

2018

SUSTAINABILITY
REPORT



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REPORT



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01

PRESENTATION



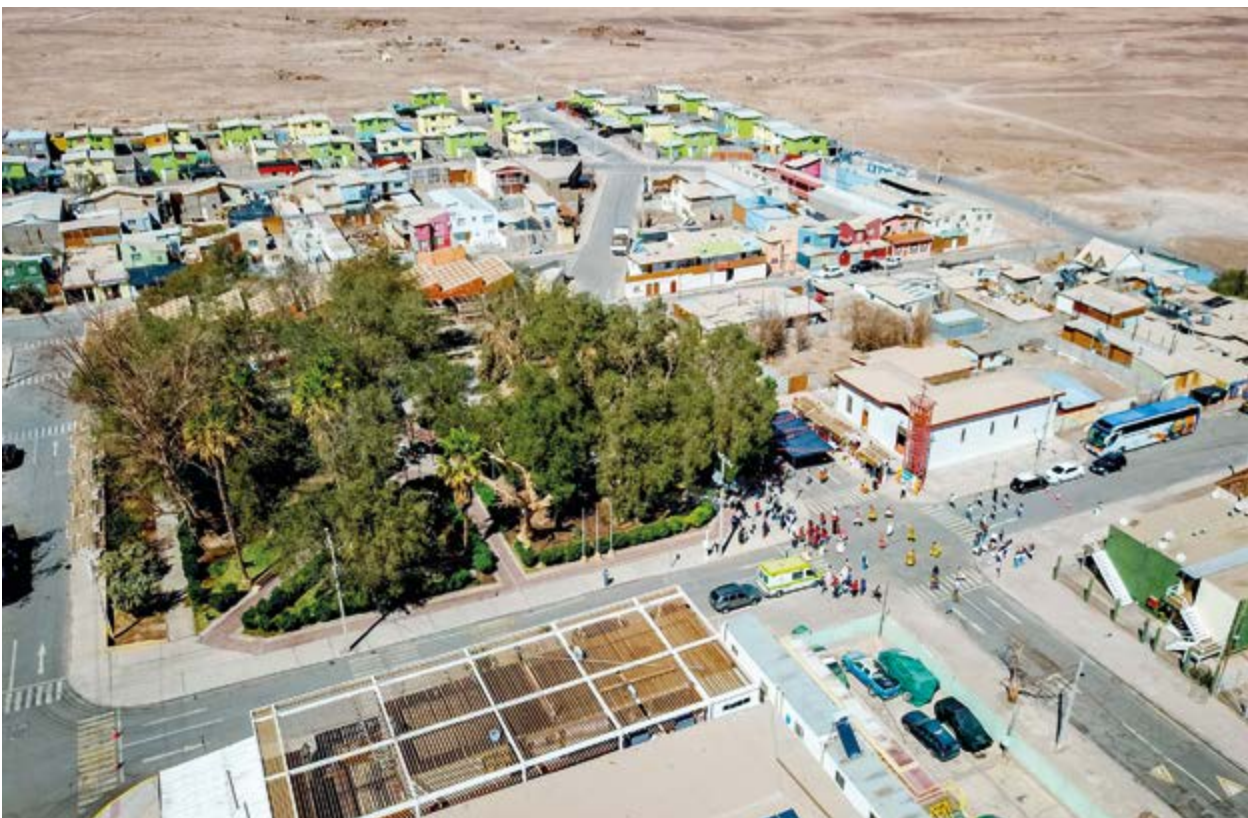
WHY WE ARE REPORTING

Creating Sierra Gorda SCM's first Sustainability Report has been an organizational challenge that included contributions from all areas of the company. Together with the various stakeholders, we defined the most important issues to be addressed, which was done with absolute transparency. The company thus started a practice that will be permanent over time.

This first report represents a milestone for the company, providing strategic importance to its work in terms of sustainability. It also contributes to the development of a culture that can stimulate good practices based on values such as respect, trust in people and entities and

promotion of care for the environment, which are complemented by the values of the company, which are expressed in the ESTAR program: Focus on results, Safety, Teamwork, Austerity and Fairness and Integrity.

This report covers all of the activities carried out in 2018 and was prepared in accordance with the essential option of the GRI Standards, which are widely used in the mining sector and other industries around the world.



MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

For Sierra Gorda SCM, the creation of our first Sustainability Report is a reason to be proud and it is a milestone in our recent history as a company, which began productive operations in Chile in October 2014.

Our prime obligation as a company is to produce copper and molybdenum in the most efficient way possible. This is the basis to be able to fulfill our commitment to the workers, the authority, community and country, and it represents the basis of a model of sustainability.

During 2018 the company managed to successfully move forward with the plan to optimize processes and reduce costs, which was started in 2014 as a consequence of the complicated international economic scenario and the heavy drop in copper prices, which has continued to the present. One of our most important landmarks was reached in September, when we obtained authorization from the Environmental Assessment System of Antofagasta for the Environmental Impact Study (EIA), entitled "Operational adaptation of the tailings deposit and optimization of the Sierra Gorda project of SG SCM". The initiative entails important environmental and operational improvements and incorporates high-tech equipment to operate in accordance with the highest environmental standards. I would like to take this opportunity to thank everyone who took part in that process, particularly the community and the various stakeholders for their active participation.

Our objective as a company is to operate with constant improvements and maximum efficiency in ore recovery, complying with the social, environmental and economic requirements set by the regulatory framework and our environment.

PIONEERS IN LOW GRADE MINING

We feel proud to be able to sustainably operate a low grade deposit: while copper grades in the industry average 0.7%, our ore has an average grade of 0.35%. In 2018 Sierra Gorda SCM's copper production reached 101,959 Fine Metric Tons (FMT), equivalent to 1.7% of total production in Chile. Meanwhile, molybdenum production reached 12,413 FMT.

In terms of employment, Sierra Gorda SCM provides around 4,500 jobs, of which 1,448 are direct jobs and 3,000 indirect, with 43.2% of the workers coming from the Antofagasta Region. For our company it is a source of great satisfaction to be able to contribute to regional development in this way, but, at the same time, it represents a great responsibility.

As a result of the unfortunate fatal accident that one of our contractors suffered at our operation, we reinforced our commitments and practices in terms of health and safety at work. Specifically, we implemented campaigns of on-site supervision, visible leadership, supervision of critical aspects, dissemination of lessons learned and a comprehensive investigation that was disseminated in a timely manner.

Similarly, in 2018 we inaugurated the Integral Health Center at the site, a facility created with the highest standards within our operation. In addition, we launched the "Material Risks" program, which includes critical controls for each activity where a potentially fatal incident could take place.



PROTECTING THE ENVIRONMENT AND THE COMMUNITY

As regards air quality and meteorology, we made adjustments to our Predictive Model, which is used with clear protocols.

I would really like to highlight the voluntary choice of our company to be part of the Port of Antofagasta Clean Mining Logistics Production Agreement (APL), which is a public-private platform that promotes the implementation of sustainability projects that go beyond environmental regulations. Within this framework, we addressed the concerns of the community about the transportation and storage of ore at port, by permanently replacing canvas-covered trucks with vehicles with hermetic hopper technology to transport concentrate. This project also represents a boost to enterprise, as it includes innovative local suppliers, who offer a sustainable solution based on cutting-edge technology.

On the other hand, we have a healthy relationship with the community of Sierra Gorda thanks to the constant dialogue between the company, the various social leaders and the authorities. The regular meetings, bimonthly forums and active participation in the Good Neighbors Council of Sierra Gorda (2007), which includes all of the mining companies that operate in the district and various community organizations, demonstrate our genuine commitment.

It is important to underline our active participation in the National Project of Institutional Territorial Dialogue, specifically in the Alianza Valor Minero pilot project in the Sierra Gorda district, which formalizes

dialogue between the companies, communities and the state. In turn, the company maintains open dialogue with the authorities and various organizations in relation to its operations.

The Community Trainee Program is one of the most important and best-known initiatives in our area. In the second edition of this Program, 20 young people from the villages of Sierra Gorda and Baquedano took part, being trained as operators of mining trucks and mine maintenance staff.

I would like to thank all of the people who have had the willingness to work, talk and develop initiatives in unison that allow Sierra Gorda SCM to be a sustainable project that is capable of valuing people, communities and the environment.

Our challenge for the future is to continue operating in accordance with the highest standards of efficiency and safety, and optimizing and reducing our operating costs in order to improve our results and economic contribution, based on strict compliance with environmental regulations and an open dialogue with our communities.

Mirolaw Kidon

MIROSLAW KIDON

CEO
SIERRA GORDA SCM



SUSTAINABILITY POLICY

The company's Sustainability Policy is founded on a long-term model that is based on the optimization of its resources under the precautionary principle, with the commitment to minimize or mitigate economic, environmental and social impacts. The company thus promotes a preventive and responsible culture in terms of its operations.

Sustainability is a transversal practice that involves all of its workers, seeks to link the company with the territory and makes the care and integrity of people the centerpiece. Its starting point is compliance with the legal framework, but it goes further by incorporating specific and material environmental variables into the mining operation. At the same time, it promotes the appropriate use of human, economic and environmental resources through practices that are transparent to the community and seek to promote innovation in each of the processes.

The Sustainability Policy is the responsibility of every one of the workers at Sierra Gorda SCM, and it cuts across the various obligations that allow the company to operate in the short, medium and long term, as well as the commitments with the relevant authorities, the protection of the life and safety of people, care for the environment, the appropriate use of resources, the promotion of technological innovation and the maintenance of sustainable practices.



1 COMPLYING WITH CURRENT LEGISLATION: :

This is an obligation for all of the workers and for every area of the operation in the short, medium and long term, as well as meeting commitments with the relevant authorities.



4 APPROPRIATE USE OF RESOURCES:

The company seeks to ensure efficiency in the use of materials and consider reducing, reusing or recycling within its management options.



2 PROTECTION OF THE LIFE AND SAFETY OF PEOPLE:

The company and its people should keep risks at Sierra Gorda SCM under control, while self care is a central element in the internal culture. Every employee must try to maintain safe working conditions, being concerned about the life, health and well-being of other people.



3 CARE FOR THE ENVIRONMENT:

The company and its workers must maintain a culture of prevention against the environmental risks inherent to operations, taking responsibility for developing and implementing efficiency in energy and water use, reducing liquid and solid waste, reducing gas emissions and controlling particulate material, promoting recycling and the reuse of materials and minimizing the environmental impact of the operation in the social and environmental surroundings.



5 PROMOTE TECHNOLOGICAL INNOVATION:

The constant search for new techniques is essential for the continuous improvement of processes, encouraging the incorporation of innovative technologies in the entire work chain, maintaining growth in knowledge, as well as achieving cost reductions in order to be leaders in the processes carried out.



6 MAINTAIN SUSTAINABILITY AS A TRANSVERSAL PRACTICE:

All of the workers, at all levels, must comply with the commitments made, maximizing the economic value of assets, contributing to social development and minimizing environmental impacts. For this purpose, systems should be developed that allow knowledge to be disseminated on topics related to this policy in a simple and practical way.

SIERRA GORDA SCM AT A GLANCE



METALS:

Copper and molybdenum.



LOCATION OF DEPOSIT:

60 km southwest of the city of Calama and 4.5 km from the village of Sierra Gorda, in Antofagasta Region, Chile.



N° OF WORKERS:

1.448 own staff, 3.000 indirect.



PRODUCTION IN 2018:

Copper: 101.959 TMF / Molybdenum: 12.431 TMF.



NEARBY COMMUNITIES:

Sierra Gorda, Baquedano and Mejillones.

OWNERS:



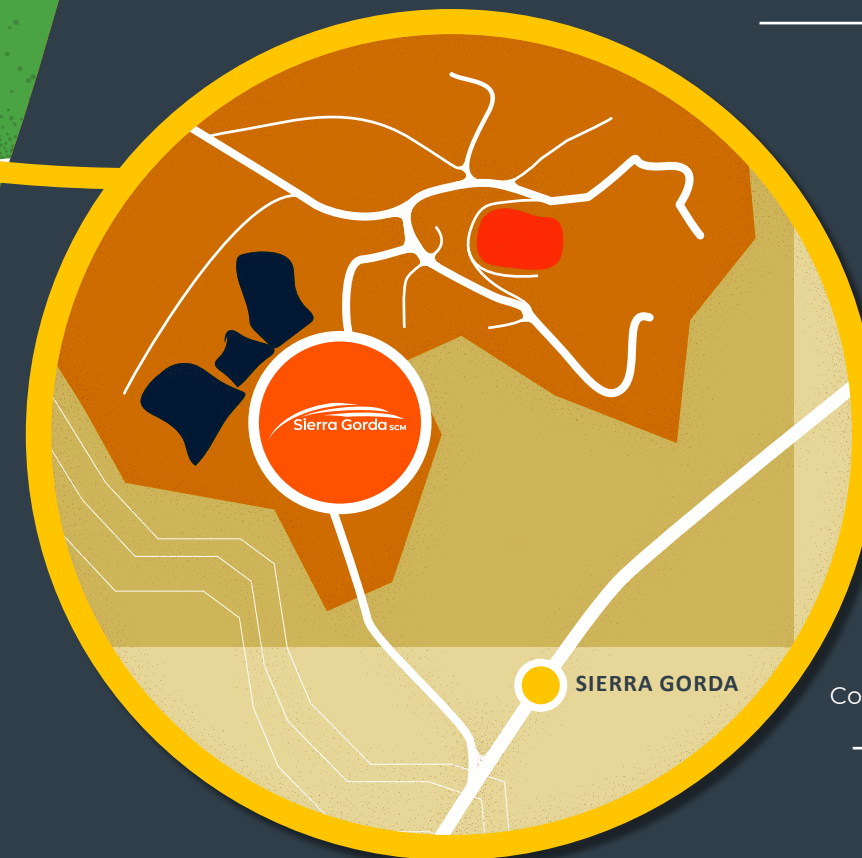
KGHM Polska Miedź
(Poland)



Sumitomo Metal Mining
(Japan)



Sumitomo Corporation
(Japan).



ANTOFAGASTA
REGION,
CHILE

02

COMPANY PROFILE

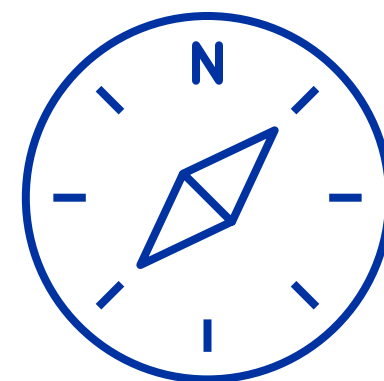


ABOUT US

Sierra Gorda SCM is a mining company whose history began in 2002, after the discovery of the deposit that gave rise to the development of the mine and the start of production activities in 2014, **at 65% of the capacity of the copper plant and 40% in molybdenum.** The company's main environmental milestones include the presentation of the original Environmental Impact Study (2010), obtaining the Environmental Qualification Resolution (RCA 137, 2011) and its subsequent update (RCA 290, 2012), the permits granted by the National Geology and Mining Service (SERNAGEOMIN)

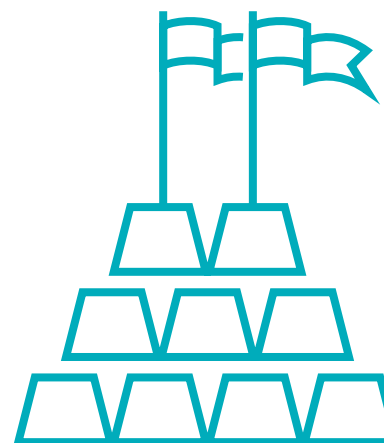
and the Directorate General of Water (DGA) – between 2013 and 2014 – and the approval of the RCA for the adaptation and optimization of the project (RCA 165, 2018).

Its main product is copper concentrate and it also produces molybdenum in concentrate. **The plant has an approved production capacity of 230,000 metric tons per day (TPD),** but processing at the plant that was finally built can vary within a range of approximately 110,000 TPD to 130,000 TPD of treated material.



VISION:

***Sustainably operate a low grade deposit,** with a safe, disciplined, efficient and process-oriented culture, taking advantage of the full potential of people and work teams, creating value for its workers, the community and the owners of the company*



MISION:

***Create opportunities to optimize the productivity of the company,** obtain a quality product that allows it to achieve higher profit margins, safeguarding the sustainability of the business in financial, environmental and human terms.*

VALUES THAT INSPIRE US

In order to bring our principles and policies to life, we have defined five values that guide our actions and which are summarized in the Spanish word **ESTAR**:



Eyes on results: Work for the objectives of the company is our driver. We have to know them and realize how we make a contribution and impact overall results from our position.



Safety: Preaching and practicing security is our duty every day. We have rules and requirements to respect, but it is our commitment to take care of ourselves and others.



Teamwork: Forming part of a great network that goes beyond our own team is our principle. We are interdependent, we need to know each other, connect and support one another every day in order to achieve our goals.



Austerity: Optimize the resources and the knowledge of your team with intelligence and responsibility. If we use the company's resources increasingly well, this will help us achieve our objectives.

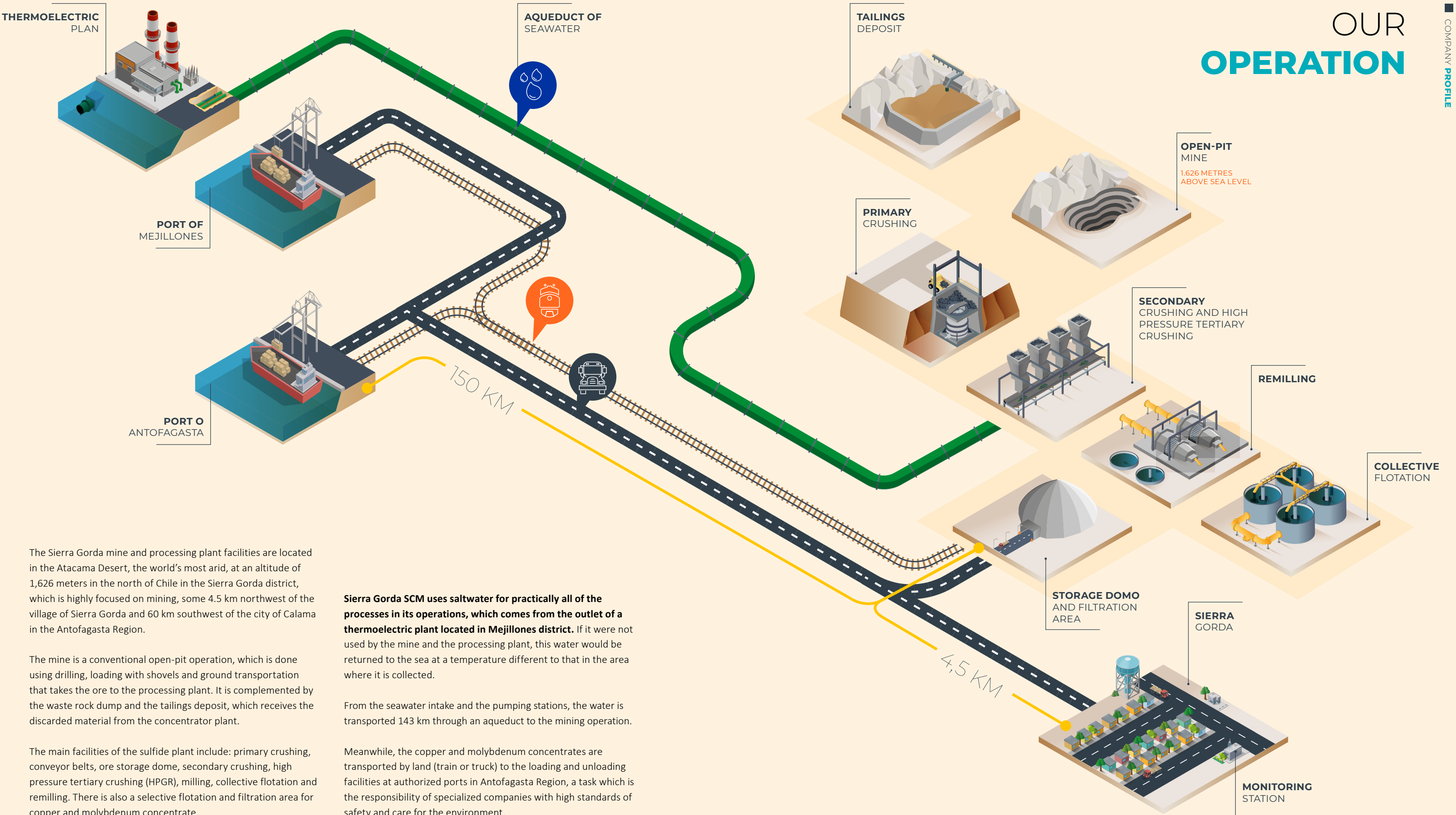


Rectitude and integrity: Being consistent and responsible and thinking of the collective interest of the company in our actions, which prove our personal quality on a daily basis.



ESTAR

OUR OPERATION



The Sierra Gorda mine and processing plant facilities are located in the Atacama Desert, the world's most arid, at an altitude of 1,626 meters in the north of Chile in the Sierra Gorda district, which is highly focused on mining, some 4.5 km northwest of the village of Sierra Gorda and 60 km southwest of the city of Calama in the Antofagasta Region.

The mine is a conventional open-pit operation, which is done using drilling, loading with shovels and ground transportation that takes the ore to the processing plant. It is complemented by the waste rock dump and the tailings deposit, which receives the discarded material from the concentrator plant.

The main facilities of the sulfide plant include: primary crushing, conveyor belts, ore storage dome, secondary crushing, high pressure tertiary crushing (HPGR), milling, collective flotation and remilling. There is also a selective flotation and filtration area for copper and molybdenum concentrate.

Sierra Gorda SCM uses saltwater for practically all of the processes in its operations, which comes from the outlet of a thermoelectric plant located in Mejillones district. If it were not used by the mine and the processing plant, this water would be returned to the sea at a temperature different to that in the area where it is collected.

From the seawater intake and the pumping stations, the water is transported 143 km through an aqueduct to the mining operation.

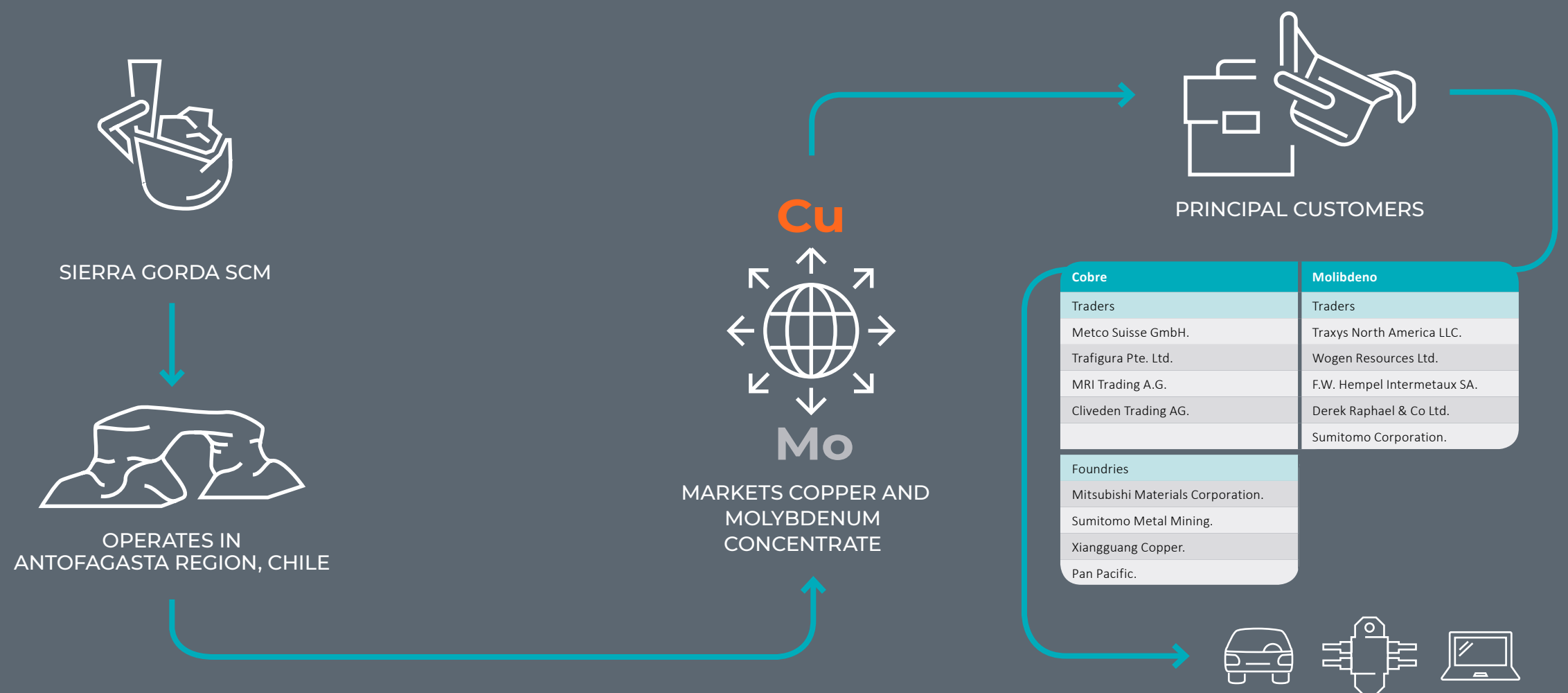
Meanwhile, the copper and molybdenum concentrates are transported by land (train or truck) to the loading and unloading facilities at authorized ports in Antofagasta Region, a task which is the responsibility of specialized companies with high standards of safety and care for the environment.



MARKETS AND CLIENTS

The company operates in the Antofagasta Region (Chile), from where it markets copper and molybdenum concentrate to customers in Chile, foundries and traders. **The task of refining the mineral is therefore completed abroad.**

Thus, the final mineral produced is used by various industries for the manufacture of computers, automobiles, mobile telephony and electrical supplies, among a wide range of other products for everyday use.



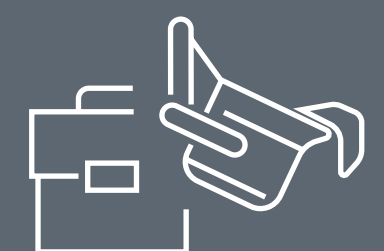
SIERRA GORDA SCM



OPERATES IN
ANTOFAGASTA REGION, CHILE

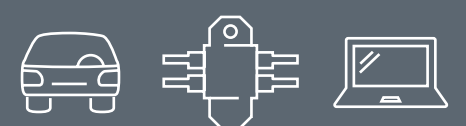


MARKETS COPPER AND
MOLYBDENUM
CONCENTRATE



PRINCIPAL CUSTOMERS

Cobre	Molibdeno
Traders	Traders
Metco Suisse GmbH.	Traxys North America LLC.
Trafigura Pte. Ltd.	Wogen Resources Ltd.
MRI Trading A.G.	F.W. Hempel Intermetaux SA.
Cliveden Trading AG.	Derek Raphael & Co Ltd.
	Sumitomo Corporation.
Foundries	
Mitsubishi Materials Corporation.	
Sumitomo Metal Mining.	
Xiangguang Copper.	
Pan Pacific.	



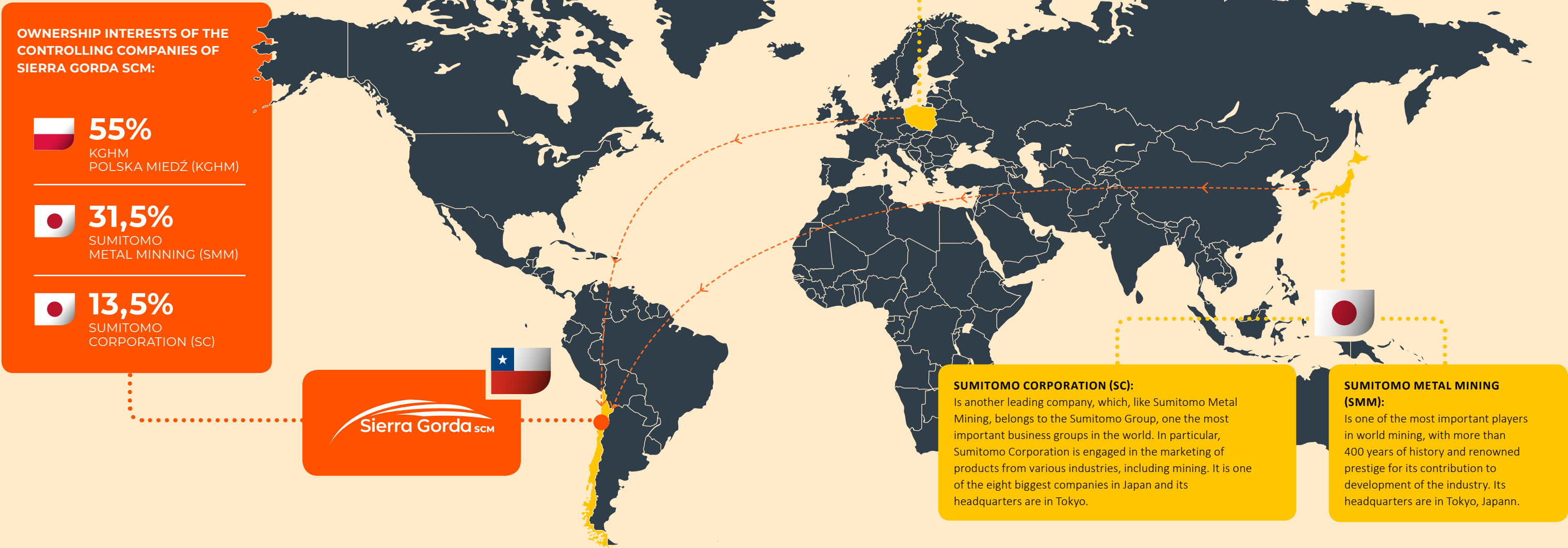
03

INTEGRAL AND
TRANSPARENT
MANAGEMENT



CORPORATE COMPOSITION

Sierra Gorda SCM is a company which is structured as a joint venture between the Polish company KGHM Polska Miedź and Japanese companies Sumitomo Metal Mining and Sumitomo Corporation.



CORPORATE GOVERNANCE

OWNERS' COUNCIL

The governance structure of Sierra Gorda SCM is led by the Owners' Council, formed by six members who represent the interests of the shareholders (3 for each controlling group) and they have extensive experience in economic, operational, environmental and social matters related to the company. **The representatives of the Owners' Council are from different countries and cultures (Poland and Japan) and decision-making is done by consensus**, while the chairmanship is rotational (on a biannual basis).

The members of the Owners' Council are not executives of Sierra Gorda SCM, nor do they carry out activities related to the operation of the company's business, so they are independent of the management of the company.

The senior management of the company, including all the vice presidencies and

management areas, report to the Owners' Council and take part in the quarterly meetings that the Owners' Council holds in Chile, which include visits to the site.

The Owners' Council has the responsibility of defining the strategic direction of the company, monitoring resources and the creation of value and supervising the performance, risks and management control of the company. The measures adopted by this body are communicated through the company's internal media and communication channels and are part of the Monthly Reports of Sierra Gorda SCM.

The Owners' Council also has various Strategic Committees, which have an advisory role regarding the various priority issues of Sierra Gorda SCM.

MEMBERS OF OWNERS' COUNCIL (ACCORDING TO THE MINUTES OF THE SEPTEMBER 2018 MEETING)



Pawel Gruza (KGHM)
Maciej Koński (KGHM)
Marek Świder (KGHM)



Hiroshi Asahi (SMM)
Masaru Tani (SMM)
Takashi Onda (SC)

STRATEGIC COMMITTEES:

The Strategic Committees have an advisory Rol And report directly to the Owners' Council. They also have regular contact with the senior management of the company, based on which they prepare their strategic guidelines.



SENIOR MANAGEMENT

The Owners Council delegates its authority to the General Management and senior management (executive vice-presidencies and key management), based on a structure of powers and a system of authorizations, granting the administration autonomy in decision-making.

The administration holds regular meetings with the senior management to report on progress and relevant decisions in strategic areas for the company. It must also report on a monthly basis to the Owners’ Council and the company as a whole about its activities, through the Monthly Report that each vice-presidency and management area must produce on their main

activities during the period. This system is intended to maintain fluid communication and coordination within the organization and ensure probity and transparency as essential values.

The executives of the company are responsible for carrying out the relevant consultations of stakeholders on economic, environmental and social issues related to the company, and must report these concerns in the meetings held with the Owners’ Council. The nature of the critical concerns reported during 2018 is varied and involves all of the company’s activities. According to the minutes of the Owners’ Council, in 2018 there were 16 critical issues for the company.

MEMBERS OF SENIOR MANAGEMENT 2018:



CEO
Miroslaw Kidon



Vice President of Human Resources,
Beata Choragwicka-Majstrowicz



Vice President of Operations,
Eric Zepeda



Vice President of Legal, Corporate and Sustainability Affairs,
Miguel Baeza



Vice President of Corporate Services,
Katsuya Tanaka



Vice President of Finance,
Dariusz Dulnik



Manager of External Affairs and Community Relations,
Carlos Rojas



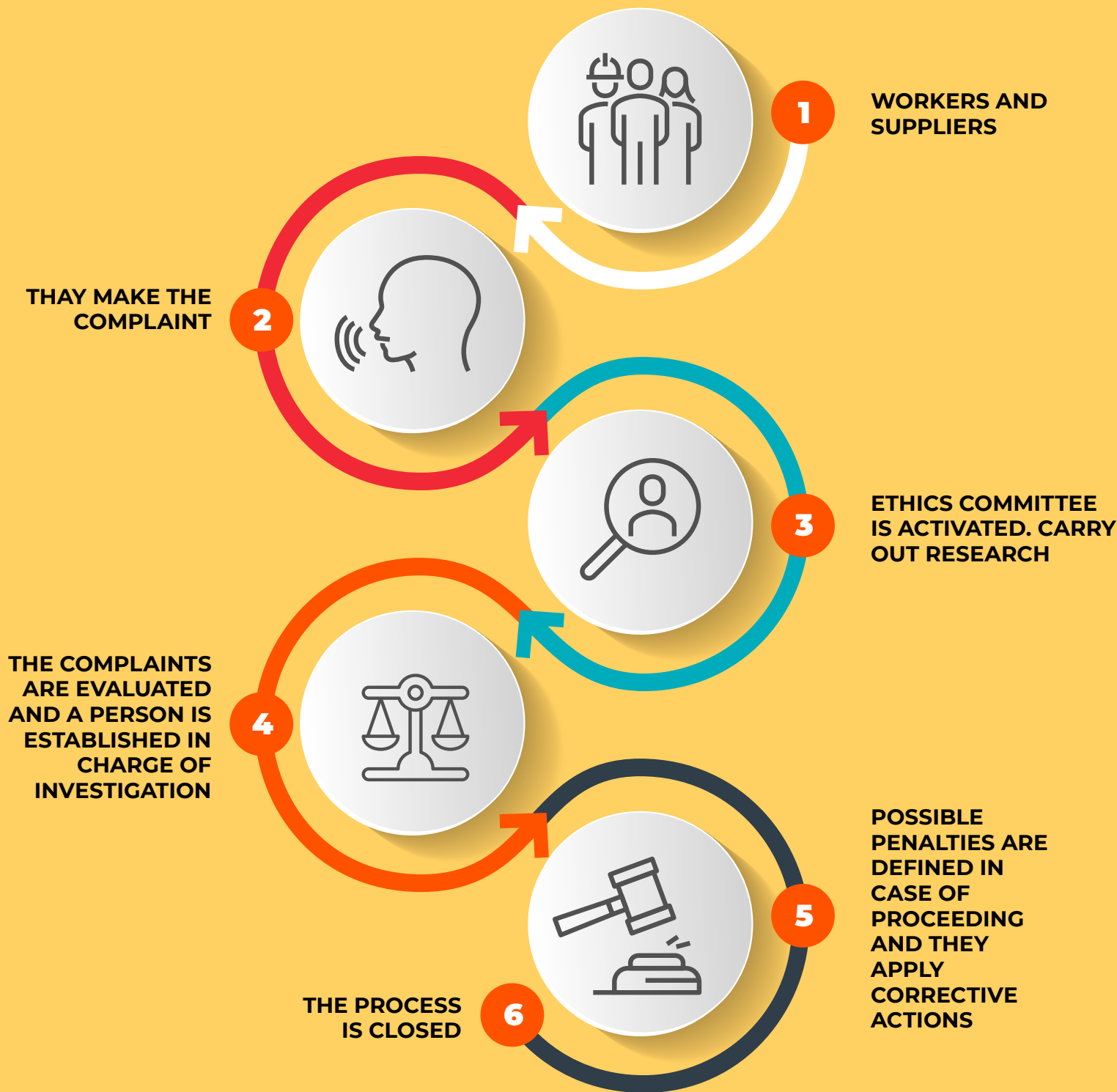
Manager of Health, Safety and Environment,
Roberto Cisternas



Internal Auditor,
Krzysztof Micek

**In order to review the senior management structure, please go to <http://www.sgscm.cl>*

COMPLAINT CHANNEL



CODE OF ETHICS AND CORPORATE CONDUCT

As part of its Compliance and Transparency policies, the company has various tools for internal control. The performance of the various areas and workers that form part of Sierra Gorda SCM is thus governed by the **Code of Ethics and Corporate Conduct**, which is widely disseminated among the workers, who must be familiar with it and fully respect it.

The company has a specific structure and mechanisms to request advice on ethical conduct and the integrity of the organization depending on the nature of each case, in accordance with the Internal Regulations on Order, Hygiene and Safety at Sierra Gorda SCM.

The company has a **Whistleblowing Channel** that is open to its workers, who can access it anonymously through the website, via e-mail or by telephone.

CRIME PREVENTION MODEL

In accordance with Law Nº 20,393, which establishes the criminal liability of legal persons for the commission of the offences of money laundering, financing of terrorism, bribery of a public official (national or foreign) and receiving stolen property, Sierra Gorda SCM has an Externally Certified Crime Prevention Model (CPM) and a Crime Prevention Officer (CPO). In this way, the company seeks to establish a mechanism for the prevention and mitigation of the risks of crimes and clearly establish the segregation of duties, obligations and prohibitions for all of its workers, including contractors and advisors.

The **Ethics Committee** is the body responsible for overseeing the company's efforts in the implementation, update and compliance of

the Crime Prevention Model, supervising the resolution of complaints received by the Committee (formed by three people, one of which is responsible for crime prevention) and deciding on the penalties to be imposed in the event of proceeding with a corresponding investigation of a case.

CONFLICTS OF INTEREST

Sierra Gorda SCM has a Conflict of Interest Policy, which defines and states the position of the company regarding matters that could constitute a real or potential conflict of interest and establishes a protocol to disclose and address such Conflicts of interest. This policy is applicable to all persons who work at or provide services to Sierra Gorda SCM, particularly those who have assessment and/or decision-making powers in employment of staff, in purchase and service decisions, in activities related to the authorities and public services, as well as those that can authorize the use of the property, assets, systems, or information of the company. In particular, regarding the relationship with suppliers, it establishes the mechanisms for mandatory declaration and control of conflicts of interest in procurement processes and contract administration, on the part of commercial staff, contract administrators, key personnel in user areas and for suppliers that participate in tenders.

RISK MANAGEMENT

INTERNAL CONTROLS: THREE LINES OF DEFENSE MODEL.

In terms of internal control, risk management, corporate governance and the organization as a whole, Sierra Gorda SCM incorporates the Three Lines of Defense model.

This framework establishes that under the supervision and guidance of the company's senior management and administration, three separate groups (or lines of defense) are required within the organization to effectively manage risk and control. The responsibilities of each of the groups (or "lines") are:

1. **Owning and managing risk and control** (frontline operational management).
2. **Monitoring risk and control to support management** (management implements risk, control and compliance functions).

3. **Providing independent assurance to the administration and the senior management of the company**, in relation to the effectiveness of risk management and control (internal auditing).

Each of the three lines has a different function within the general framework of corporate governance. When each of them fulfills its role, it increases the probability that the organization will be successful in its task of achieving its general objectives.

On the other hand, at the meetings of the Owners' Council the risks for the company are reviewed and the guidelines for the implementation of strategies are established by the general management and the most relevant vice-presidency depending on the case.

RISK FACTORS

Environmental and Social Risks:

On a half-yearly basis Sierra Gorda SCM prepares the Environmental and Social Monitoring Report with the aim of identifying all critical issues for the operation and its surrounding environment, establishing precise action plans and strategies for relationships

with each stakeholder. In turn, the External Affairs Department develops a Risk Map with the main issues related to the activities of Sierra Gorda SCM and its key stakeholders, establishing a course of action and the guidelines for the involvement of the company whatever the case may be.



Market Risks:

Fluctuations in commodity prices, foreign currency exchange rates and interest rates, which may affect the company's revenues.



Operational Risks:

Related to open-pit mining activity that may originate in the use of heavy machinery, explosives and chemical reagents.



Financial Risks:

Risk that the company may not be able to meet its financial obligations on time. Accounts payable, provisions, loans and liabilities for financial leasing are monitored constantly.



Credit Risk:

Risk of financial loss that the company faces if a client or counterparty in a financial instrument does not comply with their contractual obligations, mainly in relation to the commercial debtors of the company.

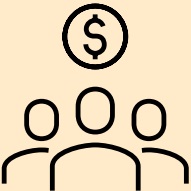
RELATIONSHIP WITH STAKEHOLDERS

Sierra Gorda SCM encourages dialogue with its various stakeholders and actively participates in numerous joint initiatives that are intended to provide value to the people and territories surrounding its operation. The communities, and civil and neighborhood organizations are permanent interlocutors of the company as part of an effort to establish initiatives with shared values, to exchange experiences and talk about topics of common interest.

In particular, the relationship with stakeholders is governed by the **Map of Key Stakeholders**, a tool that includes the area of influence of the company on its surroundings and which is updated according to the activities of the company and the events that affect the surrounding communities.

Sierra Gorda scm

PRINCIPALES GRUPOS DE INTERÉS



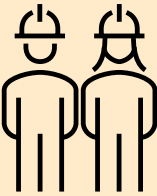
SHAREHOLDERS:

KGHM Polska Miedź, Sumitomo Metal Mining, Sumitomo Corporation.



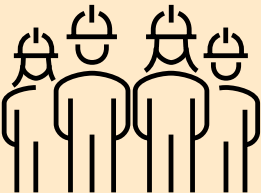
CLIENTS:

Foundries and traders of copper and molybdenum.



EMPLOYEES:

1,448 direct employees and 3,000 indirect employees.



UNIONS:

Sindicato de Trabajadores de la Empresa Sierra Gorda S.C.M. (515 people), Sindicato N°2 de Trabajadores de la Empresa Minera Sierra Gorda S.C.M. (429 people), Sindicato de Supervisores y Staff SGSCM (346 people).



AUTHORITIES AND REGULATORS:

Central government, regional and district authorities.



COMMUNITIES:

The direct area of influence of Sierra Gorda SCM is formed mainly by the districts of Sierra Gorda, Baquedano, Mejillones and Antofagasta.



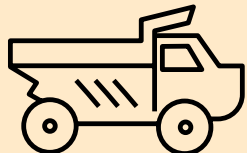
CIVIL SOCIETY:

Non-Governmental Organizations (ONGs), Universities, Educational Institutions and Associations.



SUPPLIERS:

These include international, domestic and local suppliers, goods and services associated with the operation of the mine, the production plant and other activities.



PRINCIPLES, ASSOCIATIONS AND RELEVANT ACTORS:

Sierra Gorda SCM adheres to the principles of the International Council on Mining & Metals (ICMM) through the participation of one of its owners (Sumitomo Metal Mining). The company participates in the la National Mining Society (SONAMI), the Mining Council, the Industrial Association of Antofagasta and the Clean Production Agreement of the same city. It is also part of the Territorial Dialogue (Valor Minero) and the Good Neighbors Council of Sierra Gorda.

MATERIALITY

This report seeks to go into depth on the issues identified as being relevant to the stakeholders, whose participation has been essential in order to prepare what is called the “materiality process”, including social, environmental and economic aspects.

MATERIAL ASPECTS AND COVERAGE

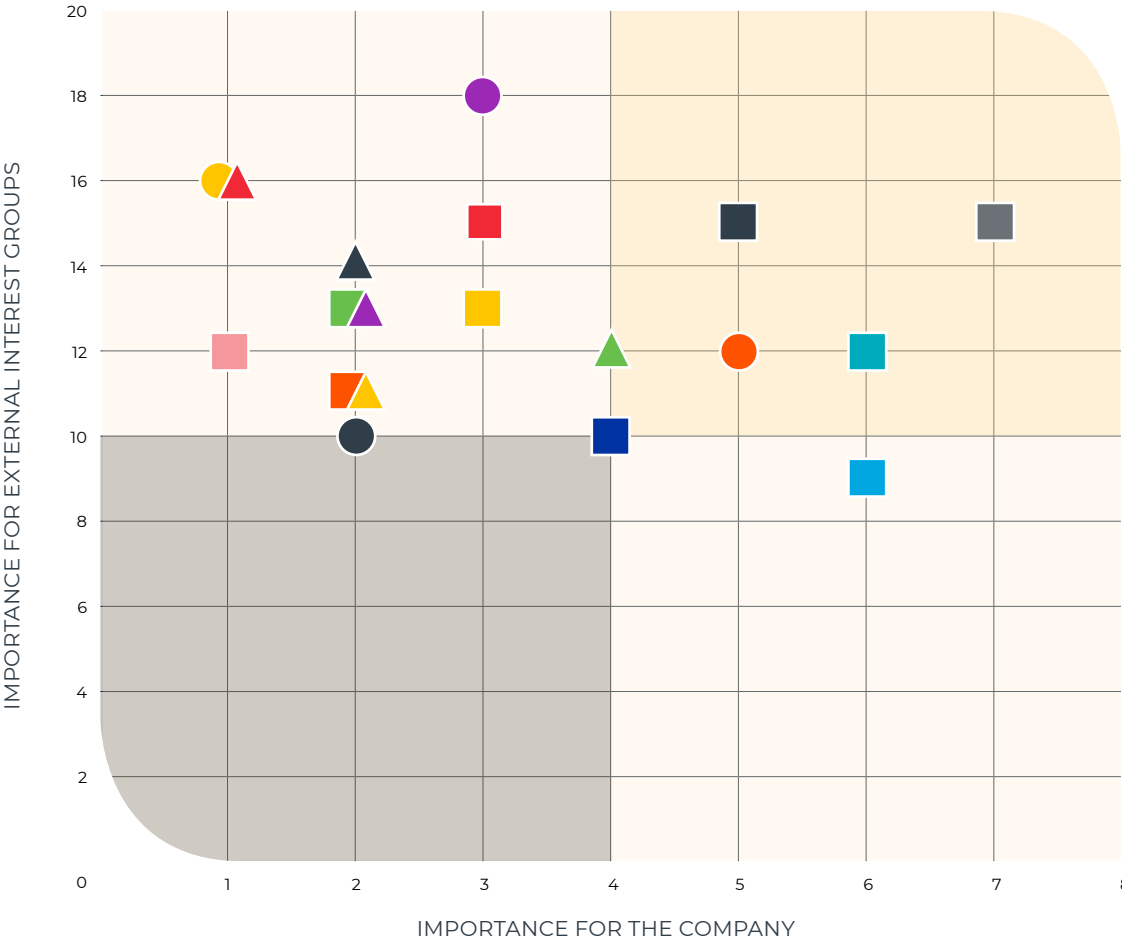
Defining the topics to be reported is a broad process and it goes through different stages. First, publications in the press, documentary sources and other relevant information were used as inputs. Then a long list of potentially relevant aspects to report was prepared. This list included **25 economic aspects, 18 environmental aspects and 28 social aspects.** After the consultation of 32 interest groups, using interviews or surveys, each of them defined the topics to be reported that would be the highest priority according to their interests and expectations.

The topics defined as priority by the interest groups and the company were processed using

additional verifications, thus obtaining the final list of material aspects in the economic, social and environmental areas which are addressed in the following chapters:

- Production and results.
- Creation of jobs.
- Expansion plan.
- Contribution to the local and national community.
- Sustainability policy.
- Environmental compliance.
- Port of Antofagasta Clean Mining Logistics Production Agreement (APL).
- Transportation of concentrate.
- Meteorological effects on the operation.
- Emissions of particulate material.
- Tailings deposit.
- Water consumption and management.
- Energy sources.
- Conservation of archeological sites.
- Local and regional hiring.
- Contribution to the value chain.
- Training programs and technical training.

MATERIALITY MATRIX OF SIERRA GORDA SCM



		MATERIALIDAD	INTERNAL	EXTERNAL
●	Economic	Production and results	5	12
●	Economic	Creation of jobs	1	16
●	Economic	Expansion plan	2	10
●	Economic	Contribution to the local and national community	3	18
■	Environmental	Sustainability policy	2	11
■	Environmental	Environmental compliance	6	12
■	Environmental	Clean Mining Logistics Production Agreement (APL)	2	13
■	Environmental	Meteorological effects on the operation	6	9
■	Environmental	Tailings deposit	3	15
■	Environmental	Emissions of particulate material	7	15
■	Environmental	Water consumption and management	4	10
■	Environmental	Energy sources	3	13
■	Environmental	Conservation of archeological sites	1	12
■	Environmental	Transportation of concentrate	5	15
▲	Social	Local and regional hiring	1	16
▲	Social	Relation with suppliers	4	12
▲	Social	Training programs and technical training	2	15
▲	Social	Contribution to the value chain	2	11
▲	Social	Community programs and evaluations	2	14

04

ENVIRONMENTAL
PERFORMANCE



ENVIRONMENTAL COMPLIANCE

Environmental compliance is a necessary condition for the development of any process, operation or activity related to Sierra Gorda SCM. It is an obligation for every employee of the company and it is aimed at taking responsibility for potential externalities that any mining operation can cause.

The environmental management of Sierra Gorda SCM is based, among other things, on the company’s Sustainability Policy (see page 12), which seeks to minimize and mitigate adverse environmental impacts and promote a transparent, active and responsible culture.

The company also subscribes and aspires to comply – along with its suppliers and contractors – with the Equator Principles and World Bank guidelines. It is also related to the management of environmental commitments through the website of the Superintendency of the Environment

As a result of responsible operation focused on its values, Sierra Gorda SCM closed 2018 without recording any processes of environmental sanctions, a successful result that is a source of pride for the company and its workers.

TAILINGS DEPOSIT

Mine tailings deposits are a source of constant concern for the community and the environmental authority. These are very large facilities that are built to be maintained in perpetuity, so they must be able to withstand extreme conditions and coexist with other activities of value to communities. The Water and Tailings Management is responsible for managing tailings deposits and optimizing their operation, ensuring strict compliance with environmental regulationsl.

TABLE TAILINGS DEPOSITED AND ACCUMULATED IN THE DEPOSIT		
Period	Tailings deposited (TMS)	Tailings accumulated in the deposit (TMS)
15-01-2018	3,107,395	106,426,816
15-02-2018	3,284,681	109,604,102
15-03-2018	3,298,746	112,902,848
13-04-2018	2,806,234	115,709,082
21-05-2018	3,239,106	118,948,188
21-06-2018	3,200,907	122,149,095
16-07-2018	3,572,514	125,721,609
14-08-2018	3,541,287	129,262,896
14-09-2018	3,559,941	132,822,837
16-10-2018	3,416,484	136,239,321
16-11-2018	3,538,545	139,777,866
30-12-2018	3,020,195	142,798,061

OPTIMIZATION OF PROCESSING PLANT AND IMPROVEMENTS TO THE TAILINGS DEPOSITS

In 2016, Sierra Gorda SCM obtained approval for its Compliance Program from the Superintendency of the Environment, which **establishes various improvements in the operational areas, with a focus on the operation of its tailings deposit.** This work, supervised by the authority, took 26 months (between October 2016 and November 2018) and resulted in the successful completion of 32 specific tasks, with an investment that exceeded USD 58,000,000. These actions were evaluated in the EIA “Operational adaptation of the tailings deposit and optimization of the Sierra Gorda project, of SG SCM” and approved by RCA 165/18. At the same time, the EIA made it possible to include new optimizations in the mineral beneficiation process, environmental improvement works and new development phases, which could eventually be decided in the future.

TECHNICAL OPTIMIZATIONS

The most important optimizations are aimed at improving the exploitation of the Catabela pit by means of a more efficient configuration in the mineral-waste rock ratio. In addition,

expanding the capacity of the Concentrator Plant to 230,000 TPD was also established as a potential option for future phases of development.

As regards the operation and configuration of the tailings deposit, the company carried out initiatives and projects to improve the environmental performance of the site, including:

- Improvement of the tailings distribution system (spigot) within the basin.
- Recirculation of water from the basin of the tailings deposit through mobile pumping stations.
- New systems of operational control of the tailings deposit through the construction of interior berms.
- Monitoring and recirculation of water through wells and drains located in the vicinity of the tailings deposit.
- Implementation of an optimized groundwater monitoring network at the site.
- Operational range of the percentage of solids in tailings between 55% and 62%, as a reference value.

During 2018 the company thus began a series of short-term investments aimed at increasing the capacity of the mineral processing and recovery plant, and implementing improvements to the tailings deposit to enhance treatment capacity.



AIR QUALITY

The particulate material emitted by the operation and its influence on air quality is a priority issue for the community and the company. Sierra Gorda SCM has action protocols in line with the environmental regulations and a monitoring system in accordance with the highest industry standards, both of which are part of the environmental commitments acquired in the project approvals.

There are various operational considerations that can lead to a change in the schedule and postponement of blasting, such as:

- Technical faults in equipment for loading explosives
- Lack of raw materials.
- Faults/delays in drilling equipment.
- Delay in the process to load explosives.
- Others associated with the mining processes.
- Failure to comply with clearing equipment in the pit, prior to the start of the blasting process.

PROTOCOL FOR POSTPONEMENT OF BLASTING

The “Protocol for postponement of blasting under unfavorable ventilation conditions” establishes the necessary atmospheric conditions for blasting to be carried out, among which wind direction plays a fundamental role. Based on the information provided by the different monitoring stations, **favorable schedules are established and there is a strict procedure for action in the face of environmental events** (precipitation, wind or electric storms), including direct communication with community actors.

AREAS OF CONDITIONS ASSOCIATED WITH THE BLASTING PROCESS		
VARIABLE	FAVORABLE	NOT FAVORABLE
Wind direction	When the range of the wind direction does not direct the contribution towards populated places.	When the range of the direction of the wind brings the contribution towards populated places.
Brightness	Thundering with natural light (according to the Regulation of Mining Safety DS No. 132, Art 253).	Can not thunder without natural light (it is considered natural light when you can see from one end to the other in the open-pit).
Velocidad del viento	0 a 5 m/s, or about 10 m/s.	Wind speed of 6 a 10 m/s.

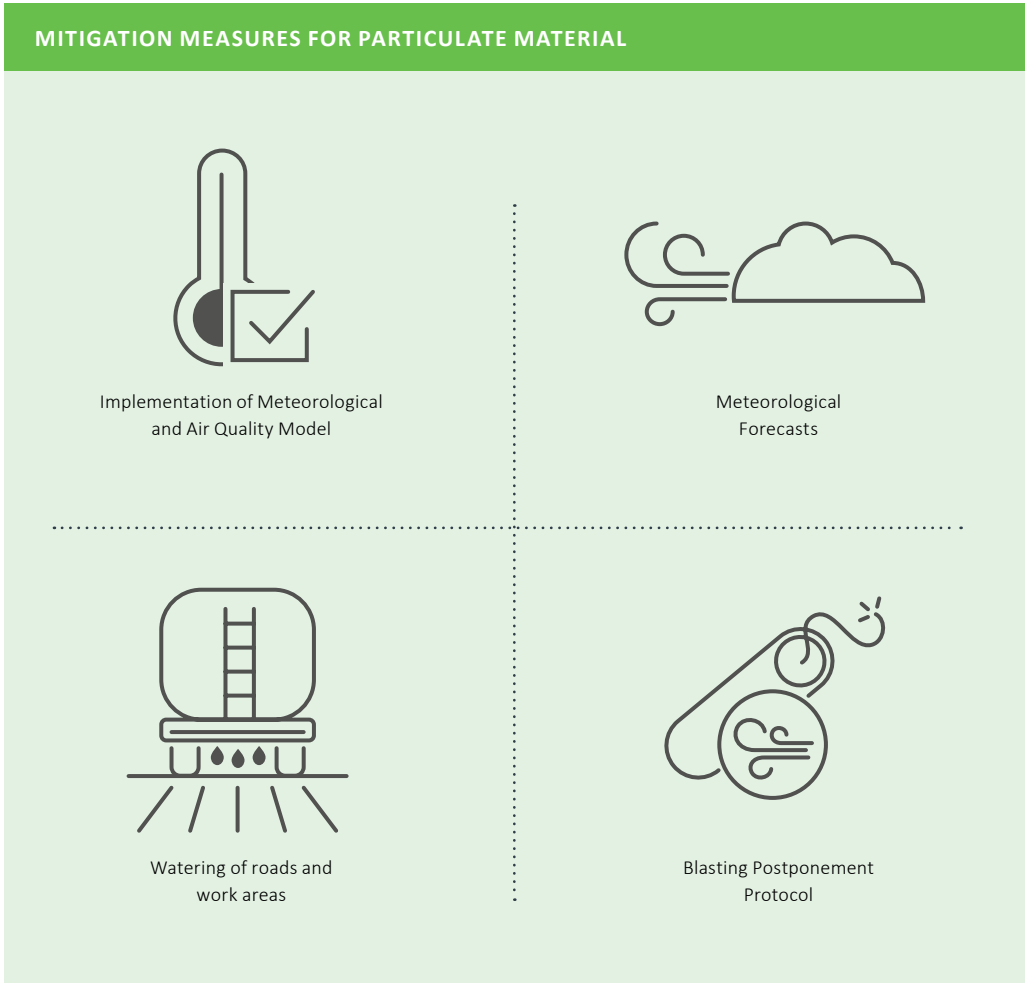


MONITORING AND MEASUREMENT OF VARIABLES IN THE FIELD AND ONLINE

The Environmental Coordinator on duty (a responsibility that falls on the Health, Safety and Environment management), is responsible for reviewing the weather information online from the Sierra Gorda station and sending a daily meteorological bulletin as a reference of

the conditions present at the site. In addition, the report establishes the maximum suggested time for planning blasting.

If adverse or unfavorable meteorological conditions are forecast, the necessary coordination is activated to carry out the activities permitted and planned according to the protocols.



AIR QUALITY REPORTS

Sierra Gorda SCM has the support of an external company to collect monthly information and validate the data from the meteorological reports. This information, collected at a monitoring station in the village of Sierra Gorda, allows the company to find out the influence of Particulate Material under 10 microns (PM10) and Particulate Material under 2.5 microns (PM2.5) on air quality and the behavior of the meteorological variables of wind direction, wind speed and environmental temperature.

The average concentration of PM10 between January and December 2018 was 52 µg/m³N. The tri-annual concentration was 47 µg/m³N. Meanwhile, the average annual concentration of PM2.5 between January and December was 9 µg/m³ and the triannual concentration was 8 µg/m³.



SIERRA GORDA MONITORING STATION (EMRP) READINGS OF PARTICULATE MATERIAL IN 2018

Periodo	MP10 (µg/m³N)	MP2,5 (µg/m³)
	Average	Average
January	35	9
February	39	10
March	49	12
April	51	11
May	56	9
June	60	9
July	45	7
August	43	7
September	62	10
October	55	9
November	59	19
December	60	10

Sierra Gorda SCM receives monthly reports on air quality, which it publishes for the information of its stakeholders through the Minera Sierra Gorda SCM Air Quality Monitoring website at <http://sigasgscm.modafor.cl:443/mcasg/publico/p.jsp>

CLEAN PRODUCTION AGREEMENT (APL): INCORPORATION OF LOCAL INNOVATION

The commitment to the territory in which Sierra Gorda SCM is inserted can be seen in various different levels of actions, based on the needs identified by the residents themselves. Transportation of concentrate from the plant to the port of Antofagasta and the storage area are important issues for the community for which the company is responsible, and it shows its constant concern to maintain a positive relationship with its surroundings.

As an example of this management, on September 9, 2016, the company signed the Port of Antofagasta Mining Logistics Clean Production Agreement (APL), between representatives of the private sector coordinated by the Antofagasta Industrial Association, FCAB, Empresa Portuaria de Antofagasta, Antofagasta Terminal Internacional S.A., Complejo Metalúrgico Altonorte S.A., Codelco, Sierra Gorda SCM, and the public sector, represented by the Regional Ministerial Secretariats of Economy, Mining, Transport, Health and Environment, along with Corfo and the Sustainability and Climate Change Agency.

The Port of Antofagasta Mining Logistics APL is a shared and comprehensive project designed to address environmental challenges and the concerns of the community, seeking to use the best techniques available in transportation logistics, storage, and loading and unloading of bulk concentrates.

Within the framework of this agreement, Sierra Gorda SCM reached a milestone by incorporating a new system of hermetic hoppers for trucks to transport concentrates, a technological innovation achieved with

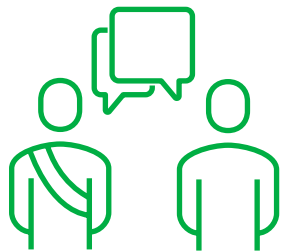
local engineering, allowing the generation of employment and development of suppliers in the region. Among the commitments reached, the use of canvas-covered trucks for transport to the Port of Antofagasta was abolished. The partner companies Tragal y Timmamg offered a solution to seal the truck hoppers, which consists of a system of automated hermetic covers, which prevent all losses of concentrate during transportation.

In 2018 the new trucks consumed 495.77 cubic metros of diesel. At the same time, the environmental impacts associated with transportation of concentrate and other items have been evaluated according to the Environmental Impact Assessment System (SEIA), with greater emphasis on the areas of emissions, solid and liquid effluents, potential waste from maintenance or accidental or routine spills from adjustments. This analysis showed that there is not a negative environmental impact as a result of the transportation used by the organization, which implies additional actions or commitments to those that the company currently implements.

The criteria and methodology used to determine the significant environmental impacts are used by the SEIA.



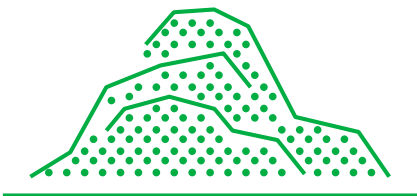
ACTIVITIES RELATED TO THE CLEAN PRODUCTION AGREEMENT:



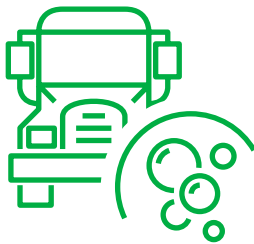
Meetings with regional and environmental authorities.



Implementation of hermetic trucks, for the transport of the mineral.



Audits of the process of reception, storage and shipping of concentrate by consultancy WSP (november).



Improvement of washing systems for transportation trucks.



ENERGY SOURCE AND ELECTRICITY SUPPLY



Energy sources are essential to carry out any economic activity. In particular, due to their nature mining activities require multiples energy sources to enable optimal operations. Sierra Gorda SCM seeks to optimize the use of its energy resources, which come from fossil fuels (diesel) whose environmental impact is greater than that of alternative sources, such as Non-Conventional Renewable Energies (NCRE). At present, Sierra Gorda SCM has conducted various studies to incorporate NCRE into its projects in the coming years.

The management of energy sources is mainly the responsibility of the Vice Presidency of Operations, particularly regarding management related to the operation of the mine and processing plant.

Sierra Gorda SCM’s power supply is produced by *Empresa Eléctrica Cochrane*. From a 500 MW generation plants, it supplies a substation located within the mine through a high-voltage line (220 kV).

TABLE TOTAL CONSUMPTION OF FUELS FROM NON-RENEWABLE SOURCES WITHIN THE ORGANIZATION	
Source of diesel consumption	Annual volume (cubic meters)
General Services	495.77
Concentrator Plant	5,108.53
Open Pit Mine	103,456.49
Total consumption	109,060.79

SIERRA GORDA SCM ELECTRICITY CONSUMPTIO	
Source of electricity consumption	Electricity consumption (KWh)
Open Pit Mine	82,401,800
Concentrator Plant	828,441,116
Molybdenum Plant	23,044,143
Services	252,224,730
Total consumption	1,163,067,646

REUSE OF SEAWATER IN PRODUCTION PROCESSES

Sierra Gorda SCM is aware of the scarcity of water in our country, particularly in the Antofagasta Region and its immediate surroundings. For this reason, from its inception, the company took the strategic choice to supplying its production processes by reusing **seawater from the cooling process of a Mejillones thermoelectric plant** through the water transport system (STA), which allows it to achieve expected pumped volumes of more than 1,389 liters/second.

The water is transported through a 143 km aqueduct that leads to a seawater pond at the operation. The pumping system is designed to provide a maximum water flow of 1,500 liters/second.

The operation uses salt water for practically all of its processes, except for human consumption and certain particular processes. For these requires the water is desalinated in the **reverse osmosis plant**. In addition, 1,831,042 m³ of water were recovered from the tailings in 2018.

WATER USE	
Water Source	Amount Reused (liters/second)
Surface water (wetlands, rivers, lakes)	0
Groundwater	0
Rainwater collected and stored directly by the organization	0
Wastewater from another organization	0
Private water supply services	30
Seawater used by Sierra Gorda SCM	Hasta 1,500



05

RESULT AND
PROJECTIONS



EFFICIENCY AND CONTROL OF EXPENSES

Sierra Gorda SCM faces the constant challenge of being extremely efficient in its processes and maintaining an active policy to control costs in all of its activities.

During the consultation process for this report, various stakeholders expressed their interest in learning about the company's productivity and financial results, with a focus on its financial sustainability and projections. One of the keys to managing productivity is the implementation of processes of continuous improvement, mapping out procedures within the company and identifying opportunities for improvement and implementing them.

According to the Financial Statements of Sierra Gorda SCM (sole entity that forms part

of the report), in 2018 funds were provided by the owners (USD 330 million) to reinforce the operational continuity of the company. Technological and computer tools were also incorporated into the development of the processes, in order to provide accurate information about the results and to improve budgetary cost controls.

During the reporting period, Sierra Gorda SCM had financial expenses of USD 400.7 million, while net revenues for public sector organizations reached USD 666,301. Meanwhile, total capitalization broken down in terms of debt was USD 95.5 million.



SALES, REVENUES AND SERVICES SIERRA GORDA SCM

	2018	2017	2016
A Total number of operations	1	1	1
B Net sales for private sector organizations.	1,002,599.8 thousand USD	952,764.8 thousand USD	620,447.8 thousand USD
C Net income for public sector organizations.	666,301 USD	816,652 USD	1,624,792 USD
D Total capitalization (for private sector organizations) broken down in terms of debt.	95.5 millones de USD	131 millones de USD	34.1 millones de USD
E Total capitalization (for private sector organizations) broken down in terms of capital.	81.3 millones de USD	77.2 millones de USD	81.1 millones de USD
F Quantity of products provided or rendered (sales).	Copper: 208,764.3 thousand pounds.	Copper: 216,846.3 thousand pounds	Copper: 208,641 thousand pounds
	Gold: 40.9 thousand ounces	Gold: 51.8 thousand ounces	Gold: 42.7 thousand ounces
	Silver: 830.9 thousand ounces	Silver: 857.1 thousand ounces	Silver: 837.5 thousand ounces
	Molybdenum oxide: 30,767.4 thousand pounds	Molybdenum oxide: 35,286.1 thousand pounds	Molybdenum oxide: 24,158.9 thousand pounds
G Quantity of products provided or rendered.	Production of copper and molybdenum	Production of copper and molybdenum	Production of copper and molybdenum

NOTES:

- B. Considered as net sales: total sales, reducing costs of TCRC (Cu Refining) and excluding MTM (Mark to Market). In thousands of dollars.
- D. Considers accounting capex (total expense incurred) in millions of dollars.
- E. Considers the capex flow (total payments effectively disbursed) in millions of dollars.
- F. Corresponds to annual sales.

COPPER AND MOLYBDENUM PRODUCTION SIERRA GORDA SCM

TOTAL PRODUCTION	2018	2017	2016
Production of fine copper (FMT)	101,959	101,736	98,121
Production of molybdenum (FMT)	12,413	16,574	10,339

ANNUAL RESULTS IN USD MILLION

2018	-384.8
2017	-255
2016	-2,643

CONTRIBUTION TO NATIONAL AND LOCAL ECONOMY

Sierra Gorda SCM generates economic value for the country, the Antofagasta Region and the communities surrounding the project based on the **Direct Generated Economic Value** (GEV, income) and the Distributed Economic Value (DEV), which includes operating costs, workers’ salaries and benefits, payments to capital suppliers (national and foreign), fiscal and municipal income, and investments in the community.

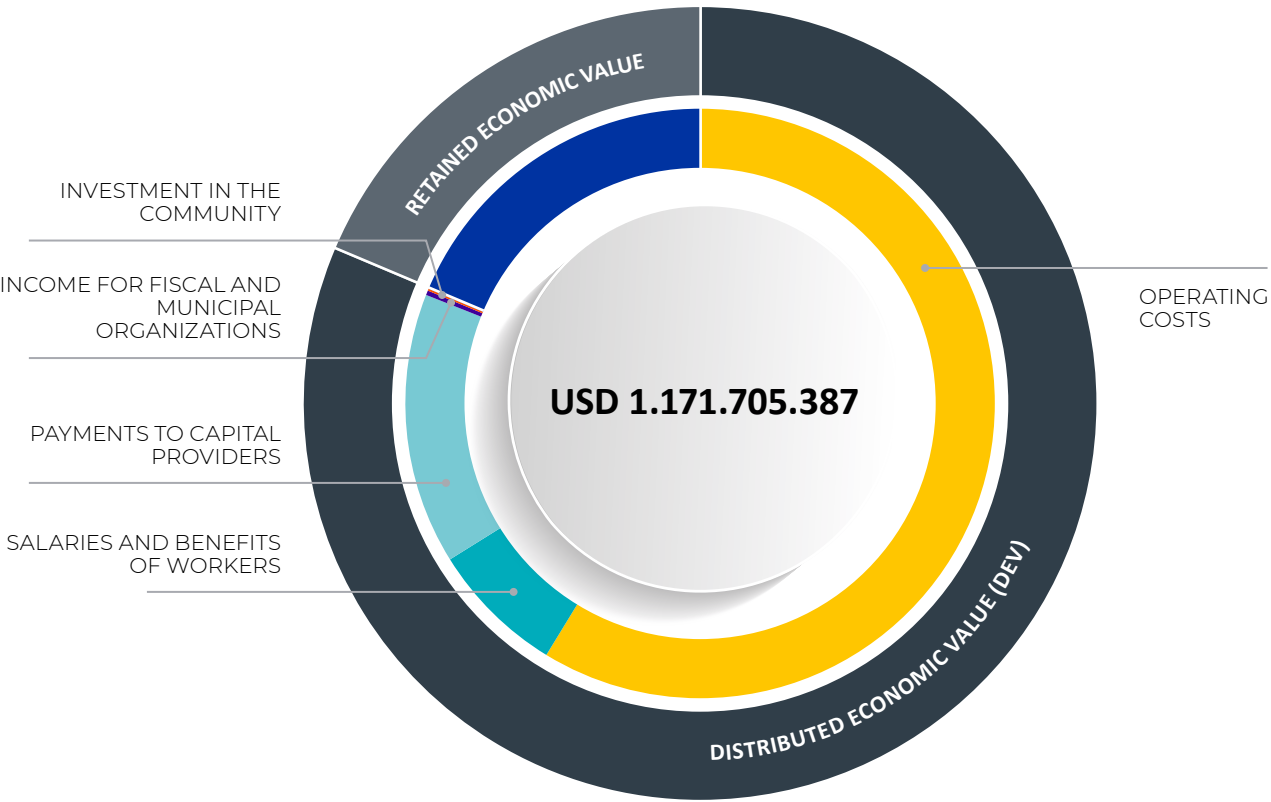
In the year reported, the GEV was USD 982,299,362, while the DEV reached USD 1,171,705,387. Meanwhile, the **Retailed Economic Value**, the difference between the GEV and DEV, was USD -189,406,025.



Copper concentrate

	2018	2017	2018
	(USD)	(USD)	(USD)
INCOME			
Income from sales	977,783,274	967,729,683	638,643,288
Income from financial investments	916,996	615,067	383,840
Income from sales of fixed assets and others	3,599,092	1,987,633	2,281,119
GENERATED ECONOMIC VALUE (GEV)	982,299,362	970,332,384	641,308,247
EXPENSES			
Operating costs	826,877,754	784,410,000	824,320,000
Salaries and benefits of workers	107,263,323	113,490,000	113,920,000
Payments to capital providers	236,605,400	170,095,868	267,626,130
Income for fiscal and municipal organizations	666,301	816,650	1,624,793
Investment in the community	281,598	215,870	202,645
DISTRIBUTED ECONOMIC VALUE (DEV)	1,171,694,376	1,069,028,388	1,207,490,923
RETAINED ECONOMIC VALUE	-189,395,014	-98,696,005	-566,182,676

DIRECT ECONOMIC IMPACT SIERRA GORDA SCM



06

FOCUS
ON PEOPLE



EMPLOYEES

Sierra Gorda SCM, people are its biggest asset. The company promotes constant dialogue with its employees, fostering a culture of respect and good human relations that extends to its suppliers and contractors.

The values of the company (ESTAR) are the pillars that sustain and guide behavior, the decision-making process and the relationships between people.

Ensuring a safe and comfortable work environment is a constant challenge for the company, which allows it to guarantee the best conditions for the performance of its employees. Under the **Human Resources Management Model**, we seek to maintain a close relationship with people. In this way, any concerns that may appear are identified early and then managed appropriately.

The company encourages the internalization of all activities that are specific to the business and in which know-how is part of the value of the company and its operation. Based on this strategic definition, the tasks performed by external workers or companies include:

- 1. Tasks that require a certain level of specificity and technique that is concentrated in special services**, generally associated with the maintenance of mobile or semi-mobile equipment or plant infrastructure.
- 2. Various services, which that are part of routine activities and for permanent support of the operation, including:** transport services, food, handling of explosives, cleaning and maintenance of administrative areas, maintenance of potable and industrial water supply systems, among others.

During 2018 Sierra Gorda SCM employed a total of 1,448 permanent workers, of which 608 are from the Antofagasta Region and 64% are covered by the collective bargaining agreements of the company and its unions. The company does not have any employees workers hired for part-time work.

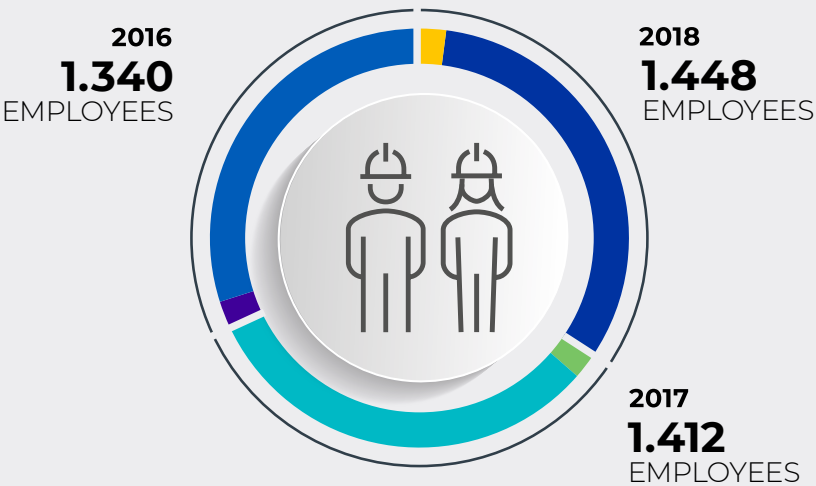
In 2018, there were a total 142 new hires, 14 women (9.8%) and 128 men (90.2%). Meanwhile, the total number of severances reached 85 (8 women and 77 men), which was a rate of 5.9%. The company awarded legal compensation to its employees, with the respective limits in terms of sums and years worked.

Determination of remunerations in the company is carried out by internal advisors, according to the Compensation Policy, a process in which external specialized

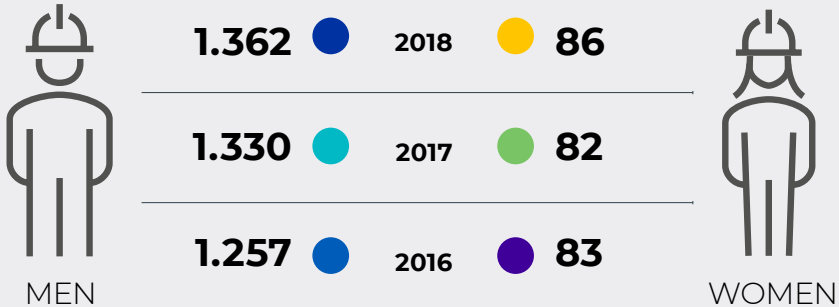
consultants do not participate. This Policy considers the use of an international system of valuation of positions that allows every position within the organization to be described, evaluated and valued.

The details of contracted employees are shown below by year, gender and region. The figures were compiled from official company information (payroll system) and the values are for December of the respective years.

TOTAL NUMBER OF EMPLOYEES AT SIERRA GORDA SCM UNDER FULL-TIME CONTRACTS AND BY GENDER



TOTAL NUMBER OF EMPLOYEES AT SIERRA GORDA SCM FOR YEARS AND BY GENDER



REGION OF ORIGIN OF EMPLOYEES			
Región	N° of employees		
	2018	2017	2016
Arica y Parinacota	65	55	49
Tarapacá	126	123	117
Antofagasta	608	611	559
Atacama	143	136	135
Coquimbo	247	236	231
Valparaíso	82	81	82
Metropolitana	107	108	100
O'Higgins	14	11	13
El Maule	10	7	10
Ñuble	29	0	0
Biobío	0	27	26
La Araucanía	3	3	3
Los Ríos	0	0	0
Los Lagos	0	0	0
Aysén	0	0	0
Magallanes	14	14	15
Total	1,448	1,412	1,340

DETAILS FOR ANTOFAGASTA REGION – LOCAL EMPLOYEES 2018				
City	Mine	Plant	Other	Total
Antofagasta	213	124	106	443
Maria Elena	5	1	0	6
Sierra Gorda	34	5	2	41
Baquedano	4	1	0	5
Calama	62	32	7	101
Taltal	4	1	0	5
Mejillones	1	0	0	1
Tocopilla	3	3	0	6
Total	326	167	115	608

TOTAL PERCENTAGE OF EMPLOYEES COVERED IN COLLECTIVE BARGAINING AGREEMENTS.



NEW HIRES AND ROTATION OF PERSONNEL

Sierra Gorda SCM stimulates employment and includes new talents in its different work teams, according to the profile and experience required for each task. During 2018 new hires totaled 142 people, 14 women and 128 men, equivalent to a rate of 8.8%. Meanwhile, severances reached 85 people, 77 men and 8 women, with a rotation rate of 5.9%.



TRAINING PROGRAMS AND TRAINING EMPLOYEES

Sierra Gorda SCM encourages and promotes ongoing training as part of its organizational culture. The company offers a series of initiatives aimed at keeping the knowledge of its employees up to date and providing them with new work tools. At the same time, the **Bienvenido (Welcome) Induction program**, aimed at all new employees, and the **Zero Damage** meetings show the company’s commitment to sustainability and the care of its people, neighbors and environment.

- **“Bienvenido” induction Program:** Training for new employees includes issues of health and safety at work, environment, operational risks and measurement of impacts, which are covered by the Health, Safety and Environment and External Affairs and Community Relations of **Sierra Gorda SCM**. The program includes the presentation of the **Community Relations Model**, the main lines of action, risk map, map of key

stakeholders and the different initiatives that are implemented with the communities. In 2018, the average duration of the program was 1 hour and 121 people took part.

- **Zero Damage Meetings:** These are held on a monthly basis and are led by the Health, Safety and Environment management. The meetings cover the main milestones of the company in relation to the care of people, communities and the environment. During 2018, some 2,400 training sessions were carried out, which lasted an average of 1.5 hours.
- **Environmental Training:** The Environment team in Operations is responsible for training both employees and contractors on issues related to environmental standards and care for the environment. During the year, 2,215 people received training, with an average duration of 1.4 hours.





TRAINING IN HEALTH AND SAFETY

ENVIRONMENTAL TRAINING SIERRA GORDA SCM 2018			
Training topic	Personnel	Duration (hours)	Total hours
Environmental Management	1,181 (First semester)		
	1,034 (Segundo semestre)		
Environmental Management and Administration	769	1.5	1,153.5
Wildlife	337	0.5	168.5
Waste Management	840	1.0	840
Bienvenido Induction	269	1.0	269
Total 2018	2,215	4	2,431



Health and Safety are critical issues for the operation of Sierra Gorda SCM and are essential in the duties of every worker. For this reason, the company provides specialized training in various subjects, including current regulations and protocols in the face of risk and emergency situations.

During the period, the program included the following initiatives:

- **Critical Standards:** Working in confined and blocked spaces, working at height and working with open flames (fire sources).
- **MINSAL Legal Protocols:** Dust, Noise, UV, skeletal muscle disorder, manual and psycho-social management of load.
- **Material Risks:** Tools of context and terrain (IS VCCE).
- **Environment:** Environmental management, Avifauna, Integral Waste Management and Air Quality.
- **Behavior:** Training program for the coordinators of each area or contractor, to improve behavior.
- **Internal emergency brigade:** Training program on control of fires, rescue and industrial trauma.
- **Defensive Driving - Sierra Gorda SCM Regulations:** Training program on issues related to defensive driving and new regulations related to the activities of Sierra Gorda SCM.
- **ART:** Training in the technique to apply the Occupational Risk Analysis tool.

WORKERS TRAINED IN HEALTH AND SAFETY			
	Employees SG SCM	Contractors	Total
Critical standards	1,655	3,919	5,574
Material risks	614	1,493	2,107
Law protocols	6,395	4,433	10,739
Behaviors	93	150	243
Internal rescue brigade	221	0	221
Defensive driving	28	21	49
Total	9,006	9,927	18,933

SG SCM INTEGRAL HEALTH PROGRAM

This is a pioneering initiative in Chile, which includes health assessments, surveys and examinations that allow the timely detection of diseases or the risk of suffering them through a Common Health Program and an Epidemiological Surveillance and Occupational Health Program.

It is carried out in the Integral Health Center for mining workers, the inauguration of which was a

milestone in Health and Safety for those who work in camps, by optimizing the time and quality of examinations and health checks.

- 1,251 workers evaluated at Health Center.
- 1,251 workers approved based on training in MINSAL protocols: Planesi, Plexor, TMERT, MMC, UV and Psycho-social.
- 181 workers aided with temporary problems.
- 812 audiometries for noise exposure.
- 119 silica evaluations.

WORK WITH SUPPLIERS

To Sierra Gorda SGM its suppliers are an integral part of its value chain and they contribute to the fulfillment of its business objectives. The availability of high quality inputs and services on time and their implications for costs is a fundamental strategic guideline for the company.

SIERRA GORDA SCM SUPPLY CHAIN:



The Vice Presidency of Corporate Services is the area responsible for managing the relationship with Sierra Gorda SCM's suppliers and the proper functioning of the chain, in accordance with the **Code of Ethics** and the **Business Policy and Supply Chain of the company**, which stimulates long-term relationships with suppliers, particularly those that help increase the value of the company or reduce its costs. The scope of the chain includes productive and service-related matters. Maintaining and practicing the highest standards of business ethics, professional courtesy and competence is an obligation for every employee who interacts with suppliers in any of the company's operations, whether in the purchase, hiring, storage or logistics of a product or service.

UPDATE OF THE PURCHASES, HIRING AND SUPPLY CHAIN POLICIES

In 2018 the **Policies of Purchases, Hiring and Supply Chain of Sierra Gorda SCM** were updated, encouraging competitiveness between suppliers and greater savings.

The update was intended to increase commitment with the correct suppliers through agreements that ensure that each

product or service required is available at the right time and place. The main measures updated in the policy include limiting modifications in contracts to a maximum of three and up to 33% of their original value. In the case of directly assigned contracts, the limit was set at only one modification and 20% of the value.

SELECTION OF SUPPLIERS

The process to select suppliers is aimed at identifying domestic or foreign companies that comply with legal regulations and deliver quality, competitiveness and sustainability to Sierra Gorda SCM and its operation. It is characterized by its transparency and competitiveness, and includes a series of controls of security, commercial conduct, experience, an environmental management plan and policies and guidelines in community relations. At the same time, it is supported by two external platforms (SICEP and Ariba), which are widely used in the mining sector. In particular cases, suppliers of original equipment – which is highly specialized – are the only suppliers able to offer a specific good or service required, while the contract terms are produced for reasons that could cause some type of damage to the company.

LOCAL SUPPLIERS

Sierra Gorda SCM seeks to encourage the development of its local suppliers and thus give value to the people in its area of influence. The Supply Chain Management and the Maintenance Area hold regular meetings with local suppliers, with the aim of being able to integrate them as part of the value chain. Agreements have thus been established with four local enterprises, through which the company worked with 77 residents of the community. In April 2018, the company signed an agreement with the company Master Clean and three laundries in Sierra Gorda, generating employment and boosting the local production chain.

Some 30% of the total purchases made by the company are from local suppliers. Meanwhile, 9% of goods purchases and 7% of services are awarded to companies in the region.

As of December 2018, Sierra Gorda SCM had 1,896 contractor companies, 656 of which were involved in the mining operation, 348 in the plant and 892 in other duties. Although the company does not have a definite social policy or criteria for selection of local suppliers, it maintains a constant percentage linked to the operations.



TOTAL PURCHASES MADE BY SIERRA GORDA SCM TO LOCAL SUPPLIERS



TOTAL NUMBER OF CONTRACTOR COMPANIES INVOLVED IN SIERRA GORDA SCM DURING 2018



1.896 CONTRACTOR COMPANIES



OPPORTUNITIES FOR THE COMMUNITY

Sierra Gorda SCM seeks to promote local development through the provision of training tools that promote education and constant training of residents. It thus carried out a range of activities, from motivational talks to specific training, which include training local suppliers who aspire to specialize in activities related to mining. The community participation programs have a permanent and priority nature, being carried out in the company's areas of direct and indirect influence.

- **Evaluations of social impact:** Each of Sierra Gorda SCM's social programs has impact evaluations of a qualitative

and quantitative nature. In turn, the participants receive information on their performance and areas for improvement.

- **Public content on the results of environmental and social impact assessments:** As regards community management, the company delivers an annual report on community relations, in which it proactively reports on its work in the social area. This information is available on the website, which is also a platform through which it can receive related queries.

COMMUNITY TRAINEE PROGRAM

Launched in 2016 with a group of 12 participants, the Community Trainee Program is now one of Sierra Gorda SCM's best-known initiatives in the community.

As part of the strategic pillar "Development of Opportunities", which also includes talks in schools, job preparation and development of local suppliers, this program represents a unique initiative in our country, as its focus was placed exclusively on the residents of the communities in the area of direct influence, a process that began in 2016 with the Soft Skills and Approach to Mining workshops, among others.

The main objective of this activity is to provide tools for development in mining techniques, so that the beneficiaries can be inserted into the labor market.

The program offers one-year field training, during which time the participants receive a

salary – in line with the market – and they work 7x7 shifts, like mine operators and maintenance staff. Once they have completed the training program, the participants can apply for jobs at the company or with other companies in the sector. During 2018 the second version of the program was carried out, this time training young people from the villages of Baquedano and Sierra Gorda.

Of the total number of young people who have benefited from the Trainee Program in 2017 and 2018, some 55% have been hired by Sierra Gorda SCM.

PARTICIPANTS IN COMMUNITY TRAINEE PROGRAM

	1st edition of program 2017	2nd edition of program 2018
Participants	20	12
Hired by Sierra Gorda SCM	8	8

COMMUNITY RELATIONS

Sierra Gorda SCM seeks to establish frank and direct relationships with the communities, understanding that mining activity must be able to coexist with other economic activities in a harmonious and sustainable manner.

Sierra Gorda SCM’s contribution to the local community is based on the Strategic Plan for Communities, developed by the External Affairs Management, which establishes its areas of influence in relation to:

- **Proximity** to the Sierra Gorda SCM operation.
- **Positive and negative externalities** of the operation for residents of that area.
- **Capacity to have a positive influence** on the communities and their quality of life.

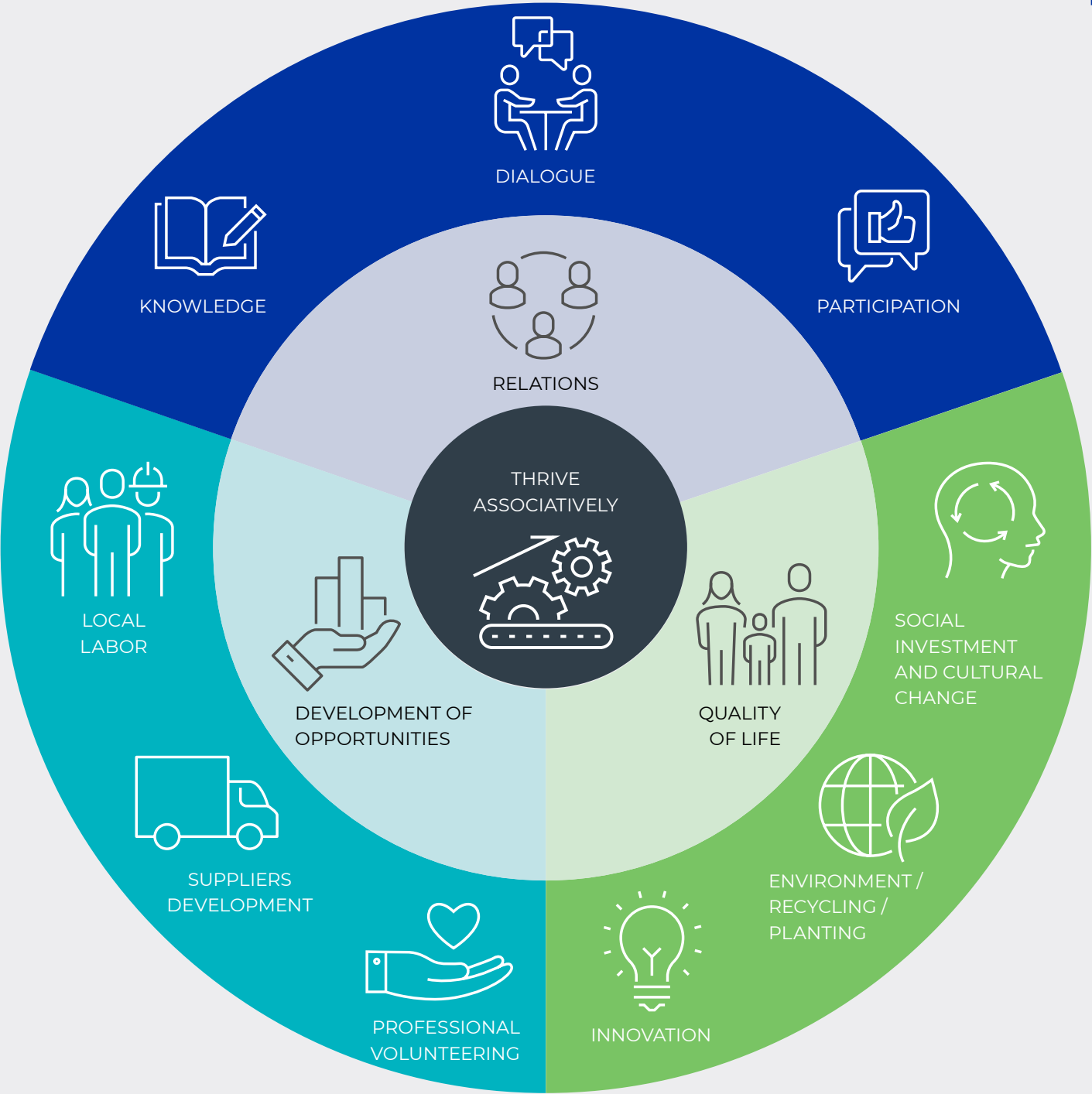
The **Strategic Plan for Communities 2018-2022** is intended to create shared initiatives of value throughout the entire value chain, which will improve the quality of life and strengthen the relationships between Sierra Gorda SCM and its various stakeholders.

Among the responsibilities of the External Affairs and Community Relations Management, the Communities area has the objective of managing and consolidating links with social organizations and leaders that coexist with different areas of the operation which are defined as “areas of direct influence”.

In this way, associative and multi-sectoral projects are created as a way of contributing to the development of a conscious operation of its role within the community in which it exists.



STRATEGIC PLAN FOR COMMUNITIES 2018-2022





COMMUNITY DEVELOPMENT PROGRAMS

The work done by Sierra Gorda SCM with its communities is based on the Strategic Pillars of the Company's Policy of Community Relations:

- Relations
- Development of Opportunities
- Quality of Life

Each pillar seeks to promote and establish bonds with the organizations and social leaders that are part of the different areas of the operation, defined as "areas of direct influence".

These areas are conceptualized by the state, through the Regulation of the Environmental

Impact Evaluation Service, in order to guarantee that each project that is carried out in the country considers the identification, control and mitigation of all environmental and sociocultural effects that may affect their direct environment. In the case of Sierra Gorda SCM, the area of direct influence includes the district of Sierra Gorda, due to its geographical proximity to the site, and the city of Antofagasta, due to the activity of transportation and shipping that takes place in the facilities of the city's port.

The people responsible for implementing the company's Community Relations Plan are the Community Coordinators, who maintain direct and constant contact with the stakeholders.

RELATIONS

Sierra Gorda SCM is convinced that fluid and frank communication with the communities strengthens the social and productive well-being of its neighbors.

In this vein, **the company seeks to get to know its neighbors and have them gain in-depth knowledge about its operations.** In this context, the Plan of Visits to the site has been developed, which is aimed at schools, universities and local residents. During 2018, four guided visits were carried out, in which a total of 133 people participated.

One of the visits was coordinated by the Center for Students of Mining Engineering of the Universidad de Antofagasta, within the context of the Northern Mining Conference (Congreso Minero del Norte). This activity was part of a series of events associated with the 100-year anniversary of this university subject.

The communities' acknowledgement of the various community initiatives was expressed

through the San Lorenzo Merit, a prize given by the residents of Sierra Gorda to the people who stood out for their commitment and contribution to the local community, which in 2018 was awarded to Marcia Rojas Contreras, Communities Coordinator at Sierra Gorda SCM.

Carlos Rojas Pizarro, Manager of External Affairs and Community Relations, also received the Radoslav Razmilic award, a distinction awarded by the Antofagasta Industrial Association (AIA) to the most important executives in the sector, for his outstanding career and contribution to the region through mining.

DIALOGUE

Dialogue is the basis of the community relations of Sierra Gorda SCM and its neighbors. For this reason, every two months, the company holds an Information Meeting in which representatives of the local community and the company take part. The objective is to create close links for communication and work with the residents of Sierra Gorda. This initiative has been carried out since 2011 and is part



Visits to the site



Signing of the Agreement on Development of Territorial Dialogue



San Lorenzo merit 2018

of the commitments established by the RCA for the “Sierra Gorda Project”.

Likewise, Sierra Gorda SCM is part of the **Good Neighbors Council**, formed by the local government, representatives of the community and other mining companies in the district. The program seeks to establish priority issues for the community and define initiatives to be developed jointly.

The objective of the Good Neighbors Council is to act as a platform for dialogue and continuous relations between the various stakeholders and all of the mining companies operating in the area of Sierra Gorda, the residents, the municipality and social organizations.

Beyond developing a work plan with specific projects, this Council seeks to empower the residents, who have the right to speak and vote in spaces of trust, which enables the consolidation of the bases of the company–community relationship.

This initiative was of key importance to create a project aimed at organizing these activities, which was completed in 2018 after signing of the **Agreement on Development of Territorial Dialogue** with the community of Sierra Gorda and the other mining companies operating in the sector.

COMMUNICATION CHANNELS AND MEDIA:

With the objective of facilitating communication in the community, Sierra Gorda SCM implemented the **Feedback** system, which allows residents to contact the Community Coordinators and send them queries, comments, complaints or suggestions via email to the address comunidades.sg@sgscm.cl.

In 2018, the company received 22 queries and 20 messages of congratulations through various channels that include the communities of Sierra Gorda and Antofagasta. All concerns are received and must be answered within 20 days.

Other channels and platforms to maintain and improve communication with the residents are:

- **Catabela Community Bulletin:** This publication seeks to disseminate the community initiatives promoted by Sierra Gorda SCM together with its neighbors, as well as other local activities and ventures.
- **Community Newsletter:** The Sierra Gorda SCM Community Newsletter was launched in 2018, which is a digital and interactive space that highlights the most significant projects carried out in Sierra Gorda, Baquedano and Antofagasta, the company’s areas of direct influence, as well as highlighting the work of company executives and representatives.
- **Digital media:** The website www.sgscm.cl is an active means of contact with the community and is also a platform to disseminate the company’s activities, make air quality reports available and publicize job opportunities.

- **Social networks:** In 2018 Sierra Gorda SCM activated its presence on the LinkedIn network, where it generated more than 12,000 positive reactions.

PARTICIPATION

Sierra Gorda SCM establishes permanent relationships with various mining sector actors in the region. With this objective, it participates in the **Institutional Framework Plan for Territorial Dialogue**, Alianza Valor Minero. In addition, the company takes part in different social, cultural and community activities, fairs and mining seminars.

Sierra Gorda SCM is belongs to the **Good Neighbors Council**, formed by the local government, representatives of the community and other mining companies in the district. The program seeks to establish priority issues for the community and define initiatives to be developed jointly.



Good neighbors council



DEVELOPMENT OF OPPORTUNITIES

The Sierra Gorda district is located at a great distance from urban centers, which is a barrier to the educational paths of its young people. At present, the district has only two educational institutions belonging to the Department of Administration of Municipal Education (DAEM), of which only one provides secondary education.

For this reason, Sierra Gorda SCM promotes projects that are aimed at integrating and involving people, and particularly young people, giving them the opportunity to acquire new tools to enter the labor market and/or consolidate their enterprise initiatives.

- **Local labor:** Through the Local Workforce Update Plan, the skills of Sierra Gorda SCM's local workers are monitored.
- **Job Preparation Program:** This program is aimed at providing tools to young people in the district so they can successfully join the labor market.
- **Professional participation:** Sierra Gorda SCM encourages its employees to take the opportunities to work as Professional Volunteers in the various programs that are carried out in the community.
- **Company-School Agreement and Sponsorship of Kindergartens:** Through the Antofagasta Industrial Association, for the fifth consecutive year the company signed the Sponsorship of Kindergartens and Company-School agreements. This initiative allowed the improvement of early childhood education, particular the Granito de Arena kindergarten in Antofagasta and Flor del Desierto kindergarten in Sierra Gorda, both of which are part of Fundación Integra. In the meantime, the Company-School agreement seeks to link the students of the Don Bosco industrial-technical school, through technical and motivational talks for 10th and 12th grade students.
- **Centenary of Mining School:** As part of the celebration of the centenary of the Mining School of the Universidad of Antofagasta, Sierra Gorda SCM made an important contribution to remodeling its Examination Hall, which was christened as Ignacio Domeyko, after the Polish scientist who is considered to be one of the fathers of mining in Chile.



Entrepreneurs meeting



QUALITY OF LIFE

The company regularly carries out social investment programs in the different local communities in the region, the objective of which is to enhance collaboration and the comprehensive development of the communities.

Every year, through Sierra Gorda SCM, collaborative projects are carried out that are aimed at improving schools as spaces of high local identity. These included:

- **Marta Narea Díaz School:** In partnership with the Municipal Social Development Corporation of Antofagasta, a study was carried out to identify the main cultural and historical icons in the collective memory of the school, culminating with the creation of a mural where the history of this emblematic institution is displayed. This was carried out by urban art collective Color Habitante, along with students selected in the Pinta Grande contest and with the support of the entire school community of the Marta Narea Diaz school.
- **130 years of the Mario Bahamonde Silva School for Boys:** the company promoted the publication of the book "1888-2018, 130 años", which records the history of this emblematic school, as well as a testimonial video.
- **Caracoles G-101 School:** Thanks to the agreement between Sierra Gorda SCM and the Municipality of Sierra Gorda, an investment of more than 100 million pesos was made in the Caracoles School in the district, where works were done to benefit the 115 students who study at the establishment.



Caracoles school



Marta Narea Díaz's mural



Tree planting program



Corrida por la Vida

- **Healthy life and sport:** Sierra Gorda SCM supported the seventh *Corrida Por la Vida* run with the Yo Mujer corporation, which seeks to raise awareness about breast cancer prevention, and the Ganamos Todos Foundation Soccer Clinic, in which former professional soccer players spoke about their experiences to children and young people in Sierra Gorda and Baquedano. In addition, support was provided to 27 children from Sierra Gorda who participated in a skimboard course and carried out a cleanup on a beach in the southern part of Antofagasta.
- **Environment:** In Antofagasta, a series of environmental education programs aimed at schools and the local community was carried out. Meanwhile, strategic support was provided for the optimization of the Sierra Gorda landfill.
- **Air Quality Workshops:** These workshops are intended to educate and inform residents about the technical criteria, operational controls and

use of the web platform, as well as providing information on the station representing the population in the area, which is in line with the National Air Quality Information System (SINCA) of the Environment Ministry.

- **Tree Planting Program:** This initiative, carried out for the fourth consecutive year, allows improvements to green areas in educational institutions. In addition, urban gardening workshops are carried out by the Universidad Católica del Norte. This activity involved the educational institutions Marta Narea Díaz, Instituto Superior de Comercio, Mario Bahamonde Silva and Liceo Técnico de Antofagasta.

SOCIAL INNOVATION

- Sierra Gorda SCM promotes the creation of social innovation projects in communities, which are intended to improve the quality of life of the residents.

- **VILTI SeMANN Program:** This is aimed at improving the scientific skills of children and strengthening learning with innovative teaching strategies. The initiative is being carried out thanks to a partnership between Sierra Gorda SCM, the Talent Research and Development Center of Universidad Católica del Norte (UCN) and the Municipality of Sierra Gorda, benefiting students at the Caracoles school in Sierra Gorda. In 2018, the three teams that took part in this teaching competition were ranked from first to third, standing out among more than 200 children in the region.

- **Imagina en Cobre Fair:** Backed by Sierra Gorda SCM along with the Transfer and Licensing Office of Universidad de Antofagasta (OTL-UA), this seeks to highlight and disseminate the different uses and importance of copper in daily life. In the second edition of the fair, more than 500 students from educational institutions in the region and the university community, among others, took part.

- **Huerto de Ideas Program:** This program seeks to promote environmental sustainability for regional development and improve the quality of life of the population through innovation. The initiative is aimed at elementary school students in the Antofagasta Region who develop scientific projects based on care for the environment, water sustainability and urban gardens, among other topics.

- **Social Investment Committee:** Any organization that requests a contribution, donation or sponsorship from Sierra Gorda SCM must go through an approval protocol to qualify for funds. The objective

is to carry out transparent management, which includes representatives of the Senior Management, in the process of awarding funds. These contributions are then reviewed by the legal and tax areas of the company.

In 2018, four meetings of the Social Investment Committee were held, where 28 initiatives proposed by the local community were reviewed. Of these 26 were approved, which resulted in investments of USD 291,709. Of the investments made, the standout was the “Improvement of classrooms at Caracoles School in Sierra Gorda”, with an investment of USD 146,176.

ORGANIZATIONS BENEFITTING	Social Investment in 2018 (USD)
Sierra Gorda Integral Municipal Program	178,115
Sierra Gorda	50,200
Baquedano	7,796
Antofagasta	55,598
Total	291,709



VILTI SeMAMM

PRESERVATION OF LOCAL CULTURE

Respect for heritage is a fundamental principle for the company, so, when faced with potential finds, there is a protocol that is widely disseminated among workers, which includes the immediate stoppage of works and consultation with experts.

Every time that excavation activities or earth movements are carried out at the site, a specialized archeologist is asked to be present to preempt any damage to possible sites. The company also has an agreement with local museums – which is in line with the

requirements and commitments acquired with the National Monuments Council – to make available any archaeological remains that could be found within the operation.

No archeological remains were found in 2018, as this only happened during the construction stage where the finds were included in the agreements made.



Miner's day / San Lorenzo

INITIATIVES TO PRESERVE HERITAGE

Miner's Day is a popular family event for all of Sierra Gorda, in which the company takes part. The streets of the district are colorfully decorated and the celebratory mood is reflected in the religious dances to the miners' patron saint, San Lorenzo, and various other activities that take place during the month of August.

With the aim of replicating one of the most traditional ceremonies in the region, the **Payment to the Earth** represents a ritual carried out by the operation in which various local residents take part. In this ceremony, thanks are given for natural resources and protection is requested from Mother Nature to carry out successful work during the subsequent year.



Payment to the earth

07

CONTENT ON
GRI STANDARDS



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 Sierra Gorda^{SCM}