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# Corporate governance

From its implementation in March 2010, Codelco's corporate governance model has provided the opportunity to work with a multidisciplinary team in mining, economic, administration, and other fields of importance for management levels and to define the relationships with the Owner; that is, with the Chilean men and women represented by the Ministries of Finance and Mining, including enforcement authorities, and main stakeholders.

This governance model allows for better management, more appropriate for Codelco's nature and objectives, as it is accompanied by transparency, accountability, and internal control practices while it goes further in the actions and intervention of the company's enforcement entities within their sphere of authority.

Corporate governance members are committed to ethical, efficient, and responsible conducts in our company, ensuring its operational continuity in the interest of all our stakeholders.

## Function and structure

### G4-34 - G4-35 - G4-39

The National Copper Corporation (CODELCO) is run by a Board consisting of nine members, none of which can occupy, at the same time, executive positions within the company and whose duties are:

- Prepare Codelco's annual budget and submit this to the approval of the Ministry of Finance.
- Transfer profits to the State.
- Establish, engage, or become interested in corporations and partnerships, whatever their nature, inside or outside the country, for the better achievement of the company's goals. These could also be modified, dissolved, or closed out, and

appoint Directors from subsidiary or associated companies.

- Appoint and remove Codelco Chief Executive Officer, in charge on managing the company.
- Approve the acquisition of loans, either internal or external, which also requires authorization from the Ministry of Finance.
- Long-term-view decision making with respect to company development: approve structural projects and those related to mining business-base expansions.
- Discussion, approval, and control of the strategic project, through the approval of the business and development plan and the expert advice in Board committees.
- Discussion and approval of mechanisms intended to ensure an adequate capitalization and financing for the Corporation.

## G4-40

The Board is appointed pursuant to the procedures established by Law N° 20.392 of 2009. This body consists of three Directors directly appointed by the President of the Republic, four Directors appointed from among a 5-candidate list selected by the Senior Public Service Council; one Director chosen from among a 5-candidate list presented by the Copper Workers Federation (FTC); and one Director selected from a 5-candidate list jointly presented by the Copper Supervisors Federation (FESUC) and the National Association of Copper Supervisors (ANSCO).

Directors serve for a period of four years but can be appointed for a new period or removed from their positions, in case of incompatibilities or breach of legislation.

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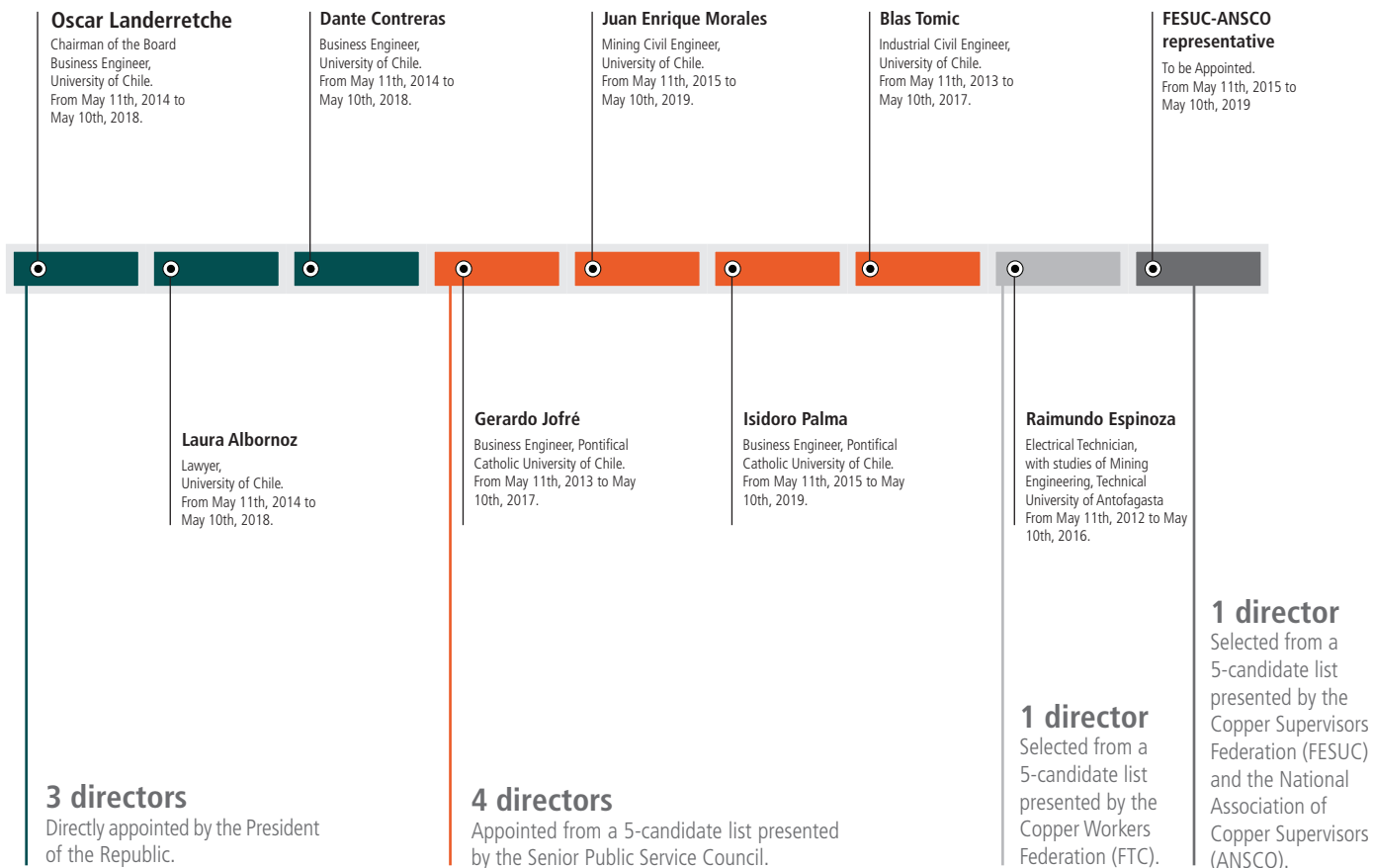
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## Codelco's Board



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For stewardship purposes, the Board has established four standing work committees:

- The Audits, Compensation and Ethics Committee
- The Project and Investment Funding Committee
- The Management Committee
- The Corporate Governance and Sustainability Committee

**G4-36- G4-38**  
**Board and Committee members**

Name	Committee
Oscar Landerretche Moreno	Corporate Governance and Sustainability Committee Management Committee
Gerardo Jofré Miranda	Project and Investment Funding Committee (President) Audits, Compensation and Ethics Committee
Dante Contreras Guajardo	Management Committee (President) Corporate Governance and Sustainability Committee
Laura Albornoz Pollman	Corporate Governance and Sustainability Committee (President) Management Committee
Juan Enrique Morales Jaramillo	Audits, Compensation and Ethics Committee Project and Investment Funding Committee
Isidoro Palma Penco	Audits, Compensation and Ethics Committee Project and Investment Funding Committee
Blas Tomic Errázuriz	Audits, Compensation and Ethics Committee (President) Corporate Governance and Sustainability Committee
Raimundo Espinoza Concha	Project and Investment Funding Committee Management Committee
FESUC ANSCO representative Director To be Appointed	

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The Board appointed Mr. Nelson Pizarro Contador as Chief Executive Officer, responsible for the strategic management and leadership of the company. The CEO, in turn, appoints the Vice Presidents and General Managers of each division who are directly in charge of the management and operations of their divisions.

### Ethics and transparency standards

In April 2009, when Law 20.285 about the transparency of public service and access to information concerning public administration was enacted, Codelco created a special section on its website [www.codelco.com](http://www.codelco.com) where the following information required by law is uploaded:

- Regulatory framework applicable to Codelco.
- Organizational structure.
- Functions and competencies of senior executives.
- Financial statements and annual reports.
- Subsidiary and associated companies and participation in other entities and organizations.
- Board members and individualization of officers responsible for corporate stewardship.
- Consolidated personnel information.
- Board compensations and remuneration received by Codelco personnel, CEO, and managers responsible for company administration and stewardship.

Likewise, in October 2014, the Board put in place a number of agreements concerning the improvement of ethics and transparency standards, also available in the corporate website, where the following issues are addressed:

- Conflicts of interest
- Use of budgetary resources
- Board performance rules

### Transparency regulations applicable Human Resources

#### G4-51 - G4-52 - G4-53

Compensations and incentives offered by Codelco have been established by Law N° 1.350 of the Ministry of Mining where, among others, remuneration-setting mechanisms and processes have been specified. At the same time, the Board is the body in charge of fixing the compensations and incentives to be received by Codelco Senior Administration (Chief Executive Officer, Vice Presidents, divisional General Managers, Legal Advisor, and Comptroller).

Internal and external stakeholders participate in the compensation and incentive-setting processes. Director's benefits are defined by government representatives together with a special commission as advisory body. In the case of Senior Administration, benefits are determined by the Board where workers representatives participate.

In October 2009, Court Order N° 8.360 introduced some modifications to Decree Law N° 1.350 of 1976, which created the National Copper Corporation, and defined that: "Directors shall be entitled to receive a remuneration to be fixed by the Ministry of Finance", according to law.

The remuneration and compensations received by Board members in 2015 totaled US\$ 903 thousands. The criteria applicable in the remuneration-setting process of executives are established by the Board, based on the options proposed by the Audit, Compensation and Ethics Committee.

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In terms of severance pay, senior Codelco executives received US\$ 109 thousand in 2015.

2015 remunerations are available in the SVS website, as part of the Annual Report, under the Estados Financieros Consolidados section.

**Relevant cases**

During 2015, the Board approved regulations regarding transparency, ethics, and good corporate governance. These are based on strict international standards ruling different company performance scenarios, such as business relationships, institutional links, lobby, and people management processes. Among others, the following initiatives can be mentioned:

- **Conflict of interest policy:** Corporate policy applicable to the entire company and its subsidiaries was put in place.
- **Related People:** The company has updated and reinforced current regulations regarding the conduction of business operations with related people, stating that any business and commercial operation performed between Codelco and persons (either legal or natural) of "related" nature, must be submitted and approved by specific higher levels within the company.
- **Gifts and invitations:** Gift acceptance criteria have been regulated for all company employees, reducing their current monetary limits and establishing them where not in place. Moreover, we are mandated to report to our immediate superior any gift or courtesy worth beyond 1UF with a maximum of 5UF.
- **Lobby:** An internal norm has been established to reflect

the enacting of the Lobbying Law. This regulation poses more rigorous standards on Senior Administration than defined in the law itself.

- **Politically exposed people and companies:** Strict regulations are in place to evaluate companies or businesses with politically exposed people (PEP).
- **Exposed people in Codelco:** This recently-introduced concept refers to given positions or functions within Codelco. People who once occupied certain positions and eventually cease to perform such functions have limited powers regarding possible future businesses with Codelco, which would have to be greenlighted by the Senior Administration.
- **Assets and interests statement:** The assets and interests statement was extended to be applicable to any person with power to authorize businesses or influence their evaluation or administration. Thus, its scope has been increased from a universe of 70 people who had to observe the law, to 2,000 people.
- **Reportability:** Communication mechanisms are in place to report the Board about compliance of the whole set of regulations concerning ethics and conflicts of interests issues within the company.

This body of measures comes to complement the high transparency and ethics standards currently in place in the company since Codelco Corporate Governance Law was enacted, which also incorporates OCDE-established standards applicable to public companies from member countries of that organization.

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**Corporate governance and sustainability**

G4-45 G4-48 G4-34 G4-35 G4-36

The company’s sustainability performance is periodically assessed by the Board through the “Corporate Governance and Sustainability Committee”, providing guidelines and monitoring the management associated to such issues.

Codelco’s Board has appointed three committees in charge of examining decisions made on economic, environmental, and social matters; these are the Project and Investment Funding Committee, the Management Committee for Economic Affairs, and the Corporate Governance and Sustainability Committee for social and environmental aspects.

Sustainability management is under the responsibility of the “Vice Presidency of Corporate Affairs and Sustainability”, encompassing the Sustainability and Institutional Relationship Management, Occupational Health and Safety Management, and the Regulatory Affairs Department.

Additionally, there are other positions with direct responsibility and accountability on economic, environmental, and social topics; these are:

Position	Type of responsibility	How they report to highest governance bodies.
VVice Presidency of Corporate Affairs and Sustainability	Environmental and social	Reports directly to Chief Executive Officer and periodically must account for his/her performance to the Board; particularly, to the Corporate Governance and Sustainability Committee.
Sustainability and Institutional Relationship Manager	Environmental and social	
Occupational Health and Safety Manager	Environmental and social	
Vice Presidency of Administration and Finance	Economic	
Finance Manager	Economic	
Budget and Management Control Manager	Economic	

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**G4-42 - G4-43 - G4-46 - G4-47**

Codelco’s Board meets on a monthly basis and, together with the other committees, reviews and approves the different strategies and objectives associated to the company’s economic, environmental, and social impacts. As mandated by Codelco statutes, among the duties to be performed by the Board is to take actions in economic matters. To this effect, the Board holds periodic meetings with specific administration areas in each field to become acquainted with the progress status of projects.

**G4-49 - G4-50**

During Board meetings and Committee presentations, sustainability-related issues are raised. Additionally, another level known as the “Steering Committee”, made up of Senior Administration members, is in charge of reporting the management of highly critical issues for operations, based on sustainability risk assessments.

The divisions, in coordination with the Vice Presidency of Corporate Affairs and Sustainability, are supported by the Sustainability and External Affairs Management, Occupational Health and Safety Managements or equivalent structures responsible for the division-wide management of relevant sustainability aspects.

In relation to the management and identification of economic impacts, risks, and opportunities, such process is conducted by the Vice Presidency of Administration and Finance whose members, through Budget and Management Control, carry out periodic business-risk assessments, based on the so-called Corporate Risk Management Procedure which mandates that all risks existing in divisional managements must be reported and managed according to their level of impact.

Plan and programs associated to divisional sustainability topics are periodically submitted to Codelco’s Board, according to the existing organizational structure.

Additionally, the Sustainability and Institutional Relationship Management applies specific methodologies for the survey and management of environmental and social risks and impacts.

As to the identification and management of sustainability risks, two mechanisms are employed:

- Social-environmental vulnerability management.
- Project or specific task survey in investment programs.

In the management of social-environmental vulnerabilities, a probability and consequence assessment is conducted for the different risks identified and both specific plans and programs are defined for each corporate-level Management as well as goals associated to performance agreements at divisional and corporate levels.

Among the different sustainability concerns addressed by the Board are those associated to severe accidents or high-potential incidents, environmental incidents, progress status of environmental commitments, vulnerabilities, relevant social-environmental aspects, and new regulatory challenges.

**Sustainability management**

Our Charter of Values and Sustainable Development Policy permanently prompt us into raising our economic, environmental, and social standards, with the aim of positioning sustainability as our strategic management pillar, all along the mining life cycle while focusing our efforts on the

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continuous improvement of the social-environmental, occupational health and safety standards.

Our sustainability management is based on the guidelines contained in ICMM principles and position statements. Likewise, the best practices implemented in our company are those defined in UN Global Compact and the International Labor Organization (ILO).

In the last three years, Codelco has installed in its mining operations a new approach towards sustainability, thus enhancing management standards in all aspects, based on the following strategic axes:

- Safeguard the lives of all people working in the company with the purpose of eliminating fatal accidents and professional diseases.
- Protect the environment by closing social-environmental gaps in mine sites.
- Develop neighboring communities by putting in place a new community relations model.

In 2015, the main challenge in environmental and community management consisted in consolidating an Environmental Risk Management System and the Community Development Model with the object of strengthening the implementation of the new tools, standards, and operating methods.

In 2015, the occupational health and safety management was centered on moving forward in the definition and installation of the Management System for Health and Safety in the Workplace and Operational Risks (SIGO). Thus, a new policy was made official aimed to protect the lives and physical integrity of people, the continuity of their processes, and to safeguard the resources entrusted to their care.

**Risk management**

**G4-2**

Codelco operates with a Corporate Risk Management Policy intended to ensure business continuity, based on common management metrics which states that all identified risks must be assessed in the light of different criteria established for finance, health and safety,



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environmental, and social-community areas, as a way of anticipating the risks that could affect us while assigning responsibilities for their identification, assessment, and administration to each Management.

In 2015, just as in previous years, all divisions identified their high-impact risks which are monitored and controlled on a continuous basis. This identification and prioritization processes are part of the strategic definition of the Corporation's sustainable development matters.

**Risk families In Codelco**

- Occupational health and safety
- Commercial
- Environmental, territory, and communities
- Financial
- In projects
- Operational
- In partner companies
- In Human Resources
- Nature's acts
- Internal control

Risks associated to social-environmental vulnerabilities are found among the identified and assessed risks. These are handled with management programs in order to close them, when possible, or control their impacts.

Also, as mentioned under the Environmental Management section, the Environmental Risk Management System is being implemented at corporate level with the purpose of addressing, from the very beginning of projects, the prevention of our impacts and the standardization of our performance.

**Ethical management and regulatory compliance**

**G4-58 - G4-HR12**

Transparency is a key factor, at global level, and it leads our way of doing business. And, as a State-owned company, accountable to all the Chilean people, Codelco must be even more rigorous in the development of mechanisms to better prevent, detect, and penalize actions that fall outside the expectations set out in our Charter of Values.

**G4-56**

In 2011 Codelco put in place the "Code of Business Conduct", distributed to all workers, which stands out as the guide to materialize the Charter of Values in our daily activities. Both these documents represent our highest corporate guidelines that drive our business strategy.

**G4-57**

Codelco maintains a "Whistleblower Line" available for all our stakeholders, where any person can report, in an anonymous, safe, and confidential way, any potential violation to the Code of Business Conduct, via Internet (<http://Codelco.ethicspoint.com>) or through the helpline (1230-020-5771).

Since Law 20.285 about Transparency of Public Office and Access to Information of the State Administration was enacted, Codelco

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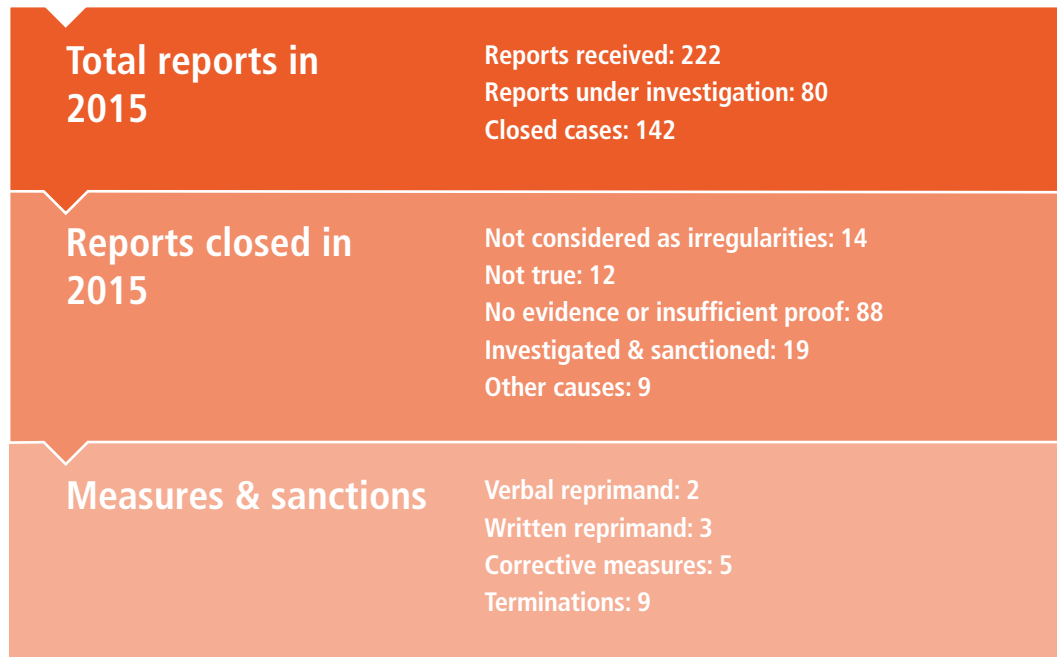
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maintains in its corporate website a section with all the information required and also the channels through which all questions and requests can be responded, as mandated by law.

142 of the above reports were dealt with during the period covered by this Sustainability Report. 114 of them were finally dismissed for different reasons as described below:

**G4-SO11 G4-SO5 G4-HR3 G4-HR12 G4-LA16**

In 2015, 222 reports were filed through the corporate whistleblower line: 48 violations of internal policies; 30 corruption cases; 29 conflicts of interests; and 54 reports associated directly or indirectly to people's rights (unsafe environment, unfavorable work conditions, harassment, or discrimination).



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## Conflict of interest avoidance and evaluation of executives

### G4-41

Codelco's organic statutes establish the foundations that prevent the occurrence of conflict of interest issues in the Corporation's Board and clearly describe the duties to be performed by each Director and when we are in a conflict of interest situation. This topic is included also in the whistleblowing mechanisms above described.

In order to prevent conflicts of interest associated to suppliers or other stakeholders and to safeguard confidential information, a number of mechanisms has been put in place: from the awarding of processes where any relationship with company executive levels or the Board is declared incompatible, before a specific contract can be awarded to the submittal of a financial statement by each Director and executive stating any piece of information in relation with partnerships and participations.

### G4-44

At Vice Presidents, Managers, and Directors level, a performance management system has been implemented, led by Development Management, intended to set and assess goals and actions for each year, where economic and social-environmental topics have been included. A percentage of the compensation received by these executives reflects their performance.

## Regulation of business relations

Our contractual policy finds its basis, among others, in the Charter of Fundamental Human Rights and the Charter of Values. Its guidelines are applied in every aspect of the relationships between Codelco and contractor companies.

### G4-HR1

A 100% of our agreements include Human Rights clauses associated mainly to compliance of the regulations in place in Chile which consider Human Rights observance in specific norms.

Our Business Ethics policy places key importance to the adherence to high ethical standards in all our activities which must be performed according to principles and values that are consistent with these objectives. In Codelco, this is materialized by the mandatory compliance of the Code of Business Conduct, based on the UN Universal Declaration of Human Rights that, in turn, offers non-compliance reporting mechanism.

At all times, contractual relationships between Codelco and contractor companies should bear in mind that people's lives, integrity, and dignity, and the protection of the environment are core values for the Corporation. Therefore, both parties should promote, generate and maintain adequate, sound, and safe working conditions and develop sustainable environmental management practices.

## Fines and sanctions

### G4-EN29

Regulatory compliance is an essential column in Codelco's corporate structure. In the course of 2015, two environmental sanctions were received. Only 2 of the 8 divisions were penalized in 2015. These fines amounted to 333 Monthly Tax Units (UTM).

### G4-S08

On the other hand, in 2015 the Corporation received 14 fines for non-observance of labor legislation and regulations. The total amount

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in fines was 1304 UTM and 20 Minimum Monthly Wages (IMM).

**Memberships and Affiliations**

Codelco is present in different national and international forums where actions are taken regarding the relationship between company management and sustainability. The above, based on our belief that, by sharing our business vision and on-site experience, we can achieve

better results and encourage others to accept the challenge of developing mining management practices that are safe, efficient, and responsible towards the environment and neighboring communities.

**G4-16**

The main alliances and memberships we usually work with are:

CODELCO memberships	High positions held by CODELCO representatives
National Security Council, National Board Member	Board member
Chilean Mining Council A.G	Member
International Copper Association (ICA)	Board member
International Molybdenum Association (IMOA)	Board member
American Chamber of Commerce - Chile (AMCHAM)	Participant
Foundation for the Sustainability of the Peruvian Tern	Board member
RSE Action	Mining Group and Corporate Governance Group
International Council on Mining and Metals (ICMM)	Advisor
Extractive Industry Transparency Initiative (EITI)	Principles adhered to
International Commission on Large Dams (ICOLD Chile)	Board member
Calama PLUS	Participant
Global Reporting Initiative (GRI)	Member (Gold Community)
Antofagasta Industrial Association (AIA) (North district)	Participant
Industrial Association of the Region of Valparaiso (ASIVA) (Ventanas division)	Partner

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### G4-15

Likewise, we also voluntarily adhere to different external economic, social, and environmental initiatives, with the purpose of improving our processes and sharing our experiences:

- Precautionary Principle, Article 15 from the Rio Declaration.
- Universal Declaration of Human Rights (NU).
- The Toronto Declaration of the International Council on Mining and Metals (ICMM).
- 10 Principles for Sustainable Development of the International Council on Mining and Metals (ICMM).
- UN International Convention on Children's Rights.
- Business Charter for Sustainable Development of the International Chamber of Commerce.
- UN Global Compact Principles.
- Partnering Against Corruption Initiative (PACI) of the World Economic Forum, 2005.
- Convention 169 of the International Labor Organization (OIT) about Indigenous and Tribal Peoples in Independent Countries.
- Conventions 87, 98, 100, 111, and 138 of the International Labor Organization (OIT).

