



CORPORATE SOCIAL MANAGEMENT FRAMEWORK



1. Introduction

CAP, Chilean company that leads in the transformation of natural resources, from iron mining to steel production and processing, generating shared value for all stakeholders, has a Sustainable Growth Strategy. The company is committed to the growth and development of its mining, steelmaking, supporting infrastructure, and steel processing activities, promoting economic and social development in the communities where it operates, and ensuring the highest standards of corporate governance.

CAP Group understands that engagement, relationship, collaboration, and ongoing communication with its Stakeholder are fundamental aspects of business performance. Because of this, the company has set out to develop an action framework that contributes to generating greater credibility, trust, and acceptance both within society as a whole and in the territories where it operates, that benefit from its work. In this context, its efforts are directed towards the identification and monitoring of impacts, generation of information to enhance understanding of its productive activity, and transparency in its social and environmental outcomes and commitments. Simultaneously, it progresses in establishing criteria, focal points, and protocols that enable collaboration with diverse social actors, aiming for the development of the inhabitants in the areas of its operations, all while keeping in sight the global challenges faced by humanity. To achieve this, CAP Group adopts the United Nations 2030 Agenda for Sustainable Development¹.

In this context, the objective of this **Corporate Social Management Framework** is to outline the minimum and necessary processes for implementing social management within the communities neighboring CAP's company operations. The aim is to align this management with the company's business strategy and sustainability strategy.

2. Scope

This corporate framework defines the guidelines, minimum requirements, responsibilities, and standard terminology that constitute the social management process for companies within the CAP Group. This is without prejudice to the specific policies, procedures, and methodologies that each company within the Group may need to implement for social management. Each CAP Group company may utilize its own social management methodologies as long as they adhere to the minimum standards outlined in this document.

It's important to note that this document does not replace or exempt compliance with the current legal and administrative regulations in the country where the operational company is located.

¹ Also known as Global Goals, they were adopted in 2015 by all Member States of the United Nations as a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity by 2030.

3. Terms and Key Definitions

To facilitate the implementation of this Corporate Framework, the following definitions are established:

Social Management

A process designed and planned by the company, carried out within its area of influence. This process is based on impact and social risk management, stakeholder engagement, consultations and complaints, active communication and transparency, and social investment.

Area of Influence or Social Interest

Territory and localities where the company's activities produce or will produce permanent or occasional perceptions and/or impacts because of operation or the development of different project stages.

The area of influence or social interest is defined not only based on the impacts that the operation might generate, but also considering social risks, reputational and political aspects, and opportunities for territorial development. In other words, areas of influence are not constructed solely based on a geographical territory where specific human groups might experience one or more impacts on their ways of life and customs due to the operations; it's also defined by a broader space where the company can carry out social programs.

Stakeholders

A stakeholder, or social interest group refers to individuals, groups, or institutions that are affected by or affect the development of certain activities. They possess information, resources, experience, connections, or networks, and some form of power to influence the actions of others in favor of or against a project, company, or its activities.

This includes individuals, whether formally represented or not, as well as organizations, as both can become relevant depending on the context. Institutional roles at times become highly relevant as they hold "decision-making capacity," regardless of who assumes the position. Other times, individuals beyond institutions can mobilize a topic or resources within an organization.

These groups can have various natures, such as community, social, academic, political, economic, and more. Stakeholder groups for social management encompass communities, social organizations, functional organizations, authorities, contractors and subcontractors, media, NGOs, educational institutions, among others.

Actor Mapping, Stakeholder Mapping, or Stakeholder Analysis

It is a tool aimed at identifying, analyzing, and prioritizing individuals and organizations that can either impact the company or be impacted by it. The purpose of this tool is to develop strategies for managing relationships based on information.

It serves as a **fundamental tool for social management**, providing insights for establishing participatory processes, dialogue and communication mechanisms, identifying risks, preventing potential conflicts, and minimizing crises, among other uses.

Social Impact

It refers to the alteration of the ways of life and customs of human groups, directly or indirectly caused by a company's activities within a specific area. This includes components of the environment and surroundings that people might use for economic, cultural, social, and spiritual activities.

More specifically, social impacts refer to any actual or potential change in the physical, natural, or cultural environment that affects the surrounding communities because of business activity.

Impacts can be positive or negative and are generally classified as follows:

- Low: Impacts that can be discerned but are unlikely to materially affect the livelihood and/or quality of life of more than a few individuals.
- Moderate: Evident impacts that could be harmful or beneficial and affect the livelihood and/or quality of life of some individuals.
- High: Impacts that are expected to materially affect the livelihood and/or quality of life of many people or the majority of them.
- Insignificant: Impacts that are not perceptible.

Social Risk

According to the Group CAP Risk Management Framework, the dimension of social risk is defined as: Conflicts with stakeholder groups that jeopardize the license to operate existing assets or obtaining approval for the development of new projects. In this context, Group CAP defines a social risk as a current, potential, or future event caused by a stakeholder group or social actor, which could result in a loss of value for the company in terms of reputation or trust built between the company and social actors.

Social Commitments

These are commitments with external stakeholder groups of the company, which have been established through agreements and dialogue processes and worktables with public, private, and/or social institutions.

Social Investment

Group CAP defines social investment as contributions in resources, money, or goods that align with the Sustainable Growth Strategy of the group, support business objectives, and are oriented towards promoting sustainable development and benefiting society, particularly the communities located in its areas of operation and projects.

System or Mechanism for Inquiries, Complaints, and/or Suggestions

A platform of multiple channels, through which members of a community or other stakeholders can voice their concerns, inquiries, and complaints regarding actual or perceived actions carried out by CAP, its operational companies, and projects.

Transparency

Within the realm of social management, **transparency**² entails the possibility for the actual information of a company to be accessible to various parties affected by it. This allows these parties to make informed decisions without inconsistencies in the information. For transparency to be valid, the provided information must be truthful, relevant, comprehensible, useful, verifiable, complete, accurate, timely, and easily accessible. It should be voluntarily disclosed and extend beyond regulatory requirements.

4. Guidelines for Social Management

Social Management is defined by 7 main processes:

- Stakeholder and Key Actor Management
- Social Impact Management
- Social Risk Management
- Social Investment Management
- Consultation, Complaints, and Suggestions Management
- Social Communication and Transparency Management
- Indigenous Peoples Management

Each of these processes is interconnected and includes specific means and activities to execute them. Additionally, these processes must be documented in the Social Management Plan of each operational company.

To achieve excellent social management, it is essential to keep the tools that contribute to the analysis for identifying, characterizing, and managing stakeholders, risks, and social impacts for the facilities up to date. These tools are as follows:

- Stakeholder and Key Actor Map, including specific identification of Indigenous Peoples.
- Social Impact Matrix of the operation, including impacts on Indigenous Peoples specifically.
- A system for Consultations, Complaints, and Suggestions from stakeholder groups.
- Social Risk Matrix.

² Extract from OECD Definition.

4.1 Stakeholder and Key Actor Management

The fundamental tool for the stakeholder management process is the actor map, which is the outcome of a process that involves exploring the territory and the dynamics of its inhabitants. Its purpose is to identify, understand, and prioritize all individuals or organizations that could be affected, feel affected, or could positively or negatively influence the project or the company or a specific activity.

For the CAP Group, the content of a map should encompass aspects such as perceived impacts, their interests in relation to the company or project, concerns, fears, needs, the relationships of connection and power among actors in a given territory, and their stance (supportive, opposing, or neutral) regarding the company and the project.

The actor map is a snapshot of a specific moment, which is why regular updates are necessary. Interests, positions, viewpoints, and other factors can change over time.

Actor Management involves addressing, at a minimum, the following activities:

- a) Identification, refers to creating a simple list of individuals, leaders, representatives of organizations, and communities present in the project, company, or operation's area of influence.
- b) Characterization, involves describing these stakeholders, which requires obtaining information about their composition, the dynamics they're involved in, and their organizational structure.
- c) Classification, using the information from characterization, stakeholders are organized in a way that provides clarity, for example, their favorability or opposition to the company, operation, or project; their degree of influence on other relevant actors or the community; and their expectations or possibilities for engagement with that specific stakeholder or actor.
- d) Defining Relationship Strategies, based on their classification, priorities are set, and strategies and actions for engagement are identified.

4.2 Social Impact Management

To maintain the social license, it's crucial to fully understand the positive and negative impacts that activities might have on the communities within the area of influence. Effective management and mitigation of these impacts are the primary responsibility of the Group's companies, requiring collaborative efforts across all company departments.

Social impact management involves an ongoing, dynamic, and continuously evolving process. It is based on the identification, analysis, and handling of both intended and unintended consequences, both negative and positive, arising from operations.

This management also encompasses control and/or mitigation measures, whether mandatory (specified in Environmental Qualification Resolutions - EQRs - of operations) or voluntary (commitments made for project or operational development), aimed at ensuring the operational continuity of the facilities.

CAP Group's Principles for Social Impact Management

- **Participation:** Involving affected or potentially affected individuals in the identification of impacts generated by operations and in the monitoring of these impacts.
- **Socio-Environmental Transparency:** Providing accurate and timely information about impacts and adopted mitigation measures.
- **Feedback:** Incorporating tools that proactively allow for understanding the concerns, complaints, and perceptions of stakeholder groups, along with their evaluation of the company's behavior in relation to impact management.
- **Proactive Management:** Recognizing that the company's foremost responsibility is to understand its impacts on people and the environment and to proactively manage them.

Minimum Activities

Social Impact Management involves addressing at least the following activities:

- a) Participatory Identification, both internally and externally.
- b) Create and update a social impact matrix at least once a year, using inputs from mechanisms like consultations, complaints, grievances, suggestions, and engagement activities such as workshops, meetings, interviews, etc.
- c) Develop and update a management plan for the most relevant impacts, incorporating elimination, mitigation, or compensation strategies as applicable. This might involve engagement tools such as spaces for collaborative solution-building.
- d) Conduct ongoing monitoring of impacts on the community, implementing measurement and participatory monitoring systems for impacts that concern or significantly affect stakeholder groups.

4.3 Social Risk Management

Social Management aims to control social risks in order to enable operational continuity and new projects. To achieve this, it's necessary to develop and maintain updated tools that contribute to the analysis, identification, characterization, and management of social risks for operations.

According to the CAP Group Risk Management Framework, the dimension of social risk is defined as: Conflicts with stakeholder groups that jeopardize the license to operate existing assets or obtaining approval for the development of new projects.

In this context, CAP Group defines social risk as referring to a current, potential, or future event due to a stakeholder group or social actor, which, if it occurs, could lead to a loss of value for the company in terms of reputation or trust between the company and social actors. In other words, social risk is a business risk associated with external stakeholder groups.

In order for an operation to maintain its social license to operate, it must thoroughly understand current and emerging social risks, and identify and manage **critical risks**—those that, if they occur, could result in a loss of value from both an economic and reputational standpoint.

The purpose of social risk management is to recognize, describe, evaluate, and establish control measures for social risks that could impact the social license, reputation, or relationships with relevant stakeholder groups of the company.

For effective management, it's necessary to consider the sources of social risk, which encompass all aspects of the company, both internal and external, that could pose threats of losses or impediments to achieving the aforementioned objectives. These sources include:

- Social consequences of factors arising from the activities, products, and services over which the company has control or influence. Including actions conducted both directly and through third parties.
- Social consequences of community relations management.
- Consequences for operational continuity or project development due to social changes in the environment.

Minimum Activities

Social risk management involves addressing at least the following activities:

- a) Evaluation of social risks in accordance with the Corporate Risk Management Framework.
- b) Develop and maintain an updated socio-environmental conflicts report.
- c) Report critical risks, the plan to address them, and socio-environmental conflicts to the CAP Risk Committee and the corresponding committee of each operational company.
- d) Alert the company's communications department and the Corporate External Affairs and Sustainability Management in case of identifying a potential reputational impact.
- e) Update the risks annually or whenever a significant change occurs in the company, operation, or environment.

4.4 Management of Inquiries, Complaints, and/or Suggestions

The management of inquiries, complaints, and suggestions at the facilities aims to address emerging concerns of local stakeholders, identify these areas of interest, prevent conflicts, and contribute to improving operations to minimize unforeseen impacts.

The purpose of the inquiries, complaints, and suggestions system within any of the CAP Group companies is to provide individuals with a channel to voice concerns, file complaints, and offer suggestions for improvement regarding CAP's activities, its operational companies, and ongoing projects.

CAP Group considers that a complaint, inquiry, or suggestion can be an opportunity to review and improve its operations. Therefore, managing them should adopt a proactive and preventive approach, aiming to avoid potential escalation into conflicts whenever possible. Additionally, CAP aims to facilitate formal expressions of concerns from stakeholder groups, providing a valuable channel of feedback that will help identify opportunities for improvement.

Minimum Activities

Managing inquiries, complaints, and suggestions involves addressing at a minimum:

- a) Establishing a user-friendly procedure with appropriate internal and external communication to ensure that CAP is the primary source for inquiries, complaints, or suggestions.
- b) The specific mechanism's procedure will depend on each company's context. However, as a minimum requirement, the implemented mechanism needs to define an action protocol, response deadlines, responsible individuals, and procedures for addressing and closing complaints.
- c) Developing a system that's relevant to the conditions of different stakeholder groups, enabling timely local information gathering.
- d) The mechanism should encompass multiple access channels to encourage its use. These channels should include, at the very least, free channel for users, a channel for submitting anonymous complaints, and options for individuals who don't have a direct connection with a CAP employee or aren't participants in a working group.
- e) Ensure the dissemination and awareness among stakeholders of the mechanism, its channels, deadlines, and procedures for managing complaints.
- f) Develop an internal management and tracking system that enables timely and satisfactory responses and provides systematic information about received complaints, inquiries, and suggestions.
- g) Issue internal monthly reports and quarterly reports to the Corporate Sustainability and Corporate Affairs Management of the CAP Group.

4.5 Social Communication and Transparency Management

CAP Group declares transparency towards its stakeholders as a cornerstone that underpins the building of long-term relationships, recognizing that the clearer the company is, the greater the stakeholders' trust. Accountability enhances trust between organizations and their stakeholders, and for it to be effective, CAP Group ensures that stakeholders have easy access to clear information about various aspects of the activities of the companies within the group and their operations.

Communication and transparency actions towards the community encompass activities designed to provide information of interest to stakeholders in the area of influence. This includes information about socio-environmental impacts and their management, contributions to community development, economic and operational results, and other matters defined through engagement mechanisms.

Transparency is grounded in the following principles:

- **Opportunity:** Relevant information for stakeholders is voluntarily and promptly provided, aiming to anticipate explicit requirements and requests.
- **Accessibility:** The implemented mechanisms consider the limitations stakeholders may have in accessing them.
- **Active Listening:** Incorporating tools that enable active listening and understanding of stakeholders' concerns and inquiries regarding the company's various activities.
- **Cultural Relevance:** Information is delivered in a manner that is understandable to all audiences who will access it, respecting different educational levels and cultural backgrounds, especially those of Indigenous Peoples and vulnerable groups.

Minimum Activities

Social communication and transparency management entails addressing at a minimum the following activities:

a) Providing Ongoing Information: All companies, projects, and new ventures, in addition to information mandated by law, should proactively and consistently make updated information available to the population residing within their area of influence.

At a minimum, the following information should be provided:

- Relationship and social investment plans and programs, along with conducted activities and their outcomes.
- Code of ethics.
- Initiated projects.
- Results of monitoring relevant impacts of interest to social stakeholders.
- Available channels for inquiries, complaints, and suggestions, along with instructions for accessing them.
- Reporting channels for breaches of the code of ethics.

b) Publicizing Operations ("Open House"): To bring the company closer to its stakeholders, it is expected that the entities within the CAP Group open their doors to the public to provide a firsthand experience of their realities and projects, products, and offerings. This involves inviting stakeholders from communities to witness the production process "with their own eyes." The aim is for participants to become familiar with the activities undertaken and form an informed opinion about the company, its operations, and its impacts.

4.6 Social Investment Management

Social investment refers to initiatives or collaborative efforts that contribute to the sustainable development of the territories where an operation or project is situated. These initiatives are based on the local characteristics, potential, and opportunities within the territory, as well as the relationship with CAP Group companies.

Social investment should be tailored to the reality, scale, and impacts of each operational company or project. It should align with the strategic objectives and sustainability strategy of the Company. It should include impact measurement indicators, stem from a community need and/or interest, target specific beneficiary groups, ideally involve co-funding through strategic partnerships, and incorporate a gender perspective.

The guidelines and instructions for Social Investment Management are outlined in the Corporate Social Investment Policy, which is an integral part of the Social Management Framework.

4.7 Indigenous Peoples Management

Operational companies or projects may be situated in territories inhabited by indigenous peoples. Due to their distinctive way of life and often vulnerable position within society, it is increasingly necessary for companies to recognize and respect the social, economic, environmental, and cultural interests of indigenous peoples.

CAP Group's approach is grounded in respecting national legislation concerning Indigenous Peoples and international treaties ratified by the State of Chile, such as the Universal Declaration of Human Rights by the United Nations and ILO Convention No. 169 concerning Indigenous and Tribal Peoples.

In line with the above, proper management of the relationship with Indigenous Peoples located within the area of influence of the company or project entails, at a minimum, addressing the following activities:

- a) Identification of stakeholders: Through the development of a specific Stakeholder Map that includes Indigenous Communities, Associations, and Indigenous Leaders that are part of the area of influence for engagement.
- b) Identification and management of impacts: Specifically identifying and managing impacts if the operation or project is near Indigenous lands or Indigenous communities, Indigenous associations, or other traditional Indigenous organizations. At a minimum, if:
 - The activity affects the ways of life and customs of Indigenous human groups.
 - The activity impacts productive activities that depend on the extraction and/or use of natural resources by Indigenous communities (such as gathering, herding or livestock, fishing, agriculture, etc.) or disrupts herding routes (transhumance).

- The activity impacts or disrupts Indigenous cultural rituals, religious festivals, expressions, or practices.
- The activity impacts or could impact Indigenous archaeological heritage.
- The activity is situated within a Coastal Marine Space of Indigenous Peoples.
- The activity could result in difficulty accessing medicinal herbs or food sources for Indigenous communities.

c) Identification and management of resettlements: Determining whether the operation or project has required or will require the resettlement of Indigenous communities, and if so, having a plan in place that is in accordance with at least national regulations and international agreements signed by the country. This plan should have traceability to facilitate potential audits.

d) Complaint mechanism: The consultation, complaints, and suggestions mechanism specified in section 4.4 of this Framework should include a way to identify and report specifically when a complaint is from a member of an Indigenous People.

5. Annual Social Management Plan

All operational companies are required to develop an annual Social Management Plan that is proportionate to the stage of business, project, or operation development and the identified social impacts and risks. This plan must include:

- Identification and analysis of stakeholders (actor mapping).
- Identification, evaluation, and control of social risks.
- Identification, evaluation, and control of social impacts.
- Identification of social commitments.
- Planned relationship and communication activities.
- Objectives, roles and responsibilities, resources, budget, implementation schedule, and monitoring mechanisms necessary for effective implementation.

6. Traceability of Social Management

Throughout the social management process, it is necessary to generate backups and verifiers of progress for both stakeholder dialogues and the development of social programs, contributions, and initiatives. Verification methods can include reports, or records that document when, where, who participated, what topics were discussed, and the outcomes of the conversation, as well as photographs, videos, and other relevant materials.

Operational companies must have the following documentation or tools:

- Updated map of stakeholders at least once a year.
- Record of activities and supporting documentation related to participatory impact identification and participatory monitoring.
- Updated record of social risks and the status of elimination or mitigation measures.

- Record of the consultation and complaint mechanism with received complaints and response times.
- Internal procedure to receive, authorize, evaluate, document, and respond to requests for social investment.
- Record of contracts, agreements, arrangements, and/or minutes of delivery of social investment contributions.
- Record of due diligence processes for social investment contributions, in accordance with the Corporate Social Investment Policy and the Anti-Crime Manual.
- Records of accountability and closure of social investment contributions.
- Social Management Plan.

7. Social Management Report

Operational companies must submit **quarterly reports to CAP's Corporate Affairs and Sustainability Committee**, including:

- Report on relevant social activities and social commitments with stakeholders of interest.
- Tracking of complaints, inquiries, and suggestions.
- Report on relevant social investment activities and initiatives (Projects/programs/contributions) involving stakeholders of interest.

8. Social Management Indicators

Indicator	What it measures	Frequency
Results of perception studies	Level of engagement and perception in the areas of influence	Annually
Quantity, type, characteristics, and outcomes of community conflicts	N° of very serious conflicts	Quarterly
Level of compliance with agreements and	% of commitment fulfillment N° of claims for non-compliance	Quarterly
Social Investment	According to the Social Investment Policy	