

Energía Austral Project Xstrata Copper

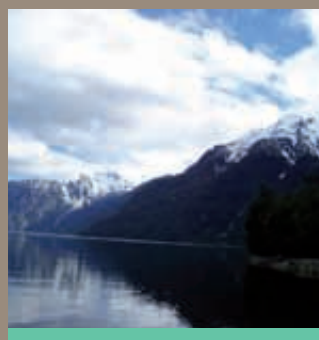
Sustainability Report 2007



Scope of report

The following report describes the Health, Safety, Environment and Community (HSEC) performance of the Energía Austral Project during the period encompassed between January 1 and December 31, 2007. It can be found on-line at <http://www.xstrata.com/corporate/commodities/copper/publications>.

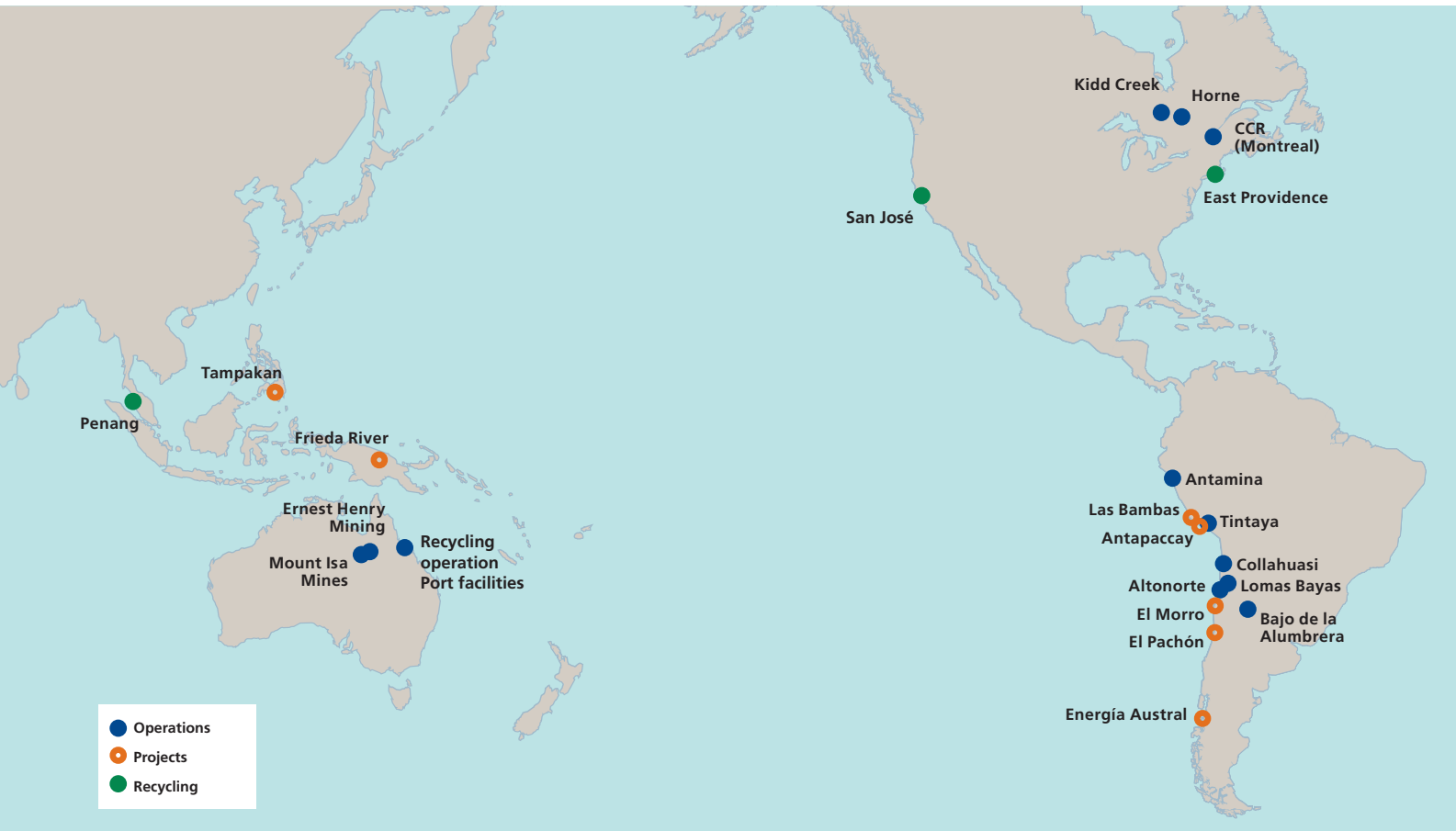
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Xstrata Copper at a glance

Xstrata is a global diversified mining group with a meaningful position in seven major international commodities markets. Its copper commodity business unit, Xstrata Copper, runs operations and projects in eight countries: Australia, Argentina, Chile, Peru, Canada, United States, Philippines and Papua New Guinea.



About Xstrata Plc

Xstrata is a global diversified mining group, listed on the London and Swiss Stock Exchanges, with its headquarters in Zug, Switzerland. Xstrata's businesses maintain a meaningful position in seven major international commodity markets: copper, coking coal, thermal coal, ferrochrome, nickel, vanadium and zinc, with additional exposures to platinum group metals, gold, cobalt, lead and silver, recycling facilities and a suite of global technology products, many of which are industry leaders. The Group's operations and projects span 18 countries: Argentina, Australia, Brazil, Canada, Chile, Colombia, the Dominican Republic, Germany, New Caledonia, Norway, Papua New Guinea, Peru, the Philippines, South Africa, Spain, Tanzania, the USA and the UK. Xstrata employs approximately 56,000 people, including contractors.

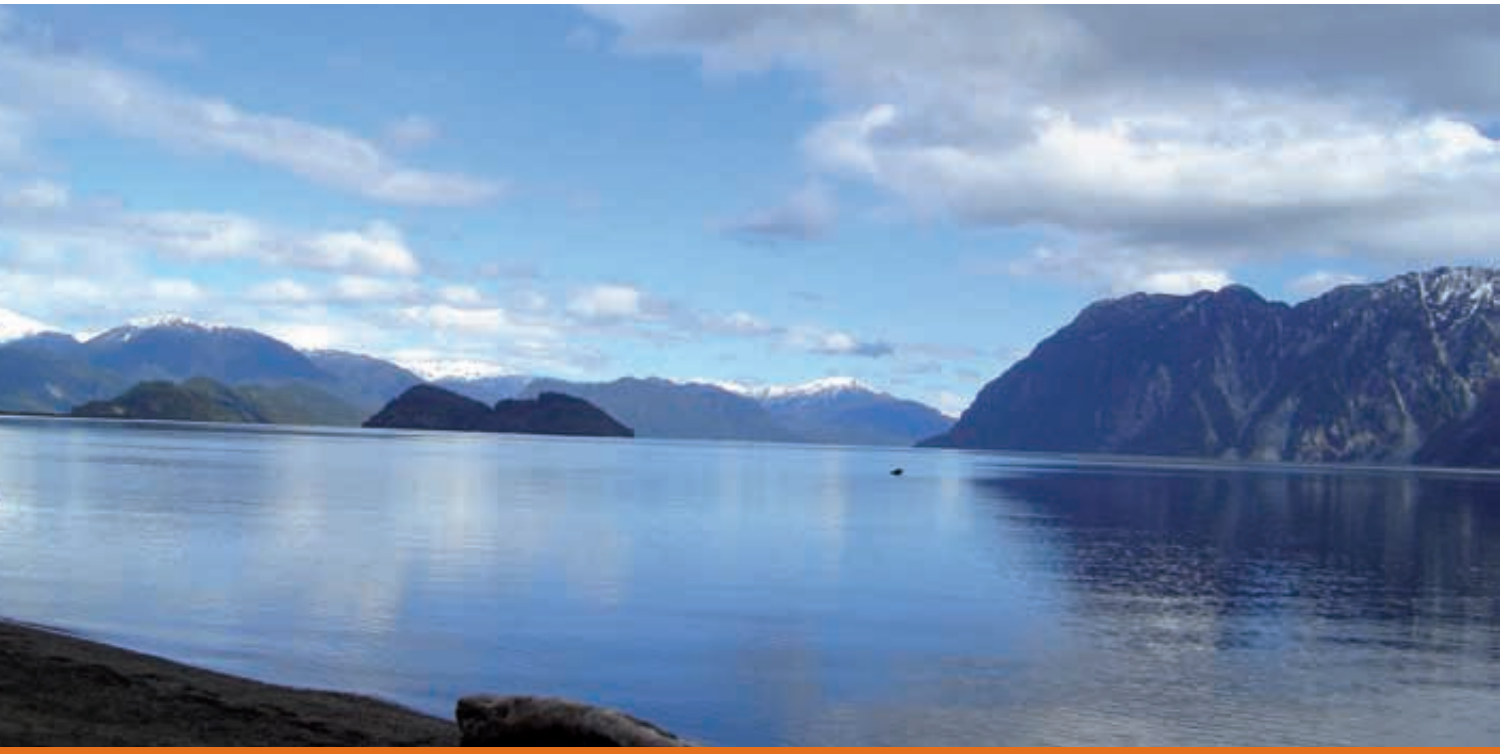
About Xstrata Copper

Headquartered in Brisbane, Xstrata Copper is one of the commodity business units within the major global diversified mining group Xstrata plc. Its operations and projects span eight countries: Australia, Argentina, Chile, Peru, Canada, the USA, the Philippines and Papua New Guinea. Its operations are administered by five separate divisions, based close to the mining operations, namely the North Queensland, Alumbrera, North Chile, Southern Peru and Canada divisions. It also has a recycling business (Xstrata Recycling) with plants in the United States and offices in Canada and Asia.

Xstrata Copper is the fourth largest global copper producer with annual attributable production capacity of over one million tonnes.

Energía Austral Project

The Energía Austral Project consists of the design, construction and operation of three hydroelectric power plants, with a total generation capacity of more than 1,000 MW.



Energía Austral is an electricity generation project, located in the Aysén District, Region of Aysén in the far south of Chile, that is being evaluated by Xstrata Copper.

The project, which would require an estimated total investment of US\$1.1 billion, includes technical studies into the design, construction and operation of three hydroelectric power plants: Río Cuervo, with generating capacity of 600 MW; Río Blanco, 360 MW and Lago Condor with 54 MW. The first step considered is the design,

construction and commissioning of the Río Cuervo power plant, which is targeted to begin operations in 2014. As of December 2007, Energía Austral personnel amounted to 28 people (including employees and contractors).

Energía Austral owns most of the lands and water rights required to develop the Project.

Location



View of Puerto Aysén.

Message from the Executive General Manager Project Development Division

The role of the Project Development Division is to contribute to Xstrata Copper's future growth by carrying out the necessary studies to advance the responsible development of new mines.



It is my pleasure to present the sustainability reports for 2007 for the projects that comprise Xstrata Copper's Project Development Division. These reports showcase our commitment to sustainable development in our project portfolio. We believe that these reports provide a vital source of information for our stakeholders about our achievements and challenges in the areas of health, safety, environment and communities (HSEC) from the earliest stage of project evaluation, long before projects become mining operations.

Xstrata Copper is today the world's fourth largest copper producer with annual production capacity of more than one million tonnes. The role of the Project Development Division is to contribute to Xstrata Copper's future growth by carrying out the necessary studies to advance the responsible development of new mines. In 2007, our project portfolio included:

- El Pachón, Argentina
- El Morro, Chile
- Frieda River, Papua New Guinea
- Tampakan, Philippines
- Las Bambas, Peru
- Energía Austral, Chile

We believe that our development strategy is achieving the results we strive for. Today, our growing understanding of our projects allows us to improve them, making them more viable within a framework of respect for the environment, the rights and traditions of our communities and the health and safety of our workers.

During 2007, we made significant progress in developing our projects. For example, Las Bambas and Frieda River completed scoping studies and are scheduled to enter the pre-feasibility stage in 2008. At Tampakan and El Pachón, pre-feasibility studies were advanced while a feasibility study was completed at El Morro. As such, we are moving closer to being able to take decisions on the future of each of these projects.

This process naturally brings with it challenges and difficulties that are particular to the situations and geographical settings in which we operate around the world. The vast range of socio-political, economic, historic, cultural and environmental factors that are present at each site demands a serious commitment from us to integrate, interact and involve ourselves with the communities among whom we work. This requires us to be flexible, to foresee changes and to adapt rapidly to them.

Against this background of change, 2007 saw three events of major significance for the Project Development Division and Xstrata Copper as a whole. In March, Xstrata Copper took control of a 62.5% stake in the Tampakan copper-gold project in the Philippines, which has become a project of strategic importance to the company's future growth. In August, the Energía Austral hydroelectric project became the first non-mining project to join the division's pipeline. Located in southern Chile, we believe that Energía Austral could make a responsible contribution to the country's energy needs, given the growth in energy demand forecast by the authorities for the coming years. Finally in December, the Las Bambas project, located in southern Peru, was transferred to the recently created Xstrata Copper Southern Peru Division, due to the significant synergies that can be made with the Tintaya mine and Antapaccay project in the same region.

One of our most important achievements during 2007 was the consolidation of community relations strategies at each of our projects. Today each project organisation includes a team dedicated to strengthening and deepening relations with the community and stakeholders in general, an aim that has



been achieved thanks to the huge amount of information collected through social baseline studies and consultation with the communities in question. Our aim is to establish, through frank and transparent communication from the earliest stage of the project, genuine alliances with our stakeholders to facilitate sustainable development.

In Health and Safety, during 2007, our Total Recordable Injury Frequency Rate (TRIFR) averaged 5.2 across all our projects. Our challenge in 2008 is to improve substantially on this figure as we strive to protect the safety of our workers and contractors.

Finally, reflecting the company's commitment to the environment, we are very aware of the importance that our communities place on issues such as water resources, global warming and the need to produce clean energy. While our projects do not generate a significant impact on their surroundings given they are at the early stages of study and evaluation, we are committed to establishing and implementing plans and programmes to preserve bio-diversity, use energy and water efficiently and reduce greenhouse gas emissions.

We believe that these reports provide a vital source of information for our stakeholders about our achievements and challenges in the areas of health, safety, environment and communities (HSEC) from the earliest stage of project evaluation, long before projects become mining operations.

This report has been developed following the G3 guidelines of the Global Reporting Initiative (GRI), in line with Xstrata plc's membership of the International Council on Mining and Metals (ICMM). I hope that this 2007 Sustainability Report for the Energia Austral Project will help to improve the mutual understanding between the project and its stakeholders.

Peter Forrestal
Executive General Manager
Project Development Division
Xstrata Copper

Message from Project General Manager

We strongly believe in the importance of transparency, in applying the highest international standards in terms of providing information about our project, and taking the views of the local community into consideration when making decisions.



At a moment when the availability of energy required for development is a global issue, Chile is also faced with this challenge. Today, the total capacity of the country's power matrix is about 12,000 MW and demand is expected to double by 2020. In addition, 72% of energy resources that make up the primary matrix, such as natural gas, oil and coal, are imported, and there is uncertainty as regards its supply. Within this framework, we believe that a new project that can guarantee a power supply to the interconnected national grid is of great value to the country.

In the case of the Energía Austral project, we are developing an initiative that would supply an additional 1,000 MW through the construction of three hydroelectric power plants by making use of the steady hydrological conditions in the region and a transmission line. In order to achieve this, the first power plant that would be put into operation is Río Cuervo, then Río Blanco and finally, Lago Cóndor.

2007 brought with it an important challenge for Xstrata Copper. Following the rejection of the Environmental Impact Study (EIS) for the Río Cuervo power plant by the environmental authorities, the company rethought the entire project, carrying out changes to the project's developmental strategy as well as its organisational structure.

With a new team at the helm as of August 2007, we spent two months conducting a diagnosis of the project's different areas: environment, community, engineering, etc. The Energía Austral team then established the direction in which we wanted the project to head and we designed an action plan for the following years with responsible parties and tangible goals. As a result of the teamwork, Xstrata Copper approved a budget of US\$54 million for 2008. These resources will allow us to conduct environmental, engineering and community intervention studies, among others.

The first decision was to assign a single company to coordinate all the environmental and baseline studies for the purposes of preparing Environmental Impact Studies for the power plants. More than 30 consulting firms are associated with the project in different areas: volcanology, seismology, flora & fauna, terrestrial and aquatic, hydrology, pluviometry, drillings etc. Another measure taken was to widen the baseline study for the Lago Condor and Río Blanco Power Plants, making use of their existing synergies to speed up their environmental impact assessment process.

We are convinced that all the activities related to this project will be of benefit for the country as well as for the community of Aysén. First, because we are considering all the environmental and social aspects over which the power plants could have an impact; second, because providing more electric power, means better development possibilities for the region; and third, because we will establish a respectful relationship with the local community, considering their requirements and needs.

And finally, the construction of an access road to the Río Cuervo Power Plant could result in an extraordinary tourism opportunity for the Aysén Region, as today the area between Lake Meullín and Lake Yulton is practically unknown, even to the local population, although it is only 45 kilometres from the city of Puerto Aysén. On this note, we have begun an analysis to develop a private and protected wildlife park.

We believe that our Project will be able to provide these and many other benefits for the area. At the same time, we understand that to establish a relationship with the local communities, we must learn about their concerns and perceptions regarding the Project. For this reason, one of the first measures to strengthen ties with our neighbours was to open offices in Aysén and Coyhaique and for Energía Austral to take part in various public meetings and to be proactive in communications on a local and national basis.

We strongly believe in the importance of transparency, in applying the highest international standards in terms of providing information about our project, and taking the views of the local communities into consideration when making decisions. Today we are releasing our first Sustainability Report that describes our economic, environmental and social performance for 2007. With this document, not only do we want to share what has been achieved throughout this period, but also we would like to begin a process of mutual understanding. Your response to this report will allow us to understand your concerns and to produce a better report next year that is more closely linked with your expectations.

I invite you then to learn more about the Energía Austral Project, a sustainable project for Aysén and the country.

A handwritten signature in black ink, appearing to read 'AQ', written over a white background.

Alberto Quiñones
General Manager
Energía Austral Project

Our approach to sustainable development

We aspire to build harmonious relationships with our neighbours, minimise risk and create benefits that favour our organisation as well as our stakeholders. To this end, we are working together with the various stakeholders affected by our business activities.

Xstrata Copper's Definition of Purpose

We will maximise value for shareholders by successfully growing and managing an industry-leading portfolio of copper assets that deliver superior returns.

We will achieve this in a safe, environmentally and socially responsible way, in open partnerships between our people and with communities, governments and other stakeholders.

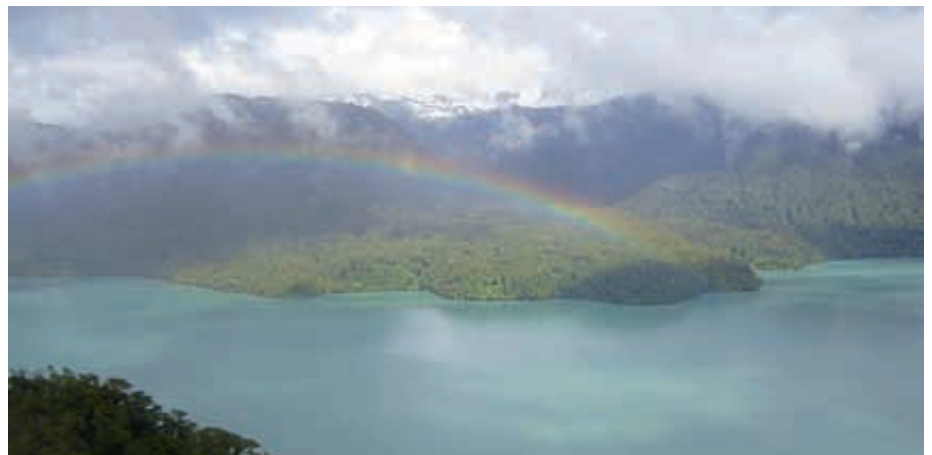
Our strategic objectives

- Injury-free, safe work environments.
- Recognised leadership in environmental performance.
- Reputation for social responsibility.
- Realisation of the full potential of our people.
- Achievement of the full capacity of our physical assets.
- Cost competitiveness through the cycles.
- Value creation through dynamic growth and continuous improvement.
- Effective implementation of common key systems and strategies.

Our values

Our decisions and actions will demonstrate the following values:

- Honesty
- Dependability
- Respect
- Confidence
- Ingenuity
- Courage
- Passion



Overview Xstrata Copper's approach to sustainable development

Xstrata Copper invests for the long-term in mining and processing operations and projects that provide the basic materials for social and economic development. Although the lifespan of our activities is finite, we aim to invest in skills, social development and economic benefits that outlive these activities in any particular region.

We aspire to the highest standards of business conduct, set out in Xstrata's Statement of Business Principles to protect and enhance our corporate reputation and ensure ongoing access to the resources.

We aim to create value for our stakeholders and contribute to a sustainable environment through investments in our businesses to improve their performance efficiency, to ensure the efficient use of resources such as water and energy and to maintain safe and healthy workplaces.

To ensure harmonious relationships with our stakeholders, minimise risk and secure an ongoing licence to operate we aim to create mutual benefits for stakeholders, working in partnership with the various parties who have an interest in or are affected by our business.

During 2007 Xstrata Copper revised its approach to Sustainable Development. Our new approach is aligned with the International Council on Mining and Metals' (ICMM) Sustainable Development Principles¹. It encompasses a systematic approach of setting targets, monitoring performance and reporting (both internally and publicly) against our targets in each of the key sustainability areas. This is consistent with how we were already operating across most of our businesses.

We are confident these new sustainability strategies will allow us to more effectively implement our Strategic Objectives and demonstrate commitment to our Values, while operating our business in a way that is consistent with our Definition of Purpose.

¹ www.icmm.com/icmm_principles.php



The Global Reporting Initiative (GRI)

This report has been prepared in accordance with the Global Reporting Initiative's (GRI²) Sustainability Reporting G3 Guidelines. As the world's most widely used sustainability reporting framework, these guidelines set out the principles and indicators for organisations to measure and report their economic, environmental, and social performance.

In line with Xstrata's sustainability reporting, Xstrata Copper is using the G3 Guidelines to enable readers of our sustainability reports to benchmark our HSEC performance with respect to laws, norms, codes, performance standards and voluntary initiatives; and to compare our HSEC performance over time.

A GRI index detailing how Xstrata Copper has addressed the G3 Guidelines within this report can be found at page 28 of this report.

² www.globalreporting.org
³ www.minerals.org.au/endingvalue
⁴ www.eitransparency.org
⁵ www.kirtera.org
⁶ www.globalcompact.com
⁷ www.ecgi.org
⁸ www.aia.cl

Quality assurance

The numerical data in this report has been verified both within the Xstrata Copper commodity business and the Xstrata Group. The data management and reporting systems in place for the collation and aggregation of data are subject to an annual assurance by an independent verifier.

Much of the qualitative, text-based data in this report was gathered via an Xstrata-wide sustainability survey. This data is reviewed by an independent external verifier as part of Xstrata's Corporate HSEC Assurance Programme.

Additionally for the preparation of the first Sustainability Report for Energia Austral, we received the support of an external consulting firm specialised in the GRI-G3 guidelines. We hope that this will help us guarantee the principles of materiality, balance and clarity.

Voluntary agreements

Xstrata has signed international agreements and covenants regarding transparency, business ethics and human rights protection, among others. All Xstrata business units around the world comply with the following agreements:

- International Council on Mining and Metals (ICMM).
- Enduring Value of Minerals Council of Australia³.
- The Extractive Industries Transparency Initiative (EITI)⁴.
- Global Reporting Initiative (GRI).
- Global Business Coalition on AIDS (GBC)⁵.
- United Nations Global Compact⁶.
- The Combined Code of the United Kingdom⁷.

Memberships

Xstrata Copper is an active member of the relevant business associations in Chile related to its line of business.

- The Industrial Association of Antofagasta⁸.
- The Regional Mining Security Council (CORESEMIN)⁹.
- The National Society of Mining (SONAMI)¹⁰.
- The Mining Council¹¹.
- International Copper Association (ICA)¹².
- The Chilean-Argentine Chamber of Commerce¹³.

⁹ www.consejonacionaldeseguridaddechile.cl
¹⁰ www.sonami.cl
¹¹ www.consejominero.cl
¹² www.copperinfo.org
¹³ www.camarco.cl
¹⁴ www.chile-canada-chamber.cl
¹⁵ www.amchamchile.cl



Aguas Muertas, Aysén.

- New Mining (think-tank).
- The Chilean-Canadian Chamber of Commerce¹⁴.
- The Chilean-North American Chamber of Commerce (Amcham)¹⁵.
- The Chilean-British Chamber of Commerce¹⁶.
- The Chilean-Australian Chamber of Commerce¹⁷.
- Corporation for the Development of the Atacama Region (Corproa)¹⁸.
- The Chilean - Swiss Chamber of Commerce¹⁹.
- AcciónRSE²⁰.

Precautionary approach

Xstrata Copper takes a precautionary approach to the environmental management of its global activities. We, therefore, use a comprehensive risk-based approach to manage the potential detrimental impacts of our activities. This approach means that even in the absence of evidence that environmental degradation is occurring or will occur, we take action to mitigate the possibility that it will.

¹⁶ www.britcham.cl
¹⁷ www.auscham.cl
¹⁸ www.corproa.cl
¹⁹ www.swisschile.cl
²⁰ www.accionrse.cl

Targets and scorecard

Safety & Health	Targets 2007	Performance 2007	Targets 2008
	Zero accidents with loss of human life.	✔ Achieved: Zero accidents with loss of human life.	Safety Zero accidents with loss of human life.
			Lost Time Injuries (LTI) less or equal to 1.0.
			Lost Time Injury Frequency Rate (LTIFR) less or equal to 5.2.
			Total Recordable Injury Frequency Rate (TRIFR), less or equal to 11.
			Health Zero new occupational illnesses.

Social Performance	Targets 2007	Performance 2007	Targets 2008
	Hold at least three community meetings aimed at reporting the progress of the Project and answering questions.	➔ 66% achieved: Two community meetings were held, and a third meeting is pending.	Define four Corporate Social Involvement projects with the local community.
	Opening of corporate offices for Energia Austral in Aysén and Coyhaique to serve and provide information to the community.	✔ Achieved: Coyhaique office opened in November. ✔ Achieved: Aysén office opened in December.	Hold four informative meetings with relevant institutional and community stakeholders in the Project's area of influence.
	Positioning of the Project in the Puerto Aysén social media network by way of talkback radio programmes at least twice a month.	✔ Achieved: The Project has participated in at least five radio programmes in the Puerto Aysén social media network in order to report on Project progress and address the concerns of the community.	Implement systematic dialogue processes with stakeholders.
	Hold a press conference in Puerto Aysén to re-launch the Energia Austral Project.	✔ Achieved: The Project was re-launched in September. All members of the press attended with coverage in all the areas of influence (Aysén and Coyhaique).	

Environmental Performance	Targets 2007	Performance 2007	Targets 2008
	No category 3, 4 or 5 environmental incidents.	✔ Achieved: No category 3, 4 or 5 environmental incidents were recorded.	No environmental fines or penalties.
			No category 3, 4 or 5 environmental incidents.
			Develop a solid waste management plan.
			Presentation of the new Environmental Impact Study for the Río Cuervo Power Plant.
			Develop a Biodiversity Conservation and Soil Use Plan.
			Develop environmental criteria for Project engineering.
			Install water flow rate and quality, and meteorological satellite transmission plants.

Governance & management systems

Energía Austral aims at developing its operations in line with the highest international standards, following the UN Universal Declaration of Human Rights and Xstrata plc's ethic principles.



Governance structure

Xstrata is committed to the highest standards of health, safety and environmental performance, community co-operation and to the principles of sustainable development. The Xstrata HSEC standards and policies were developed around the ICMM principles of sustainable development and global leading practice management systems.

Xstrata Copper operates within the structure of Xstrata's global policies and HSEC management standards. This approach is supplemented by Xstrata Copper's own common systems and policies in the areas of safety and health, environment, community, risk management, human resources and sustainable development.

Xstrata Copper's performance against our HSEC systems, policies and standards is monitored and evaluated by the Xstrata Copper HSEC Committee. The HSEC Committee meets monthly to review the HSEC performance and issues throughout

the Business Unit's operations and projects. Through the Xstrata Copper Board, the Business Unit's HSEC performance is reported to the Xstrata Executive Committee.

Human rights

Xstrata's Business Principles contain our endorsement of the principles set out in the UN Universal Declaration of Human Rights and the International Labour Organisation Conventions.

For Xstrata, the main areas of focus are protecting the rights of our employees and contractors to work for equal pay, to associate freely, to a safe and healthy work environment, to non-discrimination and fair treatment and to legal rights. We also support the rights of employees, community members and other stakeholders to be treated with dignity in a manner that respects cultural heritage, traditions and norms.

Child and forced labour

Xstrata's Business Principles uphold the elimination of all forms of forced or compulsory labour and stipulate that no form of child or forced labour will be tolerated. All Xstrata operations report the age of their youngest employee or contractor on an annual basis and are audited through the internal audit risk management programme.



Puerto Aysén, capital of the Aysén District.

Corruption

Xstrata's Business Principles state that we do not offer, solicit or accept any form of inducement or bribe. Xstrata's internal audit function, supported by KPMG, takes into account identified fraud and compliance risks associated with our key business activities, including the ethical performance expectations contained in our Statement of Business Principles.

In addition, Xstrata Copper's Fraud Policy explicitly states that the organisation will not tolerate any incidence of fraud committed by employees or others, either from within or outside the organisation and will take immediate and serious action against those persons committing a fraud, irrespective of length of service or position. It outlines the channels available for employees or others to safely and confidentially report fraud or other unethical behaviour that is contrary to the Xstrata Business Principles.

We value the contribution made by employees, and our policies and practices respect their personal dignity and rights.

Public policy participation & political contributions

Xstrata's Corporate Social Involvement Policy prohibits political contributions of any kind. Xstrata plays an active role in a number of significant international and national industry organizations and multi-stakeholder groups, through membership, funding, provision of expertise and participation in committees and working groups. Xstrata Copper plays a similar role in organisations that are copper-specific and those that are unique to geographical areas where Xstrata Copper is the only Xstrata commodity business in operation.

Key activities among Xstrata's global public policy participation commitments are our membership of the International Council on Mining and Metals (ICMM), and our support of the Extractive Industries Transparency Initiative (EITI).

Discrimination policy

As outlined in Xstrata's Business Principles, we value the contribution made by employees, and our policies and practices respect their personal dignity and rights. We do not tolerate any form of workplace discrimination, harassment or physical assault.

Project overview and financial contribution

We believe that Energía Austral will be able to generate several benefits in its area of influence. At the same time, we know that to establish a healthy relationship with the local communities we must learn about their concerns and perceptions regarding the Project.

Energía Austral

Energía Austral falls within the portfolio of Xstrata Copper's Project Development Division. The Project considers the development of three hydroelectric power plants in the far south of Chile.

1. Río Cuervo Power Plant: Consists of a hydroelectric dam located in the jurisdiction of the Aysén municipality, approximately 45 kilometres northwest of Puerto Aysén. The Project includes the design, construction and operation of a hydroelectric dam that will raise the water levels of the Yulton and Meullín lakes, turning them into a 600 MW capacity dam. An investment of US\$616 million is estimated.

2. Río Blanco Power Plant: The Río Blanco Hydroelectric Power Plant is located in the jurisdiction of the Aysén municipality, approximately 30 kilometres southeast of Puerto Aysén. The Project, which would require an estimated investment of US\$376 million, includes the construction and operation of a dam with the capacity to generate 360 MW of electricity.

3. Lago Cóndor Power Plant: Consists in the construction and operation of a hydroelectric power plant with the capacity to generate 54 MW of electricity, located 15 kilometres southwest of the city of Puerto Chacabuco in the Aysén district. A total estimated investment of US\$64 million would be required for its operation.

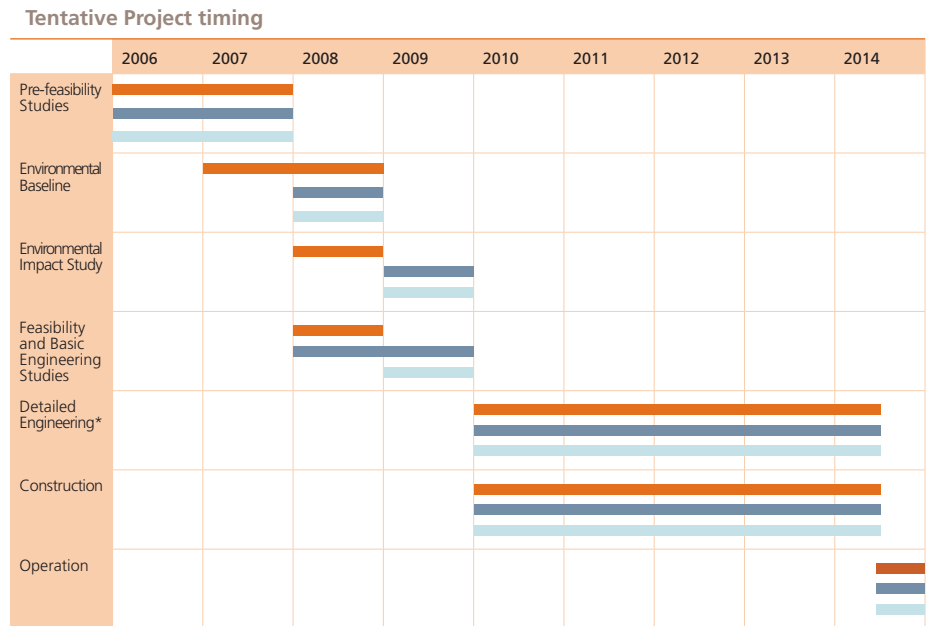


Yulton lake.

Project data		
Hydroelectric project	Installed capacity (MW)	Investment (in US\$ millions)
Río Cuervo	600	616
Río Blanco	360	376
Lago Cóndor	54	64
	1,014	1,056

*The figures contained in the above table are preliminary in nature and they may be subject to modification as studies progress.

In Chile there are four interconnected power grids. The Greater North Interconnected Grid (SING, according to its abbreviation in Spanish) which covers Arica and Antofagasta, providing 30% of the country's installed power capacity; the Central Interconnected Grid (SIC), which covers Taltal to Chiloe and provides 69.01%; the Aysén Grid which provides for the consumption of that region with 0.28%; and the Magallanes Grid which supplies the Austral region and makes up 0.54% of the country's installed capacity²¹.



■ Río Cuervo
■ Río Blanco
■ Lago Cónдор

* Detailed Engineering includes the confection of as built drawings.

Project history

The Energía Austral Project is based on what was known in the 1990s as the Alumysa Project being developed by Canadian mining company Noranda. When Noranda merged with Canadian Falconbridge, the new company considered using the land and water rights to develop a new hydroelectric power project, known as Energía Austral. In August 2006, Xstrata acquired Falconbridge and took over the administration of Energía Austral.

2007 brought about changes and opportunities for Energía Austral. In April, the National Environmental Commission (CONAMA) rejected the Río Cuervo Power Plant Environmental Impact Study submitted in January 2007 as it was considered to

lack sufficient information to evaluate this initiative. Following this, a thorough review of the Energía Austral project was undertaken, resulting in the start of a new Environmental Impact Study.

At the same time, in August 2007, it was decided to restructure the Energía Austral organisation, and incorporate it into Xstrata Copper's Project Development Division with the aim of aligning it with the common policies, procedures and systems that regulate all of Xstrata Copper's projects.

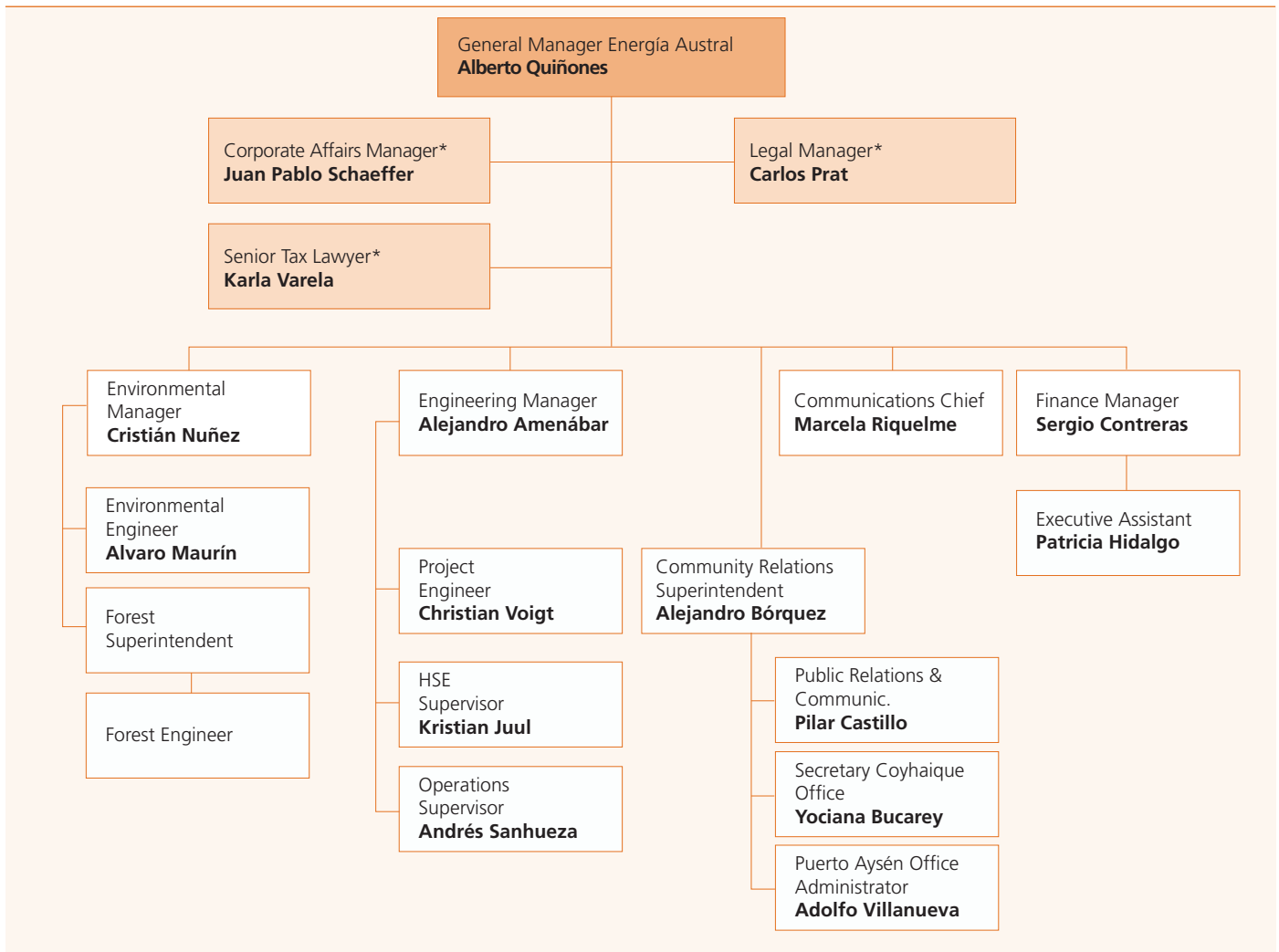
Subsequently, an administrative restructuring took place, which included the appointment of a new General Manager, a Community Relations Superintendent based in Coyhaique, an Engineering Manager and the identification

of legal, communications, finance and environmental staff.

This new team conducted an analysis of all the different areas to accurately ascertain the general status of the Project. With the results of this evaluation, the objectives for the following year were established in October 2007 and an action plan was designed for the Project development. At the same time, the preparation of a new Environmental Impact Study began along side the feasibility stage for the Río Cuervo Power Plant. To this end two environmental campaigns were conducted in this area.

²¹ Operation statistics, Centro de Despacho Económico de Carga (CDEC-SIC) 1997 - 2006.

Energía Austral organisational chart



*Corporate Positions.

In line with Xstrata Copper's Policy of Corporate Social Responsibility, Energía Austral will focus its 2008 Corporate Social Involvement Programme in the areas of Education, Health and Culture.



The environmental baseline studies registered 66 animal species in the Río Cuervo area.

Direct economic value generated

In 2007, Energía Austral spent US\$4.4 million in different areas. Half of this amount was dedicated to the payment of consultants. Likewise, 2.7% of the total cost by way of goods and services paid by Energía Austral during 2007 is related to purchases from local suppliers.

Regarding community support, the selection criteria for donations or contributions provided by Energía Austral are based on the Xstrata Corporate Social Involvement Policy, which sets forth the parameters to be considered donations. Among the parameters considered are whether the project is sustainable and responds to the requirements of the community, and its size and impact. Within this framework, the Project's community relations team defined initiatives related to health, culture and education for 2008. Consequently, a portfolio of projects has been designed that are yet to be approved by the communities.

2007 Expenses (in US\$)

Goods and services (1)	Water & energy	Annual patent	Donations and sponsorship	Wages (2)
3,386,636	2,223	52,625,83	35,288	906,260

(1) Includes the payment of third party services.

(2) Only includes gross salaries paid to company employees.

Total amount destined to donations or sponsorships (As of December 31, 2007)

Institution	Amount	
	Chilean Pesos	US\$
Municipality of Aysén	10,000,000	19,140
Clean Energy Seminar Sponsorship	1,500,000	2,870
Soccer Teams	292,000	559
Corporate Bags	252,770	484
Aysén Fire Department	3,592,000	6,875
Disabled Children's Care Centre	1,000,000	1,914
Ribera Sur School, Puerto Aysén	700,000	1,340
Puerto Aguirre Primary School	700,000	1,340
Christmas for the Senior Citizens of Aysén	400,000	766
TOTAL	\$18,436,770	US\$ 35,288

It is expected that in 2008, when work on the construction and improvement of the local access roads begins, indirect local hires on site will be much greater.



Infrastructure investment for public benefit

The main investment in infrastructure for public benefit will commence at the beginning of 2008, with the development of access roads to the hydroelectric power plants. The total amount to be invested in the access roads for the three power plants is approximately US\$28 million. During the first quarter of 2008, works are expected to begin on the 10 km of public access road to Río Cuervo with a total cost of US\$5 million. These 10 km are additional to the 15 km of existing roads.

For the construction of this segment, we have signed a collaboration agreement with the National Roads Directorate, according to which the State is to carry out all the administrative processes and the engineering of the works, while Energía Austral is to provide the funding.

It is estimated that the operation will have the following impacts:

- Increase in the value of the lands that did not have an access road before.
- Increase in the potential productivity of the land.
- Access to an area with special characteristics for tourism.
- Increase in vehicle traffic to the area where the project is to be carried out.
- Increase in local business activities.
- Permanent connectivity to the area and maintenance.

Employment and local suppliers

Consistent with the current stage of the Project, during 2007 the majority of contractors involved in the project corresponded to consultants from various specialist areas. It is expected that in 2008, when work on the construction and improvement of the local access roads begins, as agreed upon with the National Roads Directorate, indirect local hires on site will be much greater.

Percentage of local employees (Aysén) vs. non-local employees

	Local (%)	Other (employees from other regions or countries) %
Senior Management	0	100
Workforce	56	44
Contractors*	5.6	94.4

*Corresponds to environmental, social, seismology specialists etc.

Caring for our people

Our aim is to create a healthy and accident-free working environment. Zero harm is our goal. In line with this objective, Energía Austral did not register any accident with a loss of time during 2007.



Overview Xstrata Copper Health & Safety Policy

As outlined in Xstrata Copper's Safety and Health Policy, we strive to create and sustain injury-free, safe work environments for everybody in our workplaces. Zero harm is our goal. To achieve this we make our management accountable for safety performance, train our employees to improve their safety knowledge and skills and make them aware that they have a responsibility to themselves, their family and friends to work and behave safely.

We also ensure that every task undertaken in our workplace has a safe system of work identified and our people have tools and equipment that are fit for purpose and well maintained to complete tasks safely and productively. Furthermore, our regular health-screening programmes monitor our employees' health, well-being and fitness for work.

Xstrata Copper uses a risk-management system to identify, assess and eliminate or control safety risk. When an unsafe condition is identified or when a safety incident occurs it is investigated immediately and action is taken to eliminate the risks involved. Safety auditing occurs regularly across our business to improve safety standards and practices and our safety performance, safety initiatives and issues are regularly communicated to all of our people.

Safety performance

Ensuring the health and safety of our employees is fundamental for the Energía Austral Project. In order to do so, our aim is to create a healthy and accident-free working environment. The Project did not register any accident with a loss of time during 2007.

2007 was marked by the adoption of the high safety standards required by Xstrata Copper.

Additionally, the Environmental Impact Study was rejected and subsequently, the Project underwent restructuring. Therefore, most duties corresponded to deskwork, which reduced the risk of accidents.

However, for the two environmental monitoring surveys carried out during the report period (one in summer and the other in the winter of the southern hemisphere) specific safety induction training was carried out for all the participants involved, mainly focusing on what to do in case of emergency and particularly, in case of an in-flight emergency, as access to the site is made by helicopter. For the winter campaign, the services of an occupational safety and health official and a paramedic were also contracted.

During the period, a total of 25,026 labour hours were carried out, recording only one incident with medical treatment that occurred when a contractor who was carrying out an inventory for the Forestry Management Plan



The project conducts specific inductions on safety for all workers.

cut one of his fingers. He was immediately taken to hospital and received two stitches. At the end of 2007, an occupational safety and health official was contracted as part of the development of a Crisis Management and Emergency Plan that focuses on power companies, as, due to the characteristics of this project, some activities that had been previously standardised for copper mining activities had to be rethought. The document was approved in January 2008 and implemented.

Occupational health

Regarding occupational health, our greatest concern is the contagion risk of the Hanta virus spread by the long-tailed mouse, highly present in the area of the Energia Austral project. The following precautions are taken upon arrival at the camp in order to prevent contagion: ventilate the site, clean with chlorine and store food in sealed containers. Thanks to these precautions, there was no contagion of the Hanta virus recorded during the period. Additionally, no new occupational illnesses were recorded.

As of 2008, as part of the summer campaign, pre-occupational check-ups will be made of Xstrata employees and contractors by a competent organisation, and all contractors will be required to submit the results of this exam before activities begin.

Employment

In December 2007 there was a total 28 people (including Xstrata employees and contractors) working on the Energia Austral Project, which is the maximum number of workers linked to the Project over the year. This figure is higher than the rest of the year as a result of the organisational restructuring carried out during the second semester and which resulted into an increase from 3 to 11 Xstrata employees. As to the type of contract, ten of these are on indefinite contracts and one has a fixed term contract.

Monthly Project headcount

Month	Number of workers		Total
	Energia Austral	Contractors	
January	3	16	19
February	3	16	19
March	3	16	19
April	3	16	19
May	3	16	19
June	3	16	19
July	4	16	20
August	5	16	21
September	6	16	22
October	6	16	22
November	8	18	26
December	11	17	28

2007 Safety indicators

Indicator	Number	Lost days
Disabling Injuries (Lost Time Injuries plus Restricted Work Injuries - DI)	0	0
Lost Time Injuries (LTI)	0	0
Restricted Work Injuries	0	0
Medical Treatment Injuries	1	0
High Potential Risk Incidents	0	0
Xstrata employees exposure time		8,856
Contractors exposure time		16,170
Hours worked in the period		25,026
Total Recordable Injury Frequency Rate (TRIFR)		0
Disabling Injury Frequency Rate (DIFR)		0
Disabling Injury Severity Rate (DISR)		0

*All safety indicators include contractors.

(1) Total Recordable Injury Frequency Rate (TRIFR): (lost time injuries + restricted work injuries + medical treatment injuries) x 1,000,000 / hours worked in the period.

(2) Disabling Injury Frequency Rate (DIFR): disabling injuries x 1,000,000 / hours worked in the period.

(3) Disabling Injury Severity Rate (DISR): (Lost Days + Restricted Work) x 1,000,000 / hours worked in the period.

We employ people based on the skills and experience required for each particular position, without discrimination according to gender, race, age, sexual orientation, religion, nationality or any other factor.



Average number of training hours per employee

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Monthly training hours	0	0	0	0	16	0	12	0	51	0	16	0
Total training hours	0	0	0	0	16	16	28	28	79	79	95	95
Total workers	3	3	3	3	3	3	4	5	6	6	8	11
Monthly per capita training	0.00	0.00	0.00	0.00	5.33	0.00	3.00	0.00	8.50	0.00	2.00	0.00
Total per capita training	0.00	0.00	0.00	0.00	5.33	5.33	8.33	8.33	16.83	16.83	18.83	18.83
Average per capita training	8.22											

Overview Xstrata plc Diversity, Equal Opportunity approach

Xstrata seeks to employ a diverse workforce, to benefit from a varied range of skills, backgrounds and perspectives. We employ people based on the skills and experience required for each particular position, without discrimination according to gender, race, age, sexual orientation, religion, nationality or any other factor. 73% of the employees that make up the headcount of Energía Austral are men and 27% are women.

Workforce, breakdown by gender

	Number	%
Men	8	73
Women	3	27
Total	11	100

Employee training

Each Energía Austral direct employee received an average of 8.22 hours training per month during 2007, which corresponds to an investment of US\$1,770. Of the total number of training hours, 52 corresponded to courses for supervisors, administrative personnel and technicians, and 43 for the management.

An important achievement in this area was the training in the first two modules of the Xstrata Copper Leadership Development Program (LDP) for supervisors, which aim to develop efficient team leadership skills in order to achieve strategic objectives aligned to the leadership style promoted by the company.

The LDP was conducted by specially chosen trainers from within the company. These employees are specially trained on the management and use of the leadership program tools that are to be delivered to the rest of the supervisor team in the four modules that make up the programme.

Likewise, all workers are subject to a Performance Assessment process that assesses the accomplishment of annual goals and expected behaviours in accordance with each position. The Xstrata Copper Performance Assessment Process was applied to Energía Austral for the first time in 2007.

Xstrata Copper Safety and Health Policy

The ultimate safety objective within the Xstrata Copper Business Unit is to create and sustain injury free, healthy work environments for everybody in our workplaces. Zero harm is our goal.

We apply the following principles as we strive to prevent injuries and achieve excellence in our safety performance:

1. Management has leadership accountability for safety, is committed to establishing a safe work environment and will consistently demonstrate an expected standard of safety in the workplace;
2. Working safely is a condition of employment. Every person has the right and the obligation to improve their safety knowledge and skills, and also has a responsibility to those around them, to themselves and to their families to work and behave safely;
3. A formal risk management system is established and maintained to eliminate or effectively control significant safety risks within each business. This system includes the use of Fault Trees, Control Tables with individual accountabilities and current Risk Registers;
4. Appropriate risk management tools are used to identify, assess and control risks in every work situation and where changes to equipment or processes have occurred, regardless of time constraints and production pressures;
5. Safe work procedures are developed and strictly applied to effectively control risks in tasks that have been identified as carrying significant risks;
6. The identification of an unsafe condition or the occurrence of a safety incident requires immediate investigation and actions by the people involved and by management;
7. Safety auditing is used to continually improve safety standards and practices, and is regularly undertaken by line management and other employees through observations, inspections and document reviews;
8. The implementation by management of a structured programme of safety and health training and education is an essential component of our safety systems;
9. A programme of regular health screenings for all our people is essential to monitor their health and well-being and to ensure fitness for work;
10. The safety performance of individuals and work teams within each business is continually measured and communicated. Frequent, structured communications on safety issues and initiatives, with the active involvement of all people, are essential.

Caring for our environment

Energía Austral takes into consideration all relevant issues to evaluate its impact on the environment, account for the impacts and commit to adequate mitigation, compensation and repair measures.



Overview Xstrata Copper environment policy, standards

In line with Xstrata Copper's Environment Policy, we are committed to achieving the highest standards of environmental performance. The Environmental Management Systems in place at each of our sites and operations are aligned with Xstrata's Business Principles and Management Standards and we routinely assess our performance against these systems and standards.

Xstrata Copper strives for industry leadership in environmental performance and our operations and projects are required to meet and, where practicable, exceed relevant laws, regulations and standards. They must also manage environmental risks, work with local stakeholders, set targets for continuous improvement and report the results.

In all parts of our business we limit our environmental impacts by the efficient use of natural resources, by limiting or preventing pollution and by reducing waste. We manage biodiversity-related risks and seek to avoid, minimise or mitigate any negative affects on biodiversity caused by our operations.

When environmental incidents do occur we determine the cause and take steps to prevent recurrence. Xstrata Copper also plans, operates and closes operations in a way that enhances sustainable development.

Project perspective regarding environmental management

Energía Austral is committed to the responsible development of its projects at technical, social and environmental levels by following the internal guidelines and management standards regarding Xstrata Copper Health, Safety, Environment and Community, the internal guidelines of the International Financial Corporation (IFC), the International Council on Mining & Metals (ICMM) and the United Nations Global Pact as well as the legal requirements of the country.

Following the rejection of the Environmental Impact Study for the Río Cuervo Power Plant by the environmental authorities, Energía Austral undertook an organisational restructuring and a multi-disciplined working team was established. The organisation chart (see page 14) shows the structure of the Project from August 2007. This new team is led directly by Energía Austral, while the management of baseline studies is headed by a consulting firm. Most studies, such as seismology, volcanology, hydrogeology and hydrodynamics, are being carried out by University of Chile.

The Project takes into consideration all relevant issues to evaluate its impact on the environment, account for the impacts and commit to adequate mitigation, compensation and repair measures. To this aim, all the areas of study of environmental components were reviewed, a new structure of high level specialists was defined to conduct baseline studies, and opportunities to improve the engineering design are being sought.

The new Environmental Impact Study will address all environmental components (physical, biological, human environment and infrastructure) and provide a comprehensive baseline for understanding the area to be affected by the Project.

These new studies aim at improving the information of the surrounding habitat that may be affected in some way by the Project, with the objective of being able to adequately quantify each impact and take actions ensuring the Project has taken care thereof.



The Project also offers an efficient alternative as to CO₂ emissions in comparison to other power generation projects that use petroleum or carbon.

The main objectives for 2008 are to submit the new Río Cuervo Environmental Impact Study, to develop the baseline studies for the Río Blanco and Lago Cóndor Power Plants and to implement an Environmental Management System for Energía Austral.

Biodiversity

Considering that the first project to be carried out is the Río Cuervo Power Plant, the environmental work in 2007 was focused on the areas where these facilities will be located. A summer (January) and winter (June-July) environmental monitoring programme was carried out by consultants specialising in limnology and flora and fauna. This task addresses the quality of the water and limnology (phytobenthos – zoobentos and phytoplankton – zooplankton) for the Río Cuervo and Blanco projects. A study of the Aysén Fjord marine environment as regards water quality and the biological communities (rocky intertidal epibiota, fish and plankton communities) in the area of outflow of the Río Cuervo was also considered.

The area of study for the Río Cuervo Power Plant covers a total surface area of 90,000 hectares, which represents an increase of 40,000 hectares compared to the area included in the first Environmental Impact Study submitted in January 2007. The two sampling campaigns carried out over the year made it possible to identify the main species of flora and fauna present in the territory. Environmental monitoring for the Río Blanco Power Plant began in 2007.

Land related to Energía Austral (in hectares)

Number of Concessions	173
Useful area	42,600 ha
Total surface land	42,600 ha

Landscape

The area under study for the Río Cuervo Power Plant is located in a mountainous area. It is characterised by the presence of dense temperate forests that cover the sides of the valleys, and by water basins, which include two important lakes: Lake Yulton and Lake Meullin, as well as the Cay and Maca Volcanoes and the Cuervo, Marta and Tabo rivers.

Hydrology

The Project's area of influence includes the Cuervo River, the water bodies located below the proposed level of flooding and the sub catchments of Lake Yulton, Maca River and Lake Meullin. The Cuervo River has a system of torrential runoffs in the majority of its extent and, as a consequence, a strong current due to the slope of the area through which it flows. Water basin levels are fairly consistent throughout the year, with a slight drop during March and September.

Weather

The weather is fairly cold with an average annual rainfall of 2,961 mm, with a peak intensity between May and August. Thermal regime is moderate due to the influence of the ocean, fluctuating between 4.0 and 13.5 °C. In general, local weather is considered stable throughout the year in terms of rainfall, humidity and wind.

Flora

During the two environmental monitoring work programmes carried out during 2007, no species of flora were found to be at risk as a result of the potential construction of the Río Cuervo Power Plant.

The flora present in the Project area is made up of four different types of vegetation: forest, woody scrubland, grassy scrubland and wet meadows. The forest consists mainly of Magallanes and Chiloé Coihue, as well as Tepa. At higher altitudes and steeper slopes, woody scrubland of lower height and less density made up of Lenga and Ñirre can be found. In areas where soils have poor drainage and which are flooded for the greater part of the year, the vegetation is a mixture of forest, woody and grassy scrubland containing mainly Ñirre, Canelo and Cypress of the Guaitecas. In areas containing water bodies, tree coverage disappears giving way to wet meadows containing species of Juncaceae and Cyperaceae, among others.

Fauna

The environmental baseline studies conducted during the summer and winter campaigns of 2007 revealed the existence of 66 species, made up of eight different species of amphibians, 44 birds and 14 mammals. This study found 58 species living in the area of study that are included in the Red List of the The International Union for the Conservation of Nature and Natural Resources (IUCN)²². As to marine environment, three species of fish were detected, one of which is included in the IUCN Red List.

In reference to terrestrial fauna, the studies carried out register the presence of several different species of vertebrates, including birds, mammals and amphibians. The birdlife is the largest represented fauna, with the Passeriformes being the most abundant²³. Other important categories are the Falconiformes and Anseriformes of the Anatidae family. Of note from the species of mammals recorded, is the abundance of Mink. The presence of wild domestic hoofed animal, such as cows and horses was also recorded. The only native hoofed animal recorded was the Pudu. Of the existing rodent species, the most abundant during the year are the olive mouse and the long-haired mouse. The long-tailed mouse is only abundant during the winter and is responsible for the transmission of the Hanta virus. Among the amphibians detected were the pink frog (*eupsophus reseus*) Darwin's frog (*rhinoderma darwini*), the variegated frog, the four-eyed frog, the tree frog, mountain frog and the *batrachyla leptopus* and *antarctandica* frogs.

Emissions

Xstrata Copper has committed itself to managing its power consumption and associated greenhouse gas emissions. Power consumption during project evaluation is generally low. In the case of the Energía Austral Project, opportunities to minimise emissions from the construction stage will be sought.

At Energía Austral greenhouse gas emissions are calculated indirectly. For this report, fuel consumption has been converted into tonnes of CO₂ equivalent. During 2007, the Project used 27,000 litres of Aviation fuel, type Jet A-1 for helicopter flights, which equals 78.3 tonnes of CO₂ equivalent²⁴. In addition, 720 litres of gasoline were used in a 2KVA generator that provided energy for the 18 days campaign conducted in 2007. This consumption means 1.7 tonnes of CO₂ equivalent²⁵. In all, the Project generated 80 tonnes of CO₂ equivalent in 2007 - estimated as per the Chilean emission standards in Xstrata Sustainability Definitions.

Residues

For this report, the operation carried out in the monitoring campaigns has been evaluated. As this is exclusively scientific research, solid residues produced correspond to domestic residues only. These were accumulated in rubbish bags and removed via helicopter to the aerodrome, where the Puerto Aysén garbage collection system picked up and disposed of the rubbish in the city's sanitary landfill.



²² www.iucn.org

²³ perching songbirds, mostly small and living near the ground, with feet having four toes arranged so as to allow for gripping the perch; three toes facing forwards and one to the rear.

²⁴ The conversion factor for Aviation fuel, type Jet A-1 is 2.9 tonnes of CO₂ per 1,000.

²⁵ The conversion factor for gasoline is 2.37 tonnes of CO₂ per m³ of fuel.

Environmental incidents

Xstrata plc reporting guidelines have established five categories based on the impact duration and effects to the surroundings and the community. The goal not to suffer any grade 3, 4 or 5 incident in 2007 was achieved.

Categories:

Category 1 - Insignificant

An incident which has caused insignificant and reversible environmental damage which requires no or very little repair.

Category 2 - Minor

An incident which has caused little and reversible environmental damage, requiring minor repairs.

Category 3 - Significant

An incident which has a moderate and reversible environmental damage, implying a short term effect and requiring moderate repairs.

Category 4 - Serious

An incident which has caused serious environmental damage with a medium term impact and requiring significant repairs.

Category 5 - Disastrous

An incident which has caused disastrous environmental damage with a long term impact and requiring major repairs.

Xstrata Copper Environmental Policy

At Xstrata Copper we are committed to the highest standards of environmental performance, community co-operation and principles of sustainable development.

This commitment will be achieved through a demonstrated understanding of environmental accountabilities, leadership in all levels of management, and the effective implementation of Environmental Management Systems at our operations that are aligned to Xstrata's Business Principles and Management Standards.

We will ensure that we:

1. Meet and, where practicable, exceed applicable laws, regulations and standards.
2. Work constructively with local authorities, communities, non-governmental organisations and other stakeholders.
3. Identify, assess and responsibly manage risks to employees, non-employees, the environment and the communities in which we operate.
4. Set targets for continual improvement in environmental performance, allocate appropriate resources to achieve those targets and routinely report our results.
5. Consult with relevant stakeholders in the development of our Environmental Management Systems.
6. Train and develop our people to competently manage, and be accountable for, environmental performance in their area of responsibility.
7. Limit the environmental impacts of our operations through efficient use of natural resources, implementation of measures to limit or prevent pollution, and reduction of waste.
8. Contribute to the conservation of biodiversity through our management of biodiversity-related risks and utilising opportunities to avoid, minimise, and mitigate impact where feasible.
9. Plan, operate, and close operations in a manner that enhances sustainable development.
10. Determine the causes of environmental incidents and implement actions to prevent recurrence in a timely manner.
11. Continually improve our environmental performance by routinely assessing the effectiveness of, and our compliance with, our environmental management systems.

Caring for our communities

The Energía Austral Project strives to reduce any negative environmental impact in its future operation and to maximise the benefits for the community, such as boosting the local economy, providing direct and indirect employment alternatives, training in different areas, and the establishment of a new tourism area, among others.



Overview Xstrata Copper Community Relations Policy

Xstrata Copper is proud of its reputation for social responsibility and we are committed to contributing to the social, economic and institutional development of the communities where we operate to improve the quality of life for all.

As outlined in Xstrata Copper's Community Policy, our community relations practices are characterised by open and honest engagement with all our stakeholders through effective, transparent consultation and communication. We consult and communicate with stakeholders regularly in culturally-appropriate and respectful ways, using materials that are easily understood and provide feedback to issues raised in a similar way. We record, monitor and address community complaints. We establish fair and equitable processes for engagement with

indigenous and local communities including, where relevant, free prior informed consent.

Xstrata Copper's corporate social involvement programs (CSI) are developed in line with Xstrata's CSI policy and guidelines and form an important part of our work with local communities. Through these programmes we develop community partnerships in the areas of art and culture, education, enterprise development, environment, social and community development, and health. These community partnerships contribute to the development of sustainable communities and emphasise local capacity building. Xstrata Copper also supports local businesses and employs local people wherever we operate, in order to strengthen local and regional economies.

Energía Austral Corporate Social Involvement Programme

The Energía Austral Project strives to reduce any negative environmental impact in its future operation and to maximise the benefits for the community, such as providing drive to the local economy, providing direct and indirect employment alternatives, training in different areas, and the establishment of a new tourist area, among others.

Energía Austral began to implement its Corporate Social Involvement Programme in September 2007, with the appointment of a Community Relations Superintendent based in the Aysén region. Its purpose is to improve relations and maintain an ongoing dialogue with the communities within the areas most influenced by the Project such as Puerto Aysén and Chacabuco.

The Community Relations Superintendent is responsible for accomplishing the objectives

regarding community relations and, in particular, building confidence in our company, so that we may be considered a neighbour that will add value to the development of the community.

The Aysén region has a total population of 91,492²⁶, equivalent to 0.6% of the total population of the country. It has a 3.5%²⁷ unemployment rate and a poverty level of 14.3%²⁸. This information showcases that the main requirement is not the generation of employment, but the possibility of improving benefits and the quality of the labour environment.

Faced with these findings, the Energía Austral management team has, at this stage, determined that the focus of our community programmes shall be the provision of training to the population of Aysén, so that they may not only take part in the labour force during the stages of construction of the hydroelectric power plants, but also be provided with the capacities required for other existing projects in the region.

The main activities carried out included meetings with local and regional authorities, as well as the media (radio and press), in order to re-launch the Project and to provide detailed information on how the power plants will contribute to the development of the community. In addition, these meetings addressed the main concerns and expectations.

The Corporate Social Involvement Programme considered holding at least three meetings with the local community during the year. Two of these meetings were held and included an energy seminar and the presentation of the current Project status. At this time, questions and concerns were answered. Over 120 people were personally invited and 58 people attended.

At the same time, and with the purposes of emphasizing the attention and delivery of information to local communities, corporate offices were opened in the cities of Coyhaique and Puerto Aysén between November and December.

Regional media are relevant stakeholders for the Project and, therefore, the Corporate Social Involvement programme included the participation in informative radio transmissions at least twice a month; the sponsorship of a talkback programme regarding matters of local social development in a local radio station; and the holding of a press conference in Puerto Aysén in order to re-launch the Project. This activity was held in September in Puerto Aysén and was attended by all the regional press.

Local development programmes

	Name	Alliance with local organisations (*)	Description	Status	Goals
Education	Tree felling and chainsaw operations.	Inacap	Tree felling training course of Puerto Aysén employees.	100% achieved	Training of 25 people in tree felling techniques.

(*) A relevant consideration according to Xstrata Copper's Corporate Social Involvement Policy.

Stakeholders participation and queries

In the second semester of 2007, we contracted the services of a consulting firm in order to carry out a study regarding the community's perception of our activities, focused in Puerto Aysén, Puerto Chacabuco and Coyhaique.

The aim of this study in particular, was to evaluate the positioning and image of the Río Cuervo Project in the eyes of stakeholders in the Project's area of influence and the local conditions and perceptions following the earthquake (7 on the Mercalli scale), which shook the area in April 2007.

On this note, 72 in-depth interviews were held with local and regional government authorities, opinion leaders, journalists and members of parliament. Through these interviews, it was possible to get a better idea about the perceptions, expectations and interests regarding the Project. This information is to be evaluated and acted on through the action plans that the Project will design and develop for the community of Aysén during 2008. In addition, over the period considered in the report, no complaints were received from the community.

Our stakeholders

Institutional Stakeholders	Ministry of Energy Ministry of Environment CONAMA and the services that make up the Environmental Impact Evaluation System COREMA Aysén Region Regional Government of Aysén Municipality of Aysén and Municipal Council Municipality of Coyhaique National Tourism Service Aysén Region Deputies and Senators
Community	Puerto Aysén, Coyhaique and Chacabuco Community Groups Organisations made up of the indigenous people of Puerto Aysén and Coyhaique. Puerto Aysén and Coyhaique Civil Societies Opinion Leaders
NGOs	Sustainable Chile Aysén Life Reserve Alliance for the Development of Aysén Aysén Defence Committee Flora & Fauna Defence Committee (CODEFF) Chilean Patagonia Defence Committee (CODEPACH) House of Peace Sustainable Defenders of the Chilean Forests
Labour Force	Energía Austral Employees Contractor Employees
Other Trade Union Groups	Company associations Chamber of Commerce and Tourism
Other Companies	Companies present within the Region of Aysén
Media	Local and national media

²⁶ CENSO 2002

²⁷ INE 2007 Report August-September

²⁸ CASEN 2006



case study

Training in tree felling and chainsaw operation

Energía Austral invested US\$9,000 in this training initiative oriented to the local community. The objective was to provide the participants with capacities required for other existing projects in the region.

As a result of the dialogue with stakeholders carried out during 2007, and taking on board the recommendations of the Community Development Directorate (DIDECO), the Aysén Municipal Office for Labour Relations (OMIL) and the National Service for Training and Employment (SENCE), a tree felling and chainsaw operation course was held in alliance with the Professional Institution for Technical Training (INACAP) in Coyhaique.

The course allowed 25 participants to improve their skills and obtain a certificate allowing them to carry out these activities in any type of industry.

The training provides Energía Austral with the opportunity to count on a labour force, with the knowledge of Xstrata Copper's Health, Safety, Environment and Community policies for the future execution of the Project.

In the short term, the construction of the access road to Río Cuervo will be an opportunity to provide work to some of these people. In addition it is expected that this work brings with it a considerable increase to the commercial activities of Puerto Aysén.

Even though official recognition of this programme does not exist, the trained graduates, as well as the authorities of the region, have expressed appreciation of the fact that a private company carried out this type of initiative that benefits the community.

The course lasted 12 days, divided into four-hour workshops making up a total of 48 hours training. The total investment of the programme was US\$9,000.



Xstrata Copper Community Policy

At Xstrata Copper we strive to achieve a reputation for social responsibility by contributing to the social, economic and institutional development of our communities with the participation of stakeholders to improve the quality of life for all.

Our community relations practices will be characterised by open and honest engagement with stakeholders through effective, transparent consultation and communication.

Our health and safety, environment and community management systems enable us to work constructively with governments, local authorities, academia, community representatives, non-government organisations (NGOs) and other stakeholders.

We will:

1. Engage, consult and communicate regularly, both formally and informally, with our local Communities.
2. Utilise transparent and consultative communication processes to engage with our key stakeholders and provide feedback on issues raised.
3. Record, monitor and address community issues and complaints in a systematic, timely and effective manner.
4. Conduct our community engagement and communications with due regard and respect for local interests, cultures, history, values and customs.
5. Establish fair and equitable processes for engagement with indigenous and local communities including, where relevant, free prior informed consent.
6. Communicate and report regularly on our performance in relation to economic, social, safety, occupational health and environmental targets and objectives.
7. Provide information in a manner that is culturally appropriate, easily understood and locally available.
8. Develop and manage corporate social involvement (CSI) activities and community partnership programmes in line with Xstrata's CSI policy and guidelines, located at <http://www.xstrata.com/sustainability/policies/csi>.
9. Contribute to the development of sustainable communities, emphasising local capacity building and partnerships within our projects and operations.
10. Strengthen and diversify the local and regional economy by supporting local businesses and products.
11. Provide suitable employment and business development opportunities for local people; and
12. Foster community awareness and understanding of our projects and operations.

GRI Index

The following table shows information about indices and G3 principles described in this report.

Indicator	Report Level	Location
Vision & Strategy		
1.1	✓	EGM Project Development Message p.4 y 5
1.2	✓	Our approach to Sustainable Development p.7
Organisational Profile		
2.1	✓	Xstrata Copper at a Glance p.1
2.2	n/a	
2.3	✓	Xstrata Copper at a Glance p.1
2.4	✓	Xstrata Copper at a Glance p.1
2.5	✓	Xstrata Copper at a Glance p.1
2.6	✗	
2.7	✓	Xstrata Copper at a Glance p.1
2.8	✓	Xstrata Copper at a Glance p.1
2.9	✓	General Manager Project Message p.6
2.10		Energia Austral did not receive awards in 2007.
Report Parameters		
3.1	✓	Scope
3.2	✓	General Manager Project Message p.6
3.3	✓	General Manager Project Message p.6
3.4	✓	Cover
3.5	✓	Our approach to Sustainable Development p.7
3.6	✓	Our approach to Sustainable Development p.7
3.7	✓	Our approach to Sustainable Development p.7
3.8	n/a	
3.9		Definitions are included as foot notes.
3.10	n/a	
3.11	n/a	
3.12	✓	GRI Index p.28
3.13	✓	Quality assurance p.8
Governance Structure and Management Systems		
4.1	✓	Governance & Management systems p.10
4.2	n/a	
4.3	n/a	
4.4	n/a	
4.5	n/a	
4.6	n/a	
4.7	n/a	
4.8	✓	Xstrata Copper's Definition of Purpose p.7
4.9	✓	Governance & Management systems p.10
4.10	n/a	
4.11	✓	Precautionary approach p.8
4.12	✓	Voluntary Agreements p.8
4.13	✓	Memberships p.8
4.14		
4.15	✓	Stakeholders, Participation and Queries p.25
4.16		
4.17		

Indicator	Report Level	Location
Economic Performance Indicators		
EC1	✓	Direct Return on Investment p.15
EC4	n/a	
EC6	✓	Employment and Local Suppliers p.16
EC7	✓	Employment and Local Suppliers p.16
EC8	✓	Infrastructure Investment for Public Benefit p.16
EC9	✗	
MM1	✓	Employment and Local Suppliers p.16 Infrastructure Investment for Public Benefit p.16
MM2	✗	
Environmental Performance Indicators		
EN1	n/a	
EN2 (MM4)	n/a	
EN3	✓	Emissions p.22
EN4		It is not relevant for the Project at this stage.
EN5	✗	
EN6	n/a	
EN7	n/a	
EN8	n/a	
EN9	n/a	
EN10	n/a	
EN11	✓	Lands related to the Project. p. 21
EN12	✓	Biodiversity p.21 and 22
EN13	n/a	
EN14	✓	Project Perspective Regarding Environmental Management p. 21
EN15	✓	Biodiversity p.21 and 22
EN16	✓	Emissions p. 22
EN17	n/a	
EN18		It is not relevant for the Project at this stage.
EN19	n/a	
EN20	n/a	
EN21	✓	Environmental Incidents p.23
EN22	✓	Residues p.22
EN23	✓	Environmental Incidents p.23
EN24	n/a	
EN25	n/a	
EN26	n/a	
EN27	n/a	
EN28		There were no environmental penalties or fines in 2007.

Indicator	Report Level	Location
Social Performance Indicators: Labour Practices and Decent Work		
LA1	✓	Employment p.18
LA2	→	Employment p.18
LA3	n/a	
LA4		At Energia Austral there are not labour unions, nor global agreements, given the number of employees and the characteristics of the work.
LA5		
LA6	✓	Safety Performance p.17
LA7	✓	2007 Safety Indicators p.18
LA8	✓	Employee Training p.19
LA10	✓	Employee Training p.19
LA11	✓	Employee Training p.19
LA12	✓	Employee Training p.19
LA13	✓	Diversity, Equal Opportunity approach p.19
LA14	✗	
MM12	✓	Safety Performance p.17 Xstrata Copper Safety and Health Policy p.19
MM13	✓	Occupational Health p.18
Social Performance Indicators: Human Rights		
HR1	→	Human Rights p.10
HR2		We do not evaluate contractors' Human Rights performance.
HR3		
HR4	✓	Discrimination policy p.11
HR5		At Energia Austral there are not labour unions, nor global agreements, given the number of employees and the characteristics of the work.
HR6		Child and Forced Labour p.10
HR7	✓	
HR8	n/a	
HR9	n/a	
MM11	→	Biodiversity p.21
Social Performance Indicators: Society		
SO1	✓	Energia Austral Corporate Social Involvement Programme p.24
SO2	✓	Corruption p.11
SO3	✓	Corruption p.11
SO4		We did not register incidents of corruption in 2007.
SO5	✓	Public policy participation & political contributions p.11
SO6	✓	Public policy participation & political contributions p.11
MM7	✓	Stakeholders Participation and Queries p.25
MM9	n/a	
MM10	n/a	
MM11	n/a	
Social Performance Indicators: Product Responsibility		
PR1-PR9	n/a	

✓ fully reported → partially report ✗ not reported n/a= not applicable



Energía Austral Project

Simón Bolívar 135, 2nd floor. Coyhaique

Tel (56-67) 245 471

www.energiaaustral.com

Xstrata Copper Chile S.A.

Av. Andrés Bello 2777, 8th floor, Las Condes. Santiago, Chile

Tel (56-2) 337 0600

www.xstrata.com