

## SUSTAINABILITY

# OUR SUCCESS BRINGS RESPONSIBILITY

Hochschild is defined by its approach to responsible and innovative mining committed to a better world.



I am pleased to report on the Company's progress in 2018 on sustainability which forms the foundation of Hochschild Mining's business.

## Dear Shareholder

A record year of production underlines the Group's operational performance during the year and in this part of the Annual Report we provide an overview of the Group's progress in its areas of focus with regards to sustainability.

It is with deep regret that there were three fatalities during the year and I would like to reiterate the Board's condolences to the families of those involved. The members of the CSR Committee, indeed the full Board are committed to doing all we can to minimise all accidents across our operations. The Safety Culture Transformation Plan, which commenced in 2017, was designed and implemented with this aim in mind. This wide-ranging programme covers a number of aspects of safety management, further details of which are provided in the Safety section of this report. We are encouraged that the Plan is having its desired impact with a 46% reduction in high potential events and a 35% reduction in the accident frequency index, when compared to 2017.

## Our communities

In 2018, our focus Education, Health and Socio-Economic Development continued. We also took steps to review and revise our community engagement strategy which is targeting, to a greater degree, the needs of those people who live close to our operations. This is being facilitated through a number of means and not least a technology partnership with Mandu

and a perception study that was commissioned through an external firm. Further details on these initiatives, as well as those of our Argentinian operation, can be found in this report and on our website.

## Our environment

With regards to our environmental performance, I am delighted to report on the success of the second consecutive year of the use of the Environmental Corporate Objective ('ECO'). The ECO score for the year, which is explained in the Environment section of the Report, was higher than the most stretching target approved by the Board, demonstrating an environmentally conscious approach across the organisation. The ECO score was incorporated as one of the corporate objectives and therefore eligible employees will, justifiably, see some recognition for this impressive achievement. For further details, please see the final page of this report.

## Tailings Facilities

Finally, in light of recent events in Brazil and similar events over the past three years, I would like to address the issue of the Group's tailings storage facilities. Firstly, I would like to reiterate that the safety of these structures is something that the Company takes seriously. The Committee considered the status of these facilities in the early part of this year and we were reassured that they are designed in a way that provides more structural resilience than those that have been the subject of recent press coverage. The Company has carried out third-party audits and internally-led inspections of its facilities and has designed an enhanced programme of monitoring going forward.

I hope you will find this report informative. If you should have any questions or comments, please do not hesitate to contact me at [sustainability@hocplc.com](mailto:sustainability@hocplc.com)

## Graham Birch

Chairman  
Corporate Social  
Responsibility Committee

# 98%

**WORKFORCE TRAINED**  
(2017: 81%)

# \$8.3m\*

**AMOUNT SPENT OR DONATED TO  
BENEFIT LOCAL COMMUNITIES**  
(2017: \$5.9m\*)

\*restated to also include community/social donations made at a corporate level.





### Governance of Corporate Social Responsibility ('CSR')

The Board has ultimate responsibility for establishing Group policies relating to sustainability and the CSR Committee has been established with the responsibility of focusing on compliance and ensuring that appropriate systems and practices are in place.

### What is Hochschild Mining's approach to sustainability?

The Company has adopted a number of policies demonstrating our commitment to:

- a safe and healthy workplace;
- managing and minimising the environmental impact of our operations;
- encouraging sustainability by respecting the communities of the localities in which we operate; and
- all in compliance with applicable laws, regulations and the Company's own standards.

For further information on how we prioritise our resources and the Committee's terms of reference, please visit [www.hochschildmining.com/en/sustainability](http://www.hochschildmining.com/en/sustainability).

### Management of sustainability

The Board has ultimate responsibility for establishing Group policies relating to sustainability and ensuring that appropriate standards are met. The CSR Committee has been established as a formal committee of the Board with delegated responsibility for various sustainability issues, focusing on compliance and ensuring that appropriate systems and practices are in place Group-wide to ensure the effective management of sustainability-related risks.

As Chairman of the CSR Committee, Graham Birch has Board level responsibility for sustainability issues to whom the Vice President of Operations and the Vice President of Legal and Corporate Affairs report for sustainability issues. From 1 January 2019, the Vice President of Human Relations also reports to Mr Birch who is the nominated Board member overseeing employee engagement.

### The CSR Committee's work in 2018

During the year, the CSR Committee:

- considered the investigations into the fatal accidents during the year and the steps to be taken to further strengthen the Group's safety culture;

- monitored the execution of the yearly plan in each of the four key areas of focus including detailed reports on safety performance;
- considered the priorities of the environmental team and their work plan;
- considered a detailed presentation on the Group's community engagement strategy, including the findings of a perception study (see the Community Relations section for more information);
- reviewed the environmental and community relations related risks and related work plans; and
- approved the 2017 Sustainability Report for inclusion in the 2017 Annual Report.

Given the exposure of the Group's strategy to Sustainability Risks (comprising Health & Safety, Community Relations and Environmental risks), the full Board received regular presentations on how such risks are managed. Furthermore, the Board received presentations from management on the accidents that resulted in the fatalities during the year. Additional details of these accidents can be found in the Safety section of this report.

### Reporting of targets and indicators

As part of the Company's ongoing strategy to make more information available online, detailed sustainability related performance indicators as well as targets for 2019 are available on the Company's website.



### Our areas of focus



#### Safety

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#### Health & Hygiene

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#### Our people

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#### Our communities

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#### Environmental management

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## SUSTAINABILITY CONTINUED

# SAFETY

Our people are our most valuable asset and their safety is paramount.



### 2018 Highlights

- Continued implementation of the Safety Culture Transformation Plan (see bottom right for further details)
- All safety management systems at operating units achieved Level six re-certification by Det Norske Veritas GL

### The Hochschild approach to safety

Given the inherently high risk profile of mining, safety is always our highest priority. Ensuring the safety of our employees is a key metric for our corporate success.

#### Our achievements in 2018

- 46% reduction in the number of High Potential Events vs 2017
- 35% reduction in the accident frequency index
- Successfully achieving 100% coverage of portable carbon monoxide detectors (making Hochschild one of only a few underground mining companies in the world to have done so); and
- Restructuring the emergency response teams; resulting in operating efficiencies.

#### Accidents in 2018

It is with regret that there were two fatal accidents in 2018 which resulted in three fatalities. In this section of the report, we have summarised the details of each incident and the remedial actions taken.

#### March 2018: Arcata

Overview: In the process of recovering a tool which had dropped by the entrance of a shaft, a mineworker disengaged a safety mechanism and lost his balance which resulted in a fall from height.

The investigation resulted in a number of actions being taken, including:

- refocussing training to highlight the need for constant risk assessments;
- reviewed procedures with regards to replacement equipment; and
- the re-design of supply shafts.

#### May 2018: Pallancata

Overview: Two members of the electrical maintenance team attempted to access a work area through a route which had been cordoned off and were overcome by carbon monoxide fumes.

The resulting investigation prompted the following actions (among others):

- instigating inspections and procedural changes to reinforce the need for self-rescue equipment to be carried;
- revising operating procedures to render access to cordoned-off areas more difficult; and
- a tailored communications plan.



### Behaviour Based Safety Checklists

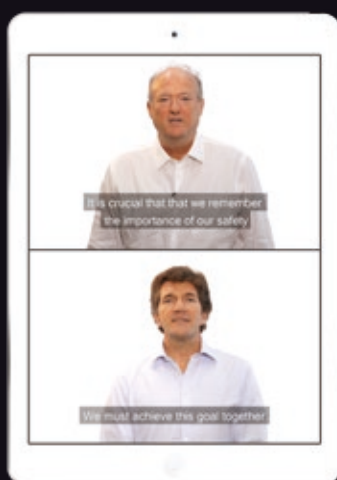
A process of reviewing the Group's safety checklists was undertaken in 2018 which involved the conscious move of the design of checklists from the corporate centre to the operations. This prompted the participation by middle management (comprising mining engineers, safety engineers, process engineers and environmental engineers) in discussions and analyses of workplace safety over c.600 man hours. This ensured that the checklists, which are used to record observations at surface-level and underground operations, are relevant and targeted.

The checklists have been positively received and will be incorporated into a mobile app in 2019.



### Safety Action Plan

A programme comprising short-term and longer-term actions, to be implemented over three years, was put in place in 2017 and which we progressed during 2018.



Safety Action video

### Immediate Action Plan

- Messaging from senior management on the non-negotiable zero tolerance to accidents (see left)
- Safety top management leadership meetings
- World-renowned consultancy, DuPont, were engaged to conduct a safety culture assessment with the participation of 750 employees
- Increased safety supervision implemented
- Clinical psychologists recruited at all sites
- Re-allocation of work between employees on the basis that 'expert workers are safer workers'

### 2018 Training Update

The implementation of a two-year training programme for emergency brigades commenced during the year with the support of a third-party consultant. The programme, which focuses on rescue methods and the use of equipment in confined spaces, is provided on a rotational basis across all Peruvian operations. New fire pumps and emergency trucks have been delivered from the US for fitting out and use in 2019.



### Long-term Action Plan: The Safety Culture Transformation Plan



### Risk Management System (RMS)

- Hochschild RMS upgraded to latest DNV version 7.0 ISRS (International Safety Regulations System)
- External audit, by DNV, of RMS across all operations completed in mid-February
- Review of all HOC protocols and procedures in process for completion by the end of 2018

### Leadership Programme

- New safety committee with senior management involvement in the review of potential high impact events
- Coaching programme for operations management team led by DuPont
- 10-month leadership programme for mine supervisors
- Independent safety promoters have been hired at all mines

### Mines' Annual Training Programme

- Redesigned structure and content of weekly training sessions. Training sessions for mine workers comprise three modules of c. five hours per week in the areas of practical safe working, use of technology and safety leadership

### Safety Plan communications support

- Activities detailed herein, together with safety achievements and risks communicated to all individuals through a corporate communication plan

## SUSTAINABILITY CONTINUED

# HEALTH & HYGIENE

The work of Health & Hygiene is to provide an integrated approach to employee welfare

### 2018 Highlights

- Increased provision of psychological support as part of the Safety Culture Transformation Plan
- Full implementation of industrial hygiene standards at the San Jose operation
- Development and implementation of new occupational safety and wellbeing software

### The Hochschild approach to health and hygiene

Underlining the importance we place on our people and their wellbeing, the Group's Health & Hygiene department is tasked with providing an integrated approach to employee welfare. Whilst the Health team is focused on ensuring that employees have access to the relevant services and infrastructure to ensure that treatment can be provided, the Hygiene team looks to reinforce the importance of the quality of life at work through the prevention of occupational illness.

Given the nature of the work and the two-week shift patterns which result in frequent periods of absence from families, the Group recognises the importance of ensuring the mental wellbeing of its employees. For this reason, the Group's Health & Hygiene teams are also trained in occupational psychology.

Our Health & Hygiene teams undertake their work in line with the following guiding principles:

- Prevention comes first
- Maximising quality of life
- Adopting measures for the long-term benefit of our people
- Proactively identifying and controlling hazards at source
- Contributing to the continuous improvement in the Group's Health & Safety culture
- Developing leaders dedicated to prioritising the wellbeing of their teams and maintaining high levels of occupational health and hygiene standards



### Our achievements in 2018

The Health team, in collaboration with other departments, including the Safety team, continued to go beyond its traditional area of prevention and sought to influence the way that employees approach their tasks.

### During the year

- senior members of the team participated in discussions with respect to new legal requirements and provided training to team members;
- a comprehensive programme aimed at minimising and eventually eradicating exposure to harmful levels of noise was implemented during the year. This was achieved through the procurement of specialist monitoring equipment to gauge the level of exposure, workers at all units underwent medical examinations and informational material highlighting the risks and encouraging the use of protective equipment was prepared and distributed.

### Supporting Mineworkers' families

The Health & Hygiene team held events in Arequipa aimed at providing mineworkers' families with support and advice.

The sessions provided families with the opportunity to share their experiences. Medically trained staff gave presentations with advice on dealing with the pressures of shift-working on family life.

# OUR PEOPLE

Hochschild can only succeed through a sustained programme of investing in its people and their development

## The Hochschild approach to our people

### Training and development

The quality of our people is key to the success of the business. Thus, the ability for the Group to attract and retain high quality personnel is imperative. The Human Resources team seeks to achieve this goal by providing competitive remuneration, a positive working environment and continuous opportunities for professional development.

### Group values, labour relations and human rights

Amongst the primary responsibilities of the Human Resources team is the clear communication of the Group's corporate values: Integrity, Teamwork, Quality and Excellence, Responsibility and Commitment to our People. These values are embodied in our Code of Conduct which, amongst other things, sets out our undertakings to treat all employees fairly and to respect the right to be free of harassment or intimidation in the workplace. We recognise the core labour rights principles and, in this respect, support the right to freedom of association and collective bargaining.

Approximately 58% of our total workforce is represented by a trade union or similar body. As a signatory of the Global Compact of the United Nations, Hochschild Mining respects the human rights of all of the Company's stakeholders including those of our employees, our contractors and suppliers, as well as the members of our local communities.

# 58%

OF OUR TOTAL WORKFORCE IS REPRESENTED BY A TRADE UNION OR SIMILAR BODY

# 62.4%

EMPLOYEE SATISFACTION COMPARED TO 57.4% IN 2017



### People indicators

Gender diversity statistics <sup>1</sup>	2018	2017	2016	2015
<b>Number of employees</b>				
Male	3,894	3,849	3,859	3,492
Female	245	235	222	237
<b>Number of senior managers<sup>2</sup></b>				
Male	37	36	35	34
Female	1	1	1	2
<b>Number of Board members</b>				
Male	7	7	8	8
Female	1	1	1	0

<sup>1</sup> As at 31 December.

<sup>2</sup> Defined as those who qualify under the UK statutory definition of 'senior manager' as at 31 December.

### Activities in 2018

The people-focused initiatives during the year included the following:

#### Putting Safety First

As part of the Safety Culture Transformation Plan, a three-year leadership programme focused on promoting our safety culture was launched. This programme encourages participation across all levels at the mining units and administrative offices. Strategic development plans have been designed and implemented for those in critical roles across the business.

#### Keeping our talent

The People Review process was undertaken which maps talent within the organisation and identifies key positions and succession plans.

### Enhancing the Working Environment

The Group continues to make use of an Organisational Climate Survey which has been widely acknowledged as a key tool to measure levels of satisfaction amongst employees and to identify opportunities for further development. Employee satisfaction in 2018 was registered at 62.4%, compared to 57.4% in 2017. Based on survey results and employee feedback, some improvements that have been implemented in the mining units include:

- Change in the transportation provider for mining staff;
- Continuous soft skills training for mine workers (known as "Day 8 training"); and
- Improved feedback and communication sessions between workers and managers.

We have continued to review our offering of non-financial benefits which has resulted in flexible working hours for head office staff in the summer, and the holding of regular social events.



## SUSTAINABILITY CONTINUED

# WORKING WITH OUR COMMUNITIES

Hochschild's commitment to its local communities is an acknowledgement of our social licence



### 2018 Highlights

- Reviewed and updated strategies for Community Relations and social support
- Strengthened educational support for our local communities
- Launched and successfully implemented a new community-relations tracking software (see right box for further details)

### Our view of working with our communities

Through a long-standing collaboration, we have tailored our approach so that we interact with each community by respecting their customs and social dynamics. By doing so, the Community Relations team can focus on prioritising their specific needs and hence the Group's efforts and its intervention strategies.

### Our achievements in 2018

In 2018, we focused our efforts on re-evaluating our understanding about our relationships with the communities that surround Hochschild's mining operations by commissioning a consulting firm to carry out community-wide surveys and focus groups. The findings in this survey have informed our approach and social investment strategies to be better aligned with each of our mining units' unique communities.

In addition, we have continued to pursue programmes in the following areas:

#### Education

##### Elementary education

Contributing to the education of community members living close to our operations has been an established part of our social support. Each year we evaluate programmes and direct our efforts at those where we maximise value for students, teachers and parents.

In 2018, we maintained our vision of the education of the future, and how to best support our communities on getting there. We provided intelligent classrooms to 314 students and 37 teachers in 12 schools located across our sphere of influence. Intelligent classrooms include a computer equipped with digital academic resources to support teaching, and a projector for teacher and student use. Additionally, we support teachers with academic specialists who train them on the use of information technologies and on how to incorporate them into class sessions.

#### Secondary education

Hochschild supports programmes that promote personal development and basic economic/business awareness to equip those in secondary education for their early adult lives.

Over the course of 2018, we have collaborated with over 500 secondary students and almost 100 teachers across seven educational establishments.

#### Digital inclusion

We have promoted IT literacy through the ongoing support of four digital centres supporting 484 participants in urban areas close to our operations. These digital centres comprise computer laboratories and Hochschild-hired ICT specialists who provide training and technical support for the local population. We provide training in the form of two-year technical courses open to the whole community. This initiative has been made possible through a partnership with Cisco and the technical institute, Tecsup.

## Health

### Medico de Cabecera (the Travelling Doctor programme)

With the Travelling Doctor Programme, trained field doctors serve our most remote communities in a mobile medical unit. This programme is highly valued by both the young and old as it brings health coverage to areas that local state services do not reach. In 2018 the programme facilitated over 9,000 attendances.

## Socio-economic development

### Business networks

This programme, originally established in 2013 with only 25 participants, has seen an impressive level of growth in the past few years with over 350 participants in 2018. The project was originally set up with community members living close to the Inmaculada mine who today have become suppliers to the mine's catering contractors.

## Argentina

In conjunction with its joint venture partner, the Group has also promoted a number of initiatives at the San Jose operation in Argentina. These have included scholarship opportunities, technical training and subsequent employment of students from the town of Perito Moreno, located near the mine, and support of local cultural causes, such as infrastructure improvements to the local museum and municipality, as well as the hosting of recreational activities.

## Katari Case Study

Hochschild, in partnership with Mandu, a technology company, designed a software programme that assists the Community Relations team to document their interactions with communities and their needs. The system will enhance the way the Group engages with its communities, making it more responsive and to monitor the fulfilment of its commitments





**SUSTAINABILITY**  
CONTINUED

## MANAGING OUR ENVIRONMENTAL IMPACT

Hochschild seeks to be an industry leader, sourcing minerals with the smallest footprint possible and enhancing the environmental sustainability of its operations.



### 2018 Highlights

- Exceeding ECO Score target for second year in a row
- Continued focus on water management and treatment across all operations

### The Hochschild approach to environmental management

Hochschild Mining is committed to being a leading global mining company in environmental performance, sourcing minerals with the smallest environmental footprint possible.

Hochschild recognises that environmental and social responsibility extends beyond the life of our operations and as a result, mine closure plans are in place to restore areas where mining activity has ceased and the Company operates a policy of progressively closing historic mine components.

The Company has over 100 workers dedicated exclusively to environmental management, of which 75 are members of the communities living within close proximity of the Company's operations (also called the "areas of direct influence").

### Our achievements in 2018

- 2018 ECO score of 5.37 out of 6 points, exceeding the performance target set for 2018 of 4.0. The best individual result was obtained by Pallancata, with 5.88 points out of 6 and the most improvement year-on-year was obtained by Arcata, going from 5.25 in 2017 to 5.63 in 2018.
- Secured environmental permits for 101 exploration platforms and necessary permits to sustain operations.
- On-going closure of mine components, in line with the mine closure plans.

### Environmental Policy

In order to achieve the Company's environmental mission, the Environmental team is committed to:

- ensuring compliance with all legal and environmental regulations in place;
- setting an annual environmental performance goal for all Company employees;
- requiring an efficient use of resources, aiming for savings by implementing the best industrial and mining practices, modern technologies and solid procedures for environmental management and control;
- requiring all Company employees to adopt an environmentally conscious culture;
- providing all Company employees with the necessary resources and training to take environmentally appropriate decisions;
- promoting innovative and forward thinking in the development and execution of new concepts and designs related to environmental management; and
- requiring those who perform activities for the Company to abide by the Corporate Environmental Policy.

### Environmental Corporate Objective ('ECO' score)

Since 2014, Hochschild Mining has endeavoured to comply with the highest environmental and social standards in the mining industry. A part of this effort involved analysing available data to develop a tool that allowed the Company to measure and manage its footprint and identify behaviours which require improvement.

As result of this effort, in 2015 the Company began designing and testing, over a two-year period, an Environmental Corporate Objective, known as the "ECO Score". After this initial period, the most significant and representative performance indicators were chosen. The ECO Score was officially launched in 2017.

### Greenhouse gas emissions data<sup>1</sup> (tonnes of CO<sub>2</sub>e)

	2018 <sup>2</sup>	2017 <sup>2</sup>	2016 <sup>2</sup>	2015
Emissions from combustion of fuel and operation of facilities (tCO <sub>2</sub> e)	38,941	47,265	46,033	46,790
Emissions from purchased electricity (tCO <sub>2</sub> e)	90,602	94,249	91,893	78,163
Emissions intensity, per thousand ounces of total silver equivalent produced (CO <sub>2</sub> e/k oz) <sup>3</sup>	3,662	4,051	4,235	5,531

<sup>1</sup> Method used based on ISO 14064-1 Standard and GHG Protocol Corporate Accounting and Reporting Standard.

<sup>2</sup> Includes data for the whole year for Ares, Arcata, Selene, Pallancata, Inmaculada, San Jose and office locations.

<sup>3</sup> Total production includes 100% of all production, including that attributable to the joint venture partner at San Jose.

As a Corporate Objective, the ECO Score is placed on the same footing as production, financial and safety objectives which are used to determine employee bonuses. In this way, each employee is held accountable and cooperates to achieve the established environmental objectives.

The ECO score is calculated by monitoring performance at two levels: at each mining operation and, overall for the entire Group using a range of KPIs which reflect the following:

- Zero tolerance to non-compliance with discharge limits and environmental incidents, such as spillages
- The number of observations received from the environmental regulator in Peru
- Good environmental management measured on the basis of:
  - Water consumption per worker
  - Amount of non-recyclable waste generated per worker
  - Proportion of recyclable/industrial waste that is commercialised
  - Corporate Performance Indicator which tracks the number of compliance inspections that are passed with over 95%

These KPIs are reported on a monthly basis by each mining operation and communicated to all Company employees. Through this monthly publication, we try to foster healthy competition amongst the mining units, an effort called Green Challenge or 'Reto Verde' in Spanish.

### Performance Data

In launching the ECO Score, the Company has taken a significant step in strengthening its environmental culture by aligning the financial interests of its employees with the Company's environmental mission.

Since its creation, the ECO Score has generated positive results within the Company, such as a 44% reduction in water consumption per worker, a 41% reduction in the generation of waste per worker and a tripling in the proportion of waste recycled.