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“2015 was a period of immense challenges for Codelco, in a context of significant management adjustments and changing international markets driven by downward trending commodity prices. However, this complex scenario did not prevent us from addressing, just as energetically, the sustainable development of our company, in search of higher performance, while aware of its importance as strategic axis in our business”

Nelson Pizarro Contador

In spite of the challenges faced in recent months, I can state that 2015 was an exceptional year in management terms. We achieved progress in every aspect of our strategic plan, mainly in our historical investment portfolio, without jeopardizing key construction projects; we implemented a rigorous cost control system –from the third quartile, the company succeeded in moving to the second quartile- and we reached a record copper production. Likewise, we enhanced work safety thus achieving historical milestones; we upgraded equipment and introduced best practices. One of our major breakthroughs has been the hard work carried out with male and female workers to reach a Strategic Agreement signed on the basis of trust and open dialogue.

Copper market

Just as in 2014, during this ending year the international copper market maintained a downward price tendency together with lower

prices of all by-products. In line with the hard global panorama, 2015 posed high demands on our company.

Sales revenues amounted to US\$ 11.694 million, including revenues for own-copper sales, by-products, and copper processing services, which represents a US\$ 3,058 million drop, as compared to 2014. These figures were offset by both the hard work performed by the entire organization intended to increase productivity and lower costs as well as by dollar appreciation.

Higher production and lower costs

In 2015, Codelco produced 1,891 thousand MT of fine copper, coming from Codelco-operated deposits plus the contribution from Minera El Abra and Anglo American Sur. That is, 2.8% higher than 2014 production, considered an extraordinary figure given the complex period experienced.

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The cost containment plan produced effective results. Direct costs (C1) for the year reached 138.7c/lb, 8% lower than 2014 (150,4c/lb).

We were focused on saving US\$ 1,000 million, with the emphasis set on two main axes: achieve higher efficiency and productivity in consumption indicators, maintenance management, and reduce the number of consultancies, studies, investments, and others; and seize the opportunities created by the price drop of critical consumables, particularly oil. By the end of the year, we had fulfilled the goal in 120%, reflected in US\$ 1,203 million in savings, which allowed Codelco to generate a US\$1,075 million surplus.

When a business is impaired, as was the case in the copper mining industry due to a fall in commodity prices, the assets of mining companies lose value. This is why in 2015 Codelco, and all other mining companies worldwide, revised their asset values and reflected the results on their financial statements as a loss of book value of US\$ 2,431 million of their assets and investments. After the impairment, Codelco's before-tax surplus reported an accounting loss of US\$ 1,357 million which does not compromise cash flows or the resources contributed by the company to the State.

Suppliers

Codelco has taken actions to promote ethics and transparency among suppliers by conducting public bidding processes and refining the quality of the information released to the market. Likewise, the procurement portal was upgraded to allow massive access while an area of new suppliers coming mainly from China was developed. These new members had the chance to participate in over 100 bidding processes in our company, and business transactions for more than US\$ 4 million were secured.

During 2015, we made business with 3,718 suppliers, 3,483 nationals and 235 from overseas. Business deals totaled US\$ 6.94 million, including long-term contracts for both power and fuel supply. Goods and services consumption dropped 15%, as compared to 2014, in response to the dual challenge of increasing productivity and reducing operation costs.

By the end of 2015, Codelco's portfolio held 35 cluster projects with different progress levels, thus helping fulfill the goal established by the National Mining Program, in terms of developing a minimum of 250 world-class suppliers and achieving US\$10 billion in mining-related exports by 2035.

No fatal accidents

Guaranteeing work safety for all male and female employees constitutes a core pillar at the base of our management. And this is why, for the first time in a calendar year, we pride ourselves in declaring that no fatalities occurred in this period, an achievement we should strive to repeat again.

With respect to the global accident frequency rate among our workforce and contractors, in 2015 this reached 0.91 per million worked hours, 31% lower than 2014 (1.32).

During the year, we made good progress in defining and implementing the management system for health and safety in the workplace, and operational risks and we put in place new policies in these areas, with the purpose of protecting people's lives and integrity, the continuity of their processes, and the safeguard of the resources entrusted to their care.

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Structural projects

Our portfolio of six structural projects is part of the transformation required to ensure the company's future. These projects present different constructions levels:

- **Underground Chuquicamata:** Execution underway, 25% progress, according to plans.
- **Radomiro Tomic Sulfides:** Detail engineering in progress. Indigenous consultation being developed under the environmental assessment process framework.
- **Inca pit:** Prefeasibility underway and extended to collect further geo-mining-metallurgical data and to complement mine-plant alternative capacity for final recommendation.
- **New Andina transfer system:** Under execution. This project is aimed to maintain current mineral processing levels by replacing the present primary ore crushing and transport system that will be affected as the pit moves forward.
- **Future Andina development:** We are exploring new development alternatives capable of offsetting the need to use higher volumes of available ore with a lower investment business, lower construction times, and

flexible enough to adapt to current environmental and industrial scenarios.

- **El Teniente new mine level:** Execution underway with a slowdown in work progress to better respond to rock mass conditions and adjust some issues associated to project engineering.

Additionally, during 2015 the entire pre-investment project and study portfolio accounted for a total cost of US\$ 3.343 million, similar to 2014 figures in nominal terms.

Innovation and technology

In 2015, Codelco invested around US\$ 60 million in innovation and technology, mainly focused on priority areas such as the automation of mining process, operational big data management, search of technological breakthroughs in metallurgical processes, and technologies that satisfy community and environmental sustainability demands from the mining industry.

Likewise, we successfully carried out our digital Codelco strategy that integrates technologies such as mining equipment teleoperation, production process automation, and robotic systems; the latter

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applied in high risk or strenuous physical activities. This tool leads to safer mining, highly efficient and productive, and committed to the environment.

Gender diversity and conciliation

Gender diversity represents a strategic aspect for Codelco. This is why, in 2015, we created a Department directly dependent from the Human Resources Vice Presidency, in an attempt to install the issue all across the company culture and recognize it as a key aspect of our competitiveness.

Thus, diversity, inclusion, and equality were included in the Equal Performance Agreement, as core and overarching imperatives, consistent with our guiding principles. The strategy is intended to embed not only the issue into the organization, through the gender policy, but also a Gender Diversity Master Plan by 2020. This plan will help us both generate gap-closing actions as well as continue to work towards becoming certified by the Chilean Standard 3262, after Gabriela Mistral division was the first mine to ever be awarded such distinction. In 2015, the Ventanas division and our Headquarters went through a preparation process to achieve such certification during 2016.

As to female participation in our organization, this reached 8.9%, which is higher than the index for the industry (7.7%), but still insufficient; therefore, policies will be put in place to increase these indicators.

People management

As to collective bargaining, in 2015 we addressed and successfully concluded six processes in four divisions, despite the deteriorated copper price. During this period, we were able to install a new

approach to collective bargaining, in line with the new scenario and circumstances faced by the company and the mining industry, where we tried to associate benefits to productivity. However, some labor conflicts occurred whose consequences, positively enough, had zero impact on the company's production.

We also established the succession management model and system intended to help us identify the right people to cover vacant critical positions within the organization and assess and develop the leadership competencies required to undertake those challenges. 55% of critical positions vacant in 2015 were covered by such male and female successors.

Strategic agreement

One of the greatest achievements in 2015 was the joint work carried out by the Management and the Copper Workers Federation (FTC) with the purpose of subscribing and implementing the Strategic Governance Agreement with a view to provide sustainability and competitiveness to the company. This document was officially submitted to President Michelle Bachelet on November 4th, 2015.

On the second half of 2015 we created the proper conditions to successfully put in place the agreements and commitments designed to enhance management, as contained in the agreement. Thus, we installed a corporate-level relationship structure, based on a High Board, a Coordination Committee, and four Corporate Boards. The Coordination Committee, in turn, developed and disseminated guidelines to apply and implement the strategic agreement among the divisions. This is meant to become a core tool in labor relations management at corporate and divisional level in 2016.

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Conduct, transparency and lobby

The Code of Conduct applied in the company for years in order to install best practices in the business offers a whistleblower line to allow any person to report in a safe, anonymous, and confidential way, potential violations in their workplace. In 2015, the line received 222 reports; 142 of them were fully investigated and 80 are still in the process of investigation. 19 of these reports ended up in sanctions.

Additionally, in 2015, the Board passed some transparency, ethics, and good corporate governance norms, based on rigorous international standards applicable to different spheres of activity within a company, such as business relations, institutional links, and people management processes. It must be noted that, with respect to lobby regulations, we self-imposed a standard more severe than required by law.

Community and environmental management

In 2015, Codelco continued to develop and install a new approach regarding occupational health and safety, environment, and community development to fulfill the following objectives: safeguard the lives of all people working at the company with a view to eliminating fatal accidents and occupational diseases; environmental protection by closing all social-environmental gaps in mine sites and projects; and the development of communities around the mining operations by applying a new community relationship model.

In 2015, Codelco invested US\$ 479 million in sustainability projects, much higher than the US\$ 364 million allocated in 2014. From this amount, US\$184 million were assigned to occupational health and safety initiatives while US\$ 295 million were destined to environmental investments.

In environmental matters, our short-term challenges, on which management was focused in 2015, are:

- 95% emission capture in all divisions (2018-2019), triggered by regulatory changes.
- Close gaps or eliminate risks threatening the main social-environmental vulnerabilities identified in the environmental risk management system.
- Update internal regulatory instruments.
- Prevent the occurrence of severe or very severe environmental incidents.
- Consolidate the implementation of the new environmental risk management system by strengthening continuous improvement in our environmental performance.

In this respect, while Codelco was free from severe or very severe environmental incidents, in September 2015 Salvador division experienced an incident qualified as severe by the NCC 38 norm. This severe incident occurred in addition to other minor and serious events which will again led us to reconsider our procedures

to fulfill our own goals concerning these matters. In 2016 we will continue to further the initiatives required to improve our environmental standards.

As to community relations, in 2015 Codelco devoted important efforts to set the basis for a new perspective on its relations with communities moving from the license to operate towards a sustainable, virtuous, and inclusive mining. In this regard, our main initiatives were focused on setting up work groups, implementing investment projects,

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and releasing information to the community. In 2015 community investment projects were centered on three investments axes: social-environmental impacts on the area of influence, human capital, and indigenous peoples. Total funds required by these measures were \$ 5,671 million pesos.

Chile's economic growth cannot be conceived without the mining industry while the latter cannot be imagined without Codelco's support. In addition to being an extremely demanding year in management terms, 2015 became a great opportunity for Codelco, nowadays a stronger and better prepared company. Years of difficulties and expectation adjustments lie ahead of us that, at the same time, will prove to be times of deep transformation.

I am completely certain that, with the collaboration of the male and female workers who are fully aware of the challenges to be faced on the way to establishing the basis of Codelco's future, we will be able

to render Codelco into a renewed company and a new benchmark for sustainable, efficient, diverse, transparent, and innovative mining.

Sustainability report

On this occasion, I have the pleasure of submitting to you the 17th Sustainability Report which provides a detailed account of management results, in compliance with the high standards defined by the Global Reporting Initiative (GRI), for a thorough report, a requirement verified by an external and independent party.

Nelson Pizarro Contador
CEO

