

**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



Infraestructure



## 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 CAP<sup>1</sup>, Puerto Las Losas<sup>2</sup> 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



<sup>1</sup> Owned by CAP S.A. (51%) and Mitsubishi Corporation (49%).

<sup>2</sup> 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**  
MT<sup>3</sup> of finished steel

**307 mil**  
MT of manufactured products

## Our Company

**4,856**  
own workers<sup>7</sup>

**8,843**  
contractors<sup>8</sup>

**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 positions<sup>4</sup>

**2,6<sup>5</sup>** frequency rate, the lowest in the last decade.

Pay equity reaches **90%** throughout the CAP<sup>6</sup> Group.

### Environment

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

**7,800,000**

m<sup>3</sup> 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** suppliers<sup>9</sup> make up our value chain.

**5,971** local suppliers

**US\$ 418.2** million in local purchases

**3,179<sup>10</sup>** of these are SMEs.

More information about our business, operations and markets can be found at [www.cap.cl](http://www.cap.cl) and in the 2019 Annual Report available on the same website.

<sup>3</sup> Includes Cintac and Tubos Argentinos (TASA).

<sup>4</sup> They are considered in general management positions or direct reporting to management.

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

<sup>6</sup> Women's pay expressed as a percentage of men's pay.

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

<sup>8</sup> As of December 31, 2019.

<sup>9</sup> Includes all CAP Group operations in Chile, Peru and Argentina.

<sup>10</sup> 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 m<sup>3</sup> 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 m<sup>3</sup> 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.

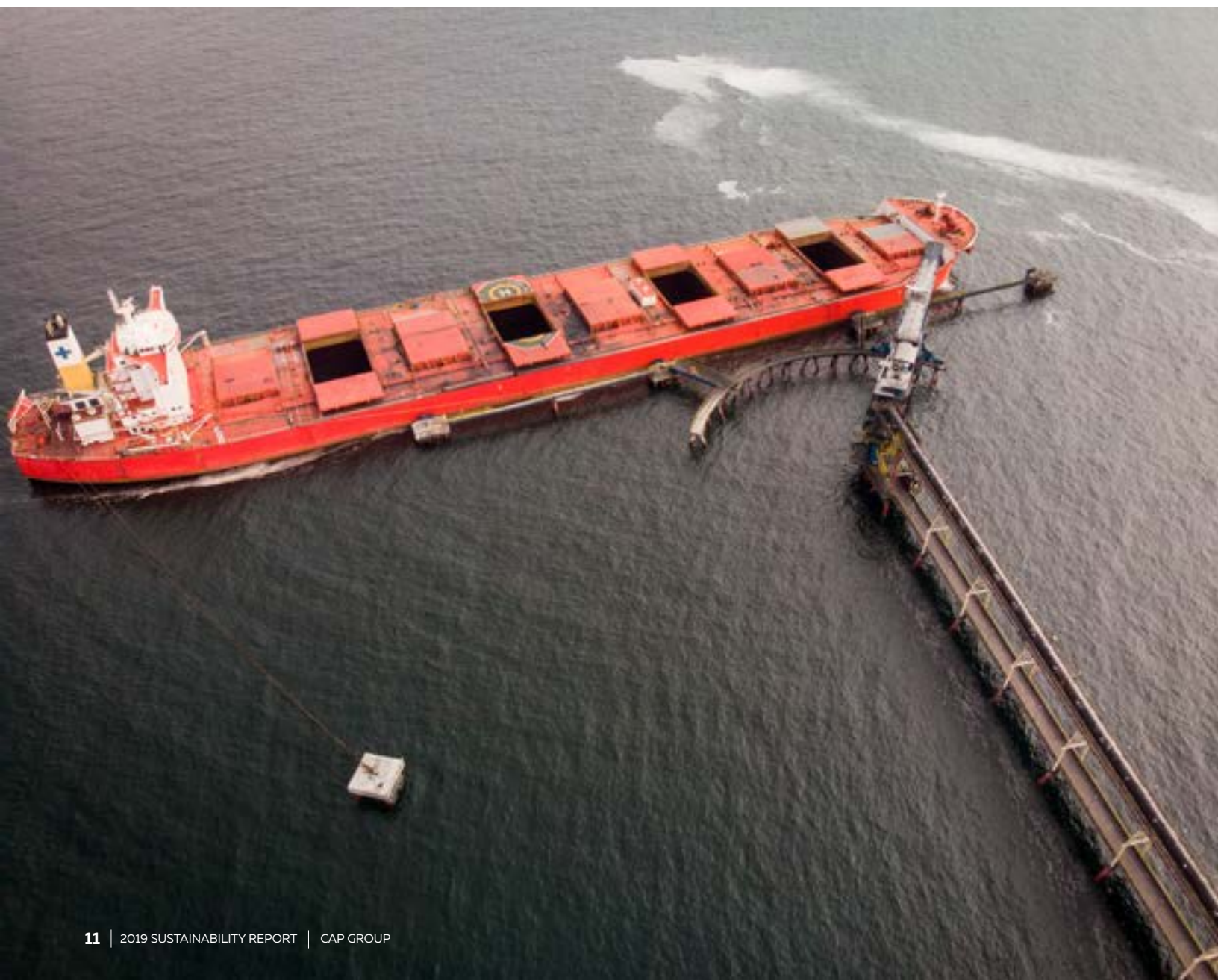
Today we must definitely review the different paradigms on which we have based our culture in recent decades. We must develop new ways to relate with the inhabitants of the communities in which the company is inserted, with new demands associated with their living conditions and that, in many cases, 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.

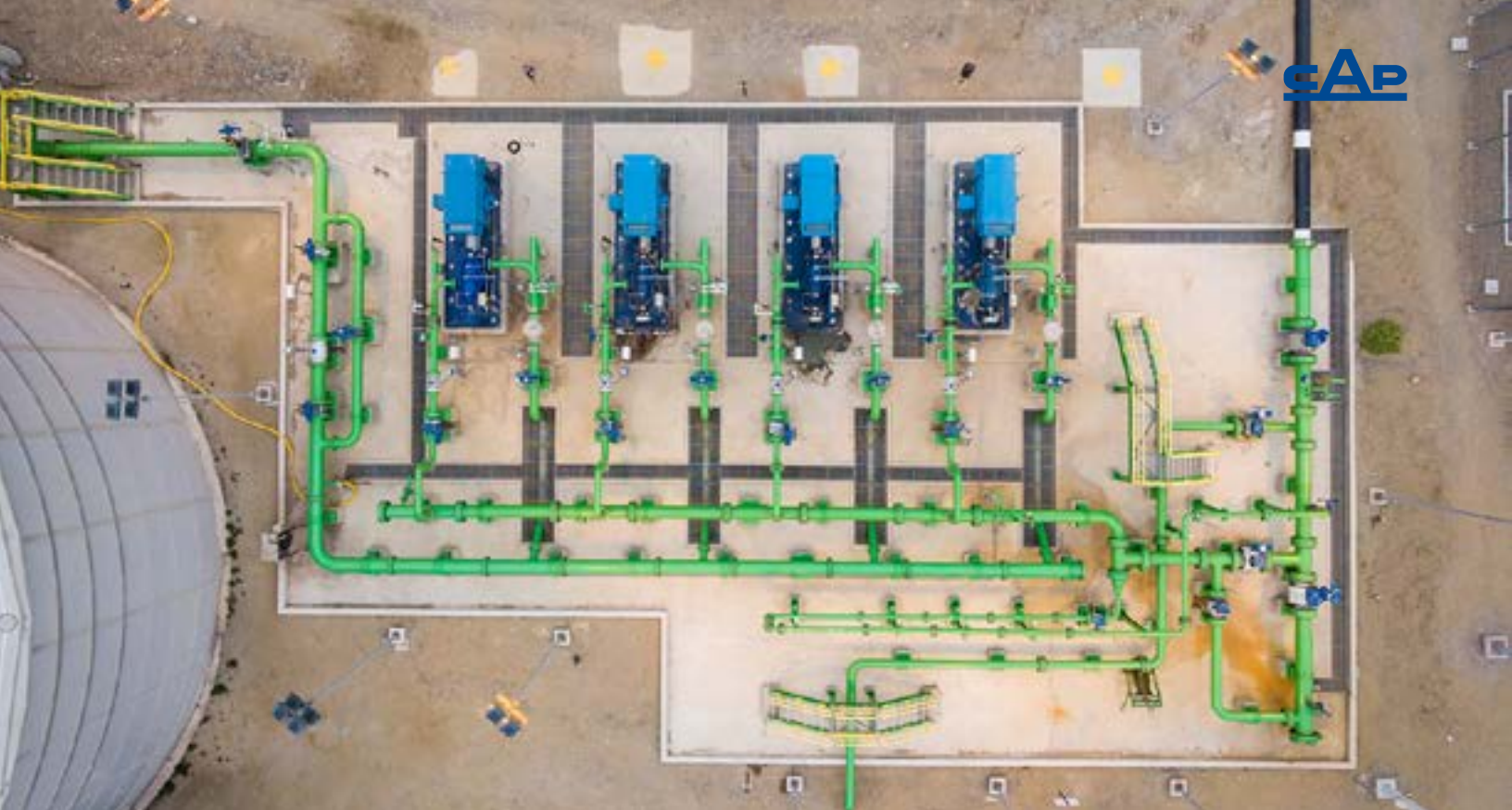
## Compañía Siderúrgica Huachipato (CSH)

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 3262<sup>11</sup> 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.

<sup>11</sup> 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.

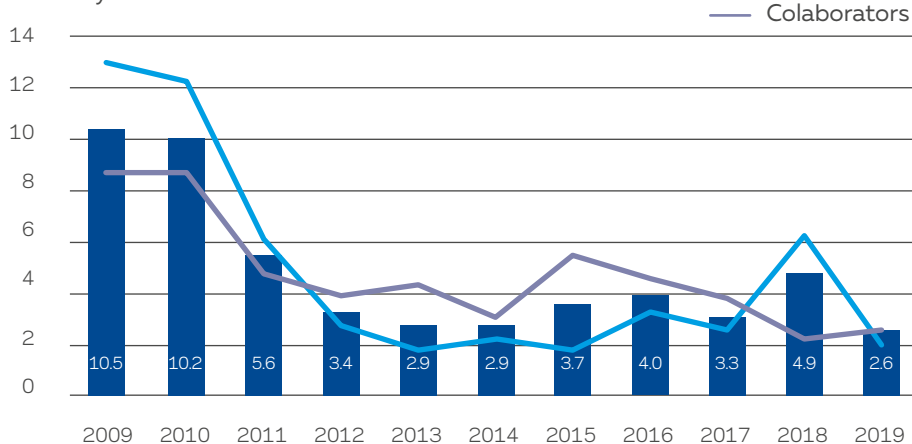
In parallel, we worked on the definition of corporate Critical Operational Risk (ROC, for its acronym in Spanish) standards, which aim at the implementation of measures that prevent or reduce severe or fatal accidents.

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 m<sup>3</sup>)

2017	<b>6,953</b>
2018	<b>7,447</b>
2019	<b>7,800</b>



# 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 IFC<sup>12</sup> and WBCSD<sup>13</sup>.

#### 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.

<sup>12</sup> IFC=International Finance Corporation.

<sup>13</sup> 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.

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### 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.

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### 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).

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**CAP**



# 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

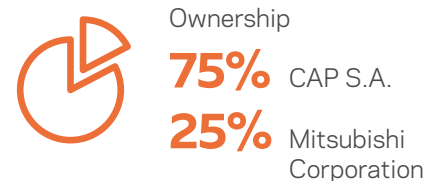
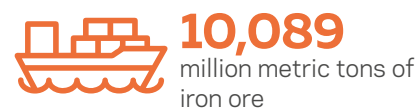
### What sets us apart?

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](http://www.capmineria.cl).*



## Location of operations



<sup>14</sup> 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 independent<sup>15</sup>.

**1**

female director.

**18**

complaints on the Integrity Channel<sup>16</sup>.

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 Rate<sup>17</sup>.



## 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.**

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

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

<sup>17</sup> 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 <sup>18</sup>		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](http://www.capmineria.cl)*

<sup>18</sup> 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 Totalillo 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



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

<sup>20</sup> 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 2021<sup>21</sup>. 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 NOx and SO<sub>2</sub> 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 m<sup>3</sup> 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.



<sup>21</sup> 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 SO<sub>2</sub> 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 (SO<sub>2</sub>) 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 SO<sub>2</sub> 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 SO<sub>2</sub> 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 m<sup>3</sup>, 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 m<sup>3</sup>, 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.

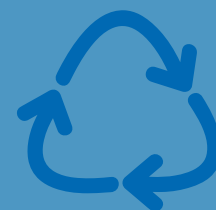
## Waste generated and recycled

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 trained<sup>22</sup> 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.

<sup>22</sup> 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.

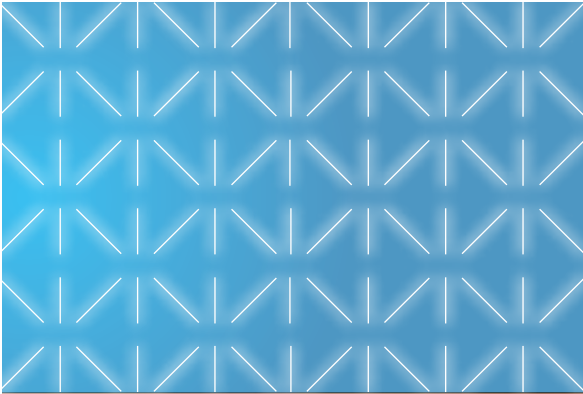
In 2019 it brought together more than 20 representatives of social, territorial associations and other groups; it focused on the theme of education, and two projects went through pre-feasibility analyses.



### 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.





# SUSTAINABILITY REPORT 2019



**COMPAÑÍA SIDERÚRGICA HUACHIPATO**





# Chairman's vision

The future of the steel industry is highly challenging. On one hand, the global overcapacity that has caused unfair competition, as well as trade diversions as a result of several measures adopted by the major economies, which creates a complex business environment for the development of the Industry. And, on the other hand, the country's own challenges demand from companies greater social investment and investment in fixed assets, amounts that are often not in line with those required in indeed, the need for better environmental surroundings for society, the commitment to reduce CO2 emissions to avoid the acceleration of climate change, and the social demands to generate value not only for shareholders but also for the communities in which they develop, impose conditions that industry must take charge of for its long-term development.

**CSH has contributed to the development of the metal-mechanic, construction and mining industry in Chile.**

In the particular case of Chile, these challenges must be understood in the context of a country strategy to add value to its own natural resources, and to the generation of a virtuous value chain in quality jobs, of constant innovation and technological adaptation according to the demand of increasingly challenging markets. Thus, since iron ore is extracted in the country, high quality steel products are generated, which are subsequently processed and used in large scale copper mining, serving as key supplies for its development. These products, developed by the steel company and its customers, also reach markets such as Mexico, Peru, Brazil and others, as a successful experience in creating value for the country.

The relevance of CSH in Chile has several areas of action. It starts by being a regional economic development pole and a training center for its own workers and highly qualified professionals, given its characteristics as a technological company and in permanent process innovation.

In the social field, it is closely linked to the surrounding communities where it operates, with an important commitment to responsible support for SMEs - obtaining the Propyme Seal - and with a great commitment to the development of its neighbors through institutions such as "Artistas del Acero" (Steel Artists) and "Club Deportivo Huachipato" (Huachipato Sports Club), both of which are open to the entire community.

The purpose of the organization is palpable in the development of the national metal-mechanic, construction and mining industry. Thus, the permanent innovation of products has allowed the national industry to participate in large infrastructure projects, such as the bridge over the Canal de Chacao, with solutions specially developed to meet the high demands of this work. In the same way, the permanent commitment with competitiveness and sustainability of copper mining has allowed a reliable and quality supply of grinding means, with permanent improvements and innovation together with its customers, as well as the development of specific solutions to support the new challenges of safety and productivity of underground mining.

Finally, it should be noted that, in a national and international scenario of so many uncertainties, the vocation and conviction to permanently support the development of the country, allows a local supply of quality and reliable, drives the competitiveness of national industry.

In the area of sustainability, the ethical principle of caring for people and the environment translates into permanent control and reduction of the risks of severe or fatal accidents of workers, as well as environmental impacts. The relation with the communities is, in turn, a fundamental pillar in the long-term development of the company, and therefore the close and permanent work with the neighbors, collecting and solving the concerns associated with the steelmaking operation, is part of the actions and commitments of the organization.

Finally, the permanent attention to the regulatory changes, as well as the smooth relation with the authority, is a necessary field of action to monitor the trends and discussions that are taking place in the country, in order to anticipate the managements and adjustments required to the organization.

The environment is complex and highly changeable, so the future is written day by day, requiring from each of the workers the capability of adaptation and innovation, in order to be able all together to build the next 70 years of Compañía Siderúrgica Huachipato.

**Roberto de Andraca A.**  
Chairman of the Board of Directors



# General Manager interview

## What are the main challenges, and how is CSH preparing for them?

Without a doubt, the great challenge of the steel industry is to ensure its sustainability in the long term, and thus continue contributing to the development of the region and the country for the next 70 years, a challenge that is not only limited to the financial aspects of the business. The history of the steel industry in the region has been marked by a permanent commitment to its social and economic development, which is an indelible seal of its actions. However, this action cannot remain anchored in the forms that served in previous decades, since the very evolution of society brings with it new demands that force us to rethink our actions, both in environmental aspects and in the way we contribute to the development of the communities where our activities are carried out. In the same way, new global challenges, such as the reduction of CO2 emissions, migratory flows, or the need to incorporate more diversity in work teams, bring aspects that must be considered when defining future development strategies.

This long-term sustainability is greatly challenged by global steel overcapacity, which has led to unfair competition, and trade diversion as a result of the various measures taken by countries to develop their industry. This has generated, over the last decade, poor financial results at the global level. The global economic situation also generates uncertainties that blur the horizon for this industry. The low levels of activity, a product of the global Covid-19 pandemic, follow a year marked by the trade war between China and the United States, which will increase the excess available capacity, bringing with it a price war that will affect cash flows, and with it the ability to invest in the requirements for the development of the steel industry.

The way in which Huachipato has addressed these challenges is based on its people, the main value of any company nowadays. The commitment of the work teams, the knowledge of the processes, as well as the

permanent capacity to innovate and improve, allow having the flexibility to face these challenges and to adapt to a future that we only know changes every day.

## What are the priorities that CSH has established?

The priorities we have established are determined by the same aspects that mark long-term sustainability, which are those over which we have particular control through our teams.

Safety as an ethical value. We cannot afford to accept that accidents are something that can happen. They are all avoidable and we must work on them tirelessly.

Reduce our environmental impacts day by day. In the first place, through the adequate control of the processes, as a starting point to ensure this objective. Secondly, to incorporate improvements and technology that allow us to exceed the standards with which the facilities were designed is a permanent work of the organization.

Innovating in processes and products. In this way we will be able to reach new markets with lower costs and with products and services that differ from the competition.

Thus, clearly our priority is the culture we expect from the organization, since with it we will be able to build the next 70 years of the Compañía Siderúrgica Huachipato. The future is not in the equipment or the technology, it is in what the human teams are capable of doing with them.

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

We focused our efforts in reducing the environmental impact of some operations as a result of the start-up of the Blast Furnace 2, we made investments in maintenance and improvement of our coke plant and we carried out studies to continue reducing the impact of the operations in the long term.



**Rodrigo Briceño**  
General Manager

Additionally, we have continued to work with the nearby community through the "Huachipato Buen Vecino" ("Huachipato Good Neighbor") program, the collaboration agreement with the Municipality of Hualpén for the construction of a communal park, and regular contributions to the institutions Artistas del Acero and Club Deportivo Huachipato, for their community development programs. As a result of the beginning of the social conflict in October 2019, we reinforced the work that was being developed to improve the working conditions of the contractor personnel, improving their habitability and making sure that these companies had adequate salaries for their functions.

# CSH at a glance



## Our Purpose:

To generate shared and sustainable value through the production and marketing of long steel products, their by-products and adjacent businesses, as well as the provision of logistics services.

## About us and what we do?

We are the largest iron and steel complex in the country, located in Talcahuano, Biobío Region. We are located in a privileged position, with access to multiple loading ports and also to quality raw materials, which allows us to produce high purity steel. This condition makes it easier for us to reach demanding markets in the Southern Cone, adjusting the shipping method and delivery times to the needs of our customers. We supply mining, industry, metal mechanics and construction companies, among others, with long steel products.

## Our company

### What sets us apart?

We are the only integrated steel company in the country, which means that we produce steel from basic raw materials such as iron ore, coal and limestone, thus guaranteeing high-purity and quality-controlled products.

### Our products

Currently our production is focused on long products, such as grinding rods, wire rods, concrete reinforcing bars and special steels, among others.

*More information about our business, operations and markets can be found at [www.capacero.cl](http://www.capacero.cl).*

**714 thousand**  
metric tons of finished steel

**860**  
own workers<sup>23</sup>

**1,502**  
contractors

**US\$ 475.5**  
million in sales income

**US\$ (78.8)**  
million in EBITDA

Ownership  
**99.9%** CAP S.A.

<sup>23</sup> Total number of own employees as of 12/31/2019.

# Our performance 2019



## Corporate governance and ethics

**100%**

of the directors are independent<sup>24</sup>.

**6**

complaints on the Integrity Channel.

**100%**

of the complaints were resolved during the period.



## Own workers and contractors

**6%**

of our own workers are women.

**0**

fatalities.

**0**

own workers with occupational diseases.

**5.4**<sup>25</sup>

Frequency Rate

**100%**

of own workers are under OHSAS 18001, ISO 9001 and ISO 14001.



## Environment

**202**

hectares of protected areas.

**96%**

of the waste is recycled or reused.

**2**

incidents with environmental impact.



## Community

**477**

local suppliers (**35% of total suppliers**) and **US\$ 98 million in local purchases**.

**98%**

of our own workers come from the Biobío Region.

**1,347**

suppliers make up the CSH value chain. **739 are SMEs and 100% of them are covered by the Propyme Seal (timely payment)**.

<sup>24</sup> "Independence" is defined according to the criteria used by the Dow Jones Sustainability Index (DJSI).

<sup>25</sup> Number of time lost accidents during the year per million hours worked. Includes own workers and contractors.

# Our positive impact on society

**We are a regional economic development pole and have contributed to the training of highly qualified workers and professionals for the country. In our 70 years of history we have accompanied the development and the steel that Chile needs.**



## Steel for the development of mining, metalworking, construction and infrastructure

We exist to support and sustain the development of the metal-mechanic, construction and mining industry in Chile. We understand our responsibility as a fundamental pillar to materialize the development of large infrastructure projects. One example is the Puente de Chacao, which requires steel solutions developed to meet the high safety and quality requirements of the works, in which our steel plays a central role. We have been a constant support in its competitiveness and sustainability in the mining industry, ensuring a reliable and quality supply with continuous improvements and innovation. In addition, we generate specific solutions of high demand to support the new challenges of safety and productivity of underground mining.



## Reliability of supply

In such a troubled international scenario, the fact of having a local steel producer, with the vocation and conviction to support the development of the country, allows to reduce the impacts of the ups and downs that strongly affect the availability and competitiveness of the local industry and the development of the country.



## Specialized Knowledge Generation Pole

The importance of CSH throughout its 70 years of existence goes beyond its contribution to the economic development of the Biobío Region. Since our origins, we have been a pole of knowledge generation in a high value-added industry - steel - as well as strategic for the development of the rest of the productive sectors. Thus, we have led the training of professionals and highly qualified technicians in the management of steel, innovating in new products and anticipating the requirements of the sectors we serve.



## Development alongside communities

Another great positive impact has been our contribution to the development of the neighboring communities and the region for seven decades. This is how our workers come in their vast majority from our immediate surroundings, as do many of our suppliers. Our commitment, in particular to small and medium-sized companies, has been reflected in the numerous awards we have received in recent years, achieving the Propyme Seal for being one of the best paying companies. But our commitment goes beyond our productive chain, we are part of the life of the communities, who actively participate in the initiatives carried out by our related, Artistas del Acero and Club Deportivo Huachipato.

# Our transformation roadmap

In a future full of uncertainties, what is constant is change, and at CSH we have been prepared for this.

## Challenges and our responses

### The global context

Market conditions have been particularly complex and challenging in 2019. The adverse circumstances for the company have been prolonged again, generating further losses. As it has been the trend in recent years, the outlook for the steel production business remains uncertain, due to excess production capacity, particularly in China, the trade war and increasing global distortions to steel trade, among others.

### The national and regional context

We face a wide range of challenges. First, the urgency of competing on a level playing field and free from trade distortions with foreign production, which is not the case. Second, the Gran Concepción decontamination plan and the green taxes that increase the pressure on an already complicated financial situation of our company. Third, the generalized climate of uncertainty and the economic brake that the country has experienced as a result of the social outburst and the Coronavirus pandemic. Fourth, the social sentiment and the demand for greater responsibility on the part of companies towards their surrounding environment and the communities that host them.

### Our internal context

In July 2019 we had an accidental spill of about 40 m<sup>3</sup> of diesel in our 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 highlighted shortcomings in controls and technology appropriate for a particularly sensitive environment, and also showed the courage to take charge quickly and act transparently, as we did. We learned from that experience, and we are taking measures to prevent this from happening in the future ([see page 61](#)).

### Our response

The capitalization of learning, as well as the adequate control of the risks inherent to the operation of an industry of these characteristics, are key aspects to face the future. We must develop our activity in a context in which the system is being questioned; moreover, a new social pact is being discussed in a highly polarized national environment. All this, in the midst of a global environment that is highly affected by the excesses of capacity and intervention of governments in the economy.

For this reason, and in addition to moving forward with the optimization of our operation, we continued to look for opportunities on the Latin American Pacific coast, which is why 30% of our sales were exports. In addition, we continue to evaluate other activities that will supplement the company's revenues to make them sustainable.

That is how during 2019 we advanced in the development of a small-scale natural gas project, which seeks to satisfy the industrial, commercial and residential demand of the Biobío Region and other areas of southern Chile. In February 2020, the corresponding Environmental Impact Statement was entered.



### Our commitment

As a company, we face an enormously challenging future with high degrees of uncertainty, as the market conditions in which we operate have been particularly complex and challenging in 2019. This has prolonged a long period of adverse conditions for our company, which has again generated losses.

Reversing these results 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 and the neutralization of unfair competition, in order to generate the conditions to compete in a level playing field.

Despite the external conditions that have been adverse to us, we remain firmly committed to the well-being and development of our workers and the neighboring communities.

Additionally, we want to contribute to the decarbonization of the economy. That is why we are participating in the study led by the Ministry of Energy of the most vulnerable and gravitating industrial sectors in terms of emissions. The first phase is to identify technological opportunities that allow for the mitigation of emissions, and then to identify sources of financing for the required investments.

## New products and solutions

Process innovation and the permanent development of new products is a central aspect in building a successful future for our company. The adoption of new technology and the adaptation of knowledge, become in this way necessary tools to consolidate the designed strategy. The latter focuses our operation on long products, with a strong emphasis on risk diversification through the development of new products and better value markets.

At the product level we have advanced in the development of new manufactures for grinding means, as well as in rebar for the construction of high resistance for works like the Puente de Chacao or the Puente de Concepción. Through our products we are contributing to the future development of underground mining in our country.

At the process level, the extrusion plant - the second in the world - has allowed progress in circular economy by converting waste, such as coal and iron dust, into raw materials.

In addition, we are deepening the production of special steels for the Latin American market. This challenge leads us to continuously increase the production and control standards of our operations, and to strengthen the technical training of our workers. In 2019 we extended the Lean-Kaizen continuous improvement tool to the steel and continuous casting units. We had already implemented it in our bar rolling mills. This initiative has allowed us to involve all workers in operational control, emphasizing concern for safety, costs and the environment.

Innovation, both in commercial and productive aspects, has been a central pillar of our strategy. Therefore, since 2018 we have had the Innovation and Development management to give it a formal organizational structure, consolidating it as a permanent discipline in all areas of our business.

We have had concrete results and successes in the initiatives and programs implemented, confirming the path initiated in investing in the human teams as a fundamental pillar of the development of the strategy, as well as strengthening their capacity for innovation and for adding value to the challenges posed.

### Awards and recognitions 2019

- **First place in the ranking Most Innovative Companies Chile 2019**  
Prepared annually by the ESE Business School in partnership with La Tercera, in 2019 we were recognized as the most advanced company in heavy industry in terms of innovation.
- **Innovation Award 2019**  
Awarded by Cidere Biobío to our company for its advances in technology development and product innovation.
- **Leading Company 2019**  
Awarded by Asimet Biobío to our company for its contribution to the region and Chile.

In addition, we obtained the Gold Seal in energy efficiency awarded by the Ministry of Energy.

### High resistance steel to connect Chiloé to the mainland

The construction of the bridge over the Canal de Chacao is perhaps the most important work in the last 10 years in Chile, and will demand a total of 34 thousand tons of steel. CSH has developed a series of innovations for the benefit of this mega work, such as products of superior resistance, new diameters, new lengths and other specific logistic solutions for this great work.

### High-end steels

CSH is an integrated steel company that uses iron ore in its processes, which allows it to manufacture special steels that have a chemical composition with alloying elements. Thanks to a metallurgical treatment, these steels acquire properties that common steels do not have, such as greater mechanical and corrosion resistance.

In our 70 years of history we have delivered high quality products to very demanding markets such as mining and cable and spring manufacturing in Chile. That experience, knowledge and capacity of our human teams has allowed us to expand our frontiers, developing and delivering new products and solutions to markets of equal or greater demand. For example, the automotive market, bolts, screws and mechanical parts and components throughout Latin America.

# Corporate governance, risk management and ethics

## Corporate governance

### Board of Directors and committees

Our Board of Directors is made up of five 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, the annual business plan, as well as the 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 of sustainability.

### Strengthening governance

During 2019, external directors (without executive positions in CAP S.A.) were incorporated, who have strengthened the control of the company's management, especially in matters of safety. Additionally, we trained the directors in free competition. In 2020 we will advance in our transformation process, including governance.

### Sustainability governance

Every month the Board of Directors reviews the relevant facts on safety matters, issuing guidelines when it deems it appropriate.

We have established instances and mechanisms of coordination and follow-up in the different matters related to sustainability. At a strategic level, the general manager of CSH participates in the Corporate Sustainability Committee of the CAP Group, together with the Chairman of the Board of Directors of CAP S.A., its General Manager, as well as corporate managers and those of the other operating companies. This committee, in 2019, met every three months to monitor the implementation of the strategy, approve the resources, plans and corporate standards and follow up on the indicators.

At the tactical level, we also participate in the Sustainability Group of CAP S.A. which meets every two months to coordinate the implementation of the plans.

### CSH Board Composition (as of December 31, 2019)

Gender		Independence <sup>26</sup>		With executive positions at CSH	
Man	Woman	Independent	Non- independent	Executive	Non- Executive
5	0	5	0	0	5

## Risk management

Our Board of Directors is ultimately responsible for the company's risk management and sees to it that an appropriate environment, structure, culture, plans and resource allocation are in place. It also meets quarterly with the unit in charge of this matter. Our risk management methodology is based on the international standards ISO 31000, COSO ERM and ISO 22301.

In 2019 we moved towards a new risk management culture based on the analysis of processes to identify them and establish those responsible for their management. This is how we identify our critical risks and establish the controls to prevent or mitigate them. Among our critical risks are the occurrence of severe or fatal accidents, operational incidents with environmental consequences, failure of critical equipment, natural disasters, socio-environmental conflicts with communities, collapse of critical structures or assets, and the volatility of the raw materials market. The risk of regulatory or political changes, whether in tax, labor or environmental matters, has also become more important, as well as those that impact our company as a result of a new constitution.

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



<sup>26</sup> According to the criteria used by the Dow Jones Sustainability Index (DJSI) to define "Independence".

## Ethics and compliance

### Compliance Model

At the CAP Group level, in 2019 we created the Compliance area and identified the risks in this matter. We are working on the definition of critical processes, controls and their respective responsible persons. In the first stage, we focused on the areas of contracts, procurement, communities and assets.

During 2020 we will develop specific training and communications plans, online applications and e-learning, as well as workshops for our own workers most exposed to risks. In addition, we will implement the role of Compliance Ambassador, a recognizable point of contact, whose job 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 Model

As part of this initiative, in December 2019 we launched the new Code of Integrity at CAP Group level, which contains the principles and foundations for good relations with our different stakeholders, in addition to acting as a guide in situations that require it.

In addition, 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. It was disseminated through training and the preparation of educational material to facilitate 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, which was also reformulated in 2019, allows our own employees, 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 CAP Integridad portal and the corporate website.



### Code of Integrity

## 6 complaints

- 3 internal y 3 external
- 1 complaint of workplace harassment
- 0 complaint of discrimination
- 0 complaints for unfair competition or corruption

## Responsible procurement

At the contractor level, we monitor compliance with labor, and of our safety and environmental regulations. In 2019 we implemented a Centralized System for the Prevention of Occupational Safety Risks, so that those contractor companies with fewer personnel can adopt better standards in this area.

In addition, both suppliers and contractors must comply with the guidelines of our Crime Prevention Model.

## Contractors: Social outburst and Coronavirus

We permanently monitor any problems that may arise or affect our contractors and suppliers.

After the social outburst, we carry out conversations with our own workers and contractors to listen to their concerns, especially in terms of occupational safety. In addition, we strengthen the living conditions of the contractor companies' workplaces in our plant to ensure a decent environment. Contractors have long enjoyed the same standard of food and transportation as our employees.

With regard to the Covid-19 pandemic, we began early - at the end of January 2020 - prevention work with our contractors, establishing a protocol for action in conjunction with the respective workers' compensation associations. Once Phase Three was initiated by the government, we started the regular sanitation of buses, companies' cafeterias and common areas used by contractors. Alcohol gel was regularly distributed as a supplementary measure to water and soap. We promoted teleworking, where the nature of the work allowed it, and adapted the shifts to reduce movements.





# Our people: workers and contractors

## Occupational health and safety

We took a new approach to occupational safety, now this issue has been added to every process. This means that all those responsible for them must assess the impact on people, assets and other processes, and so incorporate it into the overall planning and daily task planning. At CSH we have identified the twelve risks with the greatest accident potential represented by rolling machinery (heavy vehicles, railway equipment, cranes), suspended loads, work at height, contact with power sources, trapping points, confined spaces and dangerous atmospheres, chemical agents, work at low levels (excavations), hot work, molten metals, falling objects (from height) and suitable personnel selection processes.

**Cultural Change.** Understanding that safety must be rooted throughout the organization and its workers, in 2019 we carried out a cultural diagnosis of safety in three levels: managers, unit heads and workers. We also evaluated the present

subcultures in order to define action plans to achieve total involvement. Based on the results, change agents were deployed with a preventive approach: "Asesores en Seguridad" (Safety Advisors) work in teams of five risk preventionists with an active role in each operating unit, as well as in the contractor companies. We also prepared the leadership for this new Prevention Model, starting in 2019 with its detection and moving forward to 2020 in its development. In addition, and as a consequence of the fatal accidents experienced in 2018 in the Group's companies, a reflective day was held, stopping the operation completely in order to generate a space for the importance of prevention to be installed in each of us who work at CSH. To support the cultural change, we implemented an online platform for incident reporting, which records the deviations from normal processes, which are subsequently analyzed and used to improve and prevent future accidents. This allowed us to record better indicators in 2019, with

a Frequency Rate of 5.4, a Severity Rate of 141, zero severe accidents (2018 = 8.5; 167 and 0 respectively), and maintaining the zero fatalities of the last seven years.

**Occupational health.** During the end of 2019 we formed the Occupational Health area, which carried out a survey of the main aspects of our operation, including the contractors. Likewise, we executed the seven Minsal's protocols that apply to us. These are Manual Handling of Load, Silica, Noise, UV Radiation, Repetitive Work, Psychosocial Factors and Asbestos. Improvements were also made in infrastructure and equipment for workers and contractors, in feeding spaces and worksite facilities, which are inspected in the field and included in safety walks and visits by the joint committee. No occupational diseases have occurred in the last four years.

### Safety

**0 fatalities in the last seven years**

	Frequency Rate (collaborators and contractors)	Severity Rate	Fatalities
2017	4.9	130	0
2018	8.5	167	0
2019	5.4	141	0



<sup>27</sup> Number of time lost accidents during the year per million hours worked Includes own workers and contractors.

<sup>28</sup> Days lost per million hours worked.

## Employment

Workers



## Relations and work environment

Over time, we have developed trusting and collaborative working relations with the three unions, to which 99% of our workers are affiliated. This facilitates the construction of agreements on matters of productivity, work environment and operational continuity. During the year 2019 an election was held to renew the board of directors of Union 1, with five directors being elected, who will remain in their positions for three years. The collective agreements agreed with Union 1 and 2 are in force until April 30, 2021. In addition, it should be noted that 28 years have passed without a strike. In 2019, the Corporate Climate survey, developed by ESG Compass, was applied, the results of which will be included in the plans to improve the working environment.

## Employment quality

We are focused on excellence talent management and on promoting human capital formation. To this end, in 2020 we will continue with issues such as capacity building, working conditions, equity and integrity, among others.

**Capacity building.** One of the programs highlighted in 2019 was Lean Manufacturing carried out in partnership with Asimet Asesorías (Asimet Consulting). We implemented it in different production units to optimize processes and continuous improvement. We also continued with the diploma courses, taught in higher education institutions and aimed at improving the competencies of the assistant staff. In order to improve the accessibility to the workers we created a digital platform, which will allow the worker to have access to the most important information and certificates in human resources issues, even from his own smartphone.

**Diversity.** We strongly believe that diversity improves the performance of our teams. While there are few female graduates in the operational careers that we require at CSH, we have made an effort to include positions such as shift leaders and the like in order to have greater diversity in the steel plant. By 2019, 6% of the workers were women. As a result of the national contingency, and in the midst of the social outburst of October 2019, we took measures to protect the physical integrity of each worker, improving working conditions for all without distinction. In addition, we reviewed the living conditions for our workers at the site, and made an exhaustive review of the conditions of our contractors and subcontractors ([see page 59](#)).

## Fundamental rights workshops

In 2019, two workshops were held for managers and chiefs with a focus on labor relations and gender equity. The first was the “Taller de Relaciones Laborales Modernas” (dignidad del trabajador, derechos fundamentales, género e inclusión) (“Modern Labor Relations Workshop” (dignity of the worker, fundamental rights, gender and inclusion). The second was called “Enfoque de Género en las Relaciones Laborales” (Gender Focus in Labor Relations), and was held in conjunction with the National Service for Women and Gender Equity.

## Contractors

They are essential to us as they perform key business tasks. In 2019 we had 1,502 contractors and subcontractors, belonging to 83 contracting companies. In 2019 one of the sensitive issues that arose from the social outburst was the levels of workers' remuneration in Chile. Therefore, we carried out an exhaustive check of the income levels and working conditions of this group. We also reviewed and leveled the standards of the facilities used by them, improving restrooms and dressing rooms, and providing transfer buses and parking for all contractors who require them. We reviewed the salaries of external personnel from different companies in terms of size, areas and staffing, and as a result nearly 5% pay less than \$500,000 to their workers. These cases were companies employing staff who are pensioners or whose labor qualifications are lower. In any case, we continue to work with them so that they can improve these conditions. In addition, we initiated a process of reviewing the tender administrative terms and conditions in order to systemically regulate the base salaries of the workers of the contracting companies. During the year 2020 we will have the challenge of continuing to monitor this segment in terms of labor compliance, conditions and labor rights.



**Héctor Medina A.**  
**President Union N°1**

*We are responsible for what we do and also for what we fail to do. That is why, as workers, we emphasize that the company acted as it should have in relation to the event at Isla Guarello; with transparency, concern; and far from evading its own responsibilities, it took charge by applying the existing protocol at CSH to avoid a greater risk to the environment. Quickly, the solution mechanisms were sought and the workers made themselves available in case of emergency. In adversity, company and workers are one.*



**Juan Carlos Mora R.**  
**President Union N°2**

*Faced with the social outburst, CSH took measures to protect the physical integrity of each worker, thus providing the necessary conditions to give them and their families peace of mind. With the contractor companies, it made concrete improvements for their benefit, such as the use of buses, and established commitments with the companies by establishing a basic salary floor of no less than \$301,000. On the other hand, and very much to the contrary of the market, contracts for external workers were reactivated, thus providing stability in times of crisis.*



# Environmental responsibility

## Emissions and air quality

**Air Quality.** At the end of 2019, the Plan for Prevention and Decontamination of Concepción Metropolitana<sup>29</sup> was published, which establishes measures to improve air quality in the PM10 and PM2.5 pollutants. Although the concentration of PM10 has decreased in recent years, PM 2.5 - highly harmful to health - has increased mainly in winter due to the use of firewood in homes. Since we are located in an industrial area, we actively participate in meetings with other companies of the sector and the corresponding authority, reviewing the actions to be implemented and highlighting the Management of Critical Episodes as a relevant point. The Decontamination Plan contemplates several measures for industries, including a 30% reduction in authorized PM emissions, within a maximum period of five years from December 2019. During 2020 we will make the necessary studies to achieve this goal. As part of our commitment and environmental responsibility, we have also developed actions of abatement and reduction of emissions of coarse particulate matter, which were also applied in 2019. Examples of these are the spraying system for coal stockpiling, wetting of coke stockpiling and unpaved roads, and sweeping of paved roads inside. We also kept the atmospheric environmental control equipment operational, and privileged the use of natural gas over other fuels.

## Water and energy

- **Energy efficiency.** Having established an energy system in 2016 - certified since 2018 under ISO 50001:2011, and having energy performance indicators, were key to improving our energy efficiency. As a result, we achieved the GOLD Seal in energy efficiency from the Ministry of Energy. In order to apply for this category, it was necessary to be certified under an Energy Management standard, in addition to presenting and demonstrating improvements in energy performance. The measures presented were the reduction of the steam matrix that allowed us to reduce the internal production of steam contributing to a lower overall energy consumption, thanks to which we reduced by 50% the steam consumed since 2014 (60 ton/h in 2014 to 30 ton/h in 2019). The second was the reduction in power consumption at the metallurgical adjustment station thanks to operational adjustments. Thus, in 2019 we achieved an energy efficiency index of 6.35 Gcal/ton of liquid steel, one of the lowest in the last five years. Our total energy consumption in 2019 was 17,611,007 GJoules, 93% of which was coal, the remaining 7% being electrical power.
- **Climate change.** We have been estimating our greenhouse gas (GHG) emissions for years, reporting to the World Steel Association. Our footprint is mainly associated with the energy consumption used in production processes. We have action plans to mitigate emissions, such as energy efficiency programs. In 2019 our scope 1, 2 and 3 footprint was 1,733,202 Ton CO<sub>2</sub> equivalent, unchanged from 2018.

- **Product life cycle.** In 2019 we updated the life cycle analysis of rebar for construction, so the Environmental Declaration (EPD) will be available to participate in sustainable construction projects under the certifications.
- **Green taxes.** This is an important challenge, since the application of green taxes of fiscal modernization in Chile - which could tax CO<sub>2</sub> emissions whose source is the use of fossil fuels - and that in our case such supplies are used as raw materials without the existence of substitutes, could put us in a complex situation. For that reason, we contribute to the discussion of the authority, making visible this reality that, in the international scenario, frees from the tax this type of cases.
- **Care for water.** We have intensive water consumption, but we are located in an area where water scarcity is not a significant problem. Even so, our operation takes care not to affect the surrounding water resources. We have a water-efficient design with water recirculation plants. However, in 2019, and as a consequence of the beginning of the operation of the Blast Furnace No. 2, there was a reduction in the flow of recirculated water and an increase in the consumption of fresh water. In addition, and given that we have a submarine emissary, we have implemented a Monitoring Program for the Bahía de San Vicente, where we are located, years ago. We monitor water quality and marine biodiversity in the dock area and in the areas where effluents are discharged. No changes have been detected that indicate any effect on the environment.

## Steel industry's carbon neutrality plan

In 2019 we participated in the "Estudio de desarrollo bajo en carbono para la industria chilena de la siderurgia" ("Study of low carbon development for the Chilean steel industry"), sponsored by the German Agency for International Cooperation (GIZ) and the Chilean Ministry of Energy. Its purpose is to identify and prioritize technology, existing barriers and facilitating frameworks needed for the transition to a national low emission industry, in the context of the public policies and regulatory instruments that are being developed worldwide in this matter.

<sup>29</sup> Published in December 2019 in the Official Gazette under Decree No. 6.

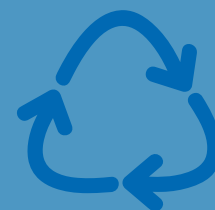
## Waste generated and recycled

Waste generated  
(tons)

2017	396,446
2018	368,704
2019	330,997

Recycled waste  
(percentage)

2017	97%
2018	98%
2019	96%



## Responsible waste management

We recycle 96% of our waste, a high performance that challenges us a lot to improve, so we defined that in 2020 we will complement our Zero Waste Plan with a Circular Economy Project. With it we will seek to process between 100 and 150 tons of non-hazardous waste per month, transforming them into infrastructure projects with a triple impact (economic, social and environmental). In addition, we will optimize costs in the payment of final destination, and integrate key players in the social field into the process, such as grassroots recyclers, corporate and involvement communities. We will also generate projects made on the basis of 100% recycled material and that are 100% recyclable, locally manufactured, so it has a low carbon footprint.

Currently, the main waste or by-products recycled or reused are: steel mill slag (83,452 tons) and blast furnace slag (83,452 tons), which we send to a local cement company and a company that recovers the metal content to then produce steel mill aggregate, used as a road stabilizer. On the other hand, the waste we sold in 2019 were limestone and lime fines (1,140 tons), coke (29,818 tons), and scale (1,094 tons). A large portion is sent to a transition zone within our facilities - ZOMARE - where they await a recycling or sales destination. During 2019, 72,277 tons of waste entered this area. Likewise, the first plant in Latin America for the Extrusion of Steel Waste continued in operation, which is capable of processing diverse waste into an agglomerated pellet, which constitutes raw material for our blast furnaces. In the same plant it is possible to recondition industrial oils after use and thus be used as agents for adjusting the density of coal. During 2019, 89 tons of this waste were recycled.

## Biodiversity and natural heritage

For us, respect for the environment includes caring for the flora and fauna found in our surroundings and in our facilities. We especially care for the wetlands within CSH, which extend over 200 hectares. They correspond to unique ecosystems, in which we apply a Wetlands Monitoring and Management Program to control water quality, sediments, biodiversity and avifauna. Likewise, we have operations on Isla Guarello, which is located near an area with the potential to be declared a Natural Heritage of Humanity because of its biological, geological and cultural resources, in the Region of Magallanes. In 2019, we regretted the occurrence of an operational incident there ([see highlighted note](#)). Finally, a reforestation plan with native trees and radiata pine was carried out on the company's land. A 10% of the total to be replanted will be based on native trees (13,500 trees), a topic that arose from the dialogues with the community. In 2018, this 60-hectare plot was cut down, always in compliance with the corresponding authorizations.

## Accident on Isla Guarello

In July 2019 there was a spill of approximately 40 thousand liters of diesel on Isla Guarello, where the limestone used as raw material in the production of steel is extracted. When the operational incident was detected, the hydrocarbon spill emergency protocol was applied. Normal production and shipment of limestone were suspended in order to carry out containment and clean-up work on the seashore. We installed the best devices available for this type of situation. We immediately communicated the incident to the Port Authority of Puerto Edén, which must alert the Chilean Navy, activating its protocols and supporting the cleanup work in the pristine place. We arranged for a specialized company to carry out the clean-up operations, which lasted approximately 30 days. The nature of the spilled diesel and the environmental conditions of the sector favored that the environmental impact of the event was very limited and not permanent in the environment, as demonstrated by the different studies that were carried out during 2019. Having an adequate Contingency Plan - widely known by the site personnel - allowed early action to control the potential impact. Thanks to this lesson learned, we began a review of all those facilities where spills of any kind could occur, and identified the mechanisms needed to control them for preventive purposes.

# Working together with communities

## Dialogue and relation with the community

We have a long history of commitment and contribution to the Biobío Region, promoting projects that have contributed to improving the quality of life of its inhabitants from the beginning. Ensuring a joint work with the communities for mutual success in the long term, is part of our vision and is at the base of our actions.

## Spaces for dialogue and cooperation

Communication, dialogue and cooperation have been part of our community management for many years.

### 1. Tripartite Commission

We have been part of this dialogue and cooperation entity for 17 years. It is made up of five Neighborhood Councils, two Environmental Committees, ten companies in the area and municipal authorities, as well as representatives of educational units in the area. Every year, many projects are developed to improve the quality of life of the community and solutions are sought for issues of green areas, particulate matter and environmental contingencies, among other aspects of interest to the different stakeholders.

### 2. Business Table

It is a joint working space to solve the challenges of the industrial sector. It is made up of six companies: ASIPES, Blumar, INCHALAM, Cementos BioBio, Pacific Blue and CSH. During 2019 an agreement was reached with Fundación Trascender for the awarding of social and environmental projects. These favored thirteen social organizations in the Comunidad Libertad and Gaete - neighboring our facilities - including neighborhood councils, environmental committees, educational units, Senior Citizen organizations and a sports club, thus directly benefiting 2,500 people.

**Prompt payment to SMES Having been chosen as the third best company paying SMEs is a recognition that fills us with pride, especially in the complex and challenging times we live in.**

### 3. Communication and claims

We are developing a formal claims and inquiries system for the entire CAP Group. In 2019, claims at CSH were received via phone calls, email and on the Twitter account @capacero. We designed a community relations and communication policy that coordinates the environment, safety and community units to maintain accurate and timely information regarding operational issues, contingencies and other deviations that may occur.

In 2019, we received no claims from the community for noise, odors or other related issues. During the period, the authority issued two sanitary summaries for allegedly annoying emissions, which did not generate fines or sanctions. We are strengthening our protocols to respond each time in a faster and more efficient way to the inquiries from the neighbors, whatever the means of communication used (formal or social networks), using for this purpose the dialogue spaces of the Tripartite Commission and the Business Table, when we have to face concerns that go beyond our operation. Thus, in 2019 there were no fines for these aspects.



## Contribution to the community

### Employment and local purchases

Our productive and economic activity linked to business generates direct opportunities in the Biobío Region through employment, purchases and development of local suppliers. In 2019, 98% of our workers came from the region where we operate, while 35% of suppliers are local and 18% of purchases (from 477 companies) were made in our region.

### Payment to SMEs

We obtained the third place in the ranking of the best payers to the SMEs, reaching 89 points in the measurement elaborated by the Chilean Commodities Exchange (BPC) and the Chilean Association of Entrepreneurs (Asech). This not only measures payment terms to suppliers, but also monitors aspects such as the time it takes to send checks or transfers, how easy it is to confirm invoices and other variables that help and favor the supplier payment process. In 2019 we were first in the industrial sector, an area that averaged 65 points in the global ranking.

### Social contribution

Although our commitment and presence in Chile has been a constant over the past 69 years, we have carried out multiple initiatives that we have brought together under the “Programa CAP Acero Buen Vecino” (CAP Acero Buen Vecino Program) [\(see highlighted note\)](#). In 2019 we provided US\$ 560,000 in cash contributions to the community. The company founded and supports the Huachipato Sports Club and the Estadio CAP in Talcahuano. Through these, it develops different sports and recreational activities. It also created the “Corporación Cultural Artistas del Acero” (Steel Artists Cultural Corporation), recognized for its leadership in the regional art scene, an entity that is currently autonomous. More information about the Club Deportivo Huachipato at [www.cdh.cl](http://www.cdh.cl), and the Corporación Cultural Artistas del Acero at [www.artistasdelacero.cl](http://www.artistasdelacero.cl).

### CAP Acero good neighbor

Social investment program that develops activities aimed at supporting the neighboring community in areas highly valued by the community such as training, sports, recreation, culture and promotion of environmental care.



#### 1. Training

90 neighbors were trained in different topics of labor insertion, which are highly valued by the community given the social instability experienced in 2019. The training focuses on topics that promote employability, for example, driving, certified arc welding, baking and cooking, cutting and making industrial clothing and food handling.



#### 2. Promotion and environmental care

This line of action supports the community and the Municipality of Talcahuano in environmental education and care initiatives.



#### 3. Sports, recreation and culture

In order to encourage a healthy life, which promotes well-being in our neighboring communities, we organize different activities. The swimming course for children, permanent physical activities and the afternoons of “futbolito” for children were examples of initiatives carried out in the facilities of the Huachipato Sports Club. Of particular note was the participation of 250 children in the Steel Artists program called “Crear Audiencia” (Creating an Audience).

## CAP competition for architecture students

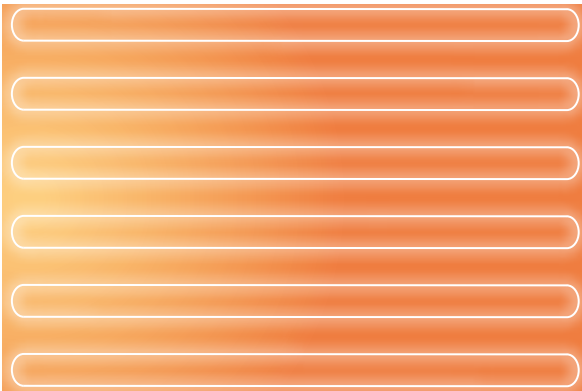
For 33 years we have been generating challenges for architecture students in Chile, inviting them to innovate and create new models with steel. The winning team in 2019 represented Chile in the international version of this competition, organized by the Latin American Steel Association, ALACERO (for its acronym in Spanish).

Designing a center for the development of ideas, innovation and research, which welcomes researchers, entrepreneurs, academics and representatives of the productive sector was the challenge proposed for 2019.

After an exhaustive review process of the 36 competing projects, a jury awarded students from the Universidad Central with the Biomass and Seeds project designed by the students Diego Lacazette and Hugo Valenzuela, who were guided by professors Álvaro Herrera and Ricardo Atanacio.

**CAP**  
**ACERO**





# SUSTAINABILITY REPORT 2019

**CINTAC**

**CINTAC GROUP**





## Chairman's vision

**We have a human group of excellence, motivated, that challenges itself permanently and that acts decisively to achieve great dreams**

Looking back on 2019, I can say with satisfaction that for the Cintac Group it was a period of concrete progress in different areas. The company has been developing a business strategy that has allowed it to expand to other markets and also to other materials, always in the search to reach a leadership position, contributing value and generating greater profitability for the company. This has happened by giving priority to sustainable development in harmony with the environment.

Over the past few years, the company has been expanding geographically in South America through different partnerships. This has allowed it to enter different sectors: agricultural, energy, construction, modular and road safety. Work that continues with greater strength and focus on markets as attractive as that of services to the mining sector. In this development, Cintac has managed to progressively advance from products to solutions that are increasingly closer and more suitable to its final customers.

Today the Cintac Group is composed of prestigious and renowned brands such as Calaminon, Sehover and SignoVial; Agrow SPA Latinoamérica; Tupemesa and Cintac SAIC. We are currently in the process of integrating Promet, a leading company in the modular market, with presence in Chile and Peru.

Looking back on the year 2019, we can appreciate with satisfaction each of the milestones achieved by the different companies of the Group and which are in line with the dream embodied in our business strategy, for which we set out to work for. All of the above has been possible because we have a group of excellent, motivated people who are constantly challenging themselves and acting decisively to achieve great dreams. We have 1,189 direct collaborators, 482 of them in Chile and 707 in Peru.

In order to take care for our teams, we have a firm responsibility in the generation of pleasant, diverse and inclusive work environments that favor networking. We put special emphasis on generating a permanent and direct communication between our collaborators and, in a very special way, with our union leaders. In them we recognize a constructive leadership, and with whom we have achieved the strengthening of trusting and long term ties that are translated into agreements as relevant as the recent collective agreements reached by Tupemesa and Cintac SAIC.

Safety management, which is at the heart of the Cintac Group's strategy, has been a key factor in our companies. We have concentrated our efforts especially on actions in the preventive field. In 2019, we were able to reduce our Severity Rate by 50.3% compared to the previous year. But in this area there are always goals to be achieved, and zero accidents is one of them.

In environmental matters, we have set out to go further through new projects such as annual reductions in electric power and water consumption.

Before I finish, I cannot fail to mention that the year 2020 looks very complex and challenging, both in Chile and in the world. In addition to the slowdown of activity in the country, which is the result of the social crisis that has been evident since October 2019, we must add the consequences of the Covid-19 pandemic.

Anyway, I want to point out my confidence and optimism in Cintac's future performance. Our challenge is to continue building opportunities based on our strategy, and in this way, continue growing in a responsible way, seeking to multiply the value of the company, always focusing on people.

**Roberto de Andraca A.**  
Chairman of the Board of Directors

# General Manager interview

## What are the priorities established by the Cintac Group?

In the Cintac Group, we closed 2019 with 303 thousand tons shipped and a 9.3% increase in sales income in Chile and Peru, compared to the previous year's figures. Among our priorities are to improve these figures, through the consolidation of new businesses, and to continue with the acquisition process to gain a greater presence in Latin America.

It should be noted that in recent years the Cintac Group acquired three companies in Peru: Calaminon, with more than 50 years in the construction market and today focused on modular solutions; Signo Vial and Sehover, companies with more than 10 years of experience in signaling solutions and road improvement and maintenance; and Agrow, a leader in agricultural structuring systems, in Chile and Peru.

However, the contingency arising from the Covid-19 pandemic has generated new and several challenges for different sectors. Although it is too early to estimate a date for market reactivation, both in Chile and Peru, the company must be prepared to follow the level of activity in order to meet this new demand. Additionally, we will continue to move forward in our long-term strategy. In this context, consolidating the Group's performance and incorporating new business units will continue to be a challenge for this year.

**Consolidating the Group's performance and incorporating new business units will continue to be a challenge this year.**

## What were the main developments and events in 2019?

I would like to emphasize that from each of the subsidiaries incorporated to the Cintac Group we have received great human teams, people with great talent, with a constructive view and with a determined and enthusiastic way of tackling different projects and challenges.

The companies that are part of our Group have the responsibility to ensure the development of their activities without negatively affecting the environment and, mainly, taking care of the health and safety of those who are part of them. To this end, the legal requirements that apply in both areas are a basic obligation to be safeguarded. In the area of safety, we have developed different campaigns at a preventive level and each of our subsidiaries incorporates a series of programs in its safety plans. This has allowed us to lower our severity rate, which we welcome, but does not leave us in peace, as we aim to reach zero accident as our main challenge. Additionally, given the interest in contributing with more depth in environmental matters, we have developed some projects and implemented information campaigns that help to create awareness among our collaborators about how important it is to take care for the environment.

In the commercial field, we would like to positively highlight the efforts made by Calaminon, a subsidiary of the Cintac Group in Peru, by being awarded seven large modular projects during 2019 and thus reaching the sale of more than 100,000 m<sup>2</sup>. We also recognize the Tupemesa team, also in Peru, for moving forward in the development of its strategy and growth in the market, reaching its record sales in October 2019. On the other hand, Sehover and Signo Vial, one year after joining the Group, showed performances above expectations thanks to the permanent effort of their teams to visualize opportunities in tenders and make them concrete. Finally, we also highlight the generation of new business models and new alliances by the subsidiary Cintac SAIC, which aim to strengthen its position in the market as a leading company, with a recognized and renewed mix of products and innovative solutions.



**Javier Romero**  
General Manager



# CINTAC group at a glance

**Our Mission:** we contribute to various industries of the economy with sustainable solutions in steel and other materials, committed to management excellence and innovation to generate long-term value for our stakeholders.

## What sets us apart?

It's the way we do business that sets us apart. We seek high-level partners who share our values and vision for the future. We stand out because of our ability to build high-performance teams. We are innovators par excellence, and one of our competitive advantages is that we develop a culture of operational excellence.

## Our products

We offer products, solutions and services to the different economic markets in which we participate. In the housing, industrial and road infrastructure market, we participate in the manufacture of steel products; in the energy solutions market we build photovoltaic plants on the ground and on roofs. We offer construction solutions for homes and industrial buildings, for the agricultural world and modular construction for the education, health and housing markets, among others.

*More information about our business, operations and markets can be found at [www.cintac.cl](http://www.cintac.cl).*



**303 thousand**  
metric tons of products shipped



**1,189**  
own workers<sup>30</sup>

**697**  
contractors



**US\$ 341**  
million in consolidated revenues, US\$ 26 million in EBITDA



Ownership  
**62%** CAP S.A.  
**38%** AFPs and other investors

<sup>30</sup> Total number of own employees as of 31/12/2019. Includes Cintac SAIC, Tupemesa, Calaminon, Sehover and Signovial.

# Our performance on 2019



## Corporate Governance and Ethics

**33%**  
of female directors

**0**  
complaints on the Integrity Channel.

We formalize the structure and role of the holding company.

**100%**  
of the directors are independent<sup>31</sup>.



## Own workers and contractors

**17%**  
of our own workers are women.

**0**  
fatalities.

**100%**  
of own workers under OHSAS 18001, ISO 9001 and ISO 14001<sup>33</sup>.

**0**  
own workers with occupational diseases.

**1.7**<sup>32</sup>  
Frequency rate .



## Environment

**90%**  
reduction of particulate material emissions in the Maipú plant's electricity generation equipment, thanks to the on line Filter.

**4%**  
of the energy consumed comes from the 100.000 m<sup>2</sup> of solar plants installed on our roofs.

**0**  
environmental impact incidents.



## Company

We launch new construction solutions that contribute to the environment and the quality of life of people.

Sales of modules with 3D technology, to facilitate the purchase of our products and solutions, were installed in retail rooms in Chile.

**4,022**  
suppliers make up Cintac's value chain<sup>34</sup>. **760 of the suppliers in Chile are SMEs.**

<sup>31</sup> Independence" is defined according to the criteria used by the Dow Jones Sustainability Index (DJSI). It is recorded that, according to the definition of "independence" in force in Chile, there are currently 2 independent directors.

<sup>32</sup> Number of time loss accidents per million hours worked during the year Includes own workers and contractors. It considers all the companies of the Cintac Group.

<sup>33</sup> Corresponds to Cintac SAIC

<sup>34</sup> Includes Cintac SAIC, Tupemesa, Calaminon, Sehover and Signovial.

## Our positive impact on society

In 2015, world leaders adopted a set of 17 global goals to eradicate poverty, protect the planet and ensure prosperity for all. Known as the 2030 Agenda, it is an ambitious action plan for the people, the planet and prosperity. Each of these 17 goals, known as “Sustainable Development Goals” (SDAs), has specific objectives to be achieved by 2030 in a joint effort by multilateral agencies, governments, business and civil society. The following are examples of some solutions we have designed to contribute to specific 2030 Agenda goals.

**We have developed several solutions to achieve a sustainable society by 2030. This is why we have aligned ourselves with the United Nations’ Sustainable Development Goals (SDAs).**



**Target 3.6: Halve the number of deaths and injuries from road traffic accidents worldwide**

### Road safety

Cintac has positioned itself as a benchmark in the development of solutions for road infrastructure. Since 1996, when we launched our first line of metal road fenders, we have continued to innovate, including certified containment systems according to European standards into the market. Through our new subsidiaries in Peru, we are participating with a variety of products and services focused on road safety.



**Target 7.b: Expand infrastructure and improve technology to deliver modern and sustainable energy services to all in developing countries**

### Solar panels and solar power plants

We are the most experienced supplier in Chile of rooftop solar plants, with more than 100.000 m2 installed. Our solar panel system is flexible and adaptable to any type of roof or to a ground installation.



**Target 9.4: Modernize infrastructure and convert industries to be sustainable, using resources more efficiently and promoting the adoption of clean and environmentally sound industrial technology and processes**

### Construction solutions

Construction solutions is founded to provide expedite and innovative answers to construction, offering industrial buildings, modular bathrooms, modular houses and the Metalcon construction system.



# Our transformation roadmap

**We have been living a process of transformation and growth. Together with a geographical expansion, we are approaching the end user with tailor-made solutions.**

## The challenges and our response

### The context

We just began a very complex 2020 at a global level. In addition to the slowdown of activity in Chile as a result of the social crisis that has been evident since October 2019, we must add the coronavirus pandemic that is affecting the world and, consequently, the countries in which we operate. We expect that the magnitude of the impact of this virus will be reduced as a result of self-imposed restrictions on mobility, as well as those decreed by governments, which has certainly affected the work performed in our subsidiaries. Although it is too early to estimate a date for market reactivation in both Chile and Peru, we must be prepared to accompany the level of activity in order to meet this new demand. Additionally, we will continue to advance in our long-term strategy; in this context, consolidating the performance of the Group of companies and the inclusion of new business units will continue to be a challenge for this year.

### Our response

We have been systematically developing our strategy, which has allowed us to grow and project ourselves in South America, expanding to other markets of greater contribution and with other materials.

In this line we have been advancing from offering products to delivering solutions that are increasingly close to and valued by the end user, and in which innovation and technology have been decisive in the process.

In order to make our growth and diversification strategy sustainable, last November we made changes to our organizational structure by formalizing the Cintac Group with the aim of strengthening the different work teams based on three fundamental pillars: developing the potential of each subsidiary, seeking at all times to protect its own identity; generating synergies between the different companies in the Group by favoring economies of scale and thus greater efficiency; and making acquisitions that target industrialized construction and generate greater value for our company.

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## 2019 Awards and recognitions

- **Boosting Female Talent**  
Awarded by Fundación ChileMujeres, PwC Chile and Pulso, it highlighted Cintac's management in the industrial-construction sector as the company that has made the most progress in incorporating women into the various industries.
  - **Sodimac Meeting Day**  
Sodimac awarded Cintac as the most innovative supplier of the year, highlighting its work in industrialized solutions for construction, the agricultural world and the energy industry.
-

## Cintac way

We want to be protagonists of the construction of the world to come, an environment in which we can grow with confidence, ethics, transparency, respect and in a collaborative manner. In a safe environment, in harmony with the environment. It is not a dream, it is possible. It is our heritage for future generations.



### Sustainable solutions that simplify your world

We design solutions that contribute to the sustainability of the world we want to build, and that facilitate the work of companies and people. Construction systems that improve and simplify processes, modular solutions that increase efficiency and flexibility in the construction of large works and also in homes, solar panel systems on roofs for a world with lower emissions, are some of the ideas that we have materialized to contribute to a better world.



### Motivated and high performance teams

We have big dreams, and we believe that to achieve them requires motivated and high performance teams. That they connect, that they understand the value of working collaboratively and that they feel part of the challenge. We take care of our people, we seek to provide a pleasant, safe and healthy work environment that allows them to develop their full potential and encourages the contribution of new ideas. We have been building spaces where diversity, the interaction of different cultures and generations are valued and promoted.



### Innovation and transformation as a hallmark

Innovation moves us and is in our DNA. We apply it to products and solutions, to business models and to our clients' experience, since it is the competitive advantage that distinguishes us.

One example of this is the innovation clusters. During 2019, six groups of 40 participants with different professional backgrounds and from different areas of our company operated. In terms of results, the projects generated in these teams progressed in such a way that they were later included as one more offer from the Holding's companies.



# Corporate governance, risk management and ethics

## Corporate governance

### Board of Directors and Committees

Cintac S.A. is an open corporation. Our Board of Directors is composed of six people who have been their positions for three years and can be re-elected. This body is responsible for leading the strategy, including the definition of the objectives, the annual business plan, as well as the 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 sustainability.

### Strengthening Governance

At the end of 2019 we formalized the structure and role of the holding with the purpose of generating the necessary organic to sustain the growth strategy we have set out and, specifically, to strengthen our work teams. The role of the group is focused on maximizing the performance of the subsidiaries, generating synergies among them, and developing new businesses.

To update directors and executives on best practices in corporate governance, in 2019 we held a talk by the Center for Corporate Governance at the Pontificia Universidad Católica. Here we reviewed the best practices in the field, advances in inclusion, diversity and sustainability reports in the world, risk management tools, conflicts of interest, among others.

### Sustainability Governance

The Board of Directors is responsible for delivering the sustainability guidelines. Every month it reviews the relevant facts on this subject, including safety and environmental aspects, and every three months it meets with the People and the Sustainability Manager to learn in detail about the course of these subjects.

We have established instances and mechanisms of coordination and follow-up in the different matters related to sustainability. At a strategic level, the Cintac Group'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. The General Manager, the corporate managers and the managers of the other operating companies. This committee, in 2019, met three months to monitor the implementation of the strategy, approve the resources, plans and corporate standards and follow up on the indicators.

At a tactical level, we also participate in the Sustainability Group of CAP S.A. which meets every two months to coordinate the implementation of the plans.

### Composition of the Cintac Group Board of Directors (as of December 31, 2019)

	Gender		Independence <sup>35</sup>		With executive positions in the company	
	Men	Women	Independent	Not independent	Executive	Non-executive
Cintac	4	2	6	0	0	6
Tupemesa	4	1	5	0	0	5

<sup>35</sup> According to the criteria used by the Dow Jones Sustainability Index (DJSI) to define "Independence".

## Risk management

Our Board of Directors is ultimately responsible for the risk management of our company, and ensures that there is an adequate environment, structure, culture, plans and resource allocation. It also meets quarterly 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 are moving towards a new risk management culture based on looking at processes to identify them, establishing that responsibility for their management lies with the owner of the process itself. This is how we defined our critical risks and created the controls to prevent or mitigate them. Among these we can mention labor accidents, market conditions, ethical and compliance breaches and the timely adaptation to technological changes, among others.

*More information on our risk management is contained in the 2019 Annual Report available at [www.cintac.cl](http://www.cintac.cl)*



## Ethics and compliance

In 2019 CAP developed the Integrity and Compliance Program at the corporate level, which was extended to the Cintac Group. For our subsidiaries in Peru this initiative was adjusted to the local reality in line with Law 30.424, but always under the guidance of the corporate plan.

The official launch of this program is planned for 2020, and will also include the Compliance Ambassadors Workshop, a figure that arises with the mission of promoting the construction and/or maintenance of an ethical culture through communication, training and various initiatives related to integrity and compliance. In the case of our Group's companies, the new role required by the program will be assumed in most cases by the sub-managers of the People and Sustainability area, who have the necessary skills and powers to address the important challenge posed by this new function.

In line with the above, and in order to bring the company closer to the new program, training was provided to managers and assistant managers of the various subsidiaries in the main aspects of compliance. In addition, a special training instance was incorporated to those people whose function is more exposed to risks in this matter.

The following are also important milestones in the area of compliance that were promoted at the corporate level and that cover all our subsidiaries: the launch of the New Code of Integrity, the updating of the Crime Prevention Model, the development of the Compliance Program for Free Competition Regulations and the preparation of "Short Guides" in the areas of due diligence, relations with government officials and conflict of interest management.

Finally, the modernization of the Integrity Channel carried out in 2019 completes the initiatives regarding compliance issues, allowing in this case, the correct channeling of questions or reports of facts that alter the existing legal regulations or the principles and values that govern the Cintac Group.



**Code of Integrity**

### 0 complaints in 2019

Only one question was recorded on the Integrity Channel, which was resolved in a timely manner.

## Responsible procurement

At the contractor level, we monitor compliance with labor, safety and environmental regulations. Similarly, the contractors' prevention officials are required to report at least twice a year to the Joint Committee on issues of legal compliance and the safety and health of the workers in their companies.

In addition, both suppliers and contractors must comply with our Crime Prevention Model.

## Contractors: Social Outburst and Coronavirus

We are permanently concerned with safeguarding the conditions that our contracting companies offer their workers, an issue that acquired special relevance after the social outburst. In this sense, we are constantly monitoring any problems that may arise or affect our contractors and suppliers.

In the same way, and regarding the Covid-19 pandemic, our commitment is to protect the health of all the employees of the different companies of the Group, including the contractor personnel. To this end, we require that each service company has preventive protocols to deal with the pandemic, and that these protocols standardize the conditions and requirements stipulated in our protocol.

# Customers, innovation and solutions

## Innovative solutions that contribute to the quality of life and the environment

We want to be a contribution to solve the problems that people have, so we strive to understand them and to prevent climate change. This transformation is not something that began in 2019, but has been in the making for several years now, and this is part of our long-term strategy. This is how we advance in our challenge to offer solutions and services that are more tailored to the needs of the customer and final consumer. We have specialized teams in the different solutions we offer, designed for different types of industries and different industries, such as manufacturing, commerce, agriculture, education and mining.

**Sodimac Meeting Day**  
**Sodimac awarded us as the most innovative supplier of the year, highlighting our work in industrialized solutions for construction, the agricultural world and the energy industry, as well as our protection of the environment.**

### 1. Road safety

We have positioned ourselves as a benchmark in the development of solutions for road infrastructure, offering, for example, containment systems certified under European standards. Additionally, we have expanded our offerings with the entry into the Cintac Group of the Peruvian companies Sehover and SignoVial (60% participation), which are focused on safety, signaling services, and road maintenance.

### 3. Agricultural solutions

We offer galvanized steel structures used for the conduction and support of vineyards and fruit trees. Thanks to its characteristics, it optimizes and facilitates trellising tasks and supports mechanized harvesting processes, delivering a resistant and lightweight solution. In October 2019, we acquired 70% of Agrow SPA Latin America, a company with significant experience in the world of steel, plastic and other materials for sustainable solutions in the agricultural market. This partnership allows us to continue strengthening our position in that market, increasing our presence in the region.

### 2. Solar panels and solar power plants.

We design, develop and carry out the assembly of photovoltaic solutions, which are adaptable and flexible, allowing their installation on roofs and on the ground. In 2019 we launched the first solar generation kit to be sold in retail in Chile. The latest solar plant projects have been installed in companies in the country such as Bodegas A cuenta, Parque del Recuerdo, Núcleo Ochagavía, Tecnigen and Salco Brand, among others.

### 4. Constructive solutions

In construction there is a worldwide trend towards greater industrialization, thus solving the challenges of order, control and quality of the works required by the market and a more demanding consumer. That is why our offer has joined this trend, seeking agility and ease in the installation and assembly, as well as greater simplicity for the end user and achieving more competitive costs. Modular bathrooms, self-supporting panel modular houses, multipurpose modules (offices, schools, hospitals, workshops and warehouses), as well as industrial warehouses, are examples of the construction solutions we are marketing. In terms of modular construction, our Peruvian subsidiary Calaminon should be highlighted, which participates in this market by offering the highest quality solutions for the education, health and housing industries (*see highlighted note on page 76*). Through our subsidiary Tupemesa, we offer hot-dip galvanizing service using a modern galvanizing plant located in Lurín-Lima.

## Construction 4.0

The future of construction is constantly changing, bathrooms, houses, classrooms and modular hospitals are a solution that adapts to the new times.



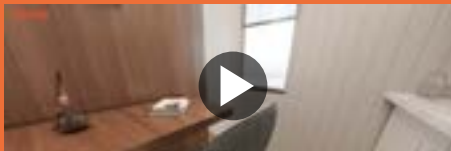
### Modular bathrooms

We have pioneered the development of modular prefabricated bathrooms. This new trend in construction makes it possible to reduce construction time by 30%, among other things. Having a finished bathroom also generates positive environmental impacts, achieves greater efficiency in its manufacture, assembly and lower material losses and waste generation. We have specialized personnel to ensure an adequate installation, evaluating from the project design to the correct definition of the parameters and requirements.



### Modular classrooms and hospitals

In Peru, our subsidiary CALAMINON, a leading company in modular construction, is the main supplier of this type of solutions to improve the country's infrastructure in remote and difficult to access places, and where traditional construction is impossible to execute. High standard, versatile solutions that are manufactured at the plant and transported in kit form to different locations, allow us to have schools and hospitals built in a very short time (60 to 90 days), thus contributing to the development of society.



### Modular homes

We offer ready-to-install homes on site, easily connected to the sewage system and the existing electrical system. Its materiality provides excellent thermal, acoustic and waterproof performance. Its modular technology is easy to transport and install. Additionally, it complies with the most demanding technical standards, and has a thermal enclosure system. It is an ideal alternative for a second home, or for a mobile or temporary home. Additionally, we have low cost designs, being this an inclusive solution, due to its viability as social housing.

To visit the virtual tour, enter [https://data.sentiovr.com/spaces/9146/space\\_1569512402/vtour/tour.html](https://data.sentiovr.com/spaces/9146/space_1569512402/vtour/tour.html)

## Service and customer satisfaction

We have expanded the universe of customers, commercializing in B2B and in the last years expanding strongly the B2C, offering our products in retail, in the real estate sector and in a direct way to the individual consumer. We want to know the needs of the final consumer and have direct access to their concerns, problems and dreams allows us to focus and adapt the solutions we offer quickly and effectively.

### Customer experience

We are interested in making our customer's experience a pleasant one, without friction, and to this end we use the latest technology available to be close to them. The implementation of the specialized SAP CX platform - Customer Experience - allows us to have a permanent monitoring of our sales, service delivered and marketing of our solutions. On this platform we also host our B2B and B2C portals. We apply customer surveys, where we measure the fulfillment of our offer and the satisfaction with different aspects of the experience of the different customers.

### Communication with the customer

The breadth of our marketing and consumer channels demands permanent communication in order to maintain high levels of satisfaction. In addition to traditional communication channels, we have virtual customer service platforms and social media.



Sales modules with 3D technology

# Our people: workers and contractors

## Corporate guidelines and policies

We have an integrative Group vision since we aspire to respect the local and individual identity of each country and region where our operations are located, but at the same time, we define those aspects that cannot be ignored such as legal compliance, ethics and integrity.

### Mandatory aspects

We have a comprehensive Management System, from which emanate procedures that already certified companies must comply with. We also implement an - internal and external - audit system that controls compliance. From the recruitment and selection of candidates, there is a concern to carry out an orderly process, which allows the successful completion of the recruitment. Every person who is part of the Cintac Group has their contract within the deadlines established by law, with due payment of their remuneration and legal contributions on the corresponding dates. All employees are given the personal protection elements and tools that allow them to adequately perform their function, complying with all the established protocols that govern working life. As a result of the above, none of the Group's companies has been exposed to or maintains any labor lawsuits in this area.

## Motivated teams

We have big dreams and we believe that to achieve them requires motivated and high performance teams. Teams that connect, that understand the value of working collaboratively and that feel part of the challenge. It is not an easy task, but we have been moving forward through consistency between what we say and what we do. We take care of our people, we seek to provide a pleasant, safe and healthy working environment that allows them to develop their full potential and that encourages the contribution of new ideas. We have been building spaces in which diversity, the interaction of different cultures and generations has been of great value. The results of the last Committed survey (2019) support the above, where the work done in Cintac is especially recognized, achieving an SSIndex 2019 of 76%, which means that this percentage of the measured stakeholders (workers) positively value Cintac's risk management and sustainability.

### HIGH-PERFORMANCE TEAMS

The fact that people develop in a healthy and safe working environment, that they are efficient and motivated, allows assembling high performance teams. Other key elements in this sense are the progress of people, training and communication.

### CINTAC high performance team

Number of employees as of December 31

Cintac Chile

2017	391
2018	436
2019	482

Cintac Perú

2017	246
2018	449
2019	708





Safety

0 fatalities in the last 6 years.

	Frequency Rate <sup>36</sup>	Severity Rate
2017	3.5	230
2018	2.2	157
2019	1.7	53



<sup>36</sup> Days lost per million hours worked.

**People development.** The organizational restructurings that we created in 2019 in each of the Group’s companies were possible due to the development programs that the subsidiaries built with their teams. To sustain the growth and diversification strategy over time, it is essential to have the necessary skills in place in a timely manner. That is why we identify the differentiated talents, which has allowed us to generate development plans to adequately manage our workers. Thus, the different companies of the Group have implemented various initiatives, always respecting the identity and culture of each country and company. For example, Calaminón has a Leadership School aimed at executives and talent development, which includes coaching and which in 2020 will add the training of mentors at different levels. Tupemesa has a High Potential plan, focused on executives and personnel with potential, which included strategic reflection days, coaching sessions and which will continue with a second stage of consolidation in 2020.

**Innovation capabilities**  
**Six groups led innovation projects. With this we seek to create innovation capabilities in our working teams. In 2019, forty Cintac Group employees participated in the innovation groups.**

**Career path, succession and rotation plans.** We seek to privilege the movement of people within the Group, so that, when new positions arise in any of the companies, the possibility of an opportunity is first evaluated for those who work in any of the group’s subsidiaries. This facilitates the generation of succession plans that are in line with the skills required for each of the key positions. In 2019 we implemented an innovative program for the rotation of talent with potential within the Cintac Group. It consists of an exchange of professionals between different areas with the intention of developing in them a comprehensive view of the organization, facilitating the knowledge of the different processes of the company and finally favoring the promotion to other types of positions without the limitation of the area to which the professional belongs. In 2019, the program was implemented in four positions.

**Communication and climate.** We want the employees of the different subsidiaries to be informed about the implications of their work, as well as about the projects and challenges that the company has set itself. We believe that the best way to do this is through direct communication between management and workers, so we encourage frequent meetings with teams to address various issues of interest. Along the same lines, in all our subsidiaries we have developed company vision days of which the general managers are in charge. Thus, those who work with us are informed directly about the goals of the organization, the major focus of action and the results obtained. Among the tools available are screens, organizational WhatsApp, newsletters in each of the subsidiaries and in the case of Signo Vial, the Facebook Workplace has just been created.

**Safety.** We believe that good relations are the basis for safe environments. Therefore, and based on our comprehensive approach, safety aspects are a key part of creating high performance teams. Thus, we emphasize prevention, self-care and creating safe environments, where workers and contractors feel part of us. Thanks to the safety plans in each of the subsidiaries, aimed to anticipate events and manage incidents, we managed to reduce our Severity Rate<sup>37</sup> by 50.3% when compared to the previous year. Despite this, we cannot feel successful because we are aware that Safety requires constant care. For this reason, we review our plans and programs to improve them every year. We have an Incident Management Program, which allows us to detect unsafe conditions early and implement improvement actions according to their criticality. Likewise, the Behavior Improvement Program allows identifying unsafe behaviors to increase the perception of risk in the different work positions. We have not had any fatalities in the last six years.

**Union relations.** Maintaining good relations with workers and unions is essential to the kind of working environment we aim to achieve. That is why we maintain an open-door and mutual cooperation policy with the three union organizations, to which 44% of our workers are affiliated. In 2019, two collective negotiations were held, which took place in an atmosphere of dialogue and resulted in early agreements with the Tupemesa union and a Cintac union.

<sup>37</sup> Days lost per million hours worked



## Diversity and inclusion of women

For us, gender diversity, multiculturalism and inclusion are relevant aspects to generate more collaborative, diverse and healthy working environments, which we believe are the foundations for the results of any company. We are working on strengthening talent, training, leadership and the inclusion of women in different roles within the organization.

We encourage the work of women with high levels of recruitment, assigning a priority to having women in the work teams. We want to include the female vision into a greater critical mass in the different companies of the Group. Thus, in 2019 we reached 17% of women in this group, with two out of seven directors, one corporate manager, eight managers in subsidiaries and 199 employees. As a result, in 2019 we received the Female Talent Award, which measures the progress of companies in different industries in terms of narrowing wage gaps and increasing the rate of female participation. We were recognized in the industrial and construction category as one of the Chilean companies that has made the most progress in including women into the different levels of the organization.

### Diversity

#### Women

2017	15%
2018	16%
2019	17%



# Environmental responsibility

## Environmental guidelines and policies

In the companies of the Cintac Group we perform our work mainly in lines of action to be aware of our impacts and to reduce their magnitude. We have set ourselves ambitious goals so that our plants operate in harmony with the environment. In this area we are constantly concerned with complying with the legislation in force, constantly evaluating the impact of what we do and incorporating innovation into the processes, guaranteeing the growth of the business and the future of the new generations.

There are tireless aspects such as legal compliance in environmental matters, and they are part of the basic obligation of each of the Group's subsidiaries. In addition, we seek to go beyond the legal requirements through various initiatives that reflect our interest in contributing to the environment. For example, measuring the carbon footprint, product life cycle analysis and waste segregation projects, among others. All our processes are periodically audited to detect deviations and apply the corresponding corrective actions. In Chile our operations are certified under ISO 14001.

## Climate change

Climate change not only involves risks - physical and transitional - but can also offer opportunities to exploit new markets or products. This is why we measure our carbon footprint in line with the methodology of Huella Chile, a program of the Ministry of the Environment, for scopes 1, 2 and 3. This calculation was recognized by Huella Chile in 2018<sup>38</sup>. The sum of Scope 1, 2 and 3 was 540,301 tons CO<sub>2</sub> eq. in 2018, 99% of which was indirect emissions associated with the supply chain, 0.7% was electricity consumption and only 0.3% was direct Scope 1 emissions.

- **Carbon footprint of products.** Providing products that reduce the carbon footprint of our customers is part of the motivation to measure and certify under the Life Cycle Assessment (LCA) three of our products: (i) Metalcon, (ii) Steel stakes for vineyard and (iii) Collaborating plate (2.45/ 2.51 / 2.49 kilos of CO<sub>2</sub> eq/kilo respectively). For some customers, having a product with its Life Cycle Analysis is a key attribute for the certification of sustainable construction projects.
- **Energy efficiency.** One of the main climate change mitigation measures is the improvements in energy efficiency that we implement in the different operations. We have an Energy Efficiency Committee, which reviews and evaluates processes, seeking the best way to improve them and make them more efficient. As a result, Cintac Chile replaced low efficiency equipment, as well as installed consumption control and monitoring equipment for the different machinery, establishing the basis for future improvements.
- **Inclusion of renewable energy.** We have the largest rooftop photovoltaic plants in Latin America (100,000 m<sup>2</sup> of solar plants installed). They have a capacity of 2.7 MW and supply 70% of the production process of the plant in Maipú, which is equivalent to 4% of the total energy we consume in the Cintac Group. In the future we hope to expand solar energy generation, thus contributing to the carbon-neutral goal set by Chile for 2050, by installing more rooftops with photovoltaic plants. Meanwhile, we are working on making the panel cleaning system more efficient given the scarcity of rainfall and the increase in temperature, both of which are consequences of climate change.
- **Optimization of water use.** There are three projects to make our water consumption more efficient, which are being evaluated in their technical and economic feasibility, are (i) recirculation of process water. (ii) reuse of water from the regeneration process of the water softening columns used in the paint plant. (iii) Reuse of the effluent from the wastewater treatment plant for irrigation of green areas.

## First company in Chile and the world to implement the Filtro Vivo system

Seeking to contribute to improving air quality, a system composed of six units - live filters - was implemented to absorb particulate material through the leaves and substrate. Through the natural process of photosynthesis, they convert it into nutrients for the plants. Thanks to this innovation, we managed to reduce by 90% the emissions of particulate material in the electricity generation equipment (generator), decreasing the emissions from 52.9 mg/m<sup>3</sup>N to 4mg/m<sup>3</sup>N.

<sup>38</sup> The carbon footprint published in the report is of the 2018 operation, with the 2019 measurement in progress.



## Responsible waste management

We manage all our waste responsibly; valuing those that allow it and disposing of those that cannot be reused or recycled in accordance with current legislation. This procedure has contributed to the reduction of our carbon footprint. In Chile, in 2018 we adhered to a Clean Production Agreement (CPA) Zero Waste for Disposal, which is still in force. Likewise, Tupemesa and Calaminon in Peru have initiatives to reduce waste generation, recycling and/or reusing. During 2019 we generated 6,146 tons of waste<sup>39</sup>, 6% of which corresponded to hazardous industrial waste. Of the total waste generated, 86% was recycled.

**Clean points.** In order to deepen the culture of environmental care that we are promoting in the Cintac Group, we develop Clean Points so that workers and their families can discard their waste in a clean and safe way. All our plants have areas for the collection and segregation of industrial waste generated in the processes.

**Sensibilization of workers and contractors.** We constantly carry out talks and awareness campaigns to transmit the importance of correct waste segregation, as well as the impact and environmental contribution generated by recycling. To reinforce the issue, we carry out inspections of these processes and have facilities and information to support their management.

**Value to waste.** All usable waste is marketed through authorized companies or sold to companies for its use. For example, Calaminón has a pelletizing equipment that reprocesses polystyrene crusts. This process allows us to obtain EPS pellets, which are sold in the Peruvian market as raw material for the manufacture of plastic car headlights, adhesives, etc. In Chile, Cintac added one more waste to those that provide an added value. It is the lamella sludge, which is used as an alternative fuel for the furnaces of a cement factory, thus reducing the waste that goes to confinement.

### Waste generated and recycled

Waste generated  
(Tons)

2017	6,997
2018	5,452
2019	4,397

Recycled waste  
(Percentage)

2017	85%
2018	85%
2019	86%



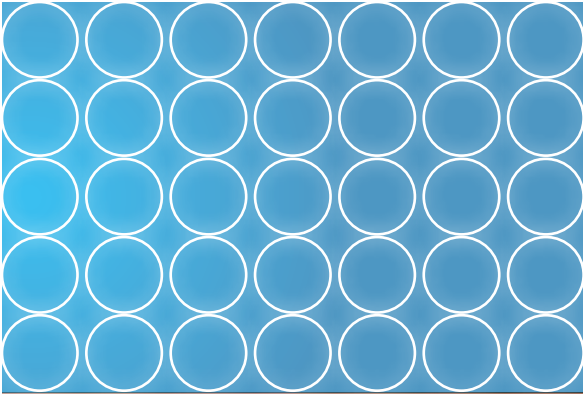
### Capacity building in the cintac community

With a practical approach, the trainings and workshops we offer to teachers and construction professionals are an invitation to grow and develop together with the company. They are provided physically and online, and add up to more than twenty years of social contribution linked to the business. One of the most professional courses is dedicated to the use of Metalcon, forming a community with more than seven thousand people trained since its creation. In 2019 we instructed free of charge a total of 891 people in its use, of which almost 67% correspond to those attending the Sodimac Fair. The main objective of this course is to get the student to acquire the necessary knowledge so that he can develop constructions, expansions or houses by himself, using the Metalcon construction system.



<sup>39</sup> Includes Cintac Chile, Tupemesa and Calaminon.

**CINTAC®**



# SUSTAINABILITY REPORT 2019



**TASA - TUBOS ARGENTINOS**











# About us and what do we do?

## What sets us apart?

TASA is the first Argentinian company to manufacture steel pipes with seams. More than 100 years of history allow us to talk about quality assurance, based on a commitment that we constantly reaffirm until today.

## Our products

We are dedicated to the production and wholesale distribution of steel products such as structural tubes, pipes, C-profiles and dry construction.

 <p><b>47.6 thousand</b> metric tons of manufactured products shipped</p>	 <p><b>US\$ 57.29</b> million in consolidated revenue</p>	 <p><b>0 fines</b> for non-compliance in social or economic matters.</p>
 <p><b>167</b> workers<sup>40</sup></p>	<p><b>US\$ 4.38</b> million in EBITDA</p>	<p><b>2</b> complaints on the Integrity Channel.</p>
<p><b>14%</b> women</p>	 <p><b>Ownership</b> <b>99.9%</b> INTASA S.A.<sup>41</sup></p>	
<p><b>23</b> contractors</p>	 <p><b>100%</b> of workers under OHSAS 18001 and ISO 14001; <b>67%</b> under ISO 9001</p>	

### Composition of the Board of Directors<sup>42</sup> (as of December 31, 2019)

Gender		Independence <sup>43</sup>		With executive positions in the company	
Man	Woman	Independent	Not independent	Executive	Non-executive
3	3	6	0	0	6

<sup>40</sup> Total number of own employees as of 31/12/2019.

<sup>41</sup> The main shareholders of INTASA S.A. are CAP S.A. with 57.79% and Novacero S.A. with 30.56%. The latter is part of the Cintac Group.

<sup>42</sup> Refers to the Board of Directors of INTASA S.A.

<sup>43</sup> Independence" is defined according to the criteria used by the Dow Jones Sustainability Index (DJSI).

# General Manager's Vision

## What are the main trends and issues that are impacting TASA's business?

Our business depends directly on the activity in the internal market of construction and public investment. Our products are traded at a dollar value; therefore, they are highly affected by changes in economic policies.

## What are the priorities that TASA has set, and the main progress and developments in those priorities during 2019?

Tubos Argentinos is committed to provide the customer with an excellent service, with customized products and information services that integrate all areas. In this sense, additional equipment as well as drilling and cutting service providers have been developed to be able to add value to the product, meet the requirements of demanding customers who need large scale solutions. In addition, a digital access was developed through a web page where the customer can manage all the information related to its interaction with all the sectors of the company. As a result of these actions, an improvement was detected in the Customer Satisfaction Survey.

Regarding Tubos Argentinos' internal priorities, safety was defined as a strategic value, working on the infrastructure and training people. Visual inspections of tasks, housekeeping audits, training regarding unsafe actions, follow-up of improvement proposals, among other activities, are carried out. An in depth work is expected to be carried out with each production line to define the risk points and seek their management.



**Paula Poloni**  
General Manager



## Corporate governance

Tubos Argentinos is a corporation. The Board of Directors of INTASA S.A. The Board of Directors of INTASA S.A., TASA's controlling company, is composed of six people. It is responsible for leading the strategy, including the definition of the objectives, the annual business plan, as well as the medium and long term ones. Along with this, it defines the fundamental principles, mission, values, policies, strategies and priorities; monitors value creation and the efficient use of resources; supervises performance, risks and management control systems, including those of sustainability.

## Ethics and compliance

The Integrity and Compliance Program developed by the CAP Group in 2019 is extended to TASA, as well as the new Code of Integrity and the Group's guidelines on due diligence, relations with government officials, influential people or people who represent others, and conflict of interest management, among others.

## Innovative solutions that contribute to the quality of life and the environment

We have three product lines that contribute to the quality of life and the environment:

### 1. Solar TASA

CAP Group, through Cintac, is the most experienced supplier in Chile of rooftop solar plants, with more than 100 thousand m<sup>2</sup> installed. TASA has incorporated this line of business by offering solar panel systems adaptable to any type of roof or floor, as well as structures for the generation of renewable energy.

### 2. Road TASA

TASA provides the Argentinean and regional market with road fenders made of the highest quality galvanized steel. It also offers other structures for road and mining use, as well as ponds for water storage that allow to take care of this scarce resource.

### 3. Steel House

Innovative architectural solution that allows to build more durable houses, with great flexibility in the design, as well as large size sheds and warehouses of excellent durability and Safety, due to their characteristics of seismic and fire resistance. These have greater thermal insulation, which generates energy savings at the time of use. The agility in the planning of work allows a great simplification of the construction processes.

Our commitment to product quality is reflected in our compliance with a number of national and international quality standards. Likewise, all our processes are certified under the ISO 9001 quality management standard, safeguarding the application of control mechanisms and continuous process improvement.





## Workers

All labor policies of CAP Group and Cintac Group apply to the Argentinean Pipe and Tube operation. We seek to generate quality jobs for the 167 people working in the company, generating spaces for dialogue and opportunities for improvement for each position. We apply labor surveys, which have shown a noticeable improvement in the quality of life of our workers.

## Occupational health and safety

The Safety Policy developed by CAP Group extends to TASA, so it has a preventive approach that puts safety at the center of every process and activity. During 2019 we tripled the hours of training in safety matters, which will continue in 2020. Given the greater seniority of the workers, it is necessary to make greater efforts to generate awareness and achieve the required cultural change.

The 23 contractor workers who work for the company must meet the same safety standards as TASA employees. To this end, they are trained and monitored through ISO and OSHAS audits.

## Environment

The CAP Group's Environmental Policy also applies to TASA, thus maintaining a precautionary approach in its operation. 100% of our employees work under an ISO 14001 management system.

75% of the energy we consume is natural gas (3,639,756 GJoules), which is a more environmentally friendly energy source.

We have a Waste Management Plan focusing on the industrial waste we generate. These are segregated and stored in a safe area, and then removed for safe disposal, which is certified by a third party.

## Our values



We encourage teamwork in all areas.



We facilitate the addition of value to the end user from production and logistics.



We promote safe working conditions for our people.



We are an open door company to our customers.



We respect and care for the environment.



We promote training as a means to achieve the development of our human resources.



We are involved in the community to which we belong.



We innovate to meet new solutions with steel products.



We serve the needs of our customers by listening to their own point of view



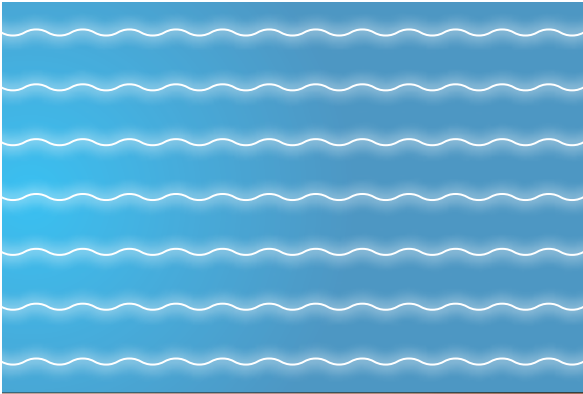
We seek physical safety in the use of our products.



We value the development of the creativity of our technicians and engineers from existing technology.







# SUSTAINABILITY REPORT 2019



## INFRASTRUCTURE



# The vision of the General Manager

Infrastructure has maintained a strategy focused on the operational excellence of its assets, which in the future will become increasingly relevant not only at a company level, but also at a country level.

Regarding our Aguas CAP desalination plant, we have observed how water shortages and long periods of drought have diverted attention towards water desalination as an interesting alternative supply for the population and industries. The CAP Group, as a pioneer in this activity in the country, has accumulated a great deal of knowledge in its years of operation, which will allow us to strengthen the development of the business, to contribute to the growth of the activity at a national level. In 2019, and as part of our environmental commitments, we began to replace our water pipeline network, by installing a pipeline for the Cerro Negro Norte operation of Compañía Minera del Pacífico (CMP).

On the other hand, Puerto Las Losas proved to be a very relevant asset for the Group by becoming an alternative as an exit point for Compañía Minera del Pacífico's products. Given the contingency occurred at Puerto Guacolda II of CMP during 2018 and 2019, we had a record of cargo transfer, reaching almost one million tons of iron ore thanks to having obtained special permits for this operation. We are proud to have achieved the certification of Puerto Las Losas in the three standards ISO - 14001, 9001 and 45001- and the re-certification under ISPS.

By 2020, it is projected that inputs for large wind farm projects will be landed at Las Losas, which will contribute to a higher level of operational use of the port. Likewise, in the port business, new synergies between the Group's terminals are being analyzed.

In 2020 we entered the Environmental Impact Assessment System (SEIA) with two major projects to improve our results. The first, from Puerto Las Losas, which seeks to maintain the transfer of iron ore, is called "Modification, reception and shipment of bulk ore", and will have an investment of US\$ 8.6 million. The second, called "Natural Gas Southern Zone", enables this clean energy in the Biobío Region contributing to the decontamination of the south of Chile; it will require an investment of approximately US\$ 100 million.

The economic results, which are part of our excellence, reached maximums since the beginning of our operations, registering revenues and EBITDA of ThUS\$85,558 and ThUS\$52,937, respectively. These increases reflect an increase of 8.3% and 3.1% when compared to the ThUS\$79,014 and ThUS\$51,342 of 2018. Thus, the net income for 2019 reached ThUS\$20,255, 20.7% higher than the ThUS\$16,777 in 2018, influenced by the good performance of the seawater desalination plant, as well as the higher flow of cargo at Puerto Las Losas, used by CMP as a shipping alternative due to the lack of service at Puerto Guacolda II.

The movement that has generated the activation of Puerto Las Losas has created positive externalities for the community, in particular the local services in Huasco, boosting land transport and the activity of the docks workers, all local.

As I end these words, I want to point out my absolute confidence and optimism in the future performance of Infrastructure. Our challenge is to maintain an operation of excellence, being responsible with the environment and the community that welcomes us, seeking to increase the value of the company every year.



**José González M.**  
General Manager Aguas CAP

**Our business seeks to contribute to solving environmental and economic challenges in the areas where we are located.**

# Infrastructure at a glance

## Who are we and what do we do?

We are a recently created area that includes the desalinated water companies Cleanairtech South America, the power transmission company Tecnocap and Puerto Las Losas, all located in Chile. It is important to point out that in February 2020 we entered the Environmental Impact Assessment System (SEIA) for the Southern Zone Natural Gas project.

### Infrastructure



**1 million**  
metric tons mobilized in the port



**7.8 millones**  
million m<sup>3</sup> desalinated water produced



**33**  
own workers<sup>44</sup>.

**390**  
contractors



**US\$ 86**  
million in consolidated revenues

**US\$ 53**  
million in EBITDA

### Aguas CAP

Its main activity is to produce and deliver desalinated water in the Atacama Region.

**7.8 million m<sup>3</sup> of 100% desalinated water** were produced in 2019, which is equivalent to the water consumption of **52 million** people or **3,178** Olympic swimming pools.

Our current installed capacity is **12 million m<sup>3</sup>**.

### Puerto Las Losas

Multipurpose terminal for bulk, general cargo and cargo investment project in the Atacama Region.

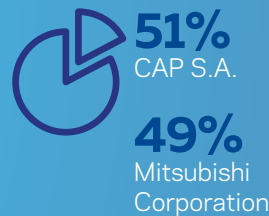
In 2019 we transferred almost **1 million** tons of iron ore.

### Tecnocap

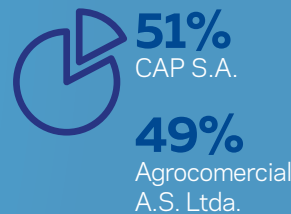
Supplies electrical energy to Aguas CAP, Puerto Punta Totoralillo and Cerro Negro Norte (CNN) of CMP.

Its facilities are in the Atacama Region.

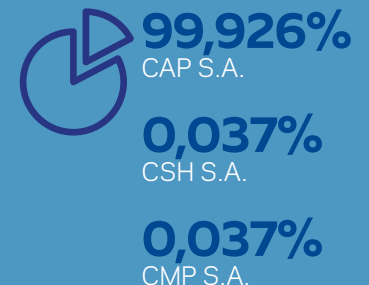
### Ownership



### Ownership



### Ownership



## Our performance on 2019



### Corporate Governance and Ethics

**3** complaints in the Integrity Channel, 1 resolved, 1 being processed and 1 pending.



### Own workers and contractors

**33** own workers, of which **18%** are women and **48%** are local.

**0** fatalities  
**1** serious accident



### Environment

**0** incidents with environmental impact.  
**0** environmental fines.  
**6%** of waste is recycled or reused<sup>45</sup>.



### Company

**55%** of workers under ISO 45001, ISO 9001 and ISO 14001<sup>46</sup>.

**83** suppliers make up the value chain. **49%** are local<sup>47</sup>.  
**49%** are local.

<sup>44</sup> Total number of own employees as of 31/12/2019. Includes Aguas Cap and Puerto Las Losas.

<sup>45</sup> The waste generated at Puerto Las Losas is managed by CMP.

<sup>46</sup> It corresponds to Puerto Las Losas.

<sup>47</sup> Includes Puerto Las Losas.

# Aguas CAP and its impact on society

This company has a desalination plant that supplies water to CMP Cerro Negro Norte (CNN), the magnetite plant and to Puerto Punta Totoralillo. It has also extended its services to other companies in the area such as Minera Caserones, which due to an environmental commitment supplies water to two sectors in the region, Caldera and the Mal Paso Canal in Tierra Amarilla. In addition, thanks to the pipeline water transportation service, we moved 2.8 million m<sup>3</sup> of water recovered by CNN and the magnetite plant to the Copiapó Valley (in CMP's filtration equipment at Puerto Punta Totoralillo).

The production and delivery of this supply helps mitigate the critical water shortage situation in the Atacama Region. In addition, collaborative work is carried out with the fishermen's guilds in the area, schools, indigenous communities and municipalities, among others. We comply with the policies defined in the Equator Principles and our activity is aligned with the United Nations Sustainable Development Goals, known as Agenda 2030, an ambitious action plan in favor of people, the planet and prosperity. In particular, we contribute to ODS 6 by ensuring the availability of clean water, enabling sustainable management in an area of water scarcity.

## Marketing of desalinated water in 2019

For community use:

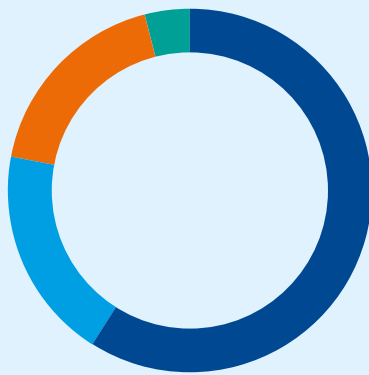
**59%**  
to Minera Caserones  
(4.6 million m<sup>3</sup>).

For industrial use:

**19%**  
to the Planta Magnetita  
in Tierra Amarilla  
(1.5 million m<sup>3</sup>).

**18%**  
to Cerro Negro Norte  
(1.4 million m<sup>3</sup>).

**4%**  
to Punta Totoralillo Port  
(0.3 million m<sup>3</sup>).



## Socio-environmental risks

The identification of critical socio-environmental risks, which take into consideration all the environmental and social components that industrial processes could impact, made it possible to evaluate, categorize and define action plans to control them, measures that will be implemented in 2020. Likewise, we updated the general risks of Aguas CAP, in order to prepare plans and control measures in 2020.



## Workers and contractors

We strive to create pleasant, safe and healthy environments, with special concern for the care of the physical spaces used by our workers and contractors.

We have trained these groups in the care and protection of the environment and health and safety at work. The operating plant was trained in matters of Civil and Criminal Liability.

We have standards for our contracting companies that go beyond the legal minimums and define guidelines in sustainability.

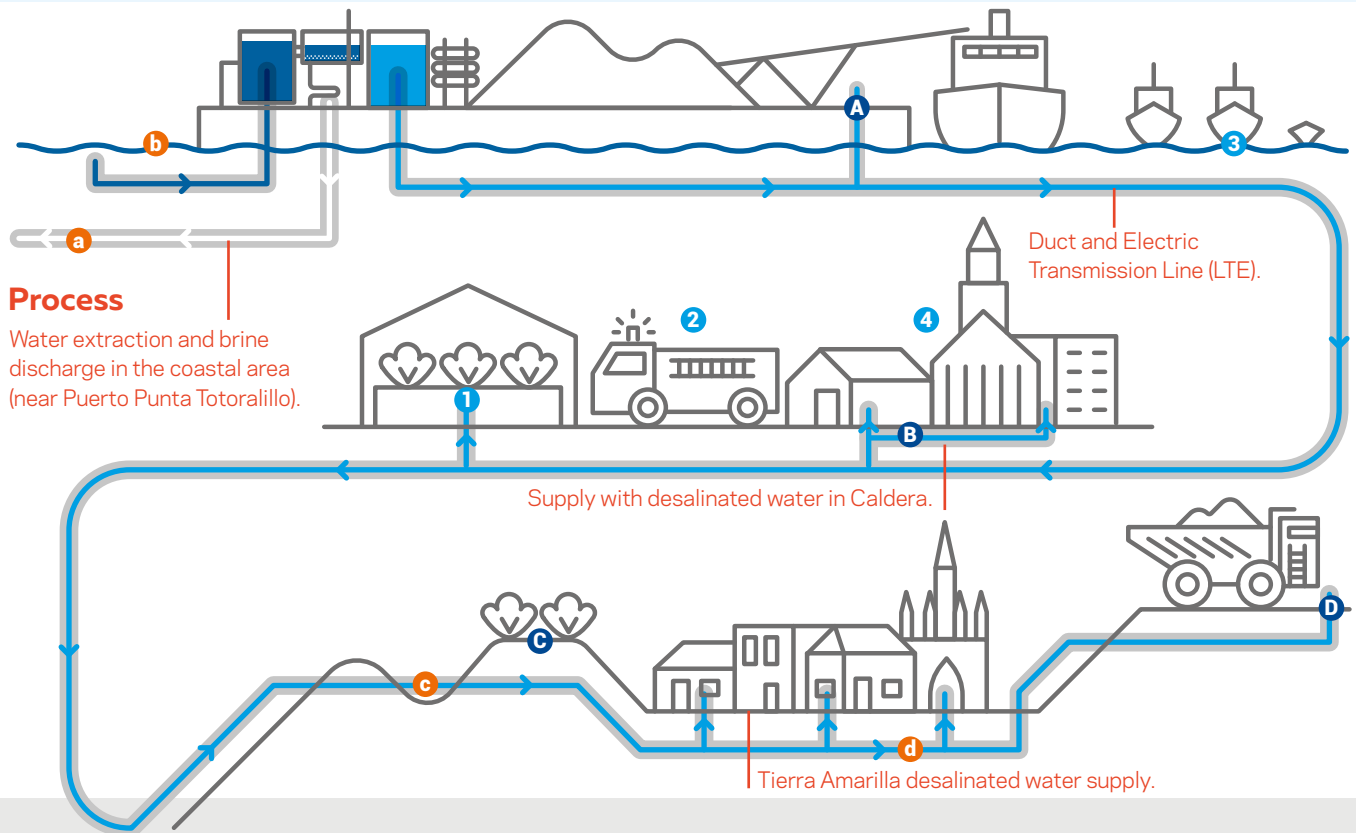
- **15** workers in total, **27%** are women and **13%** are from the local community.
- **269** contractors.
- **46** suppliers form the value chain, **57%** are local.





## Social impacts

- A** Water use in Puerto Punta Totalillo.
  - B** Use of water for home consumption in the community of Caldera through the sale of water to the Caserones mining company.
  - C** Use of water for consumption in agriculture in the commune of Tierra Amarilla and Copiapó through the sale of water to the Minera Caserones company.
  - D** Water use for mining in Cerro Negro Norte in Copiapó and the Planta Magnetita in Tierra Amarilla.
- 
- 1 Indigenous community of Caldera:** Delivery of desalinated water to the Colla Inti Wañuy community of Caldera for the production of vegetables through a hydroponic system.
  - 2 Contribution to Caldera Fire Department:** Through the contribution of diving courses, we sought to generate capacity in the firefighters of Caldera, this initiative is done in conjunction with CMP.
  - 3 Fishermen's Guild and Municipality of Caldera:** Since 2018 and in conjunction with CMP, a hyperbaric medicine room was set up, which will be operational in 2020.
  - 4 Local development:** We prioritize the hiring of local labor and services offered by local providers.



## Environmental effects

- a Pouring of brine:** 10.8 million m<sup>3</sup> of brine are returned to the sea through an emissary that enters the sea at a depth of 18 meters. There is no direct discharge, but there are diffusers to dilute this fluid.
- b Monitoring of the marine environment:** We monitor the marine environment with monthly measurements in the discharge area and the biannual application of the Environmental Monitoring Program to review the behavior of the environment.
- c Biodiversity:** Our pipeline crosses a priority site, dune field and the Quebrada del León protected area. Training is provided for workers on aspects of respect and care for flora, fauna, archaeology and the handling of waste and hazardous substances.
- d Conservation of water resources:** Thanks to the "released" industrial water, the existing water resource in the Copiapó area can be used for other purposes or conserved in natural environments.

# Puerto Las Losas

## At a glance

We are located in Bahía Guacolda, Atacama Region. We are prepared and certified for the loading and unloading of different products such as bulk ore, agro-industrial bulk, project cargo (large packages and/or tonnage), containers, copper and fruits (pallets to warehouse and in refrigerated containers). In 2019 we reached maximum levels of cargo transfer, totaling 0.9 million tons of iron ore. Additionally, in early 2020 we offloaded a wind farm.

### Future projection

In February 2020, we submitted an Environmental Impact Statement (EIS) for the project "Modification, Receipt and Shipment of Ore Bulk" to the Environmental Impact Assessment System (SEIA). It contemplates an investment of US\$ 8.6 million and has a useful life of 39 years, which will allow the continuity of the reception and shipment of iron ore.

It is estimated that in 2020 we will be offloading two large wind farms, which will require the preparation of the port facilities and our staff.

### Risk management and compliance

We identify critical socio-environmental risks considering all components, including those environmental and social matrices that industrial processes could impact. We then evaluated and categorized them, assigning a Control Measures Plan for each of them, which were applied from the fourth quarter of 2019. We also participated in the compliance training conducted by the CAP Group.

### Operational Excellence

In 2019, Puerto Las Losas achieved certification of its operations under the ISO 9001:2015 Quality Management, ISO 14001:2015 Environmental Management and ISO 45001:2018 Occupational Health and Safety Management standards. Complementarily, we renewed our Declaration of Compliance with the ISPS Code<sup>48</sup>, standard of excellence for port operations in aspects of safety and reliability.

### Responsible sourcing

The critical services and essential inputs of our port activity are represented by the dockers, the wharf and the equipment. We have standards for our contracting companies that go beyond the legal minimums and define guidelines in the area of sustainability.

**We are here to meet the cargo transfer needs of our partners, as well as those of the growing industry of the Atacama Region in Chile, and of international customers, always with guaranteed quality, safety and efficiency.**

### Puerto Las Losas in figures

**100%** of the workers under ISO 45001, ISO 9001 and ISO 14001, and ISPS standard.

**18** workers in total, **78%** are from the local community and **11%** are women.

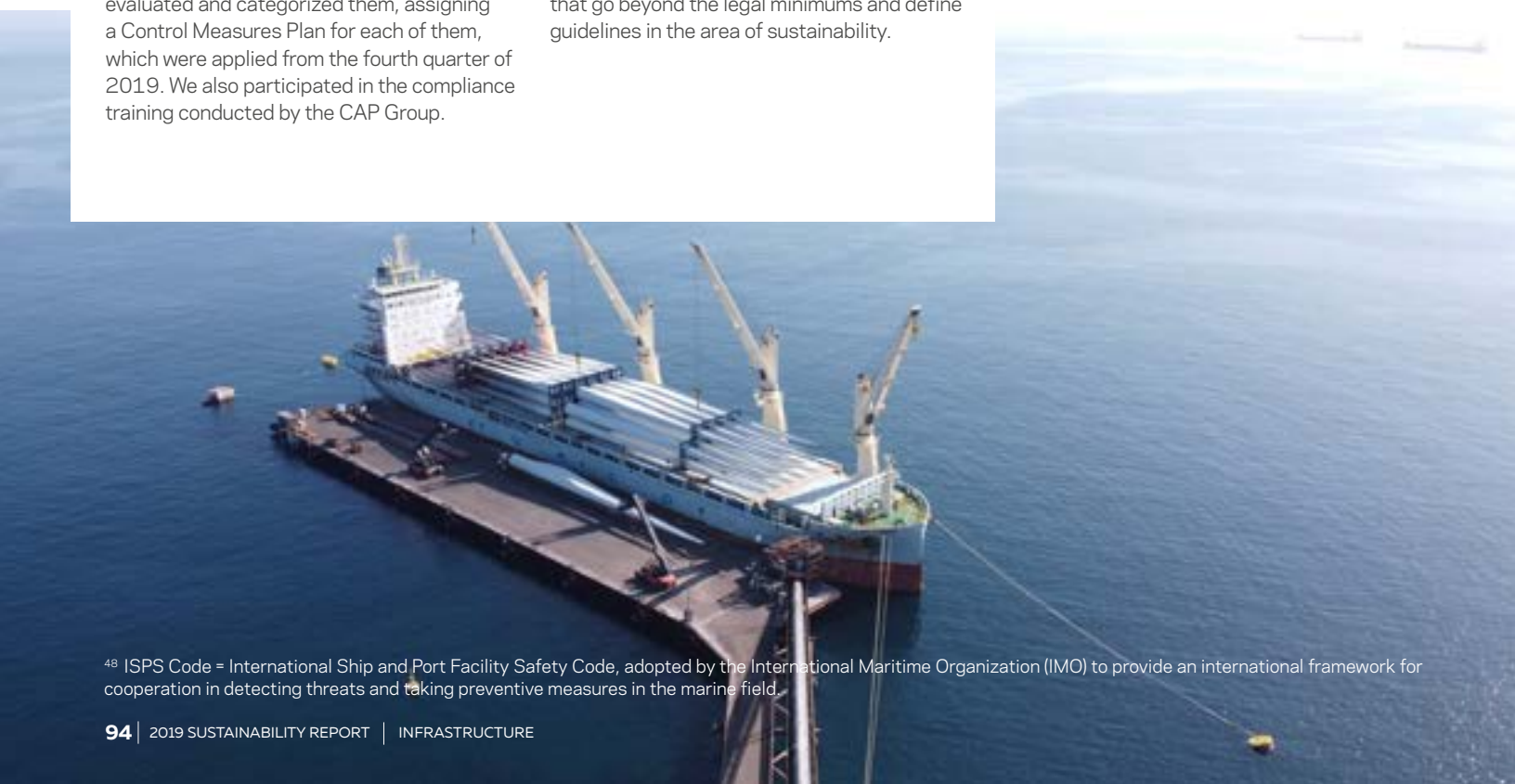
**121** contractors.

**0** fatalities, Frequency Rate **11** and Severity Rate **231**.

**0** incidents with environmental impact.

**37** suppliers make up the value chain, **41%** of which are local.

<sup>48</sup> ISPS Code = International Ship and Port Facility Safety Code, adopted by the International Maritime Organization (IMO) to provide an international framework for cooperation in detecting threats and taking preventive measures in the marine field.





## Workers and contractors

### Safety at work

We focus on improving the health and safety of our workers on a daily basis by means of preventing occupational hazards. We are concerned about preventing accidents, injuries and occupational diseases that may affect their quality of life. To this end, we have implemented occupational health and safety measures based on risk assessment and current legislation. In 2019 our Frequency Rate<sup>49</sup> was 11, the Severity Rate<sup>50</sup> 231, and we had no accidents with fatal consequences. We did record two lost time accidents, and one serious accident with no lost time.

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.

### Employment quality

We maintain pleasant, safe and healthy working environments in order to improve the permanence of workers while they work in our facilities. This includes a constant concern in the maintenance of physical spaces (bathrooms, dining room, changing rooms, among others). We have a Healthy Life and Quality of Life at Work Program, and in 2019 we will implement weekly active breaks to improve general well-being. We also offer sports and recreational activities. In addition, we implemented green areas which will be extended in 2020.

### Training and development

We train our workers in the care and protection of the environment and in matters of safety and health at work, in topics such as applicable legal regulations, environmental aspects and impacts, IPER matrix, flora, fauna, archaeology, waste management, handling of hazardous substances, environmental commitments and permits, and safe work procedures, among others.

In the area of professional skills development, customized training and certification plans were planned and implemented at the various levels of the organization.

### Contractors

In order to meet the increased activity of the port in 2019, we increased the number of contractors, incorporating contractors in each of the three work shifts we have, thus generating more local employment in Huasco.



## Environment

### Air emissions

Since iron ore pellets were transported from the production plant to the port in 2019, preventive measures were taken to avoid emissions of particulate material into the air. These included truck loading, sweeping and vacuuming, among others.

### Environmental monitoring of the marine environment

In the area where the port is located, the marine environment is permanently monitored through a bi-annual Environmental Monitoring Program (PVA), with winter and summer campaigns. During 2019 no breaches of the conditions defined as normal by the authority were recorded.

### Waste and hazardous substances

The management of industrial waste and hazardous substances is carried out in accordance with the provisions of the environmental qualification resolutions (RCA) and the applicable legal regulations.



## Community

The relations with the surrounding communities are managed jointly with CMP, and include active communication and participation in working groups in Huasco.

### Opportunities for local people and businesses

When hiring labor and services from suppliers, we prioritize giving the opportunity to local people and businesses. In 2019, local personnel was hired, calling on the Huasco Port Stevedores Union and local freighters to support the greater movement generated in the port (hired by CMP).



<sup>49</sup> Number of lost-time accidents during the year per million hours worked Includes own workers and contractors.

<sup>50</sup> Days lost per million hours worked.

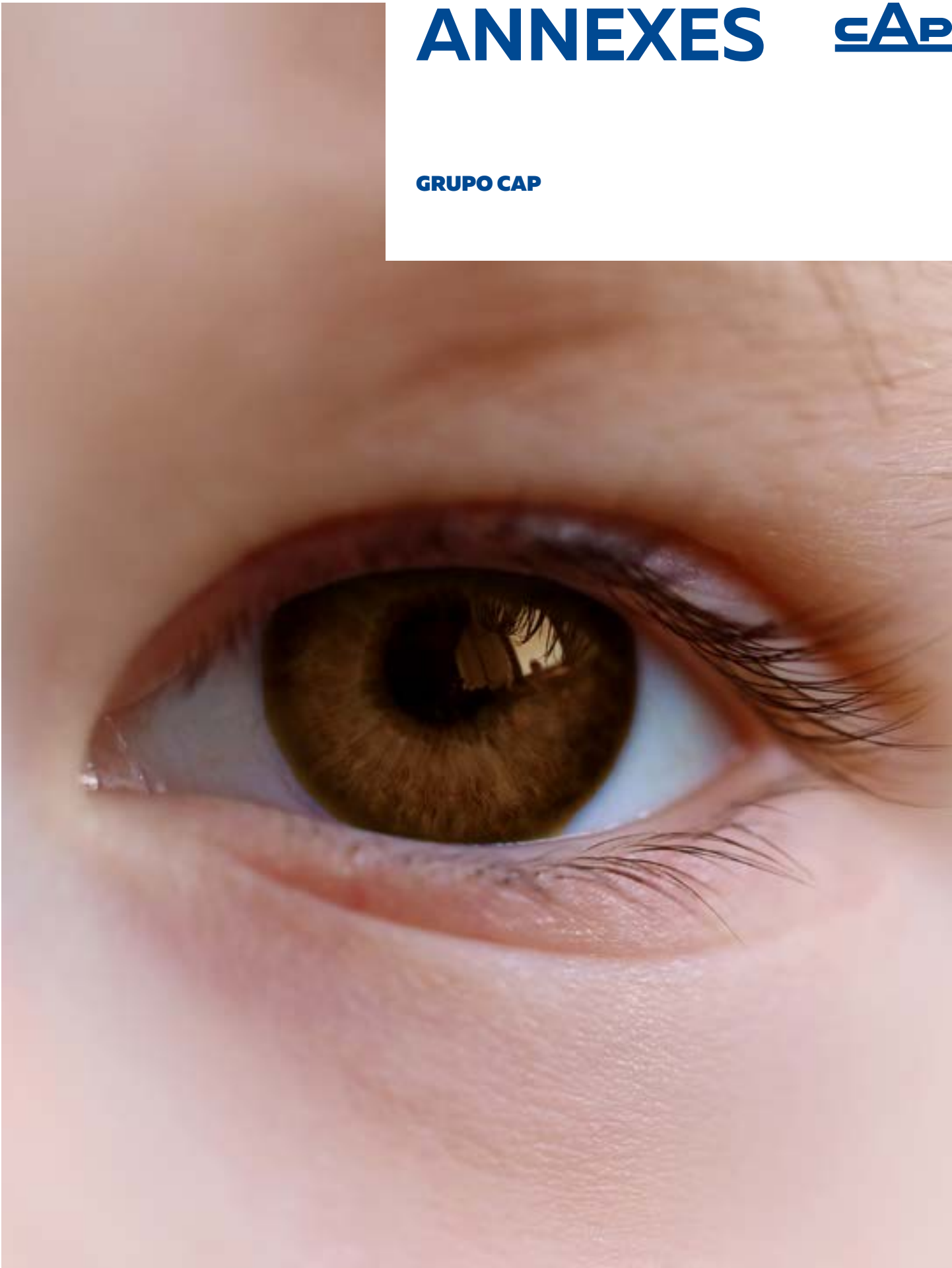




**ANNEXES**



**GRUPO CAP**



# About this report and major issues

For twelve consecutive years we have prepared our Sustainability Report with the aim of reporting on our strategy, priorities and performance on the most relevant social, environmental and governance issues for the business.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards, under the Essential option. It focuses on the issues of greatest relevance to our organization and stakeholders in accordance with these guidelines. Additionally, it includes some requirements of the Dow Jones Sustainability Index (DJSI) and the Communication on Progress (COP) of the Global Compact.

The information presented in this document addresses the management of the CAP Group during 2019. Data from previous years are also included to provide a greater context, as well as the main events that have occurred up to the date of publication of the report.

A cross-functional team from the company, led by the Sustainability and External Affairs management, participated in the preparation, with the participation of all the operating companies, and with the advice of external experts. The team ensured compliance with the GRI standards and was responsible for collecting and validating the information reported.

The report, as in previous years, has been subject to external verification by Deloitte.

## Most relevant issues to be reported

In order to determine the most relevant issues to be included in the report, we carried out a formal materiality analysis process, in which the General Manager of CAP S.A., corporate managers, general managers and professionals from the operating companies participated.

As a first step, relevant issues were identified from the following perspectives:

- **Challenges and strategic issues for CAP Group:** interviews with senior management of CAP S.A. and its operating companies; issues arising from the Strategic Plan and the Risk Matrix; priority issues for each operating company identified in workshops and work meetings.
- **Relevant issues for stakeholders and society:** SSIIndex results applied to some of the main stakeholders of each operating company; issues raised in the media about CAP Group and the industry.
- **Emerging issues in ESG:** ICMM; World Economic Forum (Global Risk Report 2019; DJSI (Steel, Metals & Mining sector); benchmark with world leaders of DJSI 2019; Sustainable Development Goals - ODS; B Impact Assessment (System B)
- **Issues arising from the social outburst in Chile:** citizen demands.
- **Regulatory requirements and guidelines:** Standard 385; GRI Standards; TCFD

Issues that arise for corporate and operating companies were identified. Subsequently, these were analyzed and evaluated in the workshops and work meetings held in each operation, emerging the most relevant issues detailed in this report. In these instances, the focus, central aspects to be reported, outstanding initiatives and indicators were also determined. These workshops were attended by the general managers and key executives of the areas that have a bearing on these areas.

## Most relevant issues

Subject matter	Where is it particularly important?
<b>Business development, governance and integrity</b>	
Transformation, innovation, efficiency and financial sustainability	CMP, CSH, Cintac, TASA, PLL, Agua, Corporate
Corporate governance	CMP, CSH, Cintac, TASA, Corporate
Risk management and compliance	CMP, CSH, Cintac, TASA, PLL, Aguas, Corporate
Integrity	CMP, CSH, Cintac, TASA, PLL, Aguas, Corporate
Responsible sourcing	CMP, CSH, Cintac, TASA, Corporate
CyberSecurity	CMP, CSH, Cintac, TASA, PLL, Aguas, Corporate
Products and solutions to contribute to the sustainability of society	CSH, Cintac, TASA, Aguas
<b>People</b>	
Occupational health and safety	CMP, CSH, Cintac, TASA, PL, Aguas, Corporate
Quality of employment (own workers and contractors)	CMP, CSH, Cintac, TASA, PL, Aguas, Corporate
Relations and work climate	CMP, CSH, Cintac, TASA, PL, Aguas, Corporate
<b>Environment</b>	
Management of industrial waste and hazardous substances	CMP, CSH, Cintac, TASA
Air Quality	CMP, CSH
Biodiversity and natural heritage	CMP, CSH, PLL, Aguas
Climate change mitigation and adaptation	CMP, CSH, Cintac, TASA, Aguas
Water	CMP, CSH, Cintac, TASA, Aguas
<b>Community and society</b>	
Contribution to the development of the territory and its inhabitants and cluster	CMP, CSH, Cintac, TASA, PLL, Aguas
Relation and communication with the community and the cluster	CMP, CSH, Cintac, TASA, PLL

### Nomenclature:

- CMP: Compañía Minera del Pacífico
- CSH: Huachipato Steel Company
- Cintac: Cintac Group
- TASA: Argentinean pipes
- PLL: Las Losas Port
- Agua: CAP aguas

# Independent verification letter



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## INDEPENDENT VERIFICATION LETTER OF SUSTAINABILITY REPORT 2019 GRUPO CAP

Mr.  
 Stefan Franken Chief Legal Counsel  
 CAP S.A.

Of our consideration:

We have reviewed the following aspects of the Sustainability Report 2019 of Grupo CAP:

### Scope

Limited assurance engagement of the adherence of the contents and indicators included in the 2019 Sustainability Report to the Global Reporting Initiative (GRI) Standards, regarding the organization's profile and material indicators arising from the materiality process that the Company carried out following said Standards related to the economic, social, and environmental dimensions.

### Standards and verification processes

We have carried out our task in accordance with the guidelines of the International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC).

Our verification work consisted in reviewing the evidence provided by the business units of Grupo CAP, which have been involved in the process of making this Report, which supports the information written in the Report, as well as in the application of analytic procedures and verification tests, which are described in the following items:

- ✓ Meeting with Sustainability management.
- ✓ Requirements and review of evidence with the areas participating in the preparation of the 2019 Report.
- ✓ Analysis of the adherence of the contents of the 2019 Sustainability Report to the GRI Standards: Core option, and review of the indicators included in the report in order to verify that they are aligned with the protocols established in the Standards, and whether the fact that some indicators are not applicable or not material is justified.
- ✓ Verification, through tests of quantitative and qualitative information corresponding to the GRI Standards indicators included in the 2019 Report, and its adequate compilation from the data provided by the information sources of Grupo CAP.

### Conclusions

- ✓ The assurance process was based on the indicators established in the materiality process carried out by Grupo CAP. Once those indicators were identified, prioritized, and validated, they were included in the report. The reported and verified GRI Standar indicators appear in the following table:

102-1	102-2	102-3	102-4	102-5	102-6	102-7
102-8	102-9	102-10	102-11	102-12	102-13	102-14
102-15	102-16	102-17	102-18	102-19	102-20	102-21
102-22	102-23	102-26	102-27	102-29	102-30	102-31
102-40	102-41	102-42	102-43	102-44	102-45	102-46
102-47	102-48	102-49	102-50	102-51	102-52	102-53
102-54	102-55	102-56	103-1	103-2	103-3	201-1
202-2	203-1	203-2	204-1	302-1	303-1	303-2
303-3	303-4	303-5	304-1	304-3	305-1	305-2
305-3	305-4	305-7	306-2	306-3	307-1	403-1
403-2	403-3	403-5	403-6	403-7	403-8	403-9
403-10	404-1	404-2	404-3	405-1	405-2	406-1
413-1	MM3	MM4	MM6	MM10		

✓ Regarding the verified indicators, we can affirm that no aspect has been revealed that makes us believe that the Sustainability Report 2019 of Grupo CAP has not been prepared according to the GRI Standard, in the aspects indicated in the scope.

#### Responsibilities of the management of Grupo CAP and Deloitte

- The preparation of the Sustainability Report 2019, as well as its content, is the responsibility of Grupo CAP, which is also responsible for defining, adapting and maintaining the internal management and control systems from which the information was obtained.
- Our responsibility is to issue an independent report, based on the procedures applied in our review.
- We have done our work in accordance with the independence standards required by the IFAC Code of Ethics.
- The verification conclusions made by Deloitte are valid for the latest version of the Sustainability Report 2019 in our possession, received on 03/07/2020.
- The scope of a limited security review is substantially lower than that of a reasonable security audit or review, so we do not provide audit opinion on the Sustainability Report 2019 of Grupo CAP.



Fernando Gaziano  
Partner  
July 10th, 2020

# Additional information

## Corporate governance, risk management and ethics

### The Board of Directors of CAP S.A.

It is composed of seven members who have a three-year term of office from the date of their election by the Ordinary Shareholders' Meeting. Once the term has expired, the board must be renewed in its entirety.

The Board monitors our sustainability programs and provides recommendations to senior management to ensure that ethical, economic, environmental and social factors are considered in their decisions. The management and administration of the company is delegated by the Board of Directors to the Chief Executive Officer.

### Composition of the Board of Directors of CAP S.A.<sup>51</sup>

GENDER		INDEPENDENCE <sup>52</sup>		WITH EXECUTIVE POSITIONS IN CAP S.A.		AGE OF DIRECTORS					SENIORITY IN THE BOARD			NATIONALITY	
Man	Women	Independent	Not independent	Executive	Non executive	Under 40 years old	Between 41 and 50 years old	Between 51 and 60 years old	Between 61 and 70 years old	More than 71 years	Less than 3 years	Between 3 and 6 years	More than 6 years	Chileans	Foreigners
7	0	6	1	0	7	0	0	3	2	2	5	2	0	6	1

### Changes in governance

In January 2019, the People and Sustainability area of CAP S.A. was restructured, separating the two areas that until then had constituted a single management. With this, a Sustainability management was created at the corporate level. During 2019, the Sustainability management met three times with the Board of Directors.

In April 2019, the new Corporate Sustainability Committee met for the first time. It is composed of the Chairman of the Board of Directors of CAP, the General Manager of CAP, the general managers of the operating companies and the Corporate Managers. This body reviews and validates the Group's Sustainability Strategy according to business scenarios, control and monitoring of the implementation of this strategy, approval of resources and approval of corporate standards, and work plans on normal, emerging and critical management issues.

Until May 2019, the Board of Directors had three committees: the Directors' Committee regulated by the Corporations Law, a Risk Management Committee and a Strategy Committee. The Board agreed to introduce certain changes to this committee structure: (a) change the composition of the Risk Management Committee, which will be composed of three Directors, with the participation of the Chief Executive Officer and the Secretary of the Board; (b) replace the Strategy Committee with quarterly special meetings of the Board; (c) introduce a new Talent and Organizational Management Committee, composed of four Directors, with the participation of the Chief Executive Officer, the People Manager and the Secretary of the Board.

In June 2019 a new *Compliance* area was created to drive a Group-wide compliance policy and program. In line with this, in October 2019, the Board agreed to replace the Ethics Committee with a new Integrity and Compliance Committee. Its objective is to ensure that the Compliance Policy is known and implemented throughout the Group, to ensure the proper functioning of the Compliance Program, to approve the policies and procedures that the operating companies wish to implement, to approve the protocols and procedures proposed by the Compliance Official and, if applicable, to recommend that the proposal be approved by the Group's Board of Directors. The Integrity and Compliance Committee is composed of the general managers of the main subsidiaries, CAP's legal counselor, and two company directors.

In addition, in October 2019, the Board of Directors hired an external consultant to evaluate the functioning of the Group's corporate governance, and to define the role and functions that the corporation and its operating companies will have.

<sup>51</sup> As of December 31, 2019.

<sup>52</sup> Independence" is defined according to the criteria used by the Dow Jones Sustainability Index (DJSI). It is recorded that, according to the definition of "independence" in force in Chile, there is currently 1 Independent Director.

<sup>53</sup> The year 2017 marked the departure of several of our Company's oldest directors. That year, Mr. Roberto de Andraca Barbás retired after 27 years as a director and Chairman of the Board, Mr. Eddie Navarrete also retired after 13 years of service as a director, and Mr. Osamu Sasaki and Mr. Hernán Orellana retired after 5 years in office. This explains the relatively low average seniority of the current Board of Directors of CAP S.A.

### Percentage of compliance with Corporate Governance Good Practice Standard 385

2016	2017	2018	2019
75%	81%	73%	70%

#### Pay Equity

We calculate wage equity as the difference between men's and women's wages, expressed as a percentage of the male wage. The average gross basic salary was used for the calculation.

Company	Pay Equity Women's salary expressed as a percentage of men's salary
CAP Group	90%

### Main sustainability issues addressed by the Board of Directors

During 2019, the Board of Directors reviewed the Sustainability Strategy to be adopted at the Group level, the Environmental Rating Resolutions and the status of its socio-environmental commitments of the main operating companies. The Board of Directors also analyzed the five main focuses of work in the area of sustainability, specifically (i) occupational safety; (ii) occupational health; (iii) environmental responsibility; (iv) community affairs; (iv) corporate affairs and external communications.

Among the most important subjects set as focal points of work by the Board of Directors for 2019, the following are highlighted: (i) the definition of roles, functions and responsibilities of all those involved in sustainability matters; (ii) agreeing on a work plan to manage the closure of pending issues in environment, safety, health at work and communities; (iii) joint work between the corporate Sustainability management and the People and Planning management; (iv) developing a management model for the control and monitoring of the plan, and (v) an agreement on meetings for each operating company, according to their respective realities.

In September 2019, the Board of Directors reviewed the Group's Communications and External Affairs Strategy. In this context, it evaluated the results of the diagnosis carried out by the GECO consulting firm during the year for the different companies. The Board also analyzed the company's Communications Strategy, highlighting its importance for the Group's current and future reputation. Among the most relevant focuses of this strategy are (a) communication discipline, defining who the official spokespersons are (Chairman of the Board, General Manager, CAP S.A.'s finance manager, and the general managers of the subsidiaries); (b) coordination in the implementation of communication media or information platforms; (c) respect for all employees for the good use of the CAP image and brand; (d) obligation to immediately report any event that could affect CAP's image. In the same session, the Board of Directors analyzed the internal procedures for managing crisis situations.

In November 2019, the Board met with corporate sustainability management to review progress on (i) sustainability targets for 2019 and 2020; (ii) occupational health and safety; and (iii) the environment. On that occasion, the main initiatives implemented during the year were analyzed, and the measures to be adopted during 2020 were evaluated.

#### Approved guidelines and procedures

- In June 2019, the Board of Directors agreed the Group's Sustainability Strategy.
- In September 2019, the Board of Directors approved the new purpose and values of the company; it approved the Communications and External Affairs Strategy, the Crisis Communications Plan and the Integrity and Compliance Policy.
- In November 2019, the Board of Directors approved the Group's Integrity Code, the "Short Guidelines" for compliance and the company's new Crime Prevention Model.
- In December 2019, the Board of Directors approved the Group's Compensation Policy.

#### Training for directors

During the first half of 2019, the Directors were trained regarding the new criminal risks of the companies, including the new types included in Law 20,393, and also regarding environmental risk management. During the second half of 2019 a training session on best international practices in corporate governance and risk management was held, with the participation of Directors and senior management.

The induction process for new Board members includes a detailed presentation of Sustainability management, among other management. It informs the company's stakeholders about the mechanisms used to meet their expectations and to maintain a stable and lasting relation with them, and also informs the new directors about the company's policies on inclusion, diversity, sustainability and risk management.

### Code of Integrity

It applies to our employees, suppliers, contractors and business partners. It includes the CAP Group's commitment to respect and promote human rights in our operation and supply chain - including freedom of association, the right to collective bargaining, the elimination of child and forced labor, non-discrimination -, business conduct and guidance for ethical decisions - anti-corruption, crime prevention, conflicts of interest, gifts, free and fair competition, generation of reliable information, management and use of information, responsible relations with stakeholders, occupational health and safety, working conditions and fair treatment of workers, environmental responsibility and standards, fair and responsible relations with suppliers, relations with authorities, shareholders and communities.

The Code of Integrity was launched at the end of 2019, so in 2020 it is expected that online training will begin for the Group's employees regarding its contents and implications.

### Integrity complaints

INDICATOR	CALCULATION BASIS	YEARS			
		2019	2018	2017	2016
<b>Integrity Code Complaints<sup>54</sup></b>					
Total number of complaints	Total number in the year	32	35	24	15
Complaints made by internal staff	Número	12	15	5	s.i.
Complaints made by external persons	Número	20	20	19	s.i.
<b>Status of complaints</b>					
Complaints resolved	Percentage of complaints resolved in the period regarding the total at the end of each year	63%	69%	75%	100%
Complaints under development	Percentage of complaints in progress during the period of the total at the end of each year	9%	31%	20%	0%
Pending complaints	Percentage of outstanding complaints in the period compared to the total at the end of each year	28%	0%	5%	0%
<b>Discrimination complaints</b>	Total number in the year	2	0	5	s.i.

n.i. = no information

### Significant changes in the ownership, size or structure of CAP S.A.

In 2019 CAP S.A. did not acquire or dispose of any companies. It did add a company ("Gas Natural Zona Sur SpA"), which filed an Environmental Impact Statement in February 2020 to develop a LNG regasification project through the port infrastructure of Compañía Siderúrgica Huachipato S.A. Currently, CAP S.A. is the sole shareholder of this company.

### Contributions to parties or politicians

In 2019, no contributions or donations were made to political parties or campaigns. The new Code of Integrity expressly prohibits such contributions.

<sup>54</sup> Only complaints are considered, not questions.



## Emerging risks

The identification and management of emerging risks is part of the Group's Risk Management System. Critical risks, including emerging risks, were updated in 2019 at corporate level and for each operating company. We established the people responsible and the respective controls to prevent or mitigate them.

Among the emerging risks identified in 2019, we can mention

- a) CyberSecurity:** Covers cyberattacks against the operational system; hacking and theft of data and sensitive information (phishing); sabotage or leakage of sensitive information originating within the company.
- **Board involvement and governance:** the Board is directly involved in monitoring risks and implementing the respective control measures in this area. The IT unit is required to report periodically to the Board on the status of CyberSecurity. In 2019, we created the position of Corporate CyberSecurity Official, who reports directly to the IT Assistant Manager, and whose job is to fill gaps, provide guidance and support to the Group and its operating companies.
  - **Regulatory framework:** CAP is in the process of reviewing and soon formally adopting an Information security regulatory framework, based on best practices such as ISO 27.001. This regulatory framework contemplates a General Security Policy and a series of standards as support.
  - **Training:** Until the third quarter of 2019 they were conducted with an external provider. As of the last quarter of 2019, internal training sessions began, the first one being held in December 2019. In addition, information campaigns are carried out to raise awareness among users and send out Safety alerts. Educational phishing is also carried out to raise awareness.
  - **Escalation process in case of incidents or suspicions:** We have an incident process that is under review and will be updated soon. We are also re-evaluating the standard associated with incident management that provides general guidelines for the process.
  - **Disciplinary measures:** They allow for the evaluation of improper acts that do not comply with the company's values, as well as with established internal policies. In the performance evaluation process there is an item that analyzes the Safety of people and security of the information.
  - **Contingency plans:** At the level of technological infrastructure we have an internal recovery process. Our most critical systems have a hosting service from an external provider that has its own contingency plans.
  - **External audit:** CAP complies with the annual external audit exercise, carried out by Ernst&Young.
  - **Vulnerability Analysis:** Ethical Hacking and Ethical Phishing exercises are conducted annually. Vulnerability management tools are being evaluated.
  - **Number of CyberSecurity incidents:** In 2019 we had one CyberSecurity incident. There were no incidents involving personal or customer data. We had no fines or convictions for CyberSecurity incidents.
  - **Insurance against incidents:** During 2019, the Risk area, in conjunction with the Insurance area, evaluated the acquisition of insurance. It was concluded that for the time being this purchase will not be made as the solution offered by the insurance companies is not clear for industrial companies.
- b) Impact of natural disasters and other events associated with climate change:** The impact associated with people, our assets and operations, are risks that are being assessed and managed as part of the Risk Management System that the Group has implemented.

# Responsible supply

## Compliance of suppliers and contractors with CAP Group guidelines

Our operating companies are monitoring labor compliance and compliance with our safety and environmental regulations at contracting companies. The former was reinforced especially after the social outburst to safeguard the proper working conditions of their workers. Both suppliers and contractors must comply with the guidelines of our Crime Prevention Model and Code of Integrity.

Within the framework of the Integrity and Compliance Program launched by the CAP Group in 2019, we hope to be able to make progress in formalizing compliance standards in contractors and suppliers in 2020. In addition, our new Code of Integrity establishes guidelines for creating long-term relations with suppliers, based on responsibility, respect and mutual benefit. It also establishes that suppliers must comply with the Group's quality, safety and sustainability standards.

Both contractors and suppliers have access to the Integrity Channel to consult or report infringements and transgressions of any national law or regulation, as well as the principles established in the Group's internal regulations.

## CAP Group's commitment to its contractors and suppliers

We are committed to timely payment to our suppliers. Proof of this is that two of our operating companies, CMP and CSH, have consistently ranked among the best payers to SMEs in Chile.

The operating companies also constantly monitoring any problems that may arise or affect our contractors and suppliers in the context of the social outburst and the coronavirus pandemic.

An example of the commitment to contractors is the conversations that CSH held after the social outburst with its workers and contractors to establish a direct way to listen to their concerns. In addition, the living conditions of the contractor companies' workplaces in our plant were strengthened in order to provide a dignified environment.

## Contractors and suppliers CAP Group - 2019

CONTRACTORS	SUPPLIERS OF GOODS AND SERVICES					
	Total number of suppliers		SME suppliers		Local Suppliers	
Number of employees of contractor companies	Total number of suppliers	Total amount paid to suppliers	Number of SME suppliers	Percentage of SME suppliers covered by the Propyme Seal <sup>56</sup>	Number of local suppliers	Amount of purchases from local suppliers
8,843	8,666	US\$ 1,564.3 millones	3,179	81% (2,567 proveedores)	5,971 (69% del total de proveedores)	US\$ 418.2 millones

<sup>55</sup> It does not include the Cintac Group's subsidiaries in Peru and Argentina.

<sup>56</sup> It does not include the Cintac Group's subsidiaries in Peru and Argentina.

## Distribution of the economic value generated

The economic value we generate is calculated as the difference between the revenue and the direct operational cost. Here we show how this generated value is distributed among the different players that relate to our company. In 2019 we created economic value of US\$ 816.49 million. Of these, US\$ 577.24 million were distributed among the different stakeholders; US\$ 239.25 million were retained in the company and mainly destined for reinvestment.

The financial value we generate is distributed among these recipients as follows:

- Held in the company, for reinvestment.
- Workers, for the value they receive in terms of wages and benefits.
- Collaborating companies, for the payment of their goods and services
- State, for the amounts accrued for tax purposes.
- Shareholders, for the amount they actually receive from the results of the year.
- Financial institutions, for the interest accrued during the year, which finance operations and infrastructure.



<sup>57</sup> The second category tax is also included.

<sup>58</sup> All service providers and suppliers of goods that are not directly related to the production process are considered.

<sup>59</sup> Taxes paid to the State in municipal licenses, specific tax on mining, income tax and others Includes the accounting effect of deferred taxes.

<sup>60</sup> Deducted the additional tax rate affecting foreign shareholders, which is added to the line paid to the State.

# Stakeholder engagement

The Group seeks to always maintain transparent, truthful and timely communication with our stakeholders to align expectations and continuously improve performance. One of our key objectives in these matters is to ensure that all present and future activities are carried out generating confidence, transparency and ethics, without altering the relations with our environment, together with contributing value to the areas where we operate.

We periodically review and update the map of the relations with our stakeholders. The tools used to relate to our stakeholders include those used by the corporate and operating companies, such as magazines, newsletters, surveys, company events, the Supplier Portal, contracts with suppliers, the Tripartite Committee with the authorities and the community. Additionally, and in order to inform the stakeholders, we periodically publish documents such as management reports, financial reports and sustainability reports, among others. In addition, we regularly participate in presentations with investors and customers, and we have our website where we have a special space for them, as well as social media.

According to the Stakeholders Sustainable Index Chile (SSIndex Chile), a sustainable index of stakeholders that measures cross-risk and operational efficiency on employees, customers, suppliers, communities and investors, 75% of the workers of CAP Group agree or very much agree with the company's sustainable management on the ESG variables.



## Core issues for our stakeholders

Through the ESG Compass Survey, conducted in 2019 for the fourth time, we monitored our stakeholders' perception of the Corporate Sustainability Model. In 2019, we consulted workers, customers, suppliers and community representatives from each of the operating companies, both in Chile and Peru. A total of 77% of employees participated in the survey, with an average evaluation of 75% of performance in environmental, internal social, external social and corporate governance aspects.



# Our stakeholders, how we relate to them and what their main interests and concerns are

	Shareholders / Investors / Analysts	Customers	Workers / Union Leaders / Contractor Companies	Society
Who are they?	<p>They are the main investors, minority shareholders and financial analysts.</p> <p>CAP is a corporation which openly trades in the stock market.</p> <p>31.3% of its property corresponds to Invercap, 19.3% to Mitsubishi and remaining 49.4% to other investors (<i>free float</i>).</p>	<p>We have national and international customers. In the case of CMP, the main destinations of the magnetic iron it produces are the Asian and Middle Eastern markets. CSH, for its part, allocates 91% of its production to the domestic market.</p>	<p>It includes operators, technicians and administrators, as well as the families of all staff. We directly employ 4,856 people. 11% of this staff corresponds to women.</p>	<p>This category includes organizations linked to our activity such as guilds, chambers and foundations, among others.</p> <p>They are also considered representatives of non-profit organizations (NGOs and foundations) and academia. This also includes the media, with which a fluid, permanent and transparent dialog is pursued.</p>
How do we relate to them?	<ol style="list-style-type: none"> <li>1. Through the area of Investor Relations.</li> <li>2. Through conference calls and meetings with analysts and investors.</li> <li>3. Publication of results and other relevant information on <a href="http://www.cap.cl">www.cap.cl</a>.</li> <li>4. Financial Report and Annual Sustainability Report.</li> </ol>	<ol style="list-style-type: none"> <li>1. On a daily basis, through the delivery of products and services.</li> <li>2. Through the multi-channel platform (call center, e-mail, social media and web: <a href="http://www.cap.cl">www.cap.cl</a>).</li> <li>3. ESG survey, satisfaction studies, training programs (Cintac).</li> <li>4. Financial Report and Annual Sustainability Report.</li> </ol>	<ol style="list-style-type: none"> <li>1. Daily work relations with direct headquarters.</li> <li>2. Media and internal communication channels (Intranet, newsletters).</li> <li>3. Trade unions, joint committees, channel integrity (ethics and compliance).</li> </ol>	<ol style="list-style-type: none"> <li>1. Publication of relevant information on <a href="http://www.cap.cl">www.cap.cl</a>.</li> <li>2. Annual Financial Report and Sustainability Report.</li> <li>3. Alliances, corporate events and social media.</li> </ol>
What are your main interests and concerns about CAP?	<ul style="list-style-type: none"> <li>· Safety at work.</li> <li>· Transparency and clarity of information.</li> <li>· Financial results and project progress.</li> <li>· Sustainable growth of the Group and the operating companies.</li> </ul>	<ul style="list-style-type: none"> <li>· Community</li> <li>· Value</li> <li>· Claims</li> <li>· Environmental culture</li> </ul>	<ul style="list-style-type: none"> <li>· Compensation structure</li> <li>· Integrity</li> <li>· Suppliers</li> <li>· Commitment to employees</li> <li>· Quality of working life</li> </ul>	<ul style="list-style-type: none"> <li>· Contribution to the development of the country</li> <li>· Commitment to employees</li> <li>· Integrity</li> <li>· Transparent communication</li> <li>· Environmental responsibility</li> </ul>

	Suppliers	Community	Authorities
Who are they?	We rely on suppliers of raw materials, goods and services. All these companies provide the key inputs for our operation. Some 69% of these suppliers come from the regions where our operating companies operate.	CMP operates in three geographical areas, where it interacts with population centers, as do Aguas CAP and PLL. CSH and Cintac, on the other hand, are located in industrial sectors adjacent to urban areas. While the operations of the limestone mine and port and on Guarello Island are developed in areas far from populated localities, but in areas of influence of communities. With all of them we seek to maintain a good neighborly relations, based on dialogue and permanent transparency.	It considers the national, regional and local authorities, the central government and the legislative chambers, which, through regulation and oversight, can impact our business.
How do we relate to them?	<ol style="list-style-type: none"> <li>1. Through the area of Purchasing and Supplier Management.</li> <li>2. Invoice processing system.</li> <li>3. Publication of relevant information on <a href="http://www.cap.cl">www.cap.cl</a>.</li> <li>4. Financial Report and Annual Sustainability Report.</li> </ol>	<ol style="list-style-type: none"> <li>1. Through specific relations initiatives (community service offices, public-private partnerships, local work agreements). In particular projects, through early delivery of information.</li> <li>2. Through formal communication channels (<a href="http://www.cap.cl">www.cap.cl</a> and annual Sustainability Report).</li> <li>3. Sustainability Report).</li> <li>4. Social media</li> </ol>	<ol style="list-style-type: none"> <li>1. Through regular channels of communication (according to the law of transparency and lobbying)</li> <li>2. Reports to Regulatory agencies.</li> <li>3. Public-private partnerships, working agreements with municipalities.</li> <li>4. Publication of relevant information on <a href="http://www.cap.cl">www.cap.cl</a></li> <li>5. Financial Report and Annual Sustainability Report.</li> <li>6. Sustainability Report.</li> </ol>
What are your main interests and concerns about CAP?	<ul style="list-style-type: none"> <li>· Timely payment</li> <li>· Operation of the facilities</li> <li>· Integrity</li> <li>· Environmental culture</li> </ul>	<ul style="list-style-type: none"> <li>· Environmental culture</li> <li>· Communication</li> <li>· Commitment to employees</li> <li>· Integrity</li> <li>· Sustainable Development</li> </ul>	<ul style="list-style-type: none"> <li>· Compliance and respect for the legislation in force.</li> <li>· Integrity.</li> <li>· Human rights at work and in the community, including indigenous peoples.</li> <li>· Inclusion of stakeholders in decision making.</li> </ul>

# Instances and organizations in which we participate

We are active in various organizations at the regional, national and international level, with the aim of contributing to the discussion and consideration of public policy, development and areas related to sustainability. CAP has taken a leadership role in different initiatives related to sustainability, and in 2019 actively participated in discussion instances on issues such as diversity, innovation, integrity and the challenges of sustainability in Chile. Below, we present the memberships to which we belong.

## Organizations in which we participate

With the aim of contributing to the development of society and the steel, mining and industrial sectors, we actively participate in the following organizations and initiatives.

## National

### Industry

**1. ACENOR:** provides constant assistance in technical, legal and accounting matters in relation to the energy sector, in addition to representing companies before public and private authorities.

**2. Latin American Steel Association (ALACERO):** international organization that seeks to promote the values of regional integration, technological innovation, excellence in human resources, corporate responsibility and socio-environmental sustainability.

**3. National Mining Society (SONAMI):** business organization that actively participates in the discussion and promotion of public policies that foster collective welfare and the common good, and that promote the mining industry in a sustainable manner.

**4. Chilean Chamber of Construction (CChC):** seeks to improve the quality of life of people committed to the sustainable development of the construction industry

**5. Latin American Association of Desalination and Water Reuse (ALADYR):** international organization that promotes, protects and develops technologies and projects aimed at desalination and water treatment for reuse and consumption under sustainability and environmental respect standards.

**6. ASIMET:** constituted so that the metallurgical and metal-mechanical sector of Chile operates with the highest levels of quality and excellence to be competitive at a global level and to satisfy the needs of the market.

**7. Chilean Steel Institute - ICHA:** technical reference that promotes steel solutions for integral development, adjusted to the needs of the sectors, seeking an adequate level of technical and inspection requirements through public-private collaboration.

### Business and Public Policy

**8. Chilean-Australian Chamber of Commerce (AUSCHAM):** promotes trade and investment between Chile and Australia, offering support and collaboration to partner companies, individuals and organizations in both countries

**9. German-Chilean Chamber of Commerce (CAMCHAL):** focused on future issues and on those fields of action in which it can contribute to the development of the economies of both countries.

**10. Center for Public Studies (CEP):** seeks to guide public opinion and decision-making by proposing ideas, public policies and institutional designs that contribute to the consolidation of these principles.

**11. Manufacturing Promotion Association (SOFOFA):** aims to validate the company as a reliable and relevant actor in the project of making Chile a more developed, modern and inclusive country.

**12. Chilean National Security Council (CNS):** promotes prevention in all areas of national work, providing greater services to partners and collaborating with the authority in these matters.

### Sustainability and Innovation

**13. Business Action Foundation:** a trade organization that seeks to position business sustainability as a necessary business vision for the construction of a more inclusive and egalitarian society.

**14. Global Compact:** Chilean chapter linked to the United Nations (UN) that examines critical issues related to sustainability in the business world.

**15. CLG-Chile (Leading Climate Change Companies):** Moving action through business and academic leadership, generating new opportunities for sustainable development for Chile. In addition, they proactively cooperate with the government to generate policies and strategies aimed at scaling up solutions to the climate challenge.

**16. UC Innovation Center:** promotes a culture and environment for innovation and entrepreneurship at the university and in the country, through meetings, network building and the promotion of joint projects between the university, the private sector and the public sector.

**17. Chile Green Building Council:** promotes sustainable construction, technological innovation, efficient use of resources, and the development and use of the different certification systems available in Chile to encourage the efficient use of resources and improve the quality of life, health and well-being of people and their communities.

## Regional

### Industry

**18.CORMINCO:** its main purpose is to represent the mining companies of the Coquimbo region.

**19.CORESEMIN Atacama:** organization that seeks to develop and disseminate throughout the regional mining sector, matters relating to safety and preventive activity, through partner companies.

### Business and public policy

**20. CORPROA:** seeks to strengthen the businesses of entrepreneurs and businessmen in the Atacama Region through public and private instruments that CORFO has available.

**21.CORBIOBIO:** to strengthen the leadership of the Bío Bío Region, promoting the decentralization of the country, responsible government management and citizen participation in matters of public interest, through its Study Center.

**22.CPCC:** promotes productive development in the Bío Bío Region, with special emphasis on promoting business activity to help strengthen the private sector as a determining factor in the well-being of the Bío Bío Region.

**23.IRADE:** seeks to contribute to the development of companies by stimulating business excellence and ethics through the promotion of good practices, innovation and entrepreneurship, strengthening collaboration between companies, universities and the public sector, with a focus on the competitiveness of the Bío Bío Region.

**24.CIDERE Bío Bío:** industrial corporations for regional development, promoting entrepreneurship, innovation and corporate responsibility.



# Performance Summary: People, community and environment (CAP Group<sup>61</sup>)

Indicator	Calculation basis	Indicator GRI standards	2019	2018	2017	2016
<b>PEOPLE</b>						
<b>Workers and contractors</b>						
<b>Diversity of own workers</b>						
Full time permanent workers	Number as of December 31	102-8	4,856	4,435	4,132	4,119
Men	Number as of December 31	102-8	4,314	3,989	3,754	3,772
Women	Number as of December 31	102-8	542	446	378	347
Proportion of women	Percentage of women in relation to the total number of own workers	102-8	11%	10%	9%	8%
Pay Equity	Women's salary expressed as a percentage of men's salary	405-2	90%	94%	100%	100%
Under 30 years of age	Number as of December 31	102-8	702	620	570	576
	Percentage	102-8	14%	14%	14%	14%
Between 30 and 40 years old	Number as of December 31	102-8	1,563	1,340	1,267	1,233
	Percentage	102-8	32%	30%	31%	30%
Between 40 and 50 years old	Number as of December 31	102-8	1,098	1,031	916	900
	Percentage	102-8	23%	23%	22%	22%
Between 50 and 60 years old	Number as of December 31	102-8	1,004	1,002	1,002	1,034
	Percentage	102-8	21%	23%	24%	25%
Between 60 and 70 years old	Number as of December 31	102-8	489	442	377	357
	Percentage	102-8	10%	10%	9%	9%
More than 70 years	Number as of December 31	102-8	0	0	0	3
	Percentage	102-8	0%	0%	0%	0%
<b>Training</b>						
Training hours	Thousands of man hours	404-1	70	127	149	101
	hours/worker	404-1	14.4	31.4	22.9	32.0
Amount invested in training	Thousands of US\$ invested in training		1,720	1,630	1,225	747
Amount invested per worker	US\$/worker		354	392	320	234
<b>Performance Evaluation</b>						
	Number of workers as of Dec. 31	404-3	3,128	2,491	2,898	2,801
	Percentage in relation to the total number of workers	404-3	64%	56%	70%	68%
<b>Contractors<sup>62</sup></b>						
	Number of contractors as of Dec. 31	102-9; 102-10	8,843	5,429	4,893	4,417
Men	Number of contractors as of Dec. 31	102-9; 102-10	8,216	New indicator		
Women	Number of contractors as of Dec. 31	102-9; 102-10	627	New indicator		

<sup>61</sup> Cintac Group's 2019 figures include the companies Cintac Chile, Tupemesa, Calaminon, Sehover and Signovial.

<sup>62</sup> The 2019 figures increase due to the increase of contractors in CMP and given the inclusion of new companies to the Cintac Group.

Indicator	Calculation basis	Indicator GRI standards	2019	2018	2017	2016
<b>Relations and work climate</b>						
<b>Work climate</b>						
Overall result of the worker engagement and quality of life survey	Percentage of favorable responses (includes very much agree and agree)	405-1	75%	66%	66%	70%
Survey Coverage	Percentage of workers who responded to the survey	405-1	77%	80%	85%	y.i.
<b>Labour relations</b>						
Unions	Number of unions	405-1	18	17	17	1
Unionization	Unionized workers. Staffing as of Dec. 31.	405-1	3,794	3,952	3,379	3,094
	Percentage of unionized workers	405-1	78%	89%	82%	75%
Coverage of collective agreements	Number of workers covered by a collective agreement. Headcount as of Dec. 31		3,729	4,050	3,704	3,781
	Percentage		77%	91%	90%	92%
Strikes	Number of days longer than 30 days	MM4	0	1	0	1
Income	Total number of workers admitted as of Dec. 31	405-1	994	New indicator		
Rotation	Annual number of rotations/annual average number of workers as of 31 Dec.	405-1	14	New indicator		
<b>Occupational health and safety</b>						
<b>Accident rate</b>						
Fatalities	Number of workers	403-9	0	1	0	0
	Number of contractors	403-9	0	3	0	0
	Men	403-9	0	4	0	0
	Women	403-9	0	0	0	0
	Meta	403-9	0	0	0	0
Frequency Rate (TF)	Number of lost-time accidents during the year, per million hours worked. Includes own and contractors	403-9	2.6	4.9	3.3	4
	Meta	403-9	3.0	2.5	2.5	2.5
	TF Own workers	403-9	2.9	2.8	3.9	4.6
	TF Contractors	403-9	2.5	6.1	2.9	3.5
Severity Rate	Days lost per million hours worked. Includes charges for serious accidents and fatalities (in the case of fatalities, the penalty is 6,000 days lost).	403-9	69	1,274	99	118
	Meta	403-9	97	97	97	97
<b>Occupational safety and health committees</b>	Number of committees with worker representation in formal committees worker - company health and safety at work	403-1	17	New indicator		
<b>Occupational diseases</b>						
Occupational diseases	Number of occupational diseases contracted during the year, own and contractors	403-10	0	0	0	0

Indicator	Calculation basis		Indicator GRI standards	2019	2018	2017	2016
<b>ENVIRONMENT</b>							
<b>Management of industrial waste and hazardous substances</b>							
<b>Mass mining waste</b>							
	Sterile	Millions of tons	MM3	20,051	15,421	14,255	s.i.
	Tailings	Millions of tons	MM3	3,823	2,028	4,785	5,987
<b>Reuse of environmental liabilities</b>							
	Volume of environmental liabilities reused	Thousands of tons	MM3	7,517	8,578	6,182	5,089
<b>Waste generated<sup>63</sup></b>							
	Hazardous Industrial Waste	Tons	306-2	3,322	3,840	4,947	4,136
	NON-Hazardous Industrial Waste	Tons	306-2	342,299	374,259	406,464	430,462
	Domestic	Tons	306-2	1,507	1,359	1,460	y.i.
<b>Waste treatment</b>							
	Recycling and/or reuse	Tons	306-2	322,601	366,849	393,257	421,804
	Recycling rate	Percentage	306-2	93%	96%	95%	97%
<b>Air Quality</b>							
<b>Air emissions in sensitive areas</b>							
Steel Plant - CSH:							
	MP10	Micrograms per cubic meter N	305-7	22.4	24.2	17.1	22.6
	MP 2.5	Micrograms per cubic meter N	305-7	60.8	58.3	52.1	55.0
Huasco pellet plant - CMP:							
	MP10	Micrograms per cubic meter N	305-7	29	29.3	29.9	31.1
	NOx	Tons	305-7	1.3	1.6	3.2	y.i.

<sup>63</sup> In 2019, the Corporate Building and other companies of the Cintac Group such as Calaminon are incorporated.

Indicator	Calculation basis	Indicator GRI standards	2019	2018	2017	2016
<b>Water</b>						
<b>Water consumed per source</b>						
Total water consumed	Thousands of m <sup>3</sup>	303-5	55,161	56,964	56,683	52,168
Sea water	Thousands of m <sup>3</sup>	303-3	5,512	9,906	7,090	8,993
Surface water	Thousands of m <sup>3</sup>	303-3	48,213	44,011	45,179	40,446
Groundwater	Thousands of m <sup>3</sup>	303-3	1,020	2,733	3,229	2,730
Water supplied by third parties	Thousands of m <sup>3</sup>	303-3	412	314	1,184	0
Consumed sea water	Percentage in relation to total water consumed	303-3	10%	17%	13%	17%
<b>Water consumed per operation</b>						
CMP	Thousands of m <sup>3</sup>	303-5	8,361	15,503	14,771	14,742
CSH	Thousands of m <sup>3</sup>	303-5	46,434	41,360	41,782	37,350
CINTAC GROUP <sup>64</sup>	Thousands of m <sup>3</sup>	303-5	326	86	83	76
TASA	Thousands of m <sup>3</sup>	303-5	15	15	47	y.i.
INFRASTRUCTURE <sup>65</sup>	Thousands of m <sup>3</sup>	303-5	21		New indicator	
CORPORATE BUILDING		303-5	4,3		New indicator	
<b>Desalinated water (Aguas CAP)</b>						
Desalinated water generated	Thousands of m <sup>3</sup>	303-5	7,800	7,447	6,953	7,235
Processed sea water	Thousands of m <sup>3</sup>	303-5	20,478	19,091	17,395	17,712
<b>Extraction from water-stressed areas</b>						
CMP	Percentage of groundwater or surface water extracted in areas of water stress, in relation to the total water consumed.	303-1	30%			
CSH	Percentage of groundwater or surface water extracted in areas of water stress, in relation to the total water consumed.	303-1	0%			
CINTAC GROUP	Percentage of groundwater or surface water extracted in areas of water stress, in relation to the total water consumed.	303-1	0%		New indicator	
TASA	Percentage of groundwater or surface water extracted in areas of water stress, in relation to the total water consumed.	303-1	0%			
INFRASTRUCTURE	Percentage of groundwater or surface water extracted in areas of water stress, in relation to the total water consumed.	303-1	100%			
<b>Liquid waste generated</b>						
Effluents <sup>66</sup>	Thousands m <sup>3</sup>	303-4	75,290	62,117	55,938	67,219

<sup>64</sup> The figures published in 2019 include Cintac a Cintac in Chile, Tupemesa and Calaminon in the Cintac Group. In the years 2018 and 2017 only considered Cintac in Chile and Tupemesa. The year 2016 only includes Cintac in Chile.

<sup>65</sup> It corresponds only to Puerto Las Lozas, the previous years no such record was kept.

<sup>66</sup> The 2019 figures include CMP, CSH, in Cintac Group includes Cintac and Calaminon. In the case of Infrastructure, it only includes Aguas CAP.

Indicator	Calculation basis	Indicator GRI standards	2019	2018	2017	2016
<b>Climate Change Mitigation and Adaptation</b>						
<b>Energy consumption<sup>67</sup></b>						
Total consumption <sup>68</sup>	Giga Joules	302-1	26,813,313	31,311,379	33,261,300	25,836,642
Electric power	Giga Joules	302-1	3,552,734	4,456,533	4,689,872	3,888,971
Diesel	Giga Joules	302-1	2,496,368	3,350,925	5,768,180	4,142,269
Coal	Giga Joules	302-1	17,078,504	20,724,180	17,820,083	17,770,880
Gasoline	Giga Joules	302-1	3,540	432	-	-
Natural gas	Giga Joules	302-1	3,668,194	2,779,306	4,983,164	34,522
Bulk gas	Giga Joules	302-1	6,803	3	-	-
Renewable Sources	Giga Joules	302-1	7,169	-	-	-
<b>Energy consumed per operation</b>						
CMP	Giga Joules	302-1	3,878,063	7,235,441	7,162,788	6,378,775
CSH	Giga Joules	302-1	17,611,007	19,806,827	19,182,803	19,093,761
GRUPO CINTAC <sup>69</sup>	Giga Joules	302-1	163,205	57,774	83,249	68,751
TASA <sup>70</sup>	Giga Joules	302-1	4,855,092	3,923,399	6,568,493	y.i.
INFRASTRUCTURE <sup>71</sup>	Giga Joules	302-1	302,629	287,938	263,967	295,355
CORPORATE BUILDING	Giga Joules		3,317		New indicator	
<b>Greenhouse gas emissions<sup>72</sup></b>						
Scope 1, direct emissions	Tons of CO <sub>2</sub> eq.	305-1	1,527,349	1,510,428	2,210	1,547
Scope 2, indirect emissions	Tons of CO <sub>2</sub> eq.	305-2	189,669	202,771	3,718	2,811
Scope 3, indirect supply chain emissions	Tons of CO <sub>2</sub> eq.	305-3	556,860	554,550	524,378	341,945
CO <sub>2</sub> emission intensity - CSH	Tones of CO <sub>2</sub> equivalent of scope 1 and 2 per ton of steel produced	305-4	2.5	2.2	2.1	2.1
CO <sub>2</sub> emission intensity - Cintac Group	Tones of CO <sub>2</sub> equivalent of scope 1 and 2 per ton of steel produced	305-4	5.6	5.7	y.i.	5.9
<b>Biodiversity and heritage</b>						
<b>Biodiversity</b>						
Area of protected areas	Hectáreas	304-3	294	269	269	269

<sup>67</sup> The decrease in energy consumption in 2019 compared to 2018 is due to two factors, lower production of the pellet plant in CMP and temporary shutdown of the Blast Furnace.

<sup>68</sup> Total figure includes consumption at Puerto Las Losas that was not reported in 2018. The fuel figures for 2016 and 2017 are added, as this indicator began to rise in 2018.

<sup>69</sup> The figure 2019 includes the consumption of the Corporate Building.

<sup>70</sup> Cintac Group consumption figures: 2019 includes Cintac, Tupemesa, Calaminon and Sehover. 2018 includes Cintac and Tupemesa, this value was rectified in this report. 2017 and 2016 only include Cintac.

<sup>71</sup> Value rectified in this report, for the years 2017 and 2018.

<sup>72</sup> In 2019 Puerto Las Losas is included.

Indicator	Calculation basis	Indicator GRI standards	2019	2018	2017	2016
<b>Environmental Management</b>						
<b>Environmental Incidents and Fines</b>						
Incidents with environmental impact	Number of environmental incidents	306-3	11 <sup>73</sup>	2	0	0
Environmental fines	Number of fines	307-1	0	0	0	0
	Million US\$	307-1	0	0	0	0
<b>Responsible mine closure</b>						
Closure plans	Percentage of mining operations with closure plans	MM10	100%	100%	100%	100%
<b>Return on environmental investment</b>						
Capital investments	Million US\$	306-3	To be systematized for the 2020 report			
Operating expenses	Million US\$	306-3				
Savings, cost reduction, revenue, tax incentives	Million US\$	307-1				
% of operations covered	Million US\$	307-1				
<b>COMMUNITY AND SOCIETY</b>						
<b>Contribution to the development of the territory and its inhabitants and the cluster</b>						
<b>Employment and local purchases</b>						
Local workers	Annual average of workers who declare residence in the same region where they work	203-2	4,696	3,992	3,993	3,958
	Percentage of workers who declare residence in the same region where they work in relation to the total number of own workers	203-2	97%	90%	82%	82%
Local Suppliers	Number of suppliers (goods and services) with headquarters in the regions of operations, which had valued receipts during the period.	203-2	5,971	2,394	2,173	2,070
	Percentage in relation to the total number of suppliers.	203-2	69%	45%	48%	48%
Local shopping	Millions of US\$ of receipts valued. Amount of purchases from local suppliers (of goods and services). Net values (without VAT).	203-2	418	332	358	228
	Percentage in relation to total purchases.	203-2	27%	26%	34%	47%
<b>Value of philanthropic contributions</b>						
Cash contributions <sup>74</sup>	Thousands of US\$ of cash contribution	202-2	1,123	2,800	2,777	2,473
Employee volunteering during working hours	Thousands of US\$ in social investment management expenses		16			
Donations in kind	Employee volunteer hours during paid working hours		50		New indicator	
General management expenses	Thousands of US\$ in donations of products or services, projects / associations or similar.		1,507			
<b>Relation and communication with the community and the cluster</b>						
<b>Social impact on the community</b>	Development projects that are in the process of community consultation		1		New indicator	
Social Incidents	Number	MM6	1	4	0	1

<sup>73</sup> CAP: explain the increase from 2018 to The increase is explained by the greater reporting and by water and iron pulp spills that occurred in the pipeline for transporting ore between Cerro Negro Norte Mine and Punta Totoralillo Port, and in the aqueduct, in the communes of Copiapó and Caldera, respectively, whose replacement process should be completed this year.

<sup>74</sup> Figures include in 2019 Puerto Las Losas in Infrastructure, and Tupemesa and Calaminón in Cintac Group.

# Sustainable Development Goals - ODS

## OBJETIVOS DE DESARROLLO SOSTENIBLE

The United Nations' Sustainable Development Goals (SDA), also known as Agenda 2030, are the roadmap for safeguarding the sustainability of the planet and its inhabitants. This agenda is composed of a set of 17 global objectives to eradicate poverty, protect the planet and ensure prosperity and peace for all. With this objective in mind, specific goals have been established to be achieved by 2030 in a joint effort between multilateral organizations, governments, businesses and civil society.

At CAP we adhere to the ODS, since they provide us with a strategic guide to orient our contribution to the sustainable development of the territories and societies in which our operations are inserted. Below, we present the main ODS in which we are contributing:



We are committed to promoting female participation in the labor market. With this objective, we have developed plans to encourage the incorporation of female collaborators in non-conventional positions and to promote the preparation of female executives with a view to their assuming positions of greater responsibility in the organization.



Estamos comprometidos con la promoción de la participación femenina en el mercado laboral. Con ese objetivo, desarrollamos planes para favorecer la incorporación de colaboradoras en cargos no convencionales y potenciar la preparación de las ejecutivas con miras a que asuman cargos de mayor responsabilidad en la organización.



We seek to generate pleasant, diverse and collaborative work environments, with opportunities for growth and development within everyone's reach, and conditions that allow people to carry out their duties safely and in harmony with their interests and family life. In addition, we promote a climate of respect and dialogue with the unions, since for us they are key allies in achieving our strategic objectives.



We see innovation as a key factor in the future development of our business. Thus, in 2019, the CAP Innovation Space (EIC) came into operation to support our 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 technological adoption.



In the communities surrounding our operations, we implement social development and innovation programs that seek to achieve sustainable local growth. Thus, by 2019 we have achieved historic figures for employment and local suppliers, with 97% and 69% respectively. We have initiatives to install capacities through social innovation, competitive funds, work tables, training programs in trades and support for entrepreneurship.



Clean production and the practice of recycling is for us a key instrument to reduce our impact on the environment. To advance in these challenges, we have been developing the "Zero Waste" strategy for years. Complementarily, in 2019 we are advancing in the operating companies in innovating in the treatment of our waste, as an example the operation of the first plant in Latin America of Extrusion of Steel Waste in CSH or the project of filtered tailings in CMP, which seek to safeguard a safe final destination and even beyond, seeking to reduce the shipment of waste to final destinations.



We put special emphasis on the efficient use of energy and the incorporation of energy sources and clean technologies from the design of our projects. Thus, by 2019 we are proud to have two systems in Cintac Group that allow us to contribute to the mitigation of climate change: the largest photovoltaic plants on roofs in Latin America (100 thousand m<sup>2</sup> of solar plants installed) and the first company in Chile and the world to implement the filtrovivo system to reduce our air emissions, both in Cintac Group.



We believe that sound governance and ethical conduct is key to ensuring the creation of value for the company and its environment. In 2019 we made significant changes to the board structure of our operating companies, moved towards a new risk management culture, created Compliance Management and launched the Integrity and Compliance Program and our new Code of Integrity.



We actively participate in different organizations at the regional, national and international level, with the aim of contributing to the discussion and reflection on public policy, development and areas related to sustainability. In 2019 we will participate in discussion forums on issues of diversity, innovation, probity and the challenges of sustainability in Chile.

# Global Compact

This report is part of our Communication on Progress (COP) to the United Nations Global Compact. In this annual disclosure, we inform our stakeholders of our efforts to implement the principles of this compact. The main objective of the COPs, as the core of the Global Compact's integrity measures, is to serve as a public vehicle for information on sustainable performance.

Through our adhesion to the Global Compact we assume the commitment to integrate sustainability into our strategy and actions, with the implementation of 10 principles that address four areas: human rights, labor relations, the environment and anti-corruption.

Cross-cutting indicators		
Indicator		Page(s)
1.	Statement of support for the Global Compact in the letter from the highest authority in the organization.	5
2.	Compliance with international standards and/or certifications related to the Principles of the Global Compact	13, 14, 100, 121
3.	Promotion or support of UN-driven initiatives	14, 119, 120
4.	Participation or support in other organizations that have a relationship with the Principles of the Global Compact.	14, 111, 120
5.	Existence of a general corporate sustainability policy that incorporates guidelines around the 10 Principles.	9, 14, 103, 104
6.	Existence of specific policies that guide the organization's behavior linked to the areas of the Global Compact.	9, 14, 15, 18, 21, 77, 80, 103, 104
7.	Existence of Code of Ethics	14, 104
8.	Formal tools to prevent, report and resolve conflicts and ethical incidents within the organization, or with its external stakeholders.	14, 104
9.	Communication of legal violations or breaches, in relation to the areas of the Global Compact.	14, 18, 38, 61, 104, 118
10.	Sustainability management bodies at senior management level.	13, 102, 103
11.	Sourcing policy or practices that ensure compliance with minimum standards at suppliers	14, 34, 56, 74, 106
12.	Procedure for identifying the main stakeholders.	108
13.	Consultation with stakeholders.	108
14.	Identification and analysis of risks and impacts of the Company's operations.	13, 17-18, 22, 35, 38, 57, 80, 92, 94, 103, 105
15.	Awareness of the Global Compact to workers, customers and suppliers.	14, 58
16.	Awareness of the Global Compact areas to the community.	42-43, 62
17.	Explanation of future goals and challenges linked to the areas of the Global Compact.	14, 15, 17, 19, 20



# GRI Content Index - Standards. Essential Option

GRI Standard	Content	Page Number or URL	Omission	External Verification
<b>GRI 101: Fundamentals 2016</b>		[GRI 101 does not include content]		
<b>General Content</b>				
<b>GRI 102: General Content 2016</b>	102-1 Name of the organization	Portada		✓
	102-2 Activities, brands, products and services	6, 28, 50, 68, 75, 76, 84, 91		✓
	102-3 Location of headquarters	The corporate offices are located in Santiago, Chile.		✓
	102-4 Location of operations	6		✓
	102-5 Ownership and legal form	13		✓
	102-6 Markets served	6, 28, 50, 68, 75, 76, 84, 91		✓
	102-7 Size of the organization	7, 28, 29, 50, 51, 68, 69, 84, 91, 106, 113		✓
	102-8 Information on employees and other workers	7, 16, 29, 36, 51, 58, 69, 77, 84, 91, 113, 114		✓
	102-9 Supply chain	17, 34, 56, 74, 106		✓
	102-10 Significant changes in the organization and its supply chain	104		✓
	102-11 Precautionary principle or approach	The new Code of Integrity includes the precautionary principle		✓
	102-12 External initiatives	111		✓
	102-13 Membership in associations	111, 112		✓
	102-14 Statement by senior decision-makers	4, 5		✓
	102-15 Major impacts, risks and opportunities	8-12, 13, 27, 49, 52, 67, 70, 85, 105		✓
	102-16 Values, principles, standards and codes of conduct	2, 9, 13, 14, 103, 104		✓
	102-17 Advisory mechanisms and ethical concerns	14		✓
	102-18 Governance structure	13, 102		✓
	102-19 Delegation of authority	13, 102, 103		✓
	102-20 Executive-level responsibility for economic, environmental and social issues	13, 102, 103		✓
	102-21 Stakeholder consulting on economic, environmental and social issues	108		✓
102-22 Composition of the highest governance body and its committees	102	Information not available for composition according to: affiliation to under-represented social groups; and representation of interest groups.	✓	
102-23 Chairman of the highest governing body	The Chairman of the Board of Directors of CAP S.A. in 2019 did not hold executive positions in the company.		✓	
102-26 Role of the highest governance body in selecting purpose, values and strategy	13, 102, 103		✓	
102-27 Collective knowledge of the highest governing body	103		✓	
102-29 Identification and management of economic, environmental and social impacts	103. The SSIIndex applied to some stakeholders is used as an input to the Board's deliberations on these matters.		✓	

GRI Standard	Content	Page Number or URL	Omission	External Verification
<b>GRI 101: Fundamentals 2016</b>				
<b>General Content</b>				
<b>GRI 102: General Content 2016</b>	102-30 Effectiveness of risk management processes	13, 103, 105		✓
	102-31 Assessment of economic, environmental and social issues	13, 103		✓
	102-40 List of stakeholders	108-110		✓
	102-41 Percentage of employees in collective bargaining agreements	114		✓
	102-42 Identification and selection of stakeholders	108		✓
	102-43 Approach to stakeholder engagement	108	Information not available for the frequency of participation by type and by interest group	✓
	102-44 Key issues and concerns mentioned	108		✓
	102-45 Entities included in the consolidated financial statements	The 2019 Sustainability Report covers the operating companies: CMP, CSH, Cintac Group, TASA, New Businesses. It does not address "Other Operational Activities" included in the 2019 Annual Report.		✓
	102-46 Defining report contents and topic coverage	98		✓
	102-47 List of material issues	99		✓
	102-48 Re-expression of information	The effect of any restatement of information regarding previous reports, and the reasons for such restatement, are specified as footnotes to the respective indicators in which this has occurred.		✓
	102-49 Changes in reporting	Significant changes regarding the coverage of the topics are specified as footnotes when such information is presented.		✓
	102-50 Reporting period	98		✓
	102-51 Date of last report	Sustainability Report 2018, published in May 2019		✓
	102-52 Reporting Cycle	Annual		✓
	102-53 Contact point for questions about the report	128		✓
102-54 Statement of compliance with GRI standards	98		✓	
102-55 GRI Table of Contents	121		✓	
102-56 External verification	100-101		✓	

GRI Standard	Content	Page Number or URL	Omission	External Verification
<b>MATERIAL TOPICS</b>				
<b>I. BUSINESS DEVELOPMENT, GOVERNANCE AND INTEGRITY</b>				
<b>Transformation, innovation, efficiency and financial sustainability</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material subject and its coverage	8		✓
	103-2 The management approach and its components	9-12		✓
	103-3 Evaluation of the management approach	9-12		✓
GRI 201: Economic performance 2016	201-1 Direct generated and distributed financial value	107		✓
GRI 203: Indirect Economic impacts	203-2 Significant indirect financial impacts	23, 44, 45, 52, 54, 63, 70, 92, 93, 95, 119		✓
	Business challenges and company response	8, 9		✓
	Production	7		✓
	Income	7		✓
	Ebitda	7		✓
<b>Corporate governance</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material subject and its coverage	13		✓
	103-2 The management approach and its components	13, 14, 102-104		✓
	103-3 Evaluation of the management approach	13, 14, 102-104		✓
GRI 405: Diversity and equality of opportunities 2016	405-1 Diversity in governing bodies	102		✓
<b>Risk Management and compliance</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material subject and its coverage	13, 102		✓
	103-2 The management approach and its components	13, 102, 103, 105		✓
	103-3 Evaluation of the management approach	13, 102, 103, 105		✓
	Transforming risk management and compliance	13, 102		✓
<b>Integrity</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material subject and its coverage	14		✓
	103-2 The management approach and its components	14, 104		✓
	103-3 Evaluation of the management approach	14, 104		✓
GRI 406: Non discrimination 2016	406-1 Cases of discrimination and remedial action taken	14, 104		✓
	Complaints received during the year	14, 104		✓
	Percentage of complaints resolved during the period	14, 104		✓
<b>Responsible Procurement</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material subject and its coverage	17, 34, 56, 74, 106		✓
	103-2 The management approach and its components	17, 34, 56, 74, 106		✓
	103-3 Evaluation of the management approach	17, 34, 56, 74, 106		✓
GRI 204: Procurement Practices 2016	204-1 Percentage of spending on local suppliers	106		✓
	Total number of suppliers	106		✓
	Purchase of goods and services	106		✓

GRI Standard	Content	Page Number or URL	Omission	External Verification
<b>MATERIAL TOPICS</b>				
<b>I. BUSINESS DEVELOPMENT, GOVERNANCE AND INTEGRITY</b>				
<b>Cybersecurity</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material subject and its coverage	13, 105		✓
	103-2 The management approach and its components	13, 105		✓
	103-3 Evaluation of the management approach	13, 105		✓
	Initiatives to safeguard cybersecurity	13, 105		
<b>Products and solutions to contribute to the sustainability of society</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material subject and its coverage	52, 54, 70, 71, 72, 75, 76, 92, 93		✓
	103-2 The management approach and its components	52, 54, 70, 71, 72, 75, 76, 92, 93		✓
	103-3 Evaluation of the management approach	52, 54, 70, 71, 72, 75, 76, 92, 93		✓
	Products and solutions to contribute to the sustainability of society	52, 54, 70, 71, 72, 75, 76, 92, 93		
<b>II. PERSONS</b>				
<b>Occupational health and safety</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material subject and its coverage	17, 35, 57, 77		✓
	103-2 The management approach and its components	15, 17, 35, 57, 77-78, 87, 94-95		✓
	103-3 Evaluation of the management approach	11, 16-17, 29, 35, 51, 57, 69, 78, 87, 91, 94-95, 114		✓
GRI 403: Occupational health and safety 2018	403-1 Occupational health and safety management systems	17, 35, 51, 57, 69, 78, 84, 91, 94		✓
	403-2 Risk management, safety incidents	17, 35, 57, 78, 94		✓
	403-3 Occupational health services	35, 57		✓
	403-5 Health and safety training	17, 35, 57, 87		✓
	403-6 Occupational health promotion	17, 35, 57		✓
	403-7 Prevention and mitigation of direct health and safety impacts related to business	17, 35, 57, 78		✓
	403-8 Workers covered by a health and safety management system	35, 51, 114		✓
	403-9 Work-related accidents	11, 29, 35, 51, 57, 69, 78, 94-95, 114	For each indicator, the rules for registration defined by Chilean legislation through SUSESO are used.	✓
	403-10 Occupational diseases	35, 57, 114		✓

GRI Standard	Content	Page Number or URL	Omission	External Verification
<b>MATERIAL TOPICS</b>				
<b>II. PERSONS</b>				
<b>Employment Quality (Own workers and Contractors)</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material subject and its coverage	15, 36, 58, 77-78		✓
	103-2 The management approach and its components	15, 36, 58, 77-78, 87, 95		✓
	103-3 Evaluation of the management approach	11, 15-17, 29, 36, 51, 58, 69, 77-78, 84, 87, 92, 94-95, 113		✓
GRI 404: Training and education 2016	404-1 Average hours of training per year per employee	113	Information not available: Average hours of training broken down by sex and employment category	✓
	404-2 Employee skill improvement and transition assistance programs	15, 36, 77-78, 95	Information not available: Transition assistance programs for professionals leaving the company.	✓
	404-3 Percentage of employees receiving regular performance and career development reviews	36, 113	Information not available: Breakdown by sex and employment category	✓
GRI 405: Diversity and equality of opportunities 2016	405-1 Employee diversity	11, 15-16, 29, 36, 51, 58, 69, 79, 84, 92, 94, 113		✓
	405-2 Ratio of basic salary and payment of women compared to men	11, 15, 113		✓
<b>Working relationships and climate</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material subject and its coverage	15, 37, 58, 78		✓
	103-2 The management approach and its components	15, 37, 58, 78		✓
	103-3 Evaluation of the management approach	15, 37, 58, 59, 78, 114		✓
	Unionization and freedom of association	15, 29, 37, 58, 78, 114		✓
	MM4: Number of strikes and closures lasting more than one week	37, 58, 114		✓
<b>III. COMMUNITY AND SOCIETY</b>				
<b>Contribution to the development of the territory, its inhabitants and the cluster</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material subject and its coverage	21, 42, 44, 63		✓
	103-2 The management approach and its components	21-23, 42, 44, 63, 95		✓
	103-3 Evaluation of the management approach	11, 21-23, 29, 42, 44-45, 51, 63, 69, 75-76, 81, 92-95, 118		✓
GRI 202: Market Share 2016	202-2 Share of senior executives recruited from the local community	11, 29, 44, 51, 63, 92, 118		✓
GRI 202: Market Share 2016	203-1 Investments in infrastructure and support services	45, 63, 92		✓
	203-2 Significant indirect economic impacts: local employment, local purchases, local suppliers	11, 29, 44-45, 51, 62-63, 69, 81, 91, 92-95, 118		✓
GRI 413: Local Communities 2016	413-1 Operations with local community participation, impact assessments and development programs	44-45, 63		✓
	Value of direct contributions: cash, volunteering, in-kind donations and management costs	63, 118		

GRI Standard	Content	Page Number or URL	Omission	External Verification	
<b>MATERIAL TOPICS</b>					
<b>III. COMMUNITY AND SOCIETY</b>					
<b>Relationship and communication with the community and the cluster</b>					
GRI 103: Management Approach 2016	103-1	Explanation of the material subject and its coverage	21, 42, 62	✓	
	103-2	The management approach and its components	21-23, 42, 62, 95	✓	
	103-3	Evaluation of the management approach	21-23, 42-43, 45, 62, 69, 118	✓	
GRI 413: Local Communities 2016	413-1	Operations with local community participation, impact assessments and development programs	22, 42-43, 45, 62, 118	✓	
	MM 6	Social Incidents	42, 62, 118		
<b>IV. ENVIRONMENT</b>					
<b>Industrial waste and hazardous substances management</b>					
GRI 103: Management Approach 2016	103-1	Explanation of the material subject and its coverage	19, 41, 60-61, 80-81	✓	
	103-2	The management approach and its components	18-19, 38, 41, 60-61, 80-81, 87, 95	✓	
	103-3	Evaluation of the management approach	11, 18-19, 29, 41, 51, 60-61, 69, 80-81, 87, 91, 95, 115, 118	✓	
GRI 306: Effluents and Waste 2016	306-2	Waste by type and disposal method	11, 19, 41, 61, 81, 91, 115	CAP Group presents the waste treatment method in a grouped manner for hazardous, non-hazardous and domestic waste (which are also non-hazardous). Information not available: injection in deep wells	✓
	306-3	Significant spills	18, 38, 51, 61, 69, 91, 118	✓	
	MM3	Total amount of cover, rock, tailings and sludge, and associated risks	41, 115	✓	
GRI 307: Environmental Compliance 2016	307-1	Number of environmental fines	18, 38, 84, 91, 118	✓	
		Amount of environmental fines	18, 38, 84, 91, 118	✓	
	MM10	Number and percentage of transactions with closure plans	38, 118	✓	
<b>Air Quality</b>					
GRI 103: Management Approach 2016	103-1	Explanation of the material subject and its coverage	39, 60	✓	
	103-2	The management approach and its components	18, 38-39, 60, 95	✓	
	103-3	Evaluation of the management approach	38-39, 60, 69, 80, 115	✓	
GRI 305: Emissions 2016	"305-7	Nitrogen oxides (NO <sub>x</sub> ), sulphur oxides (SO <sub>2</sub> ) and other significant atmospheric emissions.	39, 60, 115	Particulate matter emissions are presented for the operations where the issue is more material, CSH in Talcahuano and CMP in Huasco. They have been quantified based on air quality measurement standards in Chile.	✓

GRI Standard	Content	Page Number or URL	Omission	External Verification
<b>MATERIAL TOPICS</b>				
<b>IV. ENVIRONMENT</b>				
<b>Water</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material subject and its coverage	20, 40, 60		✓
	103-2 The management approach and its components	18, 20, 38, 40, 60		✓
	103-3 Evaluation of the management approach	11, 20, 29, 40, 60, 80, 91, 92, 116		✓
	303-1 Interaction with water as a shared resource	11, 20, 40, 60, 92-93, 116		✓
	303-2 Management of impacts related to water discharges	20, 40, 60, 95		✓
GRI 303: Water and Effluents 2018	303-3 Water extraction by source	29, 40, 92, 116	Wastewater from another organization is not used, nor is the amount of rainwater collected naturally in the reservoirs and other water storage spaces quantified.	✓
	303-4 Water discharges	40, 93, 116		✓
	303-5 Water consumption	11, 40, 60, 116	Consumption is presented in thousands of cubic meters.	✓
<b>Climate Change Mitigation and Adaptation</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material subject and its coverage	19, 40, 60, 80		✓
	103-2 The management approach and its components	18-19, 38, 40, 60, 80		✓
	103-3 Evaluation of the management approach	11, 19, 40, 60, 69, 80, 87, 93, 117		✓
GRI 305: Emissions 2016	305-1 Direct GHG emissions (Scope 1)	60, 80, 117	Presented for CSH and Cintac Group operations.	✓
	305-2 Indirect GHG emissions from power generation (Scope 2)	60, 80, 117	Presented for CSH and Cintac Group operations.	✓
	305-3 Indirect GHG emissions from power generation (Scope 3)	60, 80, 117	Presented for CSH and Cintac Group operations.	✓
	305-4 GHG emission intensity	60, 80, 117	Presented for CSH and Cintac Group operations. The breakdown of intensity by product is presented for only two products of the Cintac Group.	✓
GRI 302: Energy 2016	302-1 Energy consumption within the organization	60, 80, 87, 117		✓
<b>Biodiversity and heritage</b>				
GRI 103: Management Approach 2016	103-1 Explanation of the material subject and its coverage	20, 61		✓
	103-2 The management approach and its components	18, 20, 38, 61		✓
	103-3 Evaluation of the management approach	20, 51, 61, 93		✓
GRI 304: Biodiversity 2016	304-1 Operations centers located within or adjacent to protected areas or areas of high biodiversity value	20, 61		✓
	304-3 Protected or restored habitats	51, 61	Information not available: status of each protected area according to its condition at the end of the reporting period	✓



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