

CODELCO'S NEW CORPORATE GOVERNANCE: 18 MONTHS AFTER

Presentation to the 2011 Meeting of the Latin American Network on Corporate Governance of State-Owned Enterprises

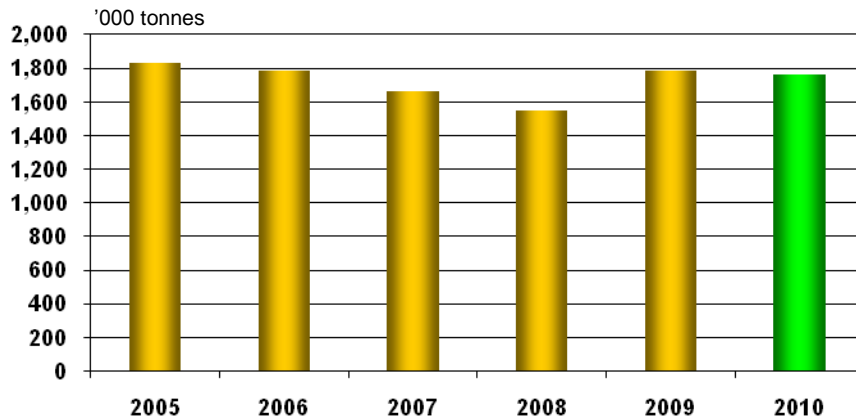
**Jorge Bande
Member of the Board**

**8-9 September 2011
Bogotá, Colombia**

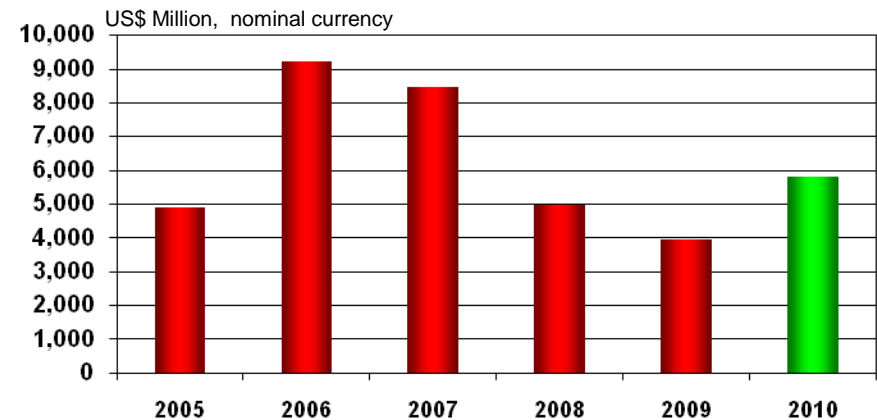


Economic Context: Codelco's Results in Perspective

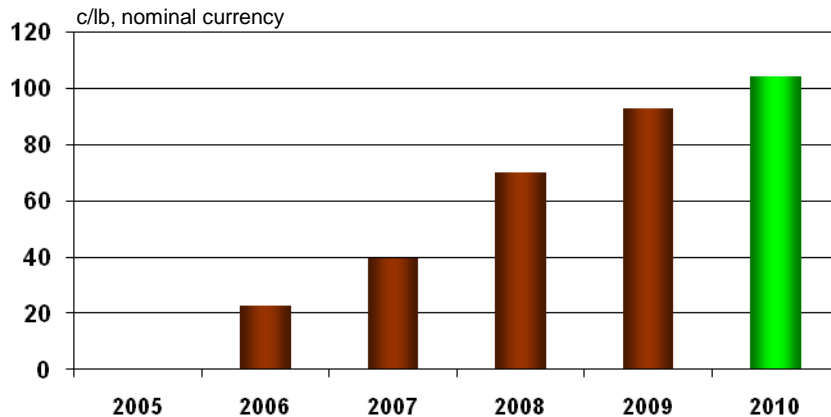
Production*



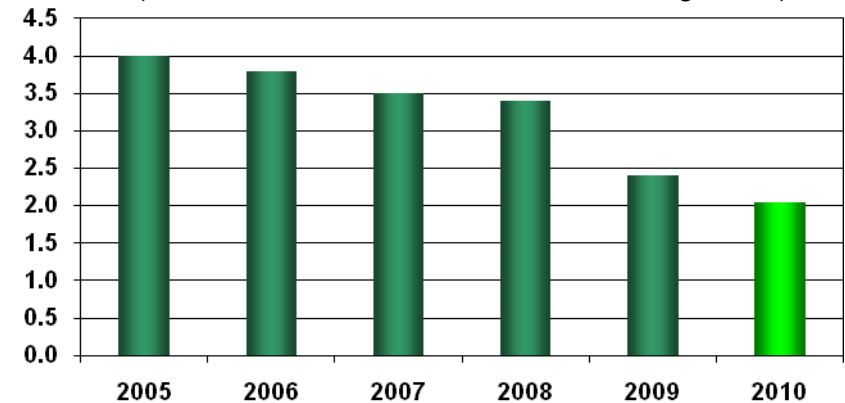
Pre-Tax Profits



Cash Cost (C1)



Accident Frequency Rate** (Accidents with Lost Time / Million Working Hours)



In the period 2004-2010, Codelco's Pre-Tax Profits were higher than US\$ 44,000 million, in 2010 currency

*: Includes the share of Codelco in El Abra (49%). **: Own and contract workers.

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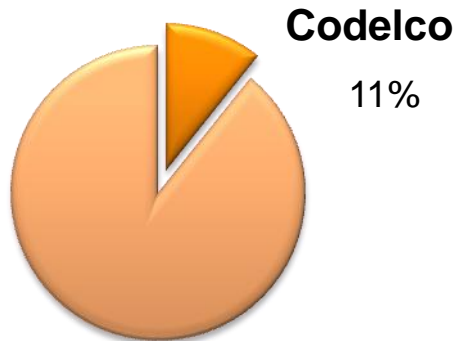
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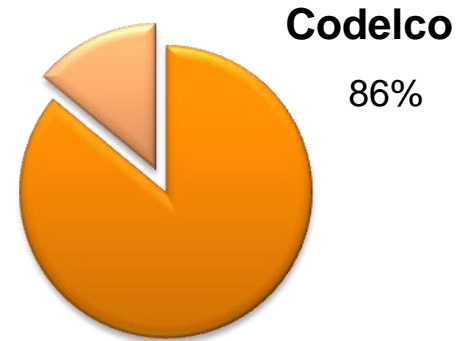
Economic Context: Codelco's Share in Key Fiscal Variables: 1990 - 2010

2010 currency

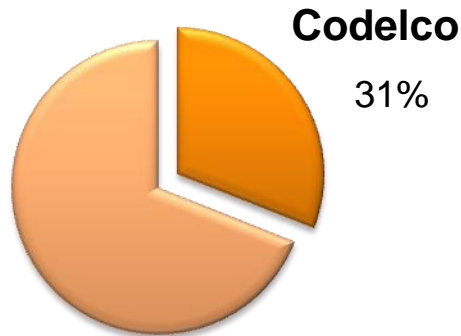
Central Government Income



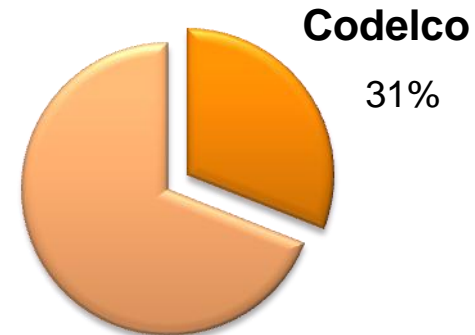
Corporate Income Tax (1st Category)



Value Added Tax



Health, Housing and Education Expenses



During the period 1990-2010, Codelco's contribution to the Treasury was greater than US\$ 59,500 million

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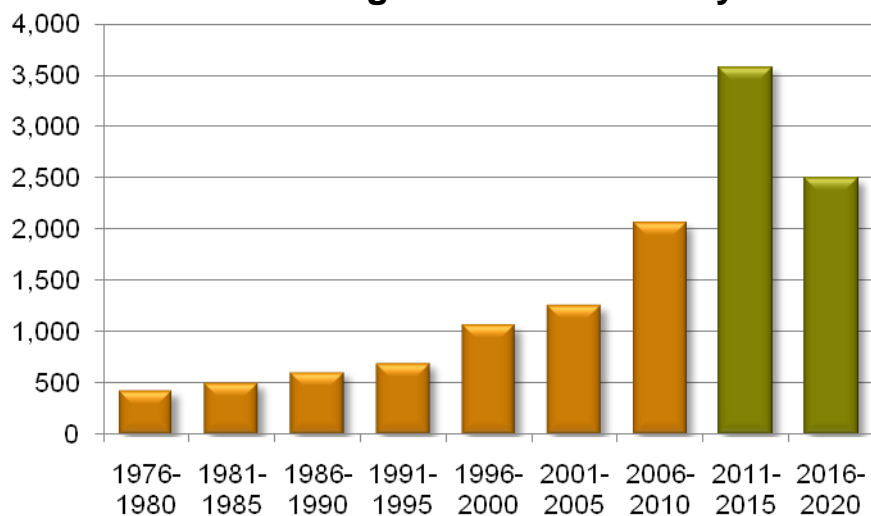
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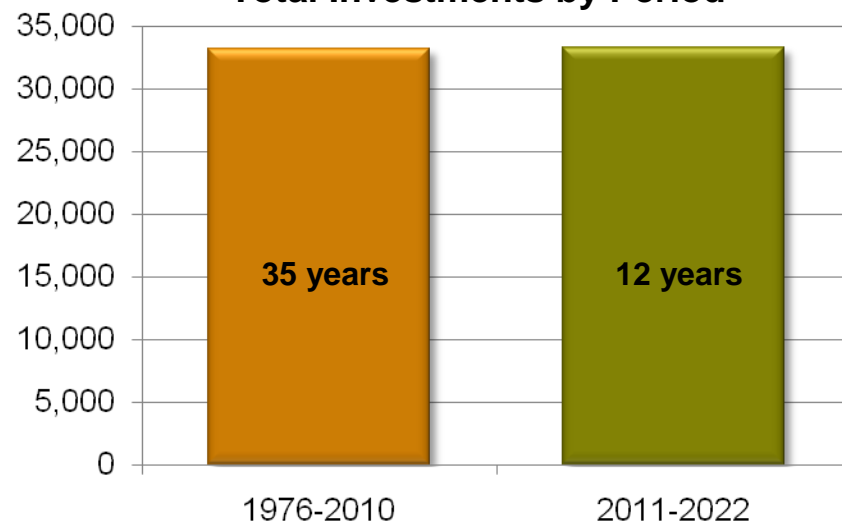
Economic Context: An Unprecedented Investment Challenge

US\$ million, 2011 currency

Annual Average of Investments by Period



Total Investments by Period



Source: 2011 onwards, Triennial Plan proposed to the Finance and Mining Ministries Business and Business and Development Plan (PND) 2011.
 Note: Projects, mine development and investment in related companies are included (since 1990).

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Rationale for New Codelco Law

March 2010, Congressional approval

- State-owned rather than “government-owned” corporation
- De-coupling from political cycle
- Professional Board, no government officials
- Specific qualifications and incompatibilities for members
- Broad representation within Board, including workers
- Decision making with long run view of the company’s development
- Mechanisms to ensure adequate capitalization and project funding
- Improve reporting and transparency

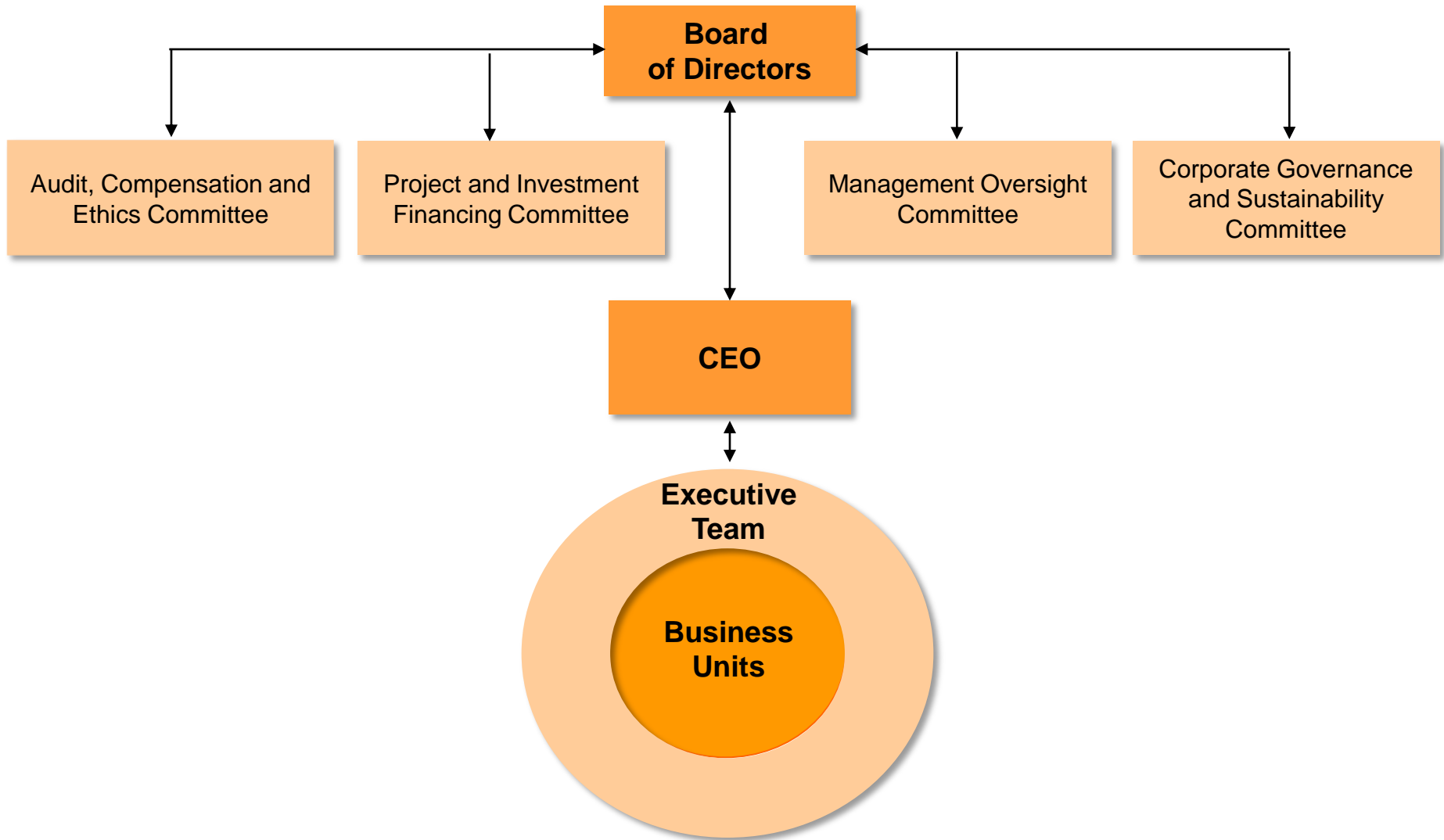


Before and After the New Corporate Governance Law

	Before	New
Board Structure	<p>No formal shareholder role</p> <p>7 Directors</p> <ul style="list-style-type: none"> • Mining Minister (Chairman) • Finance Minister. • 2 Representatives of the President of the Republic. • 1 Representative of the President of the Republic member of the Armed Forces • 2 Union Representatives. 	<p>Shareholder represented by Finance and Mining Ministers</p> <p>9 Directors</p> <ul style="list-style-type: none"> • 4 directors selected by the Council of Senior Public Management. • 3 Representatives of the President of the Republic. • 2 Workers' Representatives.
Term	<ul style="list-style-type: none"> • Presidential Period. 	<ul style="list-style-type: none"> • 4 years, rotating with partial renewal of its members.
Roles and Responsibilities	<ul style="list-style-type: none"> • Set general policies. • Approval of Investments above USD 50M • No civil nor criminal responsibilities for their actions. • Not subject to Corporations Law 	<ul style="list-style-type: none"> • Appoints and dismisses the CEO. • Approval of Three Year Business Plan, Investments & main contracts • Civil and criminal responsibilities for their actions. • Faculties established in Corporations Law. • Obligations of Corporations Law



Structure of New Corporate Governance



Main achievements and challenges: 2010-11

Achievements

- Independent nomination of CEO
- Corp. Governance Code
- Values Charter & Ethics Code
- Renewal of top executive team
- Definition of strategy & long-term development plan
- Company reorganization
- Strengthened focus on safety, environment and CSR
- Alignment with exec. market salaries
- 10% reduction in work force
- Capitalization of profits: USD 376 (20% of net 2010 profit)
- Board evaluation

Challenges

- Fine-tuning of Board and Mgmt. roles
- Establish stable funding & dividend policy
- Taxation aligned with private sector
- Institutionalize public/political oversight
- Clear separation of owner/regulator roles
- Professionalize owner's advise for major transactions and projects
- Improve Board selection and nomination process
- Internationalization

