worker contributes approximately US\$5,800¹ a year to the State through the payment of personal taxes. This adds up to US\$32.9 million a year for the Group's workforce as a whole.
- **Local socio-economic development:** Antofagasta Minerals' social strategy commits its operations to providing training and support to help local people access employment opportunities. For example, at our mining division in 2012, 68% of workers were locals and 57% of supervisors resided in our regions of operation.
- **Community investment:** The Group provides financial support for community and charitable projects, contributing US\$26.4 million in 2012.

 See page 39

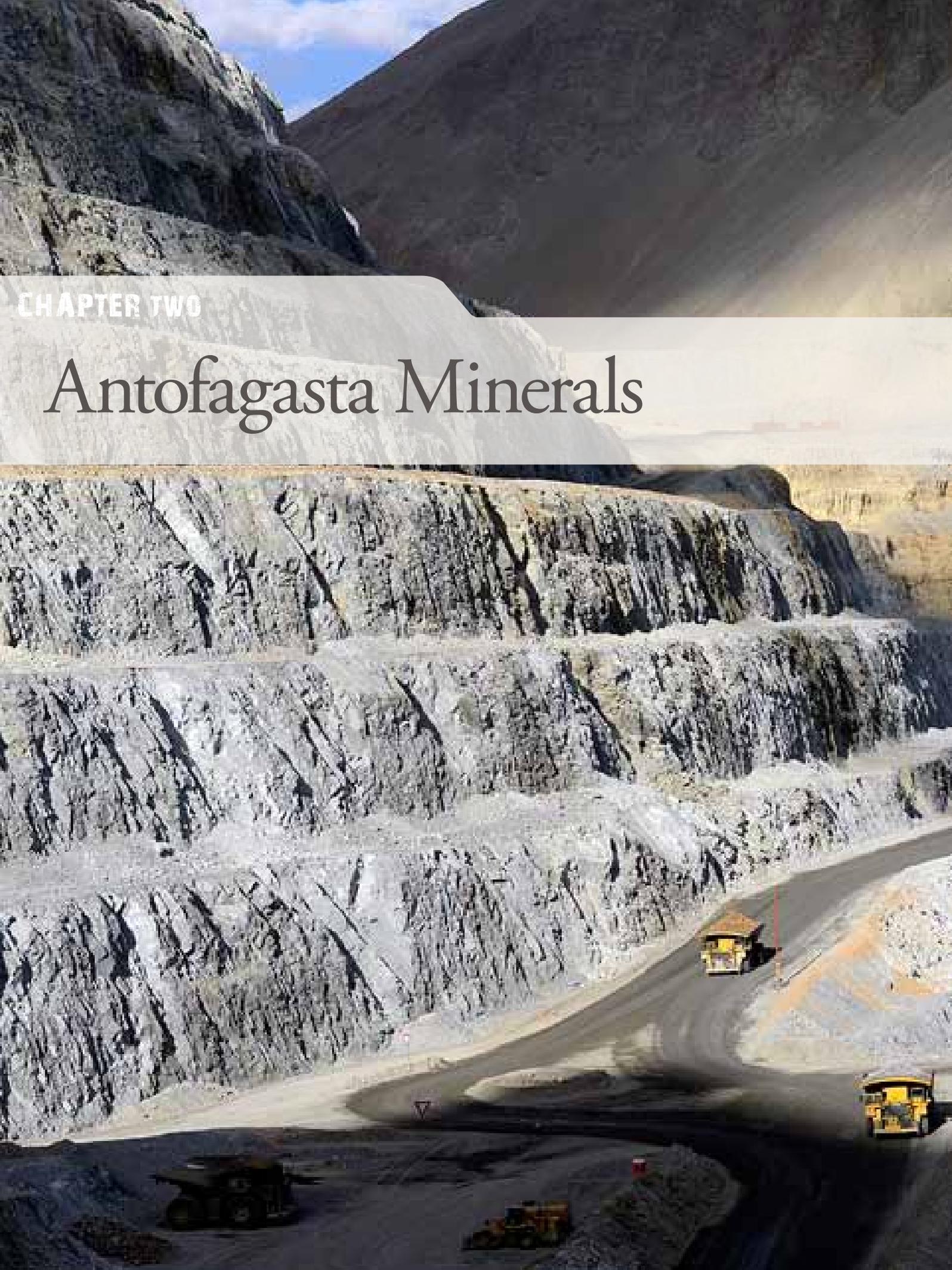
ECONOMIC CONTRIBUTION

Economic value generated and distributed by the Group (US\$m)				
	2009	2010	2011	2012
Revenues from net sales, operating income and sales of assets	2,972.6	4,604.7	6,086.7	6,754.4
Operating costs (supplies & materials, contractor companies, depreciation and amortisation, administration costs, exploration costs and others)	(1,073.8)	(1,447.8)	(2,264.9)	(2,981.6)
Investment income	13.2	16.5	23.3	24.6
Economic Value Generated	1,912	3,173.4	3,845.1	3,797.4
Worker wages and benefits (includes personal taxes)	(200.3)	(245.6)	(296.7)	(413.8)
Taxes (corporate, mining, royalty and withholding taxes)	(185.1)	(631.5)	(965.3)	(871.6)
Community investment (includes donations, community initiatives and Los Pelambres Foundation)	(22.0)	(25.1)	(20.0)	(26.4)
Payments to providers of capital (interest expenses)	(24.0)	(18.3)	(93.2)	(85.9)
Dividends	(871.9)	(939.3)	(1,924.0)	(1,141.2)
Economic Value Distributed	(1,303.3)	(1,859.8)	(3,299.2)	(2,538.9)
Economic Value Retained	608.7	1,313.6	545.9	1,258.5

¹ Calculation was made on the basis of the average salary divided by total number of workers times the tax ratio for that salary.

CHAPTER TWO

Antofagasta Minerals





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Sustainability management

Antofagasta Minerals' continued success depends on the availability of natural resources and its ability to maintain positive relationships with stakeholders including communities, authorities, workers and contractors.

Framework

Managing social and environmental risks, while also seeking out opportunities for improvement, is critical to maintain competitiveness and to the Group's capacity to operate and grow.

Antofagasta Minerals operates a decentralised management structure, with each mining company implementing the Group sustainability strategy appropriate to its operating context. Each

company has an environmental manager and external affairs manager, who report performance to their company's CEO and work with the central Antofagasta Minerals team to manage sustainability issues.

Antofagasta Minerals strategy for generating economic, social and environmental value is based on its Sustainable Development Principles and has two social and environmental core elements.



Management systems

Antofagasta Minerals has two management systems to monitor its social and environmental performance across the mining companies:

- **The Environmental Performance Assessment Tool**, introduced in 2010, is structured around three dimensions: operational efficiency (water, electricity, fuel, land use, waste management); controlling environmental impacts (water quality, biodiversity, cultural heritage, air quality, environmental incidents); and environmental benefits (renewable energy and enhancement of biodiversity and cultural heritage). In 2012, seven environmental guidelines were approved by the Executive Committee to support implementation of the Environmental Performance Assessment Tool.

These 'Environmental Management Best Practice' handbooks help managers to develop site-specific implementation strategies throughout the life-cycle of the mining process.

- **The Social Performance Assessment Tool**, implemented in 2012, covers three dimensions: responsible behaviour; managing risk; developing local human capital.

During 2012 we gathered baseline data for each of the social key performance indicators (KPIs). This will enable each mining company to improve data quality, set performance goals for some KPIs and track progress towards them. The Social Performance Assessment Tool builds on existing sustainability KPIs that are included in performance agreements between each mining company and Antofagasta Minerals. These are tracked through monthly operational performance reviews and monthly Board Reports.

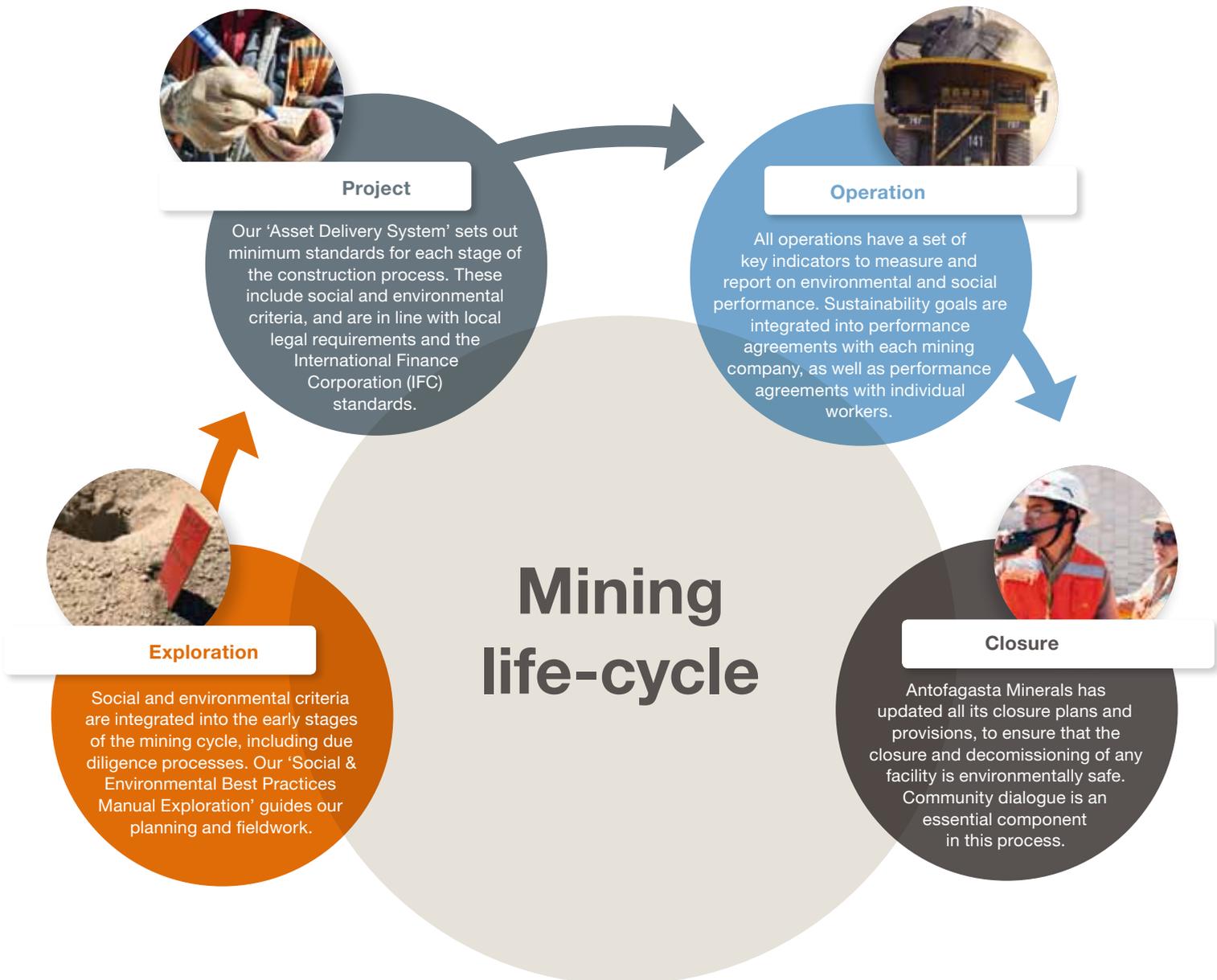
Regular internal operational audits monitor compliance across the mining companies. External auditors assess contractor compliance with safety, Human Rights and labour standards, including corporate standards on fair wages, collective bargaining, paid overtime, holidays, and standards prohibiting child labour and forced labour.



Sustainability management

Mining life-cycle

Sustainability is embedded in decision-making across each stage of the mining life-cycle:



Workers and labour relations

What is the issue?

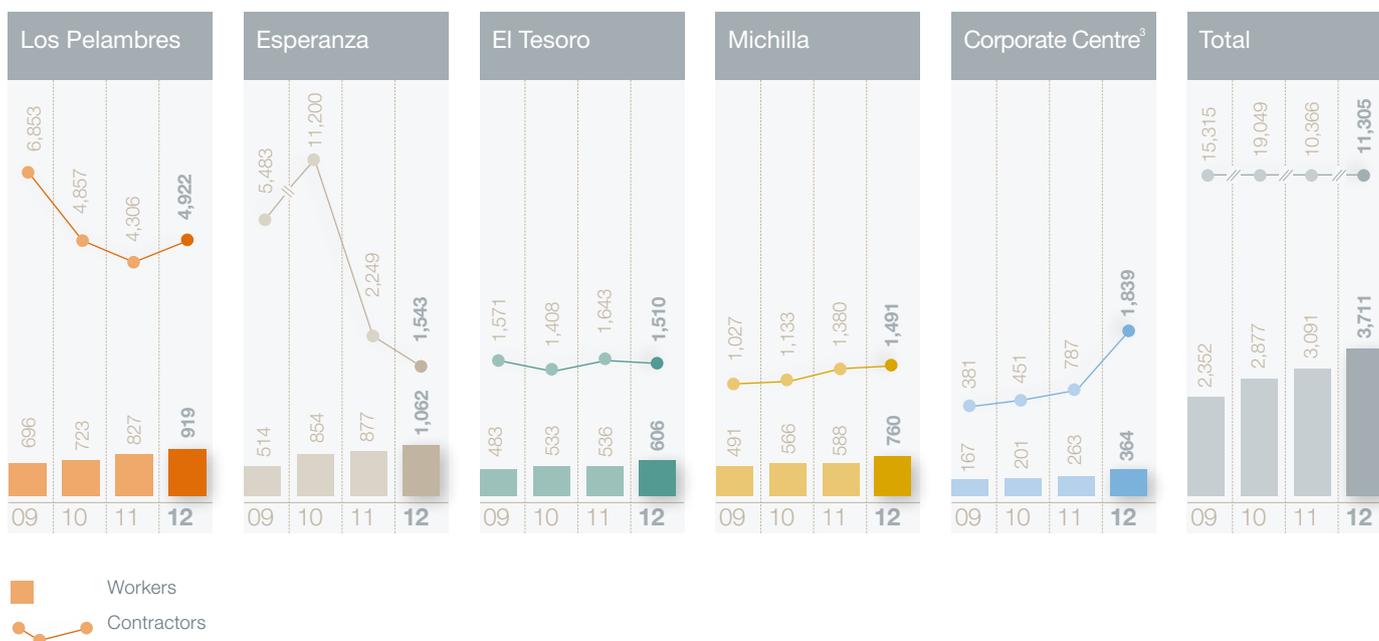
The predicted shortage of skilled workers in Chile is an issue for the mining sector. With around US\$100 billion¹ of planned investment in mining in Chile from 2012 to 2020, the industry will need to hire around 44,000 workers to meet the total predicted demand.² A lack of trained mining professionals can push labour costs up or could even prevent projects going ahead. The potential for labour disputes in Chile has increased in recent years, with rising copper prices and the shortage of skilled workers resulting in increased pressure from unions.

With delays to several planned projects, the shortage of skilled workers is less acute. However, it remains a longer-term challenge.

We develop skills through training and development, invest in initiatives to widen the talent pool and focus on maintaining good relationships with workers, unions and contractors. Protecting the health and safety of workers is a fundamental priority.

In 2012, Antofagasta Minerals employed 15,000 people, including contractors. This increase reflects recruitment of teams devoted to growth projects at Los Pelambres and Michilla as well as exploration programmes led from the Corporate Centre. The workforce increased at Esperanza following the end of construction in 2011. Antucoya is a development project and did not have its own workforce before 2012.

Number of Workers¹ and Contractors²



¹ Includes both long-term and fixed-term contracts.
² Includes both short-term project contractors and long-term contractors.
³ Includes Antucoya and other projects and exploration.

¹ Cochilco (the Chilean state Copper Organisation) – predicted mining investment over the next decade.
² Chile Foundation – the labour force in Chile’s major mining industry. Diagnosis and recommendations, 2011-2020.

Workers and labour relations

Working with contractors

Our goal is to build long-term mutually beneficial relationships with our contractors, who comprise over three-quarters of Antofagasta Minerals' workforce. Figures vary by company depending on each operation's business model.

We expect contractor companies to meet the same high employment and safety standards we set for our own workers, and this is specified in contractor performance contracts. Antofagasta Minerals establishes a minimum salary for contractor workers that is almost double that set by Chilean law. Contractors receive the same accommodation, food and facilities as workers at our mining camps.

We firmly uphold Chilean law which prohibits child and forced labour and conduct regular internal and external audits to assess contractor companies' compliance with safety, human rights and labour standards. We give particular attention to policies on fair wages, collective bargaining, paid overtime and vacations.

over 60%

of Antofagasta Minerals workers
are unionised

Labour relations

There were no labour disputes with either workers or contractors during 2012, maintaining the mining division's record on zero strikes to date.

Antofagasta Minerals maintains constructive relationships with its workers and the six labour unions that represent them, through regular communication and consultation. Labour representatives are involved in discussions about the future of the workforce as early as possible. In 2011 there were four collective negotiation processes with unions and the agreements at Los Pelambres, Esperanza and Michilla will continue until 2014. El Tesoro's agreement is valid until 2015. The agreements cover salaries, working hours, the terms of variable bonuses and employment benefits, among other issues.

Over 60% of Antofagasta Minerals workers are unionised and collective agreements at all mining operations cover remuneration, as well as terms and conditions of employment. Any benefits agreed with unions are extended to non-unionised workers.

In 2012, the Group made a particular effort to engage with supervisors and union leaders and increase communication on future plans for the business. The mining companies record concerns raised by unionised and non-unionised workers to make sure they are investigated and addressed properly. The rate of unionisation ranged from 59% of workers at Los Pelambres to 71% of workers at Michilla.

Workers are kept up to date on business matters through face-to-face meetings, company intranets, newsletters, bulletin boards and social events.

The Group's 2012 Annual Labour Climate survey elicited responses from 97% of workers, who posted an overall satisfaction score of 83%. Each business unit devises specific action plans to address lower scoring areas, which in 2012 were the ability to balance work and family life (76%) and recognition (70%).



Training and development

We invest in training to make sure workers have the skills we need today and in the future. Personal development opportunities help to motivate workers and keep them with the company long term.

Supervisors are responsible for identifying the skills and competencies their team members need, through annual performance meetings, and for supporting them in fulfilling these needs.

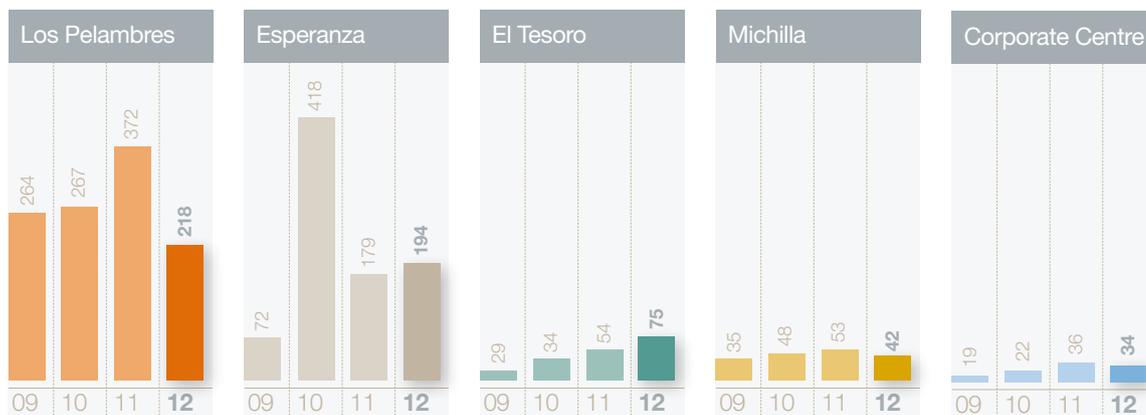
In 2013 we will implement a consistent Group-level talent management process, to ensure the availability of skills and leadership needed to address current and future business challenges. This will be based around the identification of key positions (throughout the Group, its companies and projects) that have a high impact on the delivery of business results, require highly specific competencies and knowledge and are hard to find in the job market. We will develop a succession pipeline of the most appropriate internal candidates and establish a programme to develop these talents. This process is carried out within each company and validated at Group level.

In 2012, the average number of training hours per person remained stable overall. Programmes included the Antofagasta Minerals management diploma, which develops leadership skills and provides a general overview of all aspects of the mining business.

Through the Mining Council, we are partnering with the Chilean government, universities, technical colleges and peer companies to increase the number of skilled mining professionals. This will enable us to access the talent needed to grow our operations. Over five years, Antofagasta will contribute US\$4 million to a partnership aimed at training 12,500 new mine operators. It will give special priority to individuals from Chile's most vulnerable and impoverished communities. We are also contributing to funding a new Mining Skills Council, inspired by the successful approach taken in Australia, that will set standards and support technical institutions dedicated to mining in improving workers' skills across the sector.

Examples from within our own business include our fast-track graduate scheme, through which we recruited 25 young professionals from across a range of disciplines in 2012. All are employed full time by the Group.

Average hours of training per person (own workers only)



Diversity

Increasing female representation in our workforce could help to address the skills shortage in our industry. Overall, only 37% of Chilean women currently participate in the job market¹ and in the Chilean mining sector women make up just 6% of the workforce. In 2012, 10% of Antofagasta Minerals workforce were female and 14% of its supervisors. Female representation is higher at some of our newer mines. For example, at Esperanza women make up 11% of the workforce, while at Antucoya the figure is 17%. Our initiatives to encourage women to join the company include our work with SERNAM, a public sector organisation promoting gender equality. Several years ago we updated our recruitment process to prevent

discrimination and make it more appealing for female candidates. In 2012, as part of this partnership, Esperanza and El Tesoro continued to offer free courses enabling local women to train as mine operators. The programme resulted in the recruitment of 30 women to permanent positions within the Group.

Antofagasta Minerals is committed to local job creation and recruitment. In 2012, 68% of workers were locals and 57% of supervisors resided in our regions of operation. The Group's operations and projects continue to run apprenticeship programmes aimed at training local people, so they can acquire the capabilities and experience needed to join the mining industry.

¹ Instituto Nacional de Estadística

Workers and labour relations

What is the issue?

Extracting and processing copper creates a number of potential health and safety risks. Risks vary according to the type of mine. For example, three of the Group's four mines (Los Pelambres, Esperanza and El Tesoro) are open pit mines with extraction taking place above ground, whereas at Michilla some extraction takes place below ground.

Contractors workers make up the majority of Antofagasta Minerals workforce, so ensuring that they meet the division's health and safety standards is a priority.

5.4

AIFR in 2012 - down from 9.2 in 2011



Health and safety

Protecting the health and safety of workers, contractors and local communities is Antofagasta's first Sustainable Development Principle and the Group's goal is zero fatalities. Worker performance against safety KPIs (LTIFR, AIFR, and fatalities¹) is monitored and linked to remuneration. Our approach is to identify and mitigate safety risks, and to foster a preventive health and safety culture among workers and contractors' workers. This includes a focus on identifying high-potential incidents that could have resulted in a major accident.

In 2012 Antofagasta Minerals' established a division-wide health and safety policy that will be supported by specific standards and guidelines. A new Group Health and Safety management function was also set up, which is working to identify specific health and safety risks at each operation, to ensure appropriate controls are in place, improve risk awareness among workers and contractors and encourage continuous improvement. The function and policy will help to ensure consistency in health and safety management across the mining companies.

Managing risks

Each mine has a health and safety management system aligned to the international standard, OHSAS 18001.

Risk managers at each mine are responsible for monitoring risks. Annual risk management workshops for workers and contractors are used to review safety risks and mitigation plans. Regular internal and external audits are used to check compliance with safety procedures and standards.

In 2012, our safety priorities included enhancing leaders commitment to safety, strengthening Group standards, and sharing best practices and lessons learnt between our companies. For example, we introduced a flash reporting system to inform all mining operations when high-risk potential incidents occur. The system identifies the characteristics of the incidents and the preventive measures taken.

All workers complete a health and safety induction course before starting work. There are regular refresher workshops on safety policies and procedures, which discuss lessons learned from near-miss incidents and share examples of best practice. Workers are kept updated on changes to procedures and policies via regular safety meetings, magazines, posters, the intranet, DVDs and TV screens. Extended site management meetings that focus on safety, coupled with seminars with members of the mine's safety committee, help raise awareness of safety initiatives among workers. Antofagasta Minerals' team of safety experts train and supervise workers and oversee safety standards and practices for contractor workers.

¹ Definitions:

LTIFR – Number of accidents with lost time during the year per million hours worked.
AIFR – Number of accidents with and without lost time during the year per million hours worked.
Neither Consejo Minero nor Sernageomin published these statistics in 2012.

Control and reporting

Safety key performance indicators are included in the Group-wide Social Performance Assessment Tool. Incidents and near-miss incidents are recorded through an online system and safety managers report safety performance to senior management every week. The CEO of each mining site reports to the Vice-President of Operations on a monthly basis. Safety performance is discussed in Board meetings and Board members receive monthly safety reports. Safety is also discussed and reviewed by the Sustainability and Stakeholder Management committee.

Contractor companies must demonstrate that they have adequate safety management systems, standards and procedures in place in order to be hired by Antofagasta Minerals. Safety requirements are included in their contracts and bonuses are linked to safety performance. Contractor compliance with safety procedures is regularly reviewed and contracted workers have the same safety standards and equipment as our own workers. Contractor companies are regularly audited by independent third parties.

Performance 2012

The Board deeply regrets the death of one worker at Michilla in January 2012. The incident occurred underground when a supervisor was killed by a falling rock as he assisted a drilling operator. Since then Michilla has strengthened its safety procedures and increased its efforts to ensure these are followed on all occasions. Lessons were shared with our other mining operations to reduce the risk of a similar incident occurring.

The Lost-Time Injury Frequency Rate (LTIFR) and All Injury Frequency Rate (AIFR) improved in 2012. The average LTIFR for the mining division decreased from 2.1 in 2011 to 1.3 in 2012 and the AIFR decreased from 9.2 to 5.4 for the same period. These figures include the mining division's own workers, as well as contractors.

Occupational health plans are in place to prevent common conditions including musculoskeletal injuries, breathing difficulties caused by dust, hearing loss and fatigue.

The mining companies run wellbeing programmes to promote healthy eating and exercise and tackle tobacco, drug and alcohol abuse. These form part of a package of preventative care measures, which include complete annual health check-ups for all workers. Our operations have gyms and other sporting facilities, and we offer healthy eating options in cafeterias.

	Lost Time Injury Frequency Rate (LTIFR)					All Injury Frequency Rate (AIFR)					Number of fatalities				
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
Chilean mining industry ¹	5.8	4.0	3.6	3.1	n/a	n/a	n/a	n/a	n/a	n/a	43	35	45	26	25
Mining Council ²	3.2	2.3	1.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6	8	8	5	n/a
Los Pelambres	1.3	1.3	0.9	1.8	0.7	6.6	3.6	2.6	4.6	2.3	-	4	2	-	-
El Tesoro	2.0	1.7	0.5	2.1	0.7	6.6	6.0	4.6	5.6	2.7	-	1	-	-	-
Michilla	4.4	3.2	4.2	3.1	3.1	12.1	9.9	8.8	6.7	7.3	-	-	-	-	1
Esperanza	1.6	1.5	1.6	2.4	1.0	8.2	15.0	14.7	16.8	9.8	-	-	-	-	-
AMSA including exploration and projects	5.4	6.0	3.2	1.3	1.8	13.1	23.0	13.6	24.9	9.0	1	-	-	-	-
Mining Division	2.2	1.7	1.6	2.1	1.3	8.2	8.5	10.1	9.2	5.4	1	5	2	-	1

¹ Chilean mining industry source – Servicio Nacional de Geología y Minería.

² Data from the Chilean Mining Council (Consejo Minero), an industry association which represents a number of large mining companies in Chile. (Data includes workers and contractors.)

n/a Not available.

Workers and labour relations



Public safety

Antofagasta Minerals' installations are constructed to withstand the impact of earthquakes and extreme weather conditions. The mining companies have crisis management and evacuation plans in place to protect the safety of workers and local people during and after such an emergency. The mining companies hold regular drills to practice co-ordinating resources with local public services in an emergency and have implemented additional equipment and training when necessary.

Safe driving is also a priority. The mining operations set strict driving standards, including speed limits, a minimum journey time, and training for drivers driving to and from their industrial facilities. For example, company vehicles in Los Pelambres are fitted with a tracking device that enables a traffic management unit to monitor drivers' behaviour and ensure workers drive responsibly both on and off site. The mining companies also run public campaigns to help improve road safety in the communities around their sites.

Legal proceedings at Mauro

In 2012, representatives of the Caimanes community, located in the valley near the Mauro tailings dam at Los Pelambres, filed two claims with the Court of Appeals in La Serena in respect of the dam. These claims followed a number of unsuccessful claims filed in different courts over the past four years.

The first of these claims alleged that the Mauro tailings dam was affecting the quality of the water in the Pupio stream which flows through the valley and Caimanes. The Court of Appeals rejected this claim and in January 2013, the Supreme Court of Chile upheld this decision on appeal, thereby confirming that the operation of the Mauro tailings dam complies with all applicable Chilean and international environmental standards and does not affect the water quality of the Pupio river.

The second claim alleged that the Mauro tailings dam would not withstand an earthquake of certain magnitude. The Court of Appeals also rejected this claim, but in July 2013, again on appeal, the Supreme Court overturned this decision and ordered the responsible authorities and Los Pelambres to review the safety measures and monitoring mechanisms relating to the dam's operation and to install an early warning system and evacuation plan for the safety of the local population.

In addition to these orders, the Supreme Court's verdict confirmed that the construction of the Mauro tailings dam was carried out in compliance with all the permits granted to it and had followed an exhaustive environmental and safety approval process required by the relevant authority and had complied with all applicable laws, regulations and controls since it began operating in 2008.

Communities

What is the issue?

Mining operations can impact local communities. As well as benefits such as employment opportunities, economic growth, community development projects and investment in local infrastructure, there can be negative impacts associated with an influx of temporary workers while a mine is being built or extended, greater demand for water or other scarce resources, changes in traditional lifestyles, increased road traffic and dust among others. A growing number of mining and power projects in Chile are facing objections from social and environmental groups, often involving judicial action. Los Pelambres is located in an agricultural valley and co-exists with around 40 local communities. The Group's other three mining operations are situated in the sparsely populated Atacama desert.

Antofagasta Minerals aims to develop relationships of trust and mutual benefit with communities and other stakeholders throughout the mining life-cycle, from exploration to site closure. Our approach is governed by our Social Strategy, Social Relations Policy, community investment policy and a grievance mechanism enabling stakeholders to raise concerns. Our Social Relations Policy (available for download at www.antofagasta.co.uk) states that our mining companies must:

- Foster respect among workers and contractors for the culture, customs and values of local communities and indigenous people.
- Develop partnerships that encourage employment, generate wealth and build local capabilities in the long term, rather than creating short-term economic dependency.
- Engage with communities and other stakeholders, responding to any grievances and integrating their views into our business plans.

External affairs managers in each mining company oversee community relations, including social investment programmes and stakeholder engagement.

Our Social Performance Assessment Tool includes KPIs for community engagement. In 2012 we established baseline data which we will use to track our performance, set targets and report progress.

Community engagement

The mining companies engage regularly with local stakeholders through formal and informal channels, including face-to-face meetings, joint committees, newsletters, events, surveys and media broadcasts. The External Affairs team at each mining company maintain a direct, ongoing relationship with local residents and authorities to discuss issues of mutual interest, obtain feedback and understand their evolving expectations and concerns.

Los Pelambres engages with around 120 social organisations in the Choapa Valley. It participates in over a dozen joint community-company committees focused on priority issues for individual communities, such as air quality, water availability and improvements to local agriculture and local development. These committees provide a mechanism for ongoing engagement and for undertaking joint activities such as participative monitoring. One of the committees has been working since 2008 to design and implement a closure plan for Los Pelambres' old tailings dam. This committee publishes updates through its website (www.mesaquillayes.cl).

Many community concerns are raised through informal channels but we have also established a formal grievance procedure. When a community member raises a concern, the mining company's External Affairs team is responsible for recording the details, passing it to the appropriate function within the company and monitoring its resolution. Further work is needed to raise awareness of our grievance procedures among local communities.

Each company conducts an annual survey among local communities, authorities, workers and contractors. This helps the companies understand stakeholder perceptions about their economic contribution, environmental and social performance, communication, and trustworthiness. We use the results to better understand the evolution of our stakeholders' expectations and opinions regarding our business and the mining industry, assess our performance and align our community investment and reputation initiatives.

Community investment

Our community investment guidelines are designed to ensure each of the mining companies takes a consistent approach to deciding which social projects to support and to increase the effectiveness and transparency of community investment. Since 2012, the mines report quarterly on the status of their community initiatives enabling better monitoring and increasing our ability to assess the impact of our investments. The reporting process also facilitates the exchange of best practices and knowledge between the Group's operations and projects.

Antofagasta Minerals has three focus areas for its community investment activities: supporting education and training for local people; generating jobs and supporting local suppliers; and making charitable donations to improve the lives of people close to its operations.

COMMUNITIES



KPIs for community investment are included in the Social Performance Assessment Tool. These include the amount of money invested, number of community projects and number of people benefiting from them. Some examples of community investment in 2012 include:

Supporting local producers:

In partnership with universities and other public organisations, Los Pelambres and its Foundation are supporting local producers, including farmers, herders, bee-keepers and fishermen, to improve the quality of their products and access to markets. This includes technical assistance and training in business management. In 2012 the company funded and built a fruit-drying facility. Locally produced prunes can be sold for nearly 30 times the price the fruit will fetch when fresh. Los Pelambres and its Foundation also work together with local farmers associations to improve water efficiency and provide funding for irrigation projects

Funding for community projects:

The Together We Grow initiative, which has been running for over eight years, funds small community infrastructure projects (costing up to US\$14,000). Projects are selected through a competition at which members of the local communities can vote for their preferred initiative. While improving communal quality of life, this initiative also provides an opportunity for community engagement and strengthening local participation. In 2012, Los Pelambres supported 121 projects, allotting US\$800,000 to them.

Primary education:

We funded a programme to improve infrastructure at 12 rural primary schools serving 900 children. This initiative included improvements to classroom equipment, sanitary facilities, playgrounds and electrical systems. It also dealt with improving equipment inside the classrooms.

Scholarships:

We awarded 121 young people scholarships to enable them to pursue their education at the university or technical college of their choice.

Community wi-fi:

Esperanza funded a community wi-fi service for Sierra Gorda. This initiative – to be completed in 2013 – will enable local residents to take advantage of the social and economic benefits of internet connectivity. Residents will be able to access the internet for free from the town square, the school and other public locations. A similar scheme has been funded by Los Pelambres in Los Vilos and Salamanca.

Cultural tours:

As part of our work in facilitating community access to world-class cultural experiences, this year we took the family musical La Tirana, which is based on a local tradition, on tour across our operations.

CASE STUDY

Early social engagement at Óxidos Encuentro

The mining project, Óxidos Encuentro is located in Centinela Mining District, near Esperanza and El Tesoro. It will be Antofagasta's fourth mine in the area. The other three are: Michilla, El Tesoro and Esperanza.

In line with Antofagasta's policy, ongoing and extensive engagement with local stakeholders has been part of the project development from the beginning. This enabled us to get early feedback from local technical and political authorities in the area, as well as from community

members. The results are being used to help structure the project so that it delivers the best possible results for our business and for the community. It also enables us to address the queries and concerns that inevitably arise for community members with any new project and provide communities with accurate information. The formal consultation process, required by the national Environmental Impact Assessment System, took place in January and February 2013.

Environment

Constructing, operating and closing mining sites use substantial amounts of energy and water, produces waste, and can affect water quality, air quality, biodiversity and land use. At Antofagasta Minerals, we carefully manage our environmental impacts, to improve operational efficiency and secure access to resources.

Framework

Antofagasta Minerals' environmental strategy is based on three pillars: using resources efficiently, controlling negative impacts and providing environmental benefits such as renewable energy. This approach helps us to reduce business costs, ensure compliance with regulations and build good relationships with local stakeholders.

The mining companies have a risk-based approach to environmental management and monitor performance by tracking indicators through the Assessment of Environmental Performance (AEP). Introduced in 2010, the AEP is structured around three dimensions: efficiency in the use of resources (water, fuel, energy); controlling environmental impacts (water quality, biodiversity, waste and air quality); and benefiting the environment (biodiversity conservation, enhancement of cultural heritage and support for alternative energy sources). In 2012, seven environmental guidelines were approved by the Executive Committee.



New standards

During 2012, Antofagasta Minerals launched a set of seven Environmental Guidelines. These apply to all workers and contractors at each phase of the mining cycle, from exploration to operation and closure. They address seven specific areas: water, air quality, biodiversity and ecosystem services, climate change, cultural heritage, waste management and land use. The new Guidelines were approved by the Mining Division's Executive Committee which includes the CEO, vice presidents and general managers of the mining companies.

By providing practical advice, the Guidelines will help integrate the Group sustainable development principles and environmental policies into our everyday operations and activities, including project planning. They cover the main components required by Antofagasta's environmental policy including identifying and assessing risks in the operations' areas of influence; monitoring and assessing impacts, regulation and compliance; and setting indicators and goals.

We communicated the Guidelines to all our workers, presenting the information on our Group intranet and in user-friendly booklets which summarise recommended management criteria and best practices. We will add specific performance targets for all workers and contractors during 2013.

Closure provisions

Since November 2012, Chilean legislation requires existing operations to submit closure plans and update them annually. New projects must factor in the cost of closure from the start and have adequate funds to pay for the plans in order to obtain the permit.



Antofagasta Minerals aims to close and decommission its mining facilities safely and in ways that protect the environment and the interests of local people. It has closure plans and provisions in place for all its operations which are updated in accordance with regulations.

Los Pelambres is in the process of closing its old tailings dam – Los Quillayes – and has been working with the local community since 2008 to design and execute a closure plan that considers using the phytostabilisation technology.

 See page 57



Environment

Performance 2012

In 2012, Antofagasta Minerals increased its consumption of water, energy and fuel as well as its mining waste. This is due to a combination of reasons, the most important being the 10.8% increase in our copper production, mainly as a result of Esperanza's first full year of production when its copper production rose by 81%. Its 2012 resources consumption levels should provide a better baseline.

Consumption of these resources were also influenced by lower ore grades at Los Pelambres and Michilla which demanded higher plant throughput to maintain production levels. This meant more rock needed to be processed to obtain the same amount of copper. During 2012, our operations processed a daily total average of 292,800 tonnes of ore.

Also in 2012 Michilla began a secondary lixiviation process that allowed it to reprocess material without having to transport it great distances saving fuel but augmenting its consumption of energy and water.

In 2012, there were no operational incidents resulting in an environmental impact at our sites. We report all incidents to the national authority, even minor ones, exceeding regulatory requirements. Antofagasta Minerals has a procedure to identify, classify and report environmental incidents.



The Chilean Environmental Framework

Chile's main environmental legal instrument is the Environmental Base Law approved in 2010 (Ley No 20,417 de Bases del Medio Ambiente), updating the previous legal framework from 1994.

Executive power lies with three different institutions: the Environmental Ministry defines public policy on environmental subjects; the Environmental Assessment Agency evaluates the environmental impacts of projects; and the Environmental Superintendence supervises compliance with environmental regulations and commitments. The law has created specialised environmental courts reporting to Chile's Supreme Court.

Article No11 of the law list the activities that are subject to the environmental assesment process conducted by the Environmental Assesment Agency because of their potential impacts. The list includes: dams, aquaducts and other significant alterations to natural water courses, electrical transmission lines (power lines), power plants and mining projects. These projects or activities must present an Environmental Assesment Study (EIA according to the Spanish acronym) when they can affect any of the following: health, the environment, amount or quality of renewable natural resources, significant alteration to the landscape, life systems of human communities, monuments or natural heritage sites, and aquaducts conservation areas.

The Environmental Assesment Agency is in charge of determining whether the environmental impacts derived from a specific project or activity are within the legal limits. It also examines weather if the project baseline studies have properly identified their impacts and proposed measures to mitigate, compensate or remediate them. The assessment includes formal reports of stakeholder consultation, and the specific conditions the project must meet to obtain all the environmental permits for its implementation as well as for the mitigation, remediation and compensation of its declared impacts.

No project can be executed or modified before it has its formal environmental approval, contained in a legally binding document called Environmental Qualification Resolution (RCA in Spanish).

What is the issue?

Continental water is already a scarce resource in many parts of Chile and increasing demand, non-sustainable practices and climate change are a continuing threat. Mining activities can affect the availability of water through water extraction and water quality through leaching of heavy metals or sulphates from waste dumps and tailings dams.

Water

Management

To address the issue of water scarcity, Antofagasta Minerals has implemented innovative solutions, pioneering the use of non-desalinated seawater and more water-efficient thickened tailings deposit technology in Chile. We have high water reuse rates of up to 85%. We regularly monitor the quality of water across our area of influence and try to minimise the use of natural high-quality water.

All our sites have water management plans, which include regular monitoring and detailed water accounting records. We use the Water Accounting Framework developed by Sustainable Minerals Institute from Queensland University and the Minerals Council of Australia to guide our accounting approach.

We have participated in the CDP Water Disclosure Project (WDP) since 2010. We publish information on water use in this Sustainability Report in line with the WDP and the Global Reporting Initiative, and on the websites of our mining companies.

During 2012, we hired a well-known international consultant, Halcrow, to generate a water risk register for each of our operations, which includes those relating to the potential effects of climate change.

As water availability and quality are important social issues, each mining company engages with local communities to understand their concerns. This is most relevant for Los Pelambres because of its proximity to agricultural communities. As well as participating in local water management institutions, the company participates in joint company-community committees which address local water issues and conduct joint water monitoring.

We aim to reuse water where possible and avoid discharges that could affect water quality. Los Pelambres and El Tesoro have no discharges. Esperanza and Michilla use non-desalinated seawater for most of their processes. However, both desalinate around 10% for human consumption and specific stages of their production process.

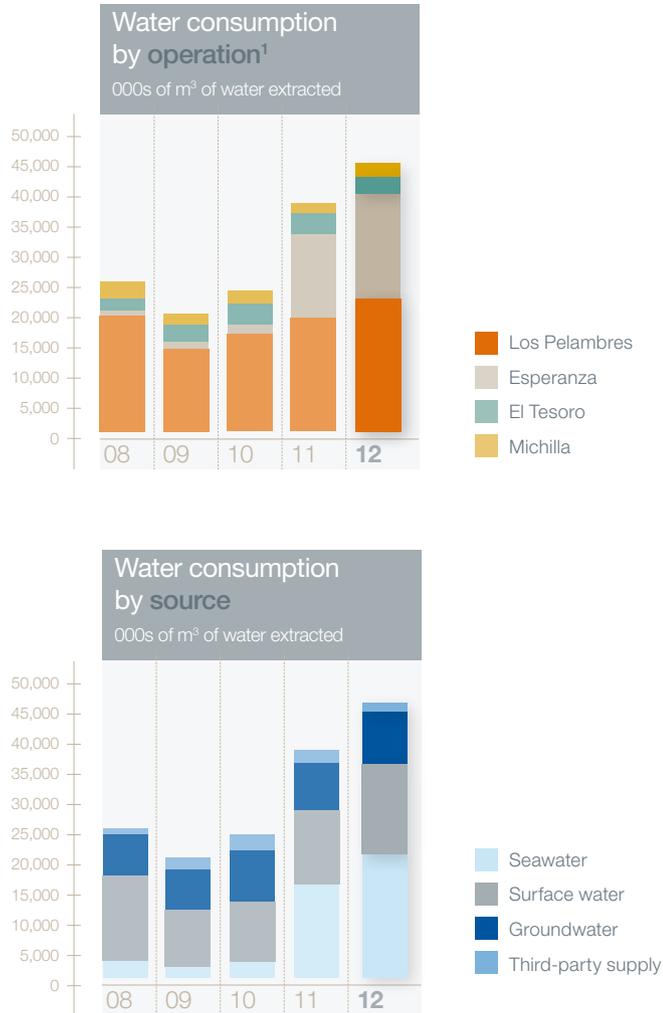
The mining division carefully monitors the quality of groundwater and surface water around its operations, as well as the quality of seawater at its two port facilities in Los Vilos (Los Pelambres) and Caleta Michilla (Esperanza). This helps us detect and prevent any impact on water quality.

85%

of water consumed is reused at Los Pelambres operation.



Environment



Performance 2012

In 2012, continental water consumption increased at Los Pelambres due to lower ore grade which demanded higher plant throughput to maintain production levels. Seawater consumption increased in Michilla also because of lower ore grades and its new secondary leaching process. Esperanza produced 81% more copper than in 2011 reflecting this company's first full year of operation so its 2012 resources consumption levels should constitute a better baseline. El Tesoro's better ore grades allowed it to decrease its water consumption.

The main measures adopted to increase water efficiency during 2012 were:

- Los Pelambres has reviewed, mapped and revised its water distribution system, improving water flow/use registry. It has also tried to automate as far as possible the measurements and recording process.
- Esperanza continues to work to improve the tailings treatment process to achieve design parameters. In the meantime it has implemented a tailings management plan that includes water recovery from the tailings disposal site.
- Michilla installed two new reverse osmosis water treatment plants. Because they are more efficient, they have reduced the amount of seawater needing to be pumped to the mine site.

¹ These figures do not include: reused water, rainfall accumulated in the Los Pelambres tailings dams or the moisture content of the ore.



What is the issue?

Rising energy prices in Chile are a significant concern for mining operations, which account for around 30% of the country's energy consumption. The Group's energy consumption is likely to increase as the business grows, and as the grade of mineral ore at its current operations reduces and becomes less accessible. Using seawater preserves continental water supplies, but requires more energy to pump from the sea to our operations.

The energy grids that our operations rely on are also becoming increasingly dependent on fossil fuels. Chile's energy system is divided into two regional grids. The SING grid supplies the north of the country, where the Esperanza, El Tesoro and Michilla mines are located. It is powered mostly by imported coal and natural gas. The Los Pelambres mine is supplied by the central-south SIC grid, which is powered by fossil fuels (60%) and hydropower (40%). The SING grid's GHG emissions factor is double that of the SIC grid. Chile contributes 0.2% of the world's GHG emission¹.

Climate change is predicted to impact weather patterns and water availability. To help address this, the Chilean government has voluntarily set a target to reduce the country's carbon emissions by 20% by 2020. Chilean law requires that 5% of energy generation must come from renewable sources, rising to 10% by 2024.

¹ Chile's grid factors as at May 2011.

Energy and climate change

The Group is continuously looking to increase efficiency in the use of all resources, particularly water, energy and fuel. It has prioritised energy efficiency for many years and seeks every opportunity to reduce consumption. Energy accounts for over 10% of the Group's operational cost, so improving efficiency can have significant financial as well as environmental benefits.

Climate change

We recognise the risks and opportunities of climate change and the need to measure and mitigate greenhouse gas (GHG) emissions. We are committed to playing our part in helping Chile reach its goal to reduce the nation's carbon footprint. The Group is investing in renewable energy projects to address rising energy costs and as part of its approach to mitigating climate change.

In 2012, Antofagasta Minerals commissioned the Catholic University's Global Change Centre to assess the potential impact of climate change on water resources in the Choapa and Pupio Valleys where Los Pelambres operates. An additional study is underway using tree-ring analysis to reconstruct historical precipitation and river flow patterns. Both studies will improve the Group's understanding of changing weather patterns and the impact on water resources (the results will feed into development of a Group climate change strategy and action plan).



ENVIRONMENT



Carbon emissions

Antofagasta Minerals has measured its carbon emissions according to the Carbon Disclosure Project's methodology since 2009.

In 2012, Antofagasta Minerals emitted 2.07 million tonnes of CO₂ equivalent (CO₂e) compared with 1.76 million tonnes in 2011 (scope 1 and 2 emissions). The 17% increase is mainly due to the first full

year of production at Esperanza, increasing the amount of emissions associated with fuel and energy consumption. In 2012, CO₂ emission intensity was 2.92 tonnes of CO₂ emitted per tonne of fine copper produced. The Group has focused on measuring its scope 1 and 2 emissions in the mining division and had its 2012 data externally verified for the first time.

Carbon footprint - emissions (tonnes of CO₂ equivalent)



¹ We report scope 3 emissions from the extraction and production of purchased materials and fuels and transport in vehicles not owned or controlled by Antofagasta Minerals.

n/a Not applicable

EMISSIONS

CO₂ emissions by location 2012 (tones of CO₂ equivalent)

	Scope 1 direct emissions	Scope 2 indirect emissions	Scope 3 ¹	Total emissions	CO ₂ emissions intensity ²
Los Pelambres ³	184,402	503,153	129,453	817,008	1.70
Esperanza	183,201	664,907	53,497	901,605	5.20
El Tesoro	100,698	243,586	1,104	345,388	3.28
Michilla	71,956	119,919	94,464	286,339	5.09
Corporate Offices (Santiago and London)	90	1,006	3,505	n/a	n/a
Total	540,347	1,532,571	282,023	2,354,941	2.92

¹ Indirect emissions associated with the supply chain.

² Total CO₂ emissions per tonne of fine copper produced (scope 1 and 2).

³ See page 47 for the composition of the operation's energy supply.

n/a Not applicable

GUIDELINES

OUR CLIMATE CHANGE GUIDELINES

- 1 We acknowledge the risks and opportunities involved in the climate change phenomenon, as well as the need to measure and mitigate our greenhouse gas (GHG) emissions.
- 2 We encourage innovation to improve energy efficiency, and we promote the use of clean energy in our operations and projects in order to mitigate or compensate for GHG emissions.
- 3 Our goal is to constantly mitigate GHG emissions at our operations, setting goals that are compatible with national and industry policies, and developing action plans that are consistent with these goals at our business units and new projects.
- 4 We periodically assess and report our carbon footprint in order to motivate our collaborators and main suppliers to act on this issue.
- 5 We promote a culture of environmental awareness among our workers, collaborators, suppliers and other stakeholders, and we take part in global, governmental and industry efforts to mitigate our carbon footprint and adapt to the effects of climate change.

HOW DO WE APPLY THESE GUIDELINES?

We apply these guidelines by:

- Assessing greenhouse gas emissions at each business unit and establishing a baseline that allows for setting 2020 targets and mitigation deadlines.
- Adopting Climate Change mitigation and compensation measures such as energy efficiency measures, renewable energy, and carbon capturing projects.
- Assessing the applicability of mitigation measures adopted under the United Nations' Clean Development Mechanism (CDM) projects or other voluntary mechanisms for emissions trading in order to generate Emissions Reduction Certificates that could be traded on carbon credit markets.
- Incorporating GHG emissions as a decision-making variable in developing projects and operations (i.e. Environmental Design Criteria and KPIs).
- Gathering past data on and future projections for weather patterns and identifying possible changes in climate patterns that could affect our operations or projects.
- Educating and involving our workers and local communities on the effects of Climate Change and the importance of mitigating and compensating for them.
- Involving the local community and experts in drawing up Actions Plans for mitigating and compensating for the effects of Climate Change.
- Using the Sustainability Report to inform stakeholders about our performance on GHG emissions, following the guidelines established by the Carbon Disclosure Project.

Following the introduction of the Climate Change Guidelines our next step is to develop action plans for applying them in the short and medium-term and create an environmental culture that enhances the management of the business and contributes to its sustainability.

Energy and fuel

Energy efficiency is a Group priority as its consumption accounts for over 10% of the operational cost. In 2012, Los Pelambres won the Benjamin Teplizky award for energy efficiency. The prize recognised the mine's innovative use of conveyor belts, which transport ore from its primary crusher to the stock pile, to generate 9% of the total energy consumption.

Esperanza's energy consumption in 2012 is to be considered the company's baseline after its first complete year of normal operation. It decreased in Tesoro due to higher grades, thus lower plant throughput. It increased at Los Pelambres because of decreasing ore grade; and in Michilla also because of ore grade and because of the additional resources needed for its new secondary leaching process.

Fuel is used to power trucks used for transporting material extracted from the mines and represents a significant portion of production costs. Consumption is mainly affected by distances – inside the mine and between the pit and the waste rock dump – and the size of trucks.

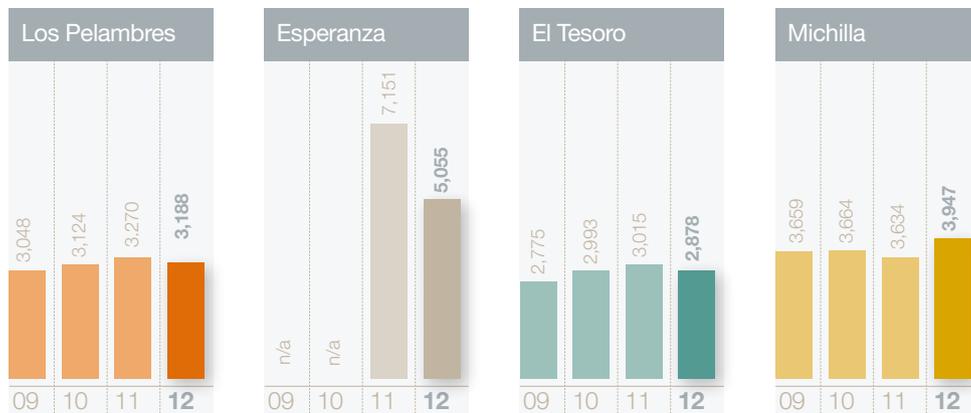
In 2012, fuel efficiency remained consistent with 2011 levels at Los Pelambres and El Tesoro, while rising slightly at Esperanza. Michilla's improvement is explained by its new secondary leaching process located close to its plant. Allowing it to process more material while cutting its transport distance by almost half.

Fuel efficiency (litres of fuel per tonne of material moved)



n/a Not applicable

Energy consumption (KWh per tonne of fine copper produced)



n/a Not applicable

Environment

Alternative energy sources

In 2012, Antofagasta continued to invest in renewable energy projects that supply energy directly to our mining operations. We created a new Energy unit within Antofagasta Minerals to develop affordable energy supplies and explore new technologies. Our investments are supporting technical innovation and building the capacity of the renewable energy sector in Chile.

The most significant development in 2012 was the opening of El Tesoro's solar thermal plant. El Tesoro is also piloting four photovoltaic panels near its operations with a peak potential generation capacity of 64 kw, designed to produce 110MWh per year.



Antofagasta Minerals' renewable energy portfolio in 2012:

Project and energy type	Location	Status in 2012	Alternative energy potential
Solar thermal plant	El Tesoro, Northern Chile.	Opened in November 2012, following an investment of US\$15 million.	Designed to provide 25 thermal GWh a year, reducing El Tesoro's diesel consumption for the electro-winning process by 55% (about 3,700 m ³). This will enable El Tesoro to reduce its CO ₂ emissions by 8,000 tonnes a year, equivalent to 4% of its total.
El Arrayán wind farm	Near to Los Pelambres, central Chile.	Under construction; Antofagasta Minerals has a 30% share in the project.	The El Arrayán wind farm will be the biggest wind farm in Chile, with 50 turbines and a total generating capacity of 115MW. Los Pelambres will use 80% of the energy generated, equivalent to around 20% of the mine's total energy needs.
Energía Andina S.A. geothermal energy	Exploration across Chile.	Joint venture between Antofagasta Minerals and Origin Energy Australia. Antofagasta's ownership share is 60%. + See page 53	Energía Andina S.A. continues to explore geothermal energy prospects across Chile. Antofagasta Minerals majority stake in Energía Andina S.A. makes it a leading investor in geothermal energy.



CASE STUDY

El Tesoro solar thermal plant

Minera El Tesoro has established one of the largest solar thermal plant within the global mining industry through an investment of US\$15 million.

The new facility is located in an area of very high solar radiation, perfectly suited to this form of renewable energy production. It was designed to generate 25 thermal GWh/year, enabling El Tesoro to reduce the

diesel used in its electrowinning plant by 3,700 m³ (around 55% of its consumption) cut CO₂ emissions by 8,000 tonnes and save around US\$2 million a year.

The investment follows El Tesoro's installation of four photovoltaic towers with an annual capacity of around 110MWh, which reduce its carbon footprint by an additional 90 tonnes.

Energía Andina explores Chile's geothermal potential

Chile has huge geothermal potential due to its location in one of the most active continental zones of the fire ring, where about 20% of the continental volcanos in the country are located. The country's technical and economical geothermal energy base is estimated at around 3,500MW, more than one quarter of the world's total potential capacity. Geothermal energy has the potential to deliver between 20% and 30% of Chile's installed capacity, which currently stands at 16,000MW. It is estimated that until 2020 the country will have between 500 and 1,000MW in operation.

Energía Andina is at the forefront of developing this safe and reliable form of renewable energy. We currently have

twelve projects at a preliminary exploration phase. We estimate that these have a potential capacity of 1,500MW, of which we aim to develop close to 500MW by the 2020s. Development is still at an early stage.

Energía Andina integrates continuous monitoring and management of environmental and social impacts into its projects from the start.

The company, which has been exploring geothermal energy since 2008, is a joint venture between Chilean Antofagasta Minerals (60%) and Australian Origin Energy Chile (40%).

Environment

What is the issue?

Mining operations generate significant amounts of waste rock, spent ore and tailings. The quantity of waste depends on the size of the operation and whether the mine is open pit or underground. Production methods and the minerals' grade also affect the amount of material removed to produce a tonne of copper. Finding physically and chemically stable solutions for storing large volumes of mining waste and preventing heavy metals or sulphates from leaching into the ground or water courses is the key waste management issue for Antofagasta Minerals.

Waste

Mining waste

Antofagasta Minerals aims to reduce the amount of waste it produces and safely dispose of the rest, according to legal requirements. Its main challenge is the safe disposal of mining waste. Michilla and El Tesoro, where copper is extracted through a leaching process, maintain special storage facilities for waste gravel, authorised by the environmental authorities.

Los Pelambres has two tailings dams – designed to withstand earthquakes and other catastrophes and have built-in safety features to prevent pollution of local watercourses. Los Quillayes dam is under closure and we are piloting an environmental remediation plan known as phytostabilisation.

Taking advantage of its geographical location, Esperanza has developed a thickened tailings deposit, one of the largest in the world. This reduces water consumption and means that tailings are more stable during operations and after the mine has closed. It also reduces dust levels. Thickened tailings have not been used on such a scale before, and operating the site has presented a number of challenges as the tailings system has not performed exactly according to design at the actual processing rate. In response, Esperanza has developed and submitted a contingency plan to the environmental authorities that received official approval in January 2013.

Groundwater and surface water monitoring systems are in place at our tailings sites to ensure that neither water quality nor flow are affected. At Los Pelambres, the mine and local communities work together to monitor the quality of the water at several points throughout the valley and the measurements are published annually on www.pelambres.cl.

In 2012, the total volume of mining waste (waste rock, tailings and gravel) produced at our operations increased, due to the extraction of lower grade ore and the 10,8% increase in production.



Mining waste streams

	Los Pelambres	Esperanza	El Tesoro	Michilla
Context	Extracts copper and molybdenum ore from an open pit. Produces copper concentrate from copper sulphides through a flotation process.	Extracts copper and gold ore from an open pit. Produces copper concentrate from copper sulphides through a flotation process.	Extracts copper ore from an open pit. Produces copper cathodes from copper oxides through a leaching process.	Extracts copper ore from an underground mine and an open pit. Produces copper cathodes from copper oxides and sulphides through a leaching process.
Origin and destination of mining waste	Material from the mine that is below the cut-off grade for sale is sent to waste dumps. The operation generates tailings from the flotation process. These are stored in the El Mauro tailings dam.	Material from the mine that is below the cut-off grade for processing is sent to waste dumps. The operation generates tailings from the flotation process. These are stored in a thickened tailings dam on site.	Material from the mine that is below the cut-off grade for sale is sent to waste dumps. Spent ore from the leaching process is deposited in waste dumps.	Material from the mine that is below the cut-off grade for sale is sent to waste dumps. Spent ore from the leaching process is deposited in waste dumps.
Chemical reagents used	The flotation process uses frothers, lime and flocculants.	The flotation process uses frothers, lime and flocculants.	The leaching process mainly uses sulphuric acid and organic reagents.	The leaching process mainly uses sulphuric acid and organic reagents.

WASTE

Mining waste (million tonnes)

	2009			2010			2011			2012		
	Waste rock	Tailings	Gravel	Waste rock	Tailings	Gravel	Waste rock	Tailings	Gravel	Waste rock	Tailings	Gravel
CONCENTRATION DEPOSITS												
Los Pelambres	79.5	46.2	n/a	67.4	57.4	n/a	60.0	63.3	n/a	67.1	65.3	n/a
Esperanza	37.4	n/a	n/a	39.7	n/a ¹	n/a	61.2	20.0	n/a	80.2	29.0	n/a
LEACHING DEPOSITS												
El Tesoro	34.0	n/a	10.9	66.0	n/a	9.4	54.2	n/a	9.7	58.6	n/a	7
Michilla	0.0	n/a	5.4	5.1	n/a	5.4	6.0	n/a	4.6	10.7	n/a	4.2
Total	151.7	46.2	16.3	178.2	57.4	14.8	181.5	83.2	14.3	216.6	94.3	11.2
Total mining waste (waste rock, tailings & gravel)	214.2			250.3			279.0			322.1		

¹ 2012 was Esperanza's first full year of operation.
n/a Not applicable.

Environment

Recycling

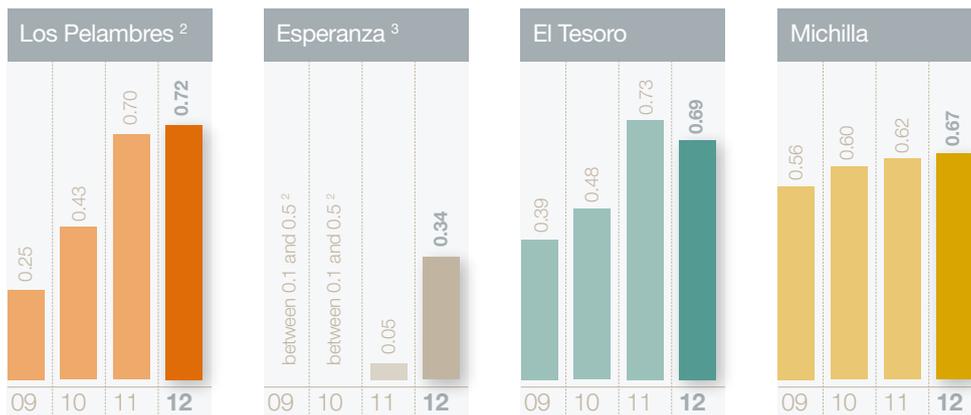
The mining companies aim to reduce the amount of industrial waste they produce, including scrap metal, wood, cardboard and domestic waste, such as food from cafeterias at mine camps. Authorised contractors remove and dispose of hazardous waste from processing, such as used oils, rags and batteries, in line with regulations. Where possible, the waste is recycled.

In Los Pelambres, we reuse waste oil as a raw material for the preparation of explosives used in the

blasting process. Our other mining companies send used oils to cement companies to be incinerated as an alternative fuel in energy co-generation. Other recycling includes food waste from cafeterias (composted), metal (sold as scrap) and wood.

Overall, the operations kept their recycling rates stable when compared to 2011. As 2012 was Esperanza first full year of operation this figure constitutes a better indication of its performance regarding recycling.

Recycling rates¹ (tonnes recycled per total waste generated)



¹ Includes hazardous waste for Los Pelambres, Michilla and Esperanza and non-hazardous waste for all four companies.

² Only Los Pelambres and Michilla have included their domestic waste.

³ Data is estimated based on information supplied by contractors. 2012 was Esperanza's first full year of operation.





CASE STUDY

Los Pelambres tailings dam participative closure

Los Pelambres has reached a new milestone in the closure of its old tailings dam. Los Quillayes is being closed using phytostabilisation, an innovative technology which reduces the risk of contamination and leaching. As part of the pilot stage of this project, native species of flora are being planted inside the dam's basin to restore the ecosystem and neutralise contaminants and dust. The first 30 hectares of the site have now been covered with top soil and planted with native species grown in a local nursery, a community entrepreneurial initiative.

The phytostabilisation technique was selected after careful research by the Los Quillayes Dam Closing Committee, a joint group with representatives from the mine and local communities in the Upper Salamanca Valley. Eventually 400 hectares will be covered as part of the closure process which will take around 25 years. One area of the site will remain operational for use as a back-up storage facility or during an emergency.

 Watch the video (Spanish) www.aminerals.cl

"The good thing about this project is how well the community and the mining company have worked together."

Hernán de Solminihac
Minister of Mining, Chile

"This is a real example of what sustainable mining means and a source of pride for all of us who work in this company. We are working side by side with the communities and authorities as part of our sustainable management and mining production plan."

Alberto Cerda
CEO, Los Pelambres

"This is proof that everyone can work together and healthy co-existence is possible when objective commitments are set."

Julio Molina
Community Representative

Environment

What is the issue?

Mining operations involve moving large amounts of material, crushed rocks, gravel and alluvium. This causes dust, which can impact local air quality. For mines with operations in close proximity to communities, such as Los Pelambres, dust control is a critical issue.

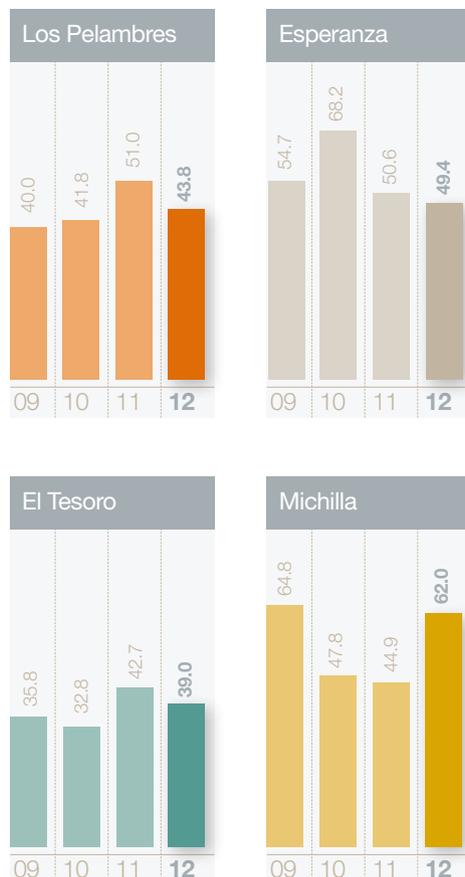
Air quality

Air quality, including management of particulate matter emissions, is a priority for Antofagasta Minerals. All operations use dust-monitoring stations and apply dust prevention methods. These include continuous watering of the roads leading to the mining pit to prevent dust being stirred up and the use of sprinklers and dust suppressant (foam) applied to the ore when it travels on conveyor belts from the crusher to the mill.

At Los Pelambres an online system is used to monitor and predict air quality. Early warning alerts are issued, up to five days in advance, when climatic and meteorological conditions increase the possibility of exceeding the company's dust level. When needed, the planning, operation, environmental and community functions at the mine work together to prevent rising dust levels and communicate with local people. A joint company community committee monitors compliance with these measures.

Air quality is measured as the average concentration of particulate matter in the air. It remained within the legal limits in all operations, except in Michilla which had a temporary increase owing to construction work at the cafeteria and carparks, located near the monitoring station. The chart shows PM10 levels at the monitoring stations located in our operations camps.

Annual average concentration of PM10
(micrograms (μg) per m^3)



What is the issue?

Mining operations affect natural habitats and local plant and animal species. There is growing awareness of the importance of biodiversity conservation in Chile and the government is considering legislation to create a national biodiversity and protected areas agency.

Los Pelambres faces the greatest biodiversity challenge due to its location and scale, while Esperanza, El Tesoro and Michilla are located in the Atacama desert, with a very low diversity of animal and plant species. Los Pelambres, Esperanza and Michilla must also protect marine biodiversity at their port facilities in Los Vilos and Caleta Michilla.

Biodiversity and ecosystem services

Antofagasta Minerals recognises the importance of protecting local ecosystems and we aim to have a net positive impact on biodiversity.

Efforts to promote biodiversity focus in particular on the Choapa Valley where Los Pelambres is located. Los Pelambres voluntarily restored land to create a nature sanctuary at the Laguna Conchalí wetlands, which has significant biological diversity and is now a park and local attraction. The site obtained the status of a Wetland of International Importance under the Ramsar Convention. We have also established programmes to protect peat lands and one of the few remaining Chilean Palm forests. All of these sites provide habitats for endangered species.

Esperanza and Michilla monitor the biodiversity of the marine environment around their shipment pier located in Caleta Mejillones. Los Pelambres supports marine biodiversity and bird life, as well as the development of sustainable fishing at Los Vilos.

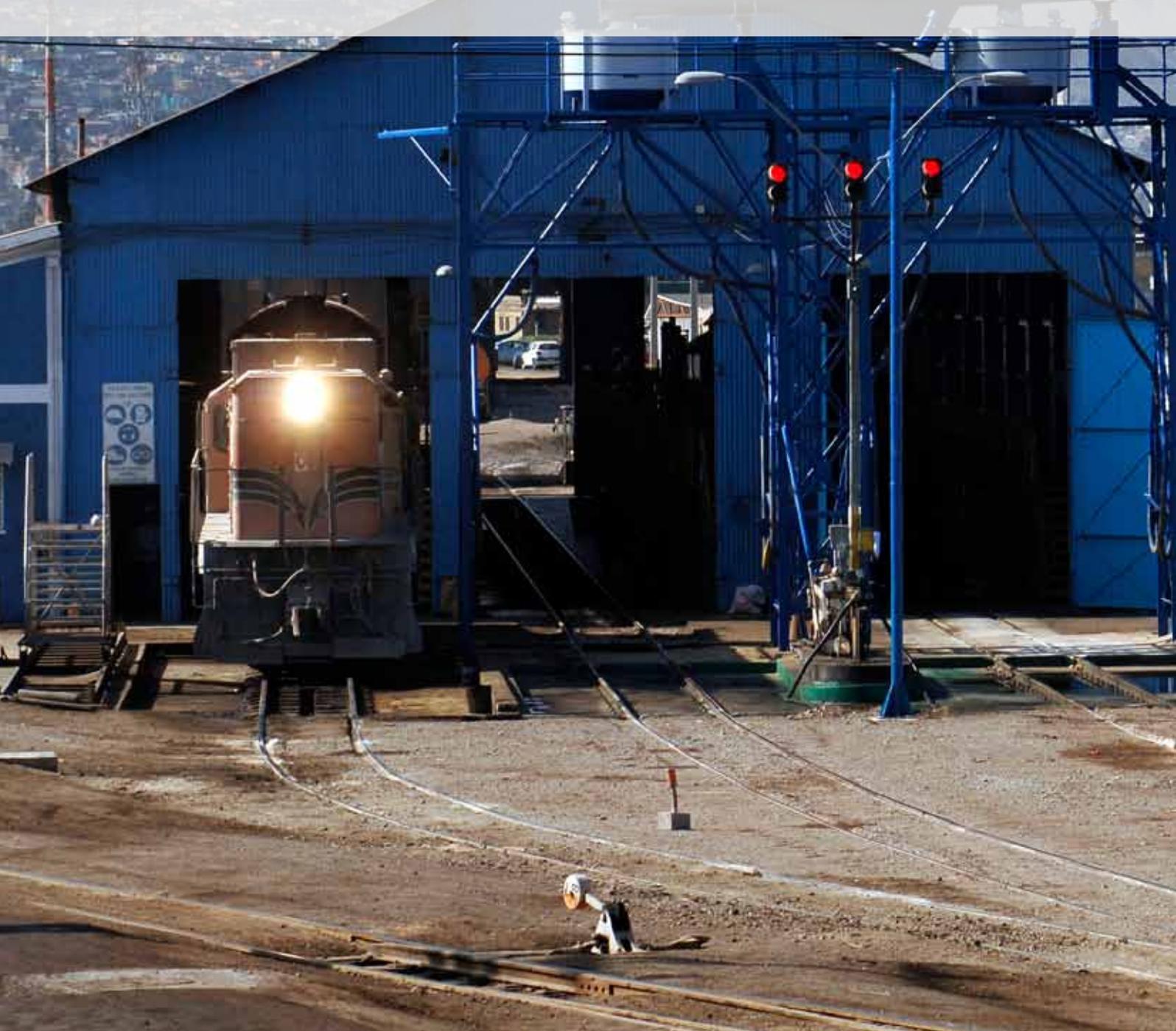
In 2012, we published a 'Flora and Fauna Field Guide' to increase awareness of flora and fauna in the Antofagasta region. Copies of the guide were donated to local schools and universities.

Antofagasta Minerals aims to 'create environmental value' at its mining operation sites. To help evaluate opportunities and assess progress against this goal, the company is developing an Environmental Risk, Opportunity and Valuation Assessment (EROVA) tool. This will be used to determine the qualitative and quantitative value of company impacts, both positive and negative. It is a flexible framework that covers all forms of natural capital (such as biodiversity and mineral resources) and environmental impacts (such as air emissions and waste). It includes an assessment of company-related risks and opportunities and also enables a comparison of impacts across different stakeholder groups.



CHAPTER THREE

Antofagasta Railway Company



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Antofagasta Railway Company

Antofagasta Railway Company (FCAB), founded in London in 1888, was the first railway company to cross the Atacama Desert connecting Northern Chile with Peru, Bolivia and Argentina. An integral part of the Antofagasta Group, this company operates over 900km of railway track and is a leading transport provider for the Antofagasta Region, carrying both supplies and products for the mining industry.

93%

of its own personnel live in the Antofagasta Region.

908

employees on its payroll.



The Antofagasta Railway Company comprises FCAB, TRAIN, FCAB Embarcadores Ltda and FCAB Ingeniería y Servicios Ltda. The company combines railway and road transport with cargo transfer, shipment and storage services. In addition to services within Chile, Antofagasta Railway Company transports zinc and lead concentrates from Bolivia via the border town of Ollagüe, the connection point with Empresa Ferroviaria Andina S.A. in which it has a 50% interest. The network also extends to the north of Argentina and other destinations.

Since the late 1980s, the company has been exclusively dedicated to the transport of cargo and continues to play a vital role in the region's development.

The company has 908 employees on its payroll and 404 contractors. 93% of its own personnel live in the Antofagasta Region.

The Antofagasta Railway Company has achieved certification to the international management standards ISO 9001 and OHSAS 18001 and it plans to achieve certification to ISO 14001 in 2013.

Main sustainability challenges

The company operates around 20km of track in the city of Antofagasta, 11km in Calama and shorter sections through smaller towns (Sierra Gorda, Baquedano). The growth of these urban areas has meant more people are now living closer to the tracks. The railway supports economic development, but it also impacts local communities through noise, vibrations and traffic delays.

Antofagasta Railway Company recognises the importance of good community relations and sound environmental management. Its most significant sustainability issues are:

- Worker safety: Working with heavy and moving machinery and transporting hazardous materials poses safety risks. All workers and contractor workers must go through rigorous health and safety training when they join, with regular refresher training throughout their career.
- Public safety: As Antofagasta and other towns and cities (Calama, Sierra Gorda and Baquedano) continue to grow around the railway track, the risk of traffic and pedestrian accidents has increased. Antofagasta Railway Company has a number of public safety measures in place to prevent accidents in the urban areas around its tracks. These include clear signalling at railway crossings, regular track maintenance and public education campaigns.
- Managing hazardous waste: The company transports hazardous substances (such as sulphuric acid), so preventing spills and safe disposal of any waste associated with its cargo are priorities.

Workers and labour relations

Antofagasta Railway Company recognises that a motivated workforce is essential to meeting its business objectives. An employee survey (the Organisational Climate Study) was conducted in the third quarter of 2012 in which 92% of workers participated. This assessed views and satisfaction levels among workers and tracked the impact of changes introduced since the previous survey in 2010. Each part of the business received a report on its strengths and weaknesses and has implemented an action plan to address any areas for improvement.

The company grew its workforce and recruited additional train operators in 2012, in preparation for planned expansion of the business in 2014. This will allow time for new recruits to undergo the required period of training.

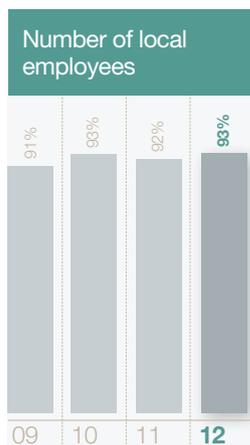
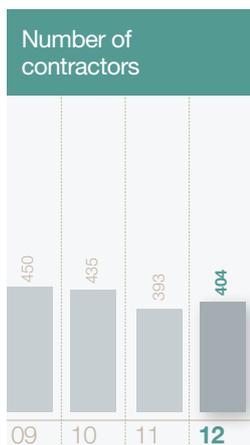
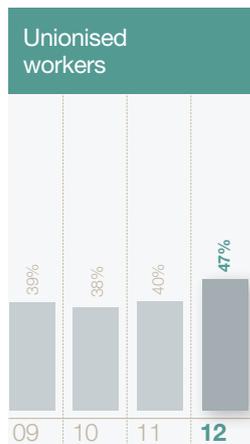
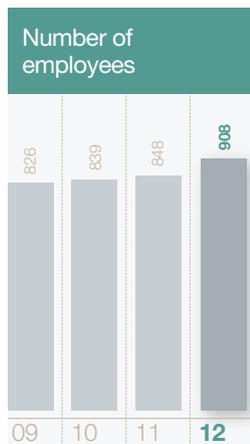
Traditionally, the railway sector has attracted mostly male workers; however, the Antofagasta Railway Company aims to increase recruitment of women where possible. At present, 73 of its employees are female (8.2% of its total workforce) and there is one woman on the company's senior executive team.

The company gives preference to hiring locally: 93% of its 908 permanent employees live in the Antofagasta Region as do the majority of its 404 contractors.

Nearly half (46.8%) of the Antofagasta Railway Company workforce are unionised. Collective negotiations with the four unions representing workers were concluded successfully during 2012. The collective bargaining agreements establish a fair and competitive compensation package, including arrangements for exceptional work shifts and variable incentives. Among other clauses, the new contracts incorporate incentives to improve safety performance, including a special bonus for workers if safety targets are met. These agreements will remain valid for the next four years (the maximum term allowed under Chilean law), supporting business stability. There were no labour disputes during 2012.

To support recruitment and build its future workforce, the company has strengthened its links with local technical schools and increased the number of internship positions it offers. For existing workers, it offers formal professional training and, in 2012, it began to design and develop career plans for specific roles. In 2012, each Antofagasta Railway Company employee received an average of 23 hours of training.

Employee statistics



Antofagasta Railway Company

Safety

Antofagasta Railway Company is certified to the international health and safety management standard OHSAS 18001. It has equipment, systems and procedures in place to prevent accidents. To help improve safety performance, Antofagasta Railway Company's Risk Prevention department has increased its participation in regular safety meetings and safety audits among its contractors. Safety performance is incentivised through the collective agreements signed with company unions in 2012.

Company sites are regularly audited by independent third parties to ensure compliance with health and safety legislation.

In addition to monitoring and compliance procedures, the company runs employee awareness campaigns to strengthen its safety culture. These include regular bulletins on the intranet, posters and safety signs at the entrances to facilities and workplaces.

In 2012, the company recorded zero workplace fatalities; however, its Lost-Time Injury Frequency Rate (LTIFR) increased from 9.6 in 2011 to 12.7. To improve worker compliance with health and safety procedures, training has been increased and safety performance incentives were included in the new collective bargaining agreement.

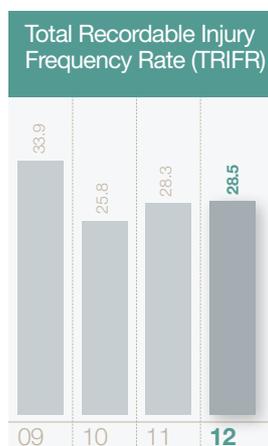
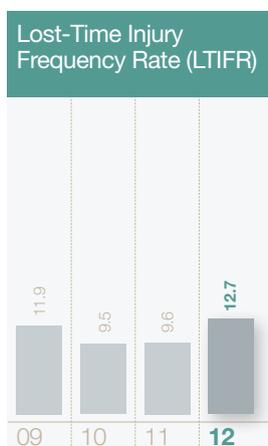
Despite the increase in the number of accidents, their severity diminished. The company's severity index dropped from 372 (2011) to 214 (2012), with the total number of days lost – because of accidents – dropping from 39 to 16 in the same period.

Public safety

Preventing accidents on its tracks is an important issue for Antofagasta Railway Company. It uses a range of prevention measures and runs regular awareness campaigns in the local community, highlighting the dangers of unauthorised track crossings, the importance of respecting track signalling and the hazards caused by rubbish deposited on the tracks.

A dedicated team of engineers is responsible for detecting potential faults in its railroad infrastructure. The company has 65 ground-level crossings controlled by stoplights in Antofagasta, Calama and inter-urban sectors, as well as 17 crossings controlled by automatic barriers. In 2012, the company built six new bypasses around the new Antofagasta highway.

We work to raise awareness about the environmental and safety hazards of littering the track, with a particular focus on reducing waste on the railway track that runs through the city of Antofagasta. In 2012 we ran a second public awareness campaign collecting 115 tonnes of waste along a 16km stretch of track and delivering information to local households on how to dispose of waste safely.



Figures include Antofagasta Railway Company's own workers and contractor workers.
 LTIFR – Number of accidents with lost time during the year per million hours worked.
 AIFR – Number of accidents with and without lost time during the year per million hours worked.

Communities

Historically, Antofagasta Railway Company has been a key participant in the Region's development. Its community investment focuses on safeguarding and promoting the regional historical heritage, and the creation of spaces that foster culture, education and science.

Last year, the company restored the old Customs Office. One of its rooms was opened permanently to the public, housing five exhibitions relating to art, science, technology and the regional heritage that were viewed by almost 37,000 people. This project was co-financed by the company and the National Council of Culture.

For many years, the company has rescued and restored historical objects which are now on display in the Railway Museum, in central Antofagasta. It has restored the museum's facilities and opened its premises to the public. Regular cultural events are held in its premises, including Heritage Day, tours of the Interactive (MIM) Museum, a drama festival and the Zicosur Book Fair, which was attended by the President of the Republic, ministers, members of the Congress and local authorities in 2012. In 2012, around 120,000 people participated in activities at the site. The company also lends its facilities to institutions engaged in fostering culture, heritage and education to run seminars and public ceremonies. These events provide an opportunity to raise public knowledge about the company's public contributions and strengthen relationships with stakeholders.

In 2012, Antofagasta Railway Company joined Creo Antofagasta (I Create Antofagasta), an ambitious, integrated public private initiative that aims to transform Antofagasta into a world-class city and improve quality of life for local people. Over 35 institutions are represented on its steering committee. Antofagasta Railway was among the first to join Creo Antofagasta and hosts its offices.

Antofagasta Railway Company also engages with communities in caring for the environment, encouraging workers and locals to become more energy efficient and running anti-litter campaigns.

Senior executives are active participants in several regional civil society organisations, including the University of Antofagasta, the Center for Scientific and Technological Research for Mining (CICITEM), the Pro Antofagasta Corporation and Pro Loa Corporation, Creo Antofagasta (I Create Antofagasta), the Port Community of Antofagasta and Christ's Home (Hogar de Cristo).



RAILWAY



Environment

Antofagasta Railway Company complies with national environmental regulations and the commitments of its environmental permits. Monthly inspections and an annual assessment by the Group's Risk Management team ensure that legal requirements are met.

The company is aligning its environmental management system with ISO 14001 and plans to achieve certification in 2014. As part of its efforts to raise awareness among its workforce it introduced weekly environmental training sessions for workers in 2012.

Its environmental priorities are:

- Efficient use of resources including fuel, energy and water.
- Safety in the transport of hazardous substances and the disposal of toxic waste generated from servicing and cleaning equipment. The company has management systems in place to manage and reduce the risks of spills or other forms of contamination.

There were no operating incidents during 2012 resulting in environmental impacts or fines.

Our company reports its carbon emissions annually through the Carbon Disclosure Project.

Rail travel is among the most carbon-efficient means of transport. Antofagasta Railway Company aims to further reduce its greenhouse gas emissions by reducing consumption of diesel fuel and electricity.

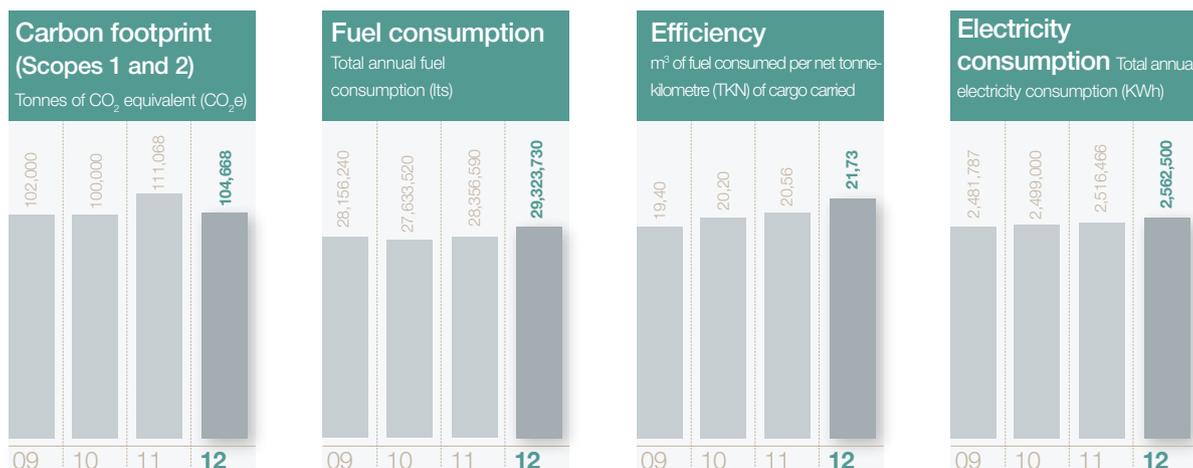
Electricity and water consumption remained relatively stable throughout 2011 and 2012. Minor variations were due to operational events. Solar power is used for lighting and automated track signals, with regular electricity in place as a back-up supply.

Diesel-fuelled electric locomotives account for 90% of the company's carbon emissions. Diesel consumption rose in 2012 as more locomotives were in use. The majority of electricity is used in its maintenance workshops and offices.

Antofagasta Railway Company aims to recycle where possible and dispose of waste, particularly hazardous waste (around 23% of total waste), in compliance with environmental regulations. In 2012, 60% of waste was recycled (up from 55% in 2011), of which the majority was scrap metal.

The company operates two wastewater treatment plants at its facilities to ensure that discharges comply with legal requirements. These are monitored by experts from Aguas de Antofagasta and regularly audited by the sanitary authority.

Environmental performance



CHAPTER FOUR

Aguas de Antofagasta





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Aguas de Antofagasta

Aguas de Antofagasta produces and distributes clean drinking water and collects wastewater for more than 154,000 domestic and commercial customers in the cities of Antofagasta, Calama, Taltal, Tocopilla and Mejillones. It also treats and disposes of wastewater in Taltal, Tocopilla and Mejillones. It operates a 1,230km network of drinking water distribution pipes and 998km of wastewater sewerage pipes.

100%

of our own staff are local

278

workers and 231 contractors



The Antofagasta Region is one of the driest places on earth as well as being an important centre for the global mining industry. Growth in mining activity and the resulting population growth and economic development have led to increasing demand for water.

Aguas de Antofagasta (ADASA) is the first company in Latin America to supply desalinated potable seawater. Its desalination plants supply drinking water to 15% of the population in Taltal and 60% of the residential customers in Antofagasta. Over the next two years, it will invest US\$120 million in a second desalination plant to supply the entire population of Antofagasta. The environmental permit for this plant was approved in 2012.

In 2012, Aguas de Antofagasta employed 278 people directly and 231 contractors.

Aguas de Antofagasta uses a management system based on ISO 9001. It holds ISO 14001 certification for all wastewater collection and treatment locations and is extending this to all administrative offices. Its safety management system is based on the international standard OHSAS 18001 and it will be evaluating its readiness for formal certification during 2013.

Main sustainability challenges

Water quality is an essential priority for any water company, but it is a particular challenge in the Region of Antofagasta because the water from the Andes naturally contains high levels of arsenic. Through advanced water purification systems, Aguas de Antofagasta produces drinking water with arsenic levels at less than 0.01 parts per million, supplying water safe for humans to drink in line with the World Health Organisation (WHO) standard and Chilean regulations.

In February 2013 the quality of the drinkable water produced by Aguas de Antofagasta was certified ISO 22000, the standard to ensure water safety management through the supply chain. Aguas de Antofagasta is the only water and sewage utility in Latin America to have achieved full ISO 22000 accreditation.

Ensuring a continuous supply of drinking water is a significant challenge in the Antofagasta Region, given the scarcity of inland water resources and the growing population and mining industry activity. Aguas de Antofagasta overcomes that challenge by complementing water extracted from mountain catchments with seawater desalination. Desalination is accomplished by a reverse osmosis process.

Aguas de Antofagasta is overseen by the Sanitary Services Commission (SISS), which works to ensure that water companies meet Chilean legal requirements for water quality, reliability of supply and charging rates for residential and commercial customers.

The company has an emergency response committee that is dedicated to creating and supervising management protocols and contingency plans to address any disruptions linked to natural disasters, in close collaboration with local emergency response teams. Our main concern is dealing with the effects of the Altiplano Winter, a climatic phenomenon that normally affects the area between December and March, characterised by sudden and very intense precipitations which can impact the supply of water.

Customers

Ensuring a continuous supply of quality water and excellent customer service for our 154,000 residential and industrial customers is our priority. For that reason, Aguas de Antofagasta aims to communicate with customers promptly and openly about any planned or unplanned disruptions to supply. In 2012, we introduced three new means of communicating directly with our customers: SMS (text) messages to the cell phones of registered customers; notices on the company's Twitter account (@aguas_antof); and a smartphone application (an app that allows customers to pay bills online and to send and receive information to and from the company).

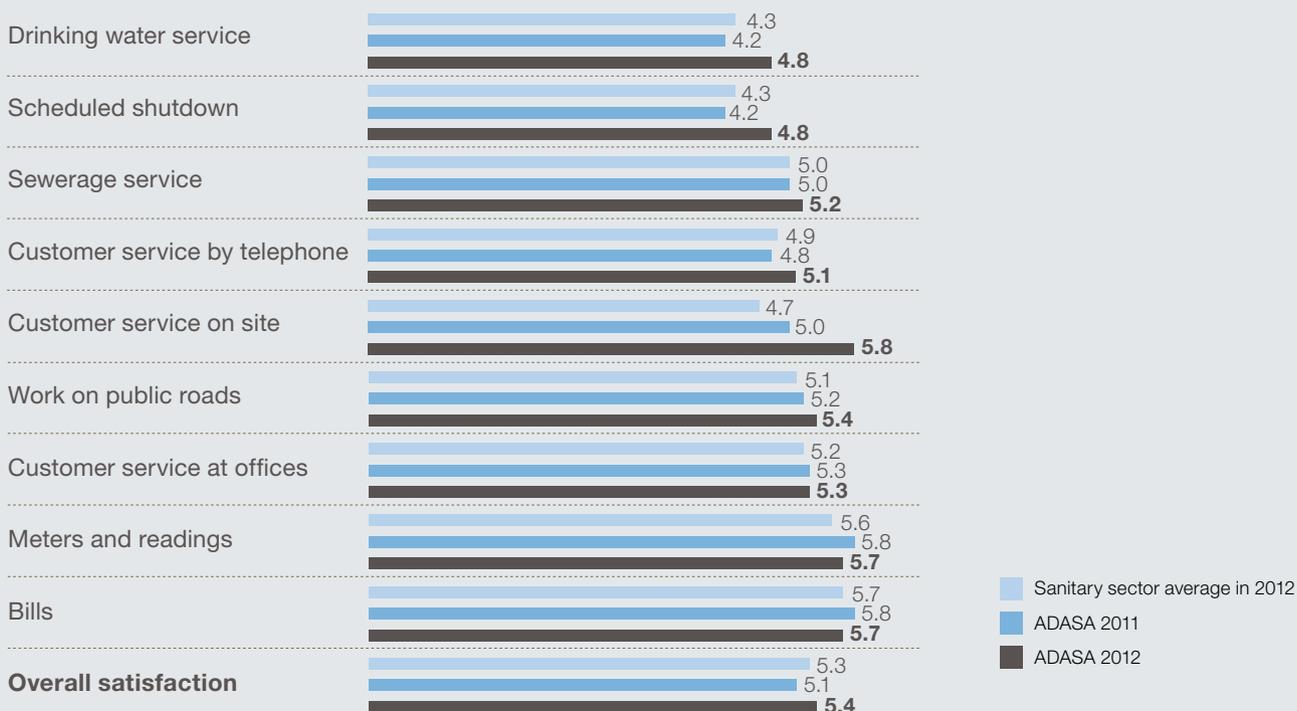


Customers can contact us through our offices and provide general feedback via dedicated email services, telephone lines and public forums. We have a 24-hour telephone line for enquiries and we liaise closely with regional and mayoral authorities.

The annual customer satisfaction survey by the SISS gave Aguas de Antofagasta a grade of 5.4 out of 7 in 2012. The company's rating rose in six of the nine dimensions evaluated. The company's final score puts it above the average for the industry and represents a 0.3 improvement on the previous year.

ATTRIBUTES

Annual Customer Survey for Sanitary Services



Source: National Sanitary Superintendency.

BOTANICAL GARDEN



Aguas de Antofagasta's Botanical Garden: The company established the only botanical garden in the north of Chile. It measures 3,200 square metres and is home to more than 560 species. In addition to maintaining the garden, the company and the National Botanical Garden Foundation have set up an environmental education programme adapted to the needs and interests of different stakeholders. The garden was visited by 11,600 people in 2012.

Workers and labour relations

Economic growth and the expansion of the mining sector in the Antofagasta Region mean greater competition for skilled workers. Aguas de Antofagasta aims to be known as a great place to work and invests in creating a positive workplace culture and in competitive compensation and training and development opportunities.

In 2012, workers completed an average of 44 training hours per person. 96% took part in a technical competency development programme.

We continued our alliance with the Universidad del Desarrollo to develop workers' leadership skills and provided financial assistance to workers undertaking higher education courses relevant to their jobs.

To improve our future talent pool, we introduced an apprenticeship programme in 2012 in partnership with several regional technical high schools. This will offer development opportunities and work experience to more than 50 students each year.

We aim to address any worker concerns promptly. 64% of workers are unionised through one of two unions. Collective bargaining processes are scheduled to take place in 2013 and 2014. There were no labour disputes in 2012.

Health and safety

Aguas de Antofagasta has a standardised approach, based on OHSAS 18001, to identifying and managing health and safety risks for workers and contractors. We plan to achieve formal certification to OHSAS 18001 and will assess our readiness in 2013. In 2012, the company achieved certification from the Mutual Safety Association, a Chilean organisation dedicated to promoting worker health and safety.

A core safety challenge for Aguas de Antofagasta is improving contractor safety standards and performance. During the first half of 2012 there were seven accidents involving contractor workers. In response, the company put in place action plans and set performance targets for contractor companies to address safety risks. Approaches were tailored to each contractor company but included training and refresher workshops for contractor staff. We also increased on-site supervision and controls. Only one accident occurred in the second half of the year after these measures were implemented.

Communities

Every household and business in Antofagasta city receives its water from Aguas de Antofagasta, yet most people know little about how drinking water is produced. For that reason, in 2012, as part of our outreach programme we invited local organisations to tour our desalination plant. A total of 1,064 people visited the La Chimba plant, among them local residents, authorities and college students.

Our social investments aim to enhance local human capital and strengthen regional culture. Investments are often delivered through partnerships with other public and private institutions.

During 2012, we reviewed our portfolio of social initiatives to assess how well they are aligned with our business priorities and their impact on our reputation. During 2013, we intend to strengthen the link between the long-term sustainability of our community projects, their alignment with the business and stakeholder expectations. We are creating a formal decision-making procedure for future donations and support.

Key initiatives implemented in 2012 were:

Our North

Now in its eighth year, this programme enhances the entrepreneurship and teamwork skills of young people in the region. Activities are centred on environmental conservation, cultural identity and healthy living. In 2012, the programme benefited 50 high school students, and was recognised with awards from the National Forestry Service (CONAF) and the National School Aid and Scholarships Board (JUNAEB).

Fertile Region

Many people in the Region of Antofagasta have the potential to be innovators and entrepreneurs but few opportunities exist for these individuals to meet and share experiences and knowledge. Aguas de Antofagasta's Fertile Region programme runs conferences and public debates to stimulate such interaction. In 2012, the company initiated two new projects with the Chile Foundation.

 For further information on these projects, please visit www.regionfertil.com.

Aguas de Antofagasta

Environment

Aguas de Antofagasta operates in the Atacama desert, the driest in the world. Given the scarcity of inland water sources, it has pioneered seawater desalination and has invested in the best water management and distribution technologies to maximise efficient use of this scarce resource.

The company's environmental policy states its commitment to protecting the environment, preventing pollution and making continuous improvement in efficient management of natural resources. The policy also applies to its contractor companies.

Its environmental priorities during 2012 were:

- Expanding ISO 14001 certification to the Antofagasta wastewater collection system.
All its wastewater collection and treatment systems are now certified to ISO 14001.
- Supporting contractors to adopt best practice environmental standards consistent with ISO 14001.
Through the Aguas de Antofagasta environmental programme, contractors were trained to identify environmental factors and impacts associated with their activities and to define appropriate controls for the most significant impacts.
- Reducing water losses from leaks.
Since 2011, we have been using a world-leading technology called Takadu to monitor the distribution and supply of drinking water. Takadu provides real-time information on leaks, breaks and other inefficiencies, enabling us to correct any problems quickly.

- Controlling odour from sewerage networks.
During 2012, we identified points within the network which are potentially critical for controlling bad smells. Monitoring was increased at these locations.
- Controlling seawater quality.
New factors affecting seawater quality were identified in March 2011 and an early alert system was installed to detect conditions that could affect the quality of supply from the La Chimba desalination plant.

There were no environmental incidents or fines for environmental violations in 2012.

Energy and climate change

Aguas de Antofagasta is working to improve efficiency and reduce fuel and electricity use. Reducing emissions is a challenge since desalination is a highly energy-intensive process and the demand for water in the region is on the rise.

We report greenhouse gas emissions through the Carbon Disclosure Project. Greenhouse gas emissions 2012 were 6,841 ton CO₂ equivalent.

Two main measures were taken in 2012 to maximise efficiency. New, more efficient pumps were installed in the wastewater pump stations and pre-treatment plants. A new sewage system maintenance plan was implemented, which cut fuel use by 6.2% by using more fuel-efficient pick-up vehicles to replace trucks on basic maintenance tasks. The company is also installing photovoltaic panels in some facilities.





CASE STUDY

Turning sunlight into power

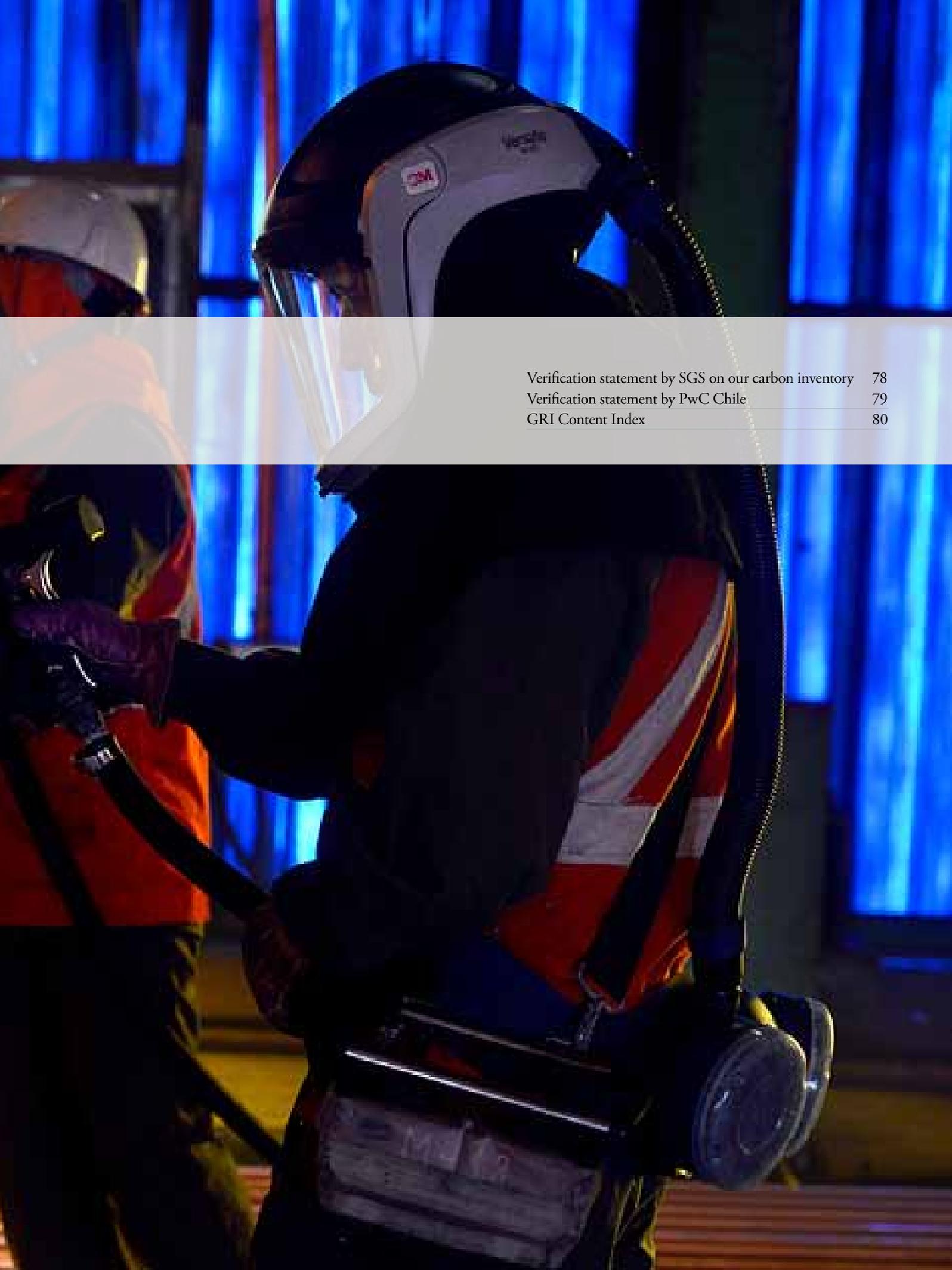
Aguas de Antofagasta is taking advantage of the regional climate to tap into free sources of renewable energy. By installing photovoltaic (PV) panels, which convert sunlight into electricity, we have reduced fuel use by 460 litres a month, about 65% of fuel consumption per location, at our catchment facilities in Lequena, Toconce and Quinchamali, significantly reducing costs and carbon emissions. The installation also means that power supplies are available for longer periods each day, benefiting workers at the sites.

We plan to install PV panels at our remaining catchment facilities during 2013, along with back-up generators for situations where extreme mountain weather prevents the system's batteries from charging.



CHAPTER FIVE

Appendices



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Verification statement by SGS on our carbon inventory



ASSURANCE STATEMENT

SGS UNITED KINGDOM LTD'S INDEPENDENT ASSURANCE REPORT ON THE ENVIRONMENTAL DATA FOR ANTOFAGASTA MINERALS S.A.

NATURE AND SCOPE THE ASSURANCE

SGS United Kingdom Ltd was commissioned by Antofagasta Minerals S.A. to conduct an independent assurance of the Greenhouse Gas inventory data contained in the sustainability report of Antofagasta PLC. The period covered in the review is from 1 January 2012 to 31 December 2012. The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the result of Verification of Greenhouse Gas inventory data included in their Sustainability Report 2012.

The information in the Sustainability Report 2012 and its presentation are the responsibility of the directors and/or the management of Antofagasta Minerals S.A. SGS United Kingdom Ltd has not been involved in the preparation of any of the material included in the Sustainability Report. Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification set out below.

STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS United Kingdom Ltd affirms our independence from Antofagasta, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders. The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised approved Lead Auditors for Environment, Greenhouse Gas Emissions Verification and Sustainability Report Assurance.

ASSURANCE OPINION

The assessment considered the verification of the GHG inventory of Antofagasta Minerals S.A., including Antofagasta Minerals Head Office (Chile and UK) and four mine operations (Los Pelambres, El Tesoro, Michilla and Esperanza) covering Scope 1 (direct emission) & Scope 2 (energy indirect emission). The GHGs considered were: carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulphur hexafluoride (SF₆).

The Organisational Boundary selected by the organisation is Operational Boundary. The level of assurance agreed is that of reasonable assurance. A materiality level of 5% was applied. Note that assessment of compliance and materiality was undertaken against the stated calculation methodology. The GHG inventory is in compliance with the level of assurance selected. The inventory has been verified according to ISO 14064-3.



Lisa Brough
 Technical Director – GHG inventories
 SGS United Kingdom Ltd
 www.sgs.com
 16th August 2013

Verification statement by PwC Chile



(A free translation from the original prepared in Spanish.)

Santiago, August 19, 2013

Messrs. Shareholders and Directors
Antofagasta plc

Independent Professionals Report

We have reviewed the 2012 Sustainability Report of Antofagasta plc, for the year finalized on December 31, 2012. Antofagasta plc management is responsible for the 2012 Sustainability Report.

Our review was performed in accordance with the attestation work standards established by the Chilean Accountants School. A review is substantially less in scope than an exam, the objective of which is the expression of an opinion regarding the 2012 Sustainability Report. Accordingly, we do not express such an opinion.

According to the reference terms of our engagement, our work has been limited to the 2012 Sustainability Report information regarding Antofagasta plc (Parent Company) and its Mining Division Antofagasta Minerals (AMSA), and specifically excludes the information related to Antofagasta Railway Company, Aguas de Antofagasta and carbon emissions, fuel efficiency and energy consumption of AMSA.

Within the scope of our review work previously described, we performed the following procedures, among others, on a sample testing basis:

- Obtaining an understanding of internal controls,
- Interviews with different officials responsible for the information in the 2012 Sustainability Report,
- Verification, based on testing, that the data included in the 2012 Sustainability Report is consistent with the documentary evidence reviewed and/or comes from verifiable supporting information sources,
- Verification that the financial information included in the 2012 Sustainability Report is derived from accounting records or from financial statements as of December 31, 2012 by another firm of independent auditors.

Because of the restriction in the 2012 Sustainability Report reviewed information as above mentioned, the scope of our work was not sufficient to enable us to express, and we do not express, an unrestricted conclusion on the 2012 Sustainability Report. However, based on our review we are not aware that the 2012 Sustainability Report of Antofagasta plc, for the year finalized on December 31, 2012, is not presented in all its material aspects, with respect to the reviewed information, in accordance with the sustainability reporting guidelines G3.1 of the Global Reporting Initiative (GRI G3.1), the mining and metal sector supplement and the application level A+ requirements of the mentioned guidelines.

Mathieu Vallart

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GRI Content Index

The table below provides a version of the G3.1 Indicators of the Global Reporting Initiative (GRI), including the supplement for the Mining and Minerals Sector contained in the printed version of this report.

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SOCIAL PERFORMANCE

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LA3 Benefits provided to full-time employees	34
LA4 Employees covered by a collective agreement	34, 63, 73
LA5 Minimum period of prior notice of organisational changes	34, 63, 73
LA6 Workers represented on safety and health committees	100% Its a legal requirement
LA7 Absenteeism, days lost and deaths	36, 64, 73
LA8 Programs for training in risk prevention and control	Not reported
LA9 Health and safety topics covered in formal agreements with trade unions	63
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LA11 Employability development programs	35, 63, 73
LA12 Percentage of employees receiving regular performance and career development reviews	All contracted workers
LA13 Composition of governance bodies / breakdown	Partially Reported; 18, 35, 63
LA14 Women-to-men salary ratio	(1)
LA15 Return to the job after maternity leave	Not reported

Human Rights

HR1 Human rights clauses contained in investment agreements	None
HR2 Analysis of Human Rights in contractors	21
HR3 Investment and procurement practices	19
HR4 Incidents of discrimination and measures adopted	None
HR5 Freedom of association and collective bargaining agreements	33, 63, 73
HR6 Child labor	None
HR7 Forced labor	None
HR8 Safety practices	Not reported
HR9 Rights of indigenous peoples	None
HR10 Percentage of operations evaluated for Human Rights	None
HR11 Number of Human Rights complaints	None

(1) Base salaries are the same for all workers, no matter their gender. Differences relate to performance, level of experience and responsibility and training. There are not enough women in exactly the same positions of men to make a statistically valid comparison.

(2) This indicator is being developed in 2013 in alignment with the new Land Use Policy. See pg. 43.

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SO9 Operations with an impact on the community	None
SO10 Prevention and mitigation measures	None

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Sustainability Report 2012

Direction

External Affairs Management, Antofagasta Minerals

Contents

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Design

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The paper used to print this report was made from sustainably managed forests.

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