

Sustainability report

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Dear shareholder

I am pleased to introduce this section of the 2012 Annual Report in which we highlight how our sustainability commitments have translated into actions during 2012, and the challenges we have set ourselves for the current financial year.

Our stakeholder approach to business is something that we have always done, a long time before the concept of sustainability was widely adopted across the mining sector. This year, we have captured this foundation upon which our strategy is formulated through the phrase 'Operating Responsibly'.

We are acutely aware of the perception of the industry and its potential impact on communities and the environment and we are therefore keen to engage with all interested groups so that expectations and needs can be managed and met.

We consider safety to be no less important than our strategic business priorities. Despite our ongoing commitment, it is with deep regret that there were four fatalities at our operations during the year. We remain steadfast in our view that every fatality is avoidable and so we will continue to monitor and review our controls and invest in training as required.

Key developments in 2012

We are very proud that during 2012, the Group joined a select number of companies in Peru to have embedded sustainability policies and procedures within their businesses and, in doing so, have received the Socially Responsible Company accreditation.



Workers at Arcata

Management felt that safety needed to be tackled with increased vigour and, for this reason, 14 November 2012 was designated the Group's Safety Day. All mining activity was suspended whilst briefings and training sessions were held across all sites.

For me personally, nothing is more important than providing a safe workplace for all, and so I was pleased to be able to participate in a video recording in which I reiterated the Group's commitment to the wellbeing of our people.

We launched a number of new initiatives during the year, most notably Digital Chalhuanca. This, our flagship project, led to the installation of internet facilities in the town of Chalhuanca in Apurimac close to our Selene and Pallancata operations. As detailed on page 53, the project aims to provide better communication facilities to facilitate education and commerce. I am very proud that this initiative has received recognition for its innovation and, moreover, has been replicated in other parts of Peru.

We commissioned the Group's first base line study to better understand our carbon footprint. We all have a part to play in conserving the limited resources we have access to and Hochschild Mining has started the process of understanding the level of greenhouse gases produced by the Group and identifying the sources of opportunity to reduce emissions.

We rely on the goodwill of the members of the local communities to be able to operate and so it is imperative that we involve them closely in our planning processes in order to address their needs and take account of their concerns. As stated in the Environmental section of this report, this type of engagement represented the critical milestones achieved during the year in the development of our Advanced Projects, Inmaculada and Crespo.

Priorities for 2013

We will continue to focus our efforts in pursuit of our objective of zero accidents and the elimination of fatalities. We have already embarked on this journey with a series of communications ensuring that the message of Safety First is adopted by all.

Reporting in this area will continue to evolve as this year we will be producing our first standalone Sustainability Report which will be compiled under the guidelines of the Global Reporting Initiative.

Whilst we continue in our endeavours, our progress to date is testimony to the teams of people who work across numerous functions and to them I wish to express my gratitude for their support and dedication.

Eduardo Hochschild

Executive Chairman and Chairman of the CSR Committee

Sustainability report continued

Governance

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 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 practice
- 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 Corporate Social Responsibility (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. Eduardo Hochschild has Board-level responsibility for sustainability issues.

A working group of relevant personnel meets on a monthly 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.

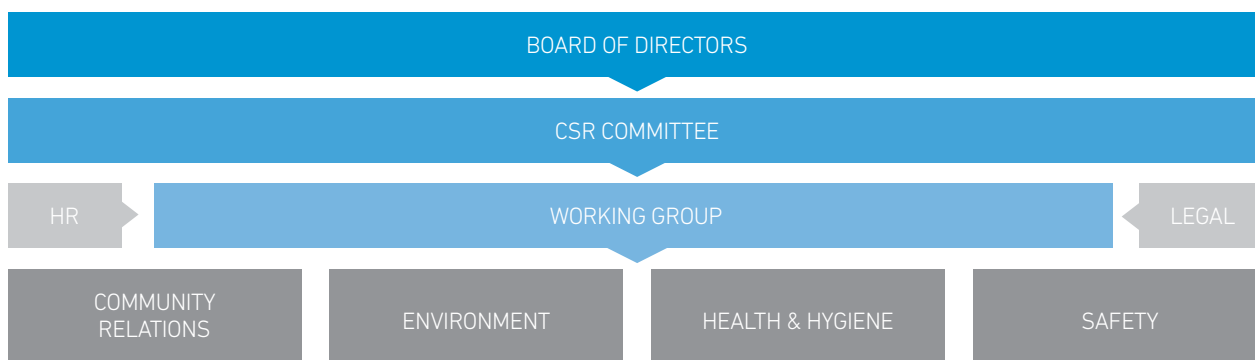
Whilst each area has its dedicated area of focus, they often collaborate with each other as required, for example in the provision of health services to the communities.

Terms of Reference of the CSR Committee

Under its terms of reference, the CSR Committee is tasked with:

- 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; and
- reviewing the results of independent audits commissioned on the Group’s performance in regard to health, safety, environmental or community relations matters; 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.

GOVERNANCE STRUCTURE FOR SUSTAINABILITY



The CSR Committee's work in 2012

During the year, the CSR Committee:

- reviewed the investigations into the four fatalities that occurred during the year and the action plans formulated by management to implement the associated recommendations;
- approved the 2011 Corporate Responsibility 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 to assist with accident prevention; and

- 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 Group's HR function and, looking ahead, the medium to long term resourcing strategy to achieve our business goals; and
- the social issues in Peru and their impact on the mining sector.

[61](#) *Read more about how we mitigate social and environmental risks to our business*

[82](#) *Our commitment to Sustainability is reflected in our Executive Remuneration policy. For more details see the Directors' remuneration report*



Workers at Arcata

Sustainability report continued

Safety

2012 HIGHLIGHTS

Reduction in Accident Frequency Index

9%

Launch of the inaugural Hochschild Safety Day across entire operations

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 four fatalities during the year. In the first incident, a scoop operator at the Pallancata operation was fatally injured after a water pump exploded. The second fatality occurred, also at Pallancata after a scoop operator lost control of his vehicle whilst reversing down a hill. The third incident occurred at Arcata, where an assistant driller was overwhelmed by noxious fumes and the fourth occurred at Ares where a driller sustained injuries from a rockfall.

Circumstances leading to these tragic events have been investigated by management, reported to the Board and the resulting recommendations implemented.

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

Our achievements in 2012

- 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 the international standard, OHSAS 18001:2007, was certified in respect of the Peruvian and Argentinian operations.
- Training has been a key focus in 2012 with:
 - the design and roll out, in conjunction with DNV, of a course entitled 'Internal Audits and OHSAS 18001:2007' for personnel at the operating units, Advanced Projects and exploration projects;
 - the strengthening of the theoretical-practical training of brigades to intermediate level;
 - the provision of the 'Training the Trainer' course at the Selene unit on hazard identification, risk assessment and control in conjunction with Expectra, a leading risk management consultancy based in South Africa
- With Expectra's support, the Group commenced the implementation of the 'Control of Fatal Risks' software which will assist the Group in developing its safety strategy based on the integration of principles of changing organisational behaviour;
- The holding of the first Hochschild Safety Day on 14 November 2012 (see box below)
- The holding of the Luis Hochschild Safety Innovation Award which, in 2012, aimed to raise the bar on the quality of proposals and, as a result, increase their impact on safety.

CASE STUDY: HOCHSCHILD SAFETY DAY 14 NOVEMBER 2012

After the occurrence of the third fatality at the Group's operations, management felt that a concerted effort focused on safety was required to highlight its importance. Operations across the entire Group were stopped whilst a tailored programme of briefings, training sessions and roundtable discussions was held.

During the day, a video of the Chairman was shown in which he delivered a personal message in support of the initiative and emphasised the importance of safe working both to the employees and to their families.



Mine workers at a safety briefing session

HOW WE PERFORMED AGAINST OUR 2012 OBJECTIVES

Target	Status	Commentary
6% reduction in LTIFR	✓	A 9% reduction was achieved
The Company seeks to achieve the following with respect to the DNV safety management system:		
– Maintain and further develop current levels of implementation at Peruvian and Argentinian units	✓	Ares – Level 5 Arcata & Pallancata – Level 7 San Jose – Level 6
– Level 3 at the Inmaculada Project	✓	
To launch a safety awareness campaign highlighting the potential impact on family life	✓	A campaign was launched highlighting the importance of safety to all employees (see details of the Hochschild Safety Day)
To evaluate the effectiveness of the 'Fatal Risk Control' software at the Pallancata unit with a view to rolling it out to other operating units	✓	Initial evaluation was completed in 2012 with a further assessment being undertaken in 2013 to fully understand its impact on safety
To provide training to the Group's emergency brigades to advanced level	Partial	A training programme was commenced and practical steps taken to equip the Group's emergency teams

SAFETY INDICATORS

	2012	2011	2010	2009
Fatal accidents	4	3	2	2
Accidents leading to an absence of one day or more	81	81	66	79
LTIFR ¹	3.33	3.63	3.70	5.22
Accident Severity Index ²	1,058	910	777	1,485
Accidentability rate ³	3.52	3.30	2.88	7.76

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.

2013 TARGETS

- 5% reduction in LTIFR
- 20% reduction in Accident Severity Rate
- Achieve the following levels of implementation of the DNV software:
 - Ares – Level 6
 - Arcata & Pallancata/Selene – Upper Level 7
 - San Jose – Upper Level 6
 - Inmaculada Project – Upper Level 3 (internal certification)



Sustainability report continued

Health & hygiene

2012 HIGHLIGHTS

Reduction in work-related incidences requiring medical attention¹

Continued focus on physical as well as psychological health

43%

¹ In Peru and San Jose.



The Hochschild approach to health & hygiene

Underlining the importance we place on our people and their wellbeing, the Group's Health and Hygiene team 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 look to reinforce the importance of the quality of life at work and seek to work in the prevention of occupational illness.

Given the nature of the work, and the operation of two week shifts requiring mineworkers to spend extended periods away from their 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 achievements in 2012

- The preparation of a baseline study to identify and evaluate the health risks at two of the Group's exploration projects in Peru;
- Increased level of support provided to the Health & Safety Co-ordinator for Exploration & Geology;
- A baseline study was completed to evaluate the psychological hazards present at exploration projects;
- Supported the Community Relations team with a number of projects including the Medico de Cabecera initiative.



A training session co-ordinated by the Health & Hygiene team on the Industrial Hygiene risks at the Apacheta exploration project in Peru

HOW WE PERFORMED AGAINST OUR 2012 OBJECTIVES

Target	Status	Commentary
Complete the uploading of data onto the Health and Hygiene SAP module	✓	Data was uploaded with respect to the Peruvian and Argentinian operations and will serve as a useful monitoring tool
To establish a programme of monitoring occupational disease for research purposes and ultimately improving the provision of our service	✓	A programme to monitor occupational disease was established during the year in Peru and Argentina
To develop the psychology programme for our units and Advanced Projects	✓	Occupational psychology programmes were established at the units and Advanced Projects

HEALTH INDICATORS

	2012	2011	2010	2009
Average number of medical attendances at Peruvian operations and at San Jose, per month	3,376	3,065	2,961	2,690
Average number of work-related incidences requiring medical attention at Peruvian operations and at San Jose, per month	18	32	26	25
Average number of occupational health examinations at the Group's wholly-owned Peruvian operations and Moris, per month	441	396	237	406

2013 TARGETS

- To redefine health services provided at San Jose
- To be prepared to ensure continued compliance with relevant requirements in light of new Health & Hygiene regulations expected to come into force in Peru in 2013
- To implement the Health & Hygiene SAP module at the Inmaculada Project



Sustainability report continued

Our people

2012 HIGHLIGHTS

Percentage of workforce trained

90%

Average number of hours of training per year per employee

52 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 we therefore seek 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 and labour relations

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 56% of our total workforce is represented by a trade union or similar body.

Our achievements in 2012

The Group's team of HR professionals has undertaken a number of initiatives during 2012 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

The third leadership workshop for senior management took place in Lima facilitated by IAE Business School.

For operational middle-management, the second stage of the 'Developing Leaders' programme was held in Peru and Argentina, and, for operational managers, a tailored leadership workshop was designed for delivery in 2013.

The exploration team continued with a programme entitled 'High Performance Team'.

Managing our talent

During the year, development plans for those holding critical positions identified as part of the Group's Talent Inventory Review ('TIR') were implemented.

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 identifying opportunities for further development. The survey held in 2010 resulted in over 360 recommendations with the aim of improving the working environment.

The Company commissioned the 2012 OCS in collaboration with the Hay Group which showed an overall increase in employee satisfaction of 8%. The specific findings of the survey will, after evaluation, again result in an action plan for implementation during the year.

Embedding a safety first culture

Whilst the focus in the early part of 2012 was on reinforcing the Group's core corporate values through training, briefings and team events, the focus later in the year changed to one of consolidating a safety first culture which is set to continue.

Resourcing for the future

A global recruitment strategy was designed and established across the Group during 2012. Implementation of the strategy commenced in November 2012 with a visit to the University of Arizona to recruit future mining engineers which will be followed by similar initiatives in 2013.



HOW WE PERFORMED AGAINST OUR 2012 OBJECTIVES

Target	Status
Implement the development plans designed as part of the Talent Inventory Review	✓
Continue with the entire leadership programme at all levels of management	✓
Start the second stage of the 'Developing Leaders' programme for middle-management in Peru and Argentina	✓
Achieve a three point increase in the Organisational Climate Survey against the results of the last survey commissioned in 2010	✓
Establish a global recruitment strategy	✓

PEOPLE INDICATORS

	2012	2011	2010	2009
General				
Average number of Group employees and contractors	7,557	6,395	5,776	4,969
Training				
Average number of hours of training undertaken per employee during the year	52.03	37.86	16.86	14.03
Percentage of workforce trained during the year	90%	90%	87%	94%
Labour relations				
Number of production days lost as a result of industrial unrest	7	28	1	40.5

2013 TARGETS

- 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



Members of middle management at the San Jose mine participating in the 'Developing Leaders' programme held during the year in collaboration with the Hay Group

Sustainability report continued

Working together with local communities

The Hochschild approach to working with our communities

We have, since the Group's early days, shaped our community-oriented activities to establish positive relationships with the local communities and to contribute to their development. We try to do this by applying the following principles:

- foster mutual respect and co-existence with local communities
- achieve mutually beneficial agreements
- improve the quality of life of community residents
- improve the health, education and nutrition of local community members
- encourage good relationships and co-ordination with stakeholders to promote sustainable development

Community Relations strategic review

Hochschild has medium and long term visions of its relationship with local communities focused on education, health and economic development, and to provide the residents of participating communities, especially of the younger generation, with the tools and skills to play a productive role and to enable them to chart their own paths.

Based on this goal, the Group developed several initiatives in 2012 which were designed to improve the quality of life of the people in the areas of direct and indirect influence of the Group's operations and projects as well as to improve relations with residents.

To complement this vision, a socio-economic study of the geographic areas where the Group's operations are present was commissioned in 2012 where, through interviews, surveys, ethnographies and research of the area, a profile of the needs of the communities and related trends was identified to fine-tune the Group's approach. Based on the findings, programmes are being designed for 2013 from the perspective of 'Family Units', where tailored programmes will be developed taking into account the needs of the families and their physical location.

Our achievements in 2012

Significant progress was made in each of the key areas of our Community Relations strategy.

Education

Maestro Líder – Hochschild worked directly with over 300 primary and secondary school teachers to improve the education of children in the Group's areas of influence. These teachers received training and certification in basic skills programmes, entrepreneurship, leadership and digital inclusion.

Elementary & Secondary Education – We worked with over 50 local elementary schools and over 2,000 students with the goal of improving their basic literacy skills. We partnered with local NGOs to deliver their established programmes which also involved parents and community members in the education of their children. In secondary education, we delivered 'Training of Young Entrepreneurs' in partnership with Junior Achievement Worldwide

Leadership Skills for Teachers – in conjunction with the technical education institute, TECSUP, workshops for teachers from Arequipa and Ayacucho were held on various subjects including social skills and effective communication to enhance their roles.

Digital Inclusion – Continuing the programme launched in 2011, where over 300 teachers were trained in the use of technology as an educational tool, 2012 saw the delivery of more advanced initiatives on class preparation. In addition, we supported students in implementing projects through the use of ICT for the benefit of their communities.

Health

Medico de Cabecera – Continuing the programme launched in 2011 to bring health services to the communities close to the Group's Peruvian operations, three mobile units served local communities during 2012. Through this initiative, we worked together with the Ministry of Health in organising promotional activities and health prevention campaigns.

Socio-economic development

Digital Chalhuanca – The Group's flagship project using technology and the internet to enhance education and promote economic development. (see case study on opposite page)

Development of local skills – Through active participation, Community Development Plans were agreed enabling local communities to prioritise projects that will lead to sustainable development with support from local and regional authorities.

Alpaca and trout programmes – To encourage revenue generation and therefore economic independence, the Group continued to provide technical support and infrastructure for the raising of alpacas. Technical assistance to local fish farms resulted in the Group sourcing local produce for the restaurants at its operations.

CASE STUDY: DIGITAL CHALHUANCA

The first digital community in Peru. This project was launched to provide the community of Chalhuanca with access to new technology to promote education and economic development.

The town, situated 500 km south-east of Lima in the region of Apurimac, was selected because of its location in the Group's Area of Influence and its potential as a hub for surrounding communities.

Digital Chalhuanca was made possible through extensive public-private collaboration between numerous organisations including the provincial and regional authorities, the NGO Empresarios por la Educacion ('EPE') and companies including Hochschild, Intel, HP and Lenovo.

Together, they installed wired and wireless internet access and created a Digital Resource Centre equipped with the latest technology. In addition, funds were committed for educational programmes for students, teachers and the general public designed on sustainable strategies developed by EPE.

The project's initial two-year phase focuses on meeting the community's initial needs in using the new technology and launching initiatives in the following areas:

- Education & Training – promoting the use of ICT as a teaching resource for primary and secondary school students. Training will also be provided to the general public on basic IT literacy
- E-Government – enhancing the website portal of the municipal authority and holding training workshops for local public sector employees
- Economic Sustainability – training local producers and traders in various subjects to promote business and improve competitiveness

The next phase will include the supply of IT equipment to schools, additional resources for teachers and the provision of support personnel.



Chalhuanca es la primera comunidad digital del Perú

Apes tras de julio en la localidad de Chalhuanca la Compañía Minera Hochschild, que es afiliada al Grupo Hochschild Mining en alianza con la Municipalidad Provincial de Apurimac y el Gobierno Regional de Arequipa, inauguró "Chalhuahuaca Digital".

Según los organizadores del proyecto, trata de un país que posee la mejor tecnología al servicio de las comunidades, con el fin de brindar acceso a servicios de internet de banda ancha de nueva generación y mejorar las capacidades que impulsen el desarrollo de la educación, productividad, gobierno electrónico y servicios y el proyecto tiene una inversión de más de US\$ 1.000.000.

"Chalhuanca Digital es un proyecto de inclusión digital que promueve, tanto en el país que promueve el desarrollo a través de la calidad de vida de sus pobladores de la zona de



Sustainability report continued

Working together with local communities continued

HOW WE PERFORMED AGAINST OUR 2012 OBJECTIVES

Target	Status	Commentary
Ongoing target Zero 'Loss of Production days' resulting from community conflicts	✓	
Specific targets To conclude all agreements envisaged in the mutually approved annual plan	✓	All relevant agreements (comprising permissions and social licences negotiated with communities) were concluded
To make a measurable contribution to the improvement of the quality of life of the communities living close to the Group's operations	✓	The Group undertook numerous activities during the year with this objective. For further details, see section on our achievements in 2012 (on previous page)

COMMUNITY RELATIONS INDICATORS

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

¹ Figures represent only the portion of expenditure on social and community welfare activities surrounding the Company's mining units accounted for as administrative expenses.

2013 TARGETS

- To continue making improvements to the literacy skills of primary and secondary school children
- To increase the level of engagement between the Group's mining operations and local businesses

CASE STUDY: PERITO MORENO

The Group's San Jose joint venture in Argentina has continued to support the town of Perito Moreno located 80km from the mine in the Santa Cruz province.

A total of \$2.2 million was invested in social and welfare activities during 2012 which included:

- support for the construction of the 'New Hope' integration centre for the disabled;
- ongoing support for the first technical Institute of the town dedicated to providing training in the use of technology in industrial activities;
- the donation of equipment to the local hospital (see picture opposite); and
- scholarships for participants in an introductory mining course.



Equipment was donated during the year to the Dr Oscar Natale hospital in Perito Moreno

Managing our environmental impact

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. The Company has established an environmental management system on a corporate level that seeks to apply the best international practices available, as demonstrated by the continued ISO 14001 certification of our operations.

The Company recognises the importance of water in the success of our operations and the ongoing sustainability of the environment. Through responsible management of the water resource we strive to assure efficient water usage, maximise use of recycled water and comply with Maximum Discharge Levels and Environmental Quality Standards.

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 influenced by the operations.

Our achievements in 2012

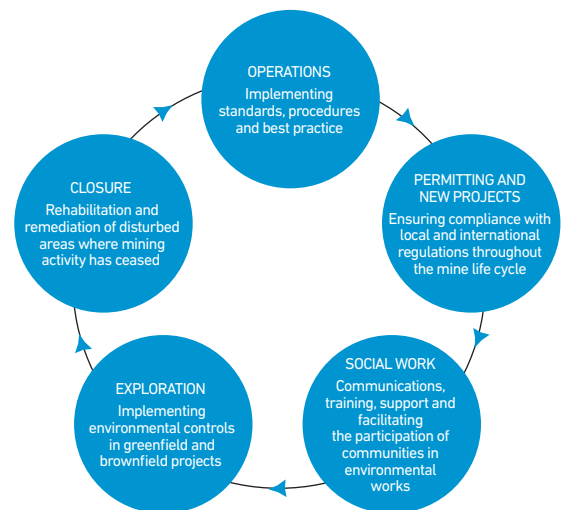
- Stemming from the Group's commitment to sustainability, the Environmental and Social Responsibility department was created by combining the Environmental and Community Relations teams
- In May we joined the United Nations Global Compact, embracing the Ten Principles of corporate responsibility
- Approval of Inmaculada Environmental Impact Study ('EIS') in September
- Group Compliance Performance Indicators (CPI) above 90%, validated by an external entity
- Maintained ISO 14001 certification for the Group's operations in Ares, Arcata, Selene, Pallancata and San Jose
- First carbon footprint study of the Group's operations (see case study below).

HOCHSCHILD ENVIRONMENTAL TEAM



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

The Environmental department works together with the operational teams, community relations and the legal function in the application for, and ongoing compliance with, mining permits, thereby assuring continuity of operations.



CASE STUDY: MEASURING OUR CARBON FOOTPRINT

We are committed to playing our part in mitigating the effects of global climate change and calculating our carbon footprint is the first step in achieving this goal.

This study will allow us to identify opportunities to reduce emissions, optimise efficiency as well as improve our operation and environmental performance.



In 2012 we carried out the first carbon footprint study in collaboration with A2G Carbon Partners, which was prepared in accordance with international guidelines and protocols, such as the Greenhouse Gas Protocol, ISO14064.

Emissions sources within our activities were identified, classified and included within the scope and boundaries of our study; awareness training was carried out and information regarding Tiers I, II, and III of carbon footprint accounting was gathered. These three tiers include direct emissions, emissions related to purchased energy and other indirect emissions. A verification process was implemented to assure data quality.

This will enable us to improve our environmental performance and focus our efforts to reduce emissions throughout the life cycle of our operations.

The results of the study are in the latter stages of evaluation and will be reported on in more detail in the Group's first standalone Sustainability Report.

Sustainability report continued

Managing our environmental impact continued

HOW WE PERFORMED AGAINST OUR 2012 OBJECTIVES

Target	Status	Commentary
Group Compliance Performance Indicator above 89%	✓	Performance above 90% was achieved for all our operations and was validated by a third party, Verum SAC
Maintain ISO14001 certification for Ares, Arcata, Selene, Pallancata and San Jose	✓	We have maintained certification of our environmental management system for all our underground operations, having been assessed by the certifying entity 'SGS del Perú'
Submit Crespo and Inmaculada Environmental impact assessments	✓	Approval for the Inmaculada EIS was obtained in September 2012 With respect to Crespo, the necessary steps have been taken with the relevant authorities and approval of the EIS is expected in the second half of 2013

ENVIRONMENTAL INDICATORS¹

	2012 ²	2011	2010	2009
Average monthly fresh water consumption per metric tonne of treated ore (cubic metres)	0.18	0.24	0.21	0.63
Electricity consumption per metric tonne of treated ore (Kw-h)	88.69	53.29	57.75	53.32
Diesel consumption per metric tonne of treated ore (gallons)	1.53	1.29	0.97	1.23
Number of material environmental incidents across entire operations	0	0	0	0
Estimated volume of water withdrawn per day (cubic metres)	15,925	32,424	30,628	29,668
Estimated proportion of recycled water used	103%³	69%	32%	27%
Estimated volume of water discharged per day (cubic metres)	30,773	37,979	37,538	35,606

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

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

3 Estimated proportion of recycled water for 2012 is greater than 100% for the following reason. GRI guidelines state that if a process requires two cubic metres of water and this water is used for three cycles then total recycled water would be six cubic metres which for this example would result in a 300% recycle ratio.

2013 TARGETS

- Approval of Crespo EIS
- Implementation of improved environmental Compliance Performance Indicators
- Maintain ISO 14001 certification for Ares, Arcata, Selene, Pallancata and San Jose