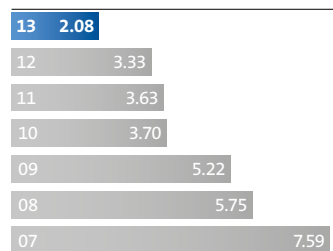


# SUSTAINABILITY REPORT

DESPITE CHALLENGING CONDITIONS, THE GROUP HAS UNDERTAKEN SOME GOOD WORK DURING THE YEAR IN RECOGNITION OF OUR RESPONSIBILITIES TO OUR PEOPLE AND THE SOCIAL LICENCE TO OPERATE GRANTED TO US BY THE COMMUNITIES.

## REDUCTION IN ACCIDENT FREQUENCY INDEX SINCE 2007



Following feedback received as part of the 2013 Board Evaluation process on the role of the CSR Committee, I was delighted to accept the invitation to act as Committee Chair from 1 January 2014. In this capacity, I am pleased to be able to introduce the 2013 Sustainability report and would like to record the appreciation of the Board to Eduardo Hochschild for his support in this crucial area.

### INTRODUCTION

As stated earlier in the Annual Report, 2013 was a difficult year for the Group due to the unprecedented volatility in precious metal prices. This led to management taking a number of initiatives under the auspices of the Cash Optimisation Plan.

Due to necessity, management's actions were wide-ranging and impacted all parts of the Group's costs, which meant that budgets in the areas that we traditionally focus on in CSR had to be more targeted. Inevitably, this has resulted in difficult decisions being taken, leading to reductions in personnel and our budget for sustainability-related activities. We have sought to communicate with all those affected transparently and honestly and have provided, and will continue to provide, the appropriate level of support as we manage our way through this difficult but, hopefully, temporary period.

I would like to reiterate that, whilst embarking on this cost review programme, we have not moved our focus away from ensuring the health and safety of our people and managing the impact of our activities on the environment and our responsibilities with respect to the local communities.

Despite these challenging conditions, the Group has undertaken some good work during the year in recognition of our responsibilities to our people and the social licence to operate granted to us by the communities.

Firstly, I am pleased to report that there were no cases of occupational illness registered during the year resulting from Hochschild Mining activities. We also made significant progress during 2013 on safety, having achieved a reduction of 38% in the Group's accident frequency rate and a 43% reduction in the accident severity rate. However, we have failed in our long-term and ongoing objective of zero fatalities, given the two incidences of loss of life at our operations during 2013.

Our Operations and safety teams have been reviewing the causes of fatalities at our sites over the past few years and, consequently, a new behaviour-based safety programme has been designed for imminent implementation across the Group.



Wildlife surrounding Ares

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We do not consider our responsibilities to our local communities as simply limited to providing employment opportunities but we seek to enhance crucial aspects of their standard of living by focusing on our three core areas: education, health and socio-economic development. Details of the specific initiatives undertaken during the year can be found on pages 46 to 47.

#### REPORTING

I am also pleased to report that the Group produced its first standalone Sustainability report which is available on our website. This report has been prepared with reference to the guidelines of the Global Reporting Initiative with reporting declared at Level C.

In compliance with the new reporting requirements as a UK listed company, the numerical information on the split between the number of male and female employees and the carbon emissions produced by the Group have been included in the relevant sections of this report.

I hope you find this report informative. If you should have any questions or comments, please do not hesitate to contact me.

**ROBERTO DAÑINO**  
Chairman, CSR Committee



*Countryside close to Arcata*

## GOVERNANCE OF 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.



Arcata leisure club

### WHAT IS HOCHSCHILD MINING'S APPROACH TO SUSTAINABILITY?

To ensure that our values are adhered to, we have adopted a number of policies which demonstrate 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.

We prioritise these three areas in terms of resource allocation, with respect to governance, policy development and performance measurement. In our efforts to achieve the above objectives, we seek to:

- comply with all relevant legislation and leading international standards
- promote continuous improvement of our management systems with the aim of incorporating best practices
- adopt a proactive approach to preventing and managing the risks that may limit the achievement of our corporate responsibility objectives
- encourage employees to adopt the Group's values through the use of training and internal communications.

### MANAGEMENT OF SUSTAINABILITY

The Board has ultimate responsibility for establishing Group policies relating to sustainability and ensuring that national and international 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 with national and international standards and ensuring that appropriate systems and practices are in place Group wide to ensure the effective management of sustainability-related risks.

Following his appointment as Chairman of the CSR Committee from 1 January 2014, Roberto Dañino has Board level responsibility for sustainability issues.

Following a management re-organisation during 2013 as part of the Cash Optimisation Plan, the Vice President of Legal assumed responsibility for Group Corporate Affairs, which includes the functional areas that, collectively, are responsible for sustainability issues.

A working group of relevant personnel meets on a periodic basis to support the work of the CSR Committee and is tasked to consider, at an operational level, local health and safety policies, environmental programmes, community relations and employee matters. These meetings are, also, attended by members of the Group's Legal and HR functions.

Whilst each area has its dedicated area of focus, they often collaborate with each other as required, for example in the provision of health services to the communities.



Workers at Pallancata



#### TERMS OF REFERENCE OF THE CSR COMMITTEE

Under its terms of reference, the CSR Committee is responsible for:

- evaluating the effectiveness of the Group's policies and systems for identifying and managing health, safety and environmental risks within the Group's operations
- assessing the policies and systems within the Group for ensuring compliance with health, safety and environmental regulatory requirements
- assessing the performance of the Group with regard to the impact of health, safety, environmental and community relations decisions and actions upon employees, communities and other third parties. It shall also assess the impact of such decisions and actions on the reputation of the Group
- receiving reports from management concerning all fatalities and serious accidents within the Group and actions taken by management following each incident

- evaluating and overseeing, on behalf of the Board, the quality and integrity of any reporting to external stakeholders concerning health, safety, environmental and community relations issues
- reviewing the results of independent audits commissioned on the Group's performance in regard to health, safety, environmental or community relations matters and reviewing any strategies and action plans developed by management in response to issues raised and, where appropriate, making recommendations to the Board concerning the same.

#### THE CSR COMMITTEE'S WORK IN 2013

During the year, the CSR Committee:

- approved the 2012 Sustainability report for inclusion in the 2012 Annual Report
- monitored the execution of the yearly plan in each of the four key areas of focus
- considered the ongoing progress of the implementation of a number of internationally accredited management information systems to control and monitor sustainability related risks

- monitored the status of the Group wide initiatives launched to raise the profile of safe working practices through international communication campaigns and the annual Luis Hochschild Safety Innovation Competition (see case study on page 41)
- considered updates from the work done across the Group to manage community and labour relations.

In addition, during the year the full Board received presentations on the two fatalities that occurred during the year and the impact of the Cash Optimisation Plan on the Group's risk profile including sustainability risks and the mitigating actions taken by management as a result.



## SAFETY

### MINING HAS AN INHERENTLY HIGH RISK PROFILE AND SAFETY IS OUR HIGHEST PRIORITY.

#### 2013 HIGHLIGHTS

- 43% reduction in accident severity rate
- 38% reduction in LTIFR
- Luis Hochschild Safety Innovation Competition held (see opposite)

#### THE HOCHSCHILD APPROACH TO SAFETY

Mining has an inherently high risk profile and safety is our highest priority. Ensuring the safety of the Group's employees is considered crucial in measuring the successful implementation of corporate strategy to which the Board and management are committed.

The Group regrets that there were two fatalities during the year. In the first incident, a worker was undertaking drilling work inside a stope when loose rock fell from above. The second fatal accident occurred at the San Jose mine when a scoop operator was trapped by the machine when he attempted to drive it from outside the driver's cab.

Circumstances leading to these tragic events have been investigated by management, reported to the Board and the resulting recommendations implemented (see details of the behaviour-based safety programme below).

After each incident, the Group suspends operations at the mine to conduct an internal review of the relevant operation and safety procedures and carry out safety briefings.

#### OUR ACHIEVEMENTS IN 2013

- Continued implementation of the DNV Safety Management System at all operating units and Advanced Projects to support the Group's proactive approach to safety.
- Compliance with international standard, OHSAS 18001:2007, was certified in respect of the Peruvian and Argentinian operations. The Luis Hochschild Safety Innovation Competition which, in 2013, received over 180 proposals with suggestions on how safety could be enhanced.
- In order to implement a Behaviour Based Safety (BBS) tool, a working group comprised of members from the Human Resources, Psychology and Safety teams has been established with the first stage of training for safety supervisors already carried out.



Group session on Golden Rules of Safety

## HOW WE PERFORMED AGAINST OUR 2013 OBJECTIVES

Target	Status	Commentary
5% reduction in LTIFR	✓	A 38% reduction was achieved.
20% reduction in accident severity rate	✓	A 43% reduction was achieved.
Achieve the following levels of implementation of the DNV International Sustainability Rating System (ISRS) 6th Ed:		
Ares – Level 6	✓	Ares – Level 6
Arcata & Pallancata/Selene – Upper Level 7	Partial	Arcata & Pallancata/Selene – Level 7
San Jose – Upper Level 6	✓	San Jose – Level 7
Inmaculada Project – Upper level 3 (internal certification)	Partial	Inmaculada – Level 3 (internal certification)

## SAFETY INDICATORS

	2013	2012	2011	2010
Fatal accidents	2	4	3	2
Accidents leading to an absence of one day or more	49	81	81	66
LTIFR <sup>1</sup>	2.08	3.33	3.63	3.70
Accident Severity Index <sup>2</sup>	598	1058	910	777
Accidentability rate <sup>3</sup>	1.24	3.52	3.30	2.88

1 Calculated as total number of accidents per million labour hours.

2 Calculated as total number of days lost per million labour hours.

3 Calculated as LTIFR x accident severity divided by 1,000.

## 2014 TARGETS

- 2.5% reduction LTIFR
- 25% reduction in accident severity index
- All supervisors to be trained in '5 Steps Observation Methodology' under the Behaviour Based Safety programme
- To have undertaken a full impact assessment of moving from DNV ISRS 6th edition to DNV ISRS 8th edition as the principal form of appraising the Group's Safety Management Information System

## CASE STUDY: LUIS HOCHSCHILD SAFETY INNOVATION COMPETITION

The Annual Luis Hochschild Safety Innovation Competition was held during 2013 for which 184 suggestions were received from across the Group. The first prize of US\$25,000 was won by workers at Selene who designed a metal structure that could be used to protect workers during the inspection process of the processing plant.



Winners of the competition with Senior Management

## HEALTH & HYGIENE

UNDERLINING THE IMPORTANCE WE PLACE ON OUR PEOPLE AND THEIR WELLBEING, THE GROUP'S HEALTH AND HYGIENE DEPARTMENT IS TASKED WITH PROVIDING AN INTEGRATED APPROACH TO EMPLOYEE WELFARE.

### 2013 HIGHLIGHTS

- Zero incidence of occupational illness
- Inmaculada Advanced Project benefits from the Group's Health and Hygiene's SAP module

### THE HOCHSCHILD APPROACH TO HEALTH AND HYGIENE

Underlining the importance we place on our people and their wellbeing, the Group's Health and Hygiene department is tasked with providing an integrated approach to employee welfare. Whilst the Health team has been established to ensure 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 and seeks to work in 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.
- Taking a proactive stance so that hazards are identified and controlled at source.

These principles adopted by the Health & Hygiene team inform the approach it takes in the provision of medical services, occupational health, industrial hygiene and occupational psychology.

### OUR ACHIEVEMENTS IN 2013

- Review of new health and safety legislation to ensure the Group's ongoing compliance.
- Conducting corporate prevention campaigns on health issues (common and occupational diseases).
- A review was conducted of the organisational structure of the industrial hygiene function.



Travelling Doctor Vehicles (see page 46 for further details)

## HOW WE PERFORMED AGAINST OUR 2013 OBJECTIVES

Target	Status	Commentary
To redefine health services provided at San Jose	✓	A new organisational structure for the medical function was established with a doctor specialising in occupational health as the team leader. This new team structure is better aligned with our corporate standards.
To be prepared to ensure continued compliance with relevant requirements in light of the new health and hygiene regulations expected to come into force in Peru in 2013	✓	Our health team has actively participated in ascertaining the requirements of the new regulations. The team has participated in discussions at a national level to agree best practice on complying with the new regulations in Occupational Health and Safety in Peru.
To implement the Health and Hygiene's SAP module at the Inmaculada project	✓	This was implemented in August 2013. Now Inmaculada shares the same status with regards to health software as our other operations.

## HEALTH INDICATORS

Indicator	2013	2012	2011	2010
Average number of medical attendances at Peruvian operations and at San Jose per month	3,614	3,376	3,065	2,961
Average number of work-related incidences requiring medical attention at Peruvian operations and at San Jose per month	14	18	32	26
Average number of occupational health examinations at the Group's wholly-owned Peruvian operations and Moris per month	475	441	396	237

## 2014 TARGETS

- To improve data storage facilities at our mine sites
- To constantly review and update, as necessary, the structure of the Health & Hygiene department to best meet the needs of the organisation
- To establish a health referral network in major cities near our mines



## OUR PEOPLE

THE QUALITY OF OUR PEOPLE IS KEY TO THE SUCCESS OF THE BUSINESS IN ACHIEVING ITS STRATEGIC OBJECTIVES AND OUR ONGOING OBJECTIVE IS THEREFORE TO ATTRACT AND RETAIN THE BEST PEOPLE.

### 2013 HIGHLIGHTS

- Percentage of workforce trained – 79%
- Average number of hours of training per year per employee – 31 hours

### THE HOCHSCHILD APPROACH TO OUR PEOPLE

#### Training and development

The quality of our people is key to the success of the business in achieving its strategic objectives and our ongoing objective is therefore to attract and retain the best people. The Group's HR team adopts various techniques to ensure that our people contribute to the Company's success, which include the provision of competitive remuneration, a positive working environment (through the Organisational Climate Survey) and ongoing professional development.

#### Group values, labour relations and human rights

One of the primary responsibilities of the HR team is to ensure the clear ongoing 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 commitment to the fair treatment of all employees and 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 60% 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 our local communities. The importance placed by the Company on human rights is reflected in the Group's training programme which seeks to ensure that all employees are aware of their rights and the Company's commitments.

### ACTIVITIES IN 2013

The Group's team of HR professionals actively participated in the Company's restructuring process, the Cash Optimisation Programme, during 2013 to further their shared objective of ensuring the Group is appropriately resourced for the future challenges. The following highlights some of the work carried out during the year.

#### Developing our people

Driven in part by the cash optimisation process, budgets have been globally adjusted for all HR programmes, having to prioritise training and development in key areas and positions.

In order to achieve greater efficiency, we have further implemented an online platform which not only delivers training through virtual means, but also forms part of the Group's official records in monitoring employees' participation, particularly with respect to compulsory safety training.

#### Managing our talent

We carried out our People Review process focused on the mapping of talent in the organisation, which identifies key employees and the succession plans for our critical positions.

#### Creating a better place to work

The Group continues to make use of an Organisational Climate Survey ('OCS'), which has embedded itself as a key tool to measure levels of satisfaction amongst employees and identify opportunities for further development. The survey held in 2010 resulted in over 360 recommendations with the aim of improving the overall working environment.

The Company commissioned the 2012 OCS in collaboration with the Hay Group and it showed an overall increase in employee satisfaction of 8%.

## HOW WE PERFORMED AGAINST OUR 2013 OBJECTIVES

Objectives	Status
Implement improved talent identification process and continue with the implementation of development plans	✓
Continue with the entire leadership programme for all levels of management	✓
Implement the leadership programme for operational management	*
Establish alliances with leading universities as part of the Group's recruitment strategy	*

\* Following the implementation of the Cash Optimisation Plan, these initiatives did not proceed.

## PEOPLE INDICATORS

	2013	2012	2011	2010
<b>General</b>				
Average number of Group employees and contractors	6,853	7,557	6,395	5,776
<b>Gender diversity statistics</b>				
<i>Number of employees*</i>				
Male	4,080	–	–	–
Female	276	–	–	–
<i>Number of senior managers**</i>				
Male	23	–	–	–
Female	2	–	–	–
<i>Number of Board Members</i>				
Male	8	–	–	–
Female	0	–	–	–
<b>Training</b>				
Average number of hours of training undertaken per employee during the year	30.77	52.03	37.86	16.86
Percentage of workforce trained during the year	79%	90%	90%	87%
<b>Labour relations</b>				
Number of production days lost as a result of industrial unrest	15.5	7	28	1

\* as at 31 December 2013.

\*\* defined as those who qualify under the relevant statutory definition of 'senior manager' as at 31 December 2013.

During 2013, various action plans were carried out to ensure continuous improvement of our working environment. For example, events were held in Peru and Argentina entitled 'Open Dialogue' in which the Executive Chairman, CEO and Vice Presidents in the case of Peru, and the General Manager and HR in Argentina all participated.

### Embedding a safety first culture

Working in conjunction with the Safety and Psychology teams, the HR team has been supporting the implementation of a Behaviour Based Safety Programme to tackle the root cause of recent fatalities at the Group's mine sites.

### Resourcing for the future

We concluded the 'junior engineers' programmes which aimed to identify outstanding students from different universities and train them in different areas of our Company's operations. Twenty-one of these participants will assume positions of responsibility within the Company from January 2014, after 18 months in the programme.

## WORKING WITH OUR COMMUNITIES

### HOCHSCHILD MINING SEEKS TO DEVELOP AND MAINTAIN AN OPEN AND HONEST RELATIONSHIP OF TRUST WITH LOCAL COMMUNITIES.

#### 2013 HIGHLIGHTS

- Continued focus on Education, Health and Socio-economic development
- Digital Chalhuanka project won several awards

#### THE HOCHSCHILD APPROACH TO WORKING WITH OUR COMMUNITIES

Hochschild Mining seeks to develop and maintain an open and honest relationship of trust with local communities by:

- ensuring that we comply with all relevant commitments including agreements with the communities
- prioritising training and recruitment of community workers
- facilitating efficient programmes promoting community development
- promoting the participation of other key stakeholders in the development and sustainability of rural communities.

Our commitment to respecting human rights forms the foundation of our approach to community engagement and development. As a signatory of the United Nations Global Compact, Hochschild Mining has a duty to behave in a way that respects the human rights of host communities and points of best practice are integrated into the Group's Code of Conduct to ensure that we adhere to this commitment across all our activities.

#### COMMUNITY RELATIONS STRATEGY

Continuing with our medium to long-term vision of our relationship with the local communities, this year we continued to focus our efforts on the core areas of education, economic development and health, as well as enhancing life skills and employment opportunities.

We have also placed a greater focus on encouraging sustainability in our communities rather than being driven by a shorter-term approach to satisfying objectives.

In light of the budgetary challenges faced in the Cash Optimisation Plan, we developed our social initiatives to ensure continuity and maximise their impact.

#### OUR ACHIEVEMENTS IN 2013

We undertook a number of practical initiatives during the year aimed at making a measurable improvement to the quality of life of the communities living close to our operations as summarised below.

##### Education

*Maestro Líder* – This umbrella programme launched in 2012 was designed to develop primary and secondary education programmes by using the teacher as a factor of change. These teachers received training and certification in basic skills programmes, entrepreneurship, leadership and digital inclusion.

*Elementary Education* – Aimed at 17 schools and 665 students from first to sixth grade, these sessions sought to improve basic literacy and numeracy skills. In 2013, we paid particular attention to direct teaching, with the use of technology as appropriate.

*Secondary Education* – Motivated by a need to give young people the tools they need to face their future, the Project Life programme was implemented in partnership with the Vision Partnership Institute. This series of sessions to over 300 teenagers focused on positive thinking and securing ways to achieve their ambitions.

*Digital Inclusion* – We continued to promote the use of technology as a means of enhancing education to both teachers and students alike. In 2013, 117 teachers were trained in the use of ICT and, to date, over 2,000 students have benefited from this programme.

##### Health

*Medico de Cabecera (the Travelling Doctor programme)* – In 2013, we joined efforts with the Ministry of Health to establish cooperation agreements with the aim of extending the reach of the Travelling Doctor programme to more communities. In addition, we increased the scope of the medical services provided.

## HOW WE PERFORMED AGAINST OUR 2013 OBJECTIVES

Target	Status	Commentary
To continue making improvements to the literacy skills of primary and secondary schoolchildren	✓	The Group redesigned its strategy and, as a result, achieved improved academic results.
To increase the level of engagement between the Group's mining operations and local businesses	✓	We have developed business plans and provided technical training as well as infrastructure to promote local development. <i>For further details, see the 'Socio-economic development' section below</i>

## COMMUNITY RELATIONS INDICATORS

	2013	2012	2011	2010	2009
Community investment <sup>1</sup>	\$3.2m	\$6.5m	\$7.7m	\$6.7m	\$6.0m
Production days lost as a result of community conflict	0	0	1	0	1.5

<sup>1</sup> These figures represent only the portion of administrative expenditure (excluding corporate support) on social and community welfare activities surrounding the Company's operating units. Total social expenditure by the Group in 2013 amounted to \$10.14 million.

## 2014 TARGETS

- Continue the development of our socio-economic programmes
- Maximising employment opportunities to members of the community
- Enhance sustainability in the communities living close to our Inmaculada project

## Socio-economic development

*Digital Chalhuanca* – This year, we have been able to enhance and further strengthen the Group's flagship project where free internet access has been installed in the city of Chalhuanca to promote education and economic development in the surrounding area.

This project has already won several awards for the great results achieved. In particular, the project has been hailed as a successful example of partnership between private companies, the state and community (see case study opposite);

## Development of local trading skills

In order to promote a self-sustaining economy in our areas of influence, we have facilitated technical training and compiled business plans for those wishing to embark on a career or to commence their own businesses. This also requires the formation of partnerships with local governments who jointly fund these community development projects.

## CASE STUDY: DIGITAL CHALHUANCA

The Digital Chalhuanca project, which aims to provide free internet access, has completed its second year of implementation and has focused on training in information technology and communication (ICT) to all interested parties, as well as the use of technology as a teaching tool for teachers and students alike from nearby schools.

Significantly, the project works by bringing digital resources to rural and semi rural populations, primarily for education and training with the active participation of local and regional government. The project has received several awards in recognition of the project's significant impact and benefits.

This year, the Digital Centre was boosted by the provision of 25 computers as a result of high demand. The next stage, in the coming years, will be to achieve the sustainability of the project through its beneficiaries.



Local child using the project's IT facilities



Recognised for innovative use of technology

## MANAGING OUR ENVIRONMENTAL IMPACT

WE ARE COMMITTED TO ENSURING THE SUSTAINABILITY OF THE ENVIRONMENT IN WHICH WE DEVELOP OUR OPERATIONS AND NEW PROJECTS.

### 2013 HIGHLIGHTS

- ISO 14001 Certification at Peruvian and Argentinian operations maintained
- Group Compliance Performance Indicator of 84% (vs target of 80%)

### THE HOCHSCHILD APPROACH TO ENVIRONMENTAL MANAGEMENT

We are committed to ensuring the sustainability of the environment in which we develop our operations and new projects. Our environmental management system has been established on a corporate level in order to apply the best international practices available, and is backed by the continued ISO 14001 certification of our operations. In addition, as the most valuable resource, water usage and discharge are subject to strict protocols and procedures in order to comply with local and international regulations.

Hochschild Mining recognises that Environmental and Social Responsibility extends beyond the life of our operations, mine closure plans are in place to restore

disturbed areas where mining activity has ceased, and to contribute to the socio-economic sustainability of communities that have been affected by the operations.

### OUR ACHIEVEMENTS IN 2013

- Following the approval of the Inmaculada Project's Environmental Impact Assessment, we obtained the building permit with construction now in progress.
- Approval of Crespo and Matarani Environmental Impact Studies.
- Maintained ISO 14001 certification for the Group's operations in Ares, Arcata, Selene, Pallancata and San Jose.
- Group Compliance Performance Indicator (CPI) reached 84.5% (vs a target of 80%).

### HOCHSCHILD ENVIRONMENTAL TEAM



Through this structure, dedicated personnel in the environmental team provide the services described below:

- Operations: Implementing standards, procedures and best practice.
- Permitting and new projects: Assuring compliance with local and international regulations along the mine life cycle.
- Social work: Communications, training, support and facilitating participation of communities in environmental works.
- Explorations: Implementing environmental controls in greenfield and brownfield projects.
- Closure: Rehabilitation and remediation of disturbed areas where mining activity has ceased.

The environmental department functions within our mining operations and projects and alongside the Community Relations, Legal, Permitting and Finance teams, thereby assuring continuity of operations.



## HOW WE PERFORMED AGAINST OUR 2013 OBJECTIVES

Target	Status	Commentary
Approval of Crespo EIS	✓	Obtained in July 2013.
Implementation of improved environmental Compliance Performance Indicators ('CPI')	✓	Established new environmental CPI structure with improved evaluation criteria.
Maintain ISO 14001 certification for Ares, Arcata, Selene, Pallancata and San Jose	✓	This was achieved during the year.

## ENVIRONMENTAL INDICATORS<sup>1</sup>

	2013	2012 <sup>2</sup>	2011	2010	2009
Average monthly fresh water consumption per metric tonne of treated ore (cubic metres)	0.15	0.18	0.24	0.21	0.63
Electricity consumption per metric tonne of treated ore (Kw-h)	82.75	88.69	53.29	57.75	53.32
Diesel consumption per metric tonne of treated ore (gallons)	1.18	1.53	1.29	0.97	1.23
Number of material environmental incidents across entire operations <sup>4</sup>	0	0	0	0	0
Estimated volume of water withdrawn per day (cubic metres)	15,538	15,925	32,424	30,628	29,668
Estimated proportion of recycled water used	55%	60%	69%	32%	27%
Estimated volume of water discharged per day (cubic metres)	32,878	30,773	37,979	37,538	35,606
<b>Greenhouse gas emissions data<sup>3</sup> (tonnes of CO<sub>2</sub>e)</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Emissions from combustion of fuel and operation of facilities (tCO <sub>2</sub> e)	56,234	—	—	—	—
Emissions from purchased electricity (tCO <sub>2</sub> e)	72,946	—	—	—	—
Emissions intensity, per thousand ounces of total silver equivalent produced (CO <sub>2</sub> e/k oz) <sup>4</sup>	4.89	—	—	—	—

1 Includes data for operations in Ares, Arcata, Selene, Pallancata and San Jose.

2 From 2012, figures are based on guidelines and information gathered for the Company's 2012 GRI Sustainability Report published during the year. Data for previous years was calculated using different criteria and is therefore not directly comparable with subsequent years.

3 Includes data for operations in Ares, Arcata, Selene, Pallancata, San Jose, Inmaculada, Matarani, Moris and office locations.

4 Total production includes 100% of all production, including attributable to joint venture partners at San Jose and Pallancata.

## 2014 TARGETS

- Update mine closure schedules for Ares, Arcata, Selene, Pallancata and Sipan. Additionally, present site closure plan for Matarani
- Obtain ISO 14001 recertification for Arcata, Selene, Pallancata, Ares and San Jose
- Initiate the mine closure process for the Ares and Moris mining operations