

# OUR PURPOSE REFLECTS OUR COMMITMENT TO RESPONSIBILITY

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

40%

REDUCTION IN ACCIDENT  
FREQUENCY INDEX (OR LTIFR)  
(2019: 1.05 – 2018: 1.74)

\$9.3m

AMOUNT SPENT OR DONATED TO  
BENEFIT LOCAL COMMUNITIES  
(2018: \$8.3m)

## OUR AREAS OF FOCUS

Safety	PAGE 42
Health & Hygiene	PAGE 44
Our people	PAGE 45
Our communities	PAGE 47
Environmental management	PAGE 48



## DEAR SHAREHOLDER



I am pleased to report on the Company's activities during 2019 which acknowledge our social licence to operate and demonstrate the collective sense of responsibility which is a key tenet of Hochschild's corporate purpose.

### Safety

It is with immense pride that we are able to report on the impact of the Safety Culture Transformation Plan which was launched in 2017. As discussed later in this report, the range of training

programmes and initiatives during 2019 has brought about impressive year-on-year reductions in the accident frequency index and accident severity rates of 40% and 94% respectively. These results are testament to the efforts of all involved, and I can assure you of our commitment to continue on this path as we proceed to roll out the action plan for the current year, known as "Safety 2.0".

### Our communities

Our Community Relations team has had an equally active year. As part of our strategy of supporting projects targeting education, health and socio-economic development, we launched a new scholarship programme for young people living close to the Inmaculada mine and our Travelling Doctor programme has extended its reach following our collaboration with local authorities.

### Our environment

From an environmental perspective, the Group performed well as reflected by the ECO Score for the year which is explained further on page 49. This initiative, which has undeniably raised the level of awareness across the organisation, has also been the subject of several external commendations including the Mines & Money 2019 Innovation in Sustainability award.

### Our people

Hochschild would not be able to achieve its current successes without its people and, in this report, we have set out how the Group's Human Resources ("HR") team have contributed to strengthening employee relations. I would like to highlight two aspects in particular. Firstly, the Attributes' Weeks where employees across the Group participated in a week-long series of events that were thematically designed around a key value which underlines our corporate purpose. Secondly, the Gender Diversity project which was launched with the aim of redressing the imbalance in the make-up of our workforce, which is regrettably representative of the sector.

This year, in addition to actively reviewing the opportunities we have to improving our energy efficiency across the organisation, we are also looking to enhance our sustainability reporting and will be engaging with our stakeholders in this regard.

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  
Sustainability Committee

### Governance of sustainability

The Board has ultimate responsibility for establishing Group policies relating to sustainability and the Sustainability 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; and
- encouraging sustainability by respecting the communities of the localities in which we operate.

We look to achieve all of the above 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 Sustainability Committee has been established as a formal committee of the Board with delegated responsibility for various 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 Committee, Graham Birch has Board level responsibility for sustainability issues to whom the Vice Presidents of Operations, Legal & Corporate Affairs, and Human Resources report.

#### The Sustainability Committee's work in 2019

During the year, the Sustainability Committee:

- approved the 2018 Sustainability Report for inclusion in the 2018 Annual Report;
- monitored the execution of the yearly plan in each of the five key areas of focus (Health, Safety, Community Relations, Environmental Management and Employee Engagement);

- received a detailed presentation on the Group's Tailing Storage Facilities ("TSFs") and approved the implementation of enhanced systems of monitoring and a programme of third-party reviews;
- undertook periodic reviews of the Group's exposure to sustainability risks and the controls and action plan to mitigate them; and
- considered and recommended to the Board, for adoption, revised Terms of Reference which formalised the Committee's role in overseeing methods of engagement with the Group's workforce to understand their views and to communicate them to the Board.

#### 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 2020 are available on the Company's website.



# SAFETY

The safety of our people is our number one priority.

## 2019 HIGHLIGHTS

Continued implementation of the Safety Culture Transformation Plan (See opposite for further details)

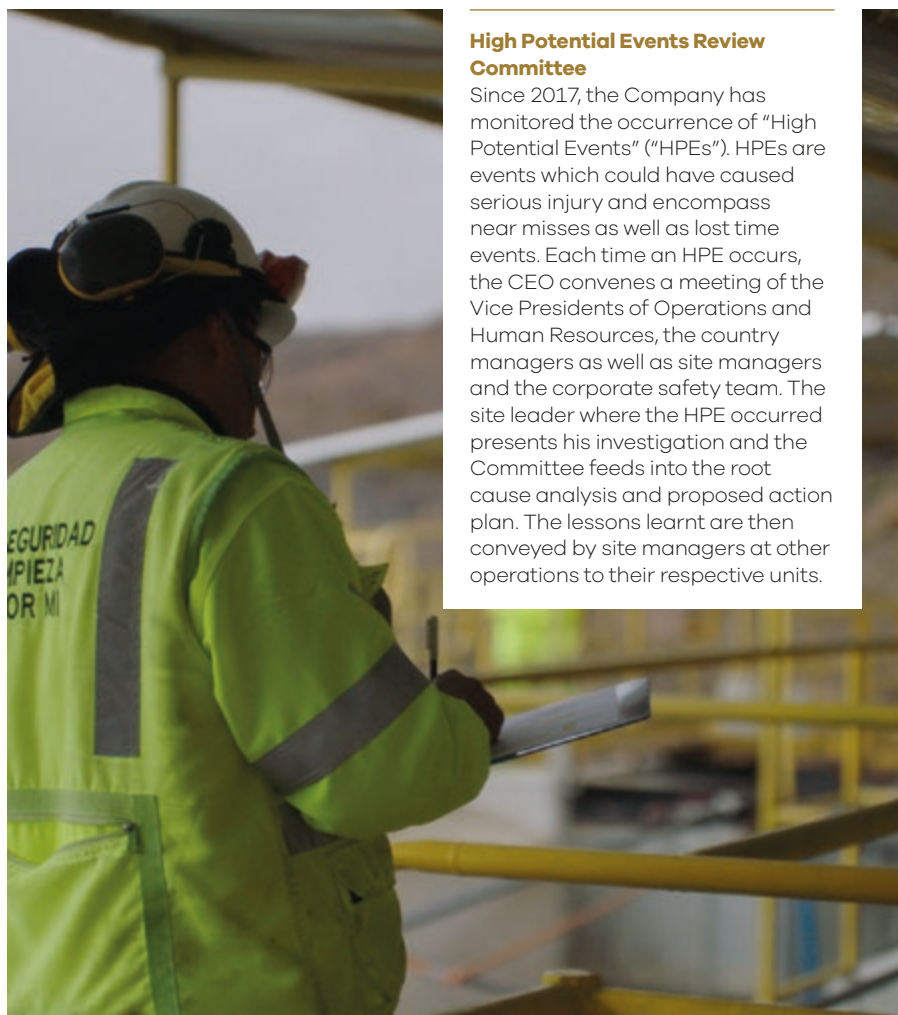
All safety management systems at operating units achieved Level 6 re-certification by Det Norske Veritas GL ("DNV"). As a sign of the Group's commitment to achieve Level 7, eight new safety sub-processes have been certified

### 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 measure of our corporate success.

### Our achievements in 2019

- 40% reduction in LTIFR and rate of High Potential Events vs 2018 (see right for an explanation of this internal measurement)
- 94% reduction in the Accident Severity Index vs 2018
- Technological enhancements to personnel transportation to regulate speed and detect driver fatigue (see opposite)

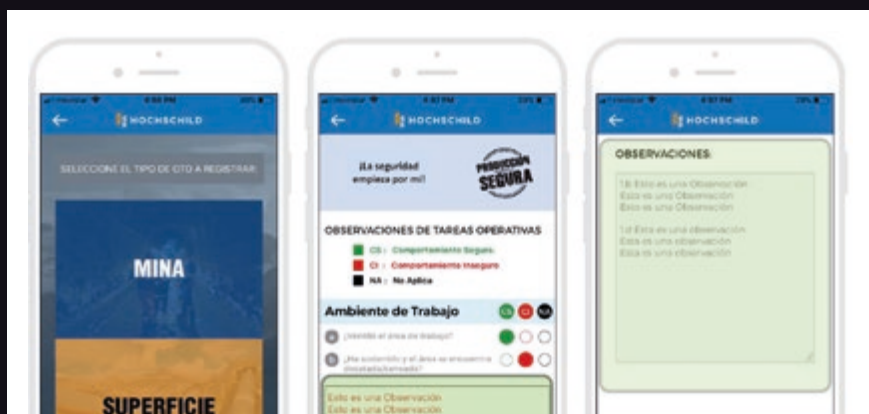


### High Potential Events Review Committee

Since 2017, the Company has monitored the occurrence of "High Potential Events" ("HPEs"). HPEs are events which could have caused serious injury and encompass near misses as well as lost time events. Each time an HPE occurs, the CEO convenes a meeting of the Vice Presidents of Operations and Human Resources, the country managers as well as site managers and the corporate safety team. The site leader where the HPE occurred presents his investigation and the Committee feeds into the root cause analysis and proposed action plan. The lessons learnt are then conveyed by site managers at other operations to their respective units.

### Behaviour Based Safety Checklists

As reported in the 2018 Annual Report, the Group's Behaviour Based Safety Checklists were incorporated into a mobile app, known as "the OTO app". The app, which has been designed in-house, enables users to log safety-related observations (an "OTO") during a 10-15 minute audit. By submitting an OTO, users earn points to transfer between levels of the programme and prizes are awarded based on the nature and number of OTOs submitted.



## THE SAFETY CULTURE TRANSFORMATION PLAN

The Group's safety performance in 2019 was industry-leading and is the result of the collective efforts of not only our safety team but also those tasked with ensuring that we embed a safety-first culture at Hochschild. This has been achieved primarily through the Safety Culture Transformation Plan – an initiative that was launched in 2017 and comprises the following aspects:

### LEADERSHIP

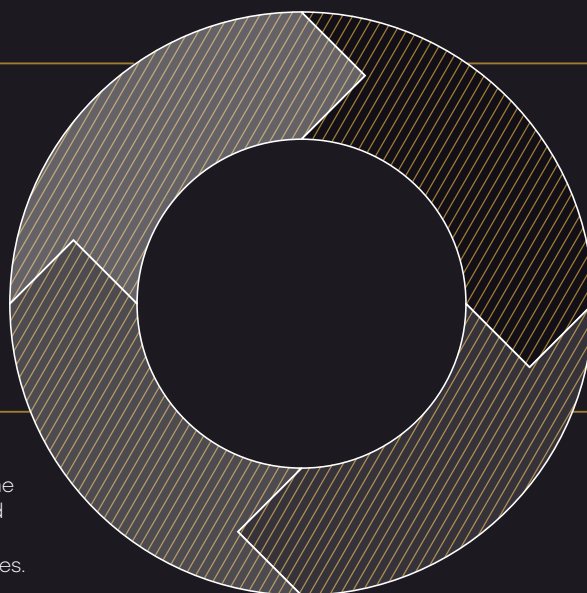
#### Leadership Programme

Coaching programme for site managers delivered through third-party specialist providers. In addition, internal sessions were delivered by Hochschild's in-house safety professionals and senior management.

### TRAINING

#### Mines' Annual Training Programme

Redesign of induction programme (both general and individual) and the continuation of a two-year training course for rescue brigades.



### COMMUNICATION

#### Safety Plan communications support

A campaign was run during the year promoting the new Company purpose and corporate values. Safety achievements and risks were communicated to all individuals through a corporate communication plan.

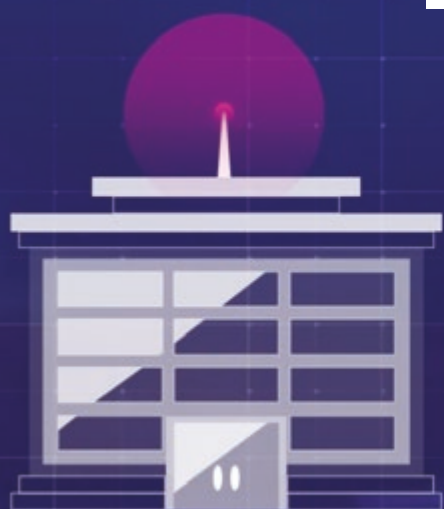
### SYSTEM

#### Risk Management System (RMS)

Internal audits carried out across all mine sites, with results of over 75% indicating a strong level of safety awareness. In addition, the implementation of eight new safety sub-processes to progress to Level 7 certification for RMS.

### Personnel transportation enhancements

During the year, management identified the heightened risk of accidents during the transportation of personnel to and from the mine site particularly given the distances between the mines and the nearest towns as well as the road conditions. Digital displays have been installed on dashboards to alert the driver to the speed limit at any given point and sensors installed to detect driver fatigue which, if triggered, will alert the driver as well as a central control centre.



Centro de control



# HEALTH & HYGIENE

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

## 2019 HIGHLIGHTS

Supporting the delivery of the Safety Culture Transformation Plan

Full implementation of a new data platform encompassing health, hygiene and mental wellbeing

### The Hochtisch 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 2019

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
- the team actively participated in the delivery of the Safety Culture Transformation Plan
- implementation of the HOCSPH software in Peru and Argentina which manages data relating to preventative and recovery activities in health and psychology, as well as monitors data on other aspects of industrial hygiene

### Supporting our families

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

The sessions gave families the opportunity to share their experiences. Members of the Health & Hygiene team who are trained in medicine and psychology gave presentations with advice on dealing with the pressures of shift-working on family life.





# OUR PEOPLE

Hochschild Mining's success relies on its people.

## 2019 HIGHLIGHTS

Launch of corporate purpose and related events

Gender Diversity taskforce and strategy established (see overleaf for further details)



# 58%

**OF OUR TOTAL WORKFORCE IS REPRESENTED BY A TRADE UNION OR SIMILAR BODY**  
(2018: 58%)

### 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 actively monitoring the market to identify the best talent and providing competitive remuneration, a positive working environment and continuous opportunities for learning and professional development.

### New corporate purpose

Amongst the primary responsibilities of the Human Resources team is the communication of the Group's corporate purpose which was launched in early 2019: "Responsible and innovative mining committed to a better world". In order to achieve the purpose, the following cultural attributes were identified: "We innovate", "We inspire and promote talent", "We are always responsible" and "We always look for efficiencies". The objective of the HR team is to ensure that employees feel part of the cultural transformation.

### Labour relations and human rights

Our Code of Conduct 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.

### Activities in 2019

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

#### Putting Safety First

As part of the Safety Culture Transformation Plan, a multi-year leadership programme focusing on promoting our safety culture was launched in 2018. This programme encourages participation across all levels at the mining units and administrative offices and has been successfully carried out over its first two years.

#### Keeping our talent

The People Review process was undertaken which maps talent within the organisation and identifies key positions and succession plans. Strategic development plans have been designed and implemented for those in critical roles across the business.

## OUR PEOPLE CONTINUED



### 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. This year the Company decided to participate in the “Great Place to Work” survey. The results will be presented in Q1 2020 and will form the base of an action plan to implement improvements in the mining units and administrative offices.

### Attributes’ Weeks

In 2019, a series of week-long events was held to reinforce each of the attributes that emanate from the corporate purpose. The events, which were thematically designed around Innovation, the Inspiration and Promotion of Talent, and Responsibility, comprised lectures by internal and external speakers, volunteering sessions, workshops and exhibitions.

### Diversity and inclusion

In recognition of the Company’s commitment to promoting a workforce that is gender diverse, a taskforce was established in 2019. As further detailed above right, the taskforce has made significant progress as it embarks on increasing female representation in the workforce from the current level.

#### Promoting a diverse pipeline of talent

The Group has taken active steps to redress the imbalance that exists in Hochschild’s workforce and which is, regrettably, typical for the mining sector.

A Diversity taskforce was established during the year comprising the CEO, the Vice Presidents of Legal & Corporate Affairs, Operations and Human Resources and a designated Diversity Champion. The taskforce oversees policy matters such as strategies and targets and is supported by working groups at the Head Office in Lima and at the Inmaculada and Pallancata mines.

In its inaugural year, the taskforce was responsible for:

- a baseline study of Hochschild’s workforce in Peru (with the same planned for Argentina in the current year);

- a review of Group policies such as those relating to recruitment and the Whistleblowing facility. In relation to the latter, a campaign has been designed to raise awareness of its use to report any aspect of gender-based harassment or discrimination;
- securing a collaboration with mining contractors to establish a programme to recruit at least 15 women to operate trucks;
- holding of workshops on diversity as part of the Group’s series of events reinforcing Hochschild’s corporate purpose; and
- investment in new accommodation and the procurement of suitably sized Protective Personal Equipment for female employees.

#### People indicators

Gender diversity statistics <sup>1</sup>	2019	2018	2017	2016
Number of employees				
Male	3,024	3,894	3,849	3,859
Female	218	245	235	222
Number of senior managers <sup>2</sup>				
Male	37	37	36	35
Female	1	1	1	1
Number of Board members				
Male	7	7	7	8
Female	1	1	1	1

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

<sup>2</sup> Defined as those who qualify under the UK statutory definition of ‘senior manager’.

# WORKING WITH OUR COMMUNITIES

Our relations with host communities form the foundation of our sustainability and our commitment to facilitate local development.

## \$9.3m

AMOUNT SPENT OR DONATED TO  
BENEFIT LOCAL COMMUNITIES  
(2018: \$8.3m)

### 2019 HIGHLIGHTS

Successful implementation of educational initiatives

Launch of scholarship fund for Inmaculada communities

Re-organisation of the Group's social information with use of community relationship-tracking software

### The Hochschule approach to working with our communities

The Group recognises its responsibilities to host communities and invests significant resources to understand their needs and expectations. The Hochschule way is to promote close collaboration with respect for customs and social dynamics which enables the Community Relations team to develop a strategy which implements social investment programmes focusing in the areas of education, health and socio-economic development.

### Our achievements in 2019

We have continued to provide a range of social programmes aligned with the needs of our communities. We have targeted enhancements in delivery and focused on communicating effectively with key stakeholders whether directly with communities or the local authorities.

The key developments are as follows:

### Education

#### Elementary education

This year we reinforced our approach to the use of technology in schooling younger children. Through the provision of laptop computers and educational software, we were able to enhance the teaching of numeracy and literacy. From a teaching perspective, the Group supported teachers on the use of IT in planning and delivering classes.

In 2019, we were able to support over 300 students across 12 schools in remote areas within our sphere of influence.

#### Secondary education

Hochschild focused its support for high school students on the development and strengthening of soft skills for adult life and entrepreneurship. Over the course of 2019, we have collaborated with close to 600 secondary students and almost 100 teachers across seven educational establishments.

#### Digital centres

2019 saw the second intake of students on technical courses delivered by our digital centres in the areas of IT, educational computing and audiovisual & technical support. Over 100 students were enrolled on the one-year programme with teaching provided by staff from the well-established college TECSUP. In addition to facilitating these courses, the digital centres were also used by local communities for general use.

#### Scholarship programme

In collaboration with the Julian Baring Scholarship Fund, the Group launched a scholarship programme for the communities close to the Inmaculada mine. The programme, which sought to address the issue of gender inequality in its selection of students, will see six students pursue mining-related technical courses at CETEMIN. The Group has currently funded over 30 young people on similarly funded schemes.

### Health

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

Through the Travelling Doctor programme, the Group formed an alliance with the Health Ministry to extend the reach of medical services to the remote communities living close to our operations. In addition to the provision of general medical care through the mobile clinic, the scheme has facilitated home visits as well as campaigns to promote good health and illness prevention. In 2019, the programme delivered over 9,000 consultations.

### Socio-economic development

#### Business networks

This initiative, which is focused on bringing economic development within our local spheres of influence, brings technical knowledge and technical assistance for local producers and breeders. For the first time, the programme also established local community banks which supported producers to save money and leverage new business opportunities through the provision of loans. This year we supported around 250 businesses with a diversified range of produce. In 2019, the programme generated revenue of over 480,000 soles (approximately US\$145,000).

### Argentina

In conjunction with its joint venture partner, the Group supported a number of initiatives at the San Jose operation in Argentina. These have included scholarship opportunities for 50 students from the local town of Perito Moreno and support for local cultural events.



# MANAGING OUR ENVIRONMENTAL IMPACT

Hochschild is committed to leading in environmental performance and operating and producing metals with the least possible environmental footprint.

## 2019 HIGHLIGHTS

Continued robust environmental performance

External recognition of in-house designed ECO Score

### Responsible closure

In 2019, the Company incurred additional cost by making a higher provision for the liabilities associated with the closure of two of the Group's former mines; Ares and Sipan. This was prompted by an annual review of these operations' mine closure plans by a third-party consultant. The additional provision reflects improvements to, and the operation of, the Tailings Storage Facility water treatment plant at Ares as well as the operating cost of the two water treatment plants at Sipan for a longer period than originally planned.

See page 38 of the Financial Review for further details

### 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 (see inset box left).

#### 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.

### Our achievements in 2019

#### – A robust environmental performance

- ✓ The ratio of observations per inspection carried out by OEFA has fallen by 11%
- ✓ Complied with 100% of treated water discharge permissible limits
- ✓ Drinking water consumption and domestic waste generation per person were reduced by 8% year on year
- ✓ Recycled 60% more industrial waste than in 2018
- ✓ Continued focus on maintaining awareness of environmentally responsible culture with over 500 environmental events organised

#### – External recognition of the ECO Score

- ✓ Industry recognition, most notably the Mines & Money 2019 Innovation in Sustainability award
- ✓ Finalist for the "Most Innovative Company in Peru" award in the environmental management category from the Peruvian University of Applied Sciences
- ✓ ECO Score selected for presentation in the International Association for Impact Assessment Congress in Spain

#### – Continued support of operational and exploration activities

- ✓ Secured critical environmental permits
- ✓ Completed environmental infrastructure improvement action plan
- ✓ Successful interaction with environmental regulators

## ECO Score

Hochschild Mining has endeavoured to comply with the highest environmental and social standards in the mining industry.

Ever since 2015, with the collective efforts of our people, we have developed and implemented an innovative, original and efficient tool which allows us to quantify and distil in a single number our environmental performance. In this way we have succeed in expressing intangible environmental management in a way that is universally understood.

The ECO Score objective was officially adopted in 2017, and has been used with other Corporate Performance objectives to determine the level of employee bonuses.

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, among other things, compliance with discharge limits and zero-tolerance to environmental incidents, regulatory findings, and sound environmental management (relating to water consumption and waste generation).

### 2019 ECO Score Performance

The Company's overall ECO Score in 2019 was 4.82 out of 6, which exceeded the most stretching target set for the year of 4.5. Since 2015, the ECO Score has improved by 45% which reflects a significantly higher level of environmental efficiency.

Find out more at [www.hochschildmining.com/en/responsibility/environment](http://www.hochschildmining.com/en/responsibility/environment)

## Minimising our footprint

As part of its commitment to minimise its environmental footprint, the Company continually seeks ways to improve its consumption of resources, whether through reducing water usage or increasing the amount of waste that is recycled. This approach also incorporates initiatives to improve our energy efficiency at our operations which, during 2019, was achieved

through a number of ways including:

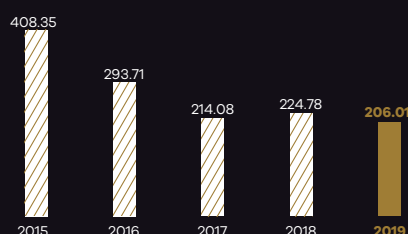
- the replacement of conventional diesel-powered equipment such as scoops, jumbos and drills with battery-operated models; and
- the installation of capacitor banks at our electrical substations at Inmaculada and Pallancata

The Company will be instigating a review in the current year to assess the energy efficiency of our operations and to identify the areas of biggest opportunity to reduce our overall energy footprint.

### Water usage

Regarding our water footprint, since the implementation of the ECO Score, consumption of potable water (measured on a per person basis) has been reduced by almost 50%.

#### Water consumption (litres/person/day)



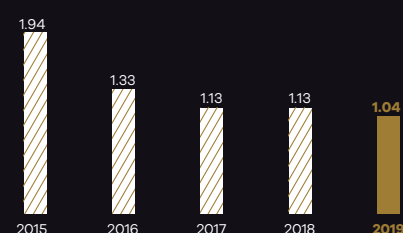
#### In 2019, we saved

**290,468 m<sup>3</sup>**  
OF DRINKING WATER  
**= 470 million**  
BOTTLES OF WATER OF 625ML

### Industrial Waste

Likewise, we have reduced the amount of domestic waste generated and recycled 60% more industrial waste than in 2018.

#### Generation of waste (Kg/person/day)



#### In 2019, we achieved a reduction of

**46%**  
IN THE GENERATION OF SOLID WASTE  
In 2019, we reduced domestic waste by more than  
**1.2 million Kg**

## GHG footprint

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

	2019 <sup>2</sup>	2018 <sup>2,3</sup>	2017 <sup>2</sup>	2016 <sup>2</sup>	2015
Emissions from combustion of fuel and operation of facilities (tCO <sub>2</sub> e)	39,341	38,939	47,265	46,033	46,790
Emissions from purchased electricity (tCO <sub>2</sub> e)	82,869	80,056	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>	3.50	3.39	4.05	4.24	5.53

1 Method used based on ISO 14064-1 Standard and GHG Protocol Corporate Accounting and Reporting Standard using IPCC and Peruvian emission factors.

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

3 Restated following a review of underlying data.

4 Total production includes 100% of all production, including that attributable to the joint venture partner at San Jose. Emissions include combustion of fuel and operation of facilities (Scope 1), purchased electricity (Scope 2) and other indirect sources (Scope 3).

For our 2020 environmental objectives, please visit [www.hochschildmining.com/responsibility](http://www.hochschildmining.com/responsibility)