

SUSTAINABILITY REPORT 2019



COMPAÑÍA MINERA DEL PACÍFICO



Chile is changing and CMP is changing with it. Today we must definitely review the different paradigms on which our culture has been based in recent decades.



Chairman's vision

Certainly, 2019 was not a year like any other. Rarely had Chile seen its coexistence and ability to agree on a country model put to the test, as it has today. This scenario of great complexity, high uncertainty and proliferation of questions has surprised the Chilean business sector in a process of adjustment in function of the expectations of the communities where the companies operate, attending to global challenges for greater sustainability of productive activity - especially in the area of energy and water -; building more collaborative labor relations and focusing on the continuous improvement of its governance.

Our national reality, also marked by uncertainty and difficulties in maintaining effective channels of dialogue, has not been immune to processes of reordering and transformation, where the tension of societies demanding a new way of dealing with each other, as well as the commercial relations between large economic blocks, have become part of the usual panorama. To these facts, an unprecedented global sanitary crisis has recently been added, which is putting governments, institutions, companies and families all over the world to the test, without exception.

Chile is changing and CMP is changing with it. Today we must definitely review the different paradigms on which our culture has been based 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.

Our operational continuity projects have also been challenged by this reality, which has meant that today we are incorporating new social and environmental variables into the design criteria, as well as much more demanding technical standards.

We are aware that in the past we have managed to be pioneers in adding value to iron mining, transforming environmental liabilities into exportable products, using desalinated seawater in industrial processes and supplying solar energy for our operations. This heritage is undoubtedly proof that, in the face of change, our company has been up to the task and has the capacity to successfully tackle extraordinarily challenging scenarios.

The future facing our society will have a CMP called to give its best in ethical, operational, environmental and social matters, to collaboratively build more prosperity and a better quality of life with our stakeholders.

Juan Enrique Rassmuss R.
Chairman of the Board of Directors

General Manager interview

What are the priorities that CMP has established?

One of the main ones in 2019 was to start the continuous improvement of the quality of our processes, identifying in advance, and then managing with the utmost rigor, the risks that affect them.

Under this premise, in sustainability matters, the execution of the Environmental Compliance Program for our operations in the Huasco Valley stands out, as well as the execution of a portfolio of key operational and environmental projects. Also, to advance in strategies and plans that ensure the compliance of all the environmental obligations that the company has acquired for the favorable environmental qualification of its sites, as well as those voluntary measures committed with communities and authorities.

What are the main challenges ahead and how is CMP preparing for that future?

Substantial progress was made in the company's operational and environmental projects, most notably the construction and implementation of the train unloading building at the Huasco Pellet Plant to enhance the mitigation of particulate matter emissions.

Along the same lines, fundamental projects should be named to move forward in emissions control in this same operation and for stopping the discharge of tailings in Ensenada Chapaco. These have made significant progress, either through obtaining their corresponding Environmental Qualification Resolutions (RCAs, for its acronym in Spanish) or through the development of early works, which has strengthened the continuity and sustainability of our operations.

With regard to our internal management, and through the risk management of the respective processes, important achievements were also made in updating the environmental control and occupational health and safety systems. This last aspect has been key for CMP, its workers and collaborators to be facing with high prevention standards the sanitary emergency due to COVID-19, which today affects so dramatically the country and the world.

What were the main developments and events in these priorities during 2019?

We are convinced that there is a promising future for CMP, its shareholders, workers, collaborators, customers and the communities we are part of. For this to be possible, we must successfully overcome immediate challenges such as, among others, the processes of environmental qualification - by the authorities - of projects such as the new deposit of filtered tailings on land for the pellet plant, the modification of the mining plan of Los Colorados Mine and the adjustments to the reception and shipment of mineral bulks, all in the commune of Huasco. Also, to successfully complete the replacement of the ore transportation pipeline between the Cerro Negro Norte Mine and the Punta Totoralillo Port, in the municipalities of Copiapó and Caldera, respectively; to advance in the construction of the new Puerto Cruz Grande in the municipality of La Higuera, and to maintain high levels of sustainability and efficiency in all our mining operations, plants, ports, additional infrastructure and open spaces for the community in the Atacama and Coquimbo regions, taking advantage of the attributes that guide the work of our company: Alignment, simplicity and discipline.

These aspirations will require us to behave and perform ethically and responsibly with our stakeholders and the environment. Especially with those who are most vulnerable or who are under the protection of special regulations, ensuring that the energy we invest in the value chain of our operations is also transformed into prosperity for those who will accompany us or be linked to the work of the company in a shared future.



Francisco Carvajal
General Manager

Through process risk management, important achievements were made in updating environmental control and occupational safety and health systems.

CMP at a glance

Future vision: To be a world-class mining company, innovative and a reference in the development of sustainable businesses; that generates value for its shareholders, customers, workers and surrounding communities.

About us and what do we do?

We are the leading producer of iron on the American Pacific coast, and we export 99% of Chile's ore. Our operations are located in the Atacama and Coquimbo regions, distributed in the Valle de Copiapó, Valle del Huasco and Valle del Elqui. From these mining deposits and plants we produce different products, which are exported and used as raw material to manufacture steel.

Magnetic iron has advantages over hematite minerals, as it contributes to the sustainability of the steelmaking process. This is due to the fact that this material requires less energy and raw materials to produce steel.

Our company

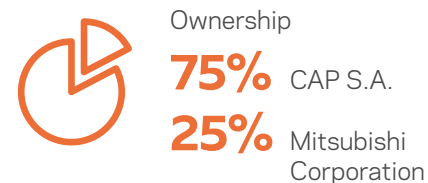
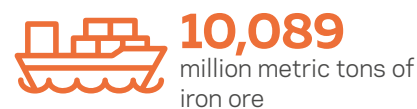
What sets us apart?

In our more than 60 years of history we have promoted economic activity and generated thousands of quality jobs in the Atacama and Coquimbo regions. Our values of Integrity, Improvement, Respect and Collaboration guide our relations and the actions of the company.

Our products

We mine and produce high grade magnetic iron concentrates and pellets.

More information about our business, operations and markets can be found at www.capmineria.cl.



Location of operations



¹⁴ Total number of own workers as of 12/31/2019. Includes CMP and subsidiaries.

Our performance in 2019



Corporate Governance and ethics

100%

of the directors are independent¹⁵.

1

female director.

18

complaints on the Integrity Channel¹⁶.

We transformed our governance and renewed our management approach based on process risk management.



Own workers and contractors

9%

of our own workers are women.

0

fatalities.

99%

of our workers are unionized.

0

own workers with occupational diseases.

1.2

of Frequency Rate¹⁷.



Environment

66%

of the water we use comes from the sea.

US\$ 240 million

in environmental investments as a result of the Compliance Program in Huasco.

The Pellet Plant filtered tailings on land dam project will enable the stopping of its disposal at sea.



Community

1,087

local suppliers (**41% of total suppliers**) and **US\$ 169 million in local purchases**.

96%

of our workers come from the Atacama and Coquimbo regions.

2,631

suppliers make up the CMP value chain. **1,385 are SMEs, and 100% of them are covered by the Propyme Seal of timely payment.**

¹⁵ "Independence" is defined according to the criteria used by the Dow Jones Sustainability Index (DJSI).

¹⁶ This figure only includes complaints, not inquiries. It covers CMP (16 complaints) and IMOPAC (2 complaints).

¹⁷ Number of time lost accidents during the year per million hours worked. Includes own workers and contractors.



Our transformation roadmap

Challenges

The global context

The year 2019 began with one of the greatest mining tragedies in living memory, with the collapse of the Brumadinho tailings dam in Brazil, and the consequent wastewater spill from the Corrego de Feijão mine. This caused the flooding of a vast territory in that region of the state of Minas Gerais, resulting in the death and disappearance of hundreds of workers and inhabitants of the area. This calamity, in addition to mourning that nation and the global mining world, resulted in a reduction in the global supply of iron, at a time when the trade war between the United States and the People's Republic of China was showing signs of being left behind, reactivating the demand especially in the Asian country.

The national context

The last year of the decade was also a period marked by an acute social crisis in our country and elsewhere in the world, a situation that led to highly complex and uncertain scenarios.

In a world that is becoming smaller, with a more critical society and that advances more rapidly in search of greater freedom, equity and self-improvement, the challenge for governments, companies and institutions is to advance together with it in the achievement of these aspirations, and to become catalysts of changes that are essential for these purposes, avoiding that what has already been built with the effort and talent of generations is wasted.

Our internal context

At the internal level, the process of rehabilitating the port capacities of Puerto Guacolda II was also a challenge that mobilized our entire company. In spite of the enormous effort deployed, shipments could only be resumed towards the end of the year, which severely impacted our financial results.

In March 2019, the Superintendence of the Environment approved the Compliance Program (PdC, for its acronym in Spanish) presented by CMP in 2018 after the authority instructed a process of sanction that formulated charges and observations for facts that, in its opinion, constituted violations in the operation of our pellet plant in Huasco. Through a robust set of proposals to deliver substantive and top priority solutions, this initiative contemplates an investment of around US\$ 37 million and 101 specific measures, which began to be implemented in 2019.

All the situations we experienced showed the existence of vulnerabilities, which led us to a deep reflection to see how to manage them efficiently. As a result of this analysis, we accelerated our transformation process. Thus, we redoubled CMP's commitment to the safety of our workers, contractors, and the community, to operational excellence, and to the reliability of our infrastructure. As an initial starting point to materialize the previous commitment, we renewed our management focus, basing it on process risk management.

Awards and distinctions 2019

▪ Responsibility with suppliers

We obtained the second place in the Ranking of Best Payers to SMEs, awarded by the Chilean Association of Entrepreneurs (Asech) and the Chilean Commodities Exchange (BPC). The ranking evaluates more than 800 companies in the country.

▪ Occupational safety

Puerto Punta Totoralillo received the recognition of CORASEMIN ATACAMA as the work center with the best preventive management in the region.



Our response and look to the future

We are convinced that the context and challenges we face not only entail obligations, but also the certainty that it is essential to focus efforts on a sustainable and efficient operation that meets the expectations of shareholders, workers, customers, authorities and communities, and where our company assumes a role as a reference for national, regional and local development, as well as in the homes of the people who integrate and welcome us.

Beyond words, this conviction must be translated into an internal transformation that supports key processes and serves as the driving force behind strategic projects to ensure operational continuity, efficiency, port development and environmental compliance. And that is precisely what we have done during 2019, decisively facing the challenges that we know will allow CMP to be prepared so that the future we dream of is possible.



Operational excellence and security.

In 2019 we focused on implementing a renewed Risk Management System that controls the processes, taking as its central focus those threats that may affect people, assets or procedures themselves. During the year we worked intensely on identifying the critical risks of each process and establishing the relevant control measures.

In addition, we developed the “Safety without Excuses” campaign to raise awareness and empower leadership positions and the entire organization regarding the role and responsibility of each worker in controlling their risks.



Corporate governance. In 2019, and in line with CAP’s strategy, we made important modifications to our corporate structure, giving the company more autonomy to increase agility in decision making, but always taking care to maintain control of risks and effective compliance in social, environmental and legal matters.

In line with this, we incorporated three new directors with great experience in the areas of mining, geology and ports. Also, and for the first time, we integrated an external general manager, with extensive mining experience and proven expertise in process optimization and focused on team building.



Workers and contractors. Our company has always distinguished itself by being committed to its people, which has allowed us to create close working relations and a rich working environment. It is worth mentioning that during the months when Puerto Guacolda II was shut down, we protected jobs and no worker was laid off for this reason.

In 2019 we made progress in building up the structures and developing the competencies of our workers, and we implemented improvements in the facilities in the three valleys to provide them with better well-being.

In addition, we continue with the Retirement Preparation Program, focused on those workers who will soon be eligible for this condition.

Regarding our contractors, we strengthened our Management Model to safeguard the working conditions of this group.



Environmental protection. In 2019 we updated our socio-environmental risks and continued with the implementation of the Compliance Plan (PdC) proposed by CMP to the environmental authority for the operation of the pellet plant located in Huasco. The measures include the progressive reduction of underwater discharge until it is completely stopped, the reduction of NOx and SO2 emissions, the installation of a train cleaning system at Mina Los Colorados, a system to capture fugitive dust in the discharge area of the pellet plant, permanent monitoring of the level of cleanliness of the railway line that connects the two operations, and obtaining an Environmental Qualification Resolution (RCA) for a project to deposit tailings on land, which will no longer be deposited at sea as authorized until now.

As for the responsible use of water resources, we must emphasize that our operations in the Valle de Copiapó are supplied 100% with seawater.



Community. We applied the ESG study again to monitor the concerns and expectations of our neighbors and, in this way, align our social investment with the real requirements of the community.

In mid-2019, we carried out an early public participation process to inform the community of Huasco about the filtered tailings deposit project. Through exhibitions, experimental activities, dialogue tables and door-to-door conversations, we sought to inform and establish close and transparent communication with the neighbors.

For 60 years we have been committed to contributing to the development of the Atacama and Coquimbo regions. In recent years we have placed special emphasis on the development of local employment and suppliers, as well as on promoting entrepreneurship and productive activities in the area. An example of this is the platform "Acción Emprende Valle del Huasco" (Entrepreneurship Action in the Huasco Valley), which encourages entrepreneurs in the sector to connect with the ecosystem of regional and national entrepreneurship. Additionally, in 2019 we established that the apprentices who join our company must come 100% from the communities surrounding our sites.

Risk management and ethics

Corporate governance

Board of Directors and committees

Compañía Minera del Pacífico is a limited company and we have a board of directors made up of seven people, who are in office for three years and can be re-elected. This body is responsible for leading the strategy, including the definition of the objectives and the annual business plan, as well as those of medium and long term. Along with this, it defines our fundamental principles, mission, values, policies, strategies and priorities, monitors the creation of value and the efficient use of resources, oversees performance, risks and management control systems, including those of sustainability.

Strengthening governance

During 2019 we carried out a deep transformation of our governance, giving CMP's board of directors more autonomy with respect to CAP S.A., in order to be able to decide on those issues that only concern the company. To this end, we incorporated external directors (without executive positions in CAP S.A.) and established new directors' committees, new guidelines and mechanisms that have given a renewed strategic direction to our company and strengthened its management control. The new committees are Strategy and Talent, Projects and Contracts, and Audit and Risk.

Sustainability governance

In 2019 we consolidated a work team dedicated exclusively to the control of the progress of the Environmental Compliance Program of the Valle del Huasco, reporting to the Sustainability management and in charge of sub-processes of action plan assessment, monitoring and control, reportability and learning, which strengthened the supervision of sensitive and emblematic commitments for the future of the company. Likewise, and through the sub-management of Environment, we strengthen the company's environmental performance through the management of permits and the management and control of environmental obligations. This new structure favors a greater focus on critical processes and activities, reinforcing the relevance of environmental actions and strengthening our decision-making capacity at both operational and senior management levels.

For its part, the Audit and Risk Committee is in charge of overseeing the performance and relevant issues in matters of safety, integrity, environment and communities, issuing guidelines when deemed appropriate. At the strategic level, CMP's general manager participates in the CAP Group's Corporate Sustainability Committee, together with the Chairman of the Board of Directors of CAP S.A., its General Manager, corporate managers and the managers of the other operating companies. At a tactical level, during 2019 we also participate in the Sustainability Group of CAP S.A., which meets every two months to coordinate the implementation of the plans.

CMP Board Composition (as of December 31, 2019)

Gender		Independence ¹⁸		With executive positions in CMP	
Man	Woman	Independent	Non-independent	Executive	Non-executive
6	1	7	0	0	7

Risk management

Our Board of Directors is ultimately responsible for the company's risk management and sees to it that there is an adequate environment, structure, culture, plans and resource allocation.

In 2019 we moved towards a new risk management culture based on operations and their associated processes, understanding that this is precisely what drives the company and is where its energy lies. Therefore, safety - of people, assets and processes - is in the hands of those responsible for each process. We have strengthened our management system in this area, which includes: identifying our critical risks; establishing and implementing controls to prevent or mitigate them; reporting incidents and, finally, assessing and providing feedback to the system.

More information on our risk management can be found in the 2019 Annual Report available at www.capmineria.cl

¹⁸ According to the criteria used by the Dow Jones Sustainability Index (DJSI) to define "Independence".

Ethics and compliance

Compliance model

In 2019, at the CAP Group level, we developed the Integrity and Compliance Program. As part of the above, we identified the risks associated with compliance and worked on the definition of critical processes, controls and their respective responsible persons.

In 2019 we also designed a comprehensive process for compliance with CMP's environmental obligations, which seeks to ensure compliance with the commitments acquired by our company in the different processes in this field. This is of great relevance, considering that as of December 2019 we had 24 operational resolutions (RCA, DIA, Addendum and others), which total 3,194 commitments. This is no easy task.

We are incorporating environmental obligations into the Risk Management Cycle in order to systematize the different activities and incorporate them into the SAP IT tool.

As of June 2019, we have a team of full-time professionals to ensure compliance with the PdC (see page 38), maintain operational continuity in the Valle del Huasco, and generate timely progress reporting for all our stakeholders.

In addition, in 2020 we will implement the role of "Compliance Ambassador", a recognizable point of contact, whose job it is 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

As part of the program mentioned above, in December 2019 we launched at the CAP Group level our new Code of Integrity, which is extensive to CMP. It contains the principles and foundations to relate well with our different stakeholders and guide us in different situations that people may face in their daily work.

In 2019 we updated, also at the Group level, our Crime Prevention Model in accordance with the changes that Law 20,393 has had in the last 18 months. Along with its publication, we worked on the dissemination 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.

Our Integrity Channel - also reformulated in 2019 -, allows 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 CMP portal, CAP Integridad and the corporate website.

Responsible procurement

Our contractors are monitored for compliance with labor, and of our safety and environmental regulations. In 2019 we conducted on-site inspections in these areas, and held meetings to explain our Process Risk Management Model. In addition, both suppliers and contractors must comply with the guidelines of our Crime Prevention Model. In the case of high-risk contracts, we also incorporate compliance and anti-corruption clauses during the due diligence process.

At CMP we have distinguished ourselves by complying with our commitments to timely payment to suppliers. Proof of this is the second place we obtained at a national level in the ranking of Best Payers to SMEs.

We are also committed to contributing to the development of suppliers in the Atacama and Coquimbo regions. We have two development plans for suppliers in the Valle del Huasco and Caldera, in addition to a special program for smaller transportation companies.

Social outburst and Coronavirus: Being responsible with our contractors

After the social outburst we reviewed the working conditions, in particular the salaries of the workers of our contracting companies, to ensure that in the future they would exceed \$ 500,000, a guideline that we incorporated into the new purchasing processes. We also strengthened our Contractor Management Model to ensure compliance with labor conditions and human rights guidelines contained in our Code of Integrity. Additionally, we adjusted internal processes to ensure a 30-day payment to all suppliers.

(See page 37 for information on our action against Covid-19)



18 complaints

- 6 internal and 12 external
- 3 complaints of workplace harassment
- 2 complaints of discrimination



Our people: workers and contractors

Occupational health and safety

A new approach - embodied in our Risk Management Model - has highlighted safety in every process so that every worker responsible for it must assess what impact his or her role has on: people, assets and other processes. This look is taken into the general and daily planning of tasks. In accordance with the policy and guidelines of the CAP Group and the guidelines of the General Management of CMP, we created a Strategic Plan that defined the main focuses of action in accident control. During 2019 we reorganized our corporate structure to strengthen preventive management, creating the Occupational Health and Safety Management, whose main challenge is to develop a short and medium term corporate strategy. Initially we established objectives, goals and programs for the adequate treatment of operational risks, with special emphasis on the control of severe and/or fatal accident risks.

Cultural Change. The new model is simple, transversal, persistent and participatory. Its leaders start at the executive level and continue throughout the organization. The diversity of processes and number of people has forced the development of transversal programs to bring the company together around a way of doing things. In 2020, we will provide coaching and training that will allow for the knowledge and development of the necessary competencies to carry it out.

Capacity building. We are working on a new model of induction and reporting obligations. In addition, digital platforms are being developed with the respective training looking for a good traceability and easy incorporation in the daily work. We are generating competences in a simple way, which generates knowledge and understanding of our operations and in the management of the model.

Security in risk management. We defined those eleven critical risks and thirteen Fatality Prevention Standards, which we associated to processes, tasks and controls that are mandatory for each one. As a result of the above, in 2019 we obtained better indicators than in 2018, decreasing the Frequency and Severity Rates, from 3.1 to 1.2, and from 1,148 to 13 in 2019, with zero fatalities. Our operation in Puerto Punta Totoralillo received recognition from CORESEMIN ATACAMA as the work center with the best preventive management in the Atacama Region.

Occupational health. Seeking to provide healthy workplaces that ensure the well-being of our employees, we have continued with different health programs, including the Preventive Health Screening Program. After an in-depth review of occupational Health policies and procedures in 2019, we moved forward to build a baseline that will allow us to update our occupational health management to the highest standards. Thus, we registered zero workers with occupational diseases in 2019.

Safety

	Frequency Rate (collaborators and contractors)	Severity Rate	Fatalities
2017	1.7	55	0
2018	3.1	1,148	2
2019	1.2 <small>2019 Goal</small> ✓	13	0



¹⁹ Number of time lost accidents during the year per million hours worked includes own workers and contractors.

²⁰ Days lost per million hours worked.

Employment

Workers

2017	2,410
2018	2,430
2019	2,516



Women

2017	8%
2018	8%
2019	9%



Employment quality

We are focused on designing our value proposal for employment, based on three pillars: competitiveness, differentiation and mobilization. (i) Competitiveness: with a focus on internal equity and variable incentives associated with performance (ii) Differentiation: the objective is to generate development opportunities, be an employer brand and have an enabling work environment. The latter focuses on having leadership and a collaborative environment, conciliating various aspects of life, creating ad hoc benefits and flexibility to satisfy a diverse and multi-generational workforce. (iii) Mobilization: seeking to generate motivation and professional alignment of our workers.

We conduct regular performance evaluations, which among other things measure professional development. Thus, in 2019, 81% of our workers were evaluated by quantitative KPIs.

Capacity building. We seek to incorporate experience to leverage the development of the company, and with this and the new way of managing, we will train our professionals of the future. The planning process of capacity building will be updated according to our new way of management. Therefore, the necessary skills for each role will be defined, evaluating their gaps with the required competencies and behaviors. In addition, we will strengthen the capacities to bridge the digital gap, generate more remote training tools, which will be further strengthened in 2020 as a result of the Covid-19 pandemic affecting our country.

Improvements in infrastructure and well-being. In all the sites we continue to improve the facilities in the three valleys. An example of the progress made in 2019 was the construction of offices according to the concept of collaborative spaces at the pellet plant sites in Cerro Negro Norte (CNN) and the building in the city of La Serena. The updating and improvements made in the different change of clothing houses and dining rooms, as well as the construction of rest rooms due to the implementation of a 4x4 day, aim to provide greater well-being to our workers. Additionally, we have support programs for families that include scholarships for children and family training academies. Likewise, we continue with our Retirement Preparation Program, focused on those workers who are ready to take advantage of this condition. It includes camaraderie activities with their families, as well as recognition for their career and dedication to the company.

Diversity. We strongly believe that having diverse teams improves our performance, which is why we seek to increase women's participation in management and executive positions. This was reinforced in the personnel selection processes. By 2019, 9% of our workers were women, and 15% of our workers were under 30 years of age. We set a target of 10% female staffing, and by early 2020 we included two women in executive positions and will increase the inclusion of women in our Apprenticeship Program, thereby capturing female talent for future hiring.

Relations and work environment

We have always been convinced that having smooth labor relations - built on a permanent dialogue, Group negotiations with a high level of vision and in pursuit of understanding - facilitates the construction of agreements to improve productivity, the work environment and ensure operational continuity. Our ten union organizations, to which 99% of our workers are affiliated, with 100% coverage of collective agreements, are organizations that contribute to building a better future for CMP.

During 2019 we reached an agreement in a regulated negotiation process, with the No. 1 Union of Mina Los Colorados, after 18 days of legal strike, with a validity of 36 months, the maximum term allowed by law. Additionally, during the period the board of directors of the union of Puerto Totoralillo and the union N°5 of the pellet plant were changed. The modification of the working hours was discussed and talked about with the union leaders.

Contractors

Contractors are essential to us, as they perform key tasks for our business. During 2019 we had 6,203 contractors and subcontractors. We aim to improve the standard of the facilities they occupy, which began in 2019 at the different sites. Our Risk Management Model places special emphasis on processes, regardless of who executes them. Therefore, it is key that our contracting companies adopt this way of working and that they learn to include risk management in the tasks performed by their workers. Also that they comply with our safety, occupational and environmental standards, which is inspected in the field by our specialized personnel.

Unionization

Unionized workers

2017	2,073
2018	2,406
2019	2,491

Unionization
(Percentage)

2017	86%
2018	99%
2019	99%



Social outburst and coronavirus

We are permanently concerned about safeguarding the conditions of our workers and contractors. This issue acquired special relevance after the social outburst, which in Huasco generated several demonstrations and roadblocks. We took measures to protect the physical integrity of each worker. Additionally, we reviewed the living conditions for workers at the site. We also inspect/examine the conditions of our contractors and subcontractors. We have defined that no worker or contractor can earn less than \$500,000.

In relation to the Covid-19 pandemic that occurred in 2020, and in order to prevent contagion and spread among its workers and contractors, we implemented different prevention measures, highlighting: the closure of all administrative units in sites and offices, we implemented a teleworking system for workers at home, including pregnant women, over 60 years and with pre-existing diseases. We operate with 40% of our staff in production operations to whom we check before they start their trip to work, sanitary barriers in shared areas (sanitization of rooms, disinfection of surfaces and delivery of sanitary elements such as alcohol gel and masks), among others.

Environmental responsibility

Operational excellence

Environmental management is an important aspect of operational excellence in our Risk Management Cycle. Therefore, in 2019 our Sustainability Management, which is responsible for environmental management and community relations, led the survey of the main socio-environmental risks and prioritized three of them: (i) non-compliance with environmental regulations, standards, agreements and commitments; (ii) socio-environmental conflict with the community; and (iii) severe environmental incident. For each of these aspects, causes, consequences, controls and action plans were identified for those where it was found that existing controls had not been effective.

COMPLIANCE

In 2019, we carried out a survey of the environmental obligations established in the environmental files (EIA/DIA/Addendum/ICE/RCA) of 24 environmental assessment processes that ended up in RCAs. In this way, we updated the environmental obligation matrices to include them in our Risk Management Cycle. We have created a compliance management support area; whose mission is to prepare a Gap Regularization Plan at a global level.

Compliance Program (PdC) - Valle del Huasco. In 2018, the Superintendence of the Environment (SMA) instructed a process of sanctions to formulate charges and observations for facts that, in the opinion of the SMA, constituted violations. As part of our collaborative spirit, instead of discharges, we presented a Compliance Program that was approved by the authority and must be complied with by March 2021²¹. It contains a set of proposals (101 measures in different areas) to provide substantive and urgent solutions. In mid-2019 we formed a team of professionals dedicated exclusively to ensuring compliance, generating a system of preventive monitoring of the management of each commitment, as well as timely reporting to all our stakeholders, to help in our implementation of an operational discipline of compliance. Thus, by the end of 2019, 95% of the actions had been executed, concluded or begun, and the first three quarterly compliance reports had been delivered. The PdC is closely linked to the obligations of the Prevention Plan for the Atmospheric Decontamination of Huasco and surrounding areas (Huasco PPDA), including the pellet plant and Los Colorados Mine. Therefore, within the monitoring and control system, the obligations related to particulate matter emissions, regulated in the Huasco PPDA, such as the electrostatic precipitator have been considered ([see highlighted p.39](#)). It includes measures for the progressive reduction of underwater discharge until it stops, for which purpose RCA 120/2019 of the project “Cese de la Descarga de Relaves en Ensenada Chapaco” (Stopping the Discharge of Tailings in Ensenada Chapaco) was approved and RCA of the project for the deposit of tailings on land was obtained ([see highlighted p.41](#)). In addition, it includes measures to reduce NO_x and SO₂ emissions, among others.

Incidents, emergencies and contingencies. We have an Emergency and Contingency Plan that guides the actions of the entire company in these cases, allowing us to give early warning to the corresponding authorities, activate the containment plans and then include the corrections to the Risk Management Cycle. In 2019 we had an operational incident in the tailings emissary of the pellet plant in Huasco. A total of 128.4 m³ was discharged into the sea; we notified the SMA, the tailings were removed and the entire affected area was cleaned up, and the respective monitoring of the marine environment was carried out. Similarly, water and pulp spills occurred in the CNN pipeline, generating cleaning and monitoring plans for soil and biodiversity and informing the corresponding authorities, as established in the Emergency and Contingency Plans submitted to the Authority.

Puerto Cruz Grande, a new work with a standard of excellence

We conceived it to provide services of reception, collection and shipment of mineral bulks. With an investment of US\$ 250 million, its design contemplates the highest standards in the industry, especially in terms of environment and safety. Since these have evolved quite a bit since the project was approved in 2015, we have decided to occupy the official channels in order to include the best technology, even if this requires a greater investment or more time. In recent years, we have taken systematic action to comply with EACR N°10/2015. Since the place is located in an area rich in biodiversity, we started the processing of the Private Protection Area (APP, for its acronym in Spanish) under the category of nature sanctuary before the Ministry of the Environment, committing ourselves to watch over the conservation of both the ecological and socio-cultural values in the area. Through an App we will promote the environmental care for the place, enabling scientific research and tourism development in the area. In 2020 we will begin the construction of the port, including actions associated with road improvement, support infrastructure works and environmental compensation initiatives. Given that it is located in a remote area, and has nearby economically depressed towns, we will privilege the hiring of local personnel and services, we will support its development by promoting other productive activities, such as artisan fishing and tourism.



²¹ Although the PdC's deadline before the SMA is 24 months, as of March 26, 2021, the statement of completion will relate to the end of tailings discharges from the pellet plant to the sea, which will occur in 2023.

Emissions and air quality

One of the milestones of our operation is the environmental risk related to air emissions and associated regulatory compliance.

Air quality has been at the center of public discussion in Chile, including in the Valle de Huasco, where it has been an issue of local concern. In 2017, the Air Pollution Prevention Plan for the town of Huasco (PPCAH, for its acronym in Spanish) and surrounding areas came into effect, including the pellet plant and, to a lesser extent, the Los Colorados Mine. Therefore, air quality and emissions mitigation measures were part of the Compliance Plan (PdC) that CMP proposed to the authority in 2018.

The Prevention Plan includes the control of emissions of particulate matter from non-combustion and combustion activities, i.e. stacks. We have submitted emission reduction plans for both conditions, which were approved by the competent authority in 2019:

- **Particulate matter reduction in non-combustion activities.** CMP has taken several historic measures, to which were added - as part of the plan - the improvement of the cleaning of the railroad track, the washing of the train cars and the installation of caps on the domes, the washing of the wheels of the trucks that move coal and limestone, the asphaltting of interior roads, the vacuuming of asphalted roads, the construction of a car-blowing system at Mina Los Colorados and the modification of the infrastructure for unloading railway cars at the pellet plant, among others. The Superintendence of the Environment inspected these initiatives in 2019, concluding that they had been implemented correctly and on schedule.

- **Particulate matter reduction in combustion activities.** We carried out a project to improve the control system of emissions of particulate matter and gases from the existing stacks at the pellet plant, seeking to substantially reduce emissions of particulate matter (PM) and SO₂ from the plant's 2B stack. Additionally, a NOx abatement system will be incorporated to reduce these emissions in both stacks. We implemented a continuous emissions monitoring system for the 2A and 2B stacks, which can be accessed online by the authorities and the community. During 2020 we will be working to install a desulphurization precipitator to further reduce our emissions.

As part of the PdC, an Emissions Offset Program will be developed in Huasco, which is in the process of being validated by the corresponding authority.

We have airborne particulate matter mitigation programs at all of our sites.

Second electrostatic precipitator in pellet plant

The installation of a second electrostatic precipitator in the pellet plant located in Huasco will contribute to improve the air quality in our facilities and its surrounding. This equipment, whose investment was US\$ 40 million, will reduce emissions of particulate matter, as well as sulphur dioxide (SO₂) and nitrogen oxides (NOx).

It will use technology that includes: (i) a five-field electrostatic precipitator to abate particulate matter; (ii) a wet desulphurizer to reduce SO₂ emissions, replacing the existing scrubber; (iii) a selective non-catalytic reduction system (SNCR) to capture NOx generated in the rotary kiln. In addition, a treatment plant will be built to process the waste generated by the desulphurization equipment in the two stacks of the plant, as well as LIW from the chemical laboratory. This treatment plant will recover water for the process, separating it from the solid parts that will be sent to safe final disposition.

Thanks to this, 100% of the emissions associated with combustion processes will have an emission abatement system, and 92 tons of particulate matter, 206 tons of SO₂ and 289 tons of NOx will be captured, improving the air quality of the area.



Water and energy

At a time when climate change was dominating the agenda in Chile, with the central and northern zone experiencing the worst drought on record, the social outburst occurred. This scenario was even more complex for CMP, since most of its operations are located in water-scarce areas. However, being able to use only seawater for all our operations in the Valle de Copiapó brings us great relief.

WATER EFFICIENCY

Use of seawater

Our operations in the Valle de Copiapó use exclusively desalinated water, including the CNN, Magnetite Plant and Puerto Punta Totoralillo operations ([see highlighted note](#)).

Water recycling and recirculation

76% of water is recycled or reused as part of our industrial design.

The start-up of the Filtered Tailings Project at the Huasco pellet plant will allow water recovery at the filtration Plant. Preliminary estimates indicate that a reduction of 40 l/s in water consumption would be generated.

Likewise, the new treatment plant to be installed for the electrostatic precipitator and desulphurizer will recover water, which is preliminarily estimated at another 40 l/s.

Reduction in water consumption

We have measures to reduce consumption, which are linked to the new investments that will be made for tailings filtration and treatment of precipitators in the stacks. In addition to these design measures, we have implemented operational initiatives such as adjusting the solids content in tailings thickeners, eliminating the use of water in road wetting, and new technology to make its use more efficient in restrooms.

PROTECTION TO WATER

Our Risk Management Model aims to reduce the occurrence of incidents that may affect the environment and, consequently, groundwater and the marine environment. In addition, we have measures to monitor the impact on the marine environment in the ports we operate. These are mandated by the authority through Environmental Surveillance Programs, which include chemical, physical and marine life analysis, which is supplemented by population studies of marine fauna and camera monitoring of subtidal communities on rocky bottoms.

The results show that the marine environment is within the historical ranges of the previous reports of the environmental surveillance plan, and in accordance with the values of the baseline, and that the minimum existing variation responds to the dynamics of the coastal marine environments.

ENERGY EFFICIENCY

During 2019 we conducted an ISO 50001 compliance audit in the Valle del Copiapó in 100% of the sites, projecting their migration to the 2018 version. We also sent a worker to be certified as an Energy Operator at the Energy Sustainability Agency, in preparation for the next law on energy efficiency to be enacted in the country.

Seawater in the Valle de Copiapó

The main deposits in the Valle de Copiapó are supplied 100% by desalinated water from the Aguas CAP desalination plant, located in Caldera.

Thus, in 2019 we consumed 3.2 million m³, which allowed us to dispense with the use of underground and surface water rights that we have in that area. In this way we contribute to this area affected by climate change, evidenced in an increase in desertification due to low rainfall, generating great water stress for the community and other productive activities such as agriculture.

Water efficiency

Seawater used
(thousands of m³, percentage of total water consumed)

2017	7,090	(48%)
2018	9,906	(64%)
2019	5,512	(66%)

Recirculated water
(percentage)

2017	65%
2018	60%
2019	76%



Responsible waste management

We promote clean production, the reduction of waste generation and the practice of recycling. In Chile, waste management is regulated by national regulations and safeguarding compliance has been a priority for CMP.

MINING WASTE

Tailings recycling

The circular economy has been part of our business for years, and this is how the Magnetite Plant in the Valle de Copiapó - one of the most important tailings recycling plants in the world - has generated positive impacts on the environment. We hope it will be an option that will make viable the program that the government is creating to provide a solution to the historic tailings abandoned in Chile by the mining industry. In 2019, we processed more than 30 million metric tons of copper tailings from Minera Candelaria's tailings dam, and we implemented initiatives to make the processes more efficient by incorporating new technology for the separation of iron particles, which will at the same time generate energy consumption efficiencies.

Management of mining waste

Responsible mining waste management is part of the design of each of our sites. On one hand, the waste rock generated in the mining sites is deposited in the authorized places according to the corresponding RCAs. On the other hand, the tailings generated in the magnetic processing plants - which give them low toxicity and harmless to health - are deposited in authorized places. In the pellet plant, they are dumped to the sea, and a project was presented to deposit them on land as from 2023. Cerro Negro Norte dumps its tailings on land, using a thickened tailings technology. The magnetite plant dumps its tailings into Minera Candelaria's tailings dam.

INDUSTRIAL WASTE

Hazardous and non-hazardous industrial wastes are managed according to a Waste Management Program that seeks to promote recycling. Thanks to this initiative, 12% was recycled and/or reused during 2019. All industrial waste is disposed of at authorized sites.

The Huasco pellet plant and Minas Romeral adhere to a Clean Production Agreement (APL, for its acronym in Spanish) that includes waste management aspects.

Waste generated and recycled

Generated waste (tons)

2017	7,181
2018	5,302
2019	7,355

Recycled waste (tons)

2017	49%
2018	45%
2019	12%

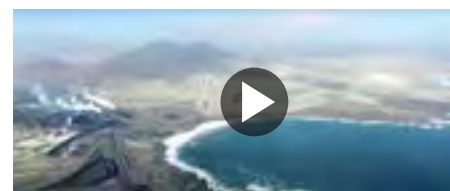


New on land tailings dam will enable the stopping of its disposal at sea

The tailings from the pellet plant consist of a ground ore slurry and water that are generated after very fine grinding processes, which are necessary to separate the iron ore from the rock. It is composed of silicates and stable geological species, not captured by the physical process of magnetic extraction. Ecotoxicity studies indicate low reactivity, so we are authorized to deposit them in the sea. However, understanding the concern that this situation generates in the local community, a project has been created to modify the final destination by a tailing dam on land.

One of the outstanding characteristics of filtered tailings is that they contain 20% v/v moisture, considerably less than 50% v/v than current tailings, thus taking up less volume and making the use of this scarce resource more efficient. In addition, we have considered water recirculation measures so that it can be used in the pellet plant.

In 2019 we carried out a process of early consultation with the community regarding this initiative, explaining all its characteristics and clarifying existing doubts. As part of our standard of excellence, we have incorporated a number of measures to minimize the environmental impact of the tailings dam, such as an anti-seismic design and prepared for rainfall, initiatives to avoid the emission of particulate matter during tailings hauling and dump operation, a plan to conserve flora at the dump site, and a design that seeks to reduce visual impact, among others.



Link to the video on the following website
<http://www.proyectorelavefiltrado.cl/index.php>

More information at <http://www.proyectorelavefiltrado.cl/index.php/preguntas-y-respuestas>



Working together with communities

Dialogue and relation with the community

Our vision seeks to develop a joint work with the community, which benefits both of us and ensures mutual success in the long term. The way to bring this to reality has been changing. While today this relation is focused on monitoring the social temperature and maintaining an active listening to the community, we are also aware that it is key to comply with the mandatory social and voluntary commitments that have been assumed throughout the history of our operations.

Our main communication channels are Facebook, email, telephone and direct contact.

During the year 2019, in a context of national social outburst and demands, we were attentive and dialoguing, which has allowed us to strengthen the link with the communities through the co-construction of a better quality of life, advancing in a collaborative, systematic and permanent work with each interest group, and respecting their view of local development. The main effect of the October mobilizations was related to the beginning of the start-up of Puerto Guacolda II, which was slowed down by the blockade of the routes in the Valle del Huasco, being key to maintain a dialogue with the community for the continuity of the land flow.

COMMUNITY RELATIONS

Given the extensive area of influence, and the need for permanent communication with the local community, we develop an intense work of relations with the groups that are located in our surroundings. This work has allowed us to build close ties with neighboring towns, which has been fundamental in resolving all kinds of eventualities. Thus, in 2019 we strengthened the work done through the two Community Offices, a space that generates a permanent approach with the community and that allows the delivery of information on productive, environmental and social linkage aspects. We also continued to strengthen the use of the company's social networks as a means of approaching the youngest neighbors, who are active in their use and who require a faster response.

COMMUNITY MONITORING

In 2019 we repeated the Social Capital Study, this time applied to the Guayacán, Romeral, Chungungo and La Higuera areas, identifying the company's roots in these locations and the challenges associated with environmental improvements and local development. In addition, and to reinforce this perception, during the year we conducted a survey of ESG variables, which measures the community's perception of future projects, and made a special focus on the tailings dump on land. As a result, it was concluded that the biggest gap is related to the lack of information from neighbors on issues related to CMP (projects, community actions, sports and others).

CLAIMS MANAGEMENT AND COMMUNICATION

We have a Community Service System. In each Community Office we receive inquiries, claims, resumes, applications, etc., which are channeled and responded to within a maximum of fifteen working days. Claims of operational origin are referred to the area that is linked to the aspect in question, and enters our Risk Management system - thanks to a flash report -, from which we generate an action plan and lessons learned. In this way, it is returned to the community's office who extracts the response to the person who filed the claim. The same flow and system is maintained for the other channels such as telephone, email and social networks.

Early community consultation regarding the tailings project

We implemented this unprecedented process for CMP based on principles of good faith, trust, delivery of all available information, as well as analysis and response to all concerns in a spirit of respect and mutual collaboration.

Principles for dialogue:

- 1.** Transparency and consistency in the delivery of project information and design.
- 2.** Innovation in the dynamics of participation and incorporation of new technology.
- 3.** Inclusion of opportunities to learn and experiment under the guidance of expert professionals.

In 2019 we held dialogue groups with local leaders, disseminated information through the door-to-door system (covering 78% of homes in Huasco Puerto) and an environmental fair aimed at the entire local community.

▪ **Dialogue groups.** We developed three instances of dialogue - with an average participation of 50 people per session - in which we explained the project and its main environmental variables. Through presentations, experimental activities and round tables, we provided technical information in an understandable way and listened to what representatives of the community had to say about it. Our purpose was to establish a dialogue based on respect and honesty, taking into account the observations, questions and suggestions of the community. From this process we generated a public document, available on the project website, with 45 questions from the community about the Filtered Tailings Project. Document available in <http://www.proyectorelavefiltrado.cl/index.php/preguntas-y-respuestas>

▪ **Environmental Fair.** In order to inform the whole community about the main characteristics and environmental variables of the project, as well as the composition of the tailings and its stability in simulated wind conditions, an environmental fair was held with the participation of more than 700 inhabitants of Huasco. During the two days of the event, exhibitions and experimental activities were carried out, both with the support of state-of-the-art technology such as augmented reality, videos, computer graphics and visits to the site where the pellet plant's filtered tailings deposit would be located. In all activities, the company's professionals played an active role.

The innovative ways of presenting the characteristics of the project, the use of wind simulators and the practical knowledge transmitted aroused great interest in the community of Huasco.



Contribution to the community

Although our commitment and presence in the regions of Atacama and Coquimbo has been a constant in the last 60 years, today it is stronger than ever, acquiring a renewed purpose to guarantee to all - workers, communities and authorities - that we are building a new way of doing mining, which ensures the sustainable development of the territory and its inhabitants. With this objective, we are building a sustainable relation strategy, where the community benefits from the presence of CMP, with emphasis on the hiring of local labor and services, as well as capacity building.

PROMPT PAYMENT TO SMES
Being recognized as the second best SME payer challenges us to contribute more to our suppliers.

Employment, suppliers and local purchases

- **Local employment.** Our main asset is people, and we want them to be connected to the local community. To this end, we have worked for years to encourage the hiring of workers who - in this case - come from the Chilean Norte Chico. In 2019, 96% of our workers were from local communities, making them our best representatives in our host cities and towns.
- **Local purchases and suppliers.** We seek to contribute to development by contracting local services and purchases in the territories where we operate. This helps to create a fairer and more dynamic society, also contributing to improve the quality of life of all our workers. In 2019 we contracted 2,631 suppliers, 41% of which were local. In turn, we totaled US\$779 million in purchases, 22% of which were made in the locations where we operate. Likewise, we maintained the Supplier Development Program in Huasco and Caldera, which during 2019 incorporated small local suppliers, allowing them to improve their conditions and standards through individual consulting.

100% of the youth who participate in the Apprenticeship Program come from the community.

Education and employability

- **Employability.** Because local capacity building is key to entrepreneurship, we designed a Training Program - built in conjunction with the community - to generate skills and specialization in topics that enable them to be inserted into the local, regional and/or national economy. This initiative is supported by the certification of competencies and the support after the entrepreneurship. In 2019, about 400 people were trained²² in topics such as solar panels, gastronomy with local resources, upholstery and worm farming, among others. In addition, as part of the "Academia Evolución para Emprendedores" ("Evolution Academy for Entrepreneurs") in Huasco, 15 entrepreneurs took a semester of training in accounting, business model, strategy, marketing and communication modules.
- **Education.** The future of a society is in the young people, therefore in 2014 we created the Jaime Charles Scholarship, which contributes to the access to a better education by young people in the local community. In 2019 we kept active 23 scholarships for students in the areas of Caldera, Huasco and Guayacán, allowing students in vulnerable situations to finance accommodation, food and study materials each year. Additionally, in a strategic alliance with the Universidad de Atacama, we developed a pre-university program open to the community, benefiting 82 students from the municipality of Caldera.
- **Promotion and environmental care.** In order to promote an effective involvement with the community, above all in learning practices that allow contributing to the protection of the environment and boosting the level of environmental culture of the community's neighbors, several actions were developed, such as beach cleaning and cleaning of the seabed, both carried out jointly with the community and organizations related to maritime issues. Additionally, we continue to contribute with a "Punto Limpio" (Special Waste Collection Center) in Huasco, operated by the Triciclos company. In 2019 we collaborated with the Recycle Your Battery program, organized by the Regional Secretariat of the Ministry (Seremi, for its acronym in Spanish) of Health.

²² Courses taken under the pre-contract agreement with SENCE tax credits program from the Chilean government.

Indigenous communities

The indigenous peoples, through their various organizations, are considered an important interest group for us. Beyond compliance with the provisions of Convention 169 of the International Labor Organization (OIT), we designed an intervention strategy with a view to respecting their customs and worldview. It is aimed at promoting their training, culture and productive development, and was co-constructed through dialogue and participation. At the end of 2019, we began to lay the foundations in order to build collaboration plans for each of the indigenous communities neighboring the work sites.

During 2019, community relations were initiated with the indigenous communities of Huasco (CID Chipasse Ta Tatara, CID Llanos del Lagarto, CID Canto del Agua and CID Huasco Bajo). This arose from an initial approach, knowledge and the generation of trust. At the same time, two indigenous communities were part of the process of early participation in the pellet plant's On Land Tailings Deposit Project.

In the area of Caldera, where we have worked for more years, there is a work table that brings together the indigenous peoples of the sector where a program of collaboration and annual work is being built.

Production promotion

One of the pillars of CMP's community involvement is the support to production promotion such as fishing and olive growing in the Valle del Huasco, as well as local entrepreneurship in general terms.

- **Fishing promotion programs.** Since a large part of our productive operations are located or require services in coastal areas, we maintain various initiatives that link us to the artisan fishing sector. In 2019, we implemented a plan for relations with the fishing sector in the areas of Caldera, Huasco, Guayacán, and Chungungo, with a focus on short- and medium-term productive projects that promote public-private partnerships.
- **Action Emprende Valle de Huasco.** It is a platform that guides and encourages entrepreneurs in the Valle del Huasco to connect with the ecosystem of regional and national entrepreneurship. During 2019, more than 200 local entrepreneurs participated in the "Terrazas del Emprendimiento" (Entrepreneurship Terraces), with training workshops, exhibiting their products in the fairs and in the "Academia Evolución" (Evolution Academy), which provided support and tools to make their businesses grow.

Quality of life, sports and culture

- **Quality of life.** It is composed of several aspects related to the well-being of a community. This is how we have been contributing for many years to the promotion of physical activity, cultural development and entertainment that bring people together and make them happy. In this process, the Municipalities are a strategic ally, since they are the ones that organize these activities.
- **Sports.** We assist in the career development of outstanding or high-performance athletes and support sports organizations through the implementation of projects. In addition, in each location close to the work sites there is a sports center focused on workers and their families, with the exception of Vallenar, where it is open to the entire community.



Social innovation

An unprecedented innovation process carried out in Vallenar under the *Design Thinking* methodology, which seeks to develop innovations that provide solutions to complex problems affecting the community.

In 2019 it brought together more than 20 representatives of social, territorial associations and other groups; it focused on the theme of education, and two projects went through pre-feasibility analyses.



Safeguard of chañares - plants of high ancestral value

For the Colla Serranía Poblete Indigenous Community - located in the Valle de Copiapó - it was a great desire to have a project for the recovery of chañar (*Geoffroea decorticans*) plants. Their fruits are required for their ancestral rituals. In 2012, we started working together for a plantation of chañar that by 2019 had 5,700 live plants in 4.7 hectares, starting some plants to produce fruits.

