

**SUSTAINABILITY
REPORT
2019**



CAP GROUP



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What inspires us?

Our purpose

To generate shared and sustainable value through the extraction and processing of mining resources, for the development of high quality products, goods and services.

Our Values

Sustainability

Safety without excuse; throughout the value chain we are careful about the environment, diversity and the communities where we operate.

Integrity

We act in a correct and transparent way, not only complying with the law but with the spirit of it.

Excellence and Innovation

What we do, we do it well, innovating in a collaborative way and committed to the business.

Iron and steel for a better world

Iron ore gives rise to steel, which is present in all aspects of our daily lives. Iron and steel are essential materials in industry, mining, infrastructure, agriculture and energy, as well as in many household items.

Steel is the heart of the new green economy

Unique material

The combination of its properties - that it is strong, ductile, versatile, weldable, magnetic and recyclable - makes it a unique and indispensable material for the development of countries. For the same reason, it has no substitutes in most of its applications.

100% recyclable

It is the most recyclable material on the planet, more than aluminum, paper, glass or plastic. It never loses its properties, so it has the potential to be recycled infinite times.

Steel can be recycled and used in the manufacture of new products and applications.

CAP, always with Chile



Compañía Minera del Pacífico
CMP



Compañía Siderúrgica Huachipato
CSH



Cintac Group



Infraestructura



Chairman's vision

We are committed to continue advancing true to our principle of being "Always with Chile" and "Always with Latin America"

2019 was a difficult year for the company, as it was influenced by the consequences of the accident that occurred in November 2018 at Puerto Guacolda II in Huasco, which meant the terrible loss of life of one of our co-workers and the shutdown of the port terminal for about 13 months, with a 40% decrease in iron ore shipments compared to the previous year.

On the other hand, in July we had to face the consequences of an accidental spill of 40 cubic meters of diesel into the sea in Isla Guarello, Magallanes Region, where we have operations for the extraction of limestone. The response was immediate and efficient, which was reflected in the results of the containment and clean-up. However, all this led us to question the way we were doing things. We started a review of the processes, procedures and preparation of the workers, so that situations like this do not happen again. Thus, during the past year, we focused on structuring, systematizing and standardizing processes, guidelines, procedures and tools to improve our performance, achieving stable processes with controlled risks. We continue to work on this.

Focusing these actions from the field of occupational safety and health, during 2019 we formally ratify that the care of workers, both our own and those of our contractors, is a strategic, permanent and non-negotiable value. And if each one of us is capable of exercising visible leadership from our position, with sense and courage, we will manage to incorporate into the culture of CAP the fact that no productive factor is above the safety of people. With the conviction of "Seguridad sin Excusas" (Safety without Excuses), in 2019 we obtained the best results in terms of frequency and severity of the last ten years of the Group.

In environmental matters, the company, through its operating companies, carried out a survey of critical socio-environmental risks, in which all our companies are working for their control and/or elimination.

In March 2019, the Superintendence of the Environment approved the Compliance Program presented in 2018 for the operations of our mining company in Huasco, with investments close to US\$ 37 million and contemplating a hundred specific measures.

With respect to water use, it should be noted that today both Compañía Minera del Pacífico (CMP) and Compañía Siderúrgica Huachipato (CSH) reuse almost 60% of this element in their operations.

In terms of recycling, 96% of the waste generated in steel production is recycled or reused by the steel company itself and, this year, which marks its seventh decade, we want to continue making progress in matters of Circular Economy.

As far as renewable energy is concerned, CINTAC, an operating company of the CAP Group, reached a relevant milestone by totaling nearly 100 thousand square meters of photovoltaic panels, installed on roofs between the regions of Coquimbo and Biobío, making it the largest installer in the country.

From a social perspective, 2019 was a year that presented us with new challenges and, based on the discussions of the climate crisis and the social outburst, we feel called to reinforce our role as a company, offering opportunities for development and well-being for our employees, collaborators, customers and communities, with the aim of working together for shared and sustainable development.

Therefore, in matters of climate change, and understanding that it is a global challenge that requires collective action, CAP accepted the invitation of "Climate Change Leadership Companies" (CLG, for its acronym in English), committing to a fair transition to a low-carbon emissions economy in 2050. That is why we have begun to build a strategy and an action plan for the short, medium and long term, which will allow us to recognize and act on the risks and opportunities that our operations face in this area.

Also in the social area, we would like to highlight a historical milestone for both CMP and the company in general. It is the successful process of early participation of the "Relave Filtrado en Tierra de Planta de Pellets" (Pellet Plant Filtered Tailings on Land) Project, which included

three meetings with the citizens, a door-to-door walk covering 78% of the houses in Huasco Puerto, and carrying out a great Environmental Fair open to the public, which was visited by more than 700 people. We seek to ensure that the group's activities are carried out generating trust, transparency and ethics, without altering relations with its environment, along with adding value to the areas where it operates.

However, we recognize that we still have many challenges ahead in this area and, based on a gap diagnosis conducted in the territories of our operations, we are working on a short and medium-term strategy and Action Plan that considers the highest international standards of relations and community development.

In relation to Corporate Governance, during 2019 we worked on the reformulation of the governance of our operating companies and for greater diversity in their boards of directors, incorporating seven women. Additionally, in June we created the Compliance area, which will oversee the increasingly relevant aspects of ethics and compliance.

In this last aspect, in 2019 we will increase our efforts to promote a culture of transparency and integrity, which encourages all our workers and contractors to actively participate in the task of concretely applying our values, principles and provisions, inviting them to always raise their hand and voice against any risk behavior in this area, using the different channels available for this purpose.

In the area of human rights, in 2019 we explicitly committed ourselves to the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, the International Bill of Human Rights and the core conventions of the International Labor Organization (OIT, for its acronym in Spanish). Therefore, we will start the selection of expert advisors who will support us in the development of a due diligence process to proactively and systematically identify potential problems, where they might occur and how to solve them.

From the economic point of view, we are preparing to return to the path of growth. Nevertheless, we are aware of the complex social, sanitary, political and economic context. In the case of our country, we hope that the legitimate social demands will be resolved with understanding, respect and dialogue, and that the sanitary emergency will be faced in the best possible way, with discipline and solidarity.

In this complex and challenging context, it is a great pleasure for me, as Chairman of the Board of Directors of the CAP Group, to present our twelfth Sustainability Report, prepared in a collaborative manner according to the guidelines of the Global Reporting Initiative (GRI) Standards, the Global Compact and the Sustainable Development Goals of the United Nations, organization to which we have adhered since 2008.

Finally, as a mining-steel and industrial group, with nearly 14,000 direct and indirect employees, with a presence not only throughout the country, but also in Argentina and Peru, we are committed to continuing to advance true to our principle of being "Always with Chile" and "Always with Latin America".

Rodolfo Krause
Chairman of the Board of Directors
CAP S.A.

Awards and Distinctions 2019

- **Dow Jones Sustainability Index (DJSI) Chile (DJSI) and DJSI MILA Pacific Alliance**
For the third consecutive year we integrated these indexes that bring together the companies with the highest standards of environmental, social and corporate governance responsibility in Chile and in the countries of the Pacific Alliance.
 - **Best Sustainability Report and Communication Strategy**
We were the only Chilean company awarded at the Ibero-American Communication Summit held in Madrid. The quality of our report and associated communications strategy was recognized.
 - **Transparency and quality of information**
For the third consecutive year we obtained the first place in the Report Reporta Chile 2019 in the Industry and Services sector. The Report analyzes the quality and transparency of the information of the IPSA companies.
 - **Talent management and retention**
We obtained the first place in Merco Talento 2019, leading the category "Holding Company". The award highlighted the Group's contribution to the management and retention of talent within the organization.
 - **Responsibility with suppliers**
In the first three places, Compañía Minera del Pacífico (CMP) and Compañía Siderúrgica Huachipato (CSH) were placed in the Ranking of Best SME Payers, awarded by the Chilean Association of Entrepreneurs (Asech, for its acronym in Spanish) and the Chilean Commodities Exchange (BPC, for its acronym in Spanish).
- Information on the awards obtained by our operating companies can be found in their respective chapters.*

CAP Group at a Glance

We are the leading producer of iron ore and pellets on the America Pacific coast, the largest steel producer in Chile, the most important steel processor and the third largest port operator in the country.

About us and what do we do?

We have various operations distributed throughout Chile, as well as in Peru and Argentina. We are the only company in Chile present throughout the entire iron value chain, operating from iron mining and steel production to the development of steel solutions to meet the needs of our domestic and foreign customers. Added to this is Infrastructure, made up of the desalinated water producer Aguas CAP, the power transmission company Tecnocap and Puerto Las Losas S.A.

Our businesses

Iron Extraction

Compañía Minera del Pacífico, CMP

With operations in the Atacama and Coquimbo regions, it is the largest producer of ores on the American Pacific coast. It extracts and produces iron ore and pellets, which it exports to world markets.

Steel Processing

CINTAC Group and Tubos Argentinos (TASA)

Leader in the manufacture and marketing of construction systems and a wide range of steel products for different productive sectors in Chile and Peru (CINTAC Group) and in Argentina (TASA).

Steel Production

Compañía Siderúrgica Huachipato, CSH

It's the largest steel complex in the country. It is located in the regions of Biobío and Magallanes, supplying mining, industry, metal mechanics and construction companies with long steel products, among others.

Infrastructure

Aguas CAP¹, Puerto Las Losas² y Tecnocap

The desalination plant (Aguas CAP) supplies this resource to CMP and other mining customers. Puerto Las Losas serves the CAP Group, the growing industry of the Atacama Region and international customers. Tecnocap supplies electric power to Aguas CAP, Puerto Punta Totoralillo and Cerro Negro Norte (CNN, for its acronym in Spanish) of CMP.

Location of our operations

- Compañía Minera del Pacífico (CMP)
- Compañía Siderúrgica Huachipato (CSH)
- CINTAC Group
- TASA
- Infraestructure
- CAP Group Head Office



¹ Owned by CAP S.A. (51%) and Mitsubishi Corporation (49%).

² Company owned by CAP S.A. (51%) and Agrocomercial A.S. Ltda. (49%).

How do we do it?

Production

10.09 million
metric tons (MT) of iron ore

714 mil
MT³ of finished steel

307 mil
MT of manufactured products

Our Company

4,856
own workers⁷

8,843
contractors⁸

US\$1.59
billion in consolidated income

US\$199.5
million in EBITDA

Ownership

31,3% Invercap

19,3% Mitsubishi

49,1% Free Float

Our performance

Corporate Governance and ethics

We transformed the corporate governance of CAP S.A. and its operating companies.

32 complaints to the Code of Integrity. Two were for discrimination.

We implemented the Integrity and Compliance Program, and launched the new Code of Integrity.

Own workers and contractors

11% of our own workers are women.

0 fatalities

20% of women in management positions⁴

2,6⁵ frequency rate, the lowest in the last decade.

Pay equity reaches **90%** throughout the CAP⁶ Group.

Environment

56% of the water is reused by Compañía Minera del Pacífico (CMP).

7,800,000

m³ of desalinated water were produced by Aguas CAP.

57% of the water is reused by Compañía Siderúrgica Huachipato (CSH).

96% of the waste generated in steel production is recycled or reused by CSH.

Community and society

97% of our workers are locals.

8,666 suppliers⁹ make up our value chain.

5,971 local suppliers

US\$ 418.2 million in local purchases

3,179¹⁰ of these are SMEs.

More information about our business, operations and markets can be found at www.cap.cl and in the 2019 Annual Report available on the same website.

³ Includes Cintac and Tubos Argentinos (TASA).

⁴ They are considered in general management positions or direct reporting to management.

⁵ Number of time lost accidents during the year per million hours worked Includes own workers and contractors.

⁶ Women's pay expressed as a percentage of men's pay.

⁷ Total number of own employees as of 12/31/2019.

⁸ As of December 31, 2019.

⁹ Includes all CAP Group operations in Chile, Peru and Argentina.

¹⁰ Only includes operations in Chile.

Our transformation roadmap

Certainly, the year 2019 was full of challenges, but also of great learning.

Challenges

The global context

Externally, the end of the commodity super cycle, a business environment affected by political and economic turbulence, the trade war between the United States and China, as well as the repercussions that the Coronavirus is having on society and the markets, among others, have impacted our businesses.

The national context

The social outburst has had an impact on coexistence, on the operation of companies and on the economy. Added to this are new demands and legitimate requests from citizens for more equity and dignity, a climate of greater resistance and mistrust towards company growth projects, and a changing regulatory context at the national and international level.

The internal context

We began the year by facing the consequences of the unfortunate accident at Puerto Guacolda II of our mining company, which occurred in November 2018. As a result of this, we lost one of our workers and port operations were shut down for about 13 months, resulting in a 40% decrease in iron ore shipments compared to the previous year.

In July 2019, an accidental spill of about 40 m³ of diesel fuel occurred at the operation located in the bay of Isla Guarello, Magallanes Region. We activated the established protocols, including control and mitigation measures, and informed the maritime authority immediately. The incident redoubled our efforts to develop a flawless operation.

For its part, the market conditions in which Compañía Siderúrgica Huachipato (CSH) operates have been particularly complex and challenging in 2019. This has extended a long period of adverse conditions for the company and has once again generated losses.

The situations we faced led us as a company to a deep state of reflection, which drives us to redouble our commitment to occupational safety, the environment and the communities where we operate. Our commitment is to always act in a transparent manner and implement the use of the latest technology available, in the search for efficiency in each of our operations.





Our commitment

In the context of the social outburst we are experiencing, the CAP Group will not forget what has been its historical motto: CAP, always with Chile. Therefore, as a mining-steel and industrial group, with nearly 14,000 direct and indirect employees, and with a presence throughout the country, we feel called to reinforce our social role, offering opportunities for development and well-being for our employees, contractors and communities to work together for a better country.

The company has been committed to the sustainable development of Chile and the countries where it is present. In its 70-year history, CSH has contributed to the country's development by supplying mining, industry and construction companies, among others.

For its part, CMP has been driving economic activity and generating thousands of quality jobs in the Atacama and Coquimbo regions for more than six decades, while Cintac has already completed more than six decades providing innovative solutions for various productive sectors in Chile and Peru.

In turn, Aguas CAP, a company that is part of Infrastructure, has produced nearly 40 million m³ of desalinated water for the mining operations of CMP and other customers in the Atacama region such as Minera Caserones. The latter, due to an environmental commitment, supplies water to two areas of the region, Caldera and Canal Mal Paso in Tierra Amarilla. In this way Aguas CAP contributes with a vital element in a scenario characterized by a deepening of the water shortage crisis that the country is experiencing.

Our response

Over the last few years, at CAP we have been adapting to changes in regulations and society, understanding that they have advanced faster than the company has in some stages. That is why in 2019 we were challenged to begin an accelerated transformation process that will allow us to continue creating value and contributing to the development of Chile and the countries where we have a presence, in a context that demands new perspectives, ability to adapt, efficiency and teamwork.

But the year 2019 was also a period of concrete achievements and progress in aspects of corporate governance and sustainability. In terms of corporate governance, we made significant changes to the board of directors' structure of our operating companies. Regarding occupational safety, we achieved the best results in the last 10 years in terms of frequency and severity rates, as a result of the Company's conviction to operate with "Safety without Excuses". We work strongly on the structure, systematization and standardization of guidelines that lead us to performance improvement in occupational health and safety, environment and community affairs. We also advanced in the digital transformation of our processes and facilities in order to have more efficient and sustainable processes.

In terms of new businesses, and seeking to maximize the company's assets, in 2019 we worked on two relevant projects, "Gas Natural Zona Sur" (Southern Area Natural Gas), which will provide new energy to collaborate in the decontamination of southern Chile, and "Modificación, recepción y embarque de graneles minerales" (Modification, reception and shipment of bulk ores) which will allow Puerto Las Losas, located in Huasco, to ship iron ore. These projects will require an investment of approximately US\$ 100 and US\$ 8.6 million, respectively and were entered into the Environmental Impact Assessment System (SEIA, for its acronym in Spanish) in the first quarter of 2020.

Sustainability Management Model

Our Sustainability Strategy is a way to make CAP a sustainable business over time, growing the value for the company and promoting the potential of the places where we are located. This path to "Crear Valor Sostenible" (Create Sustainable Value) is based on two pillars. The first, flawless operation, materialized in sustainable practices and environmental responsibility. The second, environmental awareness, materialized in the delivery of social value to the territories where we have a presence and in the communication and commitment with the stakeholders.

During 2019 we established 3 phases of the way to install sustainability as an enabler of business and creation of value for our company, our workers, customers, investors, and the communities in which we operate.

The first phase (2019-2020), focused on structuring, systematizing and standardizing corporate guidelines, procedures and tools associated with the company's management in the areas of occupational health and safety, the environment, community affairs and corporate affairs. The second (2021-2023), will aim to maintain flawless operations in all business units, in accordance with best practices. Finally, the third (2024 onwards), will be aimed at making our operations grow together with the societies that host them, by conducting new profitable, virtuous and inclusive businesses.

Sustainability management model in the operations of the CAP group





Vision of the future

We look forward with optimism to 2020 and the years to come. We are preparing to return to the path of growth; however, we must bear in mind the social, sanitary, political and economic context of Chile and the world. In the case of our country, we hope that the legitimate social demands will be solved in a climate of understanding, respect and dialogue, and that the Covid-19 emergency can be faced in the best possible way, with discipline and solidarity.

Innovation

In 2019, a pilot plan for Innovation, in the CAP Corporate Building (EIC, for its acronym in Spanish), was launched to support operating companies in the development of innovative projects, in the search for and generation of opportunities based on trends and in the co-creation of solutions and technology adoption. Among others, we carry out the following activities:

- **Safety Innovation Challenge;** allowed for the collection of 416 ideas to improve “Safety without Excuses” in the Group, proposed by the workers of the operating companies themselves. There were a total of 729 participants (equivalent to 6.3% participation) and seven pilots that will be implemented in the first half of 2020.
- In terms of **open innovation** and the link with the innovation and entrepreneurship ecosystem, we took a step towards the digital transformation of our facilities to achieve greater efficiency and sustainability in the processes. To this end, we established a strategic alliance with Fundación Chile through its venture capital area (ChileGlobal Ventures), in order to seek out the best startups that could incorporate digital solutions into the production processes of Compañía Minera del Pacífico’s Magnetite Plant. **The Mining Evolution** was attended by 69 national and international startups, and the winners are already working on improvements aimed at obtaining, trusting and analyzing information in the plant.
- CAP, together with Fundaciones Rassmuss and the support of the Centro de Innovación UC (UC Innovation Center), organized the **keynote speech** of the North American journalist and columnist of the New York Times, Thomas Friedman, who spoke about climate change, technology advances and globalization in front of more than 700 people.

Compañía Minera del Pacífico (CMP)

Compañía Minera del Pacífico (CMP) has been driving economic activity and generating thousands of quality jobs in the Atacama and Coquimbo regions for more than six decades.

Our focus today is to consolidate current operations. With the start-up of Puerto Guacolda II we are looking to return to the average number of shipments of the last three years.

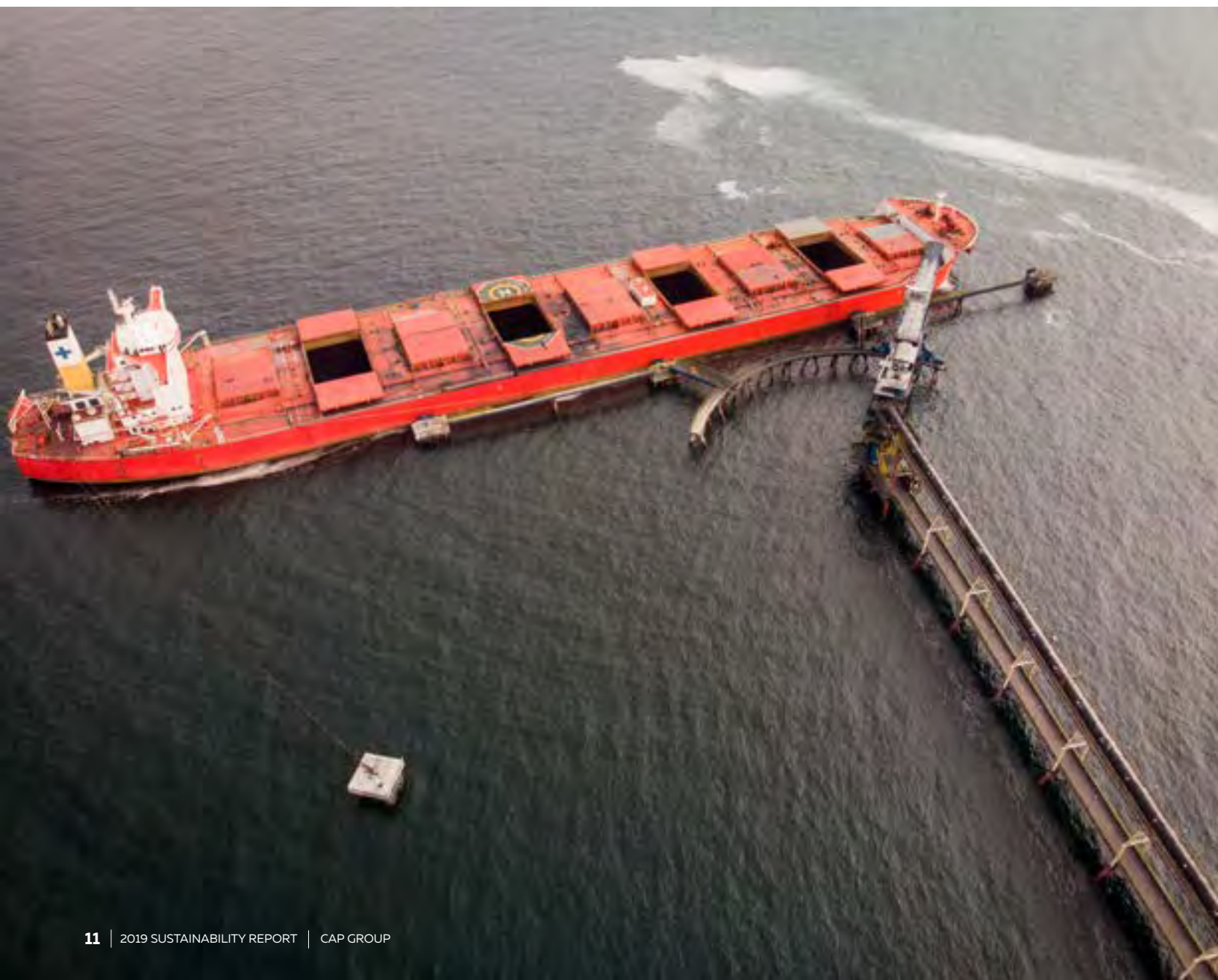
Today we must definitely review the different paradigms on which we have based our culture in recent decades. We must develop new ways to relate with the inhabitants of the communities in which the company is inserted, with new demands associated with their living conditions and that, in many cases, go beyond the commitments acquired in obtaining permits and licenses to operate. The future of our society will have a CMP called to give the best of it in ethical, operational, environmental and social matters, in order to collaboratively build with our stakeholders more prosperity and a better quality of life.

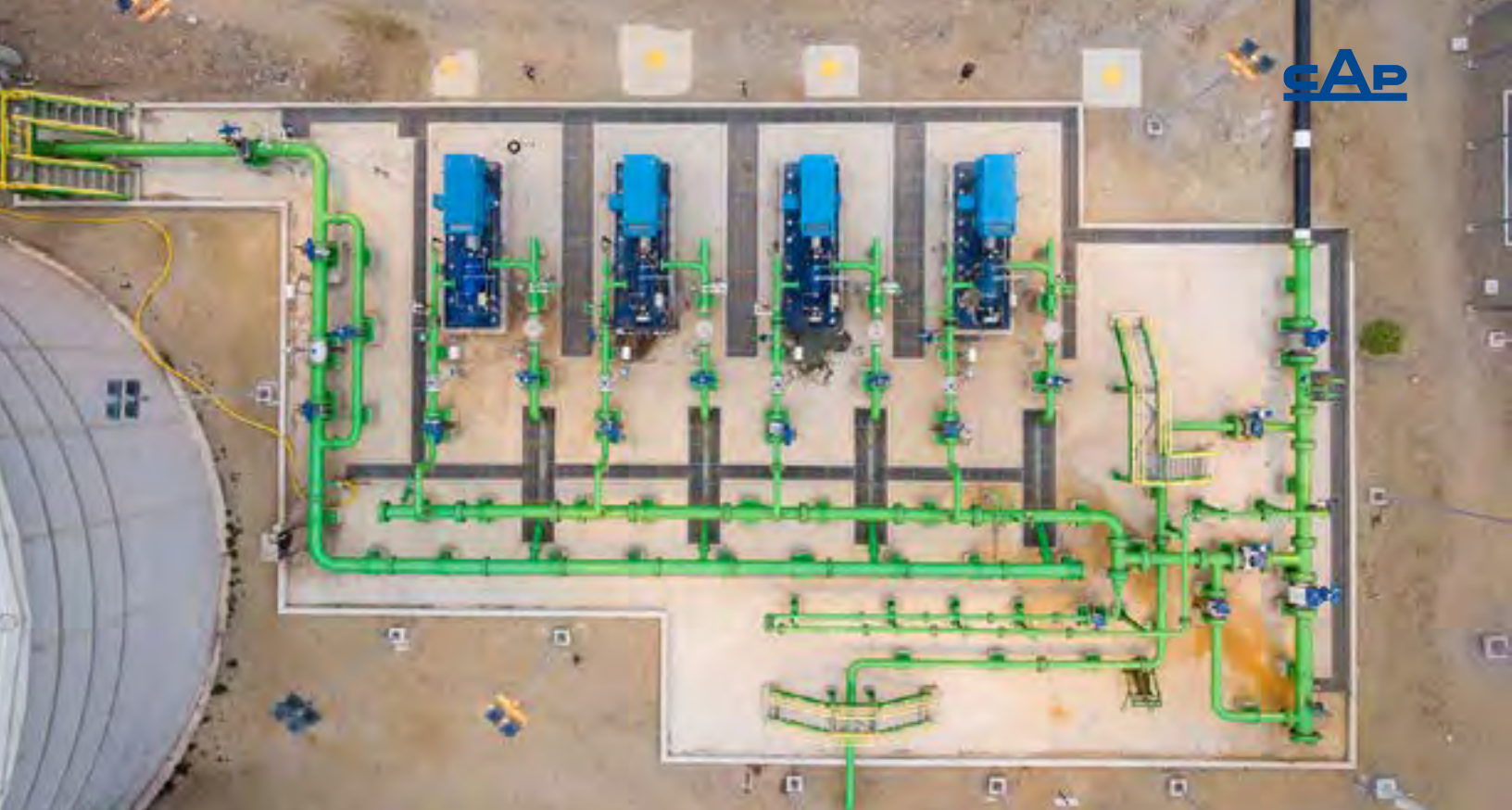
Compañía Siderúrgica Huachipato (CSH)

Throughout its 70-year history, we at Compañía Siderúrgica Huachipato (CSH) have contributed to Chile's industrial development and have been a key player in the development of the mining, metal-mechanical and construction industries. Today we are making progress in creating new products for grinding means, high-strength construction rebars - used in projects such as the Chacao Bridge or the Concepción Bridge - and steel solutions for the future development of underground mining in our country.

The market conditions in which we operate have been particularly complex and challenging in recent years. Reversing the results of our company is a task that will require all the effort and commitment of the teams involved. But fundamentally it will demand changes in the structural conditions in the global steel business, as well as the neutralization of unfair competition to generate the conditions that will allow to compete in a level playing field.

Along with continuing to move forward in optimizing the operation, we continue to look for new opportunities to export products to the Latin American Pacific coast. In addition, we are evaluating other activities that will supplement our company's revenues to make them sustainable. An example of this is the development of a small-scale natural gas project to be located at CSH's facilities, which seeks to satisfy industrial, commercial and residential demand in the Biobío Region and other areas of southern Chile. The project is an initiative of the CAP Group and its Environmental Impact Statement was entered in February 2020.





Grupo Cintac y Tubos Argentinos (TASA)

Cintac has already completed more than six decades providing innovative solutions for various production sectors in Chile and Peru, and we hope to grow in the future to other countries on the Pacific coast. We have been systematically developing a business strategy that aims to expand to other markets of greater contribution, as well as to other materials. This, always seeking to reach a leadership position, add value and generate greater profitability.

Consistent with this strategy, we have been expanding geographically in South America through different associations, thus being able to enter different sectors: agricultural, energy, construction, modular and road safety. This work continues with greater strength and focus on markets as attractive as services to the mining sector. In this development, Cintac has been able to progressively advance from products to solutions that are closer and more adequate to its final customer.

TASA, on the other hand, is focused on the wholesale distribution of iron and steel products in Argentina. Its goal is to offer its customers an exceptional service, with tailor-made products and information services that integrate all areas.

Infrastructure

In Infrastructure we are focused on diversification and growth, taking advantage of the infrastructure installed capacity. Everything indicates that the assets involved here will become increasingly relevant, not only at the company level, but also in the country. With regard to our desalination plant Aguas CAP, we have observed how water shortages and long periods of drought have set the sights on this process as an alternative supply for the population, the agricultural sector and industry. On the other hand, Puerto Las Losas proved to be a very relevant asset for the Group as it became an alternative as an exit point for Compañía Minera del Pacífico's products, given the contingency presented at Puerto Guacolda II during 2019. By 2020, it is projected that supplies for large wind farm projects will be disembarked, which will contribute to provide a higher level of operational use. Likewise, in the port business, new synergies are being analyzed among the terminals owned by the Group. Tecnocap, on its part, can be an option to make wind and solar projects feasible in the area.

Corporate governance, risk management and ethics

Corporate governance

CAP S.A. is an open stock company, and as such, is subject to the guidelines of the Financial Market Commission (CMF, for its acronym in Spanish), as well as to the corporate governance laws and regulations in force in Chile.

Board of Directors and Committees

Our Board of Directors - composed of seven members, who remain in office for three years - is responsible for leading strategy, including the definition of objectives and the annual business plan, as well as medium and long term ones. In addition, it defines the fundamental principles, mission, values, policies, strategies and priorities; monitors the creation of value and the efficient use of resources; and oversees performance, risks and management control systems, including those for sustainability.

Strengthening governance

During 2019, we made significant changes to the board of directors' structure of our operating companies. This was done in order to empower them and strengthen their processes through the creation of different committees. In this context, in April 2019 we announced that seven women were elected as directors in firms of the company. Also, that directors with extensive experience in the mining business and with great focus on sustainable development were brought in. In order to improve the coordination and alignment of the efforts of the operating companies with CAP's Board of Directors, it was established that the boards of directors of the operating companies will be chaired by a member of the Board of Directors of the parent company.

Sustainability Governance

In 2019 we established instances and mechanisms to coordinate and monitor the Strategy and the Sustainability Plan. The monitoring of the implementation of the strategy, as well as the approval of the resources, plans and corporate standards and the follow-up of the indicators, during the last year was in charge of the Corporate Sustainability Committee. It is composed of the Chairman of the Board of Directors of CAP S.A., the General Manager of the Group, the corporate managers and the managers of the operating companies, who meet every three months.

[More information on the Board of Directors, its composition, its committees and progress in corporate governance and other related matters on page 102.](#)

Risk management

The Board of Directors of CAP S.A. is responsible for the risk management of our company and for ensuring an adequate environment, structure, culture, plans and resource allocation. To this end, it is supported by the Risk Committee, which analyzes and oversees the progress of risk management in the Group and its operating companies. It also meets every six months with the unit in charge of this matter. Our risk management methodology is based on the international standards ISO 31.000, COSO ERM and ISO 22.301.

In 2019 we moved towards a new risk management culture, one that identifies processes and defines those responsible for managing them. In this way, we identified critical risks at the corporate level and in each operating company, and promptly established the controls to prevent or mitigate them. In addition, at the end of the year, we updated the corporate framework and the Risk Management Policy. In 2020 we will develop different initiatives to strengthen our management in this area, incorporating technological platforms that allow us to optimize risk assessments, plan compliance programs and verify their execution, among others.

[More information on our risk management can be found in the 2019 Annual Report available at \[www.cap.cl\]\(http://www.cap.cl\)](#)



Diversity

During 2019, women were incorporated to lead the Sustainability and External Affairs, Compliance, and Ports management areas.



Crisis management

We have protocols in place for quick operational response in cases of crisis and unexpected incidents. During 2019 we updated the associated communications procedures to coordinate efforts and actions, especially in the generation of reliable, transparent and timely information for stakeholders.



Cybersecurity

In 2019 we created the position of Corporate Cybersecurity Officer, whose job is to identify gaps, provide guidance and support to the Group and its operating companies

Ethics and compliance

Compliance Model

In 2019 we created the Compliance area to focus on designing the Integrity and Compliance Program that is based on our risks and incorporates regulatory, cultural and best practice elements. It has six pillars: Governance, Definition and Implementation of Controls, Training, Communication and Culture, risk assessment, Complaint channels, Third party compliance in form, Monitoring & reporting and Continuous improvement.

In 2019 we carried out a diagnosis of the existing instruments, established a consensus regarding the objectives we want to achieve and their implementation plan. We raised the risks associated with compliance at the corporate level and in the operating companies, and we have been working on the definition of critical processes, controls and the respective persons responsible. In addition, we implemented a Committee to follow up on these matters.

During 2020 we will continue with the implementation and operationalization of the program. In addition to training, we will develop specific communications plans. In operating companies, we will also establish "Compliance Ambassadors", whose job it is to be a recognizable point of contact and to help build and maintain an ethical culture through communication, training and other initiatives related to integrity and compliance.

Code of Integrity and Crime Prevention Model

In December 2019 we launched our new Code of Integrity and Integrity Portal. Our Code is a practical tool for work, containing the principles and foundations for good relations with our different stakeholders, and serves as a guide in situations that merit it.

Additionally, in 2019 we updated our Crime Prevention Model in accordance with the changes that Law 20,393 has had in the last 18 months. It was disseminated through training and the development of educational material that facilitates its understanding. In addition, we developed the Compliance Program for the Legislation on Free Competition and prepared "Short Guides", which establish the main guidelines to be followed in terms of due diligence, relations with public officials, influential people or people who represent others, and management of conflicts of interest.



32 complaints

- 12 internal and 20 external
- 63% resolved in the period, 9% under development, 28% pending
- 2 complaints of discrimination
- 0 complaints for unfair competition or corruption

Our Integrity Channel, which was also reformulated in 2019, allows our own workers, customers, suppliers, consultants, contractors and shareholders to make inquiries or report violations and transgressions of any national law or regulation and/or the principles established in the Group's internal regulations. It operates in a safe, anonymous and confidential manner, and is available on the portal CAP Integridad (CAP Integrity) and on the corporate website.

CAP Integrity

CAP Integrity, the communication name of the Integrity and Compliance Program, is an intranet portal where employees can access the program's documents and guidelines. Among them, the Integrity Code, Crime Prevention Manual, Short Guides, the guidelines related to the Compliance Program on Free Competition and a direct access to the Integrity Channel of the company.

Training

In 2019, we carried out training in ethics and compliance with a strong focus on anti-corruption. They covered 74% of the corporate staff, and 10% of the critical staff of the operating companies. In addition, we held two workshops to implement the Integrity and Compliance Program. The launch of the Integrity Code, held at the end of the year, was attended by Mariano Gojman, Siemens' Regional Compliance Manager, who shared his company's experience in this area.

Human Rights

At the end of 2019, the Board of Directors decided to adhere to the United Nations Guiding Principles on Business and Human Rights and the OECD's Due Diligence Guide. It is planned to carry out a due diligence process in the future to identify actual and potential impacts, and we will develop a plan to progress in its management and the necessary cultural change.

Our people: Workers and Contractors

Corporate guidelines and policies

We have six policies in this area: Recognition Management Policy, Performance Management Policy, Learning Management Policy, Recruitment and Selection Management Policy, Development Management Policy and Diversity and Quality of Life Management Policy. During 2019, the Board of Directors approved a Compensation, Remuneration and Benefits Policy.

“The best company to attract and retain talent in its sector” was the recognition given to the CAP Group by Merco Talento.

Professional development, diversity and inclusion

Our scopes of action, with a strategic and collaborative look, advance in aligning more closely the management of people with the business. It is at this point that the initiatives related to talent management - which seek to ensure the attraction, retention, development and identification of critical talent for the Group -, take on great relevance. In 2020, we will make progress in different areas of human capital formation.

In 2019, we designed the Model and Strategic Management of Compensation to ensure competitiveness and internal equity. This, without neglecting efficiency, cost control, productivity and quality of life, keeping the focus from the Strategy of Labor Relations and Unions, as well as Talent Management. On the other hand, we have given emphasis to the organizational culture, with a strong focus on internal communications as a tool for its strengthening.

One of the programs highlighted in 2019 was the Leadership Academy, aimed at professionals with high potential, in which 25 people (12 women and 13 men) from the different companies of the Group participated.

We are committed to deepening the living out of our corporate values, particularly those that promote equal opportunities for all our workers, as well as for all candidates, ensuring that an inclusive and diverse character is maintained in each of our processes. In 2019 we held corporate talks to raise awareness on the issue of gender equity, revised Standard 3262¹¹ and resumed our participation in the National Women and Mining Roundtable, convened by the Ministry of Women and Gender Equity and the Ministry of Mining. In order to increase the diversity of our executive staff and corporate governance, we incorporated seven women on the boards of directors of the different business units, reaching 11% female staff and 90% pay equity between men and women. The administration of the CAP Group, led by the General Manager, is made up of two women and six men.

We have developed trusting and collaborative working relations between the business units and their 18 union organizations, to which 78% of our workers are affiliated. This facilitates the building of agreements around issues of productivity, work environment and operational continuity. In order to measure the above, we monitor work satisfaction, which increased by nine percentage points between 2018 and 2019, rising from 66% to 75%. In terms of flexible benefits, we were the first company in Chile to sign Labor Adaptability Pacts (signed by CAP S.A.), allowing us to move forward in offering better flexibility conditions, as well as implementing new ways of working. By 2020, as the Covid-19 is changing the way of working, teleworking and flexible hours will be a relevant actor.

¹¹ The NCh 3262 (2012) on gender equality and conciliation of work, family and personal life, is a standard of voluntary compliance that can be implemented in any organization, with the objective of incorporating from concrete and immediate actions of conditions of gender equality and conciliation of work, family and personal life, to action plans consistent with the organizational strategy and the construction of cultures oriented to equality and people-centered.

Employment

Workers



Women
(percentage)



Social outburst and pandemic

As a result of the national contingency - the social outburst of October 2019 -, we implemented a support program for the workers in the corporate building, to which we have given continuity during 2020, given the pandemic. In addition, we reviewed the financial compensation of our workers and contractors, adjusting the levels of their compensation along with our contractors.



Occupational safety

For many years we obtained good results in safety, with no fatal accidents to regret, and we were recognized for it on several occasions. However, in 2018 we had a setback in our indicators and we regretted the death of four of our co-workers, two in the mining business and two in Aguas CAP. This led us to reflect deeply on the challenge of eliminating severe and fatal accidents, based on sustainable operating practices.

In 2019, the Sustainability Management had the role of leading at corporate level the generation of strategic guidelines, follow up and control their compliance, promote best practices transversally and capitalize on learning.

Since May of last year, we have incorporated the reporting and review of safety indicators in all CAP's Boards of Directors and defined a reporting system from operations, which we are constantly improving.

In June of the same year, by means of a letter sent to all the people at CAP, the president of the Group's Board of Directors, its general manager and all the managers of the operating companies, ratified that the occupational health and safety of the workers, both own and contractors, is a strategic, permanent and non-negotiable value. They also declared that the shared goal must be Zero Severe and Fatal Accidents and that each one from his position must be able to exercise visible leadership, with sense and courage, so that no productive factor is above people's safety.

Thus, with conviction, and in the same month of June, we began a series of corporate activities under the slogan "Safety without Excuses", among which we highlight the incorporation, at the beginning of each meeting, of a safety thinking. In addition, we held an event that meant the scheduled shutdown of all Company's operations on November 11th. The main events in each operating company were led by representatives of its board of directors and/or corporate executives.

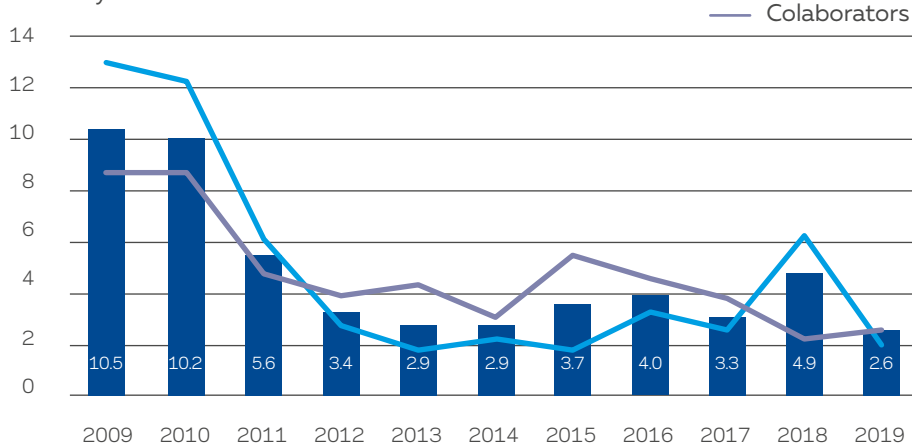
In parallel, we worked on the definition of corporate Critical Operational Risk (ROC, for its acronym in Spanish) standards, which aim at the implementation of measures that prevent or reduce severe or fatal accidents.

As a result of the above, in 2019 we recorded the best accident rate results, with the lowest Frequency Rate and Severity Rate in the last ten years. This is attributable to the visible leadership and commitment acquired and promoted by all the teams of the Group's companies, confirming an enrichment of our internal culture in terms of safety.

For 2020 we will work on different areas of action such as: visible and courageous leadership; critical operational risks and management of operational incidents or applicable regulatory framework. Additionally, we will update the Corporate Occupational Health and Safety Policy in effect since 2015

Additionally, each operating company has its own Occupational Health and Safety Policy and a Management System in these matters, designed according to the nature of its operations and operational risks, which are permanently reviewed

Frequency Rate CAP Group
Last 10 years



Contractors

In 2019 we had 8,843 workers from contractor companies, 70% of them working in CMP, 17% in CSH, 8% in Cintac Group, 4% in Infrastructure, the remaining 1% in CAP S.A. and TASA. One of the sensitive issues that arose from the social outburst was the level of workers' salaries in Chile, so we carried out a thorough review of the levels of income and working conditions of our contractors, both at the corporate level and in all operating companies. During 2020, the challenge will be to continue monitoring contractor companies in terms of labor compliance, occupational health and safety, labor conditions and rights, to take care of the work environment, to strengthen the openness of our heads and supervisors and to review employment conditions and remuneration and to deepen human rights at work.

Environmental responsibility

Corporate guidelines and policies

We have an Environmental Management Policy that we will update in 2020 to align it with our current challenges and objectives, as well as with our values and interests: Sustainability, Integrity and Excellence and Innovation.

As part of the transformation we seek in our relation with the environment, for the years 2019 - 2020, we generated and implemented with all operating companies, an Action Plan that seeks to strengthen innovative and responsible management on environmental aspects and impacts, compliance with the applicable regulatory framework and natural resource management, with special emphasis on action for the climate, the circular economy and the careful use of water and energy. Likewise, convinced that people are the driving force behind the necessary changes, the Plan considered for 2019, the analysis of the existing operational structures and competencies related to environmental responsibility.

Thus, we work focused on the identification of the most significant environmental and social gaps, designing and seeking to implement control measures that contribute to eliminate or minimize the effects that they may cause in the environment. We also move forward in the definition of technical and management standards that provide operating companies with transversal guidelines that, applied according to the context, ensure that operating processes are carried out flawlessly. On the other hand, we have worked on projects that allow us to ensure the continuity of operations, among them, the so-called "Depósito de Relaves Filtrados, Planta de Pellets" (Filtered Tailings Deposit, Pellet Plant),

entered into the Environmental Assessment System in January 2020. This project is part of the commitments acquired by Compañía Minera del Pacífico in its Environmental Compliance Plan.

In 2020, one of the focuses is to ensure compliance with the applicable environmental regulatory framework, so we have scheduled corporate audits, focusing mainly on the most critical processes.

Operational incidents with environmental consequences

In 2019 we regretted eleven operational incidents with environmental consequences. Repeating and analyzing them led us to define gaps in different aspects of management, so we are working on a transversal standard, which will allow us to improve the definition of significance, reportability and investigation; and with it, prevention.

One operational incident that stood out in 2019 happened at Isla de Guarello, located in the Magallanes Region, where the Company has a limestone mine. There, an accidental spill of 40 m3 of diesel occurred, which immediately triggered the protocols established for reporting to the authorities and other key players, and all the necessary actions to contain and clean up, achieving the recovery of 95% of the diesel. The remaining 5% volatilized due to its physicochemical nature. Monitoring and studies have shown that the environmental impact was limited.

Incidents with environmental consequences

Number of operational incidents with environmental consequences

2017	2018	2019
0	2	11



Climate change

Regarding climate change actions, in 2019, the operating companies CINTAC and CSH continued to monitor and estimate their emissions, which they have been doing for several years now. CSH was the first to report to the World Steel Association. In addition, in 2019, Huachipato, sponsored by the German Agency for International Cooperation (GIZ) and the Ministry of Energy, among other organizations, participated in the study “Desarrollo Bajo en Carbono para la Industria Chilena de la Siderurgia” (Low Carbon Development for the Chilean Steel Industry). This, with the purpose of identifying and prioritizing technology, existing barriers and facilitating frameworks needed for the transition to a national low emission industry, a study that is in its final phase.

For its part, Cintac, in this field, has explored and generated new businesses or markets, in recent years ([see pages 75 and 76](#)). All the operating companies carry out mitigation of their emissions.

During 2020, it is considered to carry out a diagnosis to define the status of the company in these issues and design a Climate Change Strategy that includes mechanisms to measure the impact of risks and opportunities on aspects of the core business such as financial planning. Likewise, we will define those responsible for leading and managing climate change issues, also reviewing our risk management. Finally, we will align mitigation actions with Chile’s goal of achieving carbon neutrality by 2050.

Responsible waste management

In the CAP Group we promote clean production, the reduction of waste generated and the practice of recycling, an effort which has been made through its “Cero Residuos” (“Zero Waste”) initiative. In Chile, the management of these is regulated by national regulations, and safeguarding its compliance has been a priority for us. In total, the Group’s companies recycled 93% of their waste in 2019.

The facilities of the Huasco Pellet Plant and the Corporate Building in Santiago adhere to the Clean Production Agreements (APL, for its acronym in Spanish) and include aspects of waste management. In the case of the corporate facilities and Cintac in Chile, the APL “Cero Residuos a Eliminación” (Zero Waste for Disposal) was continued and a Waste Management Program was designed for 2020. As part of this APL, two targets were defined for 2020. On one hand, to increase the recovery of non-hazardous solid waste by 3% of the total; and on the other hand, to decrease the generation of total solid waste (hazardous and non-hazardous) by 3%, both goals in relation to a baseline generated in 2019.

Waste generated and recycled

Waste generated
(Tons)

2017	410,624
2018	379,458
2019	346,248

Recycled waste
(Percentage)

2017	96%
2018	97%
2019	93%



Water and energy

For their part, in the care for water and energy, all operating companies have energy efficiency programs. In 2019, thanks to the achievement of ISO 50001 certification and the presentation of two successful energy-saving measures, Huachipato obtained the Gold Seal, the highest category of the Energy Efficiency Seal awarded by the Ministry of Energy.

In the case of CAP Infraestructura, the contribution is represented by the production of desalinated water from Aguas CAP that contributes to the reduction of water stress affecting the Copiapó Valley basin, where the Cerro Negro Norte, Puerto Punta Totoralillo and Magnetite Plant operations are also located ([see highlighted note](#)).

Given the water scarcity scenario, we have included water resource management as a critical business risk. Mining and steel companies have plans to optimize water use and increase water reuse, which means that more than half of the water is reused. Additionally, there are initiatives to reduce water consumption in different aspects: asphaltting of roads, adjustment of solids content in tailings thickeners, elimination of water use in road wetting and, finally, reduction of water consumption in sanitary services thanks to new technology.

The future management of water resources will be framed within an environmental technical standard in order to have an adequate characterization of water demand and supply and to build our first water balance with robust information sources, improving management in our operating companies.

Biodiversity

Care and respect for the environment includes concern for the flora and fauna and biodiversity in the surroundings of its operating companies. 47% of our operations (8 of 17) are located in fragile ecosystems. Thus, we put special emphasis on caring for our environments, including those protected sites due to their sensitivity or abundance of biodiversity; or those sites with high physical, cultural or biological uniqueness. For this purpose, we have special programs designed by the operating companies and approved by the corresponding authority.

Desalinated water A contribution to the water crisis in Chile

CAP has a plant of this type that supplies desalinated water to all the mining operations of Compañía Minera del Pacífico in the Copiapó Valley, and also, through other mining customers in the area, makes it possible to comply with voluntary environmental commitments in Caldera and Tierra Amarilla. In this way, it collaborates to reduce water stress in the Atacama Region, in the north of Chile.

Desalinated water production
(thousands m³)

2017	6,953
2018	7,447
2019	7,800



Working together with communities

Corporate guidelines and policies

We have two guidelines, the Social Investment Policy and the Social Relations Management Policy, which will be reviewed in 2020.

During 2019 we developed a Social Management Strategy based on the installation of best practices, definition of corporate standards applicable according to the context of each operating company, collaborative work of different areas of the Company, community relations integrated into the business processes, generation of Alliances with external stakeholders and focused on the priorities of the company and the community. Our method is aligned with 3 pillars: social risks and impacts, relations and community development.

The implementation of the Strategy began during the second half of 2019 with a diagnosis in the territories where CMP - Aguas CAP and CSH, have their operations, through a self-assessment and an ESG survey. The objective was to determine the status and gaps in the social management of the operating companies, for which the highest international standards of Community Relations and Development (such as IFC and ICMM) and the best applicable practices were used.

In general, the main opportunities identified are related to the need to systematize social management, implement shared evaluation processes of social impacts and risks, integrate socio-environmental aspects into the operation, strengthen the management of claims, update the Social Investment Policy, improve the processes of information feedback to the communities, promoting two-way dialogue.

During 2020, we will support the generation and implementation of action plans that will allow the systematization of the Social Management System, starting with the definition of transversal corporate standards and application tools according to the context of each operating company, for each of the action lines indicated.

Additionally, we will implement a System of Claims, Inquiries and Suggestions that will strengthen communication with the communities and become a way to facilitate the expression of their concerns regarding CAP's activities, its operating companies and projects in development. This system offers a valuable feedback channel that will help identify opportunities for improvement, learning and generation/maintenance of trust.





Community relations in operating companies

Ensuring that we work together with communities to achieve mutual success in the long term is the essence of our vision. That is why we are updating our strategy based on the following pillars (i) installing industry best practices, (ii) developing corporate standards applicable to each Business Unit (BU), (iii) collaborative work with other areas of the company, (iv) community relations integrated into business processes, and (v) generating alliances with external stakeholders.

SOCIAL MANAGEMENT

The strategy in social development considers three major themes to be addressed:

1. Management of socio-environmental impacts

It includes aspects such as the establishment of social baselines, identification and assessment of risks and impacts in this field; the safety of the community and workers, compliance with social obligations and the role and compliance with social standards in contractor companies.

2. Community Relations

We create a relation plan and update the areas of influence of each operating company. Likewise, we are identifying and assessing those risks that have the potential to generate conflict with the community, as well as those real and/or perceived social impacts. Although we have an Integrity Channel available on our website, in 2020 we will design a management system for inquiries, suggestions and claims from communities, which will include steps to close the cycle with a satisfaction assessment. Participatory monitoring with the community will also be implemented. The mapping of all indigenous groups associated with CAP Group operations will be a key input to the development of an Indigenous Peoples Social Standard by 2020, which will be based on IFC¹² and WBCSD¹³.

3. Shared benefits with the community

While our commitment and contribution to the communities has been part of our history, in 2020 we will model a Social Investment Plan aligned with the business, which emphasizes the generation of local employment and the investment, purchasing and development of local suppliers. In recent years we have been recognized for the timely payment to SMEs, a distinction we received again in 2019 ([see page 23](#)).

System of claims, inquiries and suggestions



What is it?

A platform made up of several channels for members of a community or other stakeholders to express their concerns, inquiries and claims about actual actions or perceptions produced by us, whether in the Corporate, operating companies or projects.

What's it for?

Alert and respond in a timely manner to claims and complaints from stakeholders about our activities. This is achieved through an efficient internal coordination process that ensures they are properly dealt with and channels a timely response.

¹² IFC=International Finance Corporation.

¹³ WBCSD= World Business Council for Sustainable Development.



Contribution to society

Although our commitment and presence in the societies where we operate has been a constant, and we have deployed it through our operating companies, in recent years we have carried out multiple initiatives to contribute to the whole country, such as, for example, the CAP Competition for Architecture Students, which in 2019 was based on the challenge of developing a “Factory of ideas and innovation”. We also held a talk with Thomas Friedman (see highlighted note) and with the specialist Francis Pfenniger, architect of the Universidad Católica (PUC, for its acronym in Spanish), an activity that we carried out in our CAP Innovation Space, organized by CAP Acero with the support of the Cintac Group.

Local employment and procurement

in our host communities, as well as jobs through contracting local suppliers and moving the local economy through local purchases. In 2019, 97% of our workers were domiciled in the same region where the company operates; 69% of suppliers and 27% of purchases were local.

Patents, local taxes and social investment

The payment of local taxes is another contribution that we generate through our operating companies, in 2019 we paid US\$2 million in local taxes, which contributes to the dynamism and regional economic activity. In addition, our social investment - through our operating - amounted to US\$1.123 million in 2019.

Thomas Friedman talk

The North American journalist and columnist of the New York Times shared his view on the effects of the great transformations that the world is experiencing with authorities, academics, students, journalists and businessmen. The meeting, organized by the UC Innovation Center, CAP Group through our Innovation Space and Fundaciones Rassmuss, gathered more than 800 people.

Companies best at paying SMES

In 2019 CMP and CSH were recognized for their short payment period to SMEs providing goods and services. Both were ranked in the top three places in the ranking of the best payers to SMEs, prepared by the Chilean Commodities Exchange (BPC) and the Chilean Association of Entrepreneurs (Asech).

CAP