

2011 Sustainable Development Report



**Kennecott Utah
Copper**



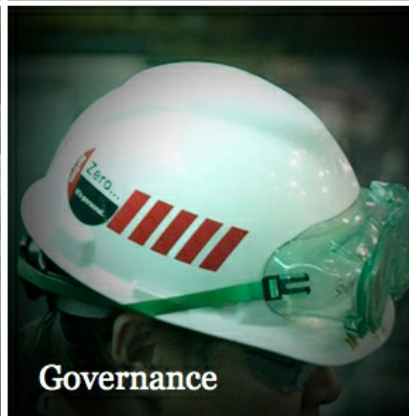
**Environmental
Stewardship**



Social Well-being



Economic Prosperity



Governance



Daybreak

Kennecott Utah Copper

Like our parent company, Rio Tinto, we believe that sustainable development is about taking a long-term view. It's about meeting the needs of today's generation without compromising the needs of future generations. Our commitment to sustainable development is an integral part of how we do business, and our approach allows us to contribute to local communities through social, environmental and economic investments. Modeling our business strategies and daily practices around the concept of sustainable development helps us strengthen our operations and products, and provide lasting benefits for our employees and stakeholders.

The purpose of our 2011 Sustainable Development Report is to communicate with local communities and other interested stakeholders about our commitment to sustainable development. The report highlights how our current actions and future plans contribute to this commitment. It is organized around the pillars of sustainable development that guide our daily work: environmental stewardship, social well-being, economic prosperity and strong governance systems. The report also offers readers an opportunity to provide feedback on our efforts.

President's Message

An open letter to employees and the community

Through the hard work of Kennecott's employees, I'm proud to report that we had a strong year in 2011. Our core value of safety and our strong commitment to sustainable development continue to guide our work and allow us to be strong financial contributors, good neighbors and stewards of the environment by minimizing the impacts of our operation.

Prior to 2011, our performance in safety positioned us as leaders in our industry. If you work at Kennecott, you are working in an environment three times safer than the industry average. However, this is not good enough. We took a hard look at our gaps in 2011, and as a result, we began a program to operate under a Zero Harm philosophy. Under this philosophy, we focus on keeping each other safe, watching out for the safety of colleagues, identifying and stopping any work that may be hazardous, and reporting unsafe activity.

We were once again a strong financial contributor to Rio Tinto's 2011 earnings. Working safely and efficiently, along with strong demand for our products, has allowed us to continue to provide prosperity for employees and surrounding communities. It also enables us to reinvest back into our operation through new equipment, plant upgrades and workforce training.

We also made significant progress in our efforts to extend the life of the Bingham Canyon Mine. In May 2011, the Utah Air Quality Board approved a change to the State Implementation Plan, and in June 2011 the Utah Division of Air Quality (UDAQ) approved a modification to our air permit that allows us to increase the amount of rock and ore we can move each year. These approvals will allow us to increase the amount of material we can move from 197 million tons per year to 260 million tons per year.

Subsequently, the UDAQ approved a modification to the air permit for our power plant in December 2011. This permit modification will allow us to convert three boilers to combined-cycle natural gas that will double the amount of power available while reducing air emissions at the plant by half.

Your input and feedback is instrumental to our continued success, and I welcome your thoughts. I encourage you – whether an employee, contractor or community stakeholder – to continue to engage with us and provide your input, which you can do through this report.

Thank you for your continued interest in Kennecott, and please stay safe.

Kelly Sanders
President & CEO
Kennecott Utah Copper

Kennecott Utah Copper Overview

Kennecott Utah Copper is a fully integrated mining, concentrating, smelting and refining company committed to practicing sustainable development in every facet of its business. Kennecott owns and operates the Bingham Canyon Mine, which has been providing important mineral resources and economic prosperity for more than 109 years.

Our operations include the Bingham Canyon Mine, Copperton Concentrator, Garfield Smelter, refinery, power plant and associated facilities. Kennecott produces copper, molybdenum, gold, silver and sulfuric acid.

Nearly everything that human beings use today is dependent on materials that are mined – from the minerals in medicine, food, shampoo and soap, to metals used for heat, electricity, CAT scans and even the space shuttle.

Sustainable Development

Sustainable development is about taking a long-term view. It is about meeting the needs of today's generation without compromising the needs of future generations.

Mining may seem inconsistent with the concept of sustainable development, given that we excavate "non-renewable" resources; however, mining supplies the minerals and metals that are essential to our quality of life.

Our commitment to sustainable development is an important part of how we do business. Our approach allows us to strengthen local communities through social, environmental and financial investments with strong corporate governance. Aligning our business strategy and daily practices around sustainable development helps us strengthen our operations and products, build enduring communities and provide lasting benefits for our employees and stakeholders.

Safety

Safety is a core value and an essential part of our culture. Our goal is to ensure every employee returns home unharmed at the end of each day. In 2011, our safety performance unfortunately fell short of this high, yet achievable, standard. We launched our new Zero Harm program to involve employees, identify issues and improve safety in an effort to reach zero incidents.

As we collectively work toward Zero Harm, our employees earned a number of safety achievements from the Utah Safety Council in 2011:

Award of Merit: *mine, concentrator, smelter, refinery, power plant, engineering services, and tailings and water services*

Recognizes outstanding performance in occupational safety and health, including incident rate improvements, planning, inspections, trainings and employee committees

Perfect Record Award: *power plant and tailings and water services*

Celebrates a period of at least 12 consecutive months without an OSHA-recordable injury or illness, lost-time incident, or fatality

Million Hours Award: *mine*

Honors 1 million or more collective hours worked without an OSHA-recordable injury, illness, or lost-time incident

Occupational Protection Award: *mine, concentrator, refinery, power plant, smelter and tailings and water services*
Highlights an increase in voluntary safety belt usage rates among employees

Achievement in Safety by an Organization Award: *Kennecott Utah Copper*

Recognizes our significant accomplishments in safety and how we assisted and supported the mission of the Utah Safety Council

Challenges

Even with the strong work Kennecott accomplished in 2011, we are striving to overcome three significant challenges: public concern over our impact to air quality, a decrease in safety performance and a decrease in ore grade.

Air quality

Kennecott's emissions account for 5.65 percent of the total PM2.5 and precursor emissions for Salt Lake, Davis, Box Elder and Tooele counties and 15.8 percent of the total PM10 and precursor emissions for Salt Lake County. We take air quality and environmental issues very seriously and recognize the impact our operation has on the community. This is why we have invested billions of dollars to reduce our impacts and decrease air emissions.

You can read more about how we are reducing our impact and being part of the solution in this report and [here](#).

Zero Harm

Our safety performance decreased from a record low .69 all-injury-frequency rate (AIFR) in 2010 to a .84 AIFR in 2011. As a result, we conducted a site safety review to gather information on how to create a Zero Harm workplace. We have refocused our efforts on safety training, collaboration and reporting to encourage employees to stay alert for themselves, their peers and their families. Every employee participated in Zero Harm workshops taught by a member of our senior leadership team.

You can read more about our Zero Harm efforts in this report by clicking [here](#).

Lower head grade

As a mine that has operated for more than 100 years we are continually challenged with decreasing ore grades. This is why we continually focus on resource-maximization strategies, operational excellence and innovation to meet production goals. We are also pushing forward on our [Cornerstone](#) and [North Rim Skarn](#) expansion projects to increase our potential production. Once requisite approvals are in hand, Cornerstone will be our largest capital investment to date and will serve as a platform for future growth.

Scorecard

[View scorecard pdf](#)

Environmental Stewardship

Environmental stewardship is at the heart of our commitment to sustainable development. Wherever possible, we prevent, or otherwise minimize, mitigate or remediate any potentially harmful effects of our operations on the environment. This practice creates and sustains our business value and reputation. We set self-imposed environmental targets to drive continual improvement. Through our commitment and actions, we strive to be a leader in environmental performance by demonstrating good management of natural resources, responsibly reducing our environmental footprint and exceeding community expectations for sustainable development.

Social Well-being

We believe our employees are our greatest asset. We are committed to providing a safe and healthy workplace where employees can achieve their full potentials. We treat employees with fairness and decency at all times.

We also aim to build enduring relationships with our neighbors through mutual respect, active partnership and long-term commitment. Over time, the trust we build by engaging in sustainable relationships will enhance our ability to hire and retain valuable employees and will foster positive support from stakeholders and communities.

Safety is also part of our commitment to social well-being. It is one of our core values and included in our global code of conduct: [The way we work](#). We believe all injuries are preventable, and we strive to continually improve safety with the ultimate Zero Harm goal of a sustained, injury-free workplace.

Cornerstone Engagement

At Kennecott Utah Copper, we are committed to keeping our stakeholders informed about the Cornerstone Project. We promise an open and rigorous public process, and we welcome inquiry and discussion about how we will address environmental impacts and how our proposal will continue benefiting our community.

In late 2010 and early 2011, we held 10 public open houses in communities across the valley to share details about the Cornerstone Project and discuss our plans. We have also worked closely with environmental organizations and presented to numerous community groups to get their input and share details on our plans.

"I appreciate Kennecott's desire to communicate with stakeholders their plans for future mineral exploration. Kennecott has demonstrated a willingness to reach out to local governments and citizens through their open house meetings where they share future plans and listen to feedback."

- Councilman Mike Day, Herriman City Council

Stakeholder Engagement

Engagement with stakeholders is a critical component to our success, as such; Kennecott Utah Copper is committed to building and sustaining mutually beneficial relationships with our stakeholders. Over the last five years Kennecott has been convening an annual stakeholder forum to inform our stakeholders about the future of our business. At the 2011 stakeholder forum we provided the group with an update on our mine life extension efforts, a high level overview of production performance, and shared the business vision and operational focus for the future. We also took a deeper dive into our goals and objectives for engagement with stakeholders and were transparent in our request for stakeholders to provide us with meaningful feedback on our long term community engagement approach.

During breakout sessions on Energy, Education, Environment and Engagement we received feedback on areas for improvement as well as encouragement to share our successes in these areas outside our fence.

Energy

During the breakout session on Energy, stakeholders highlighted their desire for Kennecott to work with others in the business community, such as Chambers of Commerce, to develop sustainable solutions to such challenges as energy efficiency, building standards and dust control. Stakeholders challenged Kennecott to share its expertise outside our fence in the areas of idle reduction and energy efficiency. As a result, Kennecott reached out to a number of organizations with large light vehicle fleets to share our KUC Idle Free Program with the intention of sharing not only our success but also our lessons learnt and the practicalities of implementing such a program. Kennecott has also become very involved with the Salt Lake Chamber of commerce and has team members on various Chamber task forces focusing on Air Quality, Energy and Mobility.

Environment

During the breakout session on the Environment, stakeholders felt strongly that the Great Salt Lake is a unique place and its importance must be better understood by the public. Stakeholders suggested that Kennecott support educational campaigns focused on helping the community understand the importance of the lake as a function of its unique ecosystem.

In 2011, Kennecott signed an agreement with The Nature Conservancy to support its Utah Wings and Waters Program. The Wings and Waters Program is a hands on program tailored to the state of Utah's core science curriculum. This program provides students with the opportunity to learn about, and hopefully gain a greater appreciation for the lake's wetlands and ecosystem.

Education

During the breakout session on Education, stakeholders suggested that Kennecott reach out to junior and high school age students to educate them about careers in mining and to be more involved in ensuring that the appropriate educational components are in place to ensure a sustainable workforce. In 2012, Kennecott committed to sponsoring the University of Utah's Science Day for the next three years. Other comments during the education breakout included Kennecott's need to reach out to the growing Hispanic population and to support existing programs to help students with literacy, science and math.

Engagement

During the breakout session on Engagement, there was overwhelming support for Kennecott to continue its engagement with the community and stakeholders, and to expand the stakeholder forum to allow for deeper discussion on education, environment and energy. In order to provide additional opportunity for deeper discussion on these topics Kennecott will be holding not only its annual stakeholder forum, but also three subject matter specific forums on [Energy](#), Education and the Environment in 2012.

Stakeholder feedback is important to us and we take that feedback seriously and act on it.

Economic Prosperity

We use our expertise to harness resources and create economic prosperity for Rio Tinto shareholders, employees, communities, government and business partners. Our continued success is based on the ability to secure access to people, supplies, land and capital, and make responsible investments in our future. Our objective is to maximize our shareholder return, which in turn yields benefits for the local, regional and national economy.

Governance

We believe sound corporate governance and high ethical standards give us a competitive advantage in securing access to resources and skilled employees. These standards are as important to us as the technical and economic aspects of our business. Good governance in areas such as environmental performance, community relations, human rights and employee welfare are vital to our long-term success. Our employees must abide by the same philosophies—accountability, fairness, integrity and transparency set out in our global code of business conduct: [The way we work](#).

Audits and Reviews

Many of our operations and systems at Kennecott are subjected to audits or reviews. These assure internal and external stakeholders that we are adhering to predetermined objectives, targets and other requirements. Audits are generally more formal than reviews. Both are designed to discover and correct shortcomings in our systems and processes.

Audits and reviews are conducted by internal and external auditors. Internal auditors are typically employees of Rio Tinto who work at the

corporate level or at another business unit. External audits are conducted by third parties or consultants not employed by Rio Tinto who are recognized subject-matter experts. External audits are required for International Organization for Standardization (ISO) and other similarly recognized global certifications.

Business Ethics

We are committed to maintaining the highest standards of business integrity built from a foundation of compliance. Our global code of business conduct is explained in [The way we work](#). It also encompasses our core values: accountability, respect, teamwork and integrity.

Daybreak

Kennecott has a strong commitment to sustainable development, and Daybreak is a testament to that commitment. A portion of the Daybreak property had once been used for mining activities, which led to a period of unprecedented remediation, restoration and reclamation through the mid-2000s. Daybreak is now a sustainably developed community that balances the social, environmental and economic needs of residents and local businesses. It's a place where important elements of life have been combined to allow residents to live, work, play and learn in a walkable, vibrant community that provides transportation options and integrates intelligent community design choices. Daybreak is also the largest master-planned community in Utah, with 20,000 residential units planned at full build-out.