



SUSTAINABILITY **REPORT** **2022**



TABLE OF CONTENTS

2022 at a glance	4	3. Economic performance	40	6. Our employees	68	8. Supply management	136
Milestones and key figures		Main operational results		Organizational culture		Spheres of impact	
		Scale of the organization		Staffing		Supply chain	
		Customers and markets		POWER Seal		Commissioning process for suppliers and contractors	
		Economic value		Work environment		Digital transformation in Corporate Services	
CEO Message	6	Supply management		Diversity and inclusion		<i>Supply Chain Excellence</i>	
		Investments		Talent management: training and development		Local suppliers	
				Performance management		Sustainability and environmental approach as applied to the supply chain	
1. Scope of the report	8	4. Governance for sustainability	50	Quality of life			
		Main milestones		Benefits			
2. Company profile	10	Sustainability policy		Work relations			
Production process		Assurance		Occupational health and safety			
Mission, vision and values							
Ownership structure		5. Community engagement	60	7. Environmental Management	114	9. Innovation and technology	152
Corporate governance		Community development programs		Main environmental milestones		Featured projects	
Management		Stakeholder survey		Water management and monitoring of groundwater		<i>Expande Minería</i> Agreement, answers to innovation challenges	
Ethical behavior		Social investment		Meteorology and air quality		Digital transformation	
Risk management		OECD Meeting		Waste management			
Memberships				Management and handling of hazardous substances			
Materiality				Management and handling of archaeological findings			
				Wildlife rescue		Annexes	158
				Management of carbon footprint			



2022 AT A GLANCE

CHANGE OF SHAREHOLDERS, South32 acquires 45% of SGSCM.

For further details see page 18

76.6% OF POSITIVE ANSWERS to the Work Climate Survey 2022.

For further details see page 78

EXCELLENCE IN SAFETY
SGSCM featured the lowest accident rate as compared to all mining companies in the Antofagasta Region and the second lowest in Chile. This record was obtained with 0.85 in the Total Recordable Incident Frequency Rate (TRIFR) per million working hours.

For further details see page 112

ENVIRONMENTAL APPROVAL TO UPDATE the Tailings Deposit design (Environmental Qualification Resolution 20222001216)

For further details see page 128

CERTIFICATION OF THE COMPANY’S CRIME PREVENTION MODEL

For further details see page 28

IN A PIONEERING MOVE, SGSCM CERTIFIED ITS CLEAN PRODUCTION AGREEMENT

For further details see page 135

SUCCESSFUL NEW VERSION OF THE COMMUNITY TRAINEE PROGRAM: 10 community members hired on an indefinite basis.

For further details see page 62

CARBON FOOTPRINT REDUCTION: Use of energy from renewable sources certified by RENOVA

For further details see page 131

SGSCM HAS LED THE WAY IN REDUCING WATER FOOTPRINT IN MINING use of non-desalinated seawater in the mining process.

For further details see page 120



CEO MESSAGE

GRI 2-22

I am really pleased to share with you our 4th Sustainability Report. This report delves into the social, environmental and governance performance of Sierra Gorda SCM over the 2022 period.

This has been a year of important changes. First, foremost and after a long and exhaustive due diligence process, the Australian company South32 completed the acquisition of 45% of Sierra Gorda SCM. This change in ownership was made after a close examination of our operation and management policies. It amounted to a strong endorsement of Sierra Gorda's quest for excellence in low grade mining.

We also had important changes in our Senior Management. Mirosław Kidoń, who was Sierra Gorda SCM's CEO for the last four years, assumed the role of Vice President of Foreign Assets in the parent company of the majority shareholder KGHM Polska Miedź.

In this context, the Owners' Council decided to appoint me as Interim CEO, a mission I accepted with enthusiasm, commitment, and, above all, appreciation for the opportunity to lead a Company that brings together 1,522 highly skilled professionals and a mining operation that is a benchmark in Chile.

During the reporting period we continued the process of reducing our carbon footprint mainly by increasing the use of renewable energies in our operational processes.

As certified by RENOVA¹, 40.5% of the energy used in our operation during 2022 came from a renewable matrix, which represents a 40% increase as compared to the previous year. In the future and in line with our sustainability commitments, our goal is to gradually move to 100% renewable energies in all our processes.

Minera Sierra Gorda SCM operates with seawater from the cooling system of a thermoelectric plant located in Mejillones. In most of the mining production processes the salty water is used as-is; we only desalinate 10% for specific processes in our molybdenum plant and for daily use in the camp. Our water management practices constitute a new standard in Chilean mining.

Another important innovation milestone is the use of HPGR (High Pressure Grinding Rolls) mills; it is worth noticing that we are the only copper concentration plant in Chile using them. This technology is highly efficient in terms of energy consumption (it uses up to 20% less than traditional SAG milling).

To me, the most important milestone of 2022 is our remarkable safety performance. We had the lowest Incident Frequency Index in the mining industry in the Antofagasta region, and the second lowest in Chile. This is a testament to our operational discipline, which prioritizes the health and safety of people.

Finally, I would like to shine a light on our renewed Community Trainee program, which in 2022 resulted in 10 new hires from the Sierra Gorda and Baquedano districts. This successful program is a one-of-a-kind initiative promoting local employment opportunities for our neighboring communities, with which we have a staunch commitment.

I feel very proud to lead a Company that is certainly no stranger to demanding challenges, which we have faced with discipline, efficiency, sustainability and safety practices, while at the same time maintaining a healthy and nurturing working environment, as shown year after year in our internal surveys. We are driven to continue moving forward, meeting and surpassing our own goals and achievements, and cultivating an innovative approach that inspires us to shape the mining of the future, an industry that has integrated harmonious coexistence with the environment and its surrounding communities as an intrinsic part of its operational model.

Best regards,
Tomasz Piwowarczyk, CEO



¹ National Registry of Renewable Energy Traceability from the National Electric Power System (RENOVA by its acronym in Spanish).

1. SCOPE OF THE REPORT

GRI 2-3 GRI 2-4 GRI 2-5 GRI2-14



**SIERRA GORDA SOCIEDAD
CONTRACTUAL MINERA**

76.081.590-K
Headquarters: Magdalena 140, piso 10,
Las Condes, Santiago, Chile.

Contact number: +56 2 23665200

www.sgscm.cl



Readers may direct inquiries or
comments regarding this report to:
comunicaciones.externassg@sgscm.cl

Our 4th Sustainability Report is in line with the latest version of the Global Reporting Initiative (GRI) (2021)¹, which we issue with a view to integrating sustainable management practices transversally in our business, and adding value to social, environmental and governance aspects in the decision-making processes of all areas.

This document shows information for the period comprised between January 1, 2022, to December 31, 2022, and presents our Company's sustainability policies, including the most relevant aspects of our economic, social and environmental performance.

The Sustainability and Corporate Affairs Department overviewed the contents, internal validation process and general editorial coordination.

At the end of the document we included a GRI table of contents, requirements for each indicator and the page on which it is reported.

¹ This document has not been verified by a third party.

2. COMPANY PROFILE





On average, in 2022 we processed 128,600 metric tons of material per day, which resulted in 172,681 tons of fine copper and 2,493 tons of molybdenum processed over the year.



GRI 2-1

Sierra Gorda Sociedad Contractual Minera (SGSCM) is a mining company operating a deposit located in Chile. More specifically, in the Sierra Gorda district, 60 km from the city of Calama, 150 km from the city of Antofagasta and 4.5 km from the locality of Sierra Gorda, in the Antofagasta Region. The main mining and ore processing facilities such as the pit, sulfide processing area (crushing, grinding, flotation and thickening) and thickened tailings deposit, among others, are located 1,626 meters above sea level, in the middle of the Atacama Desert.

The mining site consists of a copper porphyry type deposit, with molybdenum, gold and silver mineralization on a smaller scale. The neighboring localities with which the Company interacts are Sierra Gorda, Baquedano and Antofagasta.

SGSCM is one of the main producers of copper and molybdenum concentrate from low grade copper sulfide ores in Chile and the world. The Company faces the ongoing challenge of seeking increasing levels of efficiency and innovation to

ensure a profitable and sustainable operation. As a result of its permanent quest to tackle this challenge, SGSCM is now considered a forerunner in low grade mining.

The Company's main line of business is the exploitation, extraction, treatment, processing and marketing of mining products. Its principal asset is the Sierra Gorda mining district, valued at approximately US\$5.7 billion (including capital contribution, interests during construction and costs incurred).

The company works to maintain competitiveness and maximize its production, always aiming at continuous improvement within the framework of its Zero Harm Culture, which includes considering the needs of people, the environment and neighboring communities.

The mine began production in 2014. The plant has an approved capacity of 230,000 metric tons per day (TPD) and its production currently fluctuates between 110,000 (TPD) to 130,000 (TPD) of treated material.

PRODUCTION PROCESS

GRI 2-6

Sierra Gorda SCM considers it critical to optimize resources and incorporate new technologies to compensate for the challenges imposed by the low grade of the ore.

The mine is a conventional open-pit operation that is developed through drilling and blasting. To transport the ore to the crushing area and the tailings to the dumps, SGSCM opts for shovel loading and overland transport performed by high tonnage haul trucks.

After crushing, the sulfide ore is sent to the concentrator plant. The oxide ore is stockpiled in heaps with the intent of future processing by leaching.

The crushing and processing facilities consist of a single plant to produce copper and molybdenum concentrate, which includes primary crushing, conveyor belts, ore storage dome, secondary crushing, high pressure tertiary crushing with HPGR mills, grinding, collective flotation and regrinding. The collective flotation is followed by a selective flotation process in the molybdenum plant that separates copper and molybdenum concentrates; this instance features conventional and column flotation,

molybdenum concentrates thickening and filtering, and molybdenum concentrate bagging facilities.

Furthermore, the copper concentrate filtering process comprises truck loading and unloading facilities, tailings thickening and tailings storage.

Production processes use seawater which is sourced from the water-cooling system of the Mejillones thermoelectric power plant and brought to the operation through a 143 km long aqueduct that flows into a seawater pool at the mine site.

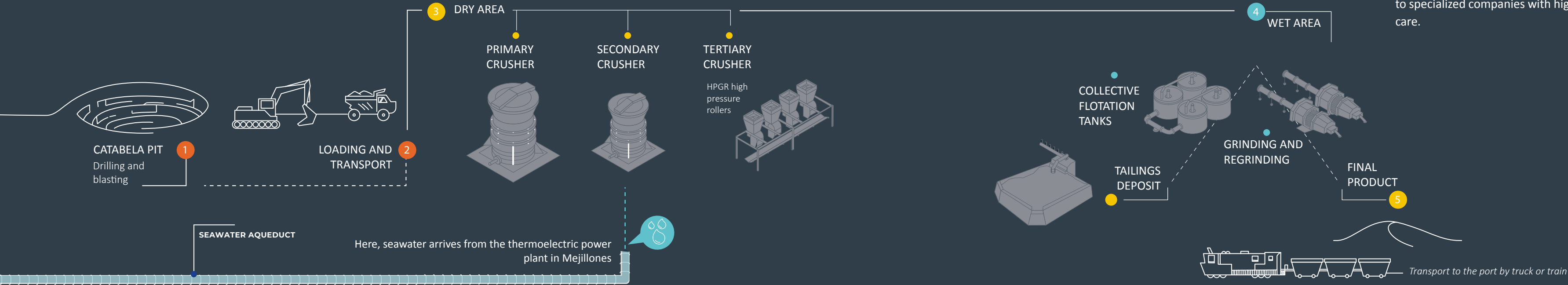
The pumping system is designed to supply a maximum flow of 1,500 liters/second of water and has three stations (Costa, PS1 and PS2). Sierra Gorda’s operation uses seawater in its original composition (i.e., without desalination). The minor percentage that is desalinated (by reverse

osmosis pretreatment and a post-treatment of reconditioning and re-mineralization) is reserved for the molybdenum plant and for consumption at the mining camp.

The Encuentro substation receives the electricity supply for Sierra Gorda SCM and then transmits it to the mine’s electrical substation through a 220 kV high-voltage line with two independent three-phase circuits. These facilities have been operational since 2014. The power supply is provided by the company AES Andes.

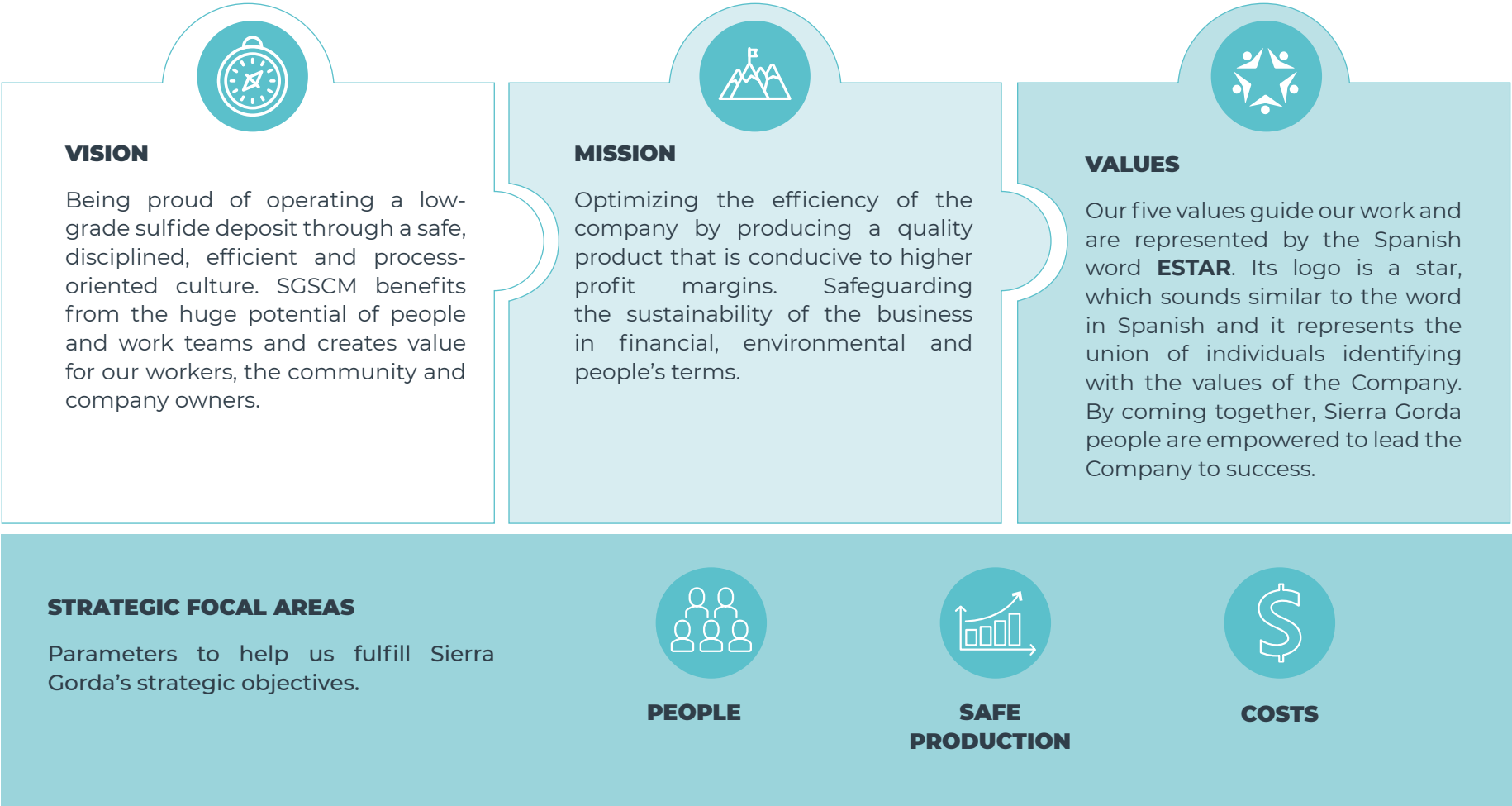
It bears noticing that in 2022, 40% of the energy powering our operation came from a certified renewable sources matrix, which includes solar, wind and hydroelectric energy.






Finally, copper and molybdenum concentrates are transported by land (train and trucks) to the unloading and shipping facilities at Antofagasta Terminal Internacional (ATI) and/or Puerto Angamos. This task is contracted to specialized companies with high standards of safety and environmental care.



MISSION, VISION AND VALUES

GRI 2-23



-  **Emphasis on results** Our driving force is working towards the Company's objectives. Therefore, people need to be familiar with them and to learn how their position and performance contribute to overall results.
-  **Safety** Addressing and practicing safety is our daily task. Beyond complying with rules and requirements, we have a commitment to taking care of ourselves and others.
-  **Teamwork** Intrinsic to our essence is knowing that each one of us is part of a large network that goes beyond our own team. We are interdependent. To achieve our objectives, we need to know, connect and support each other daily.
-  **Austerity** We apply ingenuity and accountability to optimize our team's resources and knowledge. By making the most of the Company's resources we contribute to achieving our goals.
-  **Responsibility and integrity** Being consistent, responsible and upholding a personal moral compass that is aligned with the collective good and the Company's wellbeing.

Our achievements don't rely on equipment, processes or technology. The success of Sierra Gorda SCM comes down to people.

Our ESTAR values are meant to inspire and guide all actions and decisions taken by Sierra Gorda and its staff, both as a team and individually. Our commitment is to communicate these values and to apply them in our daily work.

POWER

To meet our individual and organizational objectives, we embark on a journey of continuous improvement that connects the strategic goals with the Company's values. Our capabilities and behaviors complete the strategic map and set us in motion. We derive our commitment and energy from our POWER motto.

- I'm **P**art of
- I **O**ptimize
- I find a **W**ay to face challenges
- I list**E**n and communicate
- I give **cR**edit and collaborate

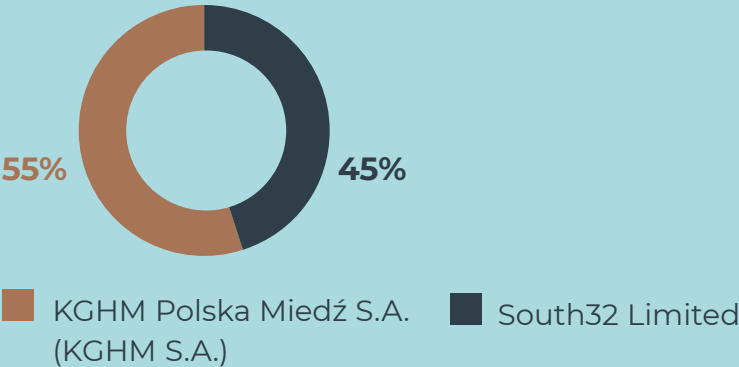
**WHERE THERE IS A
WILL, THERE IS A
WAY,
AND OUR WAY IS
ESTAR.**

OWNERSHIP STRUCTURE

GRI 2-1 GRI 2-6

Sierra Gorda SCM is a self-managed joint venture, with shareholdings held by KGHM Polska Miedź S.A. (“KGHM S.A.”) and South32 Limited (“South32”). On February 22, 2022, Sumitomo Metal Mining and Sumitomo Corporation transferred their 45% interest in Sierra Gorda SCM to South32 Limited.

The percentages of ownership of the shareholders of Sierra Gorda SCM are as follows:





KGHM
POLSKA MIEDŹ

KGHM POLSKA MIEDŹ (KGHM) is Poland’s largest company. The Polish State controls its ownership (1/3) and its shares are publicly traded. This organization is a key player in the country’s economy, generating more than 34,000 jobs and keeping a prominent social profile. KGHM is Europe’s main copper producer and the world’s leading silver producer. Its headquarters are in Lubin.



SOUTH32

SOUTH32 is a global mining and metals company that creates value through commodity production. Headquartered in Perth, Australia, its operations are diversified by commodity and geography. In each of its locations the Company seeks to minimize the impact of activities, aiming to create value for all stakeholders at every stage of the mining operation’s life cycle

CORPORATE GOVERNANCE

GRI 2-9 GRI 2-10 GRI 2-11 GRI 2-12 GRI 2-16 GRI 2-17

The Owners’ Council leads the governance structure of Sierra Gorda SCM. It is comprised of six members who represent the interests of the shareholders (three for each controlling group) and oversee the strategy and general direction of the Company.

The members of the Owners’ Council are not executives of Sierra Gorda SCM, so they are independent of the Company management. They make decisions based on consensus, while the presidency rotates on a biannual basis.

The company’s senior management, General Manager, Vice-Presidents, General Counsel and Internal Auditor report to the Owners’ Council and participate in its quarterly meetings.

The Owners’ Council is responsible for the strategic direction of the Company as well as for monitoring resources and value-creation, and overseeing the Company’s performance, risks and management control systems. The meetings of the Owners’ Council are recorded in minutes and its decisions are then documented in formal Resolutions which are then added to the Company’s corporate books.

Composition of the Owners’ Council at the end of December 2022:



The shareholders of Sierra Gorda SCM appoint the members of the Owners’ Council; each entity conducts its own discretionary process. The chairpersonship alternates between the shareholders. During 2022, the chair corresponded to South32 and it was held by Simon Collins.

The Owners’ Council prerogatives, powers and procedures are regulated in the Joint Venture Agreement subscribed by the shareholders.

According to article 5 of the Joint Venture Agreement, the Owners’ Council is responsible for appointing Senior Management roles, establishing technical subcommittees, corporate governance policies and other specific matters such as, for example, approval of the operating budget, changes in the corporate purpose, changes in the bylaws, loans above a predetermined value, disposition of assets and payment of dividends, among others. The

remuneration of the members of the Owners’ Council is determined by each shareholder and not by Sierra Gorda SCM.

According to article 5.6 of the Joint Venture Agreement, the Owners’ Council may create Committees to provide advice and direction with respect to specific areas and within a previously defined mandate. In this line, it should be noted that this body does not delegate responsibility to the committees, but rather relies on them for expert advice. The members of each committee are chosen by each shareholder, based on their knowledge of the relevant topics.

The committees report directly to the Owners’ Council and are responsible for maintaining regular contact with the Company’s senior management to consult and analyze the various issues within their scope. At the end of 2022, the configuration of the committees was as follows:

1

Compensation Committee

2

Finance Committee

3

Marketing Committee

4

Technical Committee

5

Tailings Storage Facility Committee

6

Sustainability Committee



Sustainability Committee

The Sustainability Committee was created by the Owners’ Council to follow ESG issues (Environmental, Social and Corporate Governance) as they relate to Sierra Gorda SCM, and it has the following specific roles:

- Providing a dedicated forum for stakeholders to engage with senior management on issues related to Health, Safety, Environment and Community (HSEC), as well as Risk Management in this sphere.
- Reviewing the annual Sustainability Report and providing feedback to the Owners’ Council as needed.
- Reviewing and analyzing available HSEC, greenhouse gas and risk management reports and statistics, with a view to ensuring safe and sustainable operations at Sierra Gorda SCM.
- Providing guidance and monitoring the pertinency and robustness of Sierra Gorda SCM’s compliance and performance with respect to relevant sustainability standards which include frameworks, laws and regulations, licenses and permits.



MANAGEMENT

GRI 2-9 GRI 2-12 GRI 2-13

Based on the command structure and authorization matrix, the Owners' Council delegates its authority on the CEO and Senior Management teams (Vice-Presidencies, General Counsel and Executive Managements), granting management independency in decision-making. Nevertheless, the Owners' Council maintains fluid communication with the CEO and Senior Management teams and holds periodic meetings to ensure an adequate flow of information, direction and strategy.

In parallel, management informs the Council and the Company in general about its activities on a monthly basis. This task is performed via a Monthly Report prepared by each area or internal department of Sierra Gorda SCM, and includes its main activities, achievements and challenges during the period.

The purpose of this regular and consistent reporting is to maintain fluid communication and coordination within the Company and to guarantee transparency and probity as fundamental values. Monthly reports, in addition to being reviewed by the shareholders, are delivered to internal and external auditors, as appropriate.

The following executives are part of senior management:

SIERRA GORDA SCM EXECUTIVE COMMITTEE



MIROSLAW KIDON
CEO
until December 9,
2022



TOMASZ PIWOWARCZYK
CEO (Interim) as of December 10,
2022

Executive Director Business
Development, Projects, DBN &
Swat until December 9, 2022



ERIC ZEPEDA
Vice President of
Operations



MICHAL BATOR
Vice President of
Finance



**BEATA CHORĄGWICKA-
MAJSTROWICZ**
Vice President of
Human Resources



ROCÍO AMARILLA-PÁEZ
General Counsel,
Sustainability and
Corporate Affairs



HIROKI KAKO
Vice President of
Corporate Services
(until March 2023)



RAFAŁ WOJTASIK
Executive Director, Business
Development, Operational
Projects & Management
Swat (Interim) as of December
10, 2022

ETHICAL BEHAVIOR

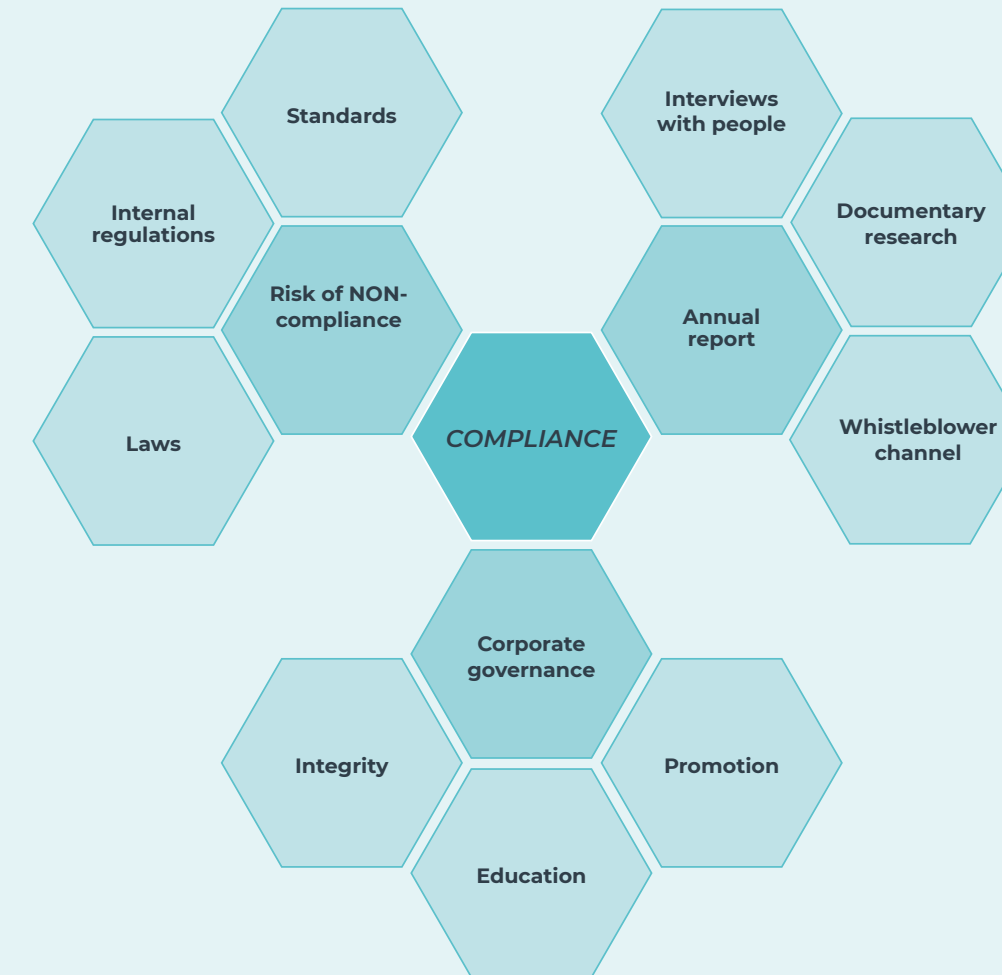
GRI 2-26

Sierra Gorda SCM has a Code of Ethics and Business Conduct that applies to all areas and employees of the Company. All members of the Company should be aware and familiar with this document and are responsible for understanding and abiding by it in its entirety.

The Code of Ethics contains guidelines describing conducts that must be observed while engaging in business and work for and by Sierra Gorda SCM. The Company expects associates to act in accordance with high standards of Corporate Governance, honesty and ethics. In other words, to apply ESTAR values to the daily exercise of mining work.

Objectives of the Code of Business Conduct and Ethics

- ✓ Ensuring that behaviors and actions are carried out within an ethical and legal framework.
- ✓ Enabling relationships of trust based on integrity, honesty and responsibility.
- ✓ Contributing to building a work environment conducive to good relations between people.
- ✓ Safeguarding SGSCM's reputation by applying high standards of ethical behavior.
- ✓ Ensuring compliance with Chilean legal regulations and internal company policies.
- ✓ Preventing, detecting and denouncing all forms of fraud, bribery and corruption. Contributing to Company long term sustainability.



ETHICS COMMITTEE

The purpose of this body is to promote an organizational culture, business conduct and ethics within the Company that is coherent with its values. It also oversees compliance with the Crime Prevention Model, as well as management of complaints received. The Ethics Committee is composed of:

- Chief Executive Officer
- Vice President of Human Resources
- General Counsel, Sustainability and Corporate Affairs
- Compliance Manager
- Internal Auditor

WHISTLEBLOWER CHANNEL

GRI 2-16 GRI 2-12 GRI 2-26

The Code of Business Conduct and Ethics contains general guidelines for conducting business with the highest standards of ethics and probity. The Company’s reputation and success are due in large part to the competence and integrity of its people.


Sierra Gorda SCM is committed to an environment of open and honest communications. The Company has different mechanisms to report, in a safe and anonymous way, complaints on irregular conducts that could go against Corporate Values, the Code of Business Conduct and Ethics, or the Company’s Crime Prevention Policy. Complaints must be based on well-founded evidence.


For this purpose, the company maintains a Whistleblower Channel open to all employees, contractors and external persons, which can be accessed anonymously through the website, via telephone or an email.


Complaints to the Whistleblower Channel are first received and processed by an external company that specializes in complaint management.



This company reviews and refers queries to the Company’s Ethics Committee, which analyzes their plausibility, evidence and background, and decides whether it is appropriate to initiate a formal investigation. The identity of the complainants can be kept anonymous if need be.

Sierra Gorda SCM’s commitment is that all reports that are made in good faith, rely on well-founded evidence and are received through this channel will be addressed and, if the case warrants it, investigated. The summary of complaints is reported semi-annually to the Owners’ Council. During 2022, 30 complaints were received.


**Internet:** www.sierragorda.ethicspoint.com

**Toll-free number:** 800-225-288/ 800-360-312/
800-800-288. Upon accessing the call, dial
855-840-0090

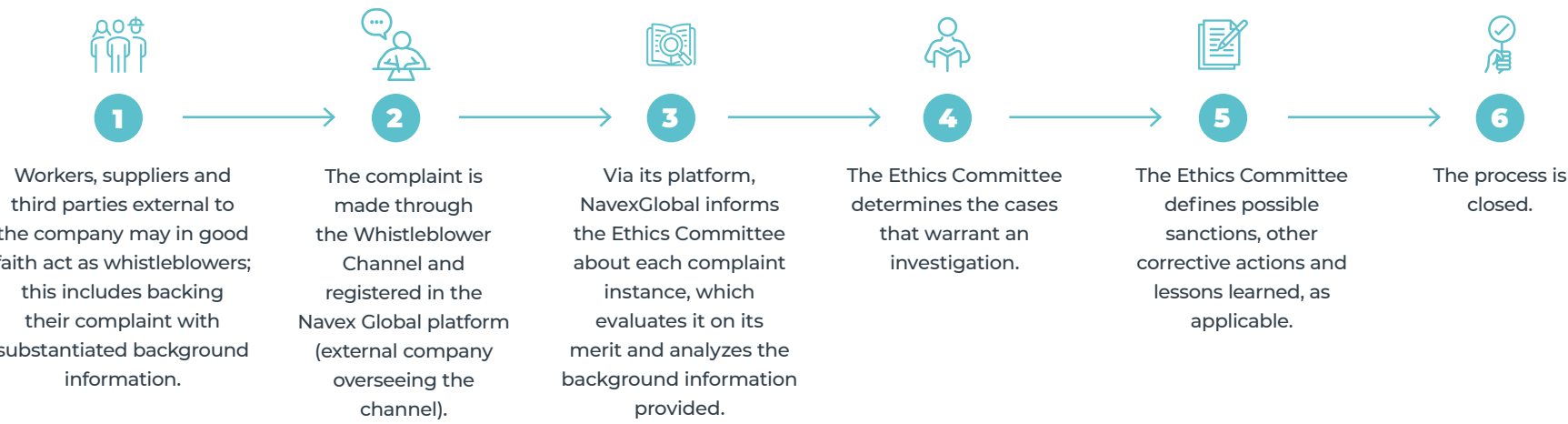
**Email:** etica@sgscm.cl



Scan QR code to
access the
mobile app



Steps in the whistleblowing process:



COMPLAINTS RECEIVED THROUGH THE WHISTLEBLOWER CHANNEL

2016	17
2017	18
2018	5
2019	17
2020	24
2021	29
2022	30

MAIN ISSUE2022 COMPLAINTS

Discrimination or harassment	8
Health, safety and environment	5
Conflicts of interest	6
Human resources	4
Other (e.g., accounting reports, thefts, payments, crimes, etc.)	7
TOTAL	30

33% of the complaints filed were backed-up with substantiated and confirmed background information. 43% of the complaints received in the reporting period resulted in corrective actions such as termination of employment, reprimands, training and policy review.

According to NavexGlobal reports, **the complaints figures are fully in line with the overall % received by other companies.**

CRIME PREVENTION MODEL

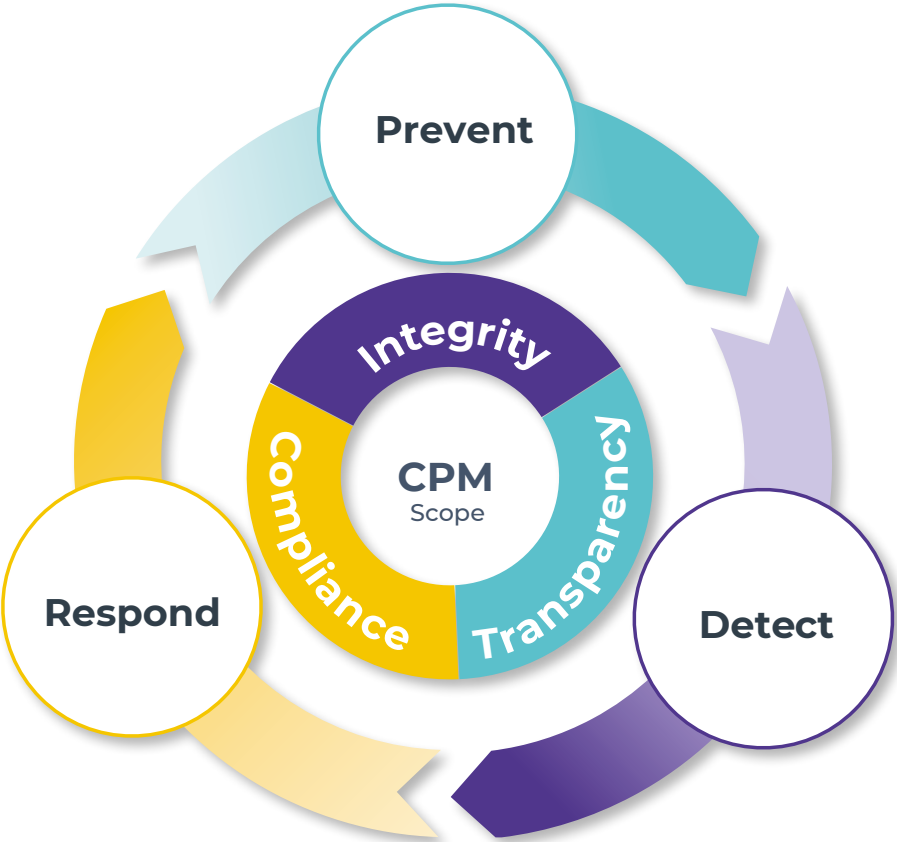
GRI 2-15

Sierra Gorda SCM maintains an unwavering commitment to integrity and probity.

Sierra Gorda SCM’s Crime Prevention Model (CPM) is in line with Chilean Law 20,393, which establishes the criminal liability of legal entities for the commission of various crimes, such as money laundering, financing of terrorism, bribery of public officials (domestic or foreign), corruption among individuals, misappropriation and conflicts of interest, among others.

Overseeing Sierra Gorda’s CPM is an internal Crime Prevention Officer who seeks to prevent and mitigate the risk of the commission of crimes which could expose the Company. One of the mechanisms used is the segregation of duties, obligations and prohibitions for all employees, contractors and consultants, with the goal of fully complying with legal requirements.

A fundamental part of the Crime Prevention Model is producing a risk and control management matrix which is used to periodically evaluate crime risks during the operations and processes that the Company engages in.



To confirm the effectiveness of the Crime Prevention Model, the Company has decided to certify it every two years, in accordance with the recommendations derived from Law 20,393. The certification is done by an independent third party (a certifying entity registered with the Chilean Financial Market Commission), which reviews the adoption and implementation of the program in the company. This certification attests to the thoroughness and credibility of the program, which complies with all legal requirements.



In 2022, the Company’s CPM was once again certified.



The certificate is available and can be downloaded from sgscm.cl.

Company workers are periodically trained on the risks, protocols and requirements of Law 20,393, with special emphasis on associates whose positions are more exposed to the possible commission of crimes.

In 2022, Sierra Gorda SCM implemented different mechanisms to consolidate its culture of compliance. For example, there was a far-reaching communication campaign directed to all Company workers

regarding relevant topics such as the Whistleblower Channel, the Crime Prevention Model and handling of conflicts of interest, among others.

Additionally, the Compliance Department developed and implemented a Crime Prevention training program in accordance with Law 20,393. This course is available to all employees on the intranet at the Sierra Gorda Academy.

COMPLIANCE AND RISK COMMITTEE

The Sierra Gorda Compliance and Risk Committee was created in 2022 as an additional corporate governance mechanism to foster a culture of compliance and risk management within the Company. It focuses mainly on preparing relevant workers and departments to fully observe all risk management and compliance issues, and to this effect it promotes better communication between areas and the use of all available communication channels. At the same time, it provides support to risk-exposed positions as necessary, streamlining decision-making processes and issuing recommendations.

This Committee is composed of the Chief Executive Officer, Vice President of Finance, Vice President of Human Resources, Vice President of Corporate Services, Vice President of Operations, General Counsel and Executive Director of Business Development, with the Compliance Manager in charge of drafting the agenda, organizing meetings and following-up on commitments.

The Committee meets (at least) every six months.



CONFLICTS OF INTEREST

Sierra Gorda SCM's Policy on Conflicts of Interest defines what constitutes a current or potential conflict of interest; additionally, it provides measures to handle and/or manage such conflicts. This Policy is relevant to all Company employees as well as to suppliers, service providers and customers, particularly to those dealing in the following functions or areas:

- » Evaluating and/or deciding in the hiring of personnel.
- » Awarding purchases of products and/or services.
- » Activities related to public authorities and public services.
- » Authorizing the use of Company property, assets, systems and/or information.

In the case of suppliers, this document requires a mandatory declaration and establishes controls for possible conflicts of interest in the procurement and contract administration processes. It covers key personnel in all user areas, suppliers participating in bids, contract administrators and commercial personnel.



In 2022, Sierra Gorda created its Compliance and Risk Committee..

RISK MANAGEMENT

GRI 2-12

For proper and efficient risk management, Sierra Gorda SCM uses the Three Lines of Defense Model, which states that three separate groups within the organization are needed to effectively manage and control risks, all of which operate under the supervision and guidance of the company's Senior Management. The responsibilities of each of these groups are detailed below:

- 1. Operational or front-line management:** they own the risk, manage and control it.
- 2. Second line comprised of Compliance Management and Assurance area, among others:** they supervise risks and controls in support of senior management.
- 3. Internal Audit Management acting as a third line:** provides independent assurance to Senior Management in relation to the design, operational effectiveness of internal controls, risk management policies and Corporate Governance (internal audit).

Compliance Management is responsible for identifying and monitoring risks, which in turn are reviewed during meetings with the Owners' Council to establish guidelines for the implementation of strategies to mitigate or minimize impacts.

RISK FACTORS

Some of the risk factors that affect the Company’s continuity and sustainability are listed below.

1. MARKET RISKS

Defined as the risk that changes in market conditions, such as changes in commodity prices, foreign exchange rates and interest rates affect the Company’s earnings.

The Company is exposed to the cycles of the world economy and their effects on the price of copper, as well as to fluctuations in the price of inputs necessary for the operation (oil, energy, steel, etc.).

- International copper and molybdenum prices: Copper and molybdenum prices are affected by changes in the global economy. Copper producers generally do not have the ability to influence this price directly.
- Exchange rate risk: The U.S. dollar is the Company’s functional currency. There’s a resulting risk associated to exposure to foreign currencies derived from transactions and balances in currencies other than the U.S. dollar. The Company’s potential foreign currency exposures include transactional exposure related to non-functional currency monetary items.
- Interest rates: The Company does not have significant exposure to interest rate changes due to the fact that its principal obligations are fixed rate in nature

Even if these risks are transversal to the mining industry and therefore are beyond the control of SGSCM, they are managed through LoM (Life of Mine) planning mechanisms, budgets and operational discipline, among others.

2. ENVIRONMENTAL AND SOCIAL RISKS

Through each of its departments, Sierra Gorda’s General Counsel in Sustainability and Corporate Affairs identifies the issues that are critical for the operation and its surroundings, their potential environmental and social risks, and the specific action plans and strategies to effectively engage with each stakeholder group.

As a result of this exercise, the Company establishes a risk map delineating the main issues as they relate to the Company’s activities and key stakeholders. Sierra Gorda also establishes a course of action and guidelines to guide its involvement as appropriate.

Thanks to the joint work and rapport built with the neighboring Sierra Gorda communities, the Company is continually monitoring social risks that could affect operational continuity or pose environmental threats

3. OPERATIONAL RISKS

Operational risks are inherent to all open-pit mining activities and may arise from the use of heavy machinery, explosives and chemical reagents. SGSCM manages these risks with rigorous operational discipline and promoting an ethos of collaboration, so that workers and contractors return home safe and sound. Workers are cognizant of this approach and value it greatly. Additionally, this way of doing things has a positive operational impact, as it minimizes the occurrence of hours lost.

In 2022 we achieved exceptional safety indicators in terms of accident rates, with a Frequency Rate of 0.59 per 1 million hours worked.

4. FINANCIAL RISKS

A) LIQUIDITY RISK

The risk that the Company may not be able to meet its financial obligations when due, such as accounts payable, loans, capital lease liabilities and accounts payable to related parties.

The Company uses monthly cash flow budgets to monitor cash on hand based on expected cash inflows and outflows. The Company must ensure that it has sufficient cash available to cover expected operating disbursements and capital outlays, including financial obligations.

B) CREDIT RISK

The risk of financial loss that the Company faces if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This hazard arises mainly from the Company’s trade debtors.

5. CYBERSECURITY RISKS

In the current digital scenario, Sierra Gorda SCM has identified various risks related to cybersecurity with a view to anticipating possible threats and/or attacks.

The Cybersecurity Committee is comprised of representatives from the different business areas and was established as the main venue to promote a culture of digital security. This instance drafts and revises strategic guidelines and evaluates relevant initiatives with a Company-wide impact.

The position of Cybersecurity Officer was created in cooperation with SGSCM’s IT and Digital Transformation Management. One of its main responsibilities is to develop and implement a 3-year Cybersecurity Strategy that includes five fundamental pillars, namely:

- Making cybersecurity an integral part of the organizational culture.
- Establishing a sustainable cybersecurity process over time.
- Defining and managing cybersecurity risks and incidents.
- Drafting and updating a continuity plan for IT/OT critical infrastructure operations.
- Achieving secure management of the company’s information.

The Annual Cybersecurity Program further elaborates on these pillars or strategic objectives, including their tactical objectives and operational effects. One of the priority aspects is to increase awareness of employees in this area. Sierra Gorda has created a mandatory training program on current cybersecurity risks and how to face them.

MAIN STAKEHOLDERS

GRI 2-29

The Company is always open to meeting with its stakeholders and maintains an active role in governmental, trade and community activities which aim to create value for the people and areas surrounding the mine.

In particular, the company focuses on establishing an ongoing dialogue with communities, civil and neighborhood organizations with a view to exchanging points of view and promoting activities around issues of common interest.

The Key Stakeholders Map lays a framework for these efforts. This tool encompasses the Company's areas of influence and is periodically updated according to three factors: SGSCM's activities, the events that can potentially impact our neighboring communities, and changes in government or regulatory authorities at a national, regional, and local level.



SHAREHOLDERS

KGHM Polska Miedź and South32 Limited.



CUSTOMERS

Copper and molybdenum smelters and traders.



EMPLOYEES

1,513 SGSCM direct workers.

Participation and communication mechanisms: Communication initiatives as defined in the internal communications strategy.



UNIONS

Company workers' union Sindicato de Trabajadores de la Empresa Sierra Gorda S.C.M.
Company workers' union Sindicato N°2 de Trabajadores de la Empresa Minera Sierra Gorda SCM
Union of supervisors Sindicato de Supervisores y Staff SGSCM.

89.6% of the Company's workers is unionized.

Participation and communication mechanisms: Ongoing liaison with the Vice-Presidency of Human Resources through the Work Relations and Organizational Development areas.



AUTHORITIES AND REGULATORS

Central government, regional and communal authorities.

Participation and communication mechanisms: Regular meetings and permanent communication and liaison through the General Counsel, Sustainability and Corporate Affairs.



COMMUNITIES

The localities within Sierra Gorda SCM's direct area of influence are Sierra Gorda, Baquedano, and the educational and neighborhood organizations near the port of Antofagasta.

Participation and communication mechanisms: Open and ongoing engagement with the communities, including opportunities for feedback, and at least a monthly meeting of the *Buenos Vecinos* (Good Neighbors) roundtable.



CIVIL SOCIETY

Non-Governmental Organizations (NGOs), universities, educational organizations and other associations.

Participation and communication mechanisms: Meetings, permanent liaison, media, social networks and website.



SUPPLIERS AND CONTRACTORS

2,669 operational contractors including international, national and local suppliers offering goods and services required for the operation of the mine, production plant and other tasks and facilities.

Participation and communication mechanisms: Communication mechanisms established by the Vice-Presidency of Corporate Services.



INDUSTRY ASSOCIATION AND RELEVANT ACTORS:

Through the participation of one of its owners (South32), Sierra Gorda SCM adheres to the principles of the International Council on Mining & Metals (ICMM). The company is also a member of the National Mining Society (SONAMI), the Mining Council, the Antofagasta Industrial Association, and the Antofagasta Clean Production Agreement. At the same time, the Company participates of the *Mesa de Buenos Vecinos* de Sierra Gorda (Sierra Gorda Good Neighbors Roundtable).

Participation and Communication Mechanisms: Participation in instances and initiatives promoted by trade associations.

MEMBERSHIPS

GRI 2-28



Antofagasta Industrial
Association (AIA)



SONAMI

Chilean Mining Society
(SONAMI)

Participation through owners:



Mining Council KGHM



International Council on Mining
and Metals (ICMM) via South32

MATERIALITY

GRI 3-1 GRI 3-2

To identify the most relevant contents included in the Sierra Gorda SCM 2022 Sustainability Report, the Company engaged in an analysis to update the materiality issues that are pertinent both to the Company and stakeholders, vis-à-vis the impact that the organization's activities have on the economy, society and the environment throughout its entire value chain.

To this end, SGSCM followed the steps outlined below.



Prioritization

Description

Once the identification process was completed, the next step was to prioritize the issues to be included in the materiality matrix.

As part of this process, the Company conducted a survey among its main stakeholders, asking them to evaluate each material issue on a scale of 1 to 5 according to the impact that, in the opinion of the respondent, each topic could have on the sustainability of Sierra Gorda SCM, being: (1) very low; (2) low; (3) medium; (4) high; and (5) very high.

Main activities

- Discussing the issues with internal and external stakeholders.
- Quantitative ponderation.
- Prioritization of material issues for the year.
- Formal consultations on the prioritization of material issues:
 - » 6 employees
 - » 3 union members
 - » 18 Corporate managers, vice presidents and corporate counsel
 - » 29 suppliers or contractors
 - » 6 community members
 - » 2 members of the Owners' Council

2.

Identification

Description

For the process of identifying the 2022 material issues relevant to Sierra Gorda SCM and its stakeholders, the Company drafted an industry benchmark to contextualize and identify the overall reporting status of the sector.

Additionally, SGSCM conducted a review of studies, internal documentation, press publications and internal and external communications to identify the main yearly milestones, as well as the issues relevant in terms of management.

To ensure that all globally discussed risks for the mining industry are also addressed, the Company incorporated all issues identified in international standards and frameworks.

Main activities

- Exhaustive documentary analysis of internal Company sources.
- Review of standards and frameworks relevant to the mining industry, such as GRI standard, SASB, WEF risks and Tracking the Trends.
- Meetings and interviews with the vice presidencies involved.
- Preliminary list of 19 relevant topics to prioritize.

3.

Validation and matrix

Description

The Sustainability and Corporate Affairs General Counsel Office validated the process and its results. Prior to its publication in the 2022 Sustainability Report, this Office reviewed the representation of all aspects considered material and the resulting matrix.

Main activities

- Consolidation of global prioritization results.
- Drafting of 2022 materiality matrix.

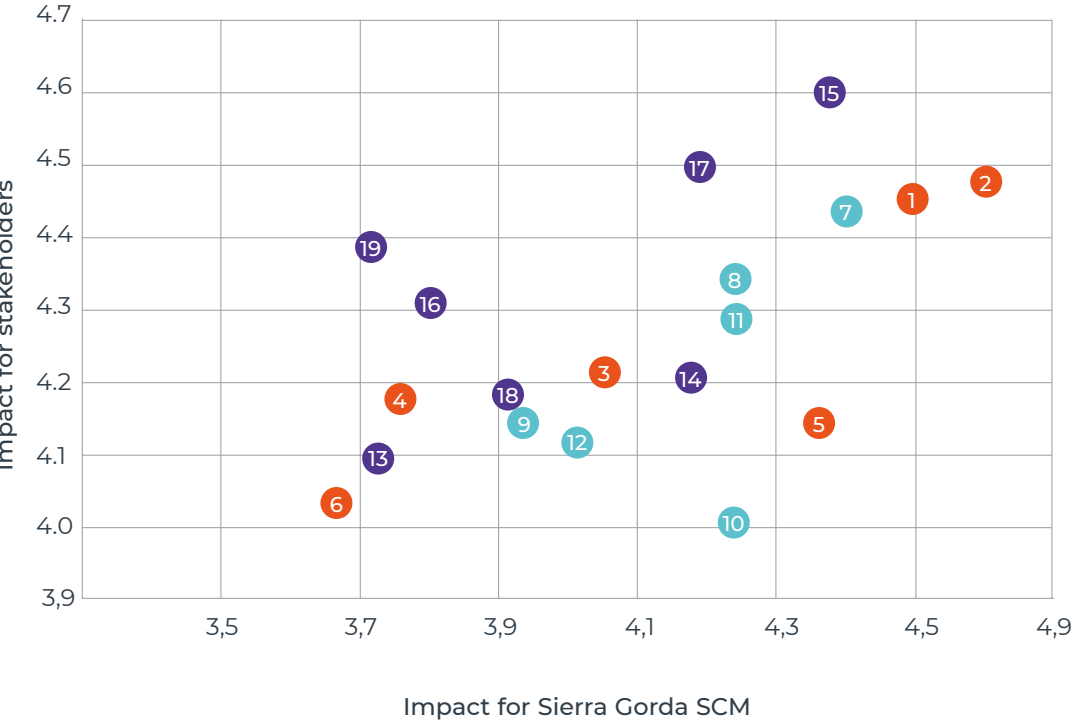
In 2022 Sierra Gorda SCM compiled **19 new material issues**, which were collected from secondary documents, international standards and frameworks, and industry benchmarks.

Subsequently, a survey on these issues was sent to different stakeholders, generating **62 responses in total**.

MATERIAL ISSUES AND MATERIALITY MATRIX

GRI 3-3

Materiality matrix 2022



Material issue	How is it managed?
1 Governance and ethical conduct	Pgs. 19-29
2 Operational results	Pg. 42
3 Investment and innovation	Pgs. 45, 154
4 Digital transformation	Pg. 157
5 Compliance	Pg. 25
6 Economic crisis	Pg. 42
7 Sustainable mining	Pg. 116
8 Management and mitigation of environmental impacts	Pg. 116
9 Carbon neutrality	Pg. 130
10 Management of tailings and mining waste materials	Pg. 128
11 Water management	Pg. 120
12 Air quality	Pg. 122
13 Local employment	Pg. 62
14 Community relations	Pg. 62
15 Occupational health and safety	Pg. 96
16 Work relations and collective bargaining	Pg. 95
17 Organizational culture and climate	Pg. 70
18 Diversity and inclusion	Pg. 54
19 Sustainable management of suppliers and contractors	Pg. 138

3. ECONOMIC PERFORMANCE



MAIN OPERATIONAL RESULTS

GRI 2-2

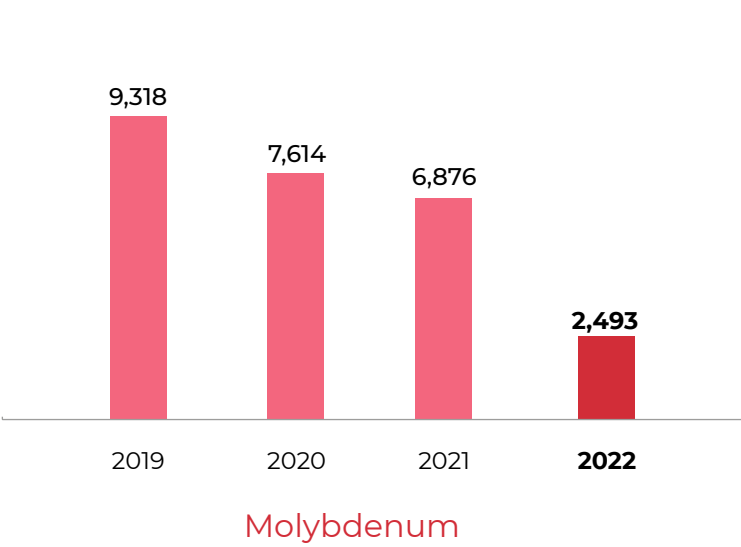
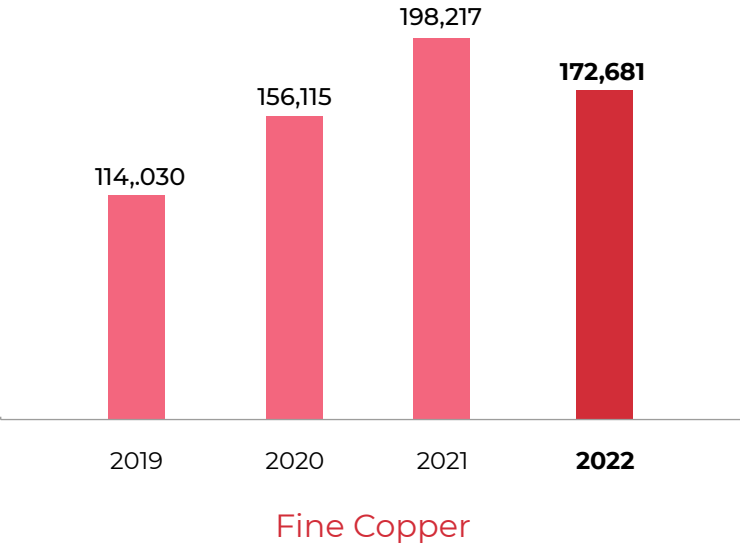
Sierra Gorda SCM is on a permanent quest to achieve maximum efficiency in its productive processes, and one of the aspects of this goal is to exert an active cost control. To this end, the Company is continually improving its processes, updating its mapping of procedures and detecting and managing enhancement opportunities.

According to the Company’s financial statements (the only entity included in this report), in 2022 the total financial expense was USD 336.1 million.

Over this period Sierra Gorda SCM produced 172,681 metric tons of fine copper (MTFC). Molybdenum production was 2,493 metric tons.

RESULTS AND PRODUCTS

Production (Mtc)



SCALE OF THE ORGANIZATION

GRI 2-6

SIERRA GORDA SCM SALES, INCOME AND SERVICES	2019	2020	2021	2022
Total number of operations	1	1	1	1
Net sales for private sector organizations	946.9 million USD	1,210.4 million USD	2,150.7 million USD	1,617.2 million USD
Net income for public sector organizations	660,907 USD	725,774 USD	4,238,691 USD	59,411,698 USD
Total capitalization (for private-sector organizations) disaggregated in terms of debt	98.1 million USD	106.2 million USD	156.9 million USD	299.2 million USD
Total capitalization (for private-sector organizations) disaggregated in terms of capital	74.5 million USD	87.6 million USD	114.4 million USD	253.6 million USD
Quantity of products supplied or loaned (sales)	Copper			
	245,345.8 thousand pounds	325,307.72 thousand pounds	409,908.45 thousand pounds	365,086.09 thousand pounds
	Gold			
	58.1 thousand oz	56.6 thousand oz	55.9 thousand oz	61.44 thousand oz
	Silver			
	875.2 thousand oz	1,615.2 thousand oz	1,797.4 thousand oz	1,591.04 thousand oz
	Molybdenum Oxide			
	21,240.2 thousand oz	16,863.8 thousand oz	14,734.0 thousand oz	7,806.95 thousand oz

NOTES
B. Considered as net sales: total sales, deducting TC/RC (Cu Refining) expenses and excluding MTM (Mark to Market) in thousands of dollars.
D. Considers accounting CAPEX (total expenses incurred) in millions of dollars.
E. Considers flow CAPEX (total payments disbursed) in millions of dollars.
F. Sales for the year.

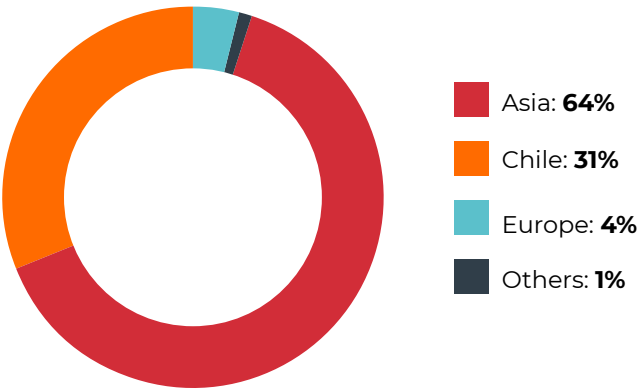
CUSTOMERS AND MARKETS

GRI 2-6

Sierra Gorda SCM is the largest mining operation to be inaugurated in the Antofagasta region in recent years. Copper and molybdenum concentrate mined from it are marketed to customers outside of Chile, traders and smelters.

The mineral refining process is completed abroad. The final product is used by an array of industries to manufacture computers, automobiles, mobile telephones, and electrical and renewable energy appliances, among a wide range of everyday goods.

2022 revenues by geographic location



ECONOMIC VALUE

GRI 201-1

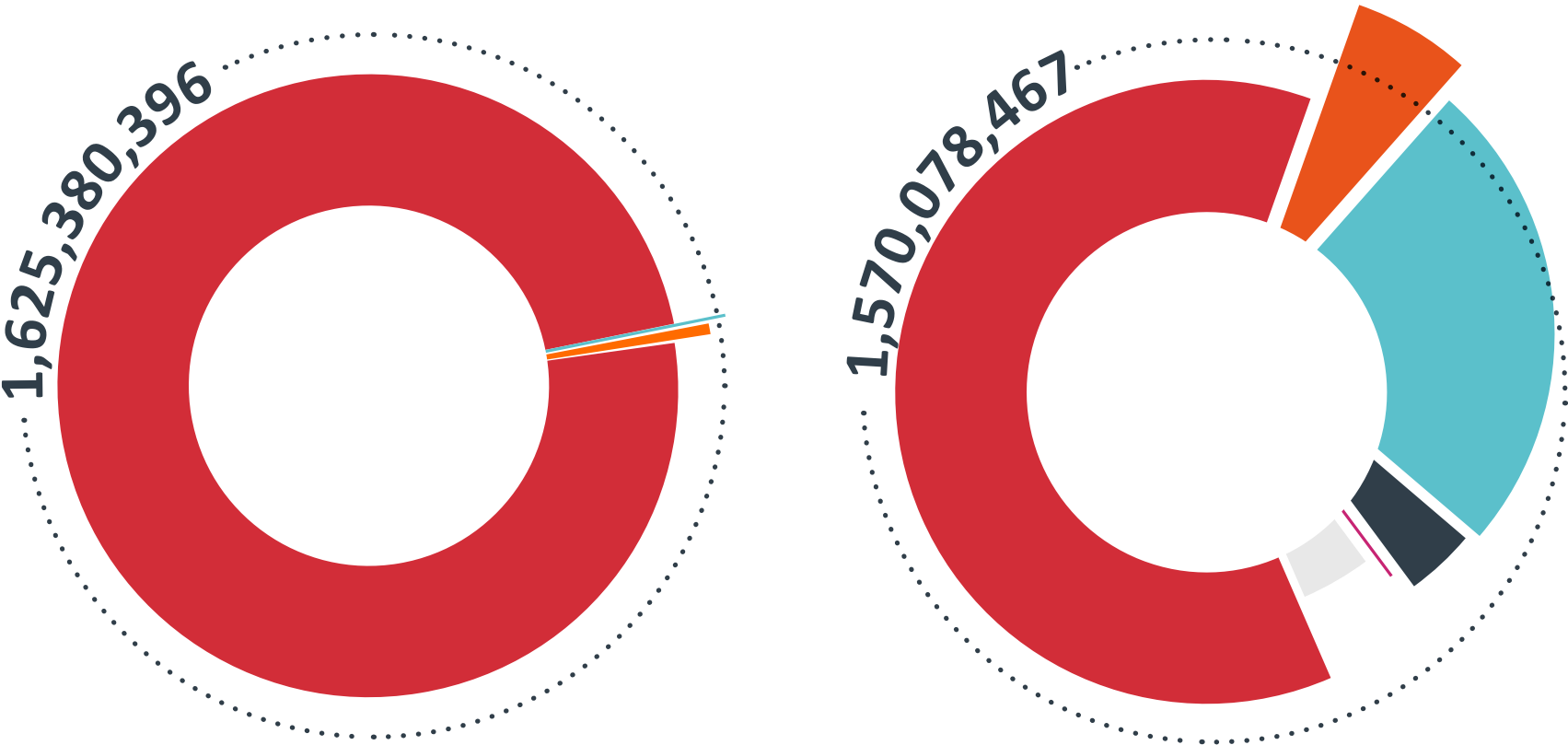
The Company generated economic value for the country, the Antofagasta Region and the communities surrounding the project, based on both the **Economic Value Generated (EVG)** and the **Economic Value Distributed (EVD)**, which includes operating costs, workers’ salaries and benefits, payments to capital suppliers (domestic and foreign), tax and municipal revenues, and investments in the community.

In 2022 the Economic Value Generated (EVG) was US\$ 1,625.3 million, while the Economic Value Distributed (EVD) was US\$ 1,570.0 million. The difference between the EVG and the EVD was US\$ 55.3 million. The following table details the main value flows:

	2019 USD	2020 USD	2021 USD	2022 USD
INCOME				
Gross sales	946,951,427	1,210,402,508	2,150,740,477	1,617,216,544
Income from financial investments	1,894,419	470,082	525,026	1,160,790
Income from sales of fixed and other assets	5,058,548	8,294,552	17,885,303	7,003,062
GENERATED ECONOMIC VALUE (EVG)	953,904,395	1,219,167,142	2,169,150,806	1,625,380,396
EXPENSES				
Operational costs	751,467,020	862,408,165	891,467,372	1,008,042,160
Employee salaries and benefits	130,232,980	95,453,987	138,528,028	99,300,377
Payments to capital providers	369,883,036	426,838,381	1,214,879,073	403,104,725
Tax and municipal organizational revenues	660,907	725,774	4,238,692	59,411,698
Community investment	172,986	47,273	188,649	219,507
DISTRIBUTED ECONOMIC VALUE (DEV)	1,252,416,929	1,385,473,580	2,249,301,815	1,570,078,467
RETAINED ECONOMIC VALUE (REV)	-298,512,534	-166,306,438	-80,151,008	55,301,929

*Community investment includes expenditures made through the specific budget allocated for communities. The Community Engagement chapter also considers the contributions made through other areas.

ECONOMIC VALUE GENERATED AND DISTRIBUTED IN 2022



ECONOMIC VALUE GENERATED (EVG)

- Gross sales
1,617,216,544
- Income from financial investments
1,160,790
- Income from sales of fixed and other assets
7,003,062

DISTRIBUTED ECONOMIC VALUE (DEV)

- Operational costs
1,008,042,150
- Workers' salaries and benefits
99,300,377
- Payments to capital suppliers
403,104,725
- Organizational tax and municipal revenues
59,411,698
- Community investment
219,507
- Retained Economic Value (REV)
55,301,929

TAXES

GRI 207-1

Although Sierra Gorda SCM does not have a tax strategy as such, its approach is to fully comply with current regulations and to disburse its obligations in due time and form.

INVESTMENTS

Business development is a key element for the Company. Sierra Gorda SCM seeks to advance year by year by optimizing techniques and improving operational processes. The relevant long-term objectives are:

- Increasing Plant capacity to 160ktpd constant and 86% copper recovery by 2025.
- Optimizing overall cost and securing critical supply of services such as electricity, water, outbound logistics and ports.
- Optimizing the use of resources and promoting higher value-added initiatives for the Company.

With a view to improving plant reliability and asset efficiency, and ultimately to increasing processing, during 2022 SGSCM implemented its Debottlenecking ("DBN") project, which allowed the Company to extend its processing capabilities to 128,600 metric tons per day. SGSCM is evaluating several improvements and further investments aimed at reaching its next production milestone: 160 thousand metric tons per day.



In 2022 Sierra Gorda spent almost US\$250 million in new investments and expects to reach US\$500 million by 2025. Its long-term strategy is to continue increasing production and to support this growth with investment financing..

These are some of the key 2022 investment projects



THIRD TAILINGS THICKENER

During 2022 the Company achieved 90% progress in the main construction of this new high-rate tailings dam, which will be 86 meters in diameter and will feature a discharge density of 62%. The end goal is to optimize the tailings density to achieve better disposal and to recover more water during the process. Completion is scheduled for 2023 with an estimated investment of US\$80 million.



EXPLORATION CAMPAIGN

Over the year The Company continued its largest brownfield exploration campaign since 2012, with a projected expenditure of USD 50 million. This campaign aims to learn more about the ore bodies that are within the company's concessions but are not yet included in its production plan, as well as to search for new ore bodies in its vast concessions comprising an area of approximately 7 thousand hectares.



OXIDES PROJECT

During the year, the Company acquired the intellectual property rights for the processing of oxides. After an exhaustive feasibility study was prepared and completed in mid-2022, the Owners' Council is currently reviewing the prospective process.

SOUTH32

In February 2022 South32 acquired 45% of Sierra Gorda SCM (SGSCM), becoming part of the Joint Venture together with KGHM.

This transaction was made possible after Sumitomo Metal Mining and Sumitomo Corporation sold their stake in SGSCM. KGHM Polska Miedź S.A. maintains its 55% shareholding in the company.

Thus, South32 Limited, a diversified mining company based in Perth, Australia, entered the Chilean mining industry at a time when Sierra Gorda SCM had demonstrated significant increases in its production and projects optimistic rates for the coming years

CHANGE IN SENIOR MANAGEMENT

After more than four years leading Sierra Gorda SCM as CEO, Mirosław Kidoń was appointed Vice President of International Assets of KGHM Polska Miedź and resigned to the Company's highest executive position. As of December 10, 2022, Tomasz Piwowarczyk is acting CEO of Sierra Gorda SCM.



Mirosław Kidoń, CEO until December 9, 2022.



Tomasz Piwowarczyk, interim CEO as of December 10, 2022.

4. GOVERNANCE FOR SUSTAINABILITY



SIERRA GORDA SCM SUSTAINABLE PRODUCTION MILESTONES



CERTIFICATION OF THE CRIME PREVENTION MODEL, in compliance with all requirements established in Law No. 20,393.



LOCAL EMPLOYMENT, 10 WORKERS from the Sierra Gorda district were hired on an indefinite basis, via the Community Trainee program.



EMPLOYEE TRAINING IN MATTERS SUCH AS COMPLIANCE and Crime Prevention, and reinforcement of the Whistleblower Channel to strengthen the Company's compliance culture and ultimately to safeguard operational continuity.



FIVE MAJOR COMMUNITY RELATIONSHIP PROJECTS (Community Trainee, Better Technicians for the Industry, Mural in Sierra Gorda, Touch to See Exhibition at the Calama Museum and contributions to the Antofagasta Fire Department) among numerous other initiatives in support of the community.



CERTIFICATION OF CLEAN PRODUCTION AGREEMENT FOR MINING LOGISTICS AT ANTOFAGASTA PORT, incorporating additional measures to the current regulations regarding the transportation, loading and unloading of concentrates.



RESOLUTION OF THE GENERAL AGENCY FOR WATER MANAGEMENT on hydrogeological monitoring to report to regulators and implement SR No. 31 "General instructions for environmental monitoring of water in Tailings Deposits".



ENVIRONMENTAL UPDATE FOR THE DESIGN OF THE TAILINGS DEPOSIT (Environmental Qualification Resolution 20222001216)



RENEWABLE ENERGY USE CAME UP TO 40.5% DURING 2022, as certified by RENOVA (National Registry of Renewable Energy Traceability from the National Electric Power System (RENOVA by its acronym in Spanish).



STAKEHOLDER MAPPING, further positioning Sierra Gorda as a reliable and approachable company.



SERNAGEOMIN: Certification in risk prevention techniques for the Chilean extractive mining industry, for workers and managers of the Company. Issued by the Chilean National Geology and Mining Service (SERNAGEOMIN by its acronym in Spanish).

SUSTAINABILITY IN SIERRA GORDA SCM

GRI 2-13 GRI 2-27


Sustainability is part of the daily life of the operation and its workers. Extensive to all areas of the Company, Sierra Gorda seeks to engage in mining that coexists harmoniously with its surroundings and is friendly to the environment and to neighboring communities. The Company meets all regulatory requirements and implements high standards to achieve excellency in its operation.

The General Counsel Office for Sustainability and Corporate Affairs oversees related and relevant matters and centralizes all legal, communications and sustainability issues, providing a comprehensive view for the benefit of internal and external stakeholders.


The General Counsel Office on Sustainability and Corporate Affairs is responsible for managing the following issues




Ensuring that the Company's license and permits are kept updated.




Properly managing Sierra Gorda SCM's projects within the framework of the Environmental Impact Assessment System (SEIA).



Ensuring full compliance with the commitments derived from projects approved in the SEIA.



Ensuring compliance with commitments, as well as with current legislation and permit requirements.



Reports to the Authorities and regulatory offices (Superintendence of the Environment, General Agency for Water Management and SERNAGEOMIN, among others) and manages compliance obligations (uploading information and parameters on dedicated platforms).



Maintaining relationships with the relevant national and regional environmental and sectoral authorities.



Conducting studies and research related to sustainability, such as energy efficiency, innovation and best practices, among others.



Providing support and legal advice to all areas of the company, as well as engaging in regulatory follow-up and legal risk assessment.



Ensuring governance by promoting an ethical behavior and full compliance with Chilean legal regulations and Company internal policies.



Engaging in relation-building with communities in the Company's areas of influence.



Managing the Company's external communications and providing information as requested by external stakeholders.



Defining the community outreach strategy.



Defining and communicating the Company's sustainability strategy.



Handling strategic and sectorial permits.



Overseeing specific studies requested by relevant authorities or regulatory bodies regarding environmental issues and/or control/mitigation measures.

SUSTAINABILITY POLICY

GRI 2-23 GRI 2-24

Aware of its role within its area of influence, the Company has established a Sustainability Policy which states the necessary guidelines to project the operation over time in a responsible manner. This is achieved by following the pillars of sustainable development, seeking balance and acting in accordance with environmental, social and governance aspects.

Sierra Gorda SCM’s Sustainability Policy provides the necessary framework to run a sustainable mining operation that complies with its legal obligations and is cognizant and respectful of people, the environment and the surrounding communities. Each of the Company’s employees is entrusted with complying with this Policy which applies across the board to the different aspects that constitute the Company’s operation in the short, medium and long term, as defined in the areas outlined below.

					
Complying with current legislation	Protecting the life and integrity of people	Environmental Care	Adequate use of resources	Promoting technological innovation	Maintaining sustainability as an across-the-board policy
Each employee and area of the operation has a duty to comply with legal requirements in the short, medium and long term, as well as to fulfil commitments with the relevant authorities.	Self-care is a central element in the internal culture of Sierra Gorda SCM. For the Company, it is of vital to ensure the health and wellbeing of people..	The Company and its employees adhere to a culture of prevention of the environmental risks that are inherent to its operations. Some of the areas of concern and action are developing and implementing energy and water efficiency, reducing waste, reducing emissions and controlling particulate matter, promoting the recycling and reuse of materials, and minimizing the environmental impact of the operation on its surroundings.	The company seeks to ensure efficiency in the use of material goods and considers alternative such as reducing, reusing and recycling as part of its management options.	The constant search for new techniques and technologies is fundamental for the continuous improvement of processes, driving the incorporation of innovative technologies in the entire work chain. The Company’s aim is to always seek new knowledge and develop new technologies while at the same time practicing cost control with a view to maintaining leadership in the industry.	All workers at different levels must comply with the commitments acquired, maximizing the economic value of assets, contributing to social development and minimizing environmental impacts. To this end, systems must be developed and put in place to communicate all relevant issues outlined in this policy in a simple and practical way.



This policy is part of the corporate culture of Sierra Gorda SCM, which sees sustainability as an all-encompassing commitment to care for the environment, which is reflected in the values of ESTAR and in the Company’s POWER seal, which empowers people within the Company to constantly seek optimization and to pursue increasingly better results through various actions implemented by the operational and support areas.

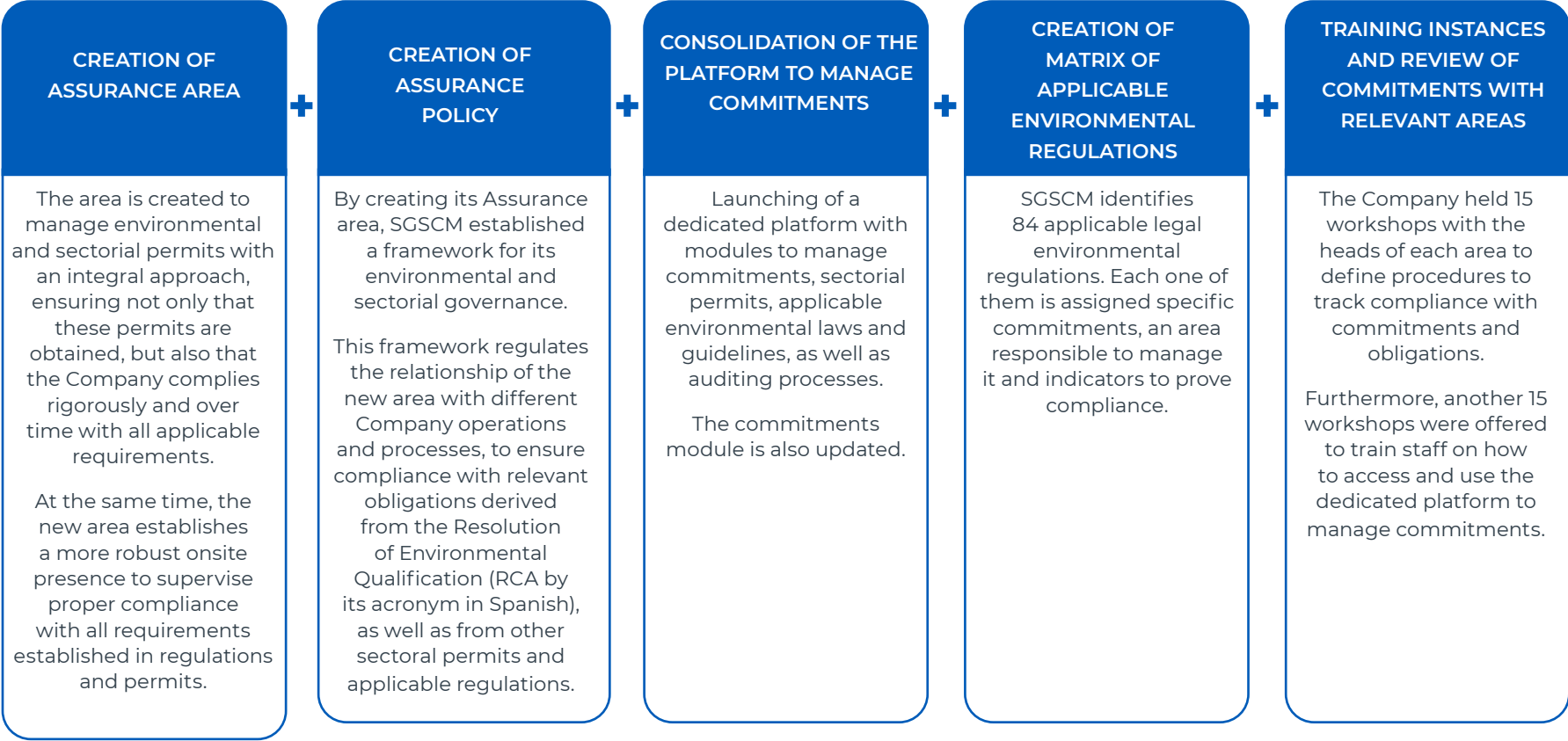
The principles included in the Sustainability Policy are communicated through the Sustainability Report and the sustainability data that is constantly being updated and uploaded to our corporate website www.sgscm.cl.

ASSURANCE

To ensure that environmental and sectoral permits extend to a complete and efficient lifecycle, the Company created its Assurance department in 2022. This new department works within the Sustainability and Permits Area, which operates both on site and at the corporate level.

Once the permits have been obtained, this team’s mission is to ensure full compliance with each requirement, commitment and obligation arising from sectoral and environmental permits, as well as with those emanating from current relevant legislation.

ASSURANCE AREA MILESTONES



Through this work SGSCM seeks to manage and ensure the integrity and validity of the company’s strategic permits and operational licenses, as well as to comply with sectoral permits and environmental commitments by overseeing and supporting operational areas on site.

ASSURANCE POLICY

GRI 2-23 GRI 2-27

In 2022, the Company approved its Assurance Policy, which outlines Sierra Gorda SCM’s governance principles for environmental and sectorial issues and includes the creation of the Assurance department within the Sustainability and Permits Area. This Policy describes the scope of the new department, including its relationship with the different management areas of the company. Its focus is to ensure compliance with the obligations established in the Environmental Qualification Resolutions relevant to Sierra Gorda SCM, sectoral permits and applicable regulations, with the goal of minimizing exposure to risks.

The main objectives of the Policy are:

- Establishing an internal governance framework for compliance.
- Ensuring compliance with sectoral and environmental commitments during all stages - construction, operation and closure - of the Sierra Gorda SCM mining site.
- Minimizing the risk of non-compliance that could lead to penalties and/or fines by regulatory bodies.
- Minimizing reputational and business risks.

- ✓ It is the obligation of each employee and each area of the operation to know and comply with the assurance policy in the short, medium and long term.
- ✓ Self-care is a central element in Sierra Gorda SCM’s internal culture. It is of vital importance to ensure the health and wellbeing of people.
- ✓ The Company and its employees must observe a culture of prevention regarding the environmental risks inherent to its operations, being accountable for developing and implementing energy and water efficiency, reducing waste, reducing emissions and controlling particulate matter, promoting the recycling and reutilization of materials and minimizing the environmental impact of the operation on its surroundings
- ✓ The company seeks to ensure efficiency in the use of material goods and to include reduction, reuse and recycling practices as part of its management options.
- ✓ The continuous improvement of processes demands an ongoing commitment to analyzing and incorporating new techniques and technologies. This policy is all-encompassing and applies to the entire work chain, looking to increase knowledge and, at the same time, control costs. The ultimate goal is to retain a leading position within the industry.
- ✓ All employees at all different levels must comply with the commitments acquired. In so doing they will maximize the economic value of the assets, contribute to social development and minimize environmental impacts. To this end, the Company must design and establish systems and protocols to communicate necessary information on issues related to this policy in a simple, practical and timely manner.

5. COMMUNITY ENGAGEMENT



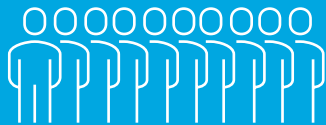
COMMUNITY ENGAGEMENT

During 2022 the Company resumed its onsite community work in its entirety. This provided SGSCM an opportunity to reconnect with its neighbors, after years of health restrictions imposed by the COVID-19 pandemic.

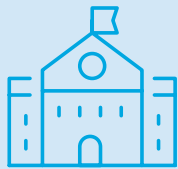
LOCAL TRAINING

Sierra Gorda SCM focused its community work mainly on two spheres: Quality of Life and Education. The Company offered a third version of its Trainee Program, a work initiative that is one-of-its-kind at a regional and national level, and which is highly valued by the community. It caters only to residents of Sierra Gorda and Baquedano, and its latest version culminated with the hiring of 10 people as Mine and Plant operators on permanent contracts.

The seventh version of the Better Technicians for the Industry program was held in Antofagasta and it benefited 197 young people from the Don Bosco Industrial Technical School, who received more than 200 hours of training. Graduates of the program developed the skills necessary to obtain their regular driver’s license and a certification to perform electrical works by the national regulator, both of which are key tools for their future professional development.



In 2022, **SGSCM extended indefinite work contracts to 10 residents** of the Sierra Gorda district.



197 students from the *Colegio Técnico Industrial Don Bosco Antofagasta* received **200 hours of training**.

STAKEHOLDER SURVEY

GRI 2-25

Another important 2022 milestone is the stakeholder survey, an active effort on the part of the Company to learn how communities in the areas of influence perceive SGSCM in its engagement work towards them. This effort materialized in the first Local and Regional Stakeholder Survey, which was implemented by an independent consulting firm.

Fieldwork for this qualitative perception study took place between August 23 and September 1, 2022. Geographically, it covered the entire Antofagasta region, including the districts and towns of interest or influence of Sierra Gorda SCM, specifically the localities of Sierra Gorda (towns of Sierra Gorda and Baquedano) and Antofagasta.

Interviews were semi-structured and organized according to categories, which allowed the necessary flexibility to collect additional spontaneous information, an extremely useful asset to obtain a comprehensive view of the Company’s community work and manage it accordingly.

The group of interviewees included local and community authorities, as well as representatives from unions and other social organizations. The list of people participating in the survey was agreed upon among local Sierra Gorda SCM stakeholders. In total, the survey completed 22 interviews.

HIGHLIGHTS FROM THE 2022 SIERRA GORDA STAKEHOLDER SURVEY

“The relationship with Sierra Gorda is closer and more fluid than with other companies.”

“I value that there is a visible team leading this process.”

“We have always had very good relations with Sierra Gorda.”

“The relationship is very good, they pay attention; we have a direct line and timely feedback.”

“The relationship with company representatives is close and smooth; they always show up at our activities.”

The **Stakeholder Survey** covered the localities of Baquedano, Sierra Gorda and Antofagasta.

Main findings of the survey



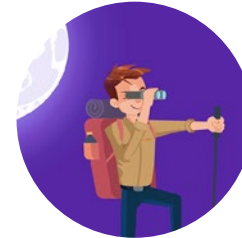
1. Mining in general: Regarding perception of mining in the area, the data highlighted positive aspects such as work opportunities, favoring local workforce, support for local entrepreneurial initiatives and contribution to local development. As for the negative aspects, interviewees generally mentioned: environmental impact, imposed coexistence with sporadic workers and the related impact on family life and dynamics.



2. Knowledge of Sierra Gorda SCM: All interviewees stated that they are familiar with the Company since its beginnings due to “the closeness of the relationship”. Interviewees emphasized that the Company is always available in their communities. They recognized the contributions made by Sierra Gorda SCM and valued long-term projects and fulfillment of commitments. Baquedano and Antofagasta responders acknowledged that, due to its physical proximity, Sierra Gorda SCM “should focus more on supporting the people of the Sierra Gorda district”.



3. Most valued aspects:
“The relationship with Sierra Gorda is closer and more fluid”. The human factor is seen as an asset. They consider the Company to be approachable, open and timely in its response.
Commitment to Employability and Education. They recognize the contribution and support that the Trainee Program provides, as it focuses on training and hiring local labor and working with the Don Bosco School in Antofagasta.
Culture and other values. Interviewees emphasized the ongoing contribution that the Company makes to traditional religious celebrations and its involvement with the painting of a heritage and historical mural, both in Sierra Gorda.



4. Opportunities for improvement: The survey did not only focus on positive aspects, but also indicated opportunities for growth to optimize community engagement. These included enhancing communication with neighbors and involving other Company representatives, in addition to the team in charge of community liaison. Responders were also interested in broadening the scope of the Trainee Program to include more training and work opportunities for local technicians and professionals.

Highlights from the stakeholder survey



ENGAGEMENT

The close relationship and approachability of the Company’s community team.

Opportunity to expand the relationship and participation to include other SGSCM areas in community activities.



COMMUNICATION

Even though the field work and face-to-face approach of the community team is highly valued, interviewees also expressed a desire for stronger communication channels with other Company areas.



MOST FREQUENTLY MENTIONED

The **Community Trainee Program** is the initiative with the highest and widest recognition.

The focus on **education** is recognized and valued across the board.



PERCEPTION OF THE INDUSTRY

Positive: focus on employment, contributions to communities and development opportunities.

Negative: environmental risks and impact on quality of life.



ENVIRONMENTAL

The community is most sensitive to issues related to general pollution risks.

SOCIAL INVESTMENT

During 2022, the Company developed five major community outreach projects and numerous initiatives in SGSCM’s direct areas of influence: Community Trainee Program, Better Technicians for the Industry, Mural in Sierra Gorda, Touch to See Exhibition at the Calama Museum, and remodeling of the Antofagasta Firefighters’ training room.

2022	1USD ¹	CHILEAN PESO (CLP)
Budget for community contributions	USD 377,710	\$ 292,725,588
Internal Management Community contributions ²	USD 163,014	\$ 126,336,000
Total	USD 540,724	\$ 419,061,588

¹USD calculated at \$77CLP.

² Training tax exemptions.



Touch to See Project, Calama Museum.



OECD meeting to define a regional mining strategy for Antofagasta

The initiative to define a Mining Strategy for Antofagasta began in the second half of 2022, with the Organization for Economic Cooperation and Development (OECD) leading the effort. The purpose is to generate synergies between mining activities and regional stakeholders. This project seeks to identify problems and opportunities for growth and turn them into instances of public-private cooperation to achieve common goals and improve the quality of life of the population.

Sierra Gorda SCM is actively participating in this integration and dialogue effort, which offers a forum for communities and local companies to work together on the design and implementation of a regional mining strategy and focus on generating new development opportunities and supporting the green transition.

6. OUR EMPLOYEES



ORGANIZATIONAL CULTURE

GRI 2-7 GRI 401-1

For Sierra Gorda SCM, people are at the core of its performance and therefore constitute the focus of its actions. The Company is committed to fostering a good work environment where workers can thrive and cultivate healthy relationships based on respect and mutual understanding.

Sierra Gorda SCM is also concerned and engages in building a safe work environment with all necessary conditions to protect the wellbeing of people and enhance the performance of workers.

During 2022, the Company focused its organizational culture efforts on advancing the communications plan with a view to reinforcing the commitment and identity of workers. To this end, SGSCM outlined two lines of action to achieve its objectives:

1. **Fostering the identification and involvement of employees with Company objectives and areas of interest.**
2. **Strengthening feedback with internal customers.**



Human Resources Management Model

Sierra Gorda SCM seeks to create and nurture strong bonds between all people involved in its operation. In this way, the Company wants to foster a strategic, preventive and protective attitude towards possible risks.

ENHANCING THE CONNECTION AND INVOLVEMENT OF WORKERS WITH THE COMPANY'S OBJECTIVES AND AREAS OF INTEREST



INTERNAL COMMUNICATIONS SHOWCASING A STRATEGIC FOCUS LOGO

This year, the Company began adding a watermark logo to all its internal communications, for easier identification of the strategic focus to which the message is ascribed. These are: People, Safe Production and Costs. The aim is to involve the entire organization in Company actions and decisions.



IMPLEMENTATION OF MONTHLY AND SEMI-ANNUAL *HOW ARE WE DOING* MEETINGS

To strengthen the relationship between employees and the Company's initiatives and wellbeing, SGSCM created the *How are we doing?* meetings which bring together the CEO, Vice-presidents and employees. In addition to this regular monthly activity, every six months there is a VIP version of the event where milestones and goals are announced, and employees are recognized either for their seniority or for embodying the ESTAR Spirit, an acronym representing the main Company values.

- **First semester:** 5 employees distinguished for their ESTAR Spirit.
- **Second semester:** Recognitions for employees completing 5 or 10 years in the Company. There is also a category for 15 years, which so far has only been awarded once.



MONTHLY MEETING

Along the same lines of the *How are we doing?* encounters, there is also a monthly meeting where department leaders rotate to present the updates, mission and vision of the area they represent.



CONNECTED AND ALIGNED

Conversation and internal communication instances that are carried out in two versions, CONNECTED Superintendents and ALIGNED Managers. Both seek to explore topics and issues that are relevant to the different areas and, in this way, maintain an open participation and communications channel to advance the achievement of common goals.



HUMAN RESOURCES MEETINGS

In the same spirit of strengthening connection and cooperation between different areas of the Company, Human Resources organized a series of meetings to provide a space for managers and union representatives to interact and organize the activities of contractors and supply companies.

STRENGTHENING FEEDBACK WITH INTERNAL CUSTOMERS

Based on various meetings with internal customers, the Company implemented a series of activities and projects for the benefit of all Sierra Gorda SCM employees.



Reactivating gyms and restarting sports activities: The sports facilities were reopened to promote a healthy lifestyle among employees, including a fitness room, supervised classes and recreational activities.



Intervention plan for onsite food services: This project seeks to respond to the requirements of this area and to improve the perception that employees have of the food service.

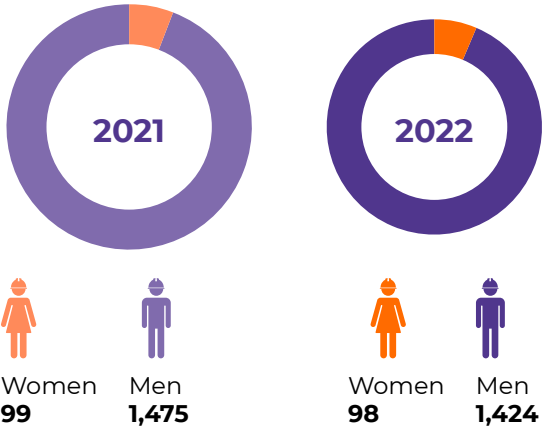


Onsite celebration of Miners' Day: The commemoration included sports and various recreational activities.

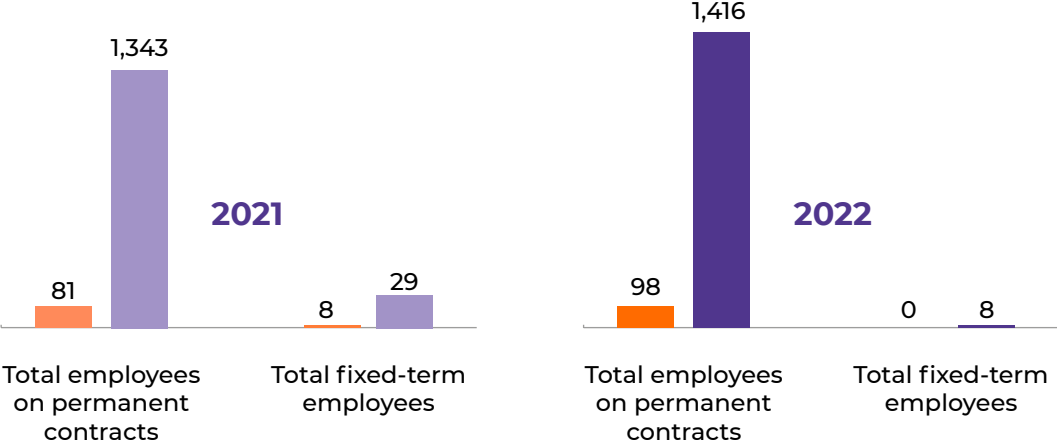


STAFFING

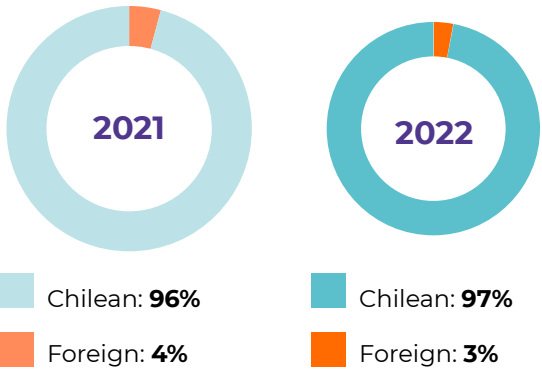
Total workforce



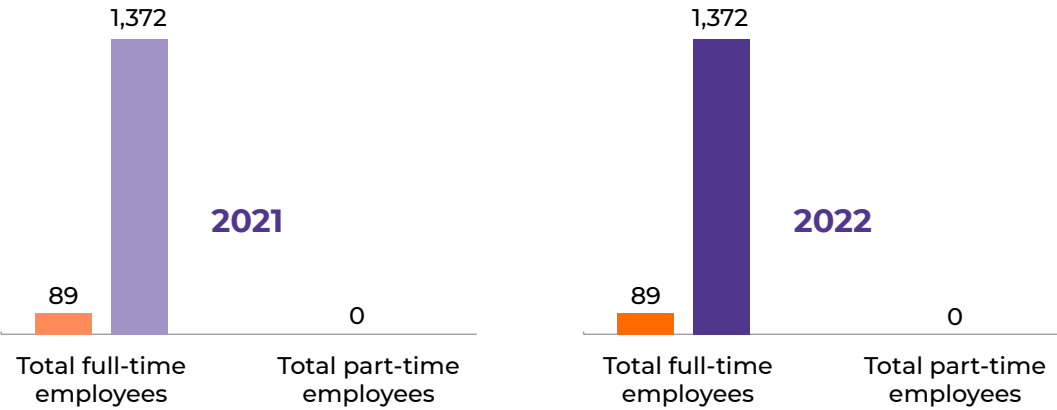
By type of contract and gender



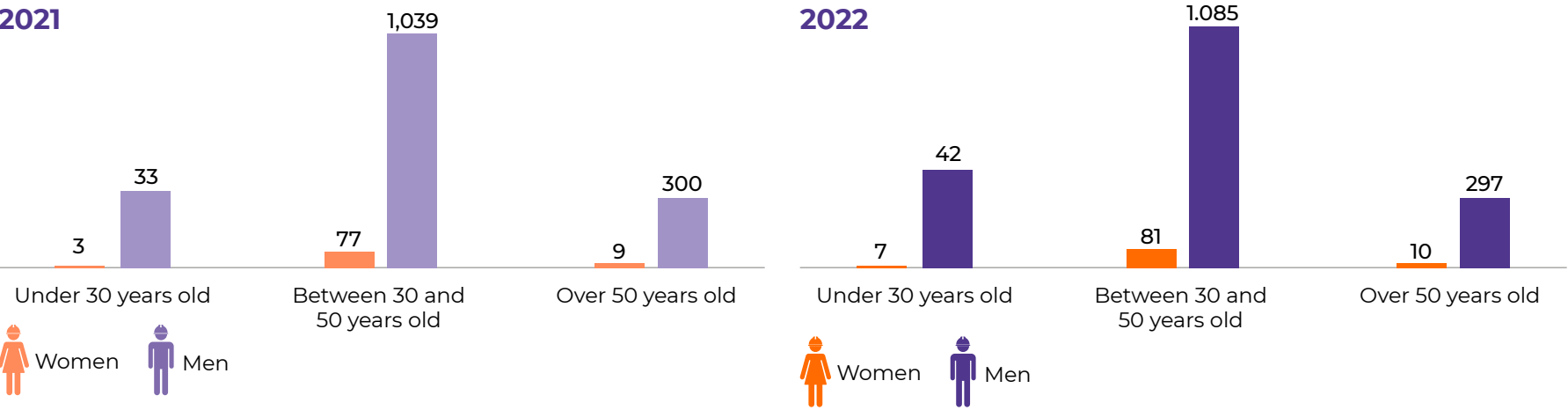
Nationality



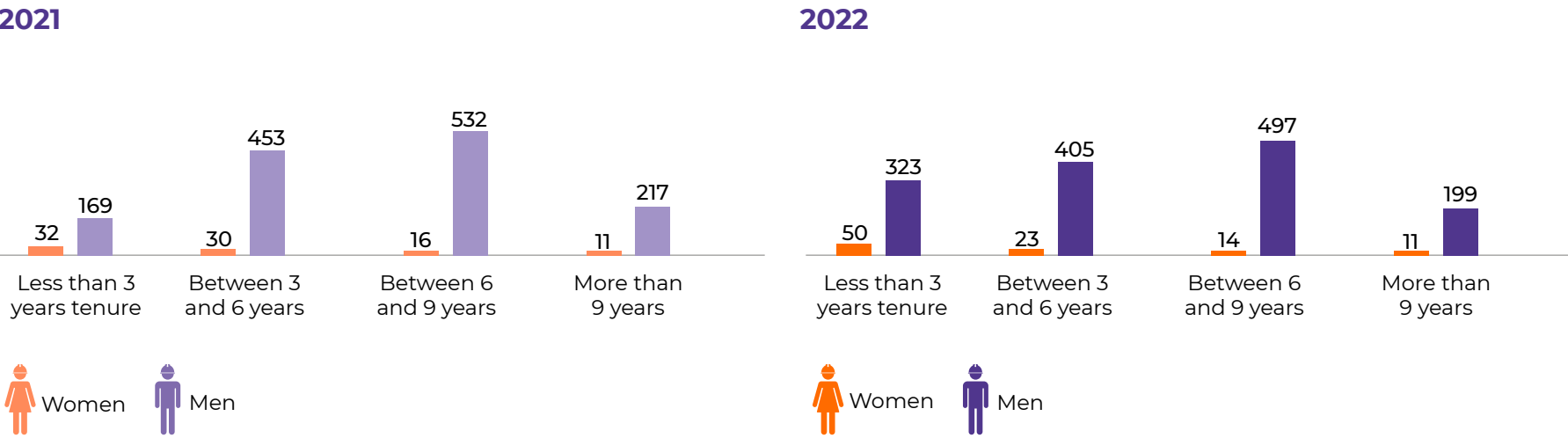
By type of workday and gender



By age and gender



By seniority and gender



ATTRACTING AND RETAINING TALENT

Sierra Gorda SCM is keenly aware that its driving force and the foundation of its performance are its teams and workers. Therefore, the organizational culture focuses strategically on attracting and retaining talent. Some of the most valued aspects of the Company’s hiring brand are a good work environment and internal development opportunities that allow employees to grow and add value to the Company and their professional lives at the same time.

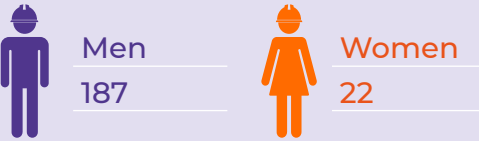
To this effect, during 2022 SGSCM implemented a series of initiatives and programs to adequately respond to the Company’s staffing needs. Focus was placed on recruitment initiatives and strengthening the attraction and retention of talent.

TURNOVER

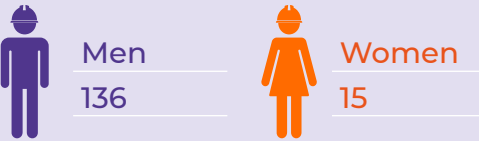
In 2022, there were 209 new hires, 22 women (1.4%) and 187 men (12.2%). Over this same period, 151 people (15 women and 136 men) left the company, which translates into a 9.99% turnover rate.

The Company grants legal severance to employees. In addition, compensation is determined by internal advisors, in accordance with the Company’s Compensation Policy. This Policy considers the use of an international job evaluation system to describe, evaluate and assign monetary value to each role within the organization.

209 New hires



151 Terminations



9.99% Turnover rate

TURNOVER RATE BY YEAR	2019	2020	2021	2022
	11.5%	12.30%	8.7%	9.99%

POWER SEAL

Sierra Gorda SCM promotes open dialogue and seeks to support its leaders and advance their capabilities and resources, which is one of the key aspects of the Company’s world-class operational results.

The POWER leadership seal was created to further enhance and promote these abilities, encourage independent action and, together with the ESTAR value framework, provide common ground for teams and people to achieve their strategic objectives and goals.

POWER leadership Seal

- Is part of the Company identity and encourages leaders and workers to pursuit and build excellence.
- It’s a tool to raise and maintain awareness of the fundamental pillars of the Company and of mining culture.



By identifying behaviors and values that are conducive to excellence, the POWER seal of leadership aims to be an engine to inspire and mobilize Company leaders and workers. As it constitutes a common compass that guides the entire operation, the spirit of the POWER leadership seal also serves to enhance the capabilities and individual drive of each player at a personal and team level:



WORK ENVIRONMENT

The Company's Organizational Climate Measurement Survey is designed to gather information from employees, with the goal of drafting annual plans and guiding actions to improve aspects with the lower scores. Following the good results of previous versions of the survey, in 2022 the Company obtained an overall 77.4% positive perception. The universe of responders represented 76.6% of the total workforce.

- Positive results were obtained in the areas that had undergone interventions over the previous years.
- The areas that were well evaluated in previous surveys but were not worked on during the year, suffered a drop in their performance.
- As a routine measure, the Company supports teams and areas with lower percentages of approval. Usually, this is done by coaching the leader and providing teamwork workshops for the entire team.



This process is conducted anonymously and it evaluates 18 specific dimensions. Following is a description of each of these spheres:



COMMUNICATIONS: Indicates the extent to which workers perceive they are aware of relevant information provided by the Company and of opportunities to communicate with higher-ups.



TEAMWORK: Perception of the extent to which the different functional units of the Company communicate among themselves and are aligned with the same guidelines and objectives.



IDENTITY: Sense of belonging to the Company and perception of shared personal and organizational values.



INDIRECT LEADERSHIP: Employee perception of leadership, supervisory style, and competence and vision of team members.



DIRECT LEADERSHIP: Workers' perception of leadership, supervisory style, competence and vision of their direct managers.



RELATIONSHIPS: Workers' perception of the quality of relationships and work environment.

SURVEY 77.4% POSITIVE REVIEWS RESULTS: 76.6% RESPONSE RATE



SAFETY: Indicates how workers perceive the Company's standards in relation to safety practices and conditions in the work environment.



PROFESSIONAL DEVELOPMENT: Evaluates the perception of workers regarding development opportunities and the importance that the company places on the development of people.



DIVERSITY AND INCLUSION: How employees perceive the work environment as an instance in which all people are treated with respect, regardless of individual differences.



COMPENSATION AND BENEFITS: Indicates the perception of workers regarding the benefits, relevance and clarity of the remuneration received according to their position and as compared to other organizations.



RECOGNITION: Evaluates the perception of workers regarding the existence of a culture of recognition within the organization.



STRUCTURE: Workers' perception of the clarity of their functions and the impact that the organization's procedures have on facilitating their role including duties, efficiency, speed and organization of the workload.



INTENTION TO STAY: Refers to employees' intention to remain in their current position or organization for the foreseeable future. It's a good predictor of turnover.



COMMITMENT: Positive psychological state characterized by a feeling of vigor, dedication and concentration at work, which is highly correlated with a strong commitment to achieving results.



SATISFACTION: General degree of personal satisfaction with the Company.



TELEWORKING: Perception of how the Company operated with several employees teleworking during the COVID emergency.



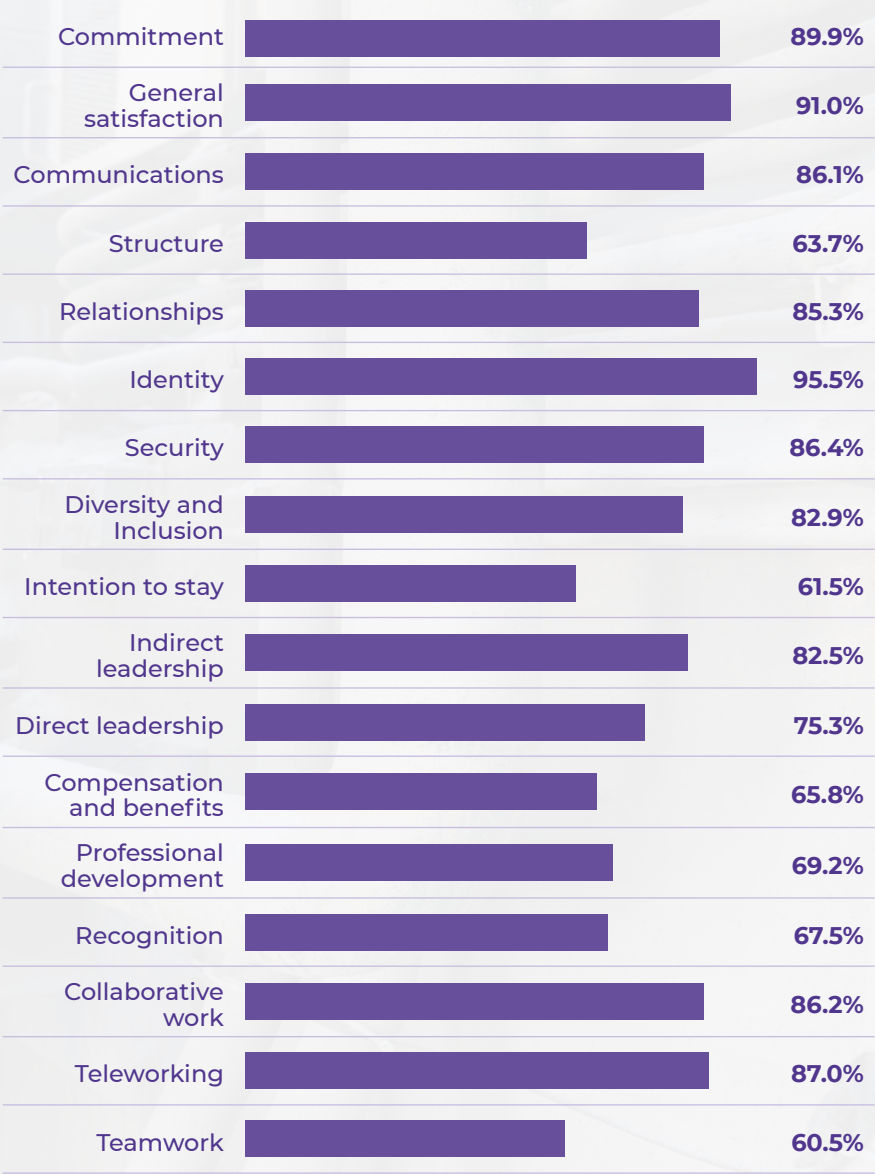
COLLABORATIVE WORK: Perception that other people in the worker's area are capable and do their best to work collaboratively with each other.



TEAMWORK: Perception of the extent to which the different units of the Company communicate and are aligned with the same guidelines and objectives.



2022 work climate survey results



DIVERSITY AND INCLUSION

GRI 405-1

Sierra Gorda SCM continues to advance its people management strategies with a view to improving its leadership in the field. This year, the Company created a Diversity and Inclusion Committee, which began as a Human Resources initiative, but is now an all-encompassing committee at a corporate level.

The committee is comprised of 10 members, three represent Human Resources and the rest are executives from different areas of the Company. Their duties include drafting and implementing the Company’s Diversity and Inclusion (D&I) policy and specific relevant projects, as well as periodically evaluating how the strategy is operating and making the necessary adjustments to safeguard its principles.

The priority areas that the Company wants to focus on are:



GENDER DIVERSITY: The challenge is to increase female participation in the overall workforce, a parameter that has remained stagnant in recent years.



PEOPLE WITH DISABILITIES: In 2018, when Law 21,015 became applicable, companies assumed an obligation to hire people with disabilities to cover at least 1% of their workforce. This required the Organization to adapt its facilities and culture.



MULTICULTURALITY: Our organization brings together workers from 11 different cultural backgrounds. The Company endeavors to acknowledge and manage this multiculturality.



INTERGENERATIONALITY: The average age of Company workers is 42. There’s a challenge to attract younger and more experienced workers.

During 2022, **17 Persons with Disabilities (PwD)** worked at **Sierra Gorda SCM**, which represents 1.07% of the total workforce.



Sierra Gorda SCM Diversity and Inclusion Policy

The Diversity and Inclusion Policy lays the foundations to build a corporate culture that is aware of the value of diversity. It establishes guidelines to ensure that teams are managed responsibly and that principles such as respect and non-discrimination are observed, differences are valued, and there is a Company-wide commitment to promote inclusivity.

Statements:

- Sierra Gorda SCM has an organizational commitment to Diversity and Inclusion that encourages us to value and respect individual differences, fostering a work environment that provides opportunities and a safe space for all people, which in turn helps the Organization to access, develop and retain the best talent.
- The Company understands that respect and trust are essential to ensure violence-free spaces for all people operating in its facilities, therefore any type of discrimination is absolutely prohibited.

- To promote inclusion, Sierra Gorda SCM designs and implements protocols that deactivate and prevent any potential barriers to the proper incorporation and performance of all people in its teams. The Company actively reinforces structures and processes to give visibility to underrepresented groups, and in so doing seeks to facilitate their access, ensuring that the only relevant consideration for its recruitment and promotion processes is professional merit and individual performance.
- To monitor the effectiveness of this Policy in the short and medium term, Sierra Gorda SCM establishes clear objectives and defines protocols to foster an organizational culture that promotes the wellbeing and development of all workers, based on people and the Company ESTAR values.
- SGSCM believes that by strengthening its commitment to diversity and inclusion it contributes to building a more respectful society. By inspiring workers, families, contractors, clients and the community, Sierra Gorda SCM hopes to become a better and more sustainable company and to support the continued improvement of the mining industry and of society.

DIVERSITY FIGURES AT SGSCM

Owners' Council



VPs or managers



Professionals

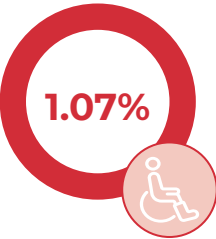


Operators and Maintenance workers



People with Disabilities

% in compliance with Inclusion Law



Gender Diversity

% of women



Age Diversity

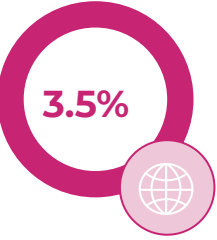
Average age



20 to 29 y/o	5%
30 to 39 y/o	34%
40 to 49 y/o	41%
50 to 59 y/o	17%
Above 60	3%

Diversity and Culture

% of foreigners



Chilean	96.5%
Polish	1.1%
Peruvian	1.2%
Bolivian	0.3%
Venezuelan	0.3%
Colombian	0.2%
Japanese	0.1%
Ecuadorian	0.1%
Argentinean	0.1%
Brazilian	0.1%
Australian	0.1%





POWERFUL WOMEN

In the context of Women’s Day, the Company launched an initiative to record the testimonies of its female employees and use their stories to motivate more women to believe in themselves and their skills, and consider possible job opportunities at Sierra Gorda SCM. Thus, **Mujeres EmPODERadas** (POWERful women) was born, a magazine that showcases the stories of female workers and their careers.

This year, **Mujeres EmPODERadas** issued its first number and the Company is looking to maintain it as a regular feature that will grow stronger over time, boosting both internal retention as well as attracting new female talent.

PAY GAP

GRI 405-2

There is no gender pay gap at Sierra Gorda SCM. The only differences stem from legal benefits for working mothers. The Company is proud to have internal equity between men and women with the same responsibilities.

	2022 FIXED SALARY RATIO	2022 TARGET INCOME RATIO
Women	1.03	1
Men	0.97	1

TRAINING AND DEVELOPMENT

GRI 404-1 GRI 404-2

As a fundamental part of its organizational culture, the Company believes in providing ongoing training for its workers. There are various initiatives in place to promote employee participation in learning and training instances. The main objectives is for workers to update their knowledge and acquire new and strategic work tools.

In 2022 Sierra Gorda launched **emPODÉRate** (emPOWER yourself), a new Trainee Professional Program that aims to attract young talent, people who have not yet garnered significant work experience or recent graduates from university or technical careers that cater to the mining industry. During the year, the Company received 650 applications to two different emPODÉRate tracks:

- **First track:** Three Civil Mining engineers were selected to join the Mining Operations, Geotechnical Engineering and Mine Planning areas.
- **Second track:** Three Maintenance and Industrial engineers were selected to join the areas of Engineering and Reliability, Asset Management and Plant Mechanical Maintenance.

SIERRA GORDA SCM ACADEMY

During 2022, the Company strengthened its intranet academic offer with new courses in a wide array of topics. Some of the alternatives for staffworkersareToolsforbusinessimprovement, Crime Prevention Model, Metallurgy, Contracts management and POWER leadership, among others. At the same time, Operators and maintenance workers had the opportunity to fill gaps in their technical training.

The Sierra Gorda Academy is a knowledge managementandself-trainingplatformoffering a selection of asynchronous courses curated to promote career growth and satisfy workers’ interests. In the future, Sierra Gorda expects to continue strengthening this platform with new training plans for Operations and Maintenance workers, as well as a wider array of topics for Staff employees.

Additionally, the 2022 training plan added several classes that focus on the specific requirements of each area, always striving to help employees to enhance their careers and acquire more knowledge:

PROGRAM	DESCRIPTION	WORKERS TRAINED IN 2022
ESTAR training program	Training for all Sierra Gorda SCM employees.	331
ESTAR leaders training program	Training aimed at workers with leadership potential.	150
Annual training plan	Catered to the training needs of specific areas.	11,941
Seminars and congresses	Internal and external training activities aimed at keeping employees up to date in the latest innovations in mining and technology.	519
Annual training plan for operators and maintenance workers	Basic training, as required.	1,272
Career development program	Designed to fill specific gaps in the knowledge required for a specific position.	2,296
Certification for critical equipment operators / maintenance workers	Training in Company safety procedures.	2,051
Community training programs (pre-contracts and social scholarships)	Job training in different areas.	31,035
EmPODÉRate	This Program aims to attract, develop and retain young professionals.	6
In-house online courses available at Sierra Gorda SCM Academy	Asynchronous training courses available in a dedicated platform.	973

AVERAGE HOURS OF TRAINING

	2019			2020			2021			2022		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers, assistant managers and executives	35	42	77	5	23	28	4	15	19	15	44	59
Professionals and technicians	18	25	43	6	5	10	40	29	69	14	41	55
Operators, sales and administrative workers	16	13	29	25	16	41	37	4	41	9	16	25
TOTAL	69	80	149	36	44	79	81	48	129	38	101	139

TOTAL NUMBER OF TRAINING HOURS

	2019			2020			2021			2022		
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL
Managers, assistant managers and executives	350	2,397	2,747	21	661	682	24	58	82	288	367	655
Professionals and technicians	1,501	19,812	21,313	907	4,620	5,527	5,701	9,439	15,140	892	10,143	11,035
Operators, sales and administrative workers	284	19,012	19,296	1,728	8,596	10,324	1,184	1,778	2,962	657	6,752	7,409
TOTAL	2,135	41,221	43,356	2,656	13,877	16,533	6,909	11,275	18,184	1,837	17,262	19,099

In 2022, the Company invested \$484,298,605 CLP in training, which represents a **31% increment** from the 2021 figure, which amounted to \$344,299,118 CLP.

PERFORMANCE MANAGEMENT

GRI 404-3

Sierra Gorda SCM fosters personal and professional growth by encouraging workers to develop their full potential and aim for higher positions within the Company. Performance feedback is critical to this process.

In 2022, 100% of the staff with more than six months in the Company underwent an annual evaluation, which included for the first time POWER leadership criteria.

In addition, the ESTAR recognition program, which up until last year only recognized employees representing Company values, now also celebrates workers who display the POWER leadership traits.

TOTAL NUMBER OF MALE AND FEMALE WORKERS EVALUATED IN 2022		
Gender	Women	64
	Men	468
Work categories	VPs or Managers	23
	Staff	509

Finally, the Company uses a Performance Management System that comprehends five key stages, as detailed below:



QUALITY OF LIFE

Sierra Gorda SCM is driven by people. The Company is committed to providing its employees with a positive work experience to empower them to thrive personally, as a team and as a company. During 2022, the company created its Employee Value Proposition and an Action Plan

focused on improving the Quality of Life of people working at Sierra Gorda SCM. Some of the actions and activities contemplated in this plan are listed below.





Improved infrastructure and facilities

There are two new dining rooms, one for Projects and the other for the Mine Dome, as well as remodeled cafeterias and a renewed truck shop in the Industrial Area.



Quality of life onsite

Healthy eating campaigns, activities at the cafeterias for a change of routine and *Flavors of the World* menus, another way to celebrate the multicultural diversity of Sierra Gorda's teams.



Family ESTAR

This program includes a series of talks for employees on topics related to the wellbeing of their families, such as: Savings and investment, Breast cancer prevention, and Work-life balance, among others.

Anniversaries and birthdays

There were commemorations, greetings and activities for Labor, Father's and Mother's Days. Sierra Gorda also celebrate our employees on their birthdays with a card delivered to their rooms if they are onsite or an email, if they are working from home or at the office.



VIII Anniversary Celebration

Various onsite, online and family activities to celebrate Sierra Gorda SCM's anniversary, to which all employees and staff were invited.



Christmas Celebrations



Sierra Gorda has held two Christmas family celebrations in Antofagasta. On the occasion, employees and their families are treated to a fun day at an amusement park and the children receive gifts.



BENEFITS





GRI 401-2 GRI 401-3

Sierra Gorda promotes a healthy work-life balance for employees, as it considers it a fundamental element for the Company’s performance. Below are some of the relevant initiatives that the Company has spearheaded in this arena:

BENEFIT			DESCRIPTION		PAYMENT OF BENEFIT (FOR FULLTIME EMPLOYEES)	
	Life insurance		Health dental, catastrophic and life	100% employer		
	Disability coverage		Included in Company insurance	100% employer		

2022 INITIATIVES TO PROMOTE QUALITY OF LIFE

DESCRIPTION OF POLICY, COMMITMENT OR PROJECT


	Hybrid work	Workers on 5x2 shifts can work in the office 2 days weekly and the other 3, from home. As for those who are on a 4x3 shift, if their role allows it, they are given the option to work 1 week onsite and the following one at the place they choose to telework.
	Flexible working hours	Staff at the Antofagasta and Santiago offices can work in four alternative schedules, giving them the possibility of choosing the one that best suits them and their lifestyle.
	Remote work	During 2022, approximately 145 people worked from home.
	Childcare facilities (or monetary allocations for this purpose)	A monthly payment to cover childcare costs.


Parental leave


In 2022, only female workers took parental leave. 100% returned to work at the end of the leave period and 100% were still employed 12 months after returning to work


INNOVATION AND AUTOMATION FOR PEOPLE MANAGEMENT


Sierra Gorda SCM is committed to the wellbeing of all its workers and to guaranteeing operational continuity. This year the Company implemented a Process Automation Plan to improve its Human Resources processes. It contemplates the initiatives listed below:


 **Teamify:** For employees to schedule sports activities at the camp and to reserve the necessary facilities.


 **Virtual Credential:** Implementation of a virtual credential to replace its physical version.


 **School scholarship application system:** Support System run by HR for parents to send digitized versions of the documents requested for scholarship payments.


 **My bus:** App connecting workers in real time with the bus route to the mine site.


 **Digitization of personnel files:** At the request of the Labor Office, as part of its updating strategy to move towards electronic documentation, SGSCM digitized its personnel files

 **Recognizing your ESTAR quality:** SGSCM extended its recognition program to the workers of Collaborating Companies based on ESTAR values, with a view to including them in the culture and team of Sierra Gorda SCM.

 **Monitoring of working hours:** Implementation of an online employee timing clock, eliminating physical attendance books in the Antofagasta and Santiago offices.

 **CONEXIÓN Platform:** A new feature added to the ESTAR CONECTADOS application, for the different areas to upload news and users to comment and review each publication.

 **Hotel services app:** Allows users to request different camp services directly through the ESTAR CONECTADOS mobile application

 **WhatsApp:** Implementation of a new one-way communications channel to convey relevant information.

WORK RELATIONS

GRI 2-30 GRI 407-1

For Sierra Gorda SCM’s organizational culture is fundamental to foster a work climate based on respect, constructive dialogue and teamwork.

In 2022, 89.6% of the Company’s employees were unionized, their distribution by role is as shown below:

ROLE	NUMBER
Not unionized	14
Operators	938
Total unionized	18
Union Nº1	546
Union Nº2	374
Staff	570
Total unionized	127
Union Nº1	3
Union Nº2	100
Union of Supervisors and staff	340
OVERALL	1,522

It should be noted that the company provides extensive union benefits to all its workers, as organized by role. Likewise, both by policy and regulation, the Company doesn’t hinder the freedom of unionization of Sierra Gorda employees or of the workers of its suppliers and contractors, as it is a legally protected right.



OCCUPATIONAL HEALTH AND SAFETY

GRI 403-1 GRI 403-7 GRI 403-10

As stated in its five core values (ESTAR), Minera Sierra Gorda SCM places the highest value on the lives and wellbeing of the people working at its facilities; therefore, the Company places integrated health and safety management at the forefront of its duty. As part of its ongoing quest to provide a safe and healthy workplace, the Company strives to systematically ensure compliance with both legal requirements and internal standards.

SGSCM uses an Integrated Management System to monitor its health and safety performance. This system standardizes the elements and needs required to manage Health, Safety, Environment and Operation risks, and uses the resulting parameters to finely-tune its plans and programs.

As a result, the actions taken are defined according to the reality of the operational environment, the assignment of responsibilities and the definition of performance agreements; Likewise, they are based on legal and corporate obligations.

In this area, Sierra Gorda SCM strives to continuously improve its risk management on Health, Safety and Environmental issues, as established in its Policy and Values. The Company has a fundamental commitment to sustainable development and endeavors to meet it through effective management and focus on the desired results.

In 2022, the number and rate of deaths resulting from a work-related injury or work-related diseases was zero

SGSCM achieved a frequency rate of 0.59 in 2022, the lowest among the mining companies in the Antofagasta region and the second lowest in Chile, where the 2022 average was 1.41.

SGSCM obtained a TRIFR (Total Recordable Incident Frequency Rate) of 0.85 per million working hours, which is a record in the Company's entire history.

Each Management area designates the person responsible for this system and gives them the authority and responsibility to ensure that the Integrated Management System is established, implemented and maintained properly within their operation. Additionally, they have the obligation to report to their management for review and continuous improvement.

Sierra Gorda SCM's Integrated Management System (SG IMS) reconciles corporate, legal and local requirements with the guidelines put forth by the owners and with the need to advance the following goals:

- ✓ **Protecting the health and safety of people in the operation (employees, contractors, suppliers and visitors, among others).**
- ✓ **Respecting and safeguarding the environment where the Company operates, and the wellbeing of the neighboring communities.**
- ✓ **Carrying out the Company's business activities in an efficient and sustainable manner.**
- ✓ **Contributing to maintaining the Company's operational license and relevant permits.**

To establish accountability for operating the program and keeping its commitment to the relevant goals, the SG IMS categorizes its elements and functions as follows:



LEADERSHIP AND ACCOUNTABILITY

- » Leadership and commitment
- » Health, safety and environmental policy
- » Responsibility and authority structure



PLANNING AND MANAGEMENT

- » Risk identification, assessment and control
- » Managing change
- » Objectives and targets
- » Competence, training and awareness
- » Legal and other requirements



IMPLEMENTATION AND CONTROL

- » Operational control
- » Emergency preparedness and response
- » Internal communications
- » Documentation, records and control



VERIFICATION AND CONTROL

- » Audits
- » Incident investigation and learning



FOLLOW-UP AND LEARNING

- » Measurement follow-up
- » Management review

The SG IMS is designed to foster continuous improvement in each of its constituting elements, or simply to focus on those that require it, according to the following figure:

MONITORING AND LEARNING

- » Following-up on measurements
- » Reviewing management

VERIFICATION AND CONTROL

- » Audits
- » Investigating incidents and learning from them



PLANNING AND MANAGEMENT

- » Identifying, assessing and controlling risks
- » Managing and administering risks
- » Objectives and goals
- » Competence, training and awareness
- » Legal and other requirements

IMPLEMENTATION AND CONTROL

- » Operational control
- » Emergency preparedness and response
- » Internal communications
- » Documentation, records and control

GRI 403-8

In general terms, SG’s IMS focuses on controlling risks with the specific goal of avoiding injuries and damage to property, the environment and people’s health. Therefore, the system establishes a set of activities to verify compliance with the controls assigned to the tasks at hand and the conditions under which they are performed, according to their identified risks.



HEALTH MANAGEMENT

Managing health risks requires evaluating occupational and non-occupational health concerns through preventive health controls and epidemiological surveillance, with the goal of contributing to the prevention of diseases and improving the health and wellbeing of Sierra Gorda SCM and contractor companies' workers.

Listed below are some of the relevant healthcare initiatives carried out in 2022:



1,007 SGSCM WORKERS

Participated in the occupational health program.



737 WORKERS

entered the PLANESI protocol surveillance program. No silica occupational diseases were detected.



786 WORKERS

entered the PREXOR protocol surveillance program. No occupational illnesses due to noise were detected.

During the year, SGSCM implemented a fatigue and drowsiness program with the participation of Mine Management. Some of the preventive activities included in the program are listed below.:

- ✓ Training for operators to reinforce good sleep and healthy eating.
- ✓ Performing oximetry tests to check workers who report difficulties in falling asleep.
- ✓ Polysomnography tests for workers with observations in oximetry studies.
- ✓ Counseling and medical referrals to follow-up on workers with observations.
- ✓ For critical cases.



As for the integral health program with *Mutual de Seguridad CCHC*, the onsite doctor is following up on 60 workers with health observations. The physician prescribes exams and counsels the workers on ways to improve their health parameters.



To comply with the regulations for COVID-19, the Company implements preventive activities. The following initiatives are still in place.

- ✓ COVID-19, five rules for life
- ✓ On-site antigen testing, especially for personnel going to the polyclinics.
- ✓ Intown antigen and PCR testing for referred cases.
- ✓ Checking parameters in work areas to prevent COVID-19



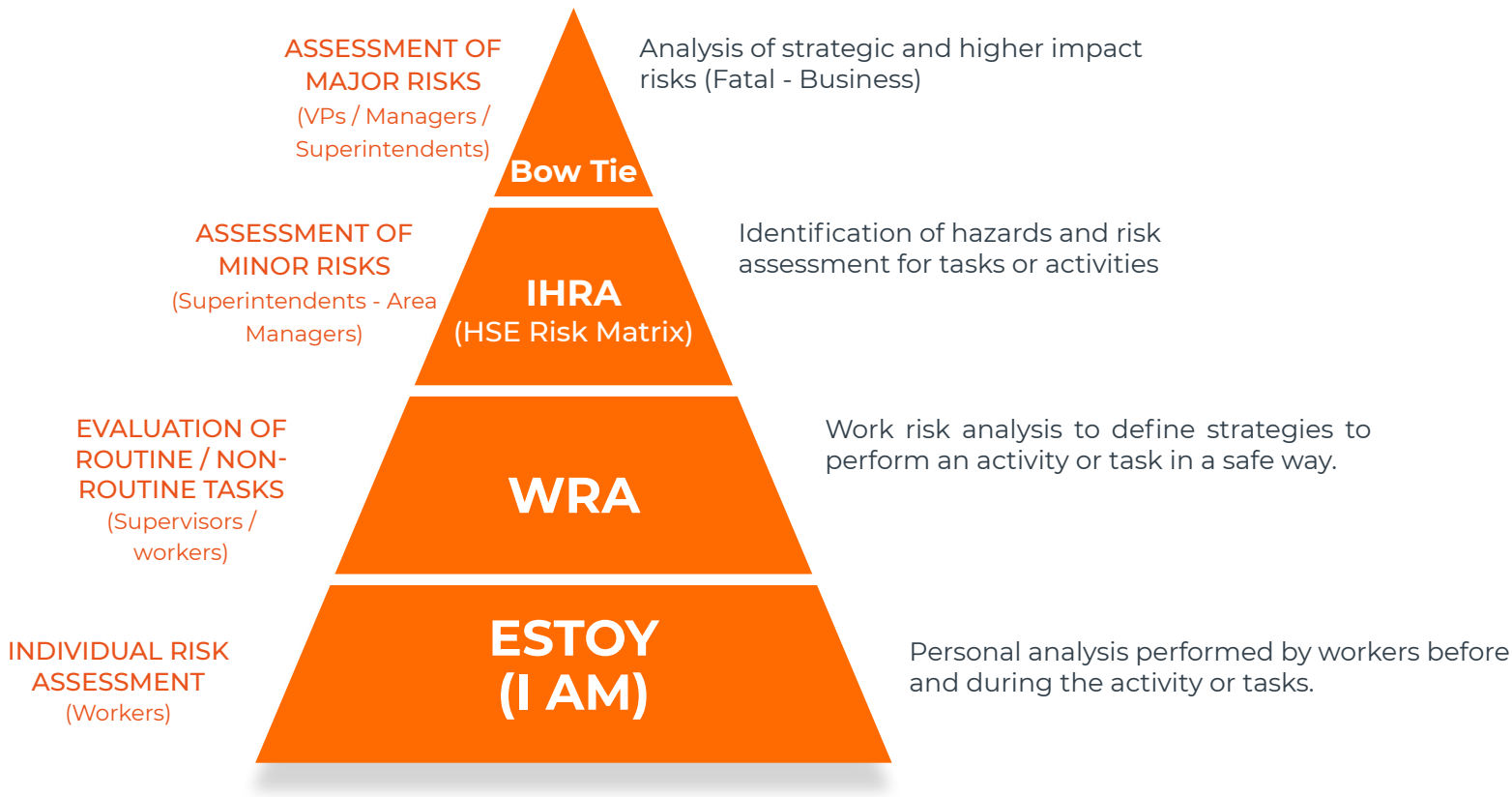
As per defined in the regulatory framework, the Company offered the following training instances in 2022:

- ✓ Training in first aids to 298 supervisors: 79 SGSCM and 219 Contractor Companies.
- ✓ Training in Ministry of Health protocols to 1,481 workers: 480 SGSCM and 1,001 Contractor Companies.

SAFETY MANAGEMENT

GRI 403-2

Safety management develops a 4-layer assessment model to identify, evaluate and classify hazards and risks and their possible impacts on daily activities, irrespective of whether they are carried out by Sierra Gorda workers or by employees of suppliers or contractors.



For individual workers to assess risks and ensure that they can identify, evaluate and control possible hazards that may occur before, during and after the task or activity at hand, Sierra Gorda SCM employs the ESTOY (Spanish for I am) tool.

This process is comprised of four phases:



Considering incidents that could cause harm to people and/or high potential events that could affect the normal operation of the site, Sierra Gorda SCM implements a zero-repetition policy that calls for all instances to be thoroughly reviewed and investigated to define standards and implement immediate preventive and/or corrective actions. Lessons learned are then shared with internal and external stakeholders, as applicable.

The **ESTOY** preventive tool is designed to be used by Sierra Gorda and/or contractor company workers to identify, evaluate and control the possible hazards that could occur before, during and after their intended activities.

The protocol was modified in 2022 to incorporate the use of a QR code to access an electronic checklist. Once workers go through the relevant questions, a verification email confirms that the process was successfully completed.

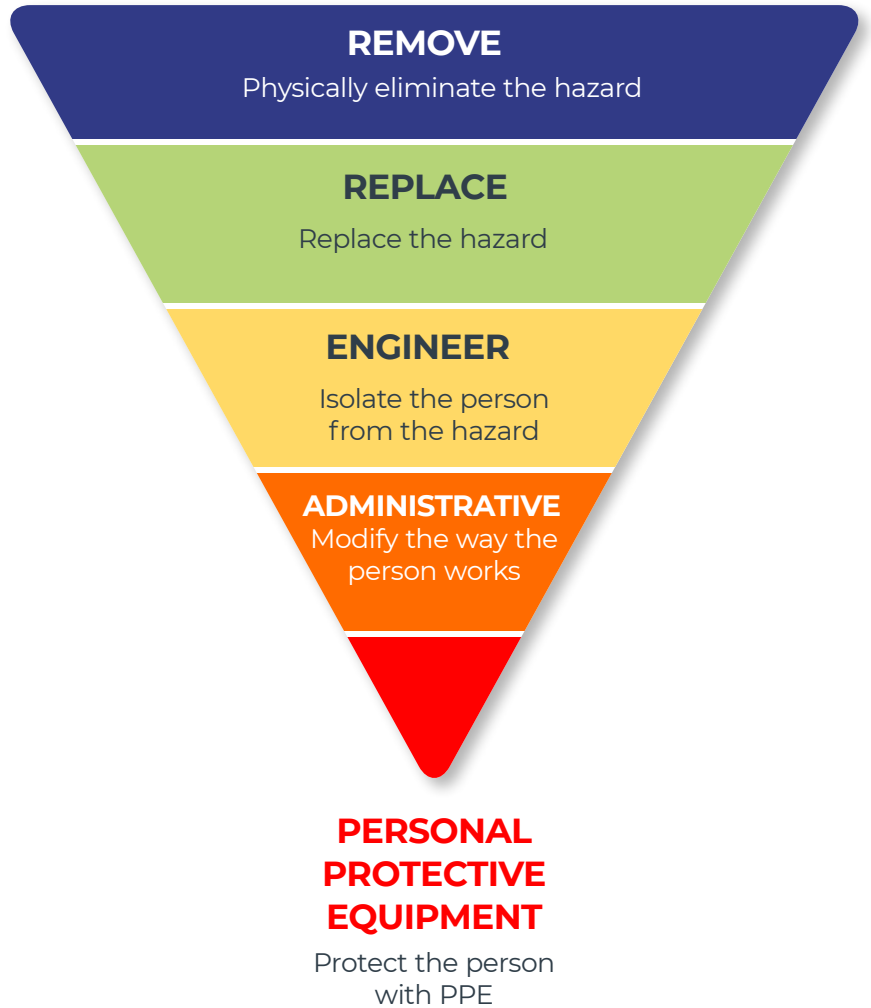
INCIDENT INVESTIGATION PROCESS

Regarding the investigation of incidents, this process includes gathering information, validating this information according to a causal model, identifying the direct and root causes of the incident, and establishing recommendations and control solutions. The cycle consists of four stages: reporting, investigating, establishing preventive and/or corrective actions and learning from the event.

The following flowchart illustrates the incident investigation process:



To define corrective and preventive actions, the Company applies a Risk Control Hierarchy approach, always prioritizing the implementation of actions in the following order: eliminate, replace, engineer, manage and personal protective equipment. The following chart shows the correct use of the Risk Control Hierarchy approach.



INTERNAL COMMUNICATIONS PROCESS

GRI 403-3

Sierra Gorda SCM fosters and keeps open and transparent communication channels for concerns regarding health, safety and environmental issues, allowing for information and queries to flow. The goal is to maintain an effective and ongoing collaboration that includes both internal and external stakeholders. To this effect, the Company defines the most effective communication means according to the relevant stakeholders at hand.

Some of the instances that are part of the processes of participation, consultation and communication of relevant information on health, safety and the environment are listed below:

- Zero Harm meetings in person and online
- Online *How are we doing?* Meetings
- Operational meetings in person and online
- Safety meetings in person and online
- Corporate mailings and newsletter
- Use of the *Staying Connected* tool
- Visible leadership
- Safety walks
- Joint Health and Safety Committee SGSCM – Mining site

Sierra Gorda SCM looks to establish a participative management model that includes both Company and contractor/supplier workers. Based on the use of communication channels, the Company strives to advance initiatives for the improvement of health, safety and environmental

matters, as it values creativity at all levels of the organization and looks to harness it, for example, to improve processes and more efficiently manage risks.

PARTICIPATIVE MANAGEMENT CONCEPTS

Visible Leadership	Safety Meetings	Zero-Harm Meetings	Safety Walks	Joint Health and Safety Committee SGSCM – Mine site	How are we doing meetings
The process by which the Executive Committee, Managers, Superintendents and senior management of contractor companies meet with workers to discuss the main issues pertaining to health, safety or the environment.	Internal communications tool to inform stakeholders about risk management concerns, the results of investigations of incidents, progress made by focused leadership programs on the field, lessons learned from incidents, closing of action plans, progress of the hygiene or occupational health program, and environmental management, among others.	Communication instances that involve the entire organization and its contractor companies, to communicate matters such as the main accident indicators, plans to improve health, safety and environmental parameters in contractor companies and share specific experiences (or good practices).	This is an opportunity to discuss the main aspects of workers’ health, safety or the environment, reinforcing the positive aspects and, if necessary, constructively addressing unsafe behaviors or conducts as observed.	A technical participatory body that includes Sierra Gorda SCM and its workers. It is entrusted with the task of detecting and evaluating risks of accidents and occupational diseases. Onsite, the committee also adds representatives of contractor companies and is therefore renamed and rebranded Joint Site Committee.	An internal instance for all SGSCM employees to learn about the progress that the Company has already achieved on its goals in terms of safety and production, and to recognize the achievements of workers.

Onboarding processes for new employees and contractors

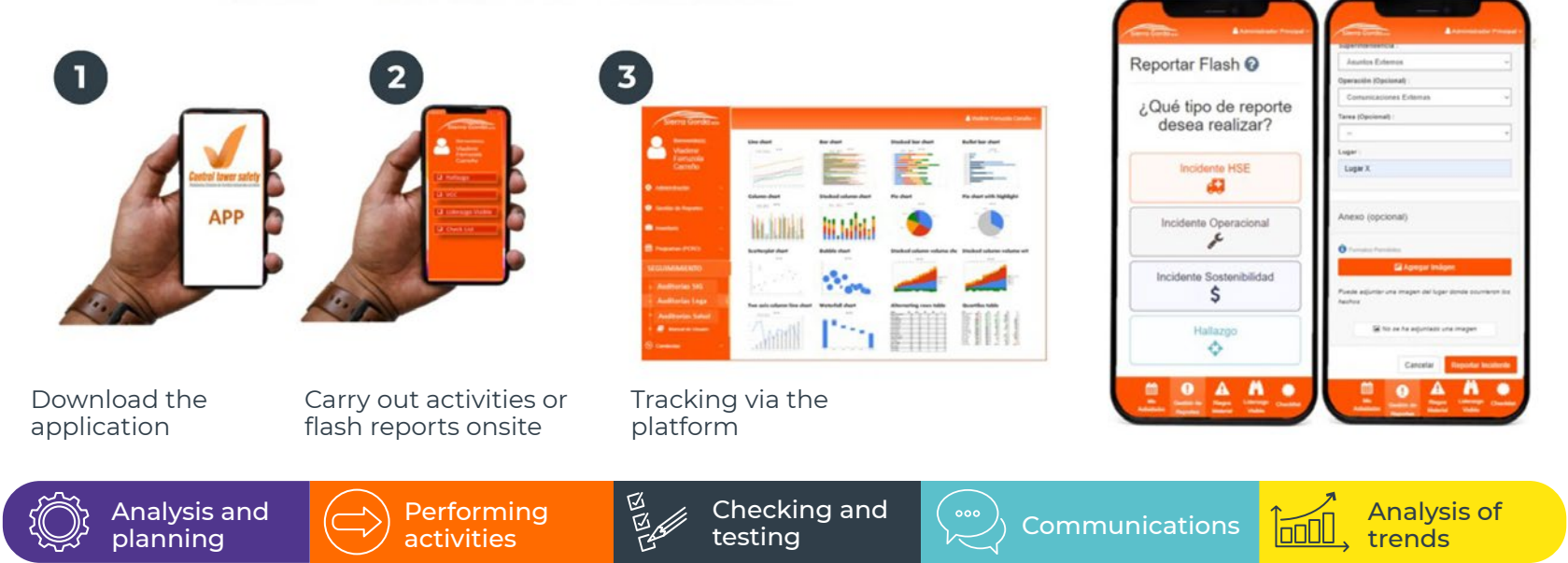
Sierra Gorda SCM follows a systematized process to onboard new Company or contractor company employees. An external company provides this service under the guidelines of the Health, Safety and Environment Management.

TOTAL 2022 ONBOARDING PROCESSES	
SGSCM workers	Contractor company workers
9,187	325

Incident Reporting

Action Plan

APP FOR HSE REPORTING



TRAINING

GRI 403-5

SERNAGEOMIN certification in risk prevention techniques for workers

16 SGSCM workers from different areas took part in the course Risk Prevention Techniques for the Extractive Mining Industry in Chile, which was taught by the National Geology and Mining Service (SERNAGEOMIN by its acronym in Spanish) and led to a certification in occupational risk prevention.

The course lasted two months and the final certificates were handed out at the mining site. The main authorities of the Company and of the public institution attended as guests.



The Health, Safety and Environment Area implements a training and development model that seeks to impart risk management knowledge to people, empowering them to use their capabilities and providing them with tools to contribute to a culture of safety in the region and the entire country.

This model interacts with other critical areas, such as occupational health and environmental management. The system works by identifying

the processes within the operation that present the highest degrees of variability and offering tools for the workers involved to effectively deal with them.

With a permanent focus on strengthening the safety culture within the organization, in 2022 the Company offered the following training courses for SGSCM workers and workers from contractor companies.

COURSE	CONTRACTOR COMPANIES	SIERRA GORDA SCM	OVERALL TOTAL
Onboarding for new hires.	9,187	325	9,512
Molybdenum onboarding	156	59	215
Onboarding for teleworking	7	9	16
Isolation and lockout	2,816	223	3,039
Confined spaces	1,222	191	1,413
ESTOY tool	1,876	183	2,059
Causal factor tree analysis	250	134	384
Lifting or hoisting	962	190	1,152
Defensive driving and regulations	2,702	333	3,035
Electrical hazards	702	125	827
Material hazards	2,724	317	3,041
Rigger	9	18	27
Hazardous substances	806	208	1,014
Work at heights	3,277	199	3,476
Hot work	1,415	126	1,541
Use and handling of fire extinguishers	1,309	180	1,489
Overall total	29,420	2,820	32,240

Additionally, during 2022 the Company offered the following training instances to strengthen its chain of command:

1. SERNAGEOMIN course in safety for experts, which was completed by 17 SGSCM supervisors and executives.
2. Senior management leadership course for 25 supervisors and executives, imparted in coordination with *Mutual de Seguridad*.
3. First Aid Course for 298 SGSCM and contractor companies' supervisors, imparted in coordination with *Mutual de Seguridad*.
4. Course on civil and criminal liability for 35 supervisors.

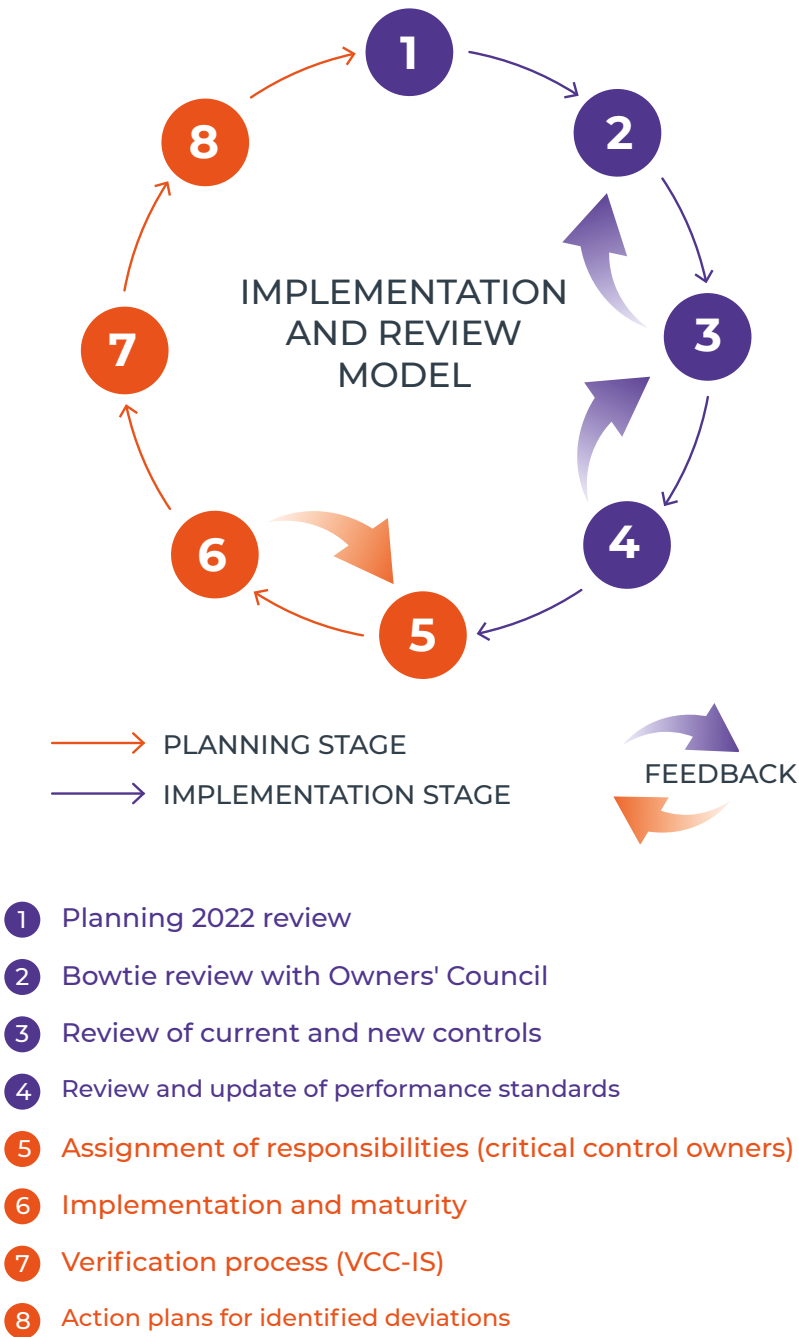
In addition, during 2022, the Company implemented a certification process for equipment operations, both for in-house as well as contractors' workers, improving maintenance processes.

MATERIAL RISKS

GRI 403-2

Sierra Gorda SCM’s priority is to safeguard the health and safety of people. Therefore, the Company is concerned with identifying and managing material risks to ensure that workers, suppliers and neighboring communities remain safe and healthy.

Material fatality risks are defined as those capable of producing one or more fatalities in operations. To manage them, the organization has a process set in place to identify the risk, define critical controls and verify their correct implementation onsite. In 2022, Sierra Gorda engaged in a complete review of its material risk process to bring it up to code with the ICMM model.



The following aspects emerged from this review:

Identification of 13 **MATERIAL RISKS** and their owners, who manage them within the Company

Loss of control when handling explosives

Loss of control of mining equipment

Falling object

Loss of control during lifting maneuver

Inhalation of sulfide gas (H2S)

Uncontrolled release of energy

Interaction of person with equipment and/or vehicles

Entrapment

Work in confined space

Contact or loss of control with electrical energy

Fall from height, loss of balance

Ground failure

Loss of control of vehicles

36 CRITICAL CONTROLS validated by their owners.

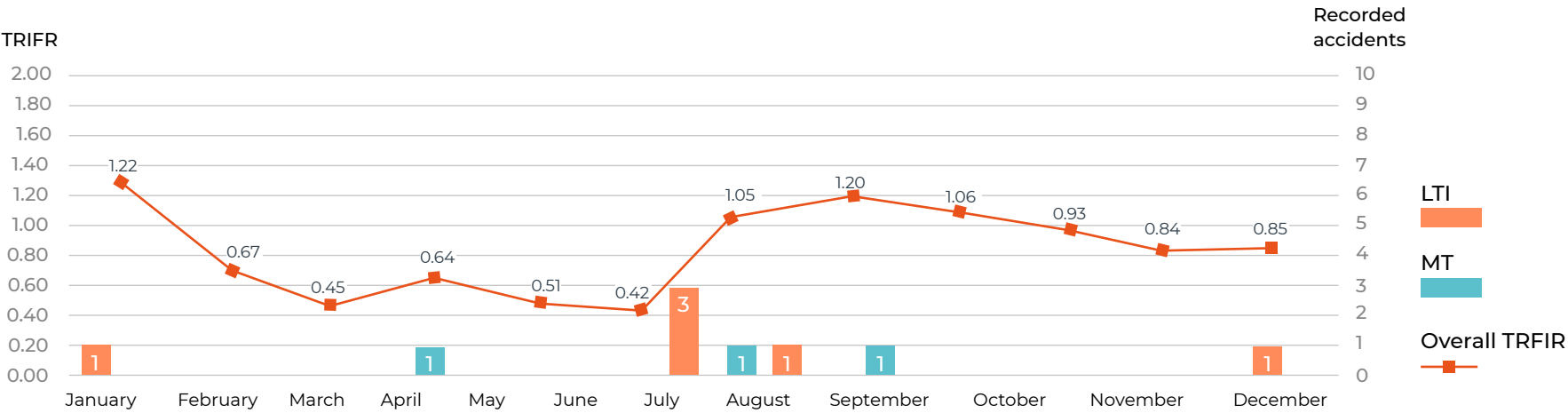
DRAFTING OF 14 safety guidelines validated by their respective owners (RM-F).

3,041 WORKERS trained on material risks, both SGSCM and contractor companies’ employees.

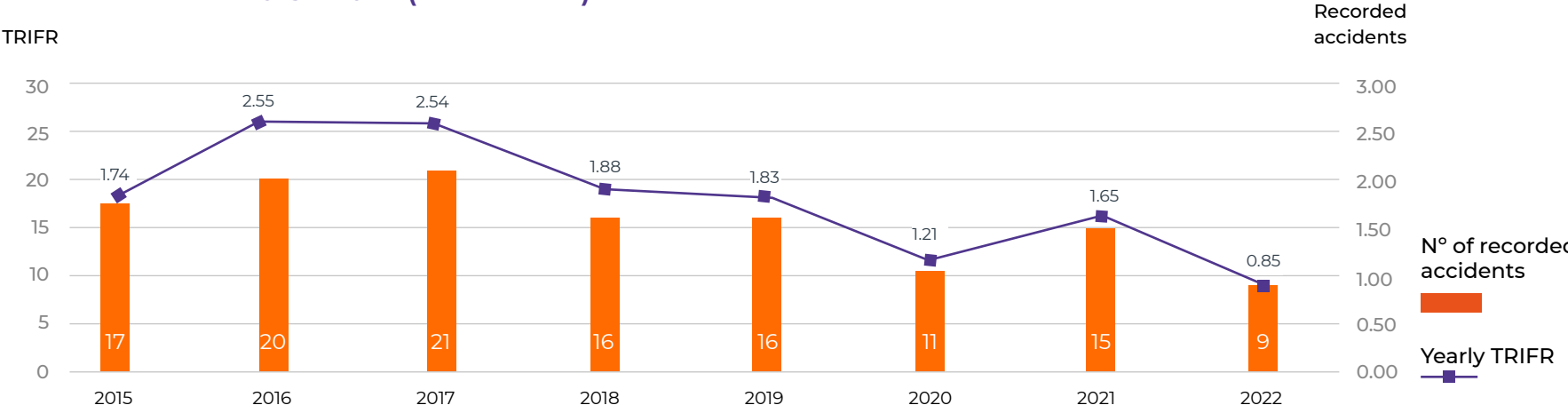
HEALTH AND SAFETY FIGURES

GRI 403-9 GRI 403-10

TRIFR distribution (one million)

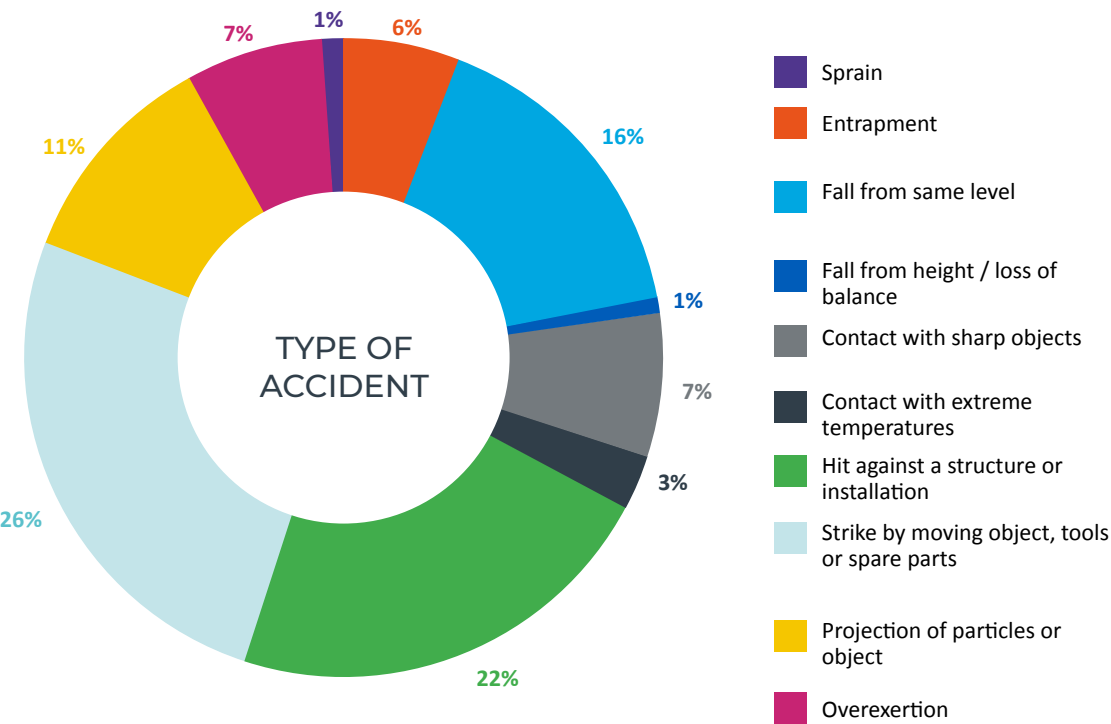


Historical TRIFR 2015 - 2022 (one million)



YEAR	TOTAL ACCIDENTS	RECORDABLE ACCIDENTS	ACCIDENTS WITH LOST TIME	RECORDABLE ACCIDENT FREQUENCY RATE (TRIFR)	FREQUENCY INDEX CHILEAN LAW	SEVERITY INDEX	LOST DAYS	FATAL ACCIDENTS	OCCUPATIONAL DISEASES
2019	68	16	12	0.36	1.37	60.83		0	-
2020	67	11	9	0.24	0.99	100.56	181	0	-
2021	62	14	9	0.31	0.99	10.73	98	0	-
2022	74	9	6	0.85	0.58	11.16	116	0	0

1. Total accidents: includes accidents with lost time, without lost time and fatal.
2. Total fatal accidents, with lost time and medical treatment.
3. Accidents with lost time: number of work accidents in which the worker had to take time off for medical rest for one or more days due to temporary disability.
4. Total Recordable Incident Frequency Rate, TRIFR: $(\text{number of recordable accidents} + \text{fatalities}) / \text{Hours Worked} * 200,000n$.
5. Accident Frequency Rate: $(\text{accidents with lost time} + \text{Fatalities}) / \text{Hours Worked} * 1,000,000$.
6. Severity rate: $(\text{days lost due to accidents} + \text{charged days}) / \text{Hours Worked} * 1,000,000$.
7. Days lost due to accidents: number of days lost due to work accidents that are subject to subsidy payment, whether the subsidy is paid in the reported month, including carry-over, or not.
8. Fatal accident: An accident that causes the death of the worker immediately or as a direct consequence of the accident.



7. ENVIRONMENTAL MANAGEMENT



ENVIRONMENTAL MANAGEMENT

The environment is a core and transversal focus and concern for all areas of Sierra Gorda SCM. As part of a contemporary approach to mining, it aligns with the production of green copper; environmental management seeks to consolidate Sierra Gorda SCM as an environmentally responsible and sustainable mining company.

Environmental management at Sierra Gorda SCM consolidates all actions, both operational and administrative, that aim to ensure a responsible

interaction with the environment. It also engages with all Company areas, as well as with contractors and suppliers that in one way or other contribute to the mining project and its value chain.

The area's objective is to safeguard environmental sustainability throughout the entire operation and oversee compliance with environmental and legal commitments.

The work is mainly focused on the following issues:



Water management and groundwater monitoring



Meteorology and air quality



Waste management



Management and handling of hazardous substances



Management of archaeological heritage aspects



Wildlife rescue



Management of carbon footprint

MAIN ENVIRONMENTAL MILESTONES



2022 MILESTONES

- ✓ Obtained Environmental Qualification Resolution RCA N°202202001216/2022 to expand the Tailings Deposit and ancillary facilities.
- ✓ Certification of the use of renewable energies in Sierra Gorda SCM, covering 40.5% of the total power intake.
- ✓ Recertification of the 2022 Clean Production Agreement (CPA) for Mining Logistics at Antofagasta port.
- ✓ Drafting and communication of the new Assurance Policy, which aims to ensure compliance with the obligations emanating from the sectoral permits and applicable regulations.

REGULATORY COMPLIANCE

GRI 2-27







Sierra Gorda SCM ensures compliance with all environmental regulatory frameworks and standards, requirements that are essential for the functioning of its mining operations. These guidelines are contained in its Sustainability Policy, which seeks to mitigate and/or minimize negative environmental impacts. This is achieved by promoting a collaborative and integrated culture that works to achieve a sustainable operation.

Thanks to this collaborative approach, the Company closed its 2022 period with no environmental sanctioning procedures.

ENVIRONMENTAL MANAGEMENT TRAINING

Throughout the year there is ongoing training for all Company operating areas as well as for contractor companies. In 2022, 925 people received training in environmental management issues.

ENVIRONMENTAL MANAGEMENT TRAINING INSTANCES DURING 2022

Issue		January	February	March	April	May	June	July	August	September	October	November	December	Overall
	Environmental Management	88	9	18	10	6	13	7	11	9	9	9	7	196
	Fauna	1	3	5	16	0	1	3	2	4	0	9	7	51
	Waste management	7	12	15	16	6	1	7	11	9	5	10	12	111
	Air quality	7	12	15	16	21	6	7	11	9	5	10	12	131
	Archeology	1	9	6	10	6	1	0	2	0	0	0	0	35
	Hazardous Substances	1	0	7	10	6	1	12	89	77	32	22	144	401
TOTAL (PEOPLE)		105	45	66	78	45	23	36	126	108	51	60	182	925

WATER MANAGEMENT AND MONITORING OF GROUNDWATER

GRI 303-1 GRI 303-3

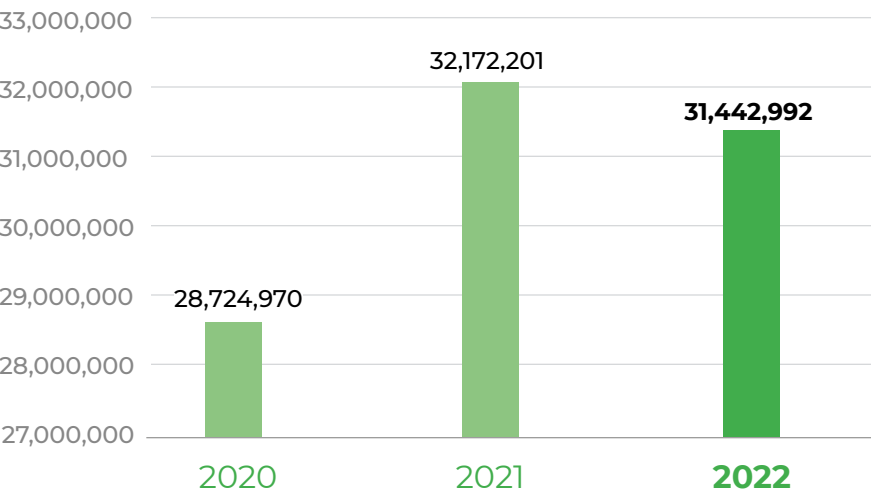
Water resources are indispensable for human life and human activities, therefore they must be used and managed with the utmost responsibility, especially considering the local context of water scarcity that has been worsening in Chile, particularly in the Antofagasta region and its immediate surroundings.

Taking this into consideration and ever since its beginnings, Sierra Gorda SCM has supplied its operation with reused seawater, which comes from the cooling system of a thermoelectric plant located in Mejillones and is transported through a 143 km aqueduct to the mine site.

In keeping with its commitment to strive for excellence in all activities, during 2022 the Company undertook a series of improvements to its drinking water network, to provide better quality of life to workers and a more efficient management of risks associated with water efficiency.

The following graph details the extraction of seawater during 2022:

Seawater use



Note: The total seawater use for 2020, was amended to 28,724,970 and is not 30,714,866, as published in the previous Sustainability Report.

Sierra Gorda SCM is constantly monitoring the site’s groundwater system. There are also, different online management tools in place to comply with current environmental regulations such as the Chilean Water Directorate Exempt Resolution No. 31/2022 “General instructions for monitoring the water component in tailings deposits”. This official guideline requires

companies to provide historical hydrogeological monitoring data, upload it to the API Rest System of the Water Directorate, create a registry of monitoring points (wells and sources) and deliver quarterly electronic reports, among others.

METEOROLOGY AND AIR QUALITY

Meteorological variables and air quality are pivotal to the Company’s environmental management. To this end, all variables are monitored on an ongoing basis and blasts are done according to a Blasting Protocol that regulates the more than 270 blasting operations that carried out each year.

Ensuring a permanent dialogue with the community, including open communication channels and feedback processes, is one of the requirements for Sierra Gorda to maintain its operational license.

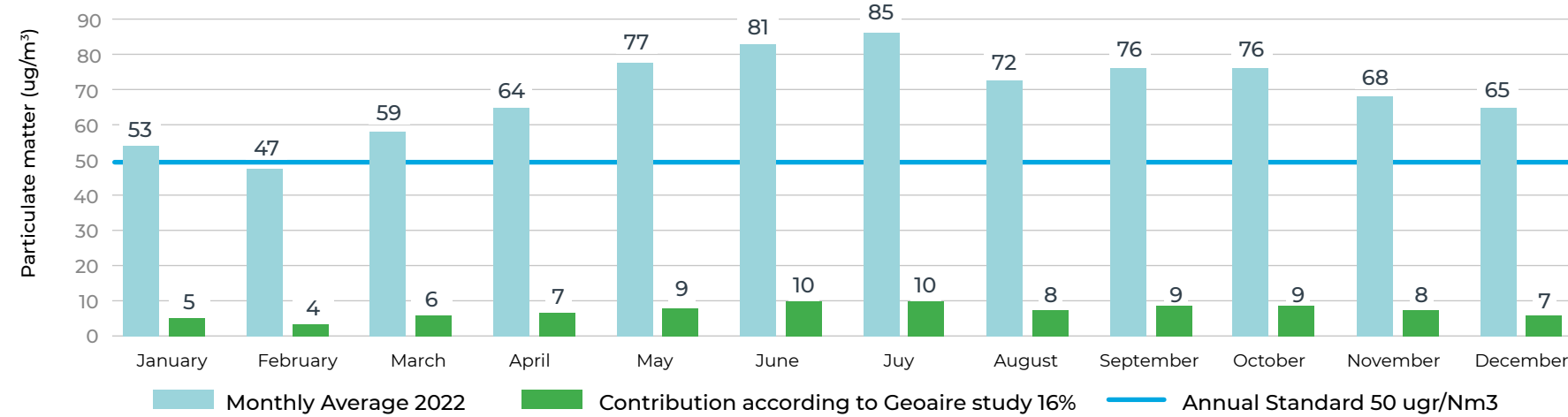
The main monitoring and control activities pertaining to air quality, including the exhaustive maintenance of the Sierra Gorda SCM’s air quality monitoring network, aim at controlling the level of annual PM10 emissions.

In 2022, the Environmental Superintendency (official Chilean environmental agency) advised the Company in terms of meteorology and air quality in 273 blasting processes. During these processes, approximately 172,157,934 tons of ore were fragmented with no comments from the community.

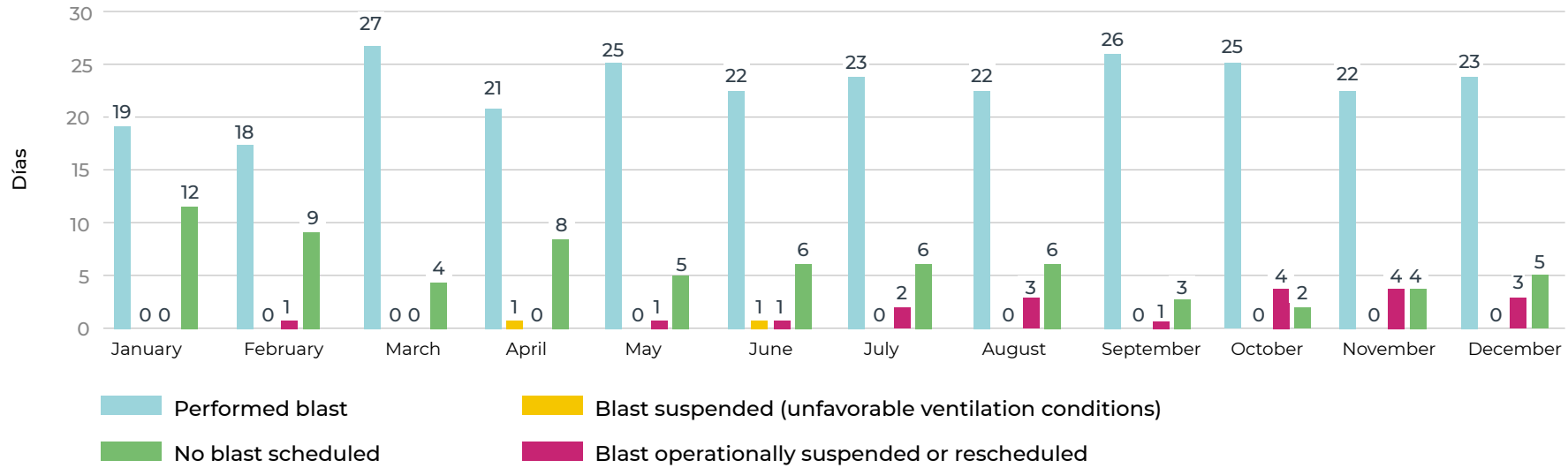
Also, the maximum monthly average of MP10 was 85 µg/ Nm3 in July during winter, given that ventilation conditions tend to worsen during this time of the year.

The annual average of PM10 in 2022 was **69 µg/Nm3**.

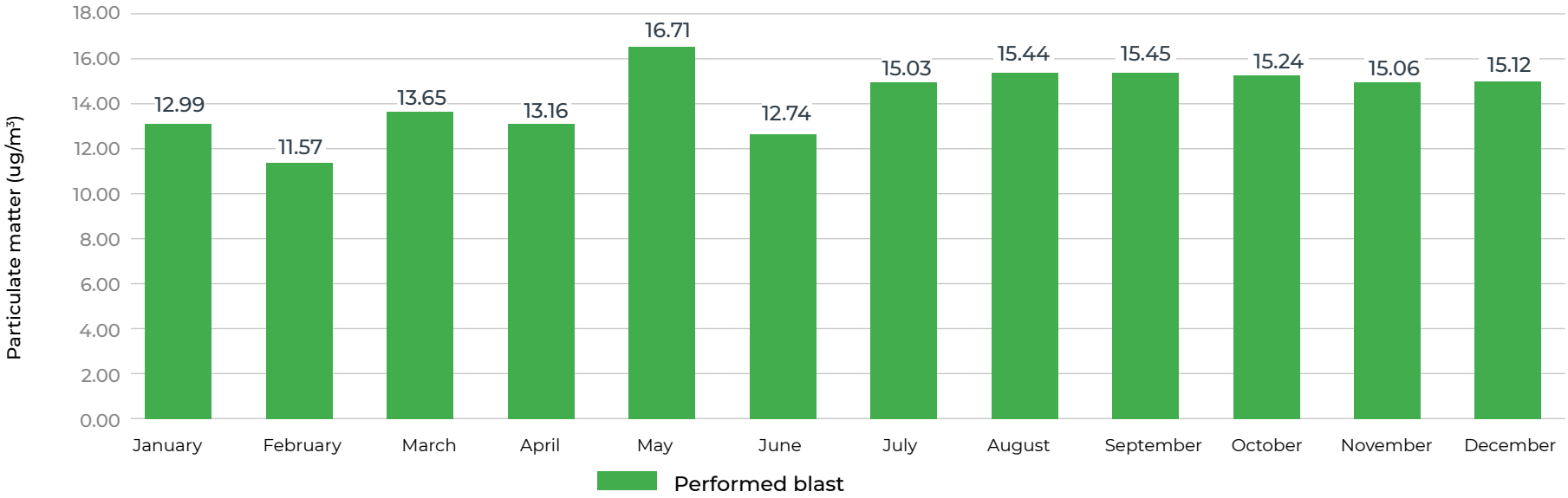
Monthly cycle of particulate matter concentrations at Sierra Gorda in 2022



Blast distribution during 2022



Distribution of blasts during 2022 (tons)



WASTE MANAGEMENT

GRI 306-3 GRI 306-4

In line with environmental commitments and applicable standards, Sierra Gorda SCM implements an integrated waste management plan, which regulates the generation, transportation and temporary disposal of all waste materials generated onsite.

The purpose of this plan, which applies to all Company employees and contractors operating at the site, is to define and undertake activities

related to integrated waste management, including segregation, storage, removal, transport and final disposal of domestic, industrial and hazardous waste materials produced in operations, as per the requirements of current regulations (Law 20,290).

The color code used onsite is defined according to the following chart:



Household waste:

Food scraps, food containers, fruit scraps, paper and napkins, packaging materials, tin foil, plastics, cigarette boxes, tea boxes, cell phone boxes or similar packaging materials, disposable cups and office supplies.



Non-Hazardous Industrial Waste:

Uncontaminated PPE, remnants of cutting discs, welding rods, plastics, hoses, wood scraps, mineral wool, small metals, nails, bolts, electrical cable scraps, wire scraps and the like.



Hazardous industrial waste:

(segregated by class and solid / liquid state): Contaminated PPE, rags, aerosols, lime residue, residual oil, batteries, paints and soil contaminated with hydrocarbons.



Recyclable waste:

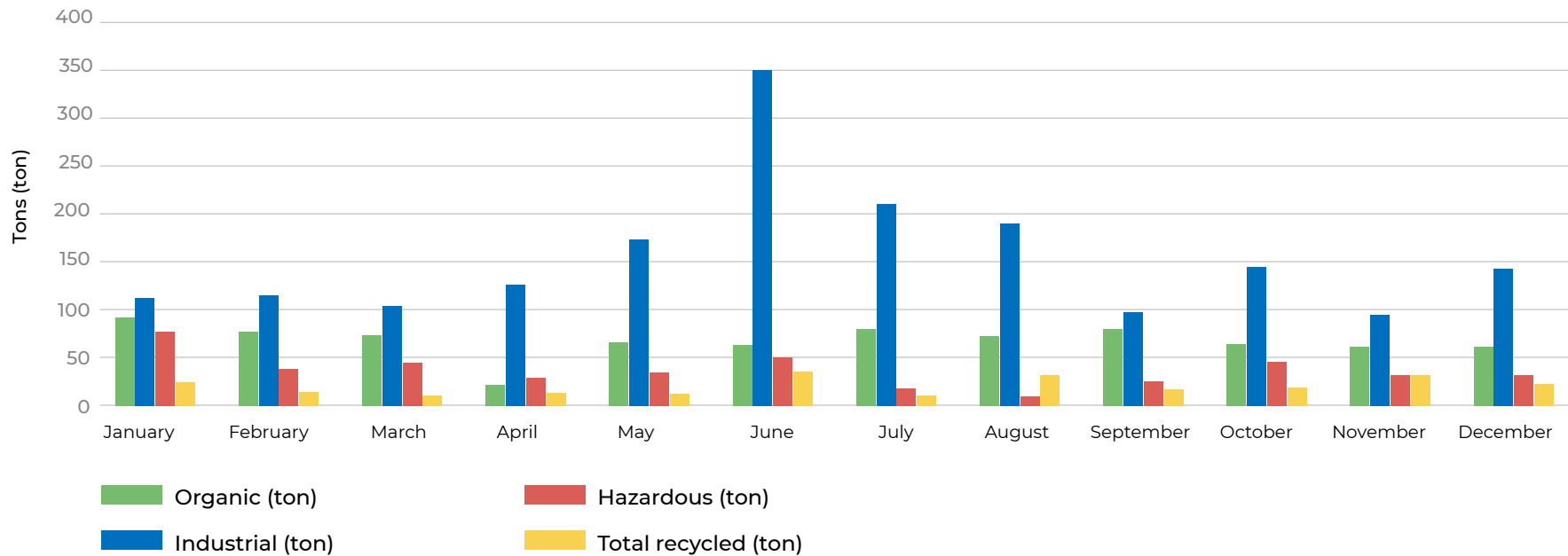
Plastic bottles, white paper and cardboard.

Waste materials onsite can be stored in containers or hoppers provided to this effect. In both cases, waste is transported to the Transitory Storage Yard (TSY) for proper segregation and transport to its final disposal in the case of domestic, industrial, and industrial hazardous waste. In the case of domestic waste, it is disposed of in a sanitary landfill onsite built according to exempt resolution No. 4869.

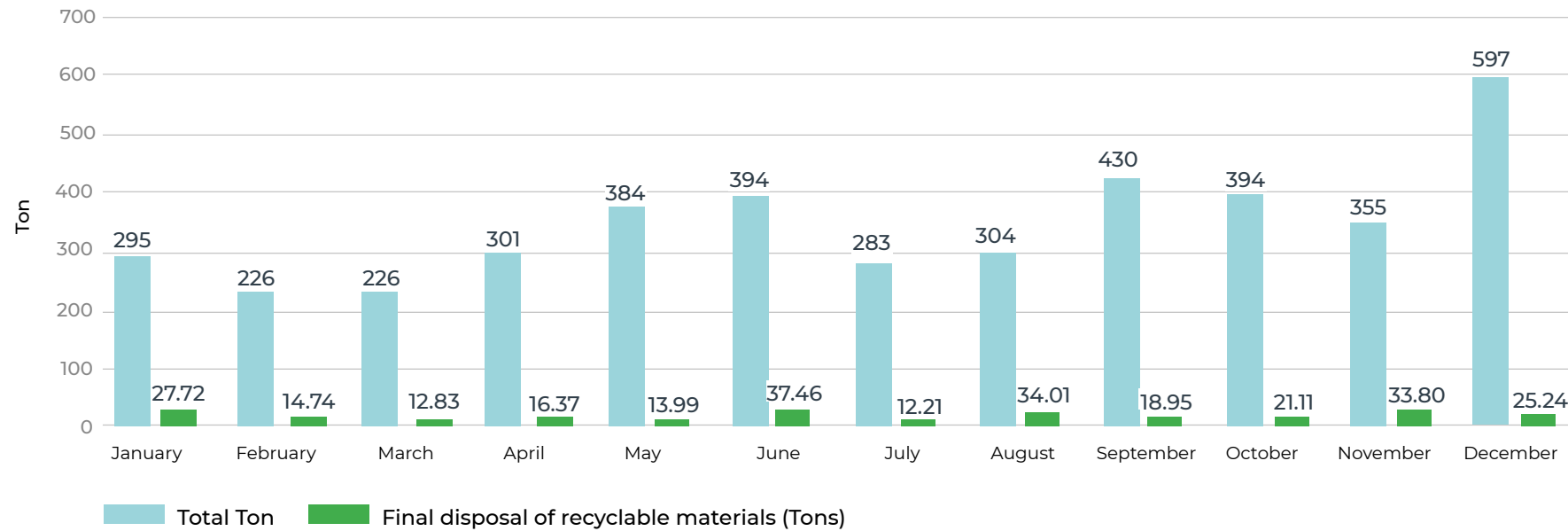
During 2022, the operation generated 838 tons of organic waste, 1,883 tons of non-hazardous industrial waste, 455 tons of hazardous waste and 218 tons of recyclable waste, for a total of 3,394 tons throughout the year.

Additionally, 268 tons of waste were recycled, which correspond to the energy equivalent of waste oil recovery and cardboard recycling, in compliance with the REP Law No. 20,920 which seeks to promote circular economy practices.

Waste materials generated in 2022












Disposal of recyclable waste during 2022



MANAGEMENT AND HANDLING OF HAZARDOUS SUBSTANCES

GRI 306-5

Regarding hazardous substances, their management and handling in Chile is established in Supreme Decree D.S 43. Hazardous substances are defined as those that may pose a risk to the health, safety or welfare of humans and animals. These substances have been classified into the following nine categories:

 Class 1 Explosives	 Class 2 Gases	 Class 3 Flammable Liquids
 Class 4 Flammable Solids	 Class 5 Oxidizing substances and organic peroxides	 Class 6 Flammable Liquids Toxic and infectious substances
 Class 7 Radioactive substances	 Class 8 Corrosive substances	 Class 9 Miscellaneous substances and objects

Each of the hazardous substances must be labeled according to their classification, and they must also have another diamond-shaped label that serves to identify the hazards based on the following four categories:

- Health hazards (blue)
- Flammability hazard (red)
- Reactivity hazard (instability of the substance) (yellow)
- Increased severity

*The first three categories are graded from 0 to 4 to indicate the severity of the risk.

Sierra Gorda SCM is aware of the effects that these waste materials could have on human health, which can be affected by exposure to these hazardous substances whether for a short period (acute effect) or during long-term exposure (chronic effect). Some of these effects are listed below:

- Poisoning
- Asphyxiation
- Respiratory diseases
- Allergies
- Cancer
- Skin diseases



TAILINGS MANAGEMENT

After the Antofagasta Environmental Assessment Commission approved the environmental impact study for the “Updating of the tailings deposit and associated facilities” project, Sierra Gorda SCM will begin optimizing the deposit, which involves an investment of US\$400 million and includes the following actions:



Reducing the height of its walls to diminish the associated movement of material and improve the stability of the walls.



Increasing its surface area to maximize the evaporation rate of the reservoir and minimize the possibility of infiltration.



Building a third high-rate tailings thickener of 86 meters in diameter, which will achieve a discharge density of 62% solids. Its goal is to optimize density of the tailings to achieve better disposal, and to recover more water during the process.

Completion of construction and commissioning is scheduled for 2023 and the estimated investment for this project is USD \$80 million.

MANAGEMENT AND HANDLING OF ARCHAEOLOGICAL FINDINGS

The Company monitors and verifies the status of all archaeological sites and findings identified in its Environmental Qualification Resolution and in observance of environmental commitments and laws and regulations within its area of influence. Incidents must be monitored and reported directly to management for an onsite review and to determine the appropriate actions in the event of new findings (preservation of archeological sites and objects) or if any existing ones show signs of damage.

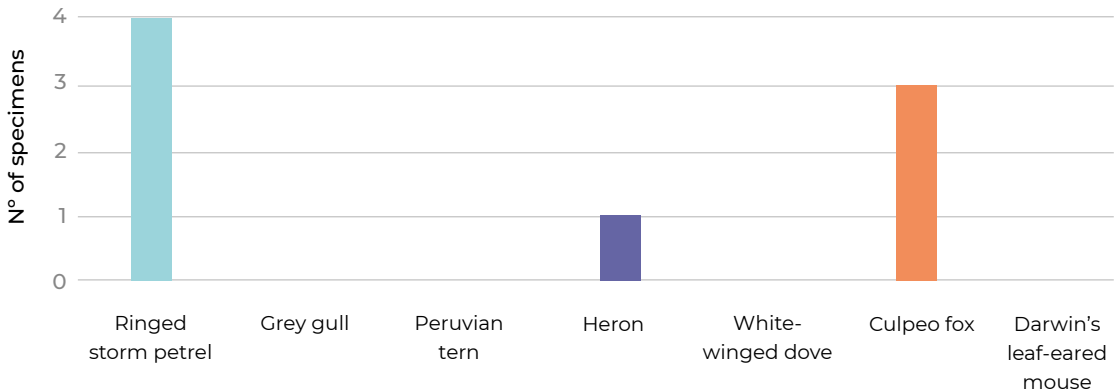
- Compliance and control
- Do not remove or abandon suspected archeological materials.

- Remove all waste of any kind that you carry in your vehicle.
- Transit on existing roads.
- In case of detecting elements that may belong to the category of Archeological and/or Cultural Heritage (bones, remains of ruins, vessels or any other evidence that could point to the presence of these elements), stop the works, abandon the area and immediately notify the Company’s Environmental Area.

WILDLIFE RESCUE

In 2022, there were eight sightings of specimens belonging to animal species found within the mine site. In accordance with environmental commitments stemming from Sierra Gorda’s Environmental Impact Qualification and the provisions of environmental regulations such as No. 343/2022, which includes biodiversity monitoring, these sightings were adequately recorded.

2022 wildlife sightings



MANAGEMENT OF CARBON FOOTPRINT

GRI 305-1 GRI 305-2 GRI 302-1 GRI 302-3

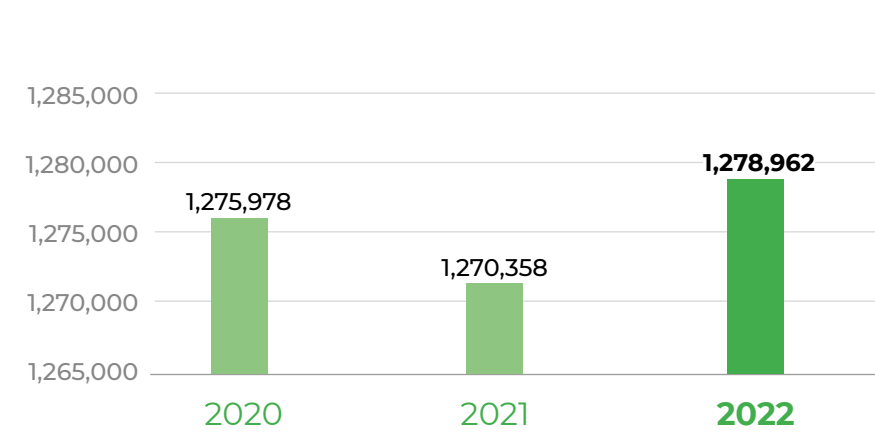
To comply with the correct functioning of the mining operation, the Company uses various energy sources which includes fossil fuel sources (diesel, gasoline and electric energy). There is an environmental impact associated to the supply of multiple energy sources.

Sierra Gorda SCM is aware of this environmental impact and is committed to optimize its energy use by encouraging a gradual migration to Non-Conventional Renewable Energies (NCRE).

Sierra Gorda SCM’s power is supplied by Empresa Eléctrica Cochrane. A 500 MW generating plant feeds a substation located inside the mine site through a high voltage line (220 kV).

The following chart shows a breakdown of the Organization’s internal electricity consumption for the reporting period:

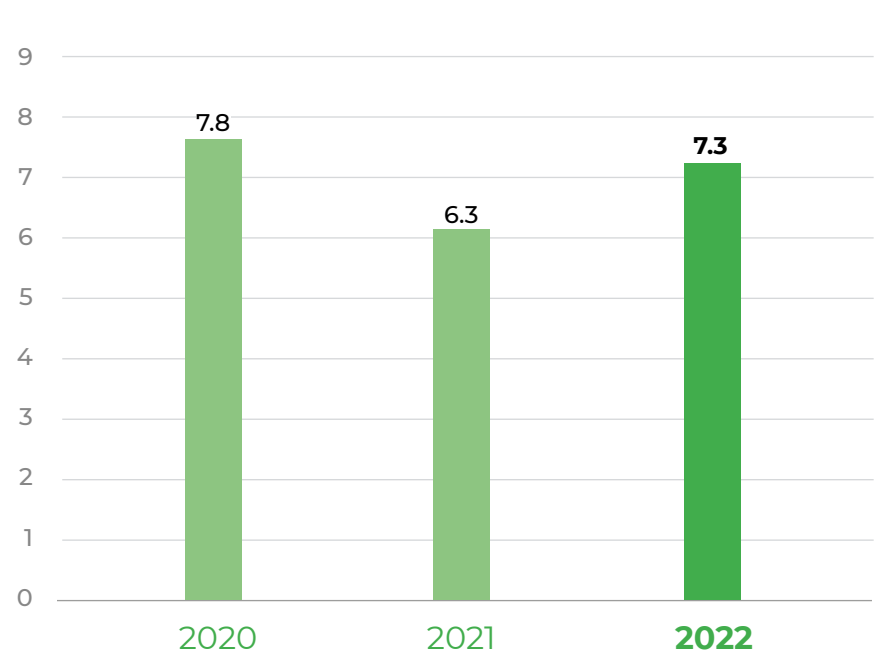
Electricity consumption (MWh)



Note: For 2020 the total electricity consumption was rectified to 1,275,978 MWh and not 1,269,117 kWh and regarding 2021, it was amended to 1,270,358 MWh from 1,291,163 kWh, as published in the previous Sustainability Report.

The intensity of the Company’s electricity consumption, in relation to the results obtained in the production process (TMF) is shown below:

Intensity of electricity consumption



During the year, the company managed to reduce its carbon footprint by sourcing close to 40% of its energy from green and renewable sources, with the goal of increasing this percentage until all the power used in the operation is Non-Conventional Renewable Energy (NCRE) generation, which the Company expects to accomplish by 2023. In so doing, Sierra Gorda aligns itself with the country-wide goal of achieving carbon neutrality.

Below is energy consumption differentiated by scope:

SCOPE 1	SCOPE 2	SCOPE 3
339,375	241,652	*Sierra Gorda SCM will develop a Scope 3 baseline survey during 2023.
TOTAL: 581,027		
Total emissions (ton CO ₂ e)		
339,375		

Likewise, total fuel consumption in the reported period was as follows:

	2019	2020	2021	2022
Diesel (Lt)	105,249,375	124,423,470	117,826,307	121,159,356
Gasoline 95 (Lt)	3,663	3,682	899	1,566



The installation of solar panels enabled the Company to provide 98% of the energy needed for illumination at the Metso Outotec from renewable sources.

Once Sierra Gorda began to store solar energy and turn off its electric generator by night, the Company achieved a reduction in fossil fuel consumption of 11,000 liters per year.

This constitutes a major milestone and is another step towards the goal of zero CO₂ emissions by 2030, which is part of Metso Outotec's global Planet Positive strategy.

Sierra Gorda SCM joins the Non-Regulated Electric Customers Association

As a mining company in the free customer category, SGSCM joined Acenor A.C., a trade association which has been representing the interests of free customers for 25 years. In Chile, free customers are defined as companies with a connected power above 500 kW or 5MW.

Currently, this association consists of 21 members, all of which belong to various industrial sectors in Chile and represent more than 40% of the maximum national demand.

100% RENEWABLE ENERGY BY 2023

Sierra Gorda SCM is making significant strides towards its goal to use only non-conventional renewable energies in all its operations by 2023. To make it possible, the Company signed a contract with AES Andes (former AES Gener) to secure long-term energy purchases. The power matrix considered will include solar, wind and hydroelectric energies, as well as the use of batteries for storage.

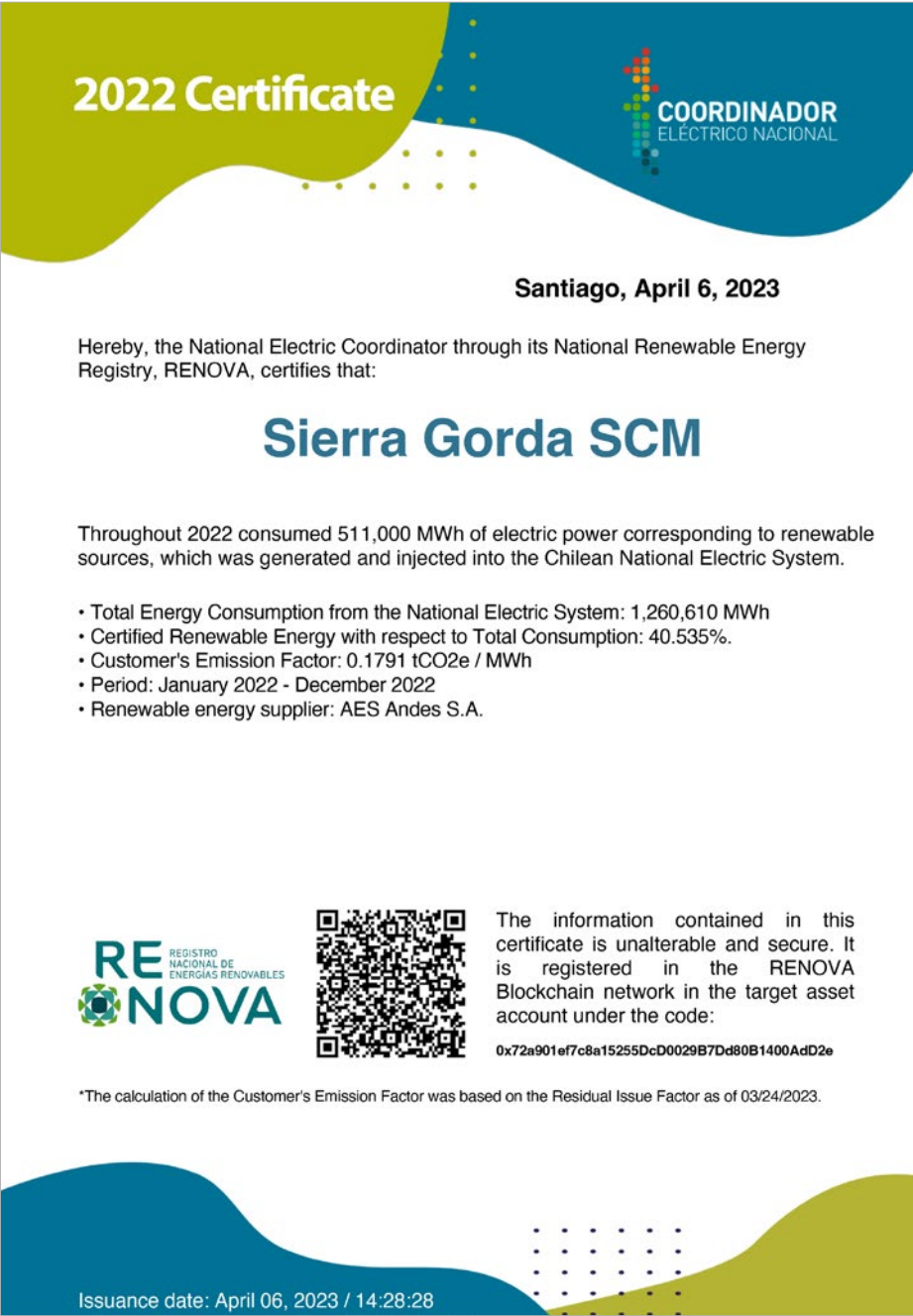
This agreement was signed in 2020 and has been operative since January 1, 2021, constituting a major milestone in Sierra Gorda's sustainability path. So far, the partnership has enabled the Company to mitigate Scope 2 pollutant emissions and reduce the variable cost of energy, which translates into positive economic impacts.

The end-goal is to secure 100% renewably sourced energy for the 2023 to December 2039 period. In 2021, Sierra Gorda SCM received its National Renewable Energy Registry (RENOVA by its acronym in Spanish) certification, granted by the National Electric Office, an independent state-funded organization, for operating with 36% clean energy during that year. In 2022, the Company's use of renewable energies, as certified by RENOVA, increased to 40.5%. Sierra Gorda is highly committed to sustainable low-grade mining.



RENOVA is a renewable energy traceability system that is administered by the National Electric Office.

This system records the generation and consumption of clean energy throughout Chile. This Organizations has certified that the green energy acquired by the Company was produced and infused into the national electricity system and that it comes from contracted renewable sources.



CLEAN PRODUCTION AGREEMENT (CPA) FOR MINING LOGISTICS AT ANTOFAGASTA PORT

In January 2022 Sierra Gorda SCM was once again granted the Clean Production Agreement (CPA) certification for its associated facilities, an agreement that became operative in 2016.

The goal of this CPA is to encourage organizations to add productive and environmental management strategies into their guidelines, as a step to commit to specific environmentally sound actions and objective.

During 2022 the Company was audited to evaluate its compliance with CPA obligations. This process resulted in a certified 100% compliance with the relevant goals and actions, with no observations or discrepancies. This achievement required the joint effort of several areas: Logistics,

Warehouse, Quality Assurance and Laboratory, Human Resources and Communities, and Corporate Affairs and External Communications. Sustainability and Permits coordinated the entire process.

It bears noticing that the Company subscribed to this agreement voluntarily, as part of its strategy to strengthen the environmental performance of the entire industry. This early-adoption decision left the Company in a good place to comply with this CPA, which has since been established as legally binding.

100% compliance with the commitments of the Clean Production Agreement (CPA) for mining logistics at Antofagasta Port.

8. SUPPLY MANAGEMENT



SUPPLY MANAGEMENT

GRI 2-8

The Vice-Presidency of Corporate Services manages and oversees the supply of goods and services in an agile, sustainable and innovative way. Its commitment is to strive for ongoing optimization regarding of costs, time and quality, to maximize the value of the Company.

Suppliers and contractors are a fundamental link of the value chain. Since they provide goods and services that are essential to the Company's activities, they are key to ensuring operational continuity. The contractual relationship divides suppliers and contractors into three categories: small, medium and large companies.

SGSCM's relationship with contractor and supply companies is based on high standards of business ethics, simplicity, continuous improvement, professional courtesy and competence.

Sierra Gorda SCM defines suppliers as the actors that provide the operation with goods that contribute to its value chain. In turn, contractors are people or companies providing support services that also add to the value chain.



SPHERES OF IMPACT

The area of Corporate Services identifies six spheres of impact in which the effects of the actions and strategies implemented in the supplying processes are felt more acutely. An efficient and reliable supply chain is pivotal to meeting the challenges related to the production of Green Copper.

FINANCIAL

The Vice-Presidency of Corporate Services seeks to ensure the efficiency and economic sustainability of the Company's activities, as it acknowledges the importance of achieving solid results in terms of revenue, costs, profitability, cash flow and other key financial indicators. Thus, the Vice-Presidency of Corporate Services carefully evaluates the selection of suppliers and contractors, valuing stability as a crucial factor in ensuring the efficient procurement of goods and services. The company seeks to establish working relationships with outstanding suppliers who reliably fulfill their contractual obligations.

PRODUCTIVITY

Productivity is defined as the Company's efficiency and ability to generate optimal results in relation to the resources it uses. To achieve productivity, Sierra Gorda looks to optimize the use of human, material and technological resources to maximize outcome and results.

DIGITAL TRANSFORMATION

The Company is in an ongoing process of business transformation centered on the customer and leveraged on the use of technology and new digital capabilities to generate value for all stakeholders. This involves the adoption and application of digital technologies in its processes and operations. By leveraging digitization, automation, the use of data and artificial intelligence, the organization seeks to improve efficiency, productivity and data-driven decision making. In addition, it seeks to drive and manage a culture of change, promoting this specific mind-setting among the organization's people.

SUSTAINABILITY

This approach focuses on utilizing resources in a responsible and sustainable way, as well as on managing the environmental impact of Sierra Gorda SCM's operations. Sierra Gorda is oriented to the production of green copper, which means mining it with a sustainable approach through the reduction of emissions, conservation of natural resources, proper waste management and a staunch commitment to social responsibility.

CONTINUOUS IMPROVEMENT AND VCP

Sierra Gorda SCM strives for constant process improvement, efficiency and quality, which calls for the implementation of technologies and tools such as Lean Six Sigma, Kaizen and other continuous improvement tools and practices. On the other hand, the VCP (Value Creation Program) is a system that Sierra Gorda implements to generate savings and create value for the Company.

SAFETY

By implementing safe work policies and practices, and accident prevention and proactive risk management protocols, Sierra Gorda SCM focuses on the safety of workers, facilities and processes. The Company promotes a culture of safety, training and awareness, and to ensure it, it has established monitoring systems to meet safety standards.

SUPPLY CHAIN

GRI 2-6



In 2022 Sierra Gorda SCM purchased goods from 606 suppliers, 14.7% less than in 2021. At the same time, it worked with 472 contractors, 14.8% more than the previous year.

COMMISSIONING PROCESS FOR SUPPLIERS AND CONTRACTORS

The vice-presidency of Corporate Services oversees the selection process through its Procurement and Contracts area. Subsequently, Human Resources monitors compliance with labor legislation, which includes the activities described below.



Monthly meetings: Meetings are scheduled with all contractors to review the company’s guidelines, audits and the main Company updates and challenges.



Labor audits: Their frequency is contingent upon the number of workers, but Labor authorities will perform an onsite inspection at least once a year, which is done without prior notice (for surprise factor effect). The regulatory body will then issue an audit report; in the case of nonconformities, there is a limited time to correct them.



Field trips: To verify work conditions onsite.



Compliance with current labor legislation: Human Resources is scrupulous in reviewing compliance in various regulatory fields, such as:

- Workers are legally employed.
- Welfare and labor payments are done in a timely way.
- All contracts are up to date
- There are no unresolved debts to workers
- Exceptional workdays are observed.
- Monitoring of collective bargaining instruments and negotiation processes, such as contingency plans for unions. For example, if there is an ongoing negotiation process and the Company is facing possible discontinuity of services onsite, it can legally hire a replacement company. So far, these instruments have been put in place, but there has not been the need to implement them.

Platform to recognize suppliers

As from 2022, contractor companies are also included in the app *Recognizing your ESTAR quality*.

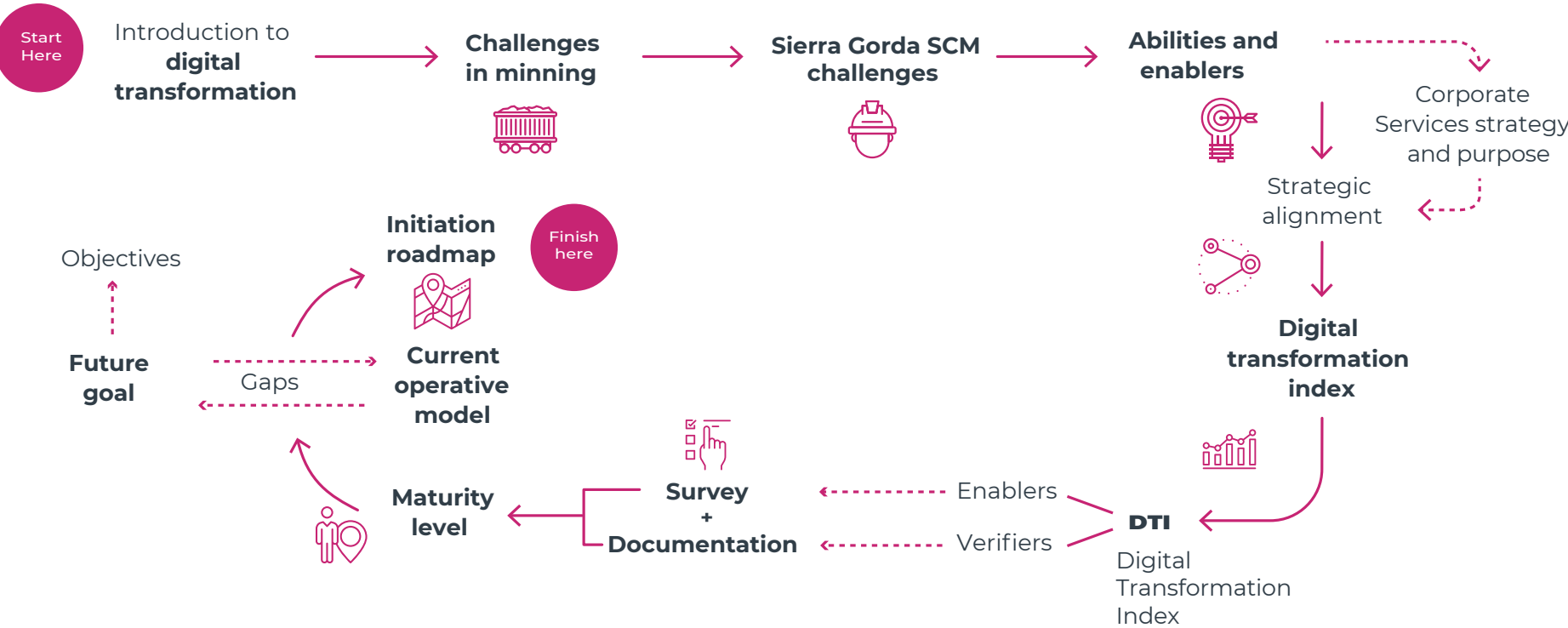
This decision was made to extend Company values and culture to contractor companies, to recognize their performance and to enhance their sense of belonging to the Company.

DIGITAL TRANSFORMATION IN CORPORATE SERVICES

In recent years, mining has faced challenges such as improving safety and productivity and leveraging efficiencies. Digital Transformation provides an opportunity to incorporate technology in what used to be highly manual activities, capturing data in real time to improve decision-making and fine-tune different sustainability aspects that are sensible for neighboring communities and/or environmental performance.

In line with the above, Sierra Gorda SCM is aware of the enormous possibilities that technology and new digital capabilities bring and their potential benefits in terms of promoting a sharper focus on customers and creating value. To review its degree of digital maturity, the Company established a strategic alliance with Universidad Adolfo Ibáñez to generate a three-year roadmap that defines a list of priorities to continue growing in digital transformation.

Playbook of the Learning by Doing program



In this line, the company has developed the following initiatives:

- Robot for the generation of purchase orders for low-cost goods.
- Robot for generating and sending reports.
- Zippedi robot, capable of delivering a cyclic count with the exact location of each material or input needed for a given use. A unique tool in Latin America.
- WhatSIGN: WhatsApp channel that notifies internal customers of the status of their requirements (approvals, bidding processes, contracts).
- The Company continues to implement Open Innovation, to promote the incorporation of technological capabilities to enhance mining as a competitive, sustainable and value-creating industry. Currently, Open Innovation contributes to managing five Company operational challenges.
- Establishing an alliance with Universidad Católica to optimize the inventory model by internalizing the calculation of patterns and trends to anticipate and standardize the identification process and activate the demand for catalogued goods as needed.



SUPPLY CHAIN EXCELLENCE

Sierra Gorda SCM implemented its Sourcing Excellence area in 2017. Its main function is to lead innovation, digital transformation and continuous improvement projects, as well as to track Corporate Service's strategic planning with a view to improving processes and putting Sierra Gorda at the forefront of the industry.

In terms of relationship with its suppliers, the Company manages them by using platforms such as SAP Ariba, which is part of Sierra Gorda SCM's Integrated Business Management System, to make requests for goods or services, activate bidding processes and draft commercial agreements; Unilink, for purchasing catalogued goods and Portal Contrato (contract portal) for monitoring commercial agreements and their respective KPIs. To prequalify suppliers, the company uses SICEP, a tool that also provides support and a marketplace to upload Company requirements and attract potential clients interested in participating in bidding processes. To ease supplier payment processes, SGSCM and SAP Ariba are developing a platform to issue and send purchase orders and subsequent electronic invoicing (Ariba Network).

The SICEP prequalifying tool also evaluates the HSE aspects of the bidding or purchase processes.

These digital platforms have generated multiple benefits for the company, among them,

- ✓ Availability of key aspects for timely management of each contract.
- ✓ A broader perspective that incorporates all dimensions of contract management.
- ✓ Monitoring KPIs and ongoing performance evaluation of a contract through the Contract Portal, which makes it possible to find and control information related to commercial agreements.
- ✓ Visibility of critical information relevant to various areas of the Company, at a portfolio level.
- ✓ Consolidation of data and gaining access to contract information through mobile devices.
- ✓ Improving the flow and tracking of warranty bonds.

In parallel, SGSCM has developed its own platform to create a supplier registry that can be easily accessed by the commercial team. To participate in this registration process, suppliers indicate the scope of services or supplies they can offer and add their contact information for further information.

In 2022 the company developed a procedure called **Supplier qualification matrix**, which provides a final score that encompasses the four evaluations applied during the bidding process, namely performance (only

if the supplier or contractor has worked with Sierra Gorda before), HSE, financial, technical and commercial. In a second phase, the sustainability and innovation components will be added as new evaluation points.

Sierra Gorda SCM also implemented its **New person program** to ensure that each new hire acquires the necessary knowledge about the main Company processes, how they interact with each other and the who are the key players in each team. The goal is to ease the onboarding cycle.

Suppliers Excellence Awards

During Exponor 2022, Sierra Gorda SCM recognized suppliers for their commitment to excellence, effort, quality and responsibility in providing their goods and/or services despite the restrictions brought about by the global health emergency. 16 out of 50 suppliers out were recognized in four categories: Sustainability, Safety, Quality and Supplier of the Year.

The Company is aware of the important role of suppliers. They are major partners and key links in the value chain that enable the correct execution of all Company operations.



LOCAL SUPPLIERS

GRI 204-1

As part of its commitment to the Chilean economy, the Company favors working with Chilean and local suppliers..

The areas in charge of implementing this strategy are Purchasing and Contracts, and Maintenance. They organize periodic meetings with local suppliers to explore alternatives to add them to the value chain.

Suppliers and contractors that are part of the Sierra Gorda value chain cover the entire range from small and medium to large companies providing services or supplying goods for the Company.

During 2022 Sierra Gorda SCM worked with 119 local contractors from whom it purchased goods and services to the tune USD \$75,827,734, which is equivalent to 25% of its total expenditure on contractors. 55%

of local counterparts are companies from the Metropolitan region. During the year, the total amount allocated to 472 contractors was USD \$795,507,103.

Regarding goods, the company works with 177 local suppliers, which accounts for an associated expenditure of USD \$38,400,568, equivalent to 29% of the total number of suppliers. 58% of them are companies based in the Metropolitan region. During the year, an overall total of USD \$350,411,329 was spent on goods acquired from 606 suppliers.

Below is a detail of the total expenditure on suppliers during the period reported:

TOTAL EXPENDITURE ON SUPPLIERS AND CONTRACTORS	2019	2020	2021	2022
Total expenditure on suppliers and contractors	881,140,816	850,881,334	863,743,337	1,145,918,432
Total expenditure on local suppliers and contractors	80,895,178	99,672,804	98,022,995	114,228,303

SUSTAINABILITY AND ENVIRONMENTAL APPROACH AS APPLIED TO THE SUPPLY CHAIN

Sierra Gorda SCM uses a set framework of requirements during bidding processes to promote sustainability as a subjacent value underlying its entire supply chain. From a strategic point of view, interacting in a positive way with the environment and neighboring communities is essential to generate triple value (environmental, social and economic) and provide sustainability to the operation.

The Company strives to associate with suppliers that match or exceed its own value proposition, maintaining high standards of compliance and operational excellence. In technical terms, the Company requires tools to have a broad perspective and receive relevant data on supplier performance and, critically, a technical evaluation matrix to gauge compliance.

To further guarantee that sustainability is considered across the board during the selection process, the Company has a series of requirements for suppliers that point to the creation of long-term added value. These apply equally to small, medium and large companies.

- Compliance with HSE safety standards
- Environmental policy
- Community support
- Circular economy

In bidding processes and after being valued, sustainability issues add up to between 10% and 15% of the technical evaluation score and, subsequently, the technical evaluation represents 40% of the overall score.

To SGSCM it is highly important to increase the participation of local and regional suppliers, and to achieve this goal, the Company carries out the following actions:

1.	2.	3.	4.
Reviewing procedures to facilitate the access of local suppliers to online applications.	Researching supplies and materials that are already present in the territory to identify categories that could be supplied locally.	Surveying SGSCM needs that can could be covered by local suppliers.	Communicating future tenders and bids.
5.	6.	7.	8.
Accompanying local suppliers in their applications processes through the Ariba, Unilink and Sicep platforms, as well as during the execution of their services.	Increasing and strengthening long-term agreements with local suppliers.	Decreasing direct purchases and favoring bidding processes.	Recognizing the good performance of suppliers.

SUCCESSFUL PARTICIPATION OF SIERRA GORDA SCM IN EXPONOR 2022

Exponor is an annual international exhibition held in Antofagasta that brings together the latest technologies and innovations in the mining and energy industries. The 2022 version was held from June 13 to 16 and focused on the importance of building business opportunities and creating synergies between industry players such as suppliers, clients, companies and government authorities.

In this latest version, Sierra Gorda representatives led five seminars showing current investment projects, business opportunities for supplier companies, current operational challenges, outlooks for contractor companies and future policies affecting the industry.

This event is recognized as a huge platform for networking, sharing strategic knowledge and gaining new perspective on the mining and energy industries. Some of the topics to be discussed at large were Mining 4.0, sustainability, circular economy, renewable energies and territorial planning, among others.

Exponor is considered a major city event for Antofagasta, as it boosts the local economy and gives visibility to local small and medium-sized enterprises, providing a forum for them to connect with potential national and international customers.



3,000 visitors



59 media
publications



5 presentations in
seminars



16 Sierra Gorda SCM
suppliers received
awards



90 publications in
social media



2 community
visits



9. INNOVATION AND TECHNOLOGY



INNOVATION AND TECHNOLOGY

Innovation is the key axis of the foundational pillars and the Company considers it to be an ongoing challenge to tackle. To maintain its leadership and sustainability in environmental, social and financial terms, Sierra Gorda aims for continuous improvement in all its production processes.

SGSCM is committed to optimizing its use of water resources, reducing energy consumption and making its operation more efficient by increasing its ore/waste ratio, reducing costs and increasing people’s safety.

MIXED INNOVATION

Having innovation as a strategic value in all its operational processes with a view to strengthening results throughout its value chain, the Company established, for example, a strategic partnership with Expande, an open innovation program in mining that is co-designed and implemented by Fundación Chile.

The company also engages in internal innovation, with dedicated staff that is fully invested in researching and developing ideas, pilots, prototypes and/or final implementations. These projects are sometimes undertaken in collaboration with suppliers.

PIONEERING LOW GRADE MINING!

Sierra Gorda SCM is one of the main copper producers in Chile. With an average grade of approximately 0.389% CuT, SGSCM operates a sulfide deposit of hydrothermal origin with copper, molybdenum and gold mineralization, which can be found in massive form mainly in thin stockwork and dissemination veins.

FEATURED PROJECTS

USE OF RENEWABLE ENERGY

As of 2023, the entire energy supply of the Company’s operation will be renewable, which allows for a decrease in emissions of 1 million tons of CO2. This breakthrough was made possible thanks to a long-term energy purchase agreement with AES Andes.

This contract provides for an annual consumption of approximately 1,310 GWh onsite, which will be increasingly supplied from the generating company’s renewable portfolio, which includes hydroelectric, wind and solar sources, as well as batteries for storage.

For further information, see ENVIRONMENTAL MANAGEMENT

USE OF SEAWATER

With or without water crisis, the company’s efforts are focused on the conscious use of this vital, natural and much needed resource. In line with this commitment, the Company built an aqueduct from Mejillones to Sierra Gorda to supply the mining site with reused seawater. This project allows for a maximum pumping value of 1,500 liters/second.

A significant milestone for environmental protection, the water flowing through the aqueduct and into the mine falls into the category of reclaimed water, as it has already been used to cool-off the turbines at a thermoelectric plant in Mejillones.

As a result of this strategy, Sierra Gorda SCM uses 100% seawater in its operations, only 10% of which is desalinated for human consumption and use at different points in the industrial process. The waste brine generated is not returned to the sea but reincorporated into the process with a smaller fraction reserved for road wetting.

For further information, see ENVIRONMENTAL MANAGEMENT

TAILINGS: SALT CRUST

The commitment to efficiency and innovative solutions is not only limited to the performance of the Company, but also focuses on benefitting the communities. Looking to comply with this neighborly spirit, Sierra Gorda is allocating resources to develop a salt crust to cover the tailings deposit, which takes an extra advantage of the use of seawater in the operation.

If successful, the salt crust will replace the need to cover the tailings with a layer of borrow material. Salt’s resistance to erosion would prevent unconsolidated particulate material from being carried away by the wind and affecting the neighboring community of Sierra Gorda and its surrounding areas.

Other properties of salt bring even further benefits: it has low porosity and low permeability to water and air, plus a density that is visibly higher than that of the underlying soil.



HPGR MILLS

Sierra Gorda’s High-Pressure Grinding Roller Mills (HPGR) are unique in Chile. Among other advantages, they minimize the use of energy and water.

HPGR mills are used for particle reduction and aggregate production. Although they are known for their use with hard rocks, they are also capable of refining softer materials such as industrial minerals.

MINING 4.0

In recent years the mining industry has accelerated the implementation of technological solutions to improve its safety, productivity and performance at the lowest possible cost. This process is known as Mining 4.0.

Sierra Gorda is pioneering an automation project called, **Awatiri**, which means shepherd in Aymara. The name emerged from a contest that called on workers to provide ideas to denominate this new project which formally began operating in March 2022 with a 12-month pilot program.

In early 2023 three PitViper-351 drills designed to work independently began their operation. The *Awatiri* automation project will improve performance and ensure greater productivity in the company’s processes.

WHY AWATIRI?

Awatiri means shepherd in Aymara.

The *Awatiri* looks after and guides the sheep and llama flocks in the great highlands of the Andes. In terms of the Drilling Rig Automation project, the *Awatiri* is the operator who oversees and manages the drilling rigs from the control room, always watching over their safety and productivity



Sierra Bot

AUTONOMOUS ROBOT FOR INVENTORY CONTROL

In 2022 Sierra Gorda SCM launched Sierra Bot, a robotic operator capable of delivering a cyclic count that also includes the exact location of each material or input for a given use. This tool, which is unique to Latin America, aims to save time and costs by exercising an effective control of the inventory and its movements in real time.

DIGITAL TRANSFORMATION

Sierra Gorda considers technology to be a key element to optimize processes and operations, and to enhance connectivity, both internal and external. Below are some of the most important relevant advances made in 2022:



Implementation of a solution to measure wear damage in shovels



Enabling new mobile communication sites for wireless networks onsite



Introduction of a traceability mobile application for inspections



Including the shift calendar in the Company's internal application



Online training

Sierra Gorda SCM’s digital transformation also brought increased innovation and efficiency to the communications processes regarding Company critical assets. The solution, provided by Entel Corp, the Company’s technology partner, is both forward-looking and unique in Chile: with the support of its cybersecurity area, SGSCM implemented Radware Alteon Linkproof Intelligent Balancing to connect different sites.

This solution provides quality and continuous internet services through an MPLS link that allows full interconnectivity between devices and with the Datacenter. Furthermore, the system has the ability to react to line cuts. Maintaining fluid and open communications is particularly relevant in the mining industry, where activities are usually located in remote areas.

10. ANNEXES AND GRI INDEX



ANNEXES

AND GRI INDEX

303-3: Water withdrawal

Seawater consumption (m³)

	2021	2022
January	1,725,789	2,621,291
February	2,852,778	2,985,667
March	2,700,438	2,696,732
April	3,192,442	2,377,060
May	2,680,591	2,835,289
June	2,576,201	2,279,652
July	2,510,859	2,597,851
August	2,663,088	2,613,236
September	2,647,888	2,405,191
October	2,545,642	2,563,670
November	2,886,371	2,889,145
December	3,190,114	2,578,209
Total	32,172,201	31,442,992

Potabilized water for human consumption (m³)

	2021	2022
January	110,257	24,262
February	90,448	20,302
March	88,342	24,053
April	86,690	18,980
May	87,689	16,839
June	101,174	16,960
July	129,204	18,093
August	104,655	17,574
September	116,052	19,424
October	113,186	19,513
November	123,766	18,305
December	136,367	20,038
Total	1,287,830	234,343

Deposited tailings and tailings accumulated in the deposit

TERM	DEPOSITED TAILINGS (TMS)	TAILINGS ACCUMULATED IN DEPOSIT (TMS)
Jan 20	3,316,290	187,727,763
Feb 20	3,913,360	191,641,123
Mar 20	3,986,041	195,627,164
Apr 20	3,287,118	198,914,281
May 20	3,895,633	202,809,915
Jun 20	3,979,654	206,789,569
Jul 20	3,470,966	210,260,534
Aug 20	3,816,261	214,076,795
Sep 20	3,836,021	217,912,816
Oct 20	3,437,862	221,350,678
Nov 20	3,796,416	225,147,094
Dec 20	3,970,861	229,117,956
Jan 21	2,888,653	232,006,608
Feb 21	3,498,270	235,504,878
Mar 21	3,938,169	239,443,047
Apr 21	4,308,670	243,751,717
May 21	3,879,674	247,631,391
Jun 21	3,689,735	251,321,125
Jul 21	3,637,317	254,958,443
Aug 21	4,229,237	259,187,680
Sep 21	4,280,829	263,468,509
Oct 21	3,624,716	267,093,225
Nov 21	3,823,528	270,916,753
Dec 21	4,412,079	275,328,832
Jan 22	3,449,494	278,778,326
Feb 22	3,882,432	282,660,758
Mar 22	4,018,655	286,679,413
Apr 22	3,506,596	290,186,009
May 22	4,319,335	294,505,344
Jun 22	3,533,760	298,039,103
Jul 22	3,730,093	301,769,197
Aug 22	4,279,835	306,049,032
Sep 22	3,725,288	309,774,320
Oct 22	3,868,269	313,642,589
Nov 22	3,734,136	317,476,725
Dec 22	4,061,806	321,538,531

GLOBAL REPORTING INITIATIVE INDEX

Usage Statement	Sierra Gorda SCM has presented the information cited in this GRI Content Index for the period from January 1, 2022, to December 31, 2022, using GRI Standards as a reference.
GRI used	GRI 1: Foundation 2021

Indicator	Description	Section – Chapter Omissions / Answers	Page
GENERAL CONTENTS (2021)			
THE ORGANIZATION AND ITS REPORTING PRACTICES			
2-1	Organizational details	Company profile	13, 18
2-2	Entities covered by sustainability reporting	Economic performance	42
2-3	Reporting period, frequency and contact info	Scope of the report	9
2-4	Information update	Scope of the report	9
2-5	External verification	Scope of the report	9
ACTIVITIES AND EMPLOYEES			
2-6	Activities, value chain and other business relationships	Company profile Economic performance Supply management	14, 18, 42, 44, 140
2-7	Employees	Our employees	70
2-8	Non-employee workers	Supply management	138
GOVERNANCE			
2-9	Governance structure and composition	Company profile	19, 23
2-10	Governance structure and composition	Company profile	19
2-11	Chair of the highest governance body	Company profile	19
2-12	Role of the highest governance body in overseeing impact management	Company profile	19, 23, 26, 31
2-13	Delegation of responsibility for impact management	Company profile Governance for sustainability	23, 54
2-14	Role of highest governance body in sustainability reporting	Scope of the report	9
2-15	Conflicts of Interest	Company profile	28
2-16	Communication of critical concerns	Company profile	19, 26

Indicator	Description	Section – Chapter Omissions / Answers	Page
2-17	Collective knowledge of highest governance body	Company profile	19
STRATEGY, POLICIES AND PRACTICES			
2-22	Statement regarding sustainable development strategy	CEO Message	6
2-23	Commitment to policy	Company profile Governance for sustainability	16, 56, 59
2-24	Incorporation of policy commitments	Governance for sustainability	56
2-25	Processes to address negative impacts	Community engagement	63
2-26	Mechanisms for seeking advice and raising concerns	Company profile	24, 26
2-27	Compliance with laws and regulations	Governance for sustainabilitySustainability management	54, 59, 118
2-28	Participation in partnerships	Company profile	36
STAKEHOLDER ENGAGEMENT			
2-29	Approach to stakeholder engagement	Company profile	34
2-30	Collective bargaining agreements	Our employees	95
GRI 3: MATERIAL ISSUES (2021)			
3-1	Process for determining material issues	Company profile	37
3-2	List of material issues	Company profile	37
3-3	Management of material issues	Company profile	39
3-3	Governance and ethical conduct	Company profile	19-29
3-3	Operational results	Economic performance	42
3-3	Investment and innovation	Economic performance Innovation and technology	45, 154
3-3	Digital transformation	Innovation and technology	157
3-3	Compliance	Company profile	25
3-3	Economic crisis	Economic performance	42
3-3	Sustainable mining	Environmental management	116
3-3	Management and mitigation of environmental impacts	Environmental management	116
3-3	Carbon neutrality	Environmental management	130
3-3	Management of tailings and other mine wastes	Environmental management	128
3-3	Water management	Environmental management	120
3-3	Air Quality	Environmental management	122
3-3	Local employment	Community engagement	62

Indicator	Description	Section – Chapter Omissions / Answers	Page
GRI 3: MATERIAL ISSUES (2021)			
3-3	Community relations	Community engagement	62
3-3	Occupational health and safety	Our employees	96
3-3	Work relations and collective bargaining	Our employees	95
3-3	Organizational culture and climate	Our employees	70
3-3	Diversity and inclusion	Our employees	54
3-3	Sustainable management of suppliers	Supply management	138
FINANCIAL CATEGORY			
ECONOMIC PERFORMANCE (2016)			
201-1	Direct, generated and distributed economic value	Economic performance	45
ACQUISITION PRACTICES			
204-1	Proportion of spending on local suppliers	Supply management	147
TAXES			
207-1	Approach to taxes	Economic performance	47
ENVIRONMENTAL CATEGORY			
ENERGY (2016)			
302-1	Power consumption	Environmental management	130
302-3	Power intensity	Environmental management	130
WATER (2016)			
303-1	Interaction with water as a shared resource	Environmental management	120
303-3	Water withdrawal	Environmental management	120
EMISSIONS (2016)			
305-1	Direct GHG Emissions (Scope 1)	Environmental management	130
305-2	Indirect energy (Scope 2) GHG emissions.	Environmental management	130
WASTE (2020)			
306-3	Waste generated	Environmental management	124
306-4	Waste not destined for disposal	Environmental management	124
306-5	Waste for disposal	Environmental management	127

Indicator	Description	Section – Chapter Omissions / Answers	Page
SOCIAL PERFORMANCE CATEGORY			
EMPLOYMENT (2016)			
401-1	Hiring of new employees and staff turnover	Our employees	70
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	Our employees	92
401-3	Parental leave	Our employees	92
OCCUPATIONAL HEALTH AND SAFETY (2018)			
403-1	Occupational health and safety management system	Our employees	96
403-2	Identification of hazards, risk assessment and incident investigation	Our employees	102, 110
403-3	Occupational health services	Our employees	105
403-5	Training of employees on occupational health and safety	Our employees	108
403-7	Prevention and mitigation of occupational health and safety impacts that are directly associated to business practices.	Our employees	96
403-8	Workers covered by an occupational health and safety management system	Our employees	98
403-9	Work-related injuries	Our employees	112
403-10	Work-related health problems	Our employees	96, 112
TRAINING AND EDUCATION (2016)			
404-1	Average annual training hours per employee	Our employees	85
404-2	Programs to improve employee skills and transition assistance programs	Our employees	85
404-3	Percentage of employees receiving regular performance and professional development evaluations	Our employees	88
DIVERSITY AND EQUAL OPPORTUNITIES (2016)			
405-1	Diversity within governing body and employees	Our employees	81
405-2	Ratio of basic salary and remuneration between women and men	Our employees	84
RK RELATIONS			
407-1	Operations and suppliers where the right to freedom of association and collective bargaining may be at risk	Our employees	95

