

Xstrata Copper Peru Operations Division 2012 Sustainability Report



ANTAPACCAY



TINTAYA



LAS BAMBAS



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Contact Information

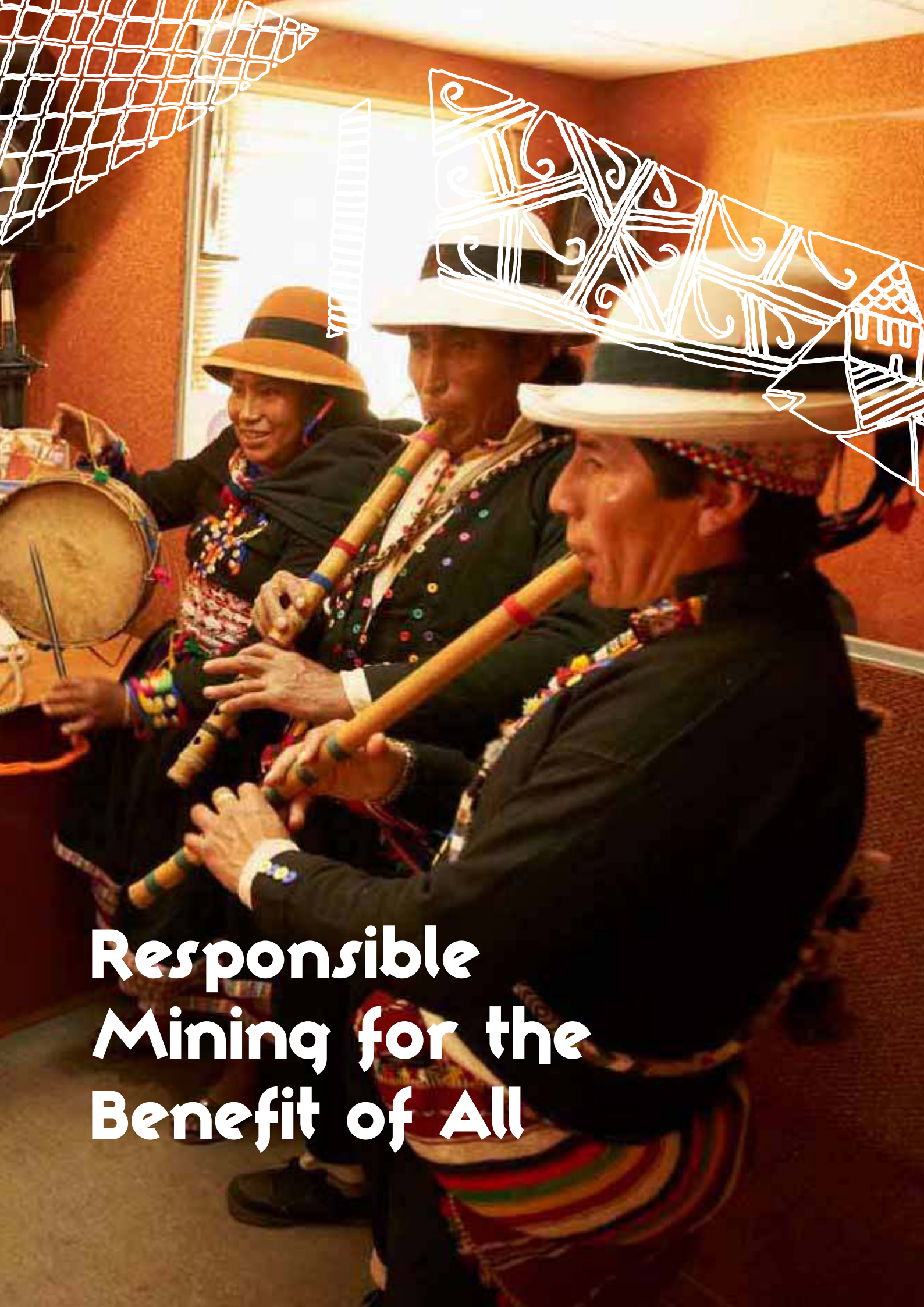
If you have a query or comment about this report, please contact:

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Report Distribution

To ensure our report is widely available to all our stakeholders, we have published it in the following formats and languages:

- 3,000 printed copies in Spanish
- 500 printed copies in English
- Online at www.xstratacopperperu.pe
- Online at www.xstratacopper.com
- Online at the intranet of Peru Operations Division for our employees



**Responsible
Mining for the
Benefit of All**



About Xstrata Copper

Xstrata Copper is the fourth largest global copper producer and one of the world's largest producers of smelter, refined and recycled copper, including from third-party materials. In 2012, we produced 747,000 tonnes of mined copper in cathodes and concentrates.

We are one of the commodity business units of the major global diversified mining group Xstrata plc. Our headquarters are located in Brisbane, Australia, and we

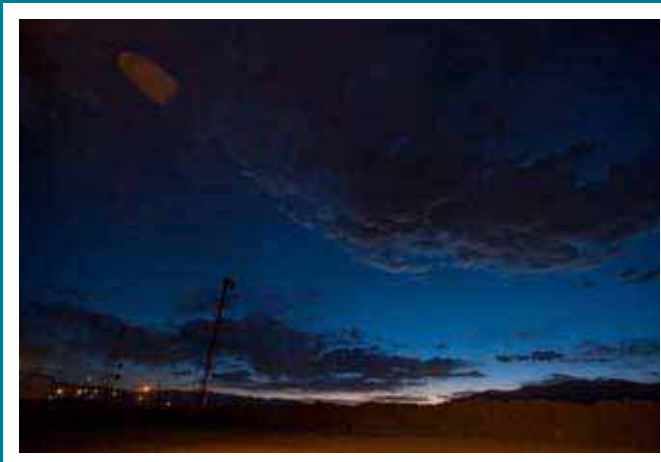
operate in eight countries: Argentina, Australia, Canada, Chile, Peru, the Philippines, Papua New Guinea and the United States. We employ more than 20,000 people and play an essential role in the communities in which we live and work, providing jobs, training, infrastructure, income for suppliers and social development.

Our highly decentralised organisational structure allows our regional management teams to directly manage their operations and projects with a strong sense of

ownership. Important business decisions are made locally, which allows us to act decisively and to create sustainable value for both our business and our stakeholders.

The copper we produce is vital to our society and is used extensively in energy generation and distribution, building products and electronic equipment. With its growing use in green technologies, anti-microbial applications and its ability to be recycled, copper plays an important role in creating a sustainable future.





Peru Operations Division

Our Peru Operations Division includes the following units:

- Tintaya mining operations, currently being closed
- Antapaccay, which began operations in the fourth quarter of 2012
- Las Bambas, expected to begin operations in 2015

The first two operations are located in Espinar province in Cusco. Las Bambas is located between the Cotabambas and Grau provinces in Apurímac.

We hold a 33.75% interest in Compañía Minera Antamina S.A., managed through the Joint Ventures Division. This operation

is located in the Áncash region and publishes its own sustainability report.



About Tintaya

The Tintaya mining unit, acquired by Xstrata Copper in May 2006, operates at 4,100 metres above sea level (masl) in Espinar province, Cusco. This unit was the first one to begin operations, in 1985, and has now begun closure activities after 28 years.

About Antapaccay

Also located in Espinar province, 10 kilometres away from Tintaya, Antapaccay is a copper operation with a mine life expectancy of more than 18 years. Antapaccay began operations in November 2012 as scheduled, on a US \$1.5 billion budget.

About Las Bambas

In August 2010, Xstrata Copper approved the construction of this copper project, located at more than 4,000 masl, between

the Cotabambas and Grau provinces, Apurimac region, 72 kilometres southeast from Cusco city.

Las Bambas will begin production in 2015, initially with 400,000 tonnes of copper in concentrates per year for at least the first five years, and with an estimated investment of US \$5.2 billion.

In December 2011, we announced a 10% increase in Las Bambas mineral resources to 1.71 billion tonnes at a grade of 0.60% copper. In 2012, the government granted Las Bambas the construction authorisation for the beneficiation concession.

In 2012, we reported more than 90% progress on engineering work, and we completed and signed approximately 80% of acquisitions and contracts needed for construction. Finally, as of the end of 2012, we had already allocated almost 65% of the investment cost for the construction of the project, which includes equipment of the processing plant, bulk materials and mining fleet.

As of the end of 2012, almost 14,000 people worked at Las Bambas in construction and operations. All unskilled labourers hired were local.

“As of the end of 2012, almost 14,000 people worked at Las Bambas in construction and operations. All unskilled labourers hired were local.”



Construction of the concentrator plant at Las Bambas.

Modern concentrator plant at Antapaccay.



Commencement of Antapaccay Operations

In 2006, shortly after Xstrata Copper acquired the Tintaya mine, we started working on identifying whether it was possible to extend the limited life of this mine, whose operation was to close in the near future, to continue with the contributions to Espinar province.

We invested significantly in exploration and feasibility studies to

seek new mineral resources in the vicinity, to be able to extend the mining and sustainable development (SD) of Espinar province. This is how Antapaccay was born.

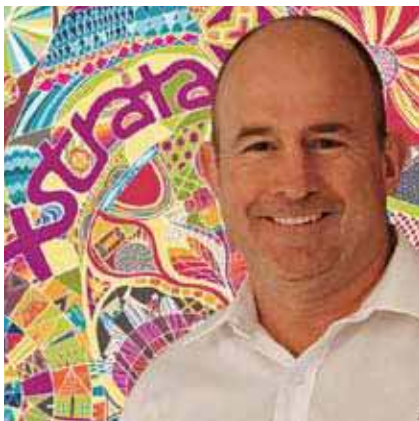
Antapaccay will extend our local operations beyond 2030, ensuring job continuity. This unit's production will ensure a contribution to the community and region in a sustained manner. In this way, we will continue contributing to the development of local infrastructure, social projects and local residents' capacities and skills.

In November 2012, we commenced commercial production of copper in concentrate and delivered the first shipment through the Matarani Port (Arequipa) to customers worldwide. Activities related to the commissioning of Antapaccay continue while the ore-processing capacity keeps increasing. We expect to process 70,000 tonnes per day by the first half of 2013.

The mine will produce an average of 133,000 tonnes of copper in concentrates per year, in addition to gold and other silver by-products in the early years.



Message from Xstrata Copper Chief Executive



"Since 2006, we have achieved significant year-on-year improvements in our key safety indicators recording reductions of around 90% during this period."

2012 was a transformational year for Xstrata Copper as we successfully commissioned several major development projects that have transformed our portfolio of older, end of life mines into long life, lower cost and higher volume operations. The principles of sustainable development, which are fundamental to our business practices, were an important driver behind our commitment to invest in these new mines and expansions. Through these growth projects we are able to continue our significant contributions to the communities and countries in which we operate through local employment, investment in social projects and community partnerships, opportunities for local suppliers and enterprise development and important fiscal contributions to governments.

With the increased activities at our major construction projects, in addition to our existing operations and other sites, our total hours worked per month increased by more than 30% on 2011 averaging around seven million hours per month. It is noteworthy that despite this significant increase in exposure hours our total number of recordable injuries decreased compared with the previous year and we were able to reduce our Total Recordable Injury Frequency Rate (TRIFR) and Lost Time Injury Frequency Rate (LTIFR) by 31% and 11% whilst maintaining our low Disabling Injury Severity Rate (DISR).

Since 2006, we have achieved significant year-on-year improvements in our key safety indicators recording reductions of around 90% during this period. Regrettably, however, over the 80 million hours worked during the past year we recorded two fatalities at our operations. We know these

incidents should never occur in our organisation and we remain resolute in our efforts to eliminate fatalities and serious injuries from our workplace.

Throughout the year we maintained our solid track record in environmental management, meeting our 2012 performance targets with no category 3 (moderate), or more serious, environmental incidents recorded at our operations and projects. Over the past few years we have seen significant improvements in our environmental performance and awareness across our organisation as reflected by the extensive reporting and investigation of category 1 (negligible) and category 2 (minor) incidents which continued in 2012.

We have also made considerable progress in improving our data collection and analysis to ensure we can better identify and pursue opportunities to further enhance the eco-efficiency of our operations and we are seeing positive results from this work. Our environmental footprint in terms of greenhouse gas emissions, energy consumption and fresh water usage remained at a similar level to the previous year despite the environmental challenges presented by ageing or growing operations and the construction of new mines and mine expansions.

During the year we participated in a wide range of corporate social involvement programs, primarily in the areas of social and community development, education, enterprise and job creation and health, and we invested around US \$58 million in these initiatives that were developed in consultation with local communities.



We also continued to engage closely with local communities and other stakeholders on a range of issues related to our mining operations and projects. We understand that within our host communities there is a diverse range of views and beliefs regarding our activities and respecting the rights and fundamental freedoms of our stakeholders and listening to their concerns is an important part of our business approach.

In 2012, under Xstrata Copper's management, we continued to operate in line with Xstrata's Business Principles, Code of Conduct and 17 SD Standards that aligned with international standards including the International Council on Mining and Metals (ICMM) sustainability principles and guidelines; the UN Global Compact; the UN Declaration of Human Rights; the Voluntary Principles on Security and Human Rights; and relevant ISO standards. Together with our business assurance and reporting systems and processes they provided us with a robust framework for upholding human rights within our organisation.

We also sought to strengthen our approach to managing human rights related issues during the year through additional guidance and training to support our operations and projects. Key areas that we continue to focus on include community consultation and resettlement, supply chain management, community grievance mechanisms and the management of private security providers and our interactions with public security forces.

We operate in several regions where security issues make it necessary for us to provide increased protection for our sites

and employees, including Peru, Papua New Guinea and the Philippines. In these locations, human rights awareness training forms part of our employee induction programmes and we manage our private security service providers in line with the Voluntary Principles on Security and Human Rights (VPs). We ensure that our security personnel are trained on the VPs and we continue to seek opportunities to actively promote the VPs with our key stakeholders including public security forces. Xstrata's commitment to the VPs was formally recognised in early 2013 when we were granted membership to the Voluntary Principles on Security and Human Rights Initiative.

Over the past decade, Xstrata has gained an industry-leading reputation for SD management and performance. As a member of the Xstrata senior executive team and as Chief Executive of Xstrata Copper, I have been very proud of the SD initiatives that have been developed and implemented across our global copper business and of the significant performance improvements we have achieved over this time. It has also been very satisfying and encouraging to have our performance in this area recognised by our external stakeholders, and this continued in 2012 with our copper sites receiving a total of 36 national and regional awards for their sustainability achievements.

Transparent communication on our SD performance has been an important aspect of our management approach and our operations and projects have been publishing annual sustainability reports, such as this one, since the inception of Xstrata Copper in 2004. These reports contain clear, audited data by which our

stakeholders can assess our performance against our SD targets and commitments. We welcome any feedback you may have regarding our sustainability reporting or performance by email at communications@xstratacopper.com or through the contact details provided in this report.

The Glencore Xstrata merger will create a major natural resources group with a world-class portfolio of assets and enhanced marketing capabilities. The combined copper business will have over 30 operations and projects across 11 countries employing more than 40,000 people. With Xstrata Copper's strong track record of operational and SD performance and the enviable reputation that we have earned with our stakeholders, I am confident that we have the people, systems and culture in place to positively influence and support the broader organisation in sustaining and further enhancing the very high SD standards and performance that we have become so proud of as an organisation.

Charlie Sartain
Chief Executive, Xstrata Copper



Message from Xstrata Copper Peru Operations Division Executive General Manager



“Antapaccay will extend our contribution to the development of Espinar thanks to the investment made, and will ensure that the closure of the Tintaya operations does not put an end to these contributions.”

The Peru Operations Division was created in November 2012, from the need to reinforce the local management of the various units of the company in our country. Our units are in the following stages: Tintaya, our operation located in Cusco, is currently being closed; Antapaccay, located close to Tintaya, began production in November 2012 and will have a life of mine longer than 18 years; and Las Bambas, our project located in Apurímac region, currently under construction.

This is the fifth Sustainability Report we have published, covering all our units in Peru. It includes information on our comprehensive sustainability performance in 2012. We have also included human resources, safety and occupational health, and environmental and social performance results, as well as topics related to human rights, corporate governance and engagement with our stakeholders.

Likewise, you will find information on the social and economic contribution of our Division to the regions hosting us and to the country at large. For example, we directly created 1,800 jobs in 2012, 500 of which were filled by residents from the areas of influence of our operations, representing 26.41% of our payroll. But if we also consider the construction and development of projects - led by Xstrata Copper's Project Development Division - the number of direct and indirect jobs created exceeds 15,000, while direct local purchases amounted to more than US \$27 million.

As part of our sustainable performance, we established dialogue forums with multiple stakeholders to present the results of our previous performance and listen to

their suggestions. In 2012, we conducted three dialogue panels in Lima, Cusco and Apurímac, which gathered more than 40 representatives of the communities, media, academia, mining sector, local governments, national government, civil society and opinion leaders, as well as Xstrata employees and contractors, among others. In these meetings, we gather opinions about our performance, and we include participants' suggestions on topics they believe this report should include.

We follow the standards of Xstrata Copper, a company leader in mining projects and the world's fourth largest copper producer, which requires us to be highly responsible about sustainability. We strive to always address this challenge. Therefore, we need to mention that, in 2012 a controversy arose due to a claim lodged by a local government for alleged environmental contamination caused by our Tintaya operation, despite the fact that environmental supervision authorities have determined, through audits, that our company is not liable for this situation. In addition, one of the proposals of this local government was to significantly increase the voluntary contribution we offer on an annual basis.

Tintaya and Antapaccay contribute 3% of our annual profits before taxes to Espinar province through the Framework Agreement. Since 2003, we have directly contributed more than US \$70 million, which has allowed carrying out more than 750 projects mainly focused on agricultural and livestock development, education, health, sanitation, electrification and road infrastructure for residents in the 72 farming communities of the eight Espinar districts. We comply with Peruvian legislation and pay all relevant taxes. In spite of having a



tax stability agreement, we signed the agreements for the new mining tax in August 2011.

We have publicly expressed regret regarding the consequences of the conflict that occurred in Espinar province in Cusco, which put the province in a 30-day state of emergency. We participated from the beginning in the dialogue process called by the national government to seek a comprehensive solution to the social and environmental issues in the province. The agreements reached by the working groups that make up the Espinar Dialogue Table include specific actions and measures for all the involved parties. These situations help us reflect on our engagement with various local stakeholders, allowing us to improve our processes.

Our Antapaccay operation, close to Tintaya, began production as scheduled and on our investment budget. This undertaking has required a huge effort in terms of human resources, capital, technology, suppliers in our value chain, and know-how, and only a strategic company as large as Xstrata Copper could do it. Antapaccay will extend our contribution to the development of Espinar thanks to the investment made, and will ensure that the closure of the Tintaya operations does not put an end to these contributions.

As I mentioned above, Tintaya is an operation that has already entered closure stage. We are carrying out this process in line with Peruvian legislation and Xstrata Copper's mine closure guidelines, as well as with the best international practices of our industry. This process should continue until the final closure of the mine in 2033.

We believe one of our main challenges is to better communicate the value of copper so people become aware of what it really is: a vital resource that enables the development of global society. Currently, we are making efforts to communicate the value of our product in society. We will start campaigns to communicate its importance in everyday life and how mining this mineral in a socially and environmentally responsible manner can help meet the demands of the highly technological society in which we live.

With respect to environmental management, we maintain engagement and dialogue mechanisms in which civil society, communities and officers of our Division participate. We meet with residents

to assess compliance with environmental plans. Regarding water management, 70% of water used in Tintaya and Antapaccay is recirculated.

At Las Bambas, two important achievements made in this period were beginning construction of Nueva Fuerabamba and the government granting us the construction authorisation for the beneficiation concession. We obtained this permit following compliance with the necessary legal requirements, including approval of the Environmental Impact Study in March 2011.

While physical resettlement of the 441 families in Nueva Fuerabamba is still under way, and we expect to complete it in 2013, the construction of Las Bambas is making satisfactory progress. Currently, we are implementing the joint agreements reached with communities. Thanks to the social licence obtained in the area, residents being resettled allow us to carry out the early works of the project without incidents. To ensure social harmony and peace in the area, we are also working on various programmes with Chila and Choaquere, communities that will receive and live together with the resettled community of Nueva Fuerabamba.

At our Division, we are proud to continue earning recognition that rewards our sustainability practices. In 2012, we received three safety distinctions for our Tintaya and Las Bambas units from the Mining Safety Institute (ISEM, in Spanish) and a well-known insurance company. Regarding our safety indicators for the year, we reported a Lost Time Injury Frequency Rate of 0.25 for Tintaya and Antapaccay (although we sadly recorded one fatality), and 0 for Las Bambas, and a Total Recordable Injury Frequency Rate of 0.76 for Tintaya and Antapaccay, and 0.31 for Las Bambas.

We also received an award at Expomina 2012, in the Social Responsibility category, for our *T'ikariy Wiñaypaq* (Flourish Forever) and *Yachay Watakunapaq* (Learning for the Future) training programmes, which benefit the various communities located in the Las Bambas area of influence. Similarly, Perú 2021 civil association accorded us the Socially Responsible Company Distinction for our good practices and behaviour with our stakeholders.

Regarding development projects, in this report we stress the Human Capacity

Development Programme, our Dairy Plant, the Espinar Educational Resource Centre, and the Programme to Strengthen Rural Education, among others, at our Tintaya and Antapaccay units. At Las Bambas, some of the main ventures include the *T'ikariy Wiñaypaq* and *Yachay Watakunapaq* Training Programmes, the Las Bambas Educational Resource Programme (PREB, in Spanish), the *Kuska Yacharisun Wiñaypaq* (KUYAWI - Let's learn together for life) literacy project, the Teacher Training Programme, the construction of educational infrastructure, and the tree nursery project.

I want to thank our employees in this Division and our strategic partners for the high level of professionalism they demonstrated in 2012, and for aligning with our commitment to respect Peruvian laws, residents and authorities. In 2012, we offered more than 200 internships to our employees. At Tintaya, Antapaccay and Las Bambas, we conducted leadership programmes, programmes to develop managerial skills, and annual training to continue building employees' skills to ensure compliance with our Sustainable Development Policy and values.

Finally, I invite you to read this report and its information on human resources, suppliers, safety and occupational health, environmental performance and community relations. Likewise, we reaffirm our commitment to the United Nations Global Compact with the publication of this report, which includes the progress made in compliance with principles signed. We also invite you to send your suggestions and feedback, which will help us continue improving our performance in the regions where we operate, to benefit all our stakeholders and the country that hosts us.

Luis Rivera
Executive General Manager
Xstrata Copper Peru Operations Division

2012 Scorecard

Tintaya and Antapaccay

Safety and Health

	STATUS
Strengthen knowledge of our key safety and health tools among 100% of our staff and supervisors.	✔ Objective met
Develop and increase safety and health competencies of our employees.	✔ Objective met
Strengthen our safety attitude through the integration of Positive Attitude Safety System (PASS) and SafeStart.	✔ Objective met
Ensure control of any high-risk operational activity.	✔ Objective met
Standardise equipment, components and conditions for high-risk activities.	✔ Objective met
Maintain a safe and healthy work environment for our employees.	✔ Objective met
Respond effectively to any emergency that occurs within or outside our operations.	✔ Objective met
Develop and integrate safety and health management of our contractors, based on Tintaya and Antapaccay principles.	✔ Objective met

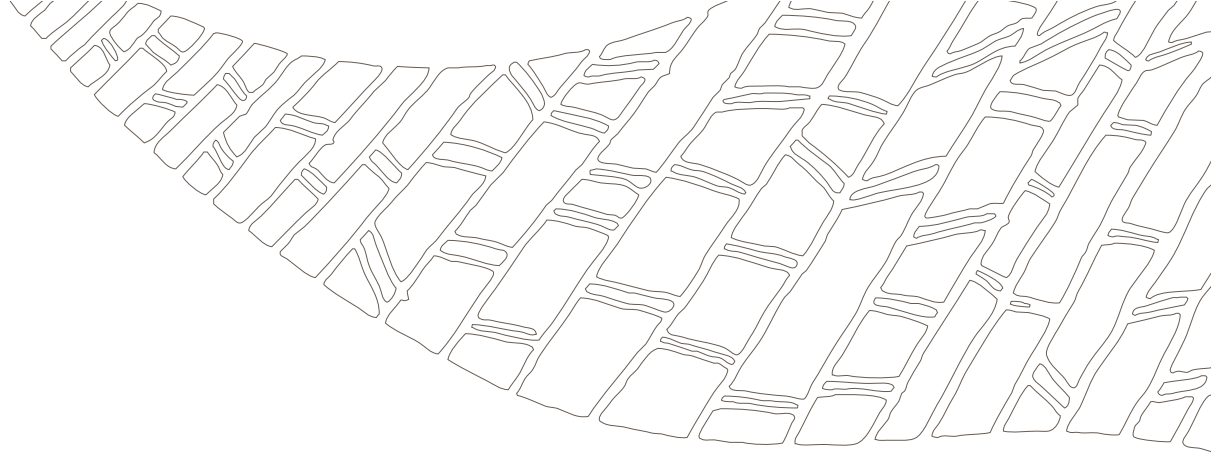
Human Resources

	STATUS
Systematise employee management and administration processes.	✔ Objective met
Achieve ISO 9001:2008 recertification.	➔ In process
Update Internal Work Rules and adapt them to the new company policies and legal provisions.	➔ In process
Strengthen synergies with the company union to maintain trusting, transparent and ongoing relationships that reinforce the joint work we have been doing and ensure continuity.	✔ Objective met
Staff the organisation with appropriate professional and technical employees.	✔ Objective met
Reinforce manager and middle manager leadership skills.	✔ Objective met
Continue improving our organisational climate.	✔ Objective met
Ensure compliance with master staffing plan.	✔ Objective met

Community Relations

	STATUS
Begin Antapaccay operation in August.	✔ Objective met ¹
Establish a provincial socioeconomic baseline and conduct a social investment impact study.	➔ In process
Establish a social baseline for communities from the Tintaya Development Table.	➔ In process
Carry out 70% of projects from the 7 th contribution, and distribute and prioritise the 8 th contribution of the Framework Agreement.	➔ In process
Conduct a study on phenotypic abnormalities among various domestic animal species.	✔ Objective met

1. The operation began in November 2012.



Community Relations (continued)

	STATUS
Conduct a study on the systematisation of the sustainable livestock development project in the Cañipía Microbasin.	✔ Objective met
Comply with Antapaccay EIS commitments.	✔ Objective met
Conduct environmental monitoring and surveillance activities during construction stage.	✔ Objective met
Achieve the point of equilibrium at the Dairy Plant and plan its transfer.	✔ Objective met
Strengthen the Espinar Educational Resource Centre (CREE, in Spanish) and plan its transfer.	➔ In process
Continue with construction of the Alpaca Fibre and Sheep Wool Plant infrastructure and begin trading.	➔ In process
Continue stable cattle management through the Cañipía project to ensure sustainability.	✔ Objective met
Restructure Tintaya Foundation and continue developing projects through the Tintaya Civil Association.	➔ In process

Environment

	STATUS
Achieve a rate of zero Category 3 or higher incidents.	✔ Objective met
Maintain ISO 14001 certification for operations.	✔ Objective met
Strengthen the emergency response procedure in operations.	✔ Objective met
Carry out effective environmental management of Antapaccay operations.	➔ In process
Optimise the biodiversity monitoring process to ensure no loss of species included on the International Union for Conservation of Nature (IUCN) red list.	✔ Objective met
Provide technical support to manage social issues, ensure social licence and maintain a good institutional image.	✔ Objective met
Implement environmental management programme initiatives to reduce energy and water consumption, greenhouse gas (GHG) emissions and volume of waste for final disposal.	➔ In process
Close the main waste dump and carry out work to close waste dump 28.	✔ Objective met

✔ Objective met or exceeded ➔ Objective substantially met ✘ Objective not met

2012 Scorecard

Las Bambas

Safety and Health

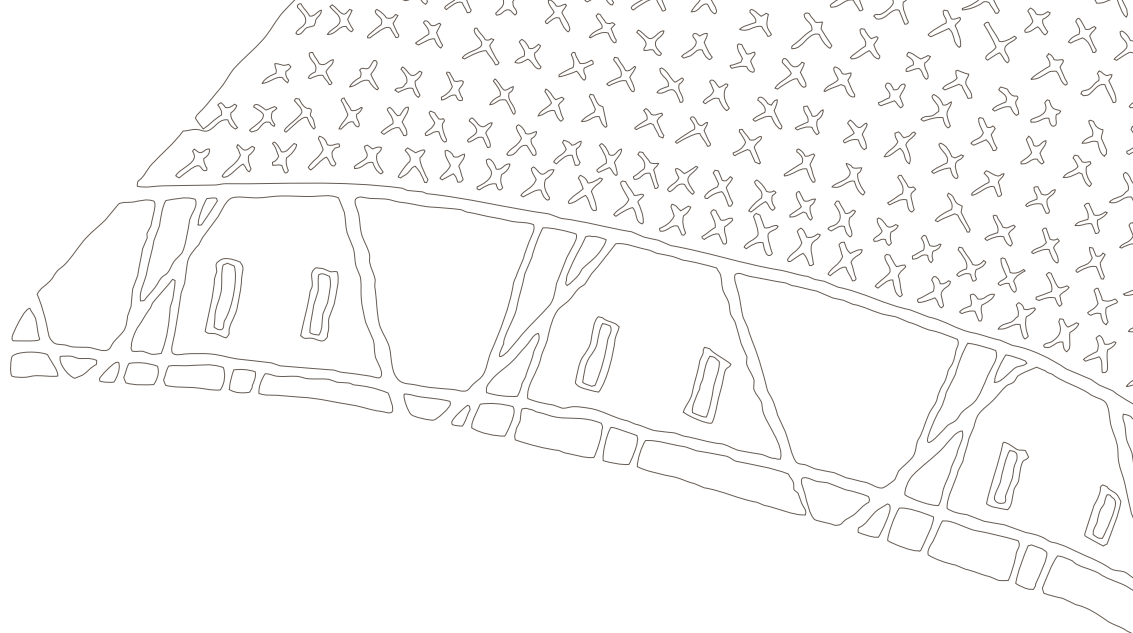
	STATUS
Maintain effective leadership in and commitment to safety and health at all organisation levels.	✔ Objective met
Implement safety performance indicators for managers and superintendents.	➔ In process
Implement the Competency-based Mining Certification System for high-risk activities.	➔ In process
Ensure all contractors comply with Xstrata Copper's safety policies and standards.	✔ Objective met
Ensure all new employees and contractors adhere to a safety culture in line with Xstrata Copper's standards.	✔ Objective met
Ensure the PASS system is applied effectively throughout the organisation.	✔ Objective met
Certify safety and health employees in specific high-risk competencies.	✔ Objective met
Carry out a psychosensometric evaluation of drivers at the Las Bambas camp.	✔ Objective met
Strengthen risk management for activities involving potential fatalities, critical accidents and lost-time injuries.	✔ Objective met
Obtain a 70% or higher score for safety and health in the Sustainable Development corporate audit.	No audit took place
Follow up on occupational health and hygiene preventive and promotional programmes.	✔ Objective met

Human Resources

	STATUS
Systematise employee management and administration processes.	✔ Objective met
Achieve ISO 9001:2008 recertification.	➔ In process
Update the Internal Work Rules and adapt them to the new company policies and legal provisions.	✔ Objective met
Staff the organisation with appropriate professional and technical employees.	✔ Objective met
Reinforce manager and middle manager leadership skills.	✔ Objective met
Continue improving our organisational climate.	✔ Objective met
Ensure compliance with master staffing plan.	✔ Objective met

Community Relations

	STATUS
Continue fostering local employment and purchasing as well as local supplier development in our areas of influence.	✔ Objective met
Carry out two comprehensive projects through agreement with local and regional governments, and health and educational institutions.	➔ In process
Obtain permits for access road, concentrate pipeline and other components.	✔ Objective met



Community Relations (continued)

	STATUS
Obtain permits for initial phase of construction (including early work).	✔ Objective met
Implement a physical resettlement and contingency plan in Nueva Fuerabamba.	✔ Objective met
Implement a welcome plan for the destination communities of Chila and Choaquere for Nueva Fuerabamba residents.	✔ Objective met

Environment

	STATUS
Achieve a rate of zero Category 3 or higher incidents.	✔ Objective met
Maintain ISO 14001 certification during the construction stage of Las Bambas.	✔ Objective met
Establish the Participatory Monitoring Committee.	➔ In process
Successfully rescue biodiversity species and ensure no loss of species included on the IUCN red list.	➔ In process
Carry out campaigns to reduce energy and water consumption, GHG emissions and volume of waste for final disposal.	✔ Objective met
Strengthen our credibility and build trust among internal and external stakeholders regarding responsible environmental management.	✔ Objective met
Obtain all pending archaeological permits and Certificate of Non-existence of Archaeological Remains for sites at Las Bambas with archaeological remains.	✔ Objective met
Draw up afforestation plan.	✔ Objective met

✔ Objective met or exceeded ➔ Objective substantially met ✘ Objective not met

2013 Targets

Antapaccay

Safety and Health

Maintain an operation without lost-time injuries:
TRIFR \leq 0.53
LTIFR \leq 0.21
DISR \leq 0.29

Train supervisors, managers and superintendents in their safety and health responsibilities from a legal point of view.

Conduct a general re-induction programme in safety and health for all employees.

Establish PASS committees to fully implement the tools of this system.

Strengthen Star Points knowledge and management in Health, Safety, Environment and Community (HSEC).

Update High Hazard Activities (HHA) standards and committees.

Conduct internal audits for HHA management and Control Effectiveness (CEA).

Identify minimum safety and health standards to design and select teams.

Implement "5 S" programme (first two phases).

Carry out health surveillance and promotion programme by similar risk group.

Complete the identification of emergency scenarios based on the results of Hazard Identification, Risk Assessment and Control (HIRAC), MARSH audits and statistics of critical incidents (CI) / high potential risk incident (HPRI).

Review and update emergency procedures.

Complete training and internal accreditation of employees who are exclusively part of Tintaya and Antapaccay's emergency brigades.

Establish business crisis, continuity and recovery plans for catastrophic events.

Define safety and health requirements for contractors, including them in tender processes.

Human Resources

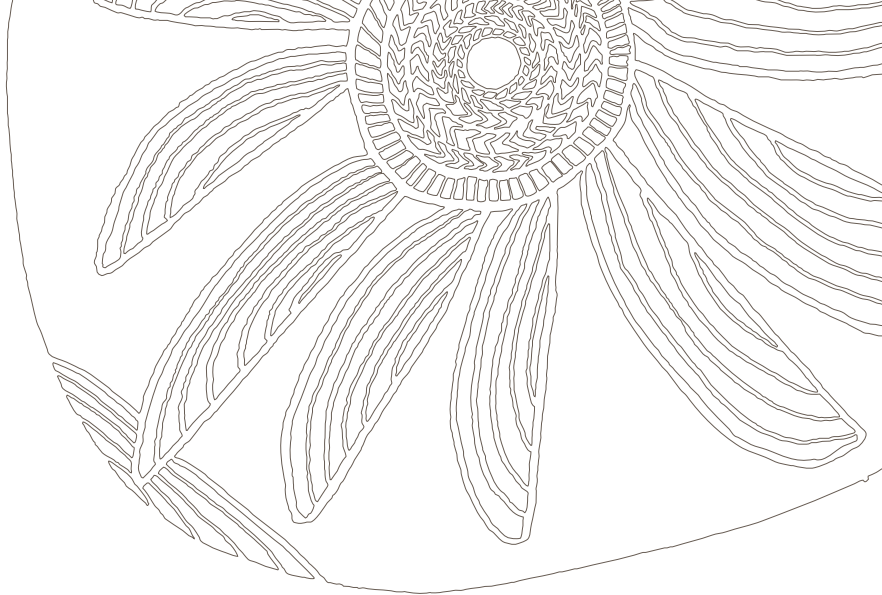
Implement 70% of Human Resources Common Systems.

Implement initiatives to retain talent from technical areas to achieve zero turnover rates in key operations positions.

Negotiate the 2013-2018 Collective Labour Agreement and close agreement in 1Q 2013.

Achieve ISO 9001:2008 recertification; all human resources processes certified under ISO.

Update the Internal Work Rules, aligning them with the new company policies and legislation. Submit reviewed and approved document in 1Q 2013.



Human Resources (continued)

Reinforce manager and middle manager leadership skills: 80% of managers and superintendents must complete the four modules of the Leadership Development Programme (LDP).

Fully carry out the 2013 Annual Training Plan (ATP).

Community Relations

Fully comply with the commitments defined in the Antapaccay Environmental Impact Study for the third year (2013).

Ensure a 15% increase in the number of producers benefitting from purchase of milk and production of dairy products.

Provide educational services to 100% of urban and 20% of rural school residents at the Espinar Educational Resource Centre.

Update the socioeconomic baseline of the communities from the area of influence.

Complete construction and commission Alpaca Fibre and Sheep Wool Plant.

Encourage cooperation of local, regional and national organisations and institutions to foster the development of social capital.

Promote the design and implementation of the new Framework Agreement managed by the 2012-2013 Dialogue Table with Espinar province.

Design and implement the new 2013 - 2016 social investment plan, taking into account the situation and engagement of stakeholders from the area of influence.

Implement engagement, query and complaint handling mechanisms with social groups in the area of influence through new social management tools.

Environment

Achieve a rate of zero Category 3 or higher incidents.

Implement the Environmental Management System to achieve environmental certification. ISO 14001 certification for Antapaccay.

Implement Environmental Management programmes in line with our SD policy and in full compliance with XCu's mandatory Environmental Management programmes (water, energy, GHG, biodiversity and waste).

Ensure water quality in the area of influence of the operations complies with the current environmental legislation, environmental management instruments and other commitments, including water commitments (100%).

Obtain approval of environmental management instruments to ensure continuity of operations. Obtain all required environmental permits and licences.

Thirty percent progress on Waste Dump 28 closure plan.

2013 Targets

Las Bambas

Safety and Health

Maintain an operation without lost-time injuries:
TRIFR \leq 0.36
LTIFR \leq 0.12
DISR \leq 4

Obtain a score equal to or higher than 70% for safety and health in the Sustainable Development corporate audit.

Ensure all new company employees and contractors adhere to a safety culture in line with Xstrata's standards. These employees must obtain a score of \geq 16 in occupational safety and health knowledge.

Achieve \geq 70% integration on safety and health management between Xstrata Operations and Xstrata PD.

Human Resources

Implement the Human Resources Common Systems and get a 70% compliance rating in the audit process.

Implement initiatives to retain talent from technical areas to achieve zero turnover rates in key operational positions.

Hire and train local employees to fully comply with our commitments to the communities.

Achieve ISO 9001:2008 certification; all human resources processes certified under ISO.

Reinforce manager and middle manager leadership skills: 50% of managers and superintendents must complete the leadership course.

Carry out the ATP and ensure compliance with man-hours planned.

Ensure master staffing plan fully complies with the 2013 Selection Plan.

Community Relations

Continue fostering local employment and purchasing as well as local supplier development in areas of influence.

Ensure social viability (permissions from communities) to begin work related to the concentrate pipeline, heavy haul roads, access road and other components.

Resettle all families from the Fuerabamba community under the Resettlement with Sustainable Human Development Programme (RECODEH, in Spanish).

Maintain and strengthen social viability in Cotabambas and Grau provinces.

Carry out activities focused on the 13 development areas and strengthen engagement with destination communities during the resettlement process.



Community Relations (continued)

Comply with social commitments resulting from negotiations with the community (agricultural and livestock training, construction of educational premises, local employment, among others).

Environment

Produce and afforest 100,000 seedlings per year.

Conduct human and animal health studies before beginning operations.

Establish a water management committee in 1Q 2013.

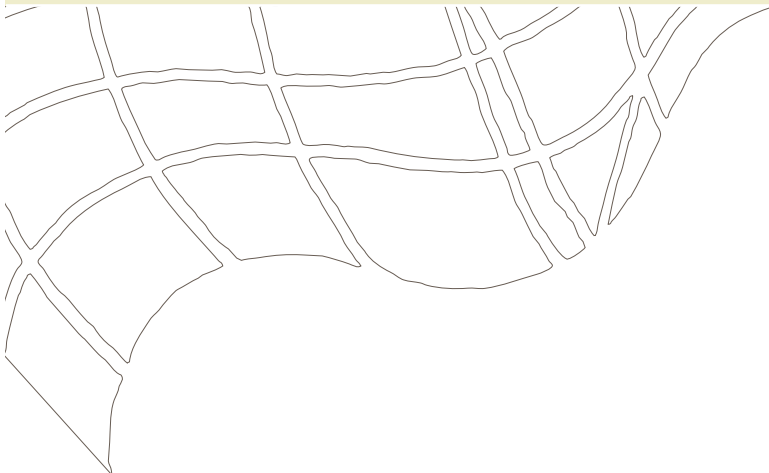
Update the water availability study.

Rescue key flora and fauna species before beginning operations.

Devise and implement an environmental emergency plan during construction.

Maintain ISO 14001 certification during construction stage.

Prepare and submit the first amendment to the EIS in June 2013.






TINTAYA
ANTAPACCAAY



Our Products and Processes

At Tintaya, we produced copper in concentrates and cathodes through two processing plants: the concentrator plant (sulphide plant), which we closed in December 2012, and the SX-EW plant (oxide plant), which we expect to close in June 2013, as part of our comprehensive operation closure process. Mining activities in the Tintaya pit ended in January 2013.

Oxide Plant - Tintaya

This plant produces copper in cathodes with 99.999% purity through a hydrometallurgical process.

In 2012, we processed slightly more than 3.8 million tonnes of crushed ore.

Our production of copper in cathodes totalled 9,000 tonnes.

Sulphide plant - Tintaya

This plant produces copper in concentrates containing between 30% - 32% metal content through a grinding and flotation process.

In 2012, we processed slightly more than 7.2 million tonnes of ground ore.

Our production of copper in concentrates totalled approximately 37,000 tonnes.


At Antapaccay, we also produce copper in concentrates in a new and modern processing plant. This deposit has mineral resources estimated at more than 1 billion tonnes at a grade of 0.6% copper on average, including gold and silver content as by-products.

Sulphide Plant - Antapaccay

This plant produces copper in concentrates through a grinding and flotation process.

During the operation in November and December 2012, we processed almost 1.5 million tonnes of ore.

PROJECT DEVELOPMENT DIVISION



During Antapaccay's construction and development stage, Bechtel - GyM was in charge of building the concentrator plant and other related facilities.



Mills at the concentrator plant at Antapaccay.

Main Target Markets

Copper cathodes and concentrates from our units are trucked to the Matarani Port in Arequipa, located approximately 370km away, to be sent abroad. In 2012, we sold our products primarily to Brazil, China, India, Japan and Peru.

Quality Management

Our commitment to total quality management and ongoing pursuit of excellence ensures compliance with the highest standards in our production process. In 2012, supported by its quality management system, our Tintaya unit maintained its ISO 9001:2008 certification, first obtained in 2011, for copper cathode production processes in the processing plant.

Our Processes

We produce copper in cathodes and concentrates through differentiated metallurgical processes based on whether copper is found as copper oxide or sulphide.

Product Responsibility

As there are many producers and users of copper, and it is sold into a global marketplace, we believe that meeting our product stewardship commitments is best done in collaboration with our key stakeholders, including governments, industry associations, the scientific community and civil society groups. Much of our engagement in product stewardship is done via industry associations. Xstrata Copper is a member of the International Copper Association (ICA), and we are actively involved with its efforts to ensure copper is used safely and sustainably through our participation in several of the ICA's advisory and steering committees.


Our products have material safety data sheets that provide pertinent information on product composition; toxicology relating to human health and the environment; handling, storage and exposure issues; and recommendations for managing spills and disposal. In addition, we inform our employees, contractors, customers and other stakeholders about potential hazards and product handling best practices.

“Our commitment to total quality management and ongoing pursuit of excellence ensures compliance with the highest standards in our production process.”



Oxide Plant

From copper oxide and through hydrometallurgical processes, we produce copper cathodes (sheets) with 99.999% purity and A-grade quality, which makes it a highly valued product for international markets.



Sulphide Plant

From copper sulphide, we produce copper in concentrates containing between 30% and 32% metal content. We use the grinding and flotation process for production, where we add reagents to recover the metal.

Sales volumes in US \$ by product and destination

Product	Destination	USD
Copper Concentrate	Brazil	58,871,863
	China	93,039,503
	Korea	22,219,923
	Spain	19,142,667
	India	44,836,553
	Japan	109,710,312
	Peru	65,429,189
Sub-total		413,250,010
Copper Cathodes	United States	13,105,712
	Peru	58,693,087
Sub-total		71,798,800
Gold Concentrate	Canada	2,202,760
Subtotal		2,202,760
Total sales in US \$		487,251,572

Societal Benefits of Copper

Copper and its alloys are widely used in a variety of products that enable and enhance our everyday lives due to their excellent electrical and thermal conductivity; strength and formability; outstanding resistance to corrosion and fatigue; and natural antimicrobial properties. In fact, copper is playing an increasingly important role in addressing many of society's greatest sustainability challenges, including energy efficiency, food supply, public health and renewable energy.

Energy

Around 20 percent of the world's population lives without electricity and the opportunities it provides for working, learning and operating a business. Increasing access to electricity is seen as fundamental to improving global living standards. In 2012, the United Nations (U.N.) Secretary General launched a new long-term program titled *Sustainable Energy for All*. Its purpose is to achieve universal access to electricity by 2030 and

to greatly expand the use of clean, renewable energy and increase energy efficiency globally. Copper is used extensively in electrical wire and cabling, electric motors and green technologies such as wind turbines and solar panels and, as such, will have a significant role to play in achieving these ambitious U.N. targets.

Food supply

According to the U.N. Food and Agriculture Organization, nearly 75 percent of the world's fisheries are fully exploited, and demands on the aquaculture industry are outpacing population growth. Innovative aquaculture techniques, such as copper-alloy nets, are helping to improve farm productivity. The nets' natural ability to stay clean prevents them from clogging with organic matter, improving water circulation and leading to healthier fish, higher yields, lower costs and reduced environmental impact as a result of increased water flow. The strength of copper alloy nets also aids in fish development by reducing attacks from predators. Furthermore, their recyclability provides a responsible waste management solution and promotes a sustainable environment.

Public health

Copper and its alloys have a natural ability to kill 99.9% of bacteria within two hours of exposure on surfaces that are cleaned regularly. This unique ability has been recognised by the U.S. Environmental Protection Agency (EPA), and copper is the only solid touch surface permitted to make human health claims. Antimicrobial copper is increasingly being used in efforts to reduce the spread of disease in public spaces and has already been applied in healthcare facilities, childcare centres and public transport systems throughout the world. With hospital-acquired infections impacting around 25 million people annually, copper touch surfaces can make a valuable contribution to improving patient well-being and reducing the burden on public healthcare systems.

For further information regarding copper's many benefits to modern society, including international case studies and news updates, visit www.copperalliance.org and www.antimicrobialcopper.com.



Children enjoy the Espinar Educational Resource Centre.

Employees have great pride in producing copper, a vital resource for the development of society.



Copper benefits Sustainable Development

- Copper alloys used as surfacing kill more than 99.9% of bacteria within two hours.
- Copper is 100% recyclable, and it is estimated that at least 80% of all copper ever mined is still in existence.
- Around 70% of all copper consumed is used for its thermal and electrical energy-efficient properties.
- A typical 70 m² house contains between 70 and 90 kilos of copper.

- A typical car contains around 22 kilos of copper, mostly in the form of electrical components.
- Copper is used in the fish farming industry to control the growth of bacteria in the water.
- Copper pipes help keep drinking water clean by inhibiting the growth of bacteria.
- Electrical equipment that contains more copper runs cooler and reduces electricity bills.

Product Quality Management

We have various control mechanisms to ensure product quality. By conducting internal audits, Tintaya maintains ISO 9001:2008 certification for production of copper cathodes through ore crushing,

leaching, solvent extraction and electrowinning processes, valid until April 2014.

We strive to minimise impact throughout the lifecycle of our products, specifically on sensitive and important aspects such as the safety and health of our clients and employees, and the environment. Therefore, as a general practice, we request all our input suppliers provide detailed information on their materials. Later, our Health and Hygiene, Safety and Environmental areas evaluate this information.

As part of our risk management, we record all incidents that occur through the Health, Safety, Environment and Community (HSEC) Management System, and we take action with relevant preventive and corrective measures.

We maintain certifications that guarantee the quality and purity of our products, such as the Comex certification, necessary to place a product in the Asian and U.S. markets. We have also registered our materials with the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), which requires using non-polluting reagents and continuous improvement. This is a requirement to access European markets.

Relationships with Clients

We strive to strengthen our relationships with our clients, and transparency is a key component. Therefore, we conduct an annual satisfaction survey to learn how they evaluate the quality of the products and services offered.

We provide clear, reliable and timely information to our clients about the

characteristics of our products, specifically in terms of concentration and purity. In 2012, we did not receive any complaints from our clients regarding the quality of our products, nor were we imposed fines or sanctions for non-compliance with the regulations regarding supply and use of products, or non-compliance with privacy of customer information.

Impact Management Throughout the Lifecycle of our Products

As a global, responsible company, we must manage all possible impacts throughout the lifecycle of our products. Some of the initiatives we undertook in our Tintaya mining unit in 2012 to mitigate or eliminate these impacts were:

- **Acid Mist Capture:** The copper cathode production process in the oxide plant creates acid mist. Through a system of collection

hoods, we capture it and transfer it by suction to a gas scrubber. We later store these particles in a pond and return them to the system, avoiding discharging the mist into the environment.

- **Suspended Dust Capture:** The crushing process in our sulphide plant creates dust. Collectors suck this suspended dust from ore fall-out areas, transfer areas, and

equipment where pollution is generated. We store and then mix this dust with water to form fine mud that is transported to the grinding phase, where we recover its metallic content.

- **Recycling of Packing Materials:** We recycle metal straps and use them for packing copper cathodes.



Company executives and officers participate in the startup of Antapaccay.





About this Report

This report provides comprehensive information about the Peru Operations Division's SD performance for the calendar year 2012, during which we were under Xstrata Copper's management as a commodity business unit of Xstrata plc. This report covers Tintaya, Antapaccay and Las Bambas.

This is the fifth Sustainability Report that the Peru Operations Division has published. It is part of a suite of nine reports on operations and projects under Xstrata Copper's management in 2012. All of these reports can be found on Xstrata Copper's website.

Defining Report Content

In preparing this report, we have prioritised topics or issues that have the potential to affect the long-term success of our business or the sustainability of the economies, environments and communities in which we operate; i.e., our most material issues. We

have sought to present a view of our sustainability performance that is accurate, clear and balanced.

In identifying issues or topics that were material to the Peru Operations Division and our stakeholders in 2012, we considered:

- feedback on our sustainability performance from key internal and external stakeholders
- specific issues arising from the management of our business
- specific issues raised by our employees
- company-specific issues raised directly or indirectly by external stakeholders such as governments, communities, NGOs, investors and the media
- challenges faced by the mining industry, locally and globally, raised in industry associations and forums
- Xstrata Copper's SD Policy and SD Strategy and Management Framework
- Xstrata Group's Business Principles and SD Policy and Standards

- indicators and topics included in the GRI G3.1 Guidelines, the principles of the International Council on Mining & Metals,¹ the GRI Mining and Metals Sector Supplement and other best-practice guidelines and initiatives
- feedback from the three dialogue panels of multiple stakeholders, organised so we learn their opinions and comments about the previous sustainability report, and use them to better communicate information in this report.

1. The International Council on Mining & Metals is an organisation devoted to sustainable development, bringing together many of the leading mining and metal companies worldwide. These companies are committed to improving their sustainable development performance and producing mineral and metal resources that society needs in a responsible manner. As part of this commitment, such companies adhere to 10 sustainable development principles. They also present sustainability reports on a regular basis and commit to undergo independent certification processes.

Data Presentation

In determining the data and calculations included in this report, we have used procedures that are regulated and aligned with measurement models provided by the Xstrata Group. All monetary values are expressed in U.S. dollars (US \$) unless otherwise stated.

The three units are in specific and different stages - there are closure activities under

way at Tintaya, Antapaccay is commencing operations, and Las Bambas is under construction. Therefore, we present the employment, safety and occupational health, environmental and community relations management and performance results of these units as the Peru Operations Division for fiscal year 2012.

In addition, we provide key data on the results obtained by Xstrata Copper's

Project Development Division, which is responsible for the construction and development stage of the Antapaccay and Las Bambas projects. We show this information in text boxes titled "Project Development Division," at the end of the sections, related to employment, safety and occupational health, and environmental performance.



Dialogue Panels

Sustainability reports are management tools that allow us to identify opportunities for improvement and providing our stakeholders with relevant, accurate and timely information on our performance. Since 2010, we have organised panels to listen to our stakeholders' suggestions for improving our sustainability reports and to learn about their information expectations.

These forums serve as important mechanisms to improve our reports and, at the same time, help us maintain contact with our stakeholders.

In 2012, we conducted three dialogue panels in Lima, Cusco and Apurímac, which gathered representatives from communities, the media, academia, the mining sector, the government and civil society, as well as opinion leaders, Xstrata employees and contractors. This report takes into account the

suggestions made, and strives to provide more detailed information on specific topics cited.

Innovation in Stakeholder Engagement

We introduce changes every year based on our dialogue panel methodology. In 2012:

- For the first time, we conducted three panels (one more than last year). Based on our experience and considering the characteristics of our operations and the number of stakeholders with whom we

Identification of Strengths and Opportunities for Improvement for our Sustainability Report and Management

2010	2011	2012
<p>First panel on our Sustainability Report (2009 issue)</p> <ul style="list-style-type: none"> ▶ Location: Cusco ▶ Representatives from 7 of our 11 stakeholders (18 participants) 	<p>Second panel on our Sustainability Report (2010 issue)</p> <ul style="list-style-type: none"> ▶ Locations: Cusco and Lima ▶ Representatives from 9 of our 11 stakeholders (29 participants) 	<p>Third panel on our Sustainability Report (2011 issue)</p> <ul style="list-style-type: none"> ▶ Locations: Abancay, Cusco and Lima ▶ Representatives from 9 of our 11 stakeholders (40 participants)

interact, it is necessary to organise panels in Abancay (for stakeholders from Las Bambas), Cusco (for stakeholders from Tintaya and Antapaccay) and Lima (for institutions and mining industry).

- We used the forums to gather information from our stakeholders regarding the most appropriate ways to distribute our report.

In total, we gathered 40 participants in the three cities, more than twice as many as the first time we conducted the panels for our 2010 Sustainability Report.

RESULTS

Strengths

Participants mentioned the following positive aspects regarding the contents of the 2011 Sustainability Report:

- Scorecards
- Environmental indicators
- Case studies
- Economic performance table

Information on:

- Environmental topics
- Complaint and grievance channels
- Concentrate pipeline
- Training for suppliers
- Local employment creation

Participants noted that much of the information included in the 2011 report addressed the suggestions made in the previous dialogue panel. This clearly reflects our willingness to implement changes to meet their expectations.

Opportunities for Improving the Sustainability Report

We have classified the suggested opportunities for improvement to align with the topics covered in our reports:

General Information

- Explicitly state the importance of copper in modern life.
- Continue informing about the concentrate pipeline and specifically its access road and potential for development.

- Communicate the company's contribution to the economic growth of the region.
- Include more information on the Extractive Industries Transparency Initiative (EITI)

Employees and Contractors

- Emphasise that social responsibility policies also apply to suppliers and strategic partners.

Health and Safety

- Include more information on external safety.

Environment

- Include a summary of participatory environmental monitoring activities.
- Include information about environmental inspection processes.
- Report environmental standards in a clearer way.
- Include baseline data, maximum permissible limits and status of environmental care and performance.

Communities

- Include the vision of the region in addition to that of the organisation.

Finally, the representatives of our stakeholders gave us various recommendations to share the results of our sustainability management with a broader audience.

Opportunities to Communicate Sustainability

- Define a strategy to communicate sustainable development performance, establishing *ad hoc* channels for audiences relevant to

the Division. These include community forums for residents from our area of influence; making presentations to institutions from Cusco and Abancay; internal channels for employees and contractors to reinforce key messages to other stakeholders; and user-friendly and customised communications for the broader public.

- Produce summarised versions containing main information on comprehensive performance.
- Organise talks and forums related to the mining sector in universities and higher education institutes in

Cusco, Abancay and Lima, presenting and explaining important information from the report.

- Communicate our company's contribution in the cities of Cusco and Abancay in a more intensive manner.

As a result of this feedback, we have prepared material that describes the results of our sustainable management in a clear and simple manner, mainly aimed at internal audiences (employees and contractors) and institutions in the Apurímac and Cusco regions.



Dialogue panel in Cusco.



Top: Peru Operations Division Executive General Manager Luis Rivera meets with company officers.

Bottom left: Xstrata Copper Chief Executive Charlie Sartain greets Odilón Huanaco, mayor of the Challhuahuacho district.

Bottom right: Las Bambas General Manager Valentín Choquenaira and Walter Huamaní, president of the Tambulla community.



Global Reporting Initiative

We have developed this report using the Global Reporting Initiative (GRI) G3 Guidelines and the Mining and Metals Sector Supplement, the world's most widely used sustainability reporting framework. Our report complies with GRI Application Level A on the scale of A to C established by the GRI Guidelines.

We have included a GRI Index on page 93 which shows how we have applied the GRI Guidelines to this report.

Quality Assurance

While our report has not been independently audited, we draw our key data from the Xstrata Group database, which has been assessed by independent auditors Ernst & Young as part of its annual limited assurance review. The review includes sample testing

of corporate data collection, aggregation and disclosure processes for sustainability targets and performance indicators.

This sustainability report has been reviewed by our company; by an external and independent expert (third-party verification conducted by Perú 2021); and by the GRI, based on its proposed methodology. As a result, this Sustainability Report has the following application levels: Level A self-declared, A third-party checked, and A GRI-checked.




TINTAYA
ANTAPACCAY



Sustainable Development Strategy and Governance

Our Approach to Sustainable Development

At the Peru Operations Division, the principles of sustainable development are integral to our business model and guide our daily decision-making. We are committed to balancing economic, health and safety, environmental and social considerations when managing our business, to ensure the long-term viability of our operations and our host communities.

In 2012, under Xstrata plc management, we operated in compliance with Xstrata's comprehensive SD Framework, which aligned with international standards including the International Council on Mining and Metals sustainability principles and guidelines; the U.N. Global Compact; the U.N. Declaration of Human Rights; the Voluntary Principles on Security and Human Rights; and relevant ISO standards. In addition, we were guided by Xstrata Copper's Definition of Purpose, Strategic Objectives and Values, which provide an overarching vision and strategic road map for how we manage our global business.

Throughout the year, we took a systematic approach to setting targets, monitoring our performance and reporting, both internally and externally, against our SD commitments and targets. Our SD performance was monitored and evaluated

by the Xstrata Copper SD Committee, which met monthly. Our performance was also regularly reported to the Xstrata Executive Committee through Xstrata Copper's board of directors.

During the year we also regularly participated in internal and external audits to ensure that we continued to comply with Xstrata's Business Principles; Code of Conduct; Global Policy on Bribery, Fraud and Corruption; SD policy; and 17 SD standards.

Xstrata Copper's SD policy can be found on the websites of Xstrata Copper, www.xstratacopper.com, and the Peru Operations Division, www.xstratacopperperu.pe, along with other key SD policies and standards.

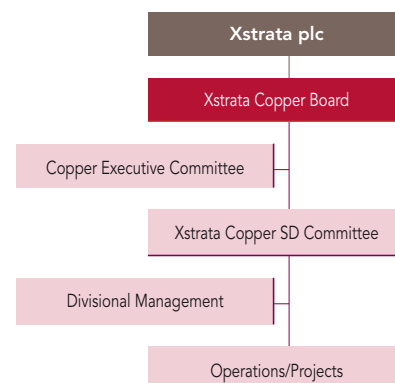
The executive general manager of our Division is part of Xstrata Copper's SD Committee and is responsible for establishing and implementing SD strategies and management systems for the Peru Operations Division.

Our Management Committee is the governance body of our Division. In 2012, eight executives, led by our executive general manager, made up this committee. One committee member belongs to the local community, two are women, and six are between 30 and 50 years old.

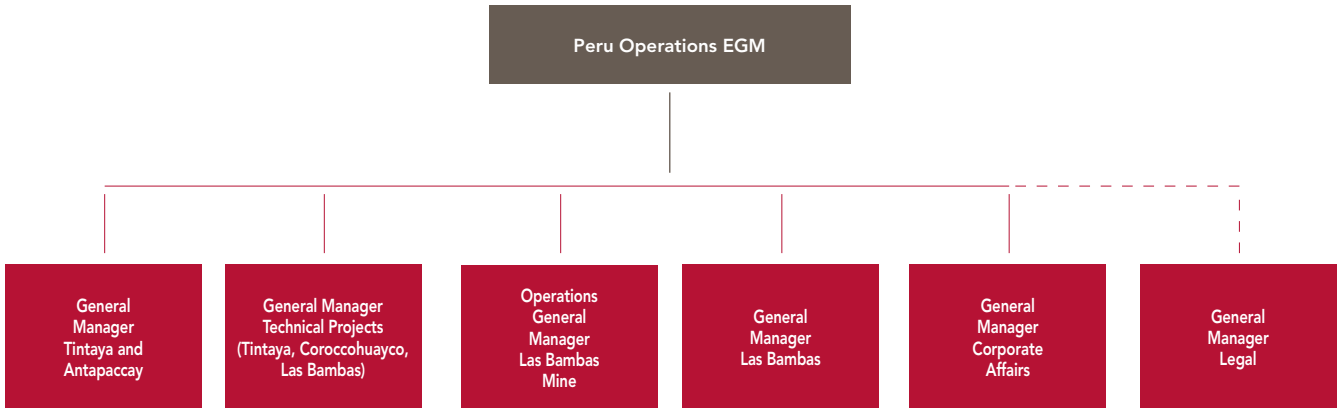
All our officers, especially those who hold executive positions, have the necessary competencies and experience to successfully perform their roles. They also have thorough knowledge of safety, health, labour relations, community and environmental topics, and their compensation is based on their performance in these areas.

"In January 2012 we also joined the Peruvian network of organisations that are part of the United Nations Global Compact, reaffirming our commitment to the 10 principles this initiative establishes."

Xstrata Copper Governance Structure



Peru Operations Division Organisational Chart



Xstrata Copper's Definition of Purpose

We are proud to be developing the leading copper business in a sustainable manner, providing vital resources to society while delivering superior shareholder returns. We are passionately committed to our people, safety and health, the environment and our host communities. We work in open partnerships with our stakeholders to create enduring value.

Our Strategic Objectives

- Injury-free, safe work environments
- Demonstrated leadership in environmental performance
- Reputation for social responsibility
- Realisation of the full potential of our people
- Maximize value from our physical assets
- Cost competitiveness through the cycles
- Value creation through dynamic growth and continuous improvement

Our Values

- We do what we say.
- We act decisively to create value.
- We hold ourselves accountable.
- We dare to be different.
- We act with care.

Sustainable Development Assurance

In 2012 our Division participated in internal and external assurance activities to ensure that we continued to have appropriate SD targets in place, our monitoring systems were robust, and our reporting was material, accurate and timely.

As part of our commitment to our high management and sustainability standards, and in line with our continuous improvement processes, our Division is internally audited on a periodic basis to evaluate our performance in SD and other standards. In 2012 we maintained the following certifications:

- ISO 14001 for our Environmental Management System (since 2011) for our Tintaya unit, and we expect to extend it to our Antapaccay unit in 2013.
- OHSAS 18001:2007 for our various Division units. We have recertified our processes in safety and occupational health.
- ISO 9001:2008, obtained in 2011, for copper cathode production processes in the processing plant of our Tintaya unit.

Dialogue and Other Mechanisms to Follow Up on Our Sustainability Performance at Tintaya, Antapaccay and Las Bambas

Tintaya and Antapaccay

- Development Table
- Framework Agreement
- Cañipía Bilateral Process

Authorities, civil society representatives and Tintaya communities participate in the first two.

Besides these forums, the Dialogue Table was created in 2012 as a result of incidents involving our operations that occurred in May 2012. This forum is chaired by the Minister of the Environment, the president of the Cusco regional government, and the provincial mayor of Espinar.

A technical secretariat and three working subgroups make up this table. They have held a total of 80 meetings, and Xstrata Tintaya has actively participated in all of them, fostering dialogue and productive and sustainable agreements.

Las Bambas

- The Independent Advisory Group (IAG) is composed of experts with experience in community, social, environmental, ethical and economic issues. Its objective is to offer us advice regarding the development of Las Bambas to ensure we comply with our demanding standards and policies, and with any other standard it suggests, and to improve our practices and strengthen our engagement practices with our stakeholders.

In 2012, the IAG focused on four areas:

- Environment:
 - Environmental protection
 - Baseline
 - Water
 - Environmental monitoring
- Community development and training programmes that foster local employability.
- Progress on the resettlement of the Fuerabamba community.
- Activities of the Las Bambas Social Fund (FOSBAM, in Spanish).

In 2012, the IAG met two times through teleconferences. A visit to Las Bambas is scheduled for 2013 to verify progress made on the construction of Nueva Fuerabamba, early works for the mine, the *T'ikariy Wiñaypaq* Training Programme, the fry farm and the Wichaypampa nursery, among other sustainable projects we implemented in the area.

Public Policy

Xstrata continued to play an active role in a number of important international and national industry organisations and multi-stakeholder groups in 2012 through its membership, funding, provision of expertise and participation in committees and working groups.

Similarly, Xstrata Copper played an active role in organisations that were copper-specific and others that were unique to

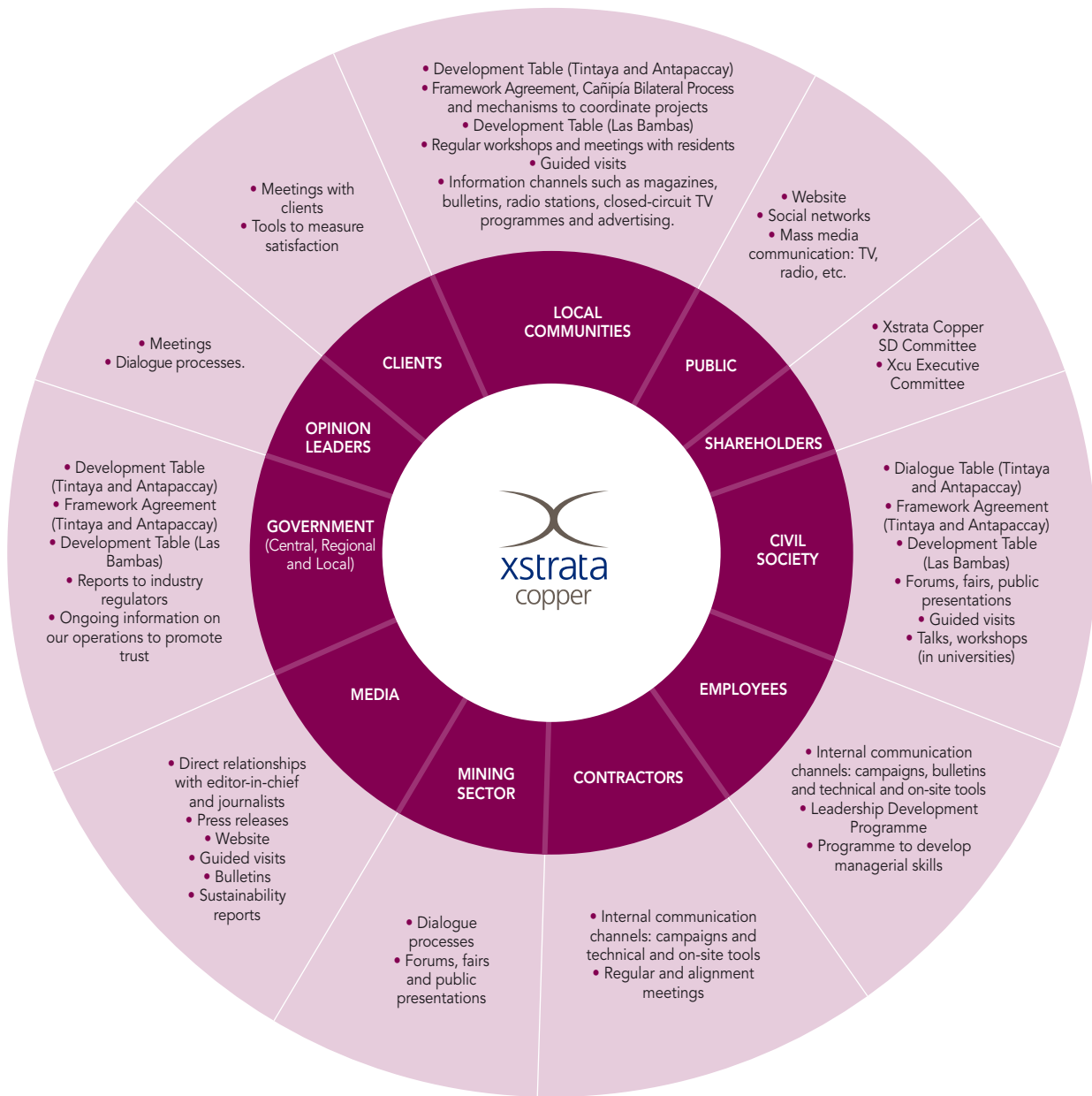
the geographic areas where we operate. Our global public policy participation commitments included Xstrata Copper's involvement in the ICA and the Australia-Latin America Business Council (ALABC).¹

1. In Peru we belong to Patronato de Perú 2021, a civil association that encourages companies to commit to social responsibility. We also belong to the Lima, U.S., Canada, Australia, and Switzerland chambers of commerce, and to the National Society of Mining, Petroleum and Energy.

As proof of our commitment to sustainability, we have signed the National Society of Mining, Petroleum and Energy's code of conduct, which establishes a number of sustainable development principles with which we must continuously comply.

In January 2012 we also joined the Peruvian network of organisations that are part of the United Nations Global Compact, reaffirming our commitment to the 10 principles this initiative establishes.

Stakeholder Engagement



Channels and Mechanisms to Engage with Stakeholders

Our Division interacts with the following stakeholders: local communities, the public, shareholders, civil society (NGOs, churches and the academia), employees, contractors, extractive sector, the media, the government, opinion leaders and clients.

The diagram lists the channels we use to engage with each one of them.

Main Challenges and Opportunities

Peru has a strong economy and legal stability, and promotes industry investment. The mining sector contributes significantly to Peru's economic development, representing 60% of exports, more than 14% of gross domestic product (GDP) and a third of the growth expected by 2016.

The geological richness, availability of quality cadastral and geological information, and a legal framework that

encourages private investment, makes Peru one of the most attractive destinations for mining investment in the world. Globally it ranks third in copper, silver, zinc and tin production and is the sixth largest gold producer.

We have taken into account information from various internal and external sources to define the relevant issues for our Peru Operations Division and stakeholders. We have identified the main sector risks and challenges that could affect the success of our company and are relevant to our stakeholders now and in the future.

We are strongly committed to the social development of our areas of influence.



Macro Risks:

- delays due to social conflicts
- cumbersome process to approve permits and licences
- legislation and regulatory changes
- growing community expectations

Sector Risks:

- negative opinion of the extractive industry in general
- illegal mining
- price volatility
- increasing tax burdens
- local government reluctance to mining activity
- high demand for and shortage of specialised technicians
- limited infrastructure
- gap between supply and demand for energy in Peru

Sector Challenges:

- Develop a transparent institutional framework that attracts investment.
- Contribute to the sustainable development of Peru, establishing mutually trustworthy relationships with the communities and the government that attract and promote investment.
- Transform mining from a source of social conflicts to a source of opportunities that become a matter of pride for Peru.
- Ensure an attractive total cost structure, in comparison to other countries, that lays the foundation for future development.

We have identified the following opportunities and challenges for the sustainable management of our Division:

- Foster local employment creation (Refer to page 44).
- Implement initiatives that promote social development (Refer to page 61).
- Implement good environmental practices across our units (Refer to page 77).
- Develop initiatives to offset illegal mining (Refer to page 63).
- Carry out a resettlement process for communities close to extractive projects, in line with international standards (Refer to page 72).
- Strengthen our activities based on our commitment to environmental and social excellence; act not only as an environmentally and socially responsible company, but communicate what we do in an appropriate manner (Refer to page 61).

Our goal at the Peru Operations Division is to encourage the ongoing participation of the community and stakeholders in activities related to the assessment of our environmental impact, through citizen participation and social investment in our areas of influence. This will ensure openness and transparency.

Mining Industry and Social Challenges

Peru's economic growth over the past several years, largely driven by mining activity, has brought to light various challenges in a country where development opportunities are still inequitable; e.g., in rural and especially high Andean areas.

Social conflicts in the country usually result from both a poor institutional framework that makes it difficult to effectively carry out work and services for these citizens, and the perception of unequal relationships with the private sector. Many major controversies surround extractive projects, mainly excited by socio-environmental issues.¹

Our Division has faced this reality. In May 2012, we were involved in a controversy in which the Espinar provincial government and some civil organisations accused our Tintaya unit of causing environmental contamination. This provincial government also proposed to redefine the Framework Agreement and significantly increase the voluntary contributions we annually pay.

In spite of our efforts to find a solution through dialogue, they called a strike that resulted in violent acts that caused fatalities. The national government declared a 30-day state of emergency in Espinar province and called for a dialogue process to seek a comprehensive solution to the social, political and environmental issues in the province.² For further information, please refer to pages 61 and 77, Sustainable Communities and Environmental Performance, respectively.

1. More than 50% of active and latent conflicts are due to socio-environmental issues, resulting from claims put forward by communities against mining companies that operate in their area.

2. In May 2012, there were 173 active conflicts in Peru, most of them in the departments of Áncash (28 cases) and Puno (22 cases), followed by Cajamarca (16 cases) and Cusco (15 cases).

Company officers meet with local and regional authorities at the Dialogue Table.



Dialogue Process

The Dialogue Table was established in July 2012 to resolve socio-environmental issues in Espinar and encourage dialogue between the public and private sectors.

The following bodies participated in this dialogue process:

- Joint chairmanship by the Minister of the Environment (MINAM), the president of the Cusco regional government and the provincial mayor of Espinar
- Technical Secretariat made up of representatives of the Ministry of the Environment, the Ministry of Energy and Mines (MEM), the Cusco regional government, the provincial municipality of Espinar, the district municipalities of Espinar province, civil society and Xstrata Copper
- Working subgroups:
 - Environmental Table coordinated by the MINAM
 - Social Responsibility Table coordinated by the MEM
 - Development and Production Table coordinated by the Cusco regional government and the Ministry of Agriculture

Several months after establishing the Dialogue Table, which has held more than 80 meetings (as of April 2013),

we have made significant progress on the agreements to be carried out. Progress made includes:

- The Agricultural Sanitation National Service (SENASA) has conducted toxicological studies and infectious disease analysis to explain the causes of animal deaths. This institution submitted a preliminary report confirming that animal deaths were mainly caused by *fasciola hepatica* and pneumonia. To prevent these diseases, SENASA will implement a laboratory to diagnose parasitic diseases and will also carry out community awareness campaigns.
- We have signed an agreement with this entity to carry out animal health campaigns in the communities surrounding the operation for three years.
- The participants of the Development and Production Table have prepared a list of prioritised projects in accordance with the Espinar Provincial Municipality's development plan and projects of district municipalities.
- We voluntarily contributed nearly US \$200,000 to the relatives of the people who passed away during the violent acts in Espinar in May 2012. This contribution is merely altruistic and does not imply taking responsibility.
- We have delivered approximately US \$115,000 to the Espinar Provincial Municipality as an advance of the 8th contribution to the Framework Agreement in favour of the civilians injured during the violent acts in Espinar in May 2012.
- We are implementing the Community Care and Support Office, in Yauri, to provide better service to residents from our area of influence. We will supplement this office with a website to timely record and monitor community residents' suggestions, concerns and requests.
- We are creating a committee to follow up on the processes, challenges and agreements resulting from the direct dialogue process with communities.
- The representatives of the Espinar Municipality and the company have reached consensual approval of 13 out of 17 clauses (approximately 76%) proposed for the new text of the Framework Agreement. Topics related to the voluntary contribution and hiring percentages of local labour and procurement of goods and services of the province are yet to be discussed and approved.

Environmental Commitment in Espinar

One of the working subgroups of the Development Table that was established zeroed in on environmental issues. Through this forum, our Division reaffirmed our commitment to environmental protection. All initiatives implemented are part of our Environmental Management System, certified under ISO 14001, and include policies and programmes with specific objectives and indicators to help us continuously improve our performance.

Authorities like the Environmental Assessment and Inspection Agency (OEFA, in Spanish), the Ministry of Energy and Mines, and the Supervisory Board for Investment in Energy and Mining (Osinergrmin, in Spanish) audit our performance.

Since June 2008, as part of our effort to engage communities, authorities and other stakeholders in evaluating our environmental performance, we have conducted a total of eight participatory monitoring activities.

Similarly, OEFA and Osinergrmin have carried out 10 regular supervisory visits to our Tintaya and Antapaccay operations since June 2006.

Some of the main agreements and progress made by this subgroup include:

- Integration of the work plans issued by the national government and Espinar province into one intergovernmental plan that includes environmental assessment and inspection, and audits in the area.
- Short-, medium-, and long-term measure matrix for Espinar province was approved. It includes the following guidelines:
 - Developing environmental land management in line with the development plan of the province
 - Institutionalising a provincial health and environmental information and dissemination system
 - Establishing a participatory environmental surveillance and monitoring system
- A Hydrological and Water Balance Study in the basins of the Salado and Cañipía rivers under the National Water Authority (ANA).

- A Participatory Environmental Monitoring Plan. The regulators took a total of 481 water, air, soil, sediment, tailings and human consumption water samples for this purpose.

In April 2013, the national government submitted the preliminary Integrated Report of the Environmental and Sanitary Participatory Monitoring to the Espinar Provincial Municipality and our company.

One of the conclusions reached indicated that it is necessary to conduct additional studies to define the causes of the excess metal found throughout Espinar province. According to information presented by the regulators of the national government, this excess is of natural origin given the mineralisation of the area, and is also due to the various economic activities carried out in the province, including residents' daily activities. Regulators also confirmed that animal deaths in the areas close to our company are caused by common parasitic and viral diseases in Espinar province.



Government officials, civil society representatives and company representatives participate in working subgroups of the Dialogue Table.





Ethics and Human Rights

REPORTING LINE

The Xstrata Reporting Line is a confidential facility, operated independently by Expolink, through which our employees and other stakeholders, such as contractors or suppliers, can report any breach of our Business Principles, Code of Conduct or policies or applicable legislation. A phone number that is free of charge to the caller is provided for every country in which we operate. For our Peru Operations Division, the caller should follow the steps below:

- 1) Dial 108 for country International operator.
- 2) Ask for an international collect call or reverse charge to 0044 1249 661 808.
- 3) Operator will dial the number and speak to an Expolink operator, who will accept the call and charges.
- 4) Country operator connects caller to Expolink, leaves the call and then the call takes place as normal.

The Reporting Line can also be accessed online via www.xstrataethics.com.

Behaving Ethically

The Peru Operations Division is committed to the highest standards of personal and professional ethical behaviour. We comply with the laws and regulations of the countries in which we operate, and we will not tolerate any incident of bribery or fraud committed by employees or those engaged or paid to represent us, including consultants, contractors and advisers. We take immediate and serious action against those responsible, irrespective of length of service or position.

During 2012, the Xstrata Reporting Line was available for our employees and other stakeholders to safely and confidentially report non-transparent behaviour that was at odds with our principles, policies and standards and relevant legislation.

In 2012, our Division did not have any fraud or corruption incidents, and no monopolistic or anti-competitive actions took place. Likewise, we did not receive any fines for non-compliance with laws or regulations.

We train all employees in anti-corruption procedures during their induction and, as needed, conduct refresher workshops and talks on these topics throughout the year.

Extractive Industries Transparency Initiative

We support the Extractive Industries Transparency Initiative to increase transparency regarding company payments and government revenues in the extractives sector. The Peru Operations Division's royalty, tax and other payments to governments in 2012 can be found on page 43 of this report. In 2012, we did not provide any financial or in-kind contributions to political parties or individuals.

Human Rights

We endorse the principles set out in the U.N. Universal Declaration of Human Rights, the International Labour Organization Conventions and the U.N. Global Compact.

The Peru Operations Division is committed to transparent and honest stakeholder engagement, and we respect the cultural heritage, traditions and norms of our host communities. We have also established appropriate community grievance mechanisms to protect these rights.

At the Peru Operations Division, we believe that complaints about land are also complaints about human rights. In 2012, we received some complaints about the environment, local employment expectations and infrastructure building. Other key topics include:

Labour - the rights of our employees and contractors to fair remuneration, equal pay for equal work, freedom of

association, safe and healthy workplaces, non-discrimination and protection of legal rights. All employees from our Division and contractors we work with receive training and materials about human rights policies and procedures. For details please refer to page 49 of this report.

Security - All employees from our private security service provider (PROSEGURIDAD) received training in human rights and security principles, which we are implementing at the Peru Operations Division. We have also communicated our commitment to human rights to the public security forces, with whom we coordinate certain activities such as transportation, storage and use of explosives in our mining operations, under the current legislation. For details please refer to page 57 of this report.

Communities - the impact our operations may have on communities, including disputes related to the use of land and mineral assets, micro-inflation, displacement of communities, influx of

migrant workers, impacts to culturally sensitive resources, access to resources and economic benefits. For details please refer to page 61 of this report.

Finally, we ensure that every significant investment contract or agreement signed by our Division complies with human rights principles. We audit all our suppliers to evaluate compliance with our sustainable development standards and policy, including these universal principles.

In 2012, SGS del Perú was in charge of assessing the minimum requirements established by our Division. This company carries out the supplier assessment process, a mandatory requirement to become a supplier for our company. In this process, SGS assesses suppliers' financial status, operating capacity, quality, safety, health, environmental and commercial management.

In addition, the Contract Superintendency's Supplier Development area conducts training for our local contractors to strengthen their good business and human rights practices.

Child and forced labour

We support the elimination of all forms of forced or compulsory labour, and we do not tolerate any form of child labour. In 2012, the age of our youngest employee and contractor was 20 years old.

PROJECT DEVELOPMENT DIVISION



During 2012, all suppliers and contractors in charge of Las Bambas and Antapaccay construction and development demonstrated they meet our corporate standards in terms of ethics, transparency and human rights.

EITI Peru

Peru has been part of the EITI Peru since 2005, and our Division participates in the initiative together with other companies from the sector, public institutions and civil society representatives.

Peru was declared EITI Compliant in 2012, a major distinction for the country, as it is the first country in the Americas to obtain this validation from the EITI international board, confirming its demonstrated leadership in fiscal transparency in the extractive sector. Moreover, the

2012-2014 work plan, which includes preparing national reconciliation studies, was approved and implemented. The EITI Peru National Committee Rules are also being drawn up, which will help manage this initiative more efficiently.

In June 2012, the EITI National Committee, together with the Peruvian government and multilateral organisations, organised a conference in Lima titled "Open Government and Transparency in Extractive Industries in Latin America and the Caribbean." The main objective was to exchange information and proposals about

opportunities and key challenges to improve transparency and accountability in the extractive industries in the region. This conference supported the ongoing search for mechanisms and strategies to strengthen governance and foster sustainable development in countries in this part of the world.

EITI Peru makes it possible for citizens to see how much the government is receiving from companies that extract the country's natural resources. The last report from EITI Peru showed that the government received more than US \$5 billion in 2012, almost six times more than the amount received in 2004, when Peru started to publicly report figures. More than 60% of the income came from the mining sector.

Xstrata Copper Peru Operations Division representatives receive the Expomina Award.



Awards, Distinctions and Recognition

In 2012, we received recognition six times for various components of our sustainability management.

Company Distinction for Social Responsibility

Perú 2021 and the Mexican Centre for Philanthropy (CEMEFI) accorded us the Socially Responsible Company Distinction for the good practices we strive to implement through our relationships with our stakeholders.

To obtain this distinction, we submitted evidence for each one of the indicators in the various categories being evaluated: quality of life at the company, business ethics, company's engagement with the community, environmental care and preservation.

Being able to successfully comply with the process and obtain this distinction clearly reflects that our Division is aligned around a common standard that has set a benchmark for sustainability performance and stakeholder engagement.

Expomina 2012 Award for Social Responsibility

Las Bambas earned second place in the Expomina 2012 contest, Social Responsibility category, for our *T'ikariy Wiñaypaq* and *Yachay Watakunapaq* training programmes, which benefit the various communities located in its area of influence.

Through these programmes, our Division seeks to boost sustainable development in the communities related to Las Bambas by strengthening residents' skills. This action will help them create production chains in the mining sector and other fields, and develop their abilities to create production and service microenterprises.

We carried out these programmes in the following districts: Coyllurqui, Haqira, Mara, Challhuahuacho and Tambobamba, in Cotabambas province, and Progreso, in Grau province, Apurímac.

Awards for Safety Management

- Our Tintaya unit took first place in the Annual Safety Awards in the Open Pit Mining category, conferred by the Mining Safety Institute (ISEM, in Spanish) to those companies that have reported low

accident rates and shown good safety and occupational health performance.

- Pacifico Seguros insurance company also granted Tintaya an award for the best safety and health indicators among national mining companies.
- For the fifth consecutive year, Las Bambas obtained recognition from ISEM during the 15th Annual National Mining Safety Contest, held in April 2012. We received an honourable mention for obtaining the lowest accident rates in 2011 in the Major Mining Projects under Construction category.
- The Universidad Nacional Micaela Bastidas (UNAMBA) from Apurímac decorated our general manager of Las Bambas for the support he provided to university students and for encouraging inter-institutional cooperation.



Our Economic Contribution

At the Peru Operations Division we make a significant contribution to the communities in which we operate by providing jobs and training; paying taxes and royalties; buying goods and services from local businesses; supporting community development programmes; and by developing and improving local infrastructure. In this way, we play an important role in improving local health, education, employment and living standards. We work with local governments, communities and other stakeholders to share these benefits in a sustainable manner.

Direct Economic Impact

In 2012, we contributed to the national economy by generating wealth, distributed to all our Division's stakeholders. In this fiscal year, we reported US \$487 million in total sales. Of this amount, we used US \$37 million to pay taxes and royalties, US \$22 million for social donations, and US \$234 million for local and national purchases.

Our Tintaya and Antapaccay units contributed a total of 53.1% of our profits before taxes, almost seven percentage points more than the average contribution made by the mining sector, which is 46.3%. This means that we did not only contribute 3% under the Framework Agreement,¹ but we made a higher contribution after

adding royalties, the Special Mining Tax (SMT) and Special Mining Burden (SMB), employee profit sharing, and dividend and income taxes.

Over the past five years (2007-2012), the Espinar Provincial Municipality has received approximately US \$250 million from canon and royalties. Likewise, in the past nine years, Espinar province has received more than US \$70 million from Tintaya as voluntary contributions to the Framework Agreement.

1. Voluntarily signed in September 2003 with Espinar province (represented by Espinar Provincial Municipality) to foster a strategic partnership for the sustainable development of residents.

Direct Economic Impact*

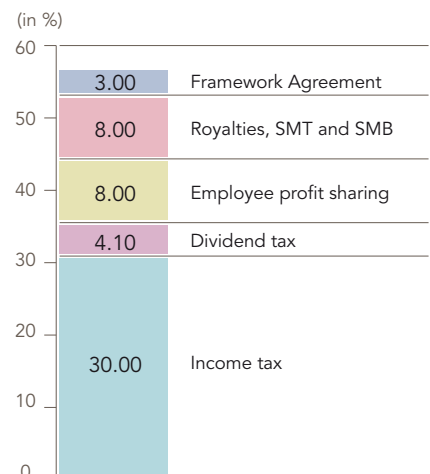
In US \$ millions	
Total sales	487.25
Cash costs	295.55
Xstrata Tintaya capital investments in sulphide plant	9.10
Xstrata Tintaya capital investments in oxide plant	2.70
Exploration and development investments - Las Bambas	1,061.50
Exploration and development investments - Antapaccay	684.50
Total salaries paid	43.60
Total taxes paid**	37.35
Royalties, SMT and SMB	11.20
Social donations (including Framework Agreement and Corporate Social Involvement)	22.50
Local and national market purchases	234.50
EBIT***	133.00

* Effective October 2011, the company is subject to Royalties, the Special Mining Tax and the Special Mining Burden.

** Includes amounts paid by Xstrata Tintaya and Xstrata Copper Corporate Services Perú.

*** Official data reported to Xstrata Copper for consolidation.

Structure of Tintaya and Antapaccay's contribution



Espinar woman in front of the Santa Rosa neighbourhood market in Yauri, built with contributions from the Framework Agreement.



Thanks to the Framework Agreement, 756 projects were carried out, focused on:

- Agricultural and livestock development
- Education
- Health
- Sanitation
- Electrification
- Road infrastructure

Some of the main projects carried out include the Dairy Plant, the Alpaca Fibre and Sheep Wool Plant, the Espinar Educational Resource Centre and the Espinar Hospital.

Seventy-five farming communities from the eight districts of Espinar have benefitted from these undertakings.

Following project prioritisation with each of the farming communities, 136 new projects are already under way.

Commissioning of Antapaccay

With an investment of approximately US \$1.5 billion, our Division has finished construction of the new Antapaccay mining unit, located 10 km from Tintaya. This new venture will allow us to extend local operations, maintaining all jobs beyond 2030, and ensuring higher production than that achieved by Tintaya.

Commissioning began in November 2012. All 418 unskilled labour positions for construction of Antapaccay were filled with local people.

Las Bambas will begin to make direct economic contributions in 2015, the year it is expected to begin operations. However, this unit already generates value in its vicinity through the Las Bambas Social Fund and development projects for local communities.

Boosting Local Economies

In addition to our direct economic impact, the communities in the areas of influence of our units benefit from demand for labour, local hiring and purchasing.

Local Employment

As part of our commitment to communities, our employees from the direct areas of influence of our operations receive salaries higher than the minimum established in the mining sector.

In 2012, we created 492 jobs for people from our area of influence, who are currently on our payroll*.

Local employee hiring

	Tintaya and Antapaccay	Las Bambas
No. of local employees	418	74
% of local employees	27	23

* For further information, please refer to page 52.

“Approximately 500 new people have been added to our payroll, and our units have purchased from approximately 300 local suppliers.”



Young Espinar residents train in cooking.

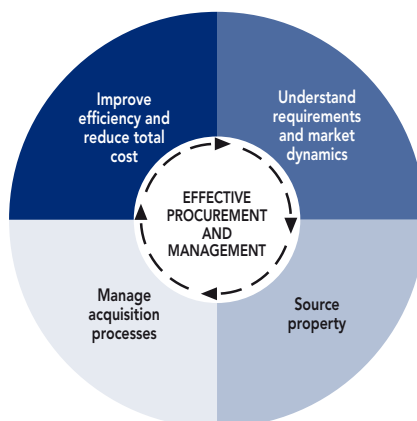
Local Purchases - Development of Local Suppliers

We maintain a development model for local suppliers that has helped us encourage purchasing of goods and services from local companies and communities in our areas of influence.

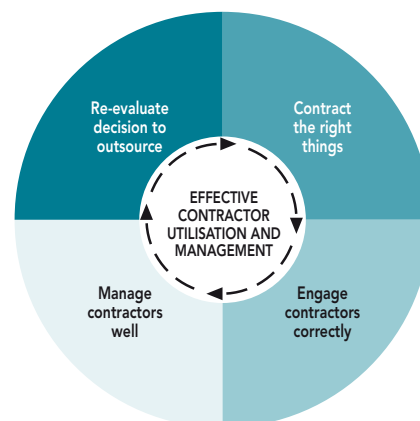
This model includes but is not limited to the following: special conditions in tender processes, training, technical assistance and business advice for local companies and residents. In 2012, our Tintaya, Antapaccay and Las Bambas units bought from 83, 45 and 153 local suppliers, respectively.

To promote a quality management culture among our key partners, we carry out supplier assessments via field audits and provide them with objective and specific feedback. In this way, they can address the remarks about or objections made to their performance and make plans to improve where necessary.

Procurement Common System



Contractor Management Common System



Purchasing Volumes of Material and Services

Local purchases		Tintaya	Antapaccay	Las Bambas
	UNIT			
No. of suppliers	Units	1,149	594	633
No. of local suppliers	Units	83	45	153
% of local suppliers	Percentage	7.22	7.58	24.17
Total amount of purchases (goods and services)	US \$	310,021,583	278,633,412	321,046,809
Total amount of local purchases (goods and services)	US \$	17,764,976	6,249,013	3,750,556
% of total amount of purchases from local suppliers	Percentage	5.73	2.24	1.17

Yuricancha community potato producers show their product.



Entrepreneurs' Development in Las Bambas Area of Influence

When Las Bambas began activities in 2004, bartering was the main means of trading in the Challhuahuacho district, where the number of businesses was minimal. Now, thanks to the economic boost and our company's support through the Local Entrepreneur Development Programme, entrepreneurs from the Las Bambas area of influence are growing their businesses.

The objectives of this programme are to develop local microentrepreneurs' competitive skills; help them become part of the value chain; and implement an efficient purchase methodology in line with Xstrata Copper's sustainable development policies and the particular economic and sociocultural characteristics of the area.

Thanks to this initiative, various microenterprises got advantageous contracts to provide goods and services to Las Bambas and other companies in the region. In addition:

- We provided technical and financial advice to the Challhuahuacho Association of Concrete-Block Machine Operators, made up of

eleven local businesses, so they could participate in the tender process and win a contract of US \$185,000.

- We provided advice to the Yuricancha community, giving it a business opportunity to sell 17 tonnes of potatoes to our contractor that provides catering services during the second half of 2012. In addition to this, the community was able to participate in the Mistura Gastronomic Fair, representing the Apurímac region. There are already agreements made to buy 48 tonnes of potato for 2013.
- We carried out the first stage of the "Healthy Restaurants" Project to improve sanitary conditions and techniques of restaurants located in this district. Thirty-two restaurants participated in this venture, which lasted five months, and we accredited 17 of them. In 2013, we will develop the second stage to optimise quality control.
- We built a local bakery with employees from the Fuerabamba community who received training

in bread making. This bakery became a supplier to our employee canteen since mid-2012. Likewise, we helped the bakery produce 1,200 *panetones* (Italian cake) for distribution to our employees and contractors during the Christmas campaign. Projections indicate that Xstrata will require 16,000 kilos of bread for 2013, in addition to sales to Challhuahuacho residents.

- We developed and awarded a contract for 2013 to a local business to provide courier services between Las Bambas and Tintaya.
- At the end of 2012, we made an initial purchase of 1.2 tonnes of noodles to the Association of Agro-industrial Producers of Noodles, which benefitted 400 families who are part of the association, plus 650 litres of honey to the Beekeepers Association. We estimate to buy 1.5 tonnes of noodles for the first quarter of 2013.

Inauguration of the Challhuahuacho Peasant House.



Our Commitment to Regional Development

Our Division and its units manage various development projects with communities. By design, these projects are aligned with the Regional Agreed Development Plans of Cusco and Apurímac. We directly work with them in the initiatives aimed at residents that require our participation. Our objective is to join efforts with local authorities and promote regional development, in line with their vision of development.

In 2012, we encouraged regional governments to request resources, by taking into account future revenue, to carry out more and better projects. In this way, a large number of the projects planned can find the necessary funding to meet their objectives.

INSTITUTIONAL STRENGTHENING

The promotion of the urban development plan of the Challhuahuacho district is another example of how we participate in development plans put forward by authorities. We are working to sign an agreement with the Ministry of Housing, Construction and Sanitation and the district authority for this purpose.

The rapid increase in wealth in this district has led to certain anomalies such as increased disorder and

higher migratory flow into the area which we believe we should help correct. That is why the urban development plan is important. In this district, we have helped build the Peasant House and the municipal dining room. In Cusco, we will carry out infrastructure projects under the "works for taxes" system for 2013.

SKILLS FOR PUBLIC MANAGEMENT

Likewise, we ensure our social investment has greater impact by helping build the skills of the people in charge of carrying out these ventures. By doing so, we directly contribute to managing public resources in an appropriate and timely manner, allowing residents to have access to services, infrastructure and development.

We promote workshops and training activities for local authorities, mainly from the Challhuahuacho district and those that are part of Cotabambas province. Our priorities are to strengthen local skills, foster production development, and invest in projects related to educational infrastructure, mobile telephony and sanitation, among others.

In 2012, the company supported the Cotabambas Provincial Municipality and the Challhuahuacho District

Municipality through the Technical Assistance Programme to Improve Administration of Local Governments in Cotabambas, Tambobamba and Challhuahuacho. This undertaking consisted of advising the technical team to develop investment profiles, and support authorities in their dealing with the various governmental entities. Thanks to this project, seven prioritised profiles were created, for approximately US \$10 million.

We prepared a methodology to implement this technical assistance. The objective was to improve public investment, design and carry out quality projects that have positive social impact, which directly contribute to closing socio-economic gaps.

Finally, we take into account the opinion and expectations of the business community in Cusco and Apurímac. We maintain close relationships with authorities, local governments, institutions of the sector and chambers of commerce of each region, so they are aware of our operations and projects. Their representatives have participated in dialogue panels regarding our sustainability reports since 2010.



Our People



Our ability to attract, develop and retain the best talent has been fundamental to our business success. In addition to providing development and training opportunities and safe and healthy workplaces, we have a strong set of corporate values, which are based on integrity, trust, personal accountability, respect and care for others.

In 2012, in line with our corporate guidelines, we began a programme in our Division to create developmental rotation experiences among professionals from technical and operational areas in various Xstrata Copper's operations.

The purpose of this initiative is to enrich the professional experiences of our specialised technicians, strengthen their global business vision and further develop their skills with intercultural experiences, preparing them to take on greater responsibility in the future.

Due to the fact Tintaya is in the closure stage, and taking into account that it is close to Antapaccay, we show employees' data jointly below.

At Tintaya

Due to the closure stage of this unit and the fact that our employees are becoming part of Antapaccay, in 2012 we focused our efforts on investing in the development and strengthening of our talent:

- We offered 200 internships to our employees;
- We prepared the Human Resource Strategic Plan; and
- We continued supporting local training programmes.

At Antapaccay

We zeroed in on commissioning this new unit that, in most cases, will employ people from our Tintaya unit. Therefore, activities focused on meeting the labour demand necessary for the current stage of Antapaccay.

At Las Bambas

We concentrated on recruitment and selection processes. We paid special attention to middle management positions in technical areas, and worked on their induction processes.

The number of employees at Las Bambas has significantly increased: We began 2012 with almost 130 employees and finished with 317. Moreover, local employment has taken on greater importance since the project is in the construction stage.

All our employees are committed to sustainability from the time they join our units. We implement initiatives that promote and strengthen their commitment while working at the Peru Operations Division.

"In 2012, we created 1,546 jobs in our Tintaya and Antapaccay units, and 317 in our Las Bambas unit."

Our Workforce

In 2012, we created 1,546 jobs in our Tintaya and Antapaccay units, and 317 in our Las Bambas unit. We reported a turnover rate of 10.93% in Tintaya and Antapaccay, and 22% in Las Bambas.

Development and Training

We encourage the professional development of our employees and have a development programme that includes technical and professional training and tools to help them successfully perform their jobs. Our objective is to develop our employees' skills and competencies. In 2012, we promoted the following:

- Courses at external educational institutions
- Internal courses
- Internships in other mining operations of Xstrata Copper
- Xstrata e-learning platform
- Annual Training Plan

“We promoted courses at external educational institutions, internal courses, and internships in other mining operations of Xstrata Copper...”

In addition, to enhance our employees' future skills and competencies, we implemented the following training programmes in 2012.

At Tintaya and Antapaccay

Leadership Development Programme: This programme is designed to build leaders

who can strengthen our organisational culture, which is the framework that guides our decisions and actions in line with the strategic objectives of our business.

We conducted 14 workshops from April to October. One hundred and fifty-five employees from various management offices participated.

Programme to Develop Managerial Skills: This programme is designed to build key managerial skills, including a strategic mining business vision, knowledge of key economic and financial concepts, people management and other supplementary competencies that will support decision-making using a comprehensive approach. Twenty-four employees participated.

At Las Bambas

Leadership Development Programme: We conducted this programme through eight workshops. Ninety-six employees participated.

Annual Training Plans: This training covered 1,091 employees in our Tintaya and Antapaccay units and 110 employees at Las Bambas.

Performance Assessment

To manage our performance and ensure continuous improvement, we have a performance assessment process in place to measure compliance with our objectives. This process applies to every employee with more than six months working in our company. In 2012, we assessed 478 employees at our Tintaya and Antapaccay units, and 145 at Las Bambas.

We carry out this process through the Performance Assessment Corporate Web System, which includes five stages:

- **Stage 1:** At the beginning of each year, we record the job descriptions and annual action plans for employees.
- **Stage 2:** In the middle of the year, the supervisor and each employee under his/her supervision participate in a review in which they discuss the employee's progress and compliance with the action plan defined at the beginning of the year.
- **Stages 3 and 4:** At the end of the year; the supervisor interviews each employee, checking level of compliance with the job description and action plan. They discuss the competencies developed, assess key behaviours and establish the employee's score.
- **Stage 5:** In this last stage, we hold a closing meeting to submit the results of the assessment and develop plans for improvement that the employee must put into practice to improve his/her score in the following year.

This process is important because it allows us to identify those behaviours that characterised our employees' good performance throughout the year, plus their opportunities for improvement. It also helps us calculate incentives under a meritocratic approach, provide relevant recognition and, above all, prepare training plans for the following years.

Benefits and Well-being

We offer employees fringe benefits, in addition to those established by Peruvian legislation, such as family medical insurance, with more advantageous and better coverage than traditional insurance, even covering employees' parents with no age limit, and social and recreational programmes.

Characteristics of Our Workforce - Peru Operations Division

Workforce		Tintaya and Antapaccay	Las Bambas
	Total payroll	1,546	317
By contract type	Fixed term	812	212
	Indefinite term	734	105
By hierarchy	Staff	73	30
	Officers	456	216
	Employees	1,017	71
By working hours	Full time	1,546	317
	Part time	0	0
By region	Cusco	418	107
	Arequipa	811	30
	Lima	183	41
	Apurímac	2	72
	Other	132	67
By age	Under 30 years old	279	66
	30 - 50 years old	969	233
	Over 50 years old	298	18

Training for our employees

Training	Tintaya and Antapaccay	Las Bambas
Average training hours for our employees (non labourers)	54	8.54
Average training hours for labourers / operators	61.58	1.13

At Tintaya and Antapaccay

We grant scholarships to our employees' children who earn outstanding grades. In 2012, the children of 16 employees enjoyed this benefit.

At Las Bambas

The most important welfare programme we carried out was the Health Fair. Our employees and their relatives had access to preventive medical check-ups, which included basic medical attention, screenings and informative talks.

Employee benefits in 2012 amounted to US \$915,447.95 at Las Bambas, and US \$5,891,934.23 at Tintaya and Antapaccay.

and strengthening relationships between leaders and employees: 70 actions at Tintaya and Antapaccay, and 50 at Las Bambas.

Likewise, in line with our induction programme, we launched the first virtual course called "Xstrata Identity" in August 2012, which teaches employees to internalise our principles, values, strategic objectives and sustainable development policy through entertaining, interactive learning exercises. Four hundred and eighty-five employees successfully completed this course.

"... we prepared plans to improve our organisational climate, which we will implement in 2013. These plans include actions to improve our organisational climate: 70 actions at Tintaya and Antapaccay, and 50 at Las Bambas."

Organisational Climate

Based on the results obtained in the most recent organisational climate surveys, in 2012 we prepared plans to improve our organisational climate, which we will implement in 2013. These plans include actions to improve our organisational climate in terms of development, training,

Local Employment

Out of the 1,863 jobs we created in 2012, 492 jobs were filled by residents from our areas of influence, equating to 26.41% of our payroll. This is perhaps one of the greatest contributions to the local economy. Our positive impact is even stronger if we consider the jobs created by our suppliers and contractors, to whom we entrust major construction and expansion projects.

Our job does not end when we create employment; we also build skills and competencies among local talent. In 2012, we implemented programmes to increase employability of labourers from the areas surrounding our operations.



Ore is carried by conveyor belt to the concentrator plant at Antapaccay.

Left: Samples are analysed as part of the Coroccohuayco project. **Right:** Contractor works on construction of Nueva Fuerabamba.



The construction of Antapaccay created the most significant local labour demand in Cusco. Employees recruited here mainly come from the Crecer (Grow) programme, which we conducted through our contractors. This programme lasts three months, training residents in heavy machinery operation. We also carried out theoretical training programmes called “Helper” in Arequipa.

In 2012, 50 people from Tintaya and Antapaccay¹ participated in Crecer, and all of them were hired as trainee operators for a period of six months that is renewable. Likewise, between June and November 2012, we trained 63 community residents in the Mine Operation and Mine Maintenance areas, as part of the “Helper” training programme.

At Las Bambas, local labour demand increases based on the progress of the work. In 2012, this unit hired 74 employees from our areas of influence.

We have a number of programmes that help develop residents' knowledge and skills in Las Bambas, allowing them to gain qualifications. These include *T'ikariy Wiñaypaq*, *Yachay Watakunapaq*, Programme to Train Heavy Machinery Operators, and Programme to Train Assistants and Operators in Fuerabamba.

The Programme to Train Heavy Machinery Operators began with 73 participants, 8 of which have already been hired as trainee operators.

Labour Relations

All Peru Operations Division employees have the right to collective representation and are free to join a union. We strive to form direct relationships between our employees and management teams that are based on quality leadership, effective communication, respect and mutual trust. We consult with our employees in advance of any significant operational change. Similarly, we communicate regularly with our employees and provide ongoing support during times of organisational change, such as acquisitions, divestments, mergers or the closure of operations.

Our Peru Operations Division currently has a union formed by 386 employees from our Tintaya and Antapaccay operations. We hold monthly meetings where we discuss topics such as the provision of uniforms or particular cases of unionised members.

The Union-Management Joint Committee (CCSG, in Spanish) is a clear example that we support the freedom to join a union and engage in collective bargaining. Representatives of the union and our Division gather together in this committee to find solutions to various labour issues.

To date, there have not been any strikes. This clearly reflects our effort to maintain a positive, dialogue-based relationship with our employees. We also maintain a collective bargaining agreement that covers 1,017 employees. This agreement establishes that any significant operational change or decision shall be communicated in advance.²

1. The Framework Agreement establishes that 70% of local unskilled labour must come from the communities surrounding the operation.

2. Since Las Bambas is a unit that has yet to begin operations, we do not have unionised employees or a collective agreement.

Heavy machinery driver at the Tintaya operation.



mechanisms are fair and non-discriminatory and we foster practices that respect the rights and personal dignity of all our workers.

There are 121 women working in our Division; 114 work at Tintaya and Antapaccay and 7 at Las Bambas. Our Division and Xstrata Copper make no distinction between the salaries of men and women in any of our employee categories. In 2012, there were no incidences of discrimination.

Our Contractors

We entrust the development of our projects and engineering work to our suppliers and contractors. Besides demonstrating they have the necessary knowledge and experience to successfully do their jobs, they work in line with our company's sustainable development and safety and health policies, in addition to other guidelines.

In 2012, we had a total of 2,376¹ contractors among our three units: Tintaya, Antapaccay and Las Bambas. Despite the fact they maintain autonomy as independent firms, our Division has implemented annual performance assessment mechanisms that allow us to identify opportunities for improvement and potential risks that should be managed.

During the year, we carried out 55 assessments with suppliers that provide services in Tintaya and Antapaccay.

Diversity and Equal Opportunity

We value diversity and treat all our employees and contractors fairly and offer equal opportunity at all levels of the organisation without prejudice of any type. We hire according to the skills and

experience required for each particular position, without discrimination based on gender, race, age, sexual orientation, religion, nationality or any other factor.

We do not tolerate any form of discrimination, abuse of power, harassment or physical or verbal violence in the workplace. Our employee complaint

1. This figure is the total number of suppliers for our three units, which includes some duplication of contractors across units.

PROJECT DEVELOPMENT DIVISION



During the construction and development stage, Antapaccay and Las Bambas created more than 17,000 direct and indirect jobs. Added to the more than 1,863 jobs we have at our operations, the total number is more than 18,000.

Employment (including contractors)

	Antapaccay	Las Bambas
Jobs created in 2012, including suppliers and contractors	Approx. 4,500	13,024

Better Communications

In our 2011 Sustainability Report, we wrote about the challenge of strengthening our internal communications strategy to help socialise our culture and maintain a good organisational climate.

In April 2012, we created the Internal Communications Area, led by the management office of Corporate Affairs. Its first task was to do a baseline study of the media and channels used for internal communications as well as the existing communications needs of the company. This was accomplished through workshops, interviews to 130 employees and meetings with managers.

The study revealed that the most widespread message within our company was related to Xstrata Copper and our Division's commitment to sustainable development, and it indicated that

we need to improve how we communicate existing employee benefits, development opportunities and the value of our products. In addition, the study showed that it is essential for leaders to communicate in an empathetic manner to improve the organisational climate.

Based on this baseline, we prioritised the following objectives: focusing our communications on strengthening our identity, and further developing leaders' communication skills. We established action items and an internal communications policy that we launched in the first quarter of 2013.

Activities carried out:

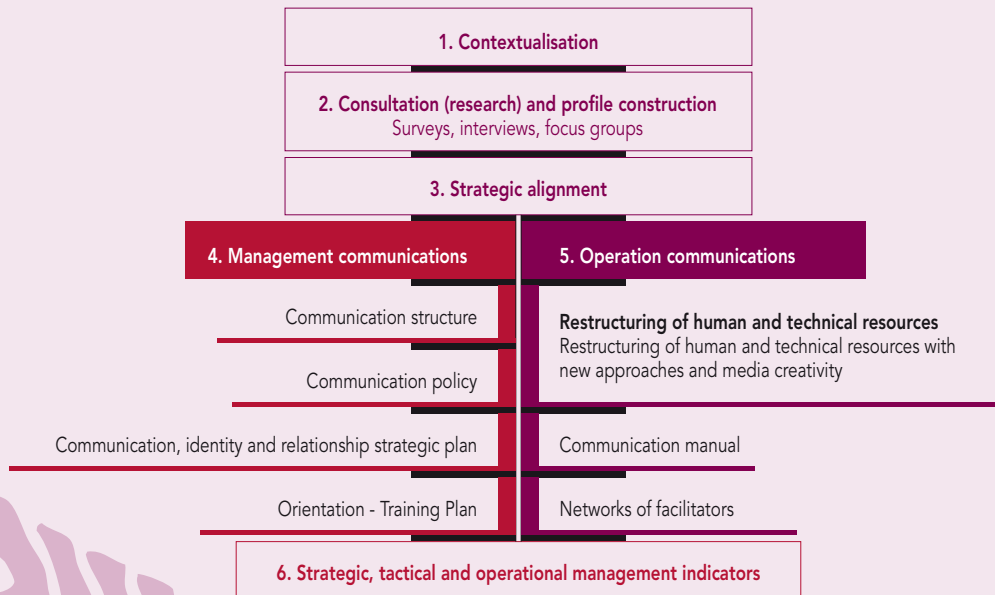
- Values campaign using storytelling, radio spots, lectures, etc. We extended this campaign to our contractors' employees.
- Christmas and New Year parties for our employees' children with

key messages from our company about the use of copper in our lives and our values.

- We prepared the Identity manual for internal and external vacancy announcements. Its objective is to position our company as an attractive employer.
- Waterfall model to distribute our messages to leaders and to all employees. We stressed the importance for each leader to be a spokesman in the meetings held with his/her team.

One of our next challenges is to share our strategy with our contractors' employees. Currently, when we sign a contract with a strategic partner, that party receives all of Xstrata's policies. However, we still need to assess whether our contractors' employees understand our policies.

DECIR Model*



*Model by ECO Comunicaciones

Copper – A Matter of Pride

In 2012, we carried out the campaign called “Copper – a matter of pride,” aimed at spreading the main uses and benefits of copper – the product we extract and convert into cathodes and concentrates – in our lives. This campaign had two core messages: *Copper is everywhere* and *Copper connects life*.

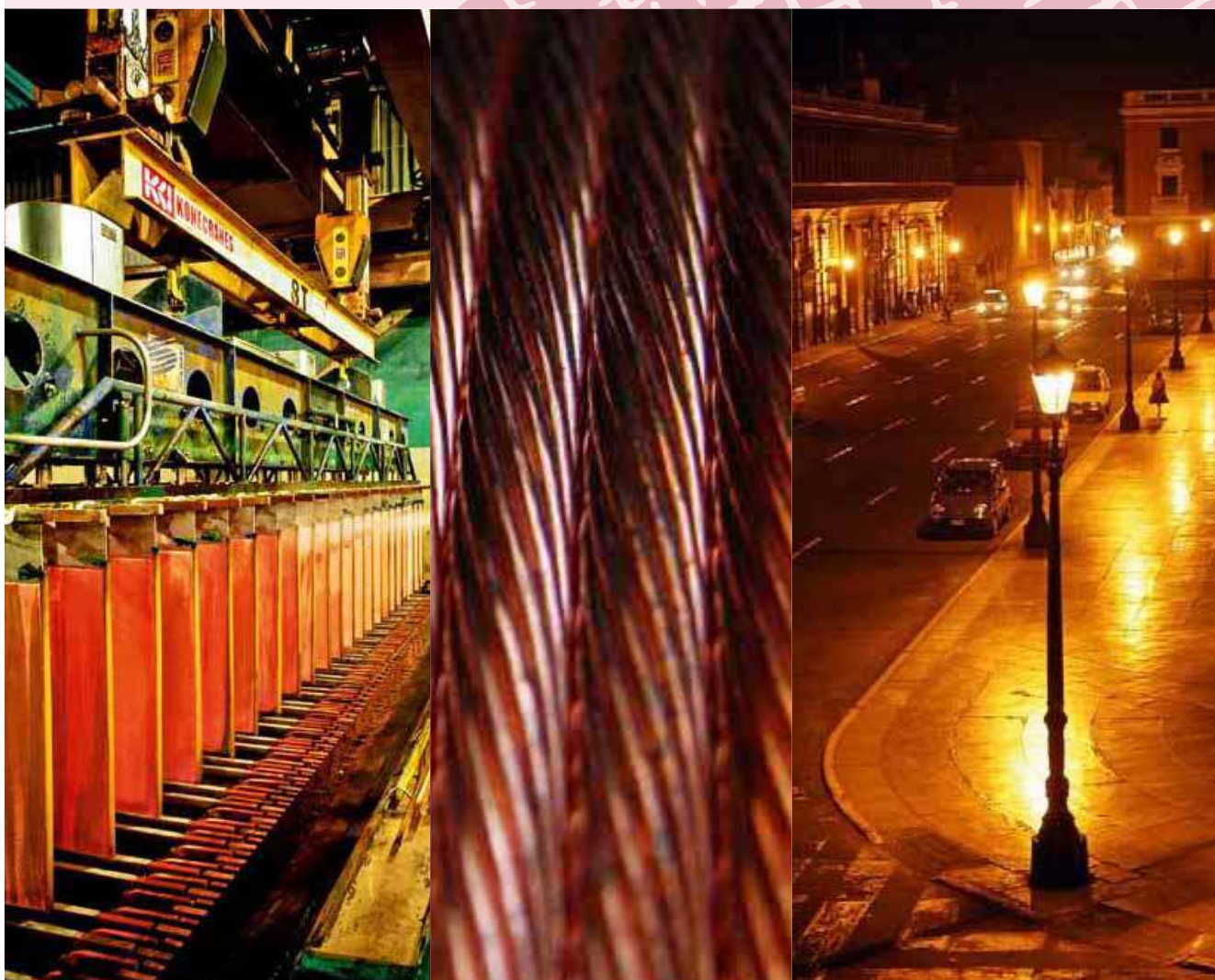
We launched this campaign on 28 Nov. 2012, highlighting the benefits of this mineral in terms of energy efficiency, health, construction and technology. The campaign consists of four video spots, articles in our

internal magazines, plus updated information on our intranet for our employees.

Likewise, we are coordinating with the International Copper Association to identify success stories like the highly efficient engines installed at Antapaccay.

Thanks to its various qualities, copper is used in an endless number of goods and technologies essential for modern life. However, its value and great contribution to the development of societies is rarely discussed.

Through this campaign, we want our employees to understand that the fruit of their work in our Division supports this development. We will gradually extend this campaign to external audiences, since our work goes beyond extracting a natural resource from an area. It is important to realise that copper is an essential resource that brings benefits to the world.

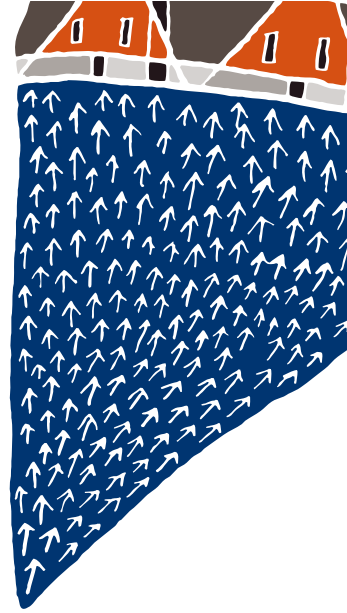


Copper is a vital resource for the development of society.



TINTAYA
ANTAPACCAY





Workplace Safety and Health

At the Peru Operations Division we strive to achieve injury-free, safe work environments, and we hold our management accountable for safety performance and for providing visible leadership. We ensure our employees and contractors receive training to improve their safety knowledge and skills, and we make them aware that they have a responsibility to themselves, their families and friends to work and act safely.

We detect and eliminate or mitigate conditions that pose a risk to the health and safety of our employees and the residents of neighbouring communities. We ensure that every task undertaken in our operations has a defined safe system of work and that our people have the right tools and equipment to complete tasks safely and productively. We also monitor our employees' health, well-being and fitness for work through our comprehensive screening programmes.

When we detect an unsafe condition, or a safety incident occurs, we investigate immediately and take the necessary action to eliminate the risks involved. We ensure that our employees and contractors are aware of safety initiatives and issues, and we conduct regular safety audits across our business to continuously improve our safety standards, practices and performance.

At Tintaya, Antapaccay and Las Bambas, we have worked to strengthen our internal safety leadership and the commitment of all our employees to a safety culture. Since safety and occupational health is at the heart of our units, we thoroughly assess the performance of all our teams to make sure they are in compliance with standards.

We comprehensively map the processes, subprocesses and activities we carry out every year. Because of this action, we can appropriately identify and manage the risks related to our operations. We strive to maintain and improve our standards, which involves performing regular and objective assessments through audits and various other controls, expanding our knowledge and developing capacities by means of theoretical and practical training activities.

We have recertified our processes in safety and occupational health under OHSAS 18001:2007 in all our Division units. In this way, we seek to reduce accident rates and promote a culture based on a precautionary approach.

Safety and Health Performance

At Tintaya and Antapaccay

In 2012, a Central Safety and Health Committee was in charge of our safety management. This committee was equitably made up of 13 members, in accordance with regulations: six management representatives, six employee representatives, and one contractor representative.

Likewise, we have safety committees in each of the management offices, in which all areas participate, including supervisors and safety star points. The objective of the committees is to comply with the Annual Safety and Occupational Health Management Plan, as well as with legislation and our Division's norms, standards and procedures. We carried out more than 109,000 occupational risk monitoring activities at Tintaya and Antapaccay in 2012.

"We have recertified our processes in safety and occupational health under OHSAS 18001:2007 in all our Division units. In this way, we seek to reduce accident rates and promote a culture based on a precautionary approach."

During the reporting period, one of the most important actions was the approval of our new Internal Work Rules. Another highlight was the implementation of Zero Tolerance Rules, a set rules aimed at safeguarding our employees' physical safety.

All our employees and contractors are represented by the Safety and Occupational Health Committee. In 2012 there were no penalties for non-compliance, or employees with occupational diseases.

Safety at Tintaya and Antapaccay

Rate	Description	2012 Performance
LTIFR	Lost Time Injury Frequency Rate	0.25
TRIFR	Total Recordable Injury Frequency Rate	0.76
DISR	Disabling Injury Severity Rate	35
AR	Absenteeism Rate	1.73%
F	Fatalities	1

In 2012, one of our electricians suffered a fatal accident when working in an elevated location in spite of wearing the necessary personal protective equipment for this task. We made every possible effort to revive him after the accident, but unfortunately we were not successful.

At Las Bambas

Our Central Safety and Health Committee is equitably made up of the general management, managers and

superintendents from the Las Bambas area, and employee representatives (including our contractors). This committee represents all our employees and carries out a monthly assessment in which it checks compliance with safety and health programmes in terms of leadership, training, risk management, operational aspects (personal protective equipment, work inspections, tools and equipment), and work procedures, among others. The committee also informs about any

incidents and implemented measures, responses to emergencies, crises and audit results.

Similarly, we have committees in each functional area. Our contractors have their own safety and health committees as well.

We have an annual monitoring programme that includes two assessments of each of the following at each position:

- Noise
- Dust
- Lighting
- Dosimetry (amount of exposure to ionising radiation)
- Vibration

We have also implemented the Competency-Based Mining Certification for each high-risk position. The objective of this model is to ensure that every employee completes all the necessary, theoretical and practical training and evaluation processes before performing a high-risk activity. The General Mining Bureau of the Ministry of Energy and Mines has acknowledged us for this initiative.

At Las Bambas, we did not have any disabling injuries in 2012; in fact, there were no disabling injuries for more than 15 months, which set a record for our operation. There were no employees with occupational diseases.

Safety at Las Bambas

Rate	Description	2012 Performance
LTIFR	Lost Time Injury Frequency Rate	0
TRIFR	Total Recordable Injury Frequency Rate	0.31
DISR	Disabling Injury Severity Rate	0
AR	Absenteeism Rate	0.79%
F	Fatalities	0



Employee at the Tintaya sulphide plant mill area.

Left: Audiometric testing. Right: Health care unit at the Las Bambas mining camp.



Safety and Occupational Health Training

We promote a precautionary approach in our operations. All our employees and contractors receive induction in safety, health and risk mitigation to develop and strengthen their knowledge about the risks to which all our employees are exposed. This safety induction is fully aligned with our general induction process, the training requirements of our company and legislation.

The person in charge of induction for new employees from our area of influence speaks Quechua. This person also supervises the safety tasks performed by these local employees.

In addition, we hold daily meetings to identify and evaluate risks related to everyday duties and to define necessary control measures.

At Tintaya and Antapaccay, we maintain a comprehensive training programme

focused on prevention. We conduct safety, health and risk-prevention training sessions, stressing that safety training is just the first step, since putting the training into practice is what reflects what they have learned.

At Las Bambas, we strive to train safety leaders in the Fuerabamba community.

Occupational Health Initiatives

The health of our employees at Tintaya, Antapaccay and Las Bambas is one of our most serious concerns. In 2012:

- We monitored all the occupational risks faced by our employees at their different jobs.
- We developed health programmes for the benefit of our employees and their families.
- We carried out health fairs, vaccination campaigns and other related preventive measures, which were planned based on the climate characteristics of the area.

“We conduct safety, health and risk-prevention training sessions, stressing that safety training is just the first step, since putting the training into practice is what reflects what they have learned.”

- We conducted training programmes in first-aid and the prevention of occupational diseases.
- All our employees receive a comprehensive annual medical exam when joining and leaving our Peru Operations Division, and on an annual basis.

PROJECT DEVELOPMENT DIVISION



During the construction and development stage of Antapaccay and Las Bambas, all our suppliers in charge of carrying out work were aligned with our corporate safety and occupational health standards. In 2012, we reported the following accident rates.

Accident Rate in our Projects

		Antapaccay	Las Bambas
LTIFR	Lost Time Injury Frequency Rate	0.2	0.05
TRIFR	Total Recordable Injury Frequency Rate	1.01	0.55
DISR	Disabling Injury Severity Rate	28.2	3.5
AR	Absenteeism Rate	1.22 %	0.7 %
F	Fatalities	1	0





Sustainable Communities

We work closely with our host communities to maximise the benefits of our activities and minimise or avoid potential negative impacts. We are committed to all our stakeholders and respond to all community complaints and enquiries through fair and equitable grievance and conflict resolution processes.

Our community investment activities aim to enhance the social and economic development of local communities in a manner that avoids their dependency on our operations over the long-term. Our social involvement plans are established through extensive engagement with communities and other stakeholders and are coordinated with local government and development organisations where possible.

Community Engagement

We manage our relationships with communities using a participatory approach, which allows us to actively engage this key stakeholder. We work together to define and prioritise social projects and programmes carried out throughout the year.

The programmes we promote seek to develop beneficiaries' skills. Our ultimate goal is self-sustainability. The objective of our community engagement strategy is to avoid dependence on mining activity.

We strive to maintain close and ongoing dialogue with communities, especially with leaders, authorities and representatives. We also conduct perception and expectation

surveys, the results of which we use to enrich and define our engagement strategy.

Ongoing Dialogue

As part of our engagement strategy, we have the following communication mechanisms in place: workshops, meetings, community assemblies, guided visits and a website where we communicate our main projects and initiatives (<http://www.xstratacopperperu.pe>). Moreover, residents have direct access to the Community Relations management office, where we address their concerns or comments.

Communication at Tintaya and Antapaccay

In 2012, we participated more actively in Espinar community fairs, an ancestral tradition that communities hold on an annual basis and we strengthened direct bonds with the community.

During the year, we also strengthened our internal and external communication processes, strengthened communication of our environmental performance, expanded distribution of our publications, and designed the model to launch a new mass communication tool.

We have various external communication channels, which include:

- A YouTube channel, which we regularly update with social management reports. As of December 2012, this channel had received more than 50,000 views - 30,000 more than in 2011.
- Framework Agreement and Regional Mining Fund websites, where we post the main achievements of both dialogue processes.

"The programmes we promote seek to develop beneficiaries' skills. Our ultimate goal is self-sustainability. The objective of our community engagement strategy is to avoid dependence on mining activity."

- Radio Stereo Tintaya, which has strengthened its informative and entertainment programming and has a large audience in Espinar.
- Micro-radio programmes such as Ingeniero Peralta and others produced in Quechua, which have captivated the audience with messages about the environment and health.
- *Manos Solidarias* (Supportive Hands) volunteering programme, through which we support various communities. We delivered a message called "Copper in our lives" to stress the importance of this mineral in our daily activities.
- Framework Agreement, *Kuska Wiñasunchis* (We Are Growing Together), the Regional Mining Fund and Tintaya Antapaccay magazines.

Cattle producers, regional and local authorities, and Xstrata officers attend the 2nd Espinar Expo Reyes International Fair in 2012.



A Display Case for Espinar Breeders

For the second consecutive year, our Tintaya and Antapaccay units organised the 2012 2nd Espinar Expo Reyes International Fair, the 13th Reyes National Fair, and the 34th Agricultural and Livestock, Agro-Industrial, Craft and Tourism Fair.

The best cow, sheep, alpaca and llama breeders from Arequipa, Puno, Tacna, Junín, Cusco and Espinar province participated in these events

that took place from 3 to 8 January, 2012. They showed the high potential and genetic improvement of cattle over recent years at the various dairy basins of Espinar.

The fair included numerous activities such as horse racing, rooster fights, bullfighting, exhibition of condors and Peruvian paso horses, guinea pigs and dairy products, plus contests of typical dishes, and artistic performances.

International judges specialising in cow, sheep and South American camelidae, participated in the fair.

Key information

- More than 2,800 quality animals exhibited
- Almost 600 exhibitors
- 50,000 visitors

With respect to internal communication, we have emphasised employees' engagement with the social and environmental management policies of our company. In addition, we conducted talks on Tintaya and Antapaccay's contributions to the Peruvian government, and employees learned more about our obligations to the government and our voluntary contributions. These actions represent an opportunity for our internal spokespeople to know about and correctly communicate these topics. The events

related to the controversy that arose in May and attracted significant media coverage represented a considerable challenge to this area. The questioning faced by our company allowed us to highlight our contribution to the development of Espinar province.

Communication at Las Bambas

In 2012, we participated in activities to have direct contact with communities, such as festivals, local traditional festivities and carnivals. We also carried out environmental

campaigns such as "Clean River, Healthy River" and "Adopt a Tree."

Other external communication activities included:

- Launching our Las Bambas Bulletin and *Llank'ayninchis* publications with Xstrata's new graphics, new content and design.
- Training for rural communicators from Grau and Cotabambas, who participated in our third Communication and Development workshop.

- Broadcasting Surphuy Radio Station on AM, with shows mainly in Quechua (80%) for entertainment and promotion of local culture.

Some of the most noteworthy internal communication activities included:

- Relaunching Máxima FM internal radio station (formerly Las Bambas) with programmes targeted to Las Bambas employees and collaborators.
- Creating integration forums and activities together with the Human Resources area: Labour Day, Independence Day, Miner's Day, Christmas and New Year's Day, among others.

We also worked hard on organisational climate activities including the internal campaign called "The Xstrata Difference," as well as the communication of corporate values and integration activities.

Grievance and Complaint Management

We manage our stakeholders' formal complaints and comments through our Community Relations management office.

We address valid complaints by creating action plans to remedy the impact, which involves joint work among various areas of the unit involved and our Division at large.

We have a procedure to record, evaluate, verify and follow up on reports and solution of complaints and grievances. We maintain a systematised and up-to-date record of the status of each one of the cases. We will soon open an office in Espinar to speed up the process to address questions and complaints that may arise in this area. We are also working hard to communicate our new policy on how to lodge complaints.

In 2012, we reported two formal complaints at our Tintaya and Antapaccay units. The carriers of concentrate of our company filed one of them, requesting an increase in the number of trips they make; the Espinar municipality lodged the other one, concerning environmental issues and the increase of our contributions to carry out sustainable development projects. We immediately channelled these complaints to be addressed at the Dialogue Table in which the government and our company participate.

At Las Bambas, we reported 105 complaints through Xstrata's grievance and complaint system, mainly related to the construction stage of the components (heavy haul road).

"Our direct area of influence (first sphere) includes 10 communities from Espinar province, where we have implemented the Framework Agreement, the Cañipía Bilateral Process, and the Development Table to achieve better social management."

Fourteen of the complaints were related to the operation of our Las Bambas unit, 70 to its development, and 21 to the development of Nueva Fuerabamba.

Land Use

To prevent incidents related to land use, at Tintaya and Antapaccay we identify surface and customary rights based on domestic law and verify ownership or possession conditions, as the case may be. We deal with conflicts that come up by negotiating in an equitable and respectful manner, in line with current legislation, and we resolve any concerns through the Community Relations management office.

In addition, as part of this process we use engagement strategies in line with the community relations plan, including:

- Preparing key messages
- Raising community awareness
- Interviewing and meeting with authorities, owners and land holders
- Visiting families
- Participating in assemblies
- Offering internal internships and guided visits
- Participating in social and cultural activities
- Monitoring and follow-up

At Las Bambas, we have direct contact with communities and private owners and assess environmental and social impacts and the associated risks as a basis to obtain the right to use their land. In this way, we sign purchase and assignment for use agreements in a transparent manner, while respecting local culture.

Informal and Illegal Mining

One of the issues that came to light in this reporting period was the presence of informal mining activity in the area surrounding Las Bambas, specifically in the Progreso and Coyllurqui districts.

Our job is to always alert relevant authorities about these issues, and our policy is to apply a strong strategy to create formal economic opportunities for local communities so they are not trapped by risky illegal mining. For example, we have emphasised local supplier development, encouraging suppliers to form associations that provide services in the project stage (lodging, restaurants, transportation services, etc.).

Community Relations at Tintaya and Antapaccay

Through formal dialogue and agreement processes, we strive to maintain strong and close relationships with the communities from the areas of influence of our units, especially with those from our first sphere of influence.

Our social management model positively impacts residents because it is dynamic and relies on ongoing feedback. We propose a short-, medium- and long-term management approach to achieve sustainable results.

Our direct area of influence (first sphere) includes 10 communities from Espinar province, where we have implemented the Framework Agreement, the Cañipía Bilateral Process, and the Development Table to achieve better social management. Through the Tintaya Foundation, we carry out the projects resulting from the commitments made.

In 2012, we reinforced the following aspects of our social management:

- Reorganisation of the Community Relations area to acquire more visibility and define sustainable social management guidelines and strategies for a better understanding between the community and the company
- Optimisation of the process to identify and transparently speak about the company's commitment to the community with the purpose of updating agreements and timelines to meet commitments
- Strengthening of communication and engagement of the company with the various social representatives from the Salado and Cañipía river basins and the district mayors of Espinar province

State-of-the-art equipment is used at the Espinar Dairy Plant.



Short-, medium- and long-term management approaches



Main Projects at Tintaya and Antapaccay

Human Capacity Development Programme:

This programme was created for 360 young people and adult residents of 72 farming communities and 56 Yauri neighbourhoods in Espinar province, with a budget of more than US \$611,000. The objective is to provide technical and production training to strengthen skills in 12 specialties:

- Administration
- Accounting
- Computer science and information technology
- Executive assistance
- Heavy machinery operation

- Industrial dressmaking and production of textile articles
- Electrical installation
- Formwork
- Masonry
- Welding
- Mobile heavy machinery maintenance
- Animal sanitation and artificial insemination

Dairy Plant: With a budget of more than US \$2.42 million, this project has allowed 380 cattle breeders from Espinar communities to improve their income and agricultural and livestock infrastructure.

Espinar Educational Resource Centre: With a budget of approximately US \$2.88 million, this initiative benefited 10,506 students and 449 teachers through

supplementary academic workshops where they developed their skills and talents. The Local Educational Management Unit (UGEL), the Cusco Regional Education Bureau, the Ministry of Education, students, teachers and parents actively participate in this venture.

Programme to Strengthen Rural Education:

With a budget of approximately US \$3.49 million, this programme built and implemented the educational infrastructure in rural schools. It seeks to create the right conditions so rural education results in effective school learning, directly contributing to human development, promoting social participation and encouraging continuity of education for local children.

Mechanisms to Engage, Design and Carry Out Projects with Tintaya Communities

FRAMEWORK AGREEMENT	CAÑIPÍA BILATERAL PROCESS	TINTAYA FOUNDATION	DEVELOPMENT TABLE *
<p>An agreement signed in 2003 to promote the sustainable development of Espinar province. It is considered an agreement forum for the community, the government, the company and civil society.</p>	<p>A bilateral dialogue and agreement process between our company and the Front for the Defence of Irrigators in the Cañipía River Microbasin (Fredermice, in Spanish). The objective is to ensure the sustainability of the basin.</p>	<p>A non-profit private institution that promotes building capacities, abilities and skills of people in the most underprivileged sectors in Espinar. It is responsible for carrying out social projects accepted by Xstrata Tintaya.</p>	<p>A dialogue mechanism established in 2011 to promote development proposals, involving six communities of the Espinar district, CooperAcción, Corecami, Oxfam and Tintaya.</p>
<p>We annually contribute 3% of our profits before taxes as part of this agreement.</p>	<p>The initiatives implemented through this process focus on environmental and agricultural and livestock farming development.</p>		<p>* See chart on page 77.</p>

We Support Completion of the Apurímac Canyon Irrigation Megaproject

Apurímac Canyon irrigation is a megaproject that will become a reality after 50 years, benefiting more than 35,000 Yauri residents in Espinar province, in addition to almost 900 families from 10 local farming communities. The investment amounts to US \$18 million, and it is financed by the Cusco regional government, Espinar Municipality, the Coporaque district and our company through the Framework Agreement (US \$1.8 million).

This venture will integrate 3,000 hectares of agricultural land and improve planting of pasture for livestock farming and agricultural purposes. It is already in the final construction stage (88% progress reported as of December 2012).

In this final stage, our company delivered materials to build the inverted siphon (a closed pipeline designed to run full and under pressure) and the secondary canals in the Chiamarca sector. The material included imported fiberglass pipes of 1.2 meters in diameter, plus iron bars and cement.

The Apurímac Canyon irrigation megaproject, carried out through the Plan to Improve Irrigation in the Mountains and Forest (Meriss - Inka Plan),¹ included construction of a 30 kilometre main canal through which 2.5 litres of water per second will flow. The system has eight secondary canals, 55 kilometres in length.

Social Responsibility and Production Development through Dialogue

Three working subgroups were set up as part of the Dialogue Table established in Espinar in mid-2012 to resolve social controversies that arose in the province. Two of them addressed topics related to sustainable development.

One of the subgroups is the Social Responsibility Table, coordinated by the Ministry of Energy and Mines. This body is in charge of analysing and strengthening socially responsible measures and policies, especially for communities located in the area of influence of the mining projects, respecting fundamental rights and institutions.

Another of the groups established is the Development and Production Subgroup, coordinated by the Cusco regional government and the Ministry of Agriculture. This group is responsible for proposing immediate, short-, medium- and long-term measures to improve development and production activities in Espinar.

1. Decentralised body of the Cusco regional government, responsible for drawing up and carrying out programmes and projects related to comprehensive irrigation management in the basins of the Cusco region.

*This amount significantly decreased in 2012 due to the closure of the Tintaya mine.

For more information, please refer to page 43.

“Another of the groups established is the Development and Production Subgroup, (...) responsible for proposing immediate, short-, medium- and long-term measures to improve development and production activities in Espinar.”

Framework Agreement Contributions

Contribution No.	Year	Amount (in U.S. dollars)
1	2004	1,934,309
2	2005	6,700,000
3	2006	11,000,000
4	2007	12,000,000
5	2008	6,500,000
6	2009	8,002,025
7	2010	9,600,000
8	2011	10,374,015
9	2012	3,500,000*

Case Study



Young students graduate after learning technical specialties.

Capacity Building at Tintaya

At Tintaya, thanks to the Framework Agreement, we have a Human Capacity Building Programme to promote technical training for young residents and adults who completed secondary education in rural and urban sectors of Espinar province, facilitating their entry to the market.

This free programme benefits 360 young and adult residents from 72 farming communities and the 56 Yauri neighbourhoods in Espinar, providing them with the opportunity to pursue

technical careers that will help them successfully join the labour market.

In 2012 Tintaya allocated US \$611,000 to start up this programme. It offers the following specialties: heavy machinery operation, industrial dressmaking and production of textile articles, computer science and information technology, administration, accounting, electrical installation, formwork, masonry, welding, mobile heavy machinery maintenance, animal sanitation and artificial insemination and executive assistance. To date, we have invested US \$1.7 million in this initiative.

In 2012, we provided greater opportunities to applicants from rural areas, chosen by their community assemblies so they could access this programme.

During the first two times the programme was offered, we trained 785 young people in 15 technical and production specialties. Currently, some graduates work in important national and foreign companies, as well as in local and regional institutions. Others decided to start their own businesses, offering skilled and/or specialised labour.

Case Study



CREE students.

Better Educational Resources for Espinar

Yauri city benefits from the CREE project, designed as a unique educational model in Peru with quality educational services and state-of-the-art technology. The construction, implementation and equipping of CREE was carried out through the Framework Agreement and the Tintaya Foundation, for which our company contributed more than US \$2 million.

We believe regional economic and social development is closely connected to the education residents receive. Therefore, our company has made a firm commitment to the education of residents from our areas of influence. This is how we conceived the CREE project in Espinar province.

In Espinar, there are 161 schools that provide services to more than 20,000 students per year on average. Only

2% and 4% of the schools have biology and language labs, respectively.

The Espinar Educational Resource Centre was built thanks to resources from the Framework Agreement. Since April 2011, when it opened its doors, the centre has provided educational services that supplement those offered by the basic educational

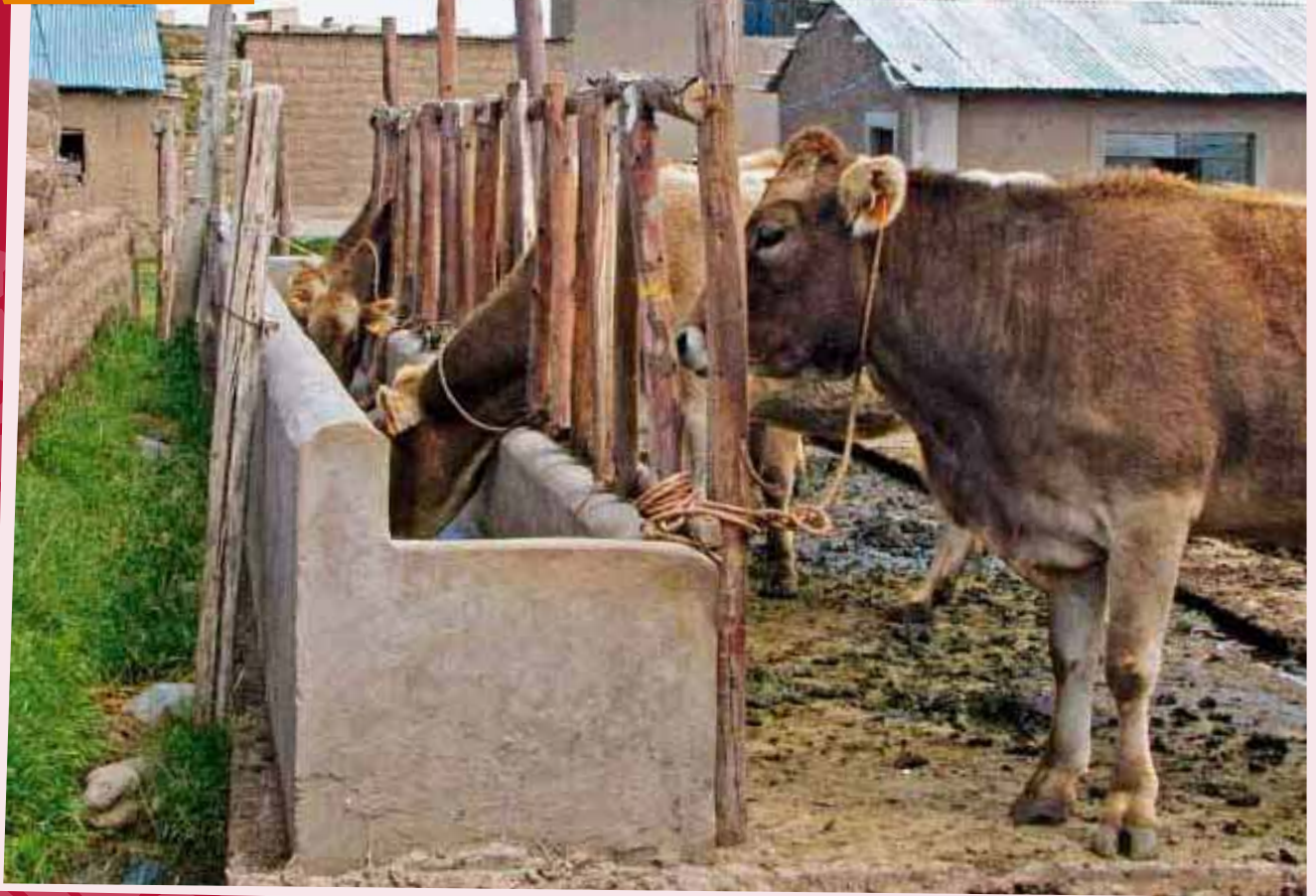
system. The objective is to promote comprehensive education with state-of-the-art technology and maximise students' potential in specific subjects.

This project benefits students and teachers of Espinar province, who develop their skills and exchange knowledge through workshops, study circles and fairs.

Key Information

- Opened its doors in 2011.
- More than US \$2 million invested in equipment, construction and implementation.
- Has a multiple-purpose auditorium, a room for cultural heritage promotion, and an agricultural and cattle breeding area.
- 115,000 participants in physics, science, languages, communication, art, music, early stimulation, physical education and virtual library workshops.

Case Study



Cattle in the Cañipía Microbasin.

Stabling of Dairy Cows at Cañipía Microbasin

The project for stabling dairy cows in this area of Espinar province started in 2012 to strengthen milk production of the Cañipía Microbasin. As a result, daily milk production has significantly increased from 800 litres to 6,100 litres.

Stabling consists of keeping cattle within a limited area. Thanks to these changes in breeding practices, balanced rations have been provided

on a timely and ongoing manner. We aim at improving production and productivity, strengthening the growth of dairy cattle, optimising genetic improvement, reducing mortality of calves, and preventing parasitic diseases.

The balanced food provided to cattle is prepared by the community. During the year, 1,756,800 kilos of concentrate and 201,600 packs of oat hay were delivered to the 183 families of breeders.

Key Information

- 183 producers benefited at the Cañipía Microbasin
- 4,500 head of cattle

Community Relations at Las Bambas

In 2012, we continued strengthening the bonds we maintain with surrounding communities, and our Community Relations team focused on reinforcing the resettlement process.

The Las Bambas area of direct influence includes Fuerabamba and nine other communities. Our second sphere of influence consists of 33 villages (populated centres and communities, including those located along the concentrate pipeline).

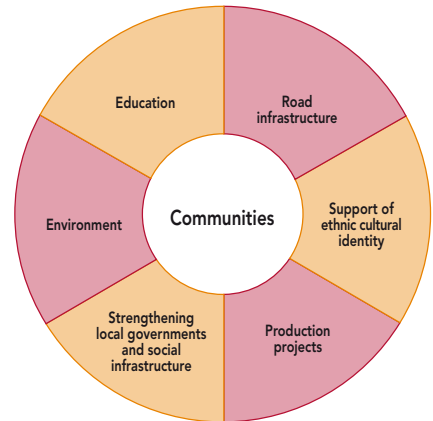
Establishing the Development Table in September 2012 was a milestone for the Apurímac region. This table is chaired by the Minister of Energy and Mines and consists of ministry representatives and Cotabambas province and district mayors.

We also sought to partner with local producers who comply with the quality

“To continue fostering the local economy, we require that 100% of the unskilled labour hired by our strategic partners be local...”

and volume of products we require. To continue fostering the local economy, we require that 100% of the unskilled labour hired by our strategic partners be local, and that they use local products and services. They also have to inform communities about the length of time they will be staying in the area.

Action areas at Las Bambas



Children improve their music skills at the PREB.



Top: Choquecca community girl learns at the PREB.
Bottom left: Tree nursery at Huanquire, Challhuahuacho district.
Bottom right: The KUYAWI literacy programme helps Pumamarca community adults.

Main Projects Carried Out at Las Bambas

T'ikariy Wiñaypaq and Yachay Watakunapaq Training Programmes:

We created these programmes to develop technical, production and industrial skills of young residents from the Coyllurqui, Haquira, Mara, Challhuahuacho and Tambobamba districts in Cotabambas province, and the Progreso district in Grau province.

Our goal is to prepare them for the selection processes in the upcoming stages of the mining project or to help them come up with self-employment initiatives, such as production and service micro-enterprises. Our investment in these

undertakings amounted to approximately US \$1 million, benefiting a total of 526 students.

Las Bambas Educational Resource Programme: We designed this programme to increase education levels in children from 10 communities through 2014. Our investment in 2012 totalled US \$287,497 and benefited 2,259 residents.

Kuska Yacharisun Wiñaypaq literacy project: This programme strengthens reading, writing, logical-mathematical thinking skills and community outreach among participants considered functionally illiterate. The ultimate goal is to improve their knowledge, making it easier for them

“Among the main projects carried out in Las Bambas are programmes to develop technical, production and industrial skills and educational support programmes.”

to join the social, political and economic life of their community. We invested US \$140,747 in this project, benefiting 2,500 people.

Teacher Training Programme: This project provides training to local teachers and in 2012 fostered the implementation of the Local Educational Project (PEL, in Spanish). Our investment amounted to almost US \$123,000 and benefited 1,200 teachers.

Construction of educational infrastructure: The objective is to increase the academic level of local students by building safe and healthy infrastructure in the Choquecca, Pumamarca, Chila, Choaquere and Quehuira communities. Our investment was almost US \$600,000 and benefited 3,360 people.

Construction of community halls: This initiative was implemented to strengthen the management skills of community organisations in Choaquere, Chila, Barrio Señor de Huanca and Carmen Alto. Our investment amounted to more than US \$525,659 and benefited 2,940 residents.

Tree Nursery Project: This initiative aims at producing seedlings to afforest and reforest areas of land in communities and launch forest management outreach and training programmes. In total, we have built eight nurseries in the Patario, Choccoyo, Cuchuhuacho, Tambulla, Huancuire, Ccasa, Minascucho and Carmen Alto communities in the Challhuahuacho district. This project required an investment of more than US \$1.44 million and benefited 3,500 residents.

“...we contribute to increasing the academic level of local students by building safe and healthy infrastructure in the communities.”

Concentrate Pipeline, Social Impact and Access Road

The design of Las Bambas includes a pipeline that will transport copper concentrate from the deposit in the Challhuahuacho district, Cotabambas province, to the Antapaccay deposit. The pipeline will run through two Cusco provinces (Chumbivilcas and Espinar).

The pipeline will cover 206 km, and its level of safety and resistance complies with world-class standards. The implementation includes the following stages: construction, operation (transportation), and closure (removal of pipeline, revegetation and remediation).

We will build a two-way compacted road along the pipeline.

Social Benefits

The presence of an access road next to the concentrate pipeline is important since it connects people and therefore creates development. That is what we expect to achieve at Las Bambas: We need an infrastructure to transport our products, together with a road in good condition next to this pipeline, which will bring the following benefits to the area:

- Become an inter-regional economic corridor
- Obtain better prices and higher demand for agricultural products

- Connect communities located along the provinces of Cotabambas, Chumbivilcas and Espinar

Regarding the Access Road

- We have already ensured social, legal and environmental viability: We have authorisation from the 25 communities and private land holders where we will build this infrastructure.
- Through the technical information offices of Espinar and Tambobamba, we are carrying out a communication plan, giving talks, conferences and showing models both to communities along the future pipeline and access road, and to other institutions.

In 2012, these actions allowed us to reach 8,917 people in Espinar, Chumbivilcas and Cotabambas.



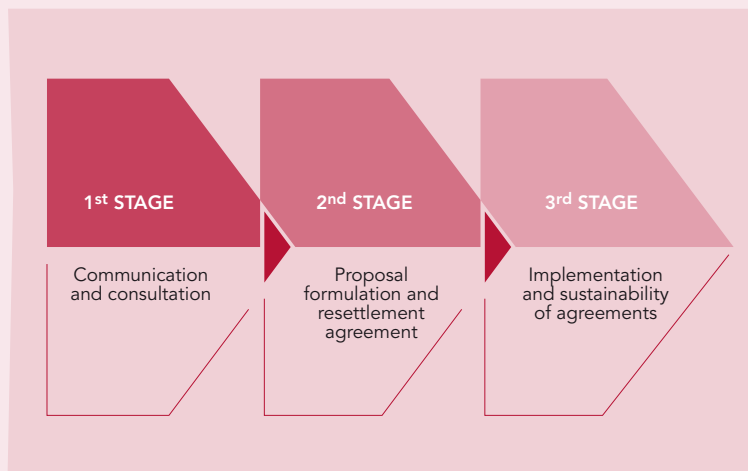
The Direction of Nueva Fuerabamba

Resettlement of more than 400 families

As part of the development and beginning of construction of our Las Bambas unit, it is necessary to resettle 441 families of the Fuerabamba community. We have designed this process to take place in three distinct stages to carry it out in a responsible and transparent manner.

Resettlement Stages

1. Communication and consultation: We provided information on the scope of our project and the need for resettlement through local governments and via external advisers. In this stage, we held public consultations with



communities, always respecting their decisions, culture and rights, in line with the current legislation.

2. Proposal formulation and resettlement agreement: After the community showed interest in resettlement in a voluntary and free manner and gave its consent, we prepared the proposal.

We did so, through participatory workshops and with advice from local and regional governments. At a general assembly, the final agreement between the Fuerabamba community and our company was approved. It includes 13 development areas:

1. Education
2. Capacity building
3. Land
4. Cattle breeding
5. Agriculture
6. Natural resources
7. Employment
8. Local economic development
9. Economic infrastructure
10. Organisational strengthening
11. Vulnerable groups
12. Health
13. Sanitation

3. Implementation and sustainability of agreements: This stage is being implemented through specialised

committees where community members are publicly elected in an assembly.

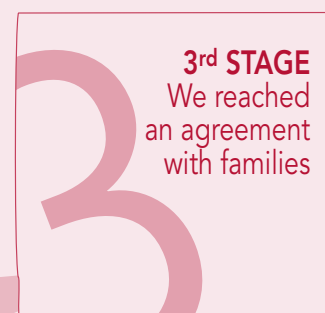
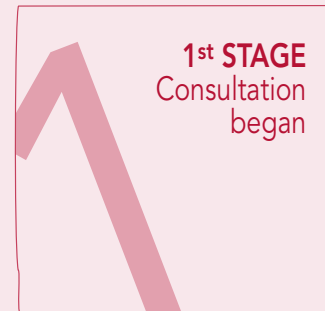
The stages clearly show that this complex process has two interdependent components: compliance with agreements based on the abovementioned development areas and physical resettlement.

Current Situation

While physical resettlement has experienced some delays, this has not prevented Las Bambas from starting construction. As of the end of 2012, physical resettlement reported 10% progress, and we expect to complete it in 2013.

Thanks to the social licence obtained for the area under development for Las Bambas, we are able to carry out early work on the project without any incidents involving residents being resettled.

Likewise, to ensure social peace in the area, we are developing a number of programmes with Chila and Choaquere, communities that will receive and live together in the resettled community in Nueva Fuerabamba.



Construction of Nueva Fuerabamba, a community to be inhabited by Fuerabamba families under the resettlement agreement.

Las Bambas Social Fund

The Las Bambas Social Fund (FOSBAM, in Spanish) was established in 2008 to finance social programmes and projects to benefit communities in our area of influence. This non-profit civil association focuses its efforts on four areas of work:

- Developing human capacities
- Providing basic services that contribute to increasing quality standards in education and health
- Offering sanitation services
- Reducing malnutrition among children

In 2012, the Fund completed and delivered 25 projects in the areas of basic sanitation (16), education (6) and agricultural and livestock production (3) in Grau and Cotabambas provinces, representing an investment of US \$18.3 million.

The basic sanitation work will directly contribute to improving residents' living conditions, while the educational and production projects will increase production and economic capacity of the beneficiary community.

It was the authorities, in coordination with their communities, who defined the work to be prioritised and carried

out throughout the year. After evaluating the social, technical and economic feasibility, project execution began.

Finally, as part of the feedback mechanisms that seek to take note of residents' suggestions and expectations, FOSBAM board members conducted supervision visits. Likewise, the association has an institutional radio programme and a website: www.fosbam.org for communication. Moreover, community promoters visit communities on a regular basis and participate in planned community meetings where they respond to queries.



Children play happily at a school built by FOSBAM.

Case Study



Heavy machinery operator in the *Yachay Watakunapaq* Training Programme.

T'ikariy Wiñaypaq and *Yachay Watakunapaq* Training Programmes

The objective of the *T'ikariy Wiñaypaq* and *Yachay Watakunapaq* training programmes is to increase participants' employability, allowing them to earn higher income.

We know that developing personal and job skills is essential for the development of people and their surroundings. Having a set of appropriately developed skills increases employability and has a direct impact on improving people's social and economic situation.

Cotabambas province has a high illiteracy rate and there are few opportunities to access technical and higher education services.

During 2012, while we were developing the Las Bambas mining project, we realised few people had technical training or a trade. Local residents were not able to take advantage of the many job

opportunities available with our company and contractor firms, and they could only apply for positions as unskilled labourers.

We saw a great opportunity in this scenario, which became a reality through the *T'ikariy Wiñaypaq* and *Yachay Watakunapaq* training programmes, aimed at young people from Cotabambas and Grau provinces. The objective is to develop certified technical skills among these young residents so that they become potential candidates in the selection processes in the upcoming stages of the mining project or, if they prefer so, create self-employment alternatives, such as their own production and service micro-enterprises.

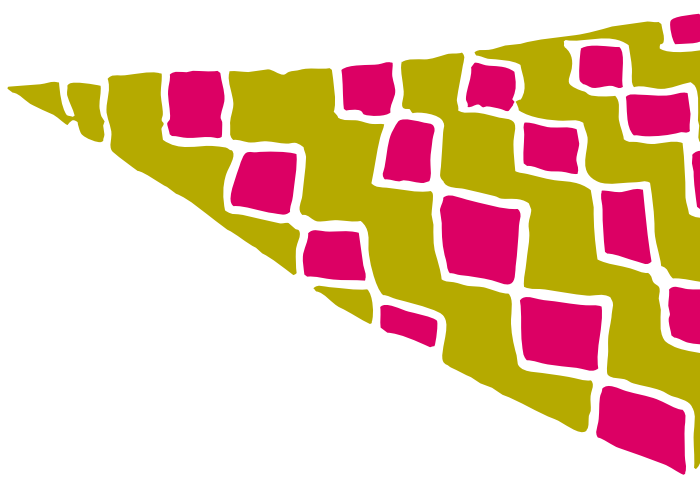
As of the end of 2012, we have made an investment of US \$6.6 million for the implementation of training workshops, selection of equipment, payment to the institutions in charge

of training, personal protective equipment and uniforms.

Key Information

- The programmes are aimed at young residents from the Coyllurqui, Haquira, Mara, Challhuahuacho and Tambobamba districts, Cotabambas province, and the Progreso district, Grau province.
- The *T'ikariy Wiñaypaq* Training Programme is in its last implementation stage in the Fuerabamba community.
- The more than 2,000 beneficiaries of these programmes have shown positive results.
- Because of these programmes, Xstrata won second place in the Expomina contest, in the Social Responsibility category.





Environmental Performance

The Peru Operations Division is committed to mitigating the environmental impacts of our activities, and we set robust environmental performance targets that frequently go beyond legal requirements.

Our environmental management approach centres on preserving and restoring the natural environment throughout the life cycle of our operations. This is underpinned by a precautionary philosophy, meaning that even in the absence of scientific evidence that environmental degradation is occurring or will occur, we take action to mitigate this possibility. If environmental incidents do occur, we determine the cause and take immediate action to remediate and prevent a recurrence.

In addition, our company's recycling business in North America is helping to extend the useful life of valuable base metals and reduce electronic scrap, which is an increasing source of environmental concern and landfill waste.

Our Peru Operations Division has an Environmental Management System certified under ISO 14001 that is in line with Xstrata Copper's environmental guidelines and our SD policy.

It is important to our Division that communities in our surrounding area have a responsible environmental culture. Therefore, in addition to the environmental projects we implement, we lead initiatives that encourage residents to engage in our environmental management.

Tintaya and Antapaccay

As part of our commitment to preserve the surroundings of our operations, we set demanding environmental goals. We promote efficient use of energy and water, and reduction of our greenhouse gas emissions and waste generation.

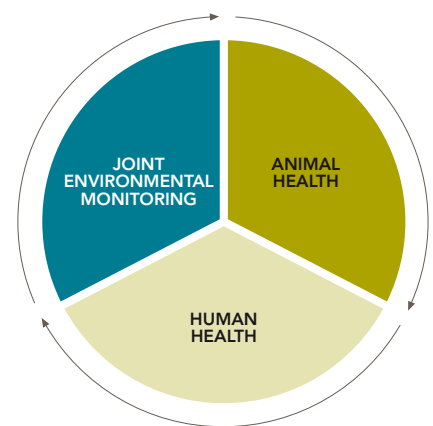
Since 2001 we have had a certified Environmental Management System.¹ We

conduct audits to ensure our operations comply with national legislation. Likewise, we develop engagement and dialogue mechanisms such as the Development Table; the Environmental Committee (where civil society, communities and our Division participate); and the Cañipía Bilateral Process. These mechanisms help us organise meetings to review the annual agenda and compliance with environmental plans.

Development Table



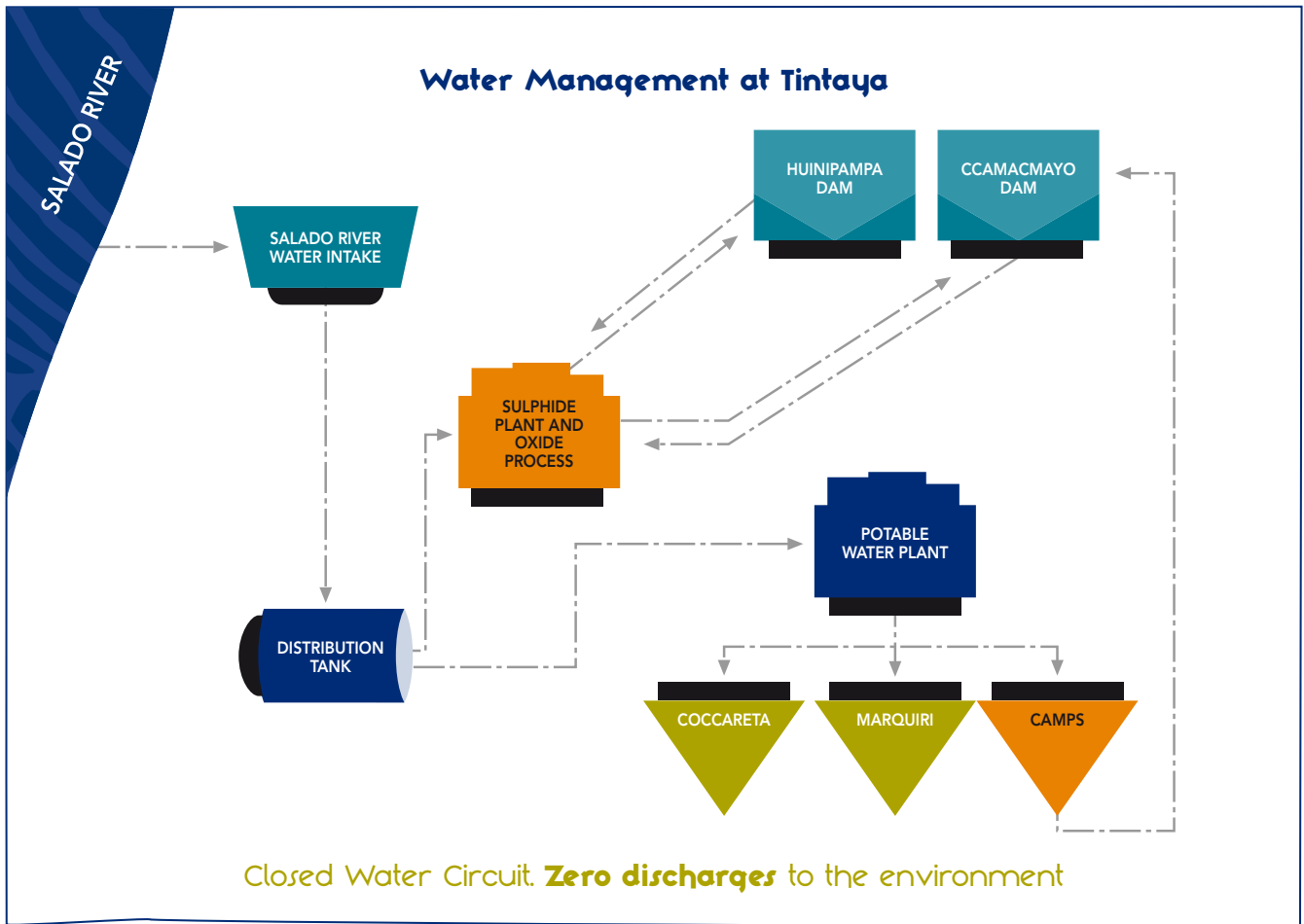
Environmental Committee



Representatives of civil society institutions (CooperAcción, Oxfam, Corecami), our company, and the Alto and Bajo Huancañé, Tintaya Marquiri, Huisa, Huano Huano and Alto Huarca communities have been participating in the Development Table and Environmental Committee.

The objective of these forums was to promote the active participation of surrounding communities, authorities and non-governmental organisations in joint water, air, soil and animal health monitoring activities to determine their quality and make the results of the monitoring available to the public.

1. In accordance with ISO 14001.



Water Management

Approximately 70% of water used in Tintaya for industrial purposes is recirculated water from the Huinipampa and Ccamacmayo tailings dams. Thanks to this closed circuit, we ensure zero spills

to the environment. Therefore, Tintaya does not affect the environmental flow of the Salado River.

Recirculating water from the tailings dam reduces consumption of water withdrawn from the Salado River. In 2012, we decreased water consumption by 3.6%, in comparison with 2011, despite the construction work at Antapaccay.

Total Water Withdrawal at Tintaya and Antapaccay in cubic metres

Source	Water withdrawn
Salado River	3,600,310
Tintaya Pit	1,264,896

Water Withdrawn and Reused at Tintaya and Antapaccay in millilitres

Resource description	Total 2012
Water withdrawn	4,865,206
Water reused from tailings dam	13,139,485

Consumption of water withdrawn and recirculated in the Tintaya operations



Other Managed Issues

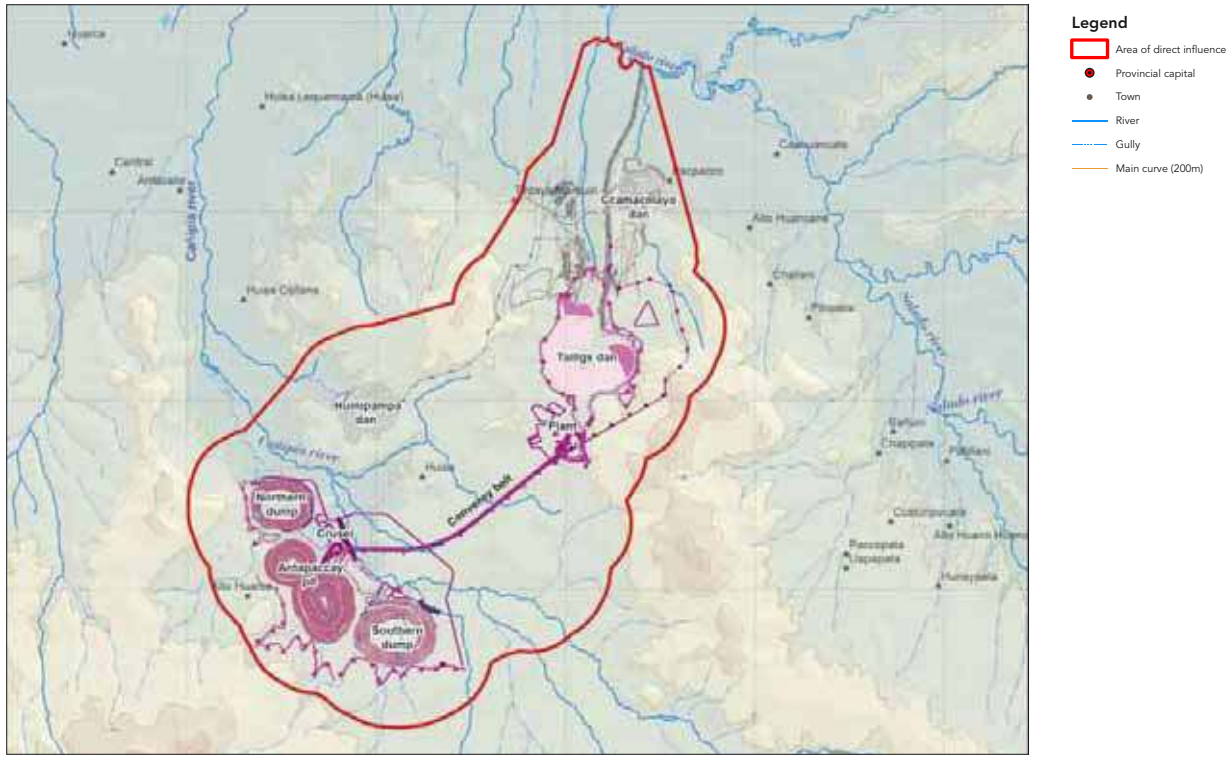
We care about the negative impacts we could generate associated with transportation of goods and employees. We have identified the following environmental impacts associated with transportation:

- Particulate matter emission
- CO₂ emission

To mitigate those impacts, we have implemented the following controls:

- Developed a programme to maintain roads and access roads, which includes watering them with automated sprinklers.
- Daily dust monitoring control using organic dust biodegradable suppressors at Antapaccay.

Footprint of Antapaccay operations



“We seek to be as energy efficient as possible to minimise our greenhouse gas emissions and reduce our operating costs. We also switch to renewable or low-carbon sources where it is available and cost effective.”

possible to minimise our greenhouse gas emissions and reduce our operating costs. We also switch to renewable or low-carbon sources where it is available and cost effective.

- Implemented LED technology in canteens and administrative offices

Energy Use

To reduce indirect energy use in other logistics and administrative areas at Tintaya and Antapaccay, we did the following:

- Installed heaters and a solar panel at the composting plant
- Installed motion sensors and time switches in the camps

Energy Consumption in Project Stage

Our energy use during project development is generally low, and we encourage normal “housekeeping” energy efficiency programmes at our site. Generators for camps, fuel for light vehicles and drilling programmes are our main energy-consuming and greenhouse gas-producing activities.

Climate Change

At the Peru Operations Division, we recognise that the future effects of climate change - including increased regulation, higher energy costs and physical impacts such as drought and flooding - represent a risk for our operations and communities. We seek to be as energy efficient as

Indirect Energy Consumption

Source	Unit	Tintaya	Antapaccay
Hydraulic energy	kW	131,953,503.83	30,621,872.93
Thermal energy	kW	108,675,352.00	23,401,740.67



“We apply the 3R strategy: Reduce, Recycle and Reuse. We use an efficient solid waste classification system...”

We recognise that the key to effectively managing greenhouse gases lies in the design of our mining and processing operation because, once commissioned, it will require high energy input over decades of operation. We include a contingency cost for carbon in our financial models which helps us to optimise the greenhouse gas footprint of our project.

In 2012, direct and indirect greenhouse gas emissions (CO₂) in our Tintaya and Antapaccay units totalled 172,577.72 and

66,715.56 tonnes, respectively. We strive to offset this negative impact through our afforestation projects with native plants in the areas surrounding our operation.

Solid Waste Management

We have a Comprehensive Waste Management Plan in place, which complies with legal requirements and has defined controls for waste production, transportation, storage and final disposal.

We apply the 3R strategy: Reduce, Recycle and Reuse. We use an efficient solid waste classification system, and we have a composting plant to treat organic solid waste coming from canteens and kitchens.

We encourage our employees to actively participate in activities such as planting and preserving green areas. To that end, we communicate our campaigns through Radio Stereo Tintaya. Likewise, we raise awareness among our employees so they routinely select recyclable and reusable materials.

Materials Used

There are some materials that could not be directly and exclusively allocated to Antapaccay due to the proximity of both units and the fact that the latter has recently begun operations. Therefore, we have consolidated data from both units.

Materials Used at Tintaya and Antapaccay

Materials	Unit	
Extractants and solvents	m ³	242.92
Flocculants	t	148.58
Flotation agents	t	499.59
Blasting materials	t	198,094.94
Acids and bases	t	153,369.73
Lubricants	gal.	1,541.63
Tyres (light vehicles)	Unit	344
Cement	t	877.50

Waste Management at Tintaya and Antapaccay by treatment method

NON-HAZARDOUS SOLID WASTE	
Domestic inorganic waste	Disposal in sanitary landfill
Domestic organic waste	Composting treatment
Wood	Recycling through community trading companies authorised by DIGESA (General Bureau of Environmental Health)
Paper	Recycling through solid waste trading companies (EC-RS, in Spanish)
Scrap and metallic waste	Recycling through EC-RS
Rubber	Recycling through community trading companies authorised by DIGESA
Plastic bottles	Recycling through community trading companies authorised by DIGESA
Toners	Recycling through agreement with Xerox
HAZARDOUS SOLID WASTE ¹	
Lead sludge	Recycling through EC-RS
Batteries	Recycling through EC-RS
Soil contaminated with hydrocarbons	Physical treatment through simple volatilisation
Bags of lime	Disposal in safe landfill
Diatoms	Disposal in safe landfill
Hazardous waste	Disposal in safe landfill
Flammable waste	Disposal in safe landfill
Used oil	Recycling through EC-RS

Overburden, Rocks and Other Waste

Other Waste	Unit	Tintaya	Antapaccay
Tailings and fine gravel	t	7,616,576.86	1,475,252.00
Coarse gravel	t	3,169,007.03	Antapaccay does not generate coarse gravel.

Disturbed or Rehabilitated Areas

Area	Unit	Tintaya	Antapaccay
Disturbed area	ha	2.48	387.42
Rehabilitated area	ha	18.53	We do not have rehabilitated areas in the new Antapaccay operations.



Taruca (high Andean deer), a species commonly found in the Tintaya area.

Waste Generated at Tintaya and Antapaccay

in tonnes	
NON-HAZARDOUS INORGANIC WASTE	
Domestic inorganic waste	2,046.97
Wood	840.72
Scrap and metallic waste	1,183.08
Rubber	152.44
Paper	45.35
Plastic bottles	8.68
Toners	0.25
HAZARDOUS INORGANIC WASTE	
Lead sludge	5.82
Batteries	6.05
Soil contaminated with hydrocarbons	149.55
Bags of lime	35.17
Diatoms	366.94
Hazardous waste	97.58
Flammable waste	893.18
Used oil	977.77
DOMESTIC ORGANIC WASTE	
	391.03

1. Waste generated at Antapaccay is mainly hazardous waste, which we appropriately dispose of in safe landfills located in Lima city.

Biodiversity and Land Management

The geography of Espinar province is characterised by highly mineralised soil, located over the Yauri - Andahuaylas copper belt. From ancient times, this mineralisation has naturally influenced the composition of ground and surface water in this region. Our two Cusco operations, Tintaya and Antapaccay, are located in this area, rich in minerals.

As part of our commitment to preserve the biodiversity of our environment, we maintain a Biological Monitoring Programme to check the status of flora and fauna. Likewise, as part of our mine closure plan, we are carrying out revegetation projects with local natural pastures.

The flamingo and barn owl, species commonly found in the Tintaya and Antapaccay areas.



“...we maintain a Biological Monitoring Programme to check the status of flora and fauna.”

Species Conservation

In line with Peruvian legislation¹ and the IUCN, 11 Peruvian endemic plant species were registered in the area surrounding Antapaccay. These species have been categorised as follows:

- Two critically endangered species (CR)
- One endangered species (EN)
- Six vulnerable species (VU)
- Two near-threatened species (NT)

1. Supreme Decree No. 043-2006-AG.
2. The Convention on International Trade in Endangered Species of Wild Fauna and Flora.

Classification of Wild Flora Species Protected under the IUCN at Antapaccay

Species	Common Name	Classification S.D No. 043-2006-AG	Classification Red List León et al. 2006
<i>Ephedra rupestris</i>	Pingo pingo	CR	—
<i>Puya raimondii</i>	Puya	EN	—
<i>Azorella compacta</i>	Llaretá	VU	—
<i>Perezia pinnatifida</i>	Contrayerba	VU	—
<i>Echinopsis maximiliana</i>	Cactus	VU	—
<i>Escallonia myrtilloides</i>	Chillwua	VU	—
<i>Argyrochosma nivea</i>	Unknown	VU	—
<i>Acaulimalva engleriana</i>	Malva	NT	—
<i>Nassella ayacuchensis</i>	Unknown	-	CR
<i>Lupinus chrysanthus</i>	Q'era	VU	—
<i>Piptochaetium featherstonei</i>	Unknown	NT	—

Classification of Wild Flora Species Protected under the IUCN at Tintaya

Species	Common Name	Category
<i>Buddleia coriacea</i>	Colle	CR
<i>Puya Raimondi Harms</i>	Puya	EN
<i>Ephedra americana</i>	Pingo pingo	NT

Classification of Wild Fauna Species Protected under the IUCN and CITES,² SD No. 034-2004-AG at Antapaccay

Species	Common Name	Category		
		IUCN	CITES	SD No. 034-2004-AG
<i>Lycalopex culpaeus</i>	Andean fox	—	II	—
<i>Leopardus pajeros</i>	Pajonal cat, oskhollo	NT	II	—
<i>Hippocamelus antisensis</i>	Taruca, High Andean deer	VU	I	VU

Classification of Wild Fauna Species Protected under the IUCN at Tintaya

Species	Common Name	Category
BIRDS		
<i>Phoenicoparrus andinus</i>	Parihuana or Andean Flamingo	VU
<i>Phoenicoparrus chilensis</i>	Common Parihuana	NT
<i>Theristicus melanopsis</i>	Black-faced Ibis	VU
<i>Fulica gigantea</i>	Giant Coot	NT
MAMMALS		
<i>Hippocamelus antisensis</i>	Taruca	VU

Operational costs and Investments in Environment at Tintaya and Antapaccay

in U.S. dollars

OPERATIONAL COSTS	1,113,984.26
Environmental monitoring activities	198,208.50
Solid waste management	290,003.14
Compliance with legal commitments	11,258.69
Maintenance of operational controls	559,828.00
Maintenance of Environmental Management System	54,685.93
INVESTMENTS	1,591,309.56
Biodiversity conservation programmes	62,341.26
Improve solid waste treatment and temporary disposal facilities	108,650.63
Acquisitions and automation of Environmental Quality Monitoring System	191,525.36
Implementation of Water Management Plan	412,014.81
2012 Afforestation Plan	816,000.00
Audit to maintain ISO 14001 certification	777.50

At Tintaya, protected species have been classified as follows:

- One critically endangered species
- One endangered species
- One near-threatened species

In Antapaccay, there are three mammal species included in the protection lists, as shown in the table on page 82.

At Tintaya, we have only one mammal species classified as vulnerable. With respect to birds, however, we identified two species categorised as vulnerable and two more as near threatened, as reflected in the table called *Classification of wild fauna species protected under the IUCN at Tintaya*.

In 2012, Tintaya and Antapaccay used more than US \$1.1 million for operational expenses and nearly US \$1.6 million for environmental investments, distributed as reflected in the table called *Operational costs and investments in environment at Tintaya and Antapaccay*.



The Three Canyons of Suykutambo showcase the natural beauty of Espinar.

Grinding area of the ore processing plant at Tintaya.



Closure Plan for the Tintaya Mine

Tintaya has begun the closure stage, which we carry out in line with a closure plan established under Peruvian legislation,¹ Xstrata Copper's mine closure guidelines and international best practices in mining.

In our closure plan, we commit to rehabilitate the areas we used for our operations and to fulfil the following objectives:

- Safeguard people's safety and health
- Improve physical and chemical stability of closure components
- Preserve the biological environment
- Promote the potential use of soil under safe conditions
- Protect surface and ground water courses and bodies
- Minimise landscape and visual negative impacts
- Minimise socioeconomic impacts resulting from closure

The progressive closure process includes activities such as rehabilitating areas and premises that will not be used after the mining operation ceases. We have been carrying out these activities since

1. Mine Closure Law N° 28090 and Regulation approved by S.D. of the Ministry of Energy and Mines No. 033-2005.

2011 and will complete them in 2033. Activities include:

Rehabilitation of overburden dumps at Tintaya

This process consists of ensuring physical and chemical stability of dumps. First, we cover them with clay and then with organic soil to encourage formation of topsoil that allows local flora and fauna to grow. These activities will encourage surface runoff, which will be captured by a system of canals with quality controls. Later, the runoff will be discharged in the rivers, as long as it complies with the necessary quality standards, defined by the aforementioned controls. This process will help recover the landscape and use of soil.

In 2012, we performed work at the main dump and dump 28 (phase 1). In the main dump, we are creating topsoil for revegetation purposes in an area of approximately 22 hectares, and we expect to finish in 2013. In dump 28, we are working to build slopes in an area of approximately 56 hectares, which we expect to complete in 2014.

Recovery of the Ccamacmayo and Huinipampa tailings dam

Tailings will be progressively dried to obtain physical stability and, at the same

time, we will shape the surface to encourage surface runoff. We will cover the tailings with clay and topsoil to help recover the use of soil and the natural landscape of the area. In 2012, we worked on engineering studies to close these two tailings dams.

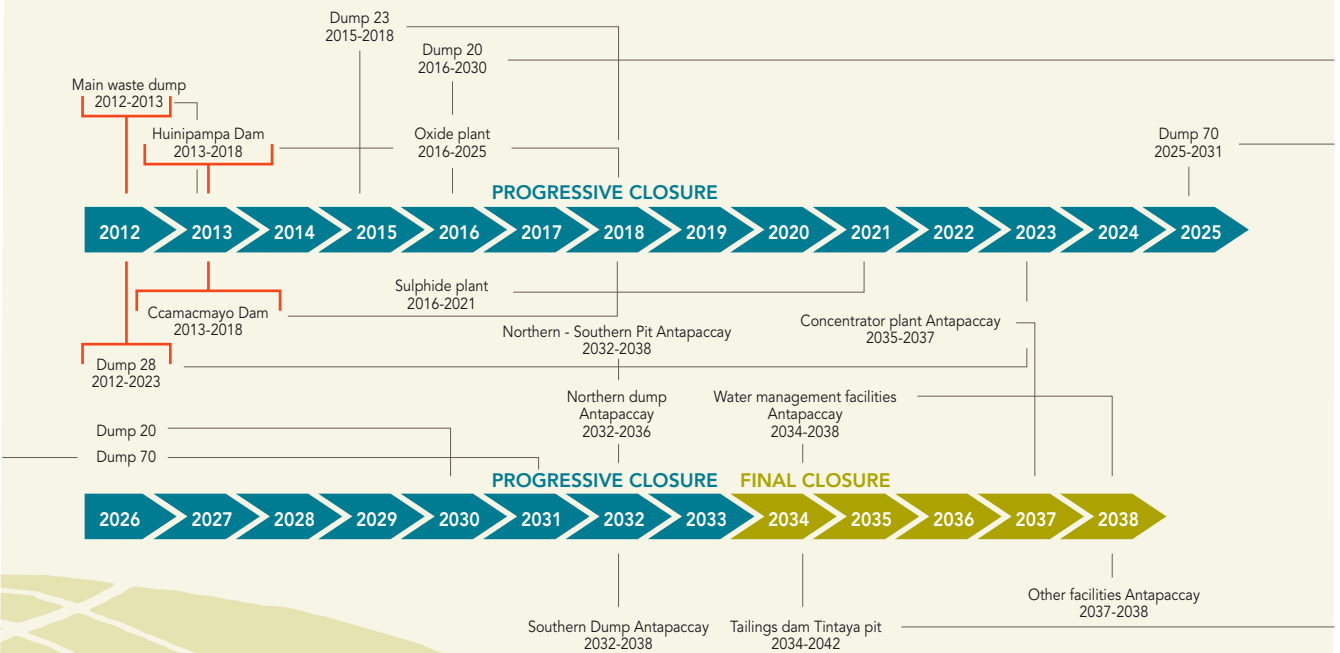
Dismantling of the Oxide and Sulphide Plants

We will dismantle and demolish these plants, and remove the structures that can be reused. We will also rehabilitate the area where the plants were located.

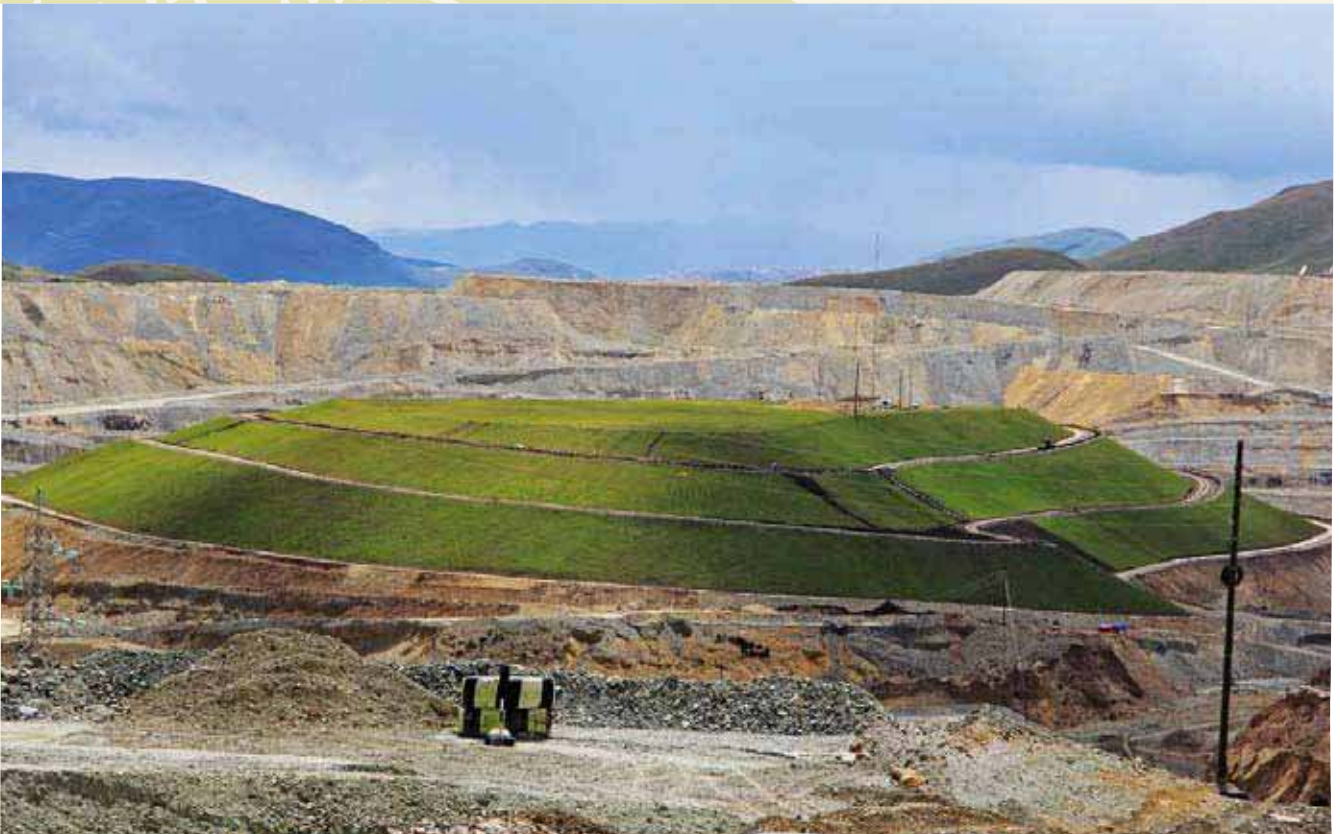
Following completion of progressive closure activities, we will begin the final closure stage of Tintaya in 2034. Taking into account the proximity of the Antapaccay unit, this process includes the following activities: flooding the northern and southern pits, dismantling the new concentrator plant at Antapaccay, and closing the tailings dam at the Tintaya pit.

All these activities ensure compliance with quality standards for water, human health and safety, and conservation of and care for the environment.

Timeline to Close the Tintaya and Antapaccay Mines



“Before beginning our operations, we think about a grand finale”



Main dump rehabilitated at Tintaya.

Case Study



Workers planted approximately 100,000 seedlings around the Tintaya area in 2012.

Afforestation Project at Tintaya

We have decided to progressively plant trees on 1,100 hectares of land to offset GHG emissions from our operations, improve the biological and physical conditions of arid areas, and preserve, maintain or recover the best possible condition of water bodies in the areas surrounding our operations.

In this way, we will preserve natural areas and water sources of the microbasin and offset greenhouse gas emissions.

This project mainly benefits the community, our employees living in the camp, and the environment. We have designed it in two stages:

First Stage: 2011 - 2012

- Final planting of trees on 150 hectares of land.
- Implementation of a tree nursery with production of 100,000 seedlings per year
- Survival tests for various tree species

Second Stage: 2013 - 2017

- Afforestation of 950 hectares
- Increase the production of the tree nursery to up to 300,000 seedlings per year

We plant trees in areas where we have not built infrastructure. Through this project, we expect to reduce 17,553.85 t CO₂, equivalent to 5% of the total greenhouse gas generated by our operations. We plan to use the local workforce to do the planting.

Water quality is monitored at Las Bambas.



Las Bambas

Preserving the area in which we operate is an important commitment we have always assumed at Las Bambas. Therefore, we strive to efficiently use the resources we manage, making sure to mitigate negative impacts in our vicinity. As in other processes, we take a preventive approach that allows us to timely identify potential risks to adequately manage them.

We are aware of how important it is to encourage our stakeholders to actively participate in evaluating our environmental performance. During the first stage of Las Bambas, our main milestone is the engagement of authorities and communities. This action legitimises the results we obtain, so in the second stage, we can define the relevant protocols that will allow us to publicly report those results.

The commitment we undertook in the Environmental Impact Study includes building a tree nursery and planting 100,000 seedlings on an annual basis. We have complied with this goal, providing jobs and training to more than 400 people per year from various communities in the vicinity of the project.

We are planting exotic and native species that offset the effects of climate change, help increase diversity of habitats, improve the climate since they provide moisture to the environment, reduce erosion processes, optimise soil and air quality, and improve the landscape, among other benefits.

Water Management

We have reused 100% of wastewater coming from the treatment plants at the various mining camps, which has allowed us to

considerably decrease water consumption. We have not significantly affected water sources, nor have we operated in water-protected areas. We comply with current legislation, and we strive to minimise our potable water consumption. Furthermore, we seek to actively engage our employees so they report any incident or failure in the potable water system.

Water Withdrawal by Source

Source in cubic metres	Water Withdrawal
Fuerabamba River	113,394.87
Challhuahuacho River	14,993.80
Huascabamba Gully	-
Sayhua River	-
Patumayo Gully	2,203.60
Pumamarca River	25,884.10

We complied with the current legislation by obtaining authorisations to use water. Likewise, our employees actively participate in water conservation campaigns and identify and report any failures in the water supply systems at the camps.

Reused Water

Source in cubic metres	Water Withdrawal
Reused water	16,980

Biodiversity Conservation

At Las Bambas we implemented an environmental management plan based on the requirements of a megadiverse country such as Peru. In addition to biodiversity monitoring and defining the conservation status of certain species, we have selected seven flora and fauna species whose protection is important to us, and we are working hard to transfer them to areas that

will not be impacted by our operations and that meet the necessary environmental conditions for them to appropriately thrive. Below is the list of species:

FLORA

	Common Name
<i>Echinopsis maximiliana</i>	Cactus
<i>Lupinus chrysanthus</i>	Unknown
<i>Nototriche armeriifolia</i>	Unknown

FAUNA

<i>Rhinella espinulosus</i>	Frog
<i>Telmatobius jelskii</i>	Aquatic frog
<i>Akodon subfuscus</i>	Puno grass mouse
<i>Auliscomys pictus</i>	Painted big-eared mouse

Waste Generated at Las Bambas

in tonnes

NON-HAZARDOUS INORGANIC WASTE

Domestic inorganic waste	1,366.28
Wood	460.74
Paper	386.00
Scrap and metallic waste	245.11
Rubber	13.71
Plastic bottles	82.94

HAZARDOUS INORGANIC WASTE

Lead sludge	Not applicable
Batteries	1.52
Soil contaminated with hydrocarbons	Not applicable
Bags of lime	92.29
Diatoms	Not applicable
Hazardous waste	51.29
Flammable waste	24.94
Used oil	85.91

The species we are resettling include the *Nototriche armeriifolia*, a rosette plant that grows in a highly specific habitat. This species has been spotted for the second

Materials Used at Las Bambas

Unit		
NON-RENEWABLE MATERIALS		
Oxide ore	Kt	Not applicable
Sulphide ore	Kt	Not applicable
Diesel	Kl	2,519.28
AUXILIARY MATERIALS		
Extractants and solvents	m ³	Not applicable
Flocculants	t	Not applicable
Flotation agents	t	Not applicable
Blasting materials	t	Not applicable
Acids and bases	t	Not applicable
OTHER MATERIALS		
Diesel 2	gal.	769,546.74
Lubricants	gal.	1,223
Liquefied gas (domestic use)	kg	52,603.38
Tyres (light vehicles)	Unit	121
Cement	t	250
Wood	t	325

time; it had not been collected since 1937, when it was discovered in Puno. To ensure a successful transfer, we have recreated its habitat, carried out conservation tests through the *in vitro* cultivation of plant tissues, and created a seed bank.

We are also carrying out a detailed diagnosis of *bofedales* (high Andean wetlands), information necessary to plan maintenance and recovery projects. Our objective is to plan offset activities to comprehensively manage basins in five ways:

- Offset reduction of the base flow of the Ferrobamba River

Waste Management at Las Bambas by treatment method

NON-HAZARDOUS ORGANIC AND INORGANIC WASTE	
Domestic organic waste	Used to make compost and then for afforestation purposes
Wood	Off-site disposal in safe landfill
Paper	Recycling through paper manufacturing companies
Scrap and metallic waste	Reused by Aceros Arequipa
Rubber	Off-site disposal in safe landfill
Plastic bottles	Off-site disposal in safe landfill
Toners	Off-site disposal in safe landfill
HAZARDOUS INORGANIC WASTE	
Lead sludge	Not applicable
Batteries	Not applicable
Soil contaminated with hydrocarbons	Off-site disposal in safe landfill
Bags of lime	Not applicable
Diatoms	Not applicable
Hazardous waste	Off-site disposal in safe landfill
Flammable waste	Off-site disposal in safe landfill
Used oil	Reused

- Offset loss of *bofedales* in the area surrounding the project
- Offset the negative impact on hydrobiological resources
- Preserve key biodiversity areas
- Train and educate local residents in environmental topics

We have designed an offset programme and subprogrammes for each one of these.

In 2012, Las Bambas used more than US \$2 million for operational costs and more than US \$ 350,000 for environmental investments, distributed as follows:

Operational Costs and Investments in Environment at Las Bambas

in U.S. dollars	
Operational costs	2,195,761
Investments	350,856

Energy Use

As part of our commitment to reduce energy consumption, we have conducted awareness campaigns using media such as radio.

Since Las Bambas generates its own energy by means of diesel, it is crucial to control consumption of this resource.

P R O J E C T D E V E L O P M E N T D I V I S I O N



During the construction and development stage, Antapaccay and Las Bambas caused environmental impacts and managed them under our guidelines. We show the main indicators for waste management, water use, emissions and environmental incidents in the table.

Waste Generated	Unit	Antapaccay	Las Bambas
Hazardous waste	t	105.24	1,178.76
Non-hazardous waste	t	7,350.23	6,082.46

Water Used	Unit	Antapaccay	Las Bambas
Water Used	L	215,781,900	567,367,120

Emissions and Environmental Incidents	Unit	Antapaccay	Las Bambas
Indirect GHG emissions (CO ₂)	t	68,917.23	Not applicable
Emissions that deplete the ozone layer	kg	7.33 SF ₆ *	Not applicable
Environmental incidents		26	94

* Sulfur hexafluoride

Case Study



Residents pour drilling muds over test plots.

Debunking Myths: Drilling Muds and Their Environmental Impact

Drilling muds are fluids used in oil and gas wells to clean and prepare drilling operations, lubricate drill bits and balance formation pressure. Drilling muds usually use water as base fluid. This technique is mainly used during the exploration stage of a mine.

Due to their chemical composition, drillings muds are believed to affect wild flora and cause the death of cattle. Ignorance on this topic has led to using this argument to discredit exploration activity in the mining industry, which uses this drilling technique.

Because we are aware of this situation, at Las Bambas we deemed it appropriate to carry out academic research to offer conclusive answers about the possible effects of drilling muds. This work was possible thanks to existing collaboration agreements with Universidad Nacional de San Antonio Abad del Cusco. This unique pioneer study in our country allowed us to obtain specific results regarding the harmless effect of drilling fluids on wild flora and the germination process of forage.

Local residents actively participated in this experience: Community

residents collected samples from the mud wells, poured them into test plots, and performed empirical tests, even before scientific results were official.

Finally, to communicate the results of this study and dispel fears about the environmental effects of drilling muds, we have trained 295 community leaders on the real impact of these fluids.



Key Sustainability Data

Our Economic Contribution (in millions of U.S dollars)		2010	2011	2012
Total sales		698.00	644.00	487.25
Total salaries paid		35.50	40.30	43.60
Royalties and taxes		134.80	152.50	48.55
Purchases in local markets		168.20	161.20	234.50¹

Strategy and Corporate Sustainable Development				
Total value of financial contributions or in kind contributions to political parties		0	0	0
Percentage of security personnel trained in human rights		100 %	100 %	100 %

Our People				
Total workforce		1,138	1,388	1,863
Permanent employees		679	707	839
Percentage of employees covered by collective agreements		XT: 65.91	XT: 65.91	XTA: 54.59
Total training man-hours		35,144	51,200	72,413

Workplace Safety and Health				
Fatalities		0	0	1
Total Recordable Injury Frequency Rate		0.58	0.66	0.54
Lost Time Injury Frequency Rate		0.29	0.33	0.13
Disabling Injury Severity Rate		44	15	17.50

Sustainable Communities				
Community complaints (related to the operation of our units, project stage not considered)		8	4	16
Resettlement of communities		1	1	1

Environmental Performance		UNIT		
Total energy use	kW/h	266,820,004	267,040,628	294,652,469
Total water use	m ³	6,094,611	5,626,626	4,865,206
Total recycling and reuse of water	m ³	13,449,521	13,132,222	13,139,485
Category 3 incidents (moderate)		0	0	0
Category 4 incidents (serious)		0	0	0
Category 5 incidents (disasters)		0	0	0
Legal actions		0	0	0
Fines		0	0	0

XT: Xstrata Tintaya

XTA: Xstrata Tintaya and Antapaccay

1. This figure represents purchases in the domestic market as of the end of 2012, and does not include the figures reached by the Project Development Division.



GRI Index

The table below shows where to find GRI G3-related information in the 2012 Sustainability Report

Indicator	Overview	Page Number	Reason for Omission / Additional Information
Vision and strategy			
1.1	Chief Executive's Message	6-9	
1.2	Impacts, risks and opportunities	34-35	
Organisation profile			
2.1	Organisation name	2-3	
2.2	Products	19-23	
2.3	Operating structure	31-33	
2.4	Headquarters	2-3	
2.5	Countries where we operate	2-3	
2.6	Ownership and legal structure	2-3	See 2010 Sustainability Report www.xstratacopperperu.pe (p. 22)
2.7	Markets	20	
2.8	Scale of organisation	31-32, 43-45	
2.9	Changes in size, structure or ownership		The most significant changes in this period were: closure of Tintaya operations, beginning of Antapaccay operations and beginning of construction of Las Bambas. These three changes are reported in this document.
2.10	Prizes and awards	41	
Report parameters			
3.1	Report period	25-29	
3.2	Previous report	25-29	
3.3	Reporting cycle	25-29	
3.4	Contact		See information on the inside front cover.
3.5	Defining report content	25-29	
3.6	Report coverage	25-29	
3.7	Scope or coverage restrictions	25-29	In addition to the pages cited, many of the indicators do not apply to Las Bambas since it is still in project stage and belongs to an area of influence different from that of Tintaya and Antapaccay.

Indicator	Overview	Page Number	Reason for Omission / Additional Information
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Report parameters (continued)

3.8	Joint ventures		See 2010 Sustainability Report www.xstratacopperperu.pe (p. 3)
3.9	Data measurement techniques	25-29	
3.10	Information re-statement	25-29	
3.11	Significant changes	25-29	
3.12	Content location		See table of contents on the inside front cover.
3.13	External verification and assurance	29	

Governance structure and management systems

4.1	Governance body structure	31-32	
4.2	Chair and executive roles	31-32	
4.3	Independent members	31-32	
4.4	Recommendations to the governance body	31-32	
4.5	Link between compensation for executives and the organisation's sustainability performance	31-32	
4.6	Conflicts of interest		Xstrata Copper's Business Principles guide our employees' behaviour at all levels.
4.7	Qualifications of governance body members	31-32	
4.8	Mission, values and codes of conduct	39-40	
4.9	Evaluation of organisation's sustainability performance	31-37	
4.10	Evaluation of governance body's sustainability performance	31-37	
4.11	Precautionary principle		See 2010 Sustainability Report www.xstratacopperperu.pe (p. 22)
4.12	External principles to which the organisation subscribes	39-41	
4.13	Memberships in associations	39-41	
4.14	Stakeholders	34	
4.15	Stakeholder identification and selection	34	
4.16	Approaches to stakeholder engagement	34	
4.17	Stakeholders' concerns	34	

Economic performance indicators

	Management approach	43	
EC1	Direct economic value generated	43	
EC2	Finance and climate change		We have not conducted any studies on this topic, but we plan to do so in the future as part of our sustainable approach.
EC3	Fringe benefits	51	
EC4	Government financial aid		We did not receive government financial aid.
EC5	Standard and local wages		Our employees' salaries are significantly higher than the local minimum wages.
EC6	Local suppliers	45-46	
EC7	Local employee hiring	44, 49-52	
EC8	Public infrastructure investment	47, 70-71	
EC9	Indirect economic impacts	43	

Indicator	Overview	Page Number	Reason for Omission / Additional Information
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Labour practices indicators

	Management approach	49	
LA1	Workforce	50	
LA2	Employees and turnover	49-50	
LA3	Fringe benefits	51	
LA4	Collective bargaining		<p>The collective agreement covers 1,017 employees from Tintaya and Antapaccay.</p> <p>Since Las Bambas will begin operations in the near future, we do not yet have unionised employees or employees covered by a collective bargaining agreement there.</p> <p>55% of company employees work under a collective bargaining agreement.</p>
LA5	Notice of operational changes	52-53	
MM4	Strikes	52-53	
LA6	Health and safety committee	57-58	
LA7	Absenteeism rate and fatalities	58	
LA8	Training and risk-control programme		Our programmes include many of our associates from the surrounding communities and have had a direct and positive impact on them.
LA9	Health and safety in trade unions		Formal agreements with the union include health and safety matters.
LA10	Training	50, 58-59	
LA11	Skills management	50-53	
LA12	Performance evaluations	50-51	In 2012, we evaluated 478 employees in Tintaya and Antapaccay, and 145 in Las Bambas, which represents 30.92% and 45.74% of the employee population, respectively.
LA13	Corporate governance body	31-34	
LA14	Base salary of men and women	40	

Human rights indicators

	Management approach	39	
HR1	Human rights clauses	39-40	
HR2	Human rights screening	39-40	
HR3	Employee training on human rights		All our employees have received training in human rights policies and procedures, especially during induction programmes that occur upon hiring.
HR4	Discrimination incidents	53	There were no discrimination incidents in 2012.
HR5	Freedom of association risk	52	
HR6	Child exploitation risk	40	
HR7	Forced labour risk	39-40	
HR8	Security personnel training on human rights	39-40	All our security employees have received training in human rights policies and matters relevant to the activities they carry out.
MM5	Operations adjacent to indigenous peoples' territories	61-75	
HR9	Violations of indigenous rights	39-40	There were no incidents involving violations of indigenous rights.

Indicator	Overview	Page Number	Reason for Omission / Additional Information
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Social indicators

	Management approach	61-75	
SO1	Impacts on communities	61-75	
MM6	Disputes relating to land use		We identified surface and customary rights based on domestic law and verified ownership or possession conditions.
MM7	Dispute resolution mechanisms	63	
MM8	Artisanal mining	63	
MM9	Resettlement	72-73	
MM10	Closure plans	84	
SO2	Corruption		One hundred percent of our operations were included in the corruption risk analysis.
SO3	Anticorruption training	31, 39-40	
SO4	Response to corruption incidents	31, 39-40	
SO5	Participation in public policies	33	
SO6	Contributions to political parties	33	
SO7	Monopolistic behaviours	39	
SO8	Fines for non-compliance with laws	39	

Environmental indicators

	Management approach	77	
EN1	Materials employed	80	
EN2	Materials reused	80-85	Used materials are not employed because of quality and safety reasons.
EN3	Direct energy use	79	
EN4	Indirect energy use		Not applicable to Las Bambas because it is still in the project stage (construction and development). There are no indirect energy sources at Las Bambas. Starting in 2014, energy will be supplied from the National Interconnected Grid through a 220 kV transmission line connected to the Cotaruse substation.
EN5	Energy saved	79-80	Not applicable to Las Bambas because of low energy consumption (minimum results).
EN6	Energy-efficient products	79-80	Not applicable to Las Bambas because of low energy consumption.
EN7	Indirect energy use reduction		Not applicable to Las Bambas because it is still in the project stage.
EN8	Total water withdrawal	78	
EN9	Affected water sources	78	
EN10	Water recycled and reused	78	
EN11	Operations adjacent to protected areas		There are no protected areas related to any of our operations.
EN12	Impacts on protected areas		Operations are not located in protected areas or in areas that have a great biodiversity value.
MM1	Disturbed or rehabilitated land	81	
EN13	Habitats protected or restored		There are no protected habitats adjacent to the operations.
EN14	Biodiversity management	81-83	
MM2	Sites requiring biodiversity management plans		Operations are not located in protected areas or in areas that have a great biodiversity value.
EN15	International Union for Conservation of Nature red list species	81-83	
EN16	Greenhouse gas emissions	79	Not applicable to Las Bambas because it is still in the project stage (construction and development).

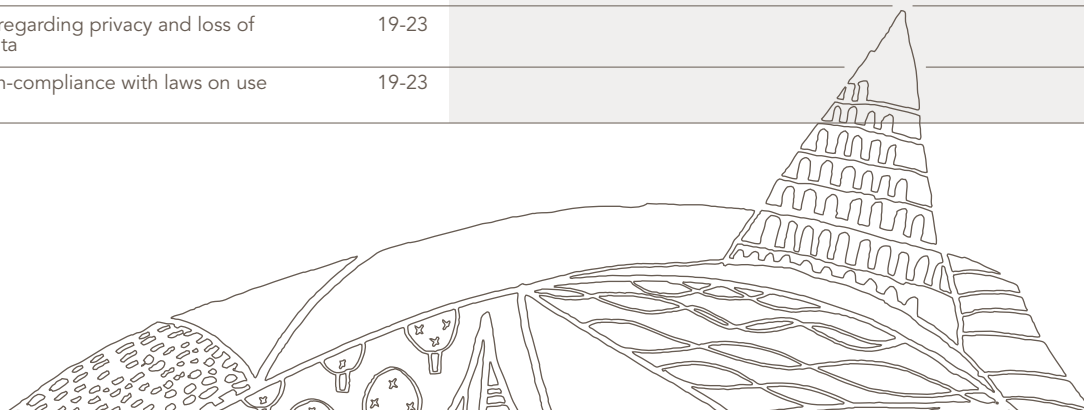
Indicator	Overview	Page number	Reason for Omission / Additional Information
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Environmental indicators (continued)

EN17	Other indirect greenhouse gas emissions		Not applicable. We reported all emissions from Tintaya and Antapaccay in EN15. However, this does not apply to Las Bambas because it is still in the project stage.
EN18	Initiatives to reduce greenhouse gas emissions	79	
EN19	Ozone-depleting substances		There were no significant emissions.
EN20	Nitrogen oxide (NO) and sulphur dioxide (SO ₂) emissions		There were no significant emissions.
EN21	Wastewater discharge	78	
EN22	Waste managed	81	
MM3	Overburden, rock and other waste	81	Not applicable to Las Bambas because it is still in the project stage (construction and development).
EN23	Accidental spills		There were no significant spills.
EN24	Hazardous waste	81	
EN25	Biodiversity in water resources		Biodiversity is not affected by water discharge.
EN26	Environmental impacts of products		Not applicable to Tintaya and Antapaccay because they produce commodities. Las Bambas is not yet in production (construction and development).
EN27	Recycling of final products and packaging materials		Not applicable to Las Bambas because it is still in the project stage.
EN28	Environmental fines		None of our three units received fines in 2012.
EN29	Environmental impacts due to transport		There were no significant environmental impacts due to appropriate management.
EN30	Environmental expenditures and investments	83	

Product responsibility indicators

	Management approach	19-23	
MM11	Programmes relating to materials stewardship	19-23	
PR1	Life cycle of products	19-23	
PR2	Incidents of non-compliance with regulations	19-23	
PR3	Product information	19-23	
PR4	Non-compliance with regulations and product labelling		Not applicable because copper is a commodity.
PR5	Customer satisfaction	19-23	
PR6	Marketing and advertising		Not applicable because copper is a commodity.
PR7	Incidents of non-compliance with regulations on marketing and advertising		Not applicable because copper is a commodity.
PR8	Complaints regarding privacy and loss of customer data	19-23	
PR9	Fines for non-compliance with laws on use of products	19-23	








Basic Contents

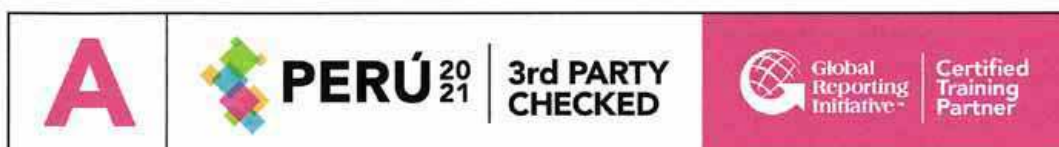
The following table includes the requirements established by the Global Reporting Initiative for each application level in sustainability reporting.

Our 2012 Sustainability Report complies with Application Level A indicators.

Report Application Level	C	C+	B	B+	A	A+
 <p>G3 Disclosures OUTPUT</p>	<p>Report on:</p> <ul style="list-style-type: none"> 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15 		<p>Report on all criteria listed for Level C plus:</p> <ul style="list-style-type: none"> 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17 		<p>Same as requirement for Level B.</p>	
 <p>G3 Management Approach Disclosures OUTPUT</p>	<p>Not Required.</p>	<p>Report Externally Assured</p>	<p>Management Approach Disclosures for each Indicator Category.</p>	<p>Report Externally Assured</p>	<p>Same as requirement for Level B.</p>	<p>Report Externally Assured</p>
 <p>G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT</p>	<p>Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.</p>		<p>Report on a minimum of 20 Performance Indicators, including at least one from each of: Economic, Environmental, Human Rights, Labour, Society, Product Responsibility.</p>		<p>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.</p>	

* Sector supplement in final version.

Third Party Checked



Lima, 14 March, 2013

Messrs.
Xstrata Copper
Peru Operations Division

To whom it may concern:

We have performed the third-party-checked process to verify compliance with **Level A** required by the Global Reporting Initiative (GRI), as follows:

- We have carefully read and analysed the 2012 Sustainability Report based on the GRI-G3 Sustainability Reporting Guidelines.
- We have reviewed the document and provided commentary to make the necessary revisions.
- We did a second review and analysis of the latest version of the 2012 Sustainability Report

We considered the following in our analysis:

- The application of the **GRI content definition principles** for the Sustainability Report
- The application of the **GRI quality principles** for the Sustainability Report
- Compliance with the **minimum aspects and indicators** required to be reported to qualify for GRI Application Level A
- **Recommendations** for future sustainability reports

This is a brief description of the aspects analysed:

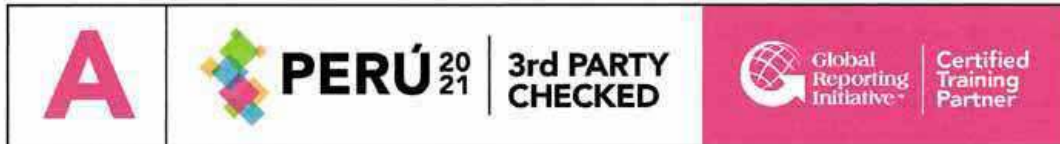
- **Principles to define report content and report quality**

The Xstrata Copper Peru Operations Division - 2012 Sustainability Report has been prepared considering the GRI sustainable reporting principles related to content definition and report quality.

In general, the report complies with the materiality principle because it addresses topics relevant to the sector and describes the risks, impacts and opportunities of copper mining activity as well as the use of this metal in technology and global development. The report also covers policies, management systems and processes that contribute to sustainable management.

Stakeholder engagement: A number of vehicles are used, such as dialogue panels, work meetings and focus groups conducted in Lima, Cusco and Apurímac. Thanks to these meetings, the company was able to communicate its sustainability performance in a more effective manner.

Third Party Checked



Completeness: This report covers the economic, social and environmental aspects and indicators relevant to all the units and activities of the company.

Balance: We want to highlight Xstrata Copper Peru Operations Division's commitment to transparency on its performance, including positive aspects as well as controversial situations as opportunities to improve management.

- **Reporting Indicators**

This report includes 90 indicators (49 core, 30 additional plus 11 indicators of the Mining and Metals Supplement).

- **Recommendations**

We suggest improving some aspects, as follows:

- ✓ Continue reporting on stakeholder management processes in your mining units in a broader manner.
- ✓ Communicate and share your Sustainability Report with your audiences, both internally and externally.
- ✓ Focus on fully developing those indicators that were partially reported.

For the reasons set out above, we confirm that the **Xstrata Copper Peru Operations Division 2012 Sustainability Report** complies with Application Level **A: Third-Party-Checked** requirements.

Yours sincerely,

Henri Le Bienvenu Mercado
General Manager
Perú 2021.

GRI Application Level Check



Statement GRI Application Level Check

GRI hereby states that **Xstrata Copper División Operaciones Perú** has presented its report "2012 Sustainability Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 27 March 2013

A handwritten signature in blue ink, appearing to read "Nelmara Arbex".

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 1 March 2013. GRI explicitly excludes the statement being applied to any later changes to such material.



Feedback Form



We'd like your feedback.

One of our company's priorities is to maintain ongoing communications with our stakeholders. To help us improve our sustainability reports, please complete the feedback form and send to:

E-mail: tintaya.web.admin@xstratacopper.com.pe

Mail: **Lima Office:** Av. El Derby 055. Torre I, oficina 902, Santiago de Surco
Arequipa Office: Av. San Martín 301 Vallecito
Cusco Office: Av. Oswaldo Baca N° 211, Urbanización Magisterio 1° Etapa

Thank you in advance for your comments.

Sustainability Report Feedback Form

Your opinion will help us improve our future sustainability reports.

1. Overall impression of the report:

Not interesting Somewhat interesting Interesting Very interesting

2. The report made me aware of the sustainability actions being taken by Xstrata Copper in Peru:

Strongly disagree Disagree Agree Strongly agree

3. I believe that the information contained in the following chapters is:

	Insufficient	Sufficient	More than Sufficient
- About Xstrata Copper	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Peru Operations Division	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Message from Xstrata Copper Chief Executive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Message from Xstrata Copper Peru Operations Division Executive General Manager	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- 2012 Scorecard	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- 2013 Targets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- About this Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Sustainable Development Strategy and Governance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Ethics and Human Rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Our Products and Processes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Our Economic Contribution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Our People	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Workplace Safety and Health	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Sustainable Communities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Environmental Performance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- Key Sustainability Data	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
- GRI Index	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. Comments or suggestions

Full name

Address

Province

Country

E-mail address

5. Relationship with Xstrata Copper's Peru Operations Division

Local Community Employee Contractor Mining Sector Opinion Leader General public Shareholder

Client Media Civil Society (NGO's, Churches, Academic Institutions) Government (Central, Regional or Local)

Other (Specify) _____

Production

Editing and translation

Photography

Graphic design

RESPONDE - Responsabilidad social

Carla Castellanos de Bass (COMSOL)

Andrew Craig and Sergio Urday

Alejandro Krichman H.





Peru Operations Division
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Torre I, Santiago de Surco
Arequipa: Av. San Martín 301,
Urbanización Vallecito
Cusco: Av. Oswaldo Baca 211,
Urbanización Magisterio 1ª Etapa

www.xstratacopperperu.pe

www.xstrata.com