

Procurement



We did business with 3,700 local and foreign suppliers in 2015.

Codelco uses many inputs and services for its operations, projects and investments; therefore we need to build trustworthy and competitive relationships with our suppliers.

Goods and services

Codelco develops procurement procedures, building collaborative relationships with Chilean and foreign suppliers, who offer competitive terms and world-class products.

In 2015, we did business with 3,718 suppliers, i.e., 3,483 local and 235 foreign suppliers. The total amount allocated was US\$ 6.945 billion; this amount includes long-term energy and fuel supply contracts.

Goods and services used at operations fell 15% compared to 2014, in line with our management priorities of improving productivity and cutting operating costs.

Business by type of supply contract 2011-2015

		2015			2014			2013			2012			2011		
Type of contract		Business transaction	Total (USD thousand)	%	Business transaction	Total (USD thousand)	%	Business transaction	Total (USD thousand)	%	Business transaction	Total (USD thousand)	%	Business transaction	Total (USD thousand)	%
Public Tender	INVESTMENT	13	6,901	0%	21	26,649	1%	135	136,122	2%	393	52,193	1%	559	397,845	4%
	OPERATION	30,624	2,085,489	30%	32,271	644,072	14%	29,701	2,370,355	33%	30,211	1,493,843	19%	31,645	1,700,079	18%
Total		30,637	2,092,390	30%	32,292	670,721	14%	29,836	2,506,477	35%	30,604	1,546,036	19%	32,204	2,097,924	23%
Private Tender	INVESTMENT	704	1,572,282	23%	706	1,249,180	27%	967	1,102,312	15%	822	2,503,210	31%	759	1,619,114	17%
	OPERATION	4,300	2,343,385	34%	3,904	1,958,185	42%	3,871	2,351,411	33%	3,957	2,924,384	37%	5,333	4,696,735	50%
Total		5,004	3,915,667	56%	4,610	3,207,364	69%	4,838	3,453,723	48%	4,779	5,427,594	68%	6,092	6,315,850	68%
Direct contract	INVESTMENT	231	326,332	5%	331	229,037	5%	512	375,030	5%	502	256,016	3%	521	358,945	4%
	OPERATION	1,094	104,434	2%	1,369	136,470	3%	1,435	298,395	4%	1,628	409,336	5%	1,295	188,874	2%
Total asignación directa		1,325	430,766	6%	1,700	365,507	8%	1,947	673,425	9%	2,130	665,353	8%	1,816	547,819	6%
Other contracts	INVESTMENT	149	47,296	1%	129	144,756	3%	155	97,266	1%	115	105,059	1%	182	52,503	1%
	OPERATION	1,361	459,316	7%	1,441	278,744	6%	2,183	406,862	6%	2,035	261,893	3%	1,705	292,591	3%
Total		1,510	506,613	7%	1,570	423,500	9%	2,338	504,128	7%	2,150	366,952	5%	1,887	345,094	4%
	INVESTMENT	1,097	1,952,810	28%	1,187	1,649,622	35%	1,769	1,710,730	24%	1,832	2,916,478	36%	2,021	2,428,407	26%
	OPERATION	37,379	4,992,624	72%	38,985	3,017,470	65%	37,190	5,427,023	76%	37,831	5,089,457	64%	39,978	6,878,280	74%
Total		38,476	6,945,434	100%	40,172	4,667,092	100%	38,959	7,137,753	100%	39,663	8,005,935	100%	41,999	9,306,687	100%

Supplier development

We build trustworthy and competitive relationships with suppliers to ensure an efficient and quality supply of goods and services for Codelco's current and future requirements. In 2014, key developments were:

- **Probity and transparency:** In 2015, in line with the Corporate Policy on Conflict of Interest, we launched measures and activities to foster competitive procurement processes, promoting tenders and improving quality of information disclosed to the market.
- **Procurement portal:** we optimised our procurement portal, to promote supplier use of the website, such as speed up our system response time, provide the tender documentation in an exclusive repository and improve design of the incoming raw material webpages.
- **New suppliers:** The New Market Department, at our subsidiary in Shanghai, China, is focused on finding, classifying and presenting new suppliers for all our procurement areas. In 2015, Asian market suppliers participated in the more than 100 tender processes carried out by this subsidiary; business transactions amounted to more than US\$40 million, and on average the Company saved over 25%.

In November, the Company participated in the Asian Copper Week held in Shanghai, attended by the Minister of Mining, Aurora Williams, and the Codelco CEO, Nelson Pizarro, who were informed about the evolution of our office; it was

compared with its peer offices in other mining companies in China and the plans developed in 2015. Key activities planned for 2016 are: this department will have a key role as a strategic pillar of the 5-year plan defined in the Codelco 2020 productivity and cost agenda.

- **World-class suppliers:** Since 2010, Codelco and BHP Billiton have developed a world-class supplier programme; its long-term goal is to contribute to technology innovation in Chile, leveraging mining-sector challenges. Together with Antofagasta Minerals - it joined the programme in 2014 - this World-Class Supplier Programme has become a facilitating factor of the High Law National Mining Programme (a Corfo and Ministry of Mining initiative, coordinated by Fundación Chile); this programme views the sector as a future platform for Chile, converging public and private-sector stakeholders.

Creativity and collaborative work between Codelco employees and innovative suppliers have developed innovative solutions for the operational challenges faced by our divisions.

By 2015, Codelco had a portfolio of 35 cluster projects at different stages of progress, they contribute to the High Law Programme goal, i.e., to create at least 250, world-class mining suppliers, to improve their knowledge and who should export US\$10 billion in mining-related goods and services by 2035.