



‘The value of a robust governance framework comes into its own in these challenging times.’

Eduardo Hochschild
Chairman

Dear Shareholder

I am pleased to present the Corporate Governance Report for 2020. In this section of the Annual Report, we report on the Company’s compliance with the provisions of the 2018 edition of the UK Corporate Governance Code (the ‘Code’) and the application of its principles.

Impact of Covid

Every business across the globe has been impacted by the Covid-19 pandemic and such a crisis highlights the value of a robust governance framework. This report highlights how, against the backdrop of operational challenges, your Board has sought to lead effectively, and monitor progress against our strategic objectives through the implementation of processes, actions and controls.

The challenges arising from the pandemic have required us all to adapt. After our only in-person Board meeting in Lima in February 2020, all subsequent meetings of the Board and its Committees have been convened via video conference. This new way of working and a constant dialogue with the management team has allowed the Directors to bridge any gap in communications which is critical during this period of fast-changing developments.

Non-Executive appointment

I am delighted to report that in light of our Board evaluation process and succession plan, an opportunity was identified to add skills to the Board that would be aligned with our strategy as well as increasing the gender diversity of the Board. Following a process overseen by the Nomination Committee, the Board confirmed the appointment of Jill Gardiner as an Independent Non-Executive Director. She brings long-standing investment banking experience from the Canadian capital markets, a key hub for the mining sector.

2020 Board evaluation

I would also like to highlight the continued benefits that have accrued from our internal Board evaluation process which we report on in more detail from page 88. Regrettably, due to the Covid-related travel restrictions, we were unable to proceed with an externally facilitated evaluation as we had intended.

If you should have any queries arising from this report, please do not hesitate to contact me at Chairman@hocplc.com.

Eduardo Hochschild
Chairman

Introduction

This report, together with the Directors' Remuneration Report, describes how the Company has applied the Principles of the UK Corporate Governance Code ('the Code') (2018 edition) in respect of the year ended 31 December 2020. A copy of the Code is available on the website of the Financial Reporting Council ('FRC') at www.frc.org.uk.

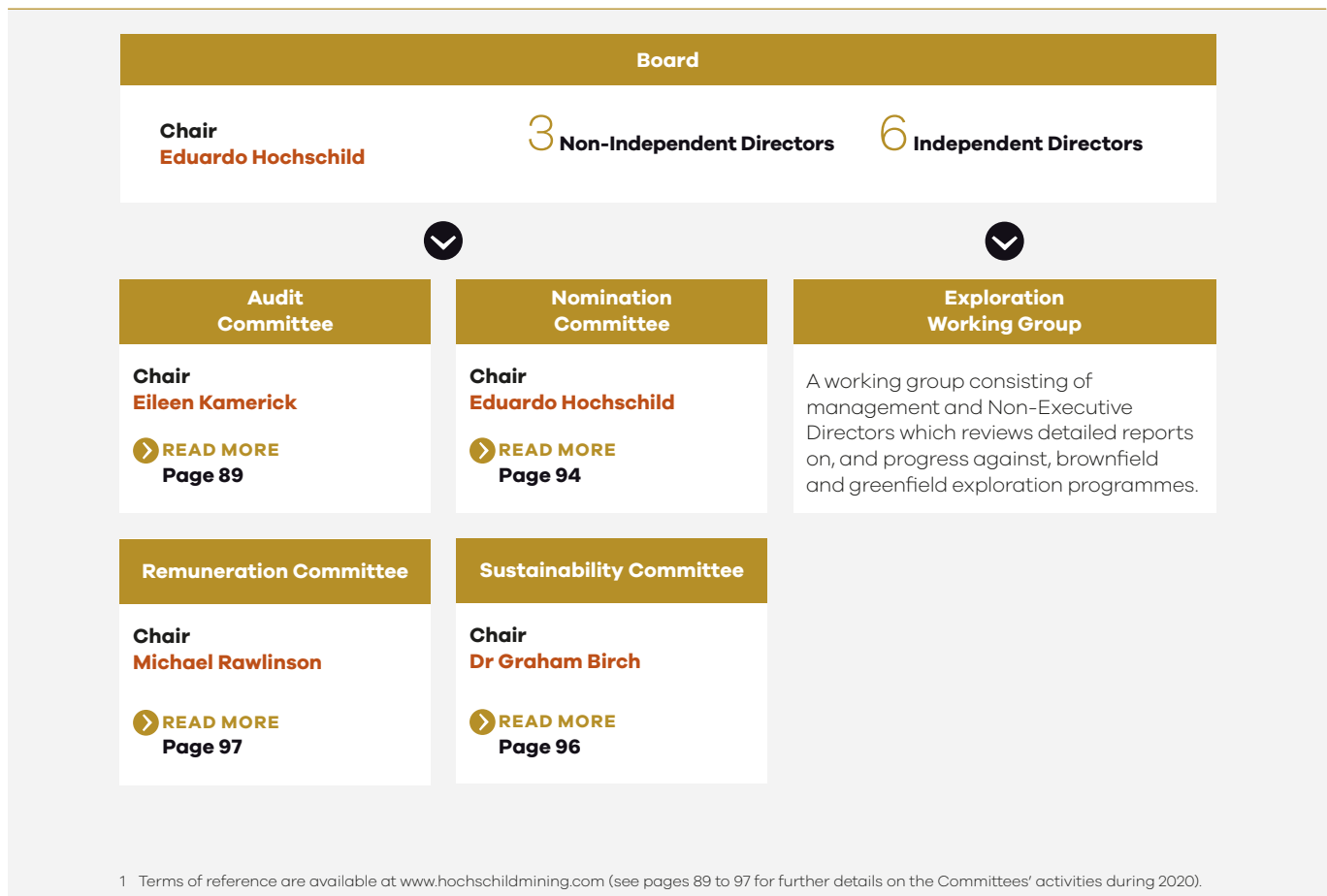
Disclosures to be included in the Corporate Governance Report in relation to share structure, shareholder agreements and the Company's constitutional provisions pursuant to the Disclosure Guidance and Transparency Rules are provided in the Supplementary Information section on pages 98 to 100.

Statement of Compliance

The Board confirms that, in respect of the year under review, the Group has complied with the provisions contained in the Code with the exceptions noted below:

Provision	Explanation
The Chairman has been in post beyond nine years from the date of his first appointment to the Board	As a major shareholder of the Company and given his significant experience of mining in Peru, the Directors consider Mr Hochschild's continued chairmanship to be in the best interests of the Company. As described later in this report, there are checks and balances in place to ensure ongoing objectivity and that Mr Hochschild does not exercise undue influence.
Open advertising and/or an external search consultancy should generally be used for the appointment of Non-Executive Directors	In light of the skills being sought, the Company enlisted the support of its financial advisers to draw up a list of potential Board candidates which culminated in the appointment of Jill Gardiner as a Non-Executive Director. Please refer to the Nomination Committee report for further details.
The Company has not adopted (a) a formal policy for post-employment shareholding requirements ('PESR') and (b) remuneration schemes and policies with provisions that would enable the Company to recover sums or share awards (i.e. clawback)	While the Group has adopted a wide malus policy, neither clawback nor PESR has been adopted due to difficulties, in the past, in legally enforcing such provisions in Peru. After a comprehensive review of arrangements which can achieve the same underlying objective, the Company has incorporated a PESR in the revised Remuneration Policy being put to shareholders at the forthcoming AGM. The revised Policy also articulates in more detail the Company's existing approach to malus.
An externally facilitated evaluation of the Board has not been undertaken	Please refer to the Board evaluation section below for further details on the internally-led approach to the Board's performance evaluation.

Our governance structure



Leadership & purpose

The Board

The Board is responsible for approving the Company's strategy and monitoring its implementation, for overseeing the management of operations and for providing leadership and support to the senior management team in achieving sustainable added value for shareholders. It is also responsible for enabling the efficient operation of the Group by providing adequate financial and human resources and an appropriate system of financial control to ensure these resources are fully monitored and utilised.

There is an agreed schedule of matters reserved for the Board which includes the approval of annual and half-yearly results, the Group's strategy, the annual budget and major items of capital expenditure.

2020 Board meetings

Eight Board meetings were held during the year, of which four were scheduled meetings. The ad-hoc meetings were convened to consider updates relating to the Company's response to the Covid-19 pandemic and corporate development matters.

Attendance at the scheduled Board meetings convened during 2020 is summarised in the table below;

Director	Attendance (Maximum)
Mr E Hochschild	4 (4)
Mr G Birch	4 (4)
Mr J Born	4 (4)
Mr I Bustamante	4 (4)
Ms J Gardiner	2 (2)
Ms E Kamerick	3* (4)
Mr M Rawlinson	4 (4)
Mr D Romero	3** (4)
Mr S Sarma	4 (4)

* Ms Kamerick was unable to attend the February 2020 Board meeting due to a family illness

** Mr Romero was unable to attend the February 2020 Board meeting due to a conflicting board engagement

In addition to the regular updates from across the business, the principal matters considered by the Board during 2020 are detailed below. In keeping with Board practice, meetings incorporate reports from each of the Committee Chairs on the business considered at their respective meetings. Any significant matters arising from those meetings are discussed by the full Board and feature among the matters described below.

Health & Safety	<ul style="list-style-type: none"> – Updates on the ongoing implementation of Safety 2.0, the successor plan to the Company's Safety Culture Transformation Plan (see pages 53 to 55 for further details); – The investigation into the fatal accident at the Pallancata mine in the first quarter of 2020 (see page 53); and – Updates on the implementation of the Group's Health Protocols to combat Covid-19.
Financial	<ul style="list-style-type: none"> – The stress-tested scenarios and the underlying assumptions in support of the going concern and viability statements in support of the 2019 annual financial statements and 2020 half-yearly financial statements; – Considered recommendations of the Audit Committee to adopt the 2019 Annual Report and Accounts and the 2020 Half-Yearly Report; – The Group's ongoing financial position; – The 2021 budget; – The 2019 final dividend, which was subsequently withdrawn due to the uncertain impact of the Covid-19 pandemic on the business; and – The 2020 interim dividend.
Strategy	<ul style="list-style-type: none"> – Strategic options to facilitate the Group's growth; – Updates on progress in developing the Biolantidos rare earths project; – Updates on the Group's operational innovation projects; and – The Group's strategic plan.
Business performance	<ul style="list-style-type: none"> – Detailed updates on the operational and financial impact of Covid-19 on the business, including revised guidance for the full-year's production, costs, capital expenditure and exploration budgets; – Business development projects; – Unbudgeted strategic initiatives; and – Presentations on progress against the annual brownfield exploration programme.
Risk	<ul style="list-style-type: none"> – Political developments in Peru, Argentina and Chile; – The Group's Risk Matrix detailing the significant and emerging risks faced by the Group and the corresponding mitigation plans; and – The renewal of the Group's Directors' and Officers' Liability Insurance.
Governance	<ul style="list-style-type: none"> – The appointment of Jill Gardiner as an Independent Non-Executive Director and as a member of the Audit, Nomination and Remuneration Committees; – Updates from the Company Secretary on governance developments affecting the Company and the Directors' responsibilities; – An update on the implementation of the 2019 Board evaluation recommendations, the outcome of the 2020 Board evaluation and the form of the 2021 process; – The annual reviews of Directors' conflicts of interest and independence of Non-Executive Directors; and – Reviewing and revising the Committees' terms of reference.
Sustainability	<ul style="list-style-type: none"> – Reviews of the social climate in Peru, Argentina and Chile and their potential impact on the Group; – Updates on reviews of the Group's Tailing Storage Facilities; – Performance of the Group against the internally-designed environmental corporate scorecard (the ECO Score).
Investors' views	<ul style="list-style-type: none"> – Regular reports on investors' views as part of the Group's comprehensive engagement schedule (see section headed Shareholder engagement in 2020 for further details); – Feedback from investors and proxy agencies on the 2020 AGM business, both before and after the meeting (see overleaf for further discussion on specific matters raised); and – Feedback from investors on the proposed revised Remuneration Policy to be put to shareholders for approval at the 2021 AGM.

See Directors' Remuneration Report from page 102 for more details.

Senior executives of the organisation are invited to attend Board meetings and to make presentations on their areas of responsibility. In the event a Director is unable to attend a Board or Committee meeting, comments are encouraged to be fed back to the Chairman of the relevant meeting who ensures that the absent Director's views are represented.

In between Board meetings, Directors are kept informed of latest developments through monthly management reports on the Company's operations, safety performance, exploration activity and financial position.

Purpose & culture

The Group was established over a hundred years ago and over time it has characterised itself not only through sound operations but also in striving to achieve the highest standards of safety and with regard to its social impact. This approach is reflected and described in further detail in the Code of Conduct, adopted in 2010, which sets out the standards and behaviours expected from all levels within the Company as well as our partners: professionalism, honesty, integrity, respect for our stakeholders and a commitment to safety, our communities and the environment. These are further reiterated in the Group's anti-bribery and corruption policies.

As previously reported, the Company launched its reformulated corporate purpose as part of a rebranding – 'Responsible and Innovative Mining Committed to a Better World' – and, in tandem, set out the values which create a culture that is aligned with the purpose.

Our corporate values

Innovation

Inspiring others

Recognising talent

Demonstrating responsibility

Seeking efficiencies

These values not only represent key inputs in our business model in the performance of our core activities but they also inform our approach to our four-pronged growth strategy. See the Strategy section on pages 24 and 25.

Setting the tone

The Board sets the tone from the top, reflecting these values in its deliberations and decision-making. The Chief Executive Officer ('CEO') is the crucial conduit through which the tone is cascaded throughout the organisation. By way of example, during the year, the CEO communicated with all employees on a number of matters including environmental matters with periodic updates on the Group's performance and the launch of the programme of events forming part of the Environmental Culture Transformation Plan, health and safety, and the establishment of a centralised Compliance function.

In addition, at the onset of the coronavirus pandemic in Peru, the Chairman conveyed to all staff the immediate steps being taken by the Company to prioritise employee welfare as well as highlighting how to prevent the spread of infection.

Assessing and monitoring culture

The Board assessed and monitored the Company's culture using a dashboard of measures, some of which are reported on a monthly basis.

Responsibility:

Safety – Accident Frequency Index (LTIFR), Accident Severity Index, High Potential Event rate

Environmental – ECO Score

Ethical practices/Integrity – Whistleblowing reports (online and offline channels), Internal Audit reports

Innovation:

Submissions to the Innova platform to improve operational efficiency

Inspiring others and promoting talent:

Team and Individual development plans, staff turnover/retention rates

Efficiency:

Operational KPIs e.g. AISC, Production, Adjusted EBITDA and Brownfield Exploration results

An organisational climate survey was carried out in 2019 amongst 2,260 employees across our sites in Peru and Argentina. The results were analysed in Q1 2020 and overall, employee satisfaction with the work environment increased to 63% (from 62% in the previous survey held in 2017, and up from 57% in 2015).

Further details are provided in the Strategic Report on pages 2 to 73.

Engagement

The Directors have received briefings from the Company Secretary and legal advisers on their duties under English law to promote the success of the Company. As in other large companies, these duties are in part discharged through a framework of delegated authorities.

The Board ensures there is regular and sustained engagement with its shareholders and other stakeholders which is fed back to the Board and taken into consideration in discussions and decision-making. This section of the report includes the s172(1) statement and, by cross-referencing other parts of this report, summarises how engagement was undertaken and how stakeholders were considered in the key decisions taken during the year.

Shareholders

Our approach

The Chairman, with the support of the Senior Independent Director and the Company Secretary, is available to engage with major shareholders on matters of governance and performance against strategy.

The Chief Executive Officer is responsible for discussing strategy and business performance with the Company's shareholders and conveying their views to the other members of the Board. He is supported in this regard by the Chief Financial Officer and the Head of Investor Relations who is based in the London corporate office.

In addition to the direct means of contact as detailed in the table below, Directors are kept informed of major shareholders' views through copies of (i) relevant analysts' and brokers' briefings, (ii) voting recommendation reports issued by institutional investor agencies, and (iii) significant correspondence from shareholders with respect to the business to be put to shareholder vote at General Meetings.

Shareholder engagement in 2020

The following table summarises the principal means by which the Group communicated with investors during the year:

Date	Event
January (and April, July, October)	Conference calls following the Quarterly Production Report
February	BMO Global Metals & Mining Conference 2019 Annual Results presentation UK Roadshow
March	Citi Resources Conference
May	BoA Merrill Lynch Global Metals, Mining and Steel Conference
August	2020 Half-Yearly Results presentation
September	UK Roadshow Denver Gold Forum
November	Commenced shareholder engagement on the Company's proposed revised Remuneration Policy
December	Scotia Capital Conference

An extensive Investor Relations schedule resulted in management holding over 100 investor meetings during the year.

In addition to the above, the Non-Executive Directors are available to meet shareholders on request. Such meetings were held with Michael Rawlinson and, following her appointment, with Jill Gardiner.

2020 AGM

Due to the Covid-related restrictions in place at the time, shareholders were not permitted to physically attend the 2020 AGM. Arrangements were made, however, for shareholders to submit questions on any of the proposed items of business by telephone or email and for responses to be published on the Company's website. The Company did not receive any such questions.

At the 2020 AGM, the resolution seeking the re-election of Dionisio Romero Paoletti was opposed by c.22% of the votes cast. Investor feedback confirmed that the result reflected concerns with Mr Romero's time commitment due to the number of directorships that he held.

The Nomination Committee considered the views expressed as part of its deliberations on the composition of the Board and, taking into account (a) Mr Romero's reassurances on his ongoing availability and commitment to Hochschild Mining and that he would not accept any additional listed company directorships, (b) the fact that he relinquished his board position with NYSE-listed Credicorp and (c) the fact that Mr Romero acts as a nominee director of the Company's major shareholder under the Relationship Agreement, the Directors are unanimous in their conclusion that the Company continues to benefit from Mr Romero's experience of managing sizeable businesses in Peru and the wider region, but also of his knowledge of corporate finance.

Other stakeholders

On pages 45 to 49 of the Strategic Report, we have identified our key stakeholder groups, how the Company has engaged with them and the issues raised during the year.

The Directors are aware of their duty under English company law (the 'section 172 duties') to act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its shareholders and other factors. These include the likely consequences of any decisions in the long term, the interests of the Company's employees, the need to foster the Company's business relationships with all stakeholders, the impact of the Company's operations on the community and environment, and the desire to maintain a reputation for high standards of business conduct.

By understanding stakeholders' views and expectations, the Board is able to successfully steer the Company towards achieving its strategic goals in a sustainable manner and which acknowledges its licence to operate.

Below, we have summarised how the Board receives feedback from its key stakeholder groups:

Employees	Social	Government / Regulators	Suppliers	Customers
Graham Birch, as Chairman of the Sustainability Committee, is our designated Director to oversee workforce engagement and received quarterly updates from the Vice President of Human Resources on discussions with trade unions and other employee group meetings.	Reported to the Sustainability Committee, which feeds back to the Board.	Reported to the Board as part of its consideration of the quarterly Risk Management updates on the governmental/regulatory climate.	Reported to the Board as part of its consideration of the quarterly Risk Management updates in relation to Business Interruption risks.	Material matters are reported to the Board by the Chief Financial Officer who is responsible for managing the sales and logistics department. There were no material matters raised during the year.

Impact on wider stakeholder group of key decisions in 2020

In discharging their section 172 duties the Directors have regard to the factors set out above as well as other factors which are considered relevant to the decision being made. It is acknowledged that every decision we make will not necessarily result in a positive outcome for all our stakeholders. By considering the Company's purpose together with its strategic priorities, and having a process in place for decision making, the aim is to make sure that decisions reflect the Group's corporate values.

For details on how our Board operates and the matters we discussed and debated during the year, please see the earlier part of this report. We set out below how the Directors had regard to the matters set out in section 172(1)(a)-(f) when discharging their section 172 duty in relation to the Annual Strategy Review.

The Annual Strategy Review

As it does each year, the Board carried out a review of the Group's strategy. The discussion in 2020 focused on how the Group could best position itself vis-à-vis its stakeholders and capitalise on the key sources of growth while remaining true to the Company's purpose. Alternative operating and financial scenarios were reviewed by the Board and, in light of their critical importance, sub-strategies to ensure the achievement of the Company's social commitments were developed. By taking this approach, the Board has mandated that every strategic business decision should promote sustainability for all stakeholders.

Division of responsibilities

Board composition

Up until 1 August 2020, the Board comprised the Chairman, the Chief Executive Officer and six Non-Executive Directors, of whom five are considered, by the Board, to be of independent judgement and character. Following the appointment of Jill Gardiner on 1 August 2020, the Board comprised seven Non-Executive Directors, six of whom are considered, by the Board, to be independent.

As a result, at all times during the year, the Board comprised a majority of Independent Non-Executive Directors. Dionisio Romero Paoletti is the only non-independent Non-Executive Director as he has been nominated to the Board by the Company's major shareholder under its rights pursuant to the Relationship Agreement (further details of which can be found on page 77 of the Directors' Report).

Chairman and Chief Executive

The Board is led by the Chairman, Eduardo Hochschild, who is also the largest shareholder of the Company with a c.38% holding.

The Board has approved a document which sets out the division of responsibilities between the Chairman and Chief Executive Officer.

As Chairman, Eduardo Hochschild is responsible for leading the Board of Directors and ensuring that the Board is enabled to play a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives.

Ignacio Bustamante, as the Chief Executive Officer, is responsible for the formulation of the vision and long-term corporate strategy of the Group, the approval of which is a matter for the full Board.

The Chief Executive Officer is responsible for leading the executive team in the day-to-day management of the Group's business.

Status of the Chairman

In light of his majority shareholding, the Chairman is not considered to be independent. However, during the one-to-one interviews conducted with each Board member, the other Directors of the Board continue to assert that Mr Hochschild chairs the Board in an objective manner and encourages open and full debate. The composition of the Board and the implementation of certain contractual arrangements act as additional measures which prevent the exercise of undue influence by Mr Hochschild.

Firstly, the significant presence of Independent Directors and the active role of the Senior Independent Director ensure that the views of minority shareholders are well represented.

Secondly, the undertakings provided in the Relationship Agreement (as described below) ensure that the Company and its subsidiaries are capable of carrying on their business independently of Eduardo Hochschild and his associates.

The Relationship Agreement, which was revised in 2014 in light of new rules governing such agreements (the '2014 Listing Rules'), contains undertakings from each of Eduardo Hochschild and Pelham Investment Corporation (being the entity through which Mr Hochschild holds his shares in the Company) (the 'Major Shareholder') that:

- all transactions with the Company (and its subsidiaries) will be conducted at arm's length and on normal commercial terms;

- neither of them (nor their associates) (the ‘Relevant Parties’) will take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules;
- the Relevant Parties will not propose, and neither will they procure the proposal of, a shareholder resolution intended or which appears to be intended to circumvent the proper application of the Listing Rules; and
- the Relevant Parties will not take any action that would preclude or inhibit any member of the Group from carrying on its business independently of any of them.

Certain confirmations are required to be given by the Board under the 2014 Listing Rules with regards to the Company’s compliance with the independence provisions which can be found in the Directors’ Report on page 77.

Senior Independent Director

Michael Rawlinson is the Senior Independent Director. Mr Rawlinson’s role is not only to act as a central point of contact for the Non-Executive Directors as a group but to also act as a conduit between the Non-Executive Directors and the executive management team. To facilitate this, Mr Rawlinson chairs meetings of the Non-Executive Directors and of the Independent Non-Executive Directors immediately after each Board meeting. This provides the opportunity to gather feedback and thoughts on Board discussions which are subsequently relayed to the Chairman and/or the executive team as appropriate. A crucial part of the role of the Senior Independent Director is to meet with major shareholders if concerns have not been addressed by the executive team. No such meetings were requested, however, Mr Rawlinson did engage with a number of major investors during the year.

Non-Executive Directors

The Company’s Non-Executive Directors hold, or have held, senior positions in the corporate sector with the exception of Sanjay Sarma who has a background in academia in the field of mechanical engineering and technology. They all bring their experience and independent perspective to enhance the Board’s

capacity to help develop proposals on strategy and to oversee and grow the operations within a sound framework of corporate governance.

Details of the tenure of appointment of Non-Executive Directors are provided in the Directors’ Remuneration Report.

Independence of Non-Executive Directors

In keeping with its usual practice, the Board considered the independence of the Non-Executive Directors during the year. As part of its assessment, the Board took into account the circumstances set out in Provision 10 of the Code. In particular, the Board noted:

- the fact that Jorge Born and Graham Birch had both served on the Board for over nine years; and
- Sanjay Sarma’s position as a director of Top Flight Technologies, a company in which Eduardo Hochschild has a shareholding and a convertible note investment.

The Board assessed, among other things, each of the above-named Director’s individual approach and contribution to Board discussions. It was concluded that each Director demonstrated ongoing objectivity which, at times, included appropriate challenges of matters under deliberation as well as of management. Accordingly, the Board is of the opinion that the above circumstances do not interfere with the relevant Director’s ability to act in the best interests of the Company and are therefore considered to be independent for the purposes of the Code.

Company Secretary

The Company Secretary is appointed and removed by the Board and is responsible for advising the Board on governance matters and the provision of administrative and other services to the Board. All the Directors have access to the Company Secretary.

Composition, succession and evaluation

Appointments and re-election of Directors

The Board has established a Nomination Committee which recommends nominations to the Board. The report of the Nomination Committee appears on pages 94 and 95.

The Company has adopted the practice of requiring Directors to seek annual re-election by shareholders in keeping with the UK Corporate Governance Code. The biographies of the Directors can be found on pages 74 and 75 which, in addition to specifying other positions, also highlight the key skills and experience of each Board member.

Under the terms of the Relationship Agreement, the Major Shareholder has (i) the right to appoint up to two Non-Executive Directors to the Board for so long as the Major Shareholder holds an interest of 30% or more in the Company and (ii) the right to appoint one Non-Executive Director for so long as it has an interest of 15% or more in the Company, and in each case to remove any such Director(s) previously appointed.

The Relationship Agreement continues for so long as the Company’s shares are traded on the London Stock Exchange or until such time as the Controlling Shareholders (including Eduardo Hochschild) cease to own or control in aggregate a minimum of 15% of the issued share capital or voting rights of the Company.

The Major Shareholder exercised this right for the first time with the appointment of Dionisio Romero Paoletti who joined the Board on 1 January 2018.

Board development

It is the responsibility of the Chairman to ensure that the Directors update their knowledge and their skills and are provided with the necessary resources to continue to do so. This is achieved through the various means described as follows. In addition, as previously stated, a part of the Board evaluation process seeks to identify subject matters and topics for presentation to the Board that Directors would find beneficial.

Induction

New Board appointees are offered the opportunity to meet with key management personnel and the Company's principal advisers as well as undertaking visits to the Group's operations. In addition, where appointees will serve on any of the Board Committees, sessions with the relevant Committee Chair are organised.

In light of the Covid-19 related restrictions, the above induction programme was facilitated virtually in connection with the appointment of Jill Gardiner. A site visit will be arranged once international travel resumes.

Jill Gardiner induction process

Selection: The Nomination Committee compiles a shortlist of candidates from a long-list compiled with external support



Interviews: Chairman and designated members of the Nomination Committee



Conflicts of Interest: Nomination Committee considers and approves any conflicts of interest and recommends Jill Gardiner's appointment to the Board



Provision of Key Documentation: on Governance, Corporate Policies, Directors' & Officers' Liability Insurance Policy and other information



The Operational Perspective: Meetings with the CEO, CFO and COO



Briefings: Vice Presidents, Head of Internal Audit, Head of Investor Relations and Company Secretary



Full Perspective: Attends, as a guest, the meetings of the Sustainability Committee and Exploration Working Group

Briefings

The Directors receive regular briefings from the Company Secretary on developments in the areas of corporate law and corporate governance that affect their roles as Directors of a UK listed company. In addition, the Directors have ongoing access to the Company's officers and advisers with presentations arranged periodically.

Advice

The Company has procedures by which members of the Board may take independent professional advice at the Company's expense in the furtherance of their duties.

Board evaluation

The Board is committed to the process of continuous improvement which is achieved in particular by the robust internally-led Board evaluation process. See the following page for a description of the process and outcome of the 2019 Board evaluation.

Implementation of 2019 Board evaluation

A number of actions were taken during the year following the 2019 Board evaluation process. These included:

- Remuneration Committee members receiving more frequent updates on developments impacting the governance of executive remuneration;
- As part of enhancing sustainability reporting, achieving a greater understanding of methodologies used by third-party agencies to assess ESG performance (environmental, social and governance); and
- Improvements to the reporting of progress on brownfield and greenfield exploration.

External Board evaluation

As a result of the worldwide travel restrictions, the decision was taken to postpone the intended externally-facilitated Board evaluation. An internally-led evaluation was therefore carried out which has previously resulted in a number of recommendations that have significantly enhanced the way the Board and the Committees function.



The Hochschild team did not miss a beat in pivoting to an online induction programme. The discussions with Non-Executive Directors and management, were thorough and informative – a first class process.”

Jill Gardiner

2020 Board evaluation

Aug 20: Board discussion on evaluation design



Oct 20: Discussion sheet distributed



Oct/Nov 20: One-on-one interviews



Findings documented by SID and Co Sec



Findings discussed with Chairman



Nov 21: Board discusses findings for implementation



Feb 21: Action plan for implementation agreed

In keeping with past practice and the unanimous preference of the Board, the 2020 Board evaluation process was undertaken internally through one-to-one interviews conducted by the Senior Independent Director supported by the Company Secretary.

The interviews were structured to seek the Directors' views on a number of subject areas including those outlined below.

The Committees

- Composition and overall workings of the main Board Committees;
- Specific aspects of each Committee's role and scope of responsibilities; and
- The workings of the Exploration Working Group including the impact of Covid on Brownfield Exploration and Business Development opportunity selection.

The Board

- The composition of the Board, taking into account, among other things, the issue of gender diversity;
- The workings of the Board; and
- Consideration of specific aspects of the Board's role including strategy and M&A and Governance & Risk.

Other areas

- Strategy & M&A;
- Governance & Risk; and
- Leadership & Culture.

In addition to the above, the evaluation took in discussions on specific aspects of performance during 2020, suggestions for topics to be presented to the Board in 2021 and feedback on the performance of the Chairman and fellow Board members.

2020 Board evaluation findings

Evaluation of the Board and Committees

The findings relating to the evaluation of the Board and the Committees were considered collectively by the Chairman and Michael Rawlinson as the Senior Independent Director and the resulting recommendations were discussed and, where appropriate, approved by the Board.

Evaluation of the Chairman

The findings of the Chairman's performance evaluation were collated by Michael Rawlinson and considered between the Non-Executive Directors before being relayed to the Chairman.

Outcome

The principal recommendations arising from the 2020 Board evaluation process are as follows:

- Improvements to the working of the Nomination Committee;
- Reporting of the work of the Group's exploration programme;
- Gauging the corporate culture at the mine-sites when travel restrictions are lifted; and
- Seeking exposure to different parts of the business through presentations to the Board.

AUDIT COMMITTEE REPORT

‘In light of the Covid-19 crisis, the Audit Committee’s role in overseeing the Company’s risk management processes became even more critical.’



Dear Shareholder

I am pleased to present the Audit Committee report for the year ended 31 December 2020.

In this part of the Annual Report, we focus on how the Committee has discharged the responsibilities delegated to it by the Board during the year and the primary considerations that have been taken into account.

In light of the Covid-19 crisis, the Audit Committee’s role in overseeing the Company’s risk management processes became even more critical as it increased the profile of a number of risks to which Hochschild is already exposed, particularly in relation to health and safety, and operational performance.

The pandemic has also had an impact on the recurring issues that the Audit Committee considers in the preparation of the annual accounts. Firstly, the uncertainty caused by the effects of the worldwide pandemic prompted an increase in precious metal prices and put almost every country’s economy under strain. This, in turn, impacts the valuation of the Company’s assets which reflect such macro-economic factors. The Committee has reviewed management’s assessment which is discussed further on page 92.

In light of the ongoing uncertainty caused by Covid-19, the Committee has also considered management’s analysis which forms the basis of our going concern statement. As set out on page 92, the Committee has scrutinised the assumptions in the scenarios modelled to test the robustness of the Company’s financial position over at least the coming 12 months.

I would also like to highlight the initiatives discussed later in this report which demonstrate how the Committee promotes good governance in relation to matters within its scope of responsibilities. These include the revision to the policy on the use of the external auditor for non-audit services and the establishment of a centralised compliance function.

Finally, I would like to convey our thanks to Graham Birch, who stepped down from the Committee on 1 August 2020, for his valuable contribution and I welcome Jill Gardiner, who joined as a Committee member on that date.

Eileen Kamerick
Committee Chair

2020 Meeting attendance

Members	Independent	Maximum possible attendance	Actual attendance
Eileen Kamerick, Non-Executive Director (Chair)	Yes	4	4
Michael Rawlinson, Non-Executive Director	Yes	4	4
Graham Birch, Non-Executive Director*	Yes	2	2
Jill Gardiner, Non-Executive Director**	Yes	2	2

* Graham Birch stepped down from the Committee on 1 August 2020.

** Jill Gardiner was appointed a member of the Committee on joining the Board on 1 August 2020.

Key roles and responsibilities

- To monitor the integrity and material accuracy of the Company's financial statements and related disclosures;
- To monitor the effectiveness of the Company's internal controls and risk management systems and review the preparation of the going concern and viability statements;
- To review, on behalf of the Board, the Company's procedures for detecting fraud, the Company's systems and controls for the prevention of bribery and to review and conclude on non-compliance;
- Oversight of the Internal Audit function, review of its annual work plan and its findings;
- To oversee the relationship with the Company's external Auditor;
- To review the effectiveness of the external audit process; and
- To report to shareholders annually on the Committee's activities including details of the significant audit issues encountered during the year and how they have been addressed.

Membership

Eileen Kamerick was, during the year under review, and currently serves as, the chair of the Audit Committee. Eileen was formerly a Chief Financial Officer of a number of US-based companies operating in the mining, oil and gas, investment banking and recruitment sectors. Eileen currently serves as the Audit Committee Financial Expert for the AIG Funds and Anchor Series Trust (US mutual funds) and Audit Committee Chair of the Legg Mason Closed End Mutual Funds. Eileen is a National Association of Corporate Directors Board Leadership Fellow.

Michael Rawlinson's career in banking specialised in the mining sector having initially worked as an analyst and corporate financier, serving most recently as Global Co-Head of Mining and Metals at Barclays Investment Bank from 2013 until his retirement from that role in June 2017.

Graham Birch served as a member of the Committee until 1 August 2020. He is a non-executive Director of Sprott Inc and was formerly a director of BlackRock Commodities Investment Trust plc and manager of BlackRock's World Mining Trust and Gold and General Unit Trust.

Jill Gardiner was appointed a member of the Committee on 1 August 2020. She was formerly an investment banker at RBC Capital Markets with a focus on certain commodity and energy related industries. She has served on and chaired numerous audit committees and currently serves as Chair of Trevali Mining Corporation and as a director of Capital Power Corporation.

The Committee members who served during the year under review are considered to be Independent Directors and the Board is satisfied that at least one member has recent and relevant financial experience and that the Committee, as a whole, has competence relevant to the sector in which the Company operates.

For further details on the skills and experience of the Committee members, please refer to the biographical details on pages 74 and 75. The performance of the Committee was considered as part of the annual Board evaluation process which was considered by the whole Board.

Attendees

The lead partner of the external Auditor, EY, the Chairman of the Company, the Chief Executive Officer, the Chief Financial Officer, the Vice President of Legal & Corporate Affairs and the Head of Internal Audit attend each Audit Committee meeting by invitation. The Company Secretary acts as Secretary to the Committee.

Activity during the year

The Committee considered the following principal matters during the year:

Financial reporting – The 2019 Annual Report and Accounts and the 2020 Half-Yearly Report were reviewed by the Committee before recommending that they be adopted by the Board. In its review of these financial reports, the Audit Committee reviewed accounting policies, estimates and judgements applied in preparing the relevant statements and the transparency and clarity of disclosures contained within them. In line with its usual practice, the Audit Committee set management the objective of enhancing the full-year financial reporting process and, by doing so, increasing the responsibility and visibility of senior members of the Group Finance team.

Review of audit plans – In line with its usual practice, the Committee considered reports from the external Auditor on the scope and structure of the review of the half-yearly results and audit of the annual results and any recommendations on the Company's processes and controls.

Risk management – Consideration and challenge of risk management assessments which incorporate a risk matrix detailing (i) the most significant and emerging risks facing the Group, (ii) an evaluation reflecting the likelihood of the occurrence of the risk and the extent of the potential impact on the Group, and (iii) commentary on the steps taken to manage each specific risk. See pages 64 to 71 for a description of the process by which the Group's principal and emerging risks are identified and monitored, and the actions taken during the year to mitigate them.

Internal audit – The Audit Committee continued to oversee and challenge the Group's adoption of a risk-based approach to internal audit. The Audit Committee Chair receives a quarterly report from the Head of Internal Audit which sets out specific areas covered, improvements being recommended and introduced, and proposals for the programme over the following three months. The CEO and Chief Financial Officer also receive copies of these reports and robustly support the activities of the Internal Audit function. On three occasions during the year, the Committee met with the Head of Internal Audit without the presence of executive management to discuss, among other things, the resourcing of the function and the scheduled work plan.

Internal control – Through the processes described on the following page, the Audit Committee reviewed the adequacy of the Group's internal control environment and risk management systems.

Whistleblowing – In line with the 2018 Corporate Governance Code, the Audit Committee reviewed, on behalf of the Board, the adequacy of the Group's Whistleblowing arrangements. Whistleblowing reports are circulated to a group comprising the Audit Committee Chair ('AC Chair'), the Head of Internal Audit, the Vice-President of Human Resources and the Company Secretary ('the Reporting Group'); the AC Chair has a preliminary discussion with the Head of Internal Audit on the approach to the investigation; and the findings of the investigation are then reported, in the first instance, to the AC Chair and the Reporting Group and to the next scheduled meeting of the Audit Committee.

Fraud and bribery – The Audit Committee continued to review and challenge the actions taken by management to promote ethical and transparent working practices.

The Group's Code of Conduct describes the values and standards of behaviour expected of our employees and our business partners. In addition, the Group has adopted a specific anti-bribery and anti-corruption policy to reflect the Board's zero tolerance of these types of acts. This policy is circulated to all employees by the CEO on a periodic basis, highlighting the consequences of acting in breach of its provisions which include termination of employment and criminal proceedings. The case study below shows the results of our policy in action:



CENTRALISING THE COMPLIANCE FUNCTION

After an internal review, the decision was taken during the year to centralise the Group's compliance activities. The Group Head of Internal Audit has been appointed as the Group's Chief Compliance Officer who, with the support of Country Officers, will oversee the implementation of a comprehensive programme to embed a culture of compliance across the organisation.



External audit – The Audit Committee oversees the relationship with the external Auditor. EY was first appointed by the Company as Auditor in 2006 and, following a tender process undertaken in Q1 2016, was reappointed. The Audit Committee evaluated the performance of EY in 2020 and concluded that it was appropriate to recommend the re-appointment of EY as external Auditor at the 2020 Annual General Meeting. The Audit Committee reviewed the findings of the external Auditor and management letters, and reviewed and approved the audit fees.

During the year, the Audit Committee evaluated the effectiveness of EY and the external audit process, taking into account the results of Hochschild management's internal survey relating to EY's performance as well as views and

recommendations from management and its own experiences with the external Auditor. Key criteria of the evaluation included resource and expertise, quality and timeliness of the audit process, quality of communication and reporting to the Audit Committee.

Auditor objectivity – The Audit Committee has adopted a revised policy on the use of the external Auditor for the provision of non-audit services (see later section for more details).

Governance and evaluation – The Audit Committee received updates from the Auditor and the Company Secretary on regulatory and other developments impacting the Committee's role. In relation to the evaluation of the Committee's performance, this was carried out as part of the annual Board evaluation. Specific questions were put to each Board member on various aspects of the performance of the Audit Committee including its responsibilities in overseeing the relationship with the Auditor, and in relation to risk management. General feedback on the Committee's performance was also sought and fed back to the Committee Chair.



CALLING OUT UNETHICAL BEHAVIOUR

During the year, the Company ran a campaign publicising an instance of an employee who called out unethical behaviour at work. A weighing scale operator reported the offer of a bribe from a transport contractor who sought to under-report the weight of the supplies being delivered. An online event acknowledging the employee's actions was attended by the CEO and members of senior management. The Company will hold an in-person event celebrating the employee's actions when circumstances permit.

Tax compliance strategy – The Audit Committee approved on behalf of the Board a document on the Group's approach to UK tax matters. The document can be found at: www.hochschildmining.com/en/responsibility/tax_compliance_strategy

During the year, the Committee members held meetings with the external Auditor without executive management to discuss matters relating to the 2019 annual audit and the 2020 Half-Yearly Report. There were no matters of significance to report from these meetings.

Significant audit issues

As recommended by the Code, the following is a summary of the significant issues considered by the Committee in relation to the 2020 financial statements and how these issues have been addressed.

(a) Impairments

The Audit Committee considered management's analysis of potential indicators of impairment and impairment reversals as follows, prompting full impairment assessments:

Pallancata: The increase in short-term precious metal prices was considered a trigger of impairment reversal. In addition, it was noted that the higher prices and lower capex at the mine were compensated by lower grades and higher costs.

San Jose: The increase in short and medium-term precious metal prices (indicating an impairment reversal) was compensated, albeit partially, by a higher country risk premium in Argentina indicating a trigger of impairment.

In addition, the annual impairment test was carried out with respect to the Volcan project.

The Audit Committee considered:

- analyst consensus price forecasts for silver and gold, which showed significant increases until 2024; and
- the underlying calculation of the impairment tests.

With regards to the Volcan project, the Committee considered management's approach to the value in-situ analysis and its assumptions.

In conclusion, the Audit Committee concurred with management that an impairment reversal of \$8.3 million be made as at 31 December 2020 with respect to San Jose and that no impairments or impairment reversals be recognised with regards to Pallancata and Volcan.

(b) Going concern assessment

The Directors must satisfy themselves as to the Group's ability to continue as a going concern to 31 March 2022, being a minimum of 12 months from the approval of the financial statements. The Audit Committee supported the Board in this assessment by considering whether, in adverse circumstances, the Company has adequate liquid resources to meet its obligations as they fall due. Such circumstances included the occurrence of a second wave of coronavirus infections necessitating the suspension of all operations for eight weeks combined with significantly lower precious metal prices. In February 2021, the Audit Committee reviewed the Group budget and cash flow forecasts for the going concern period taking into account the Company's anticipated production profiles at each mine, budgeted capital and exploration expenditure and the sensitivity of the cash flow forecasts to movements in precious metal prices. In addition, the Audit Committee corroborated its assessment through consideration of the processes undertaken by the Auditor in its testing of management's going concern assessment and on the reasonableness of assumptions therein, including their consistency with assumptions and estimates used elsewhere in the preparation of the financial statements. In particular, the Committee challenged management on the feasibility of the mitigating actions.

In conclusion, the Committee is content and recommended to the Board that the Directors should continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Please refer to the Directors' Report on page 78 for its confirmation to shareholders on the appropriateness of the going concern assumption and the Risk Management section of the Directors' approach to the longer-term Viability Statement.

(c) Mine rehabilitation provision

The Audit Committee considered the judgement exercised by management in assessing the amounts required to be paid by the Company to rehabilitate the Group's assets.

In its assessment of the analysis undertaken by management and an independent third party, the Audit Committee took into account:

- the basis of the estimation of future rehabilitation costs;
- the discount rate applied;
- significant changes in estimates and the basis and level of new costs; and
- the accounting for the changes in the provisions.

The Audit Committee concluded that the provision is appropriate.

(d) Exceptional Items

In reviewing the proposed classification of certain incremental and non-recurring costs in relation to Covid-19 as exceptional items, the Audit Committee considered the reasonableness of management's judgement by considering:

- the nature and frequency of the relevant costs; and
- the consistency of the treatment of such costs for example with reference to management's impairment analysis.

The Audit Committee concluded that the proposed classification and presentation of the above-mentioned costs were reasonable and in line with the Group's accounting policy.

Auditor independence

The Audit Committee continues to oversee the implementation of specific policies designed to safeguard the independence and objectivity of the Auditor, which includes the Group's policy on the provision of non-audit services.

Policy on the use of Auditor for non-audit services

Following the issue of the Revised Ethical Standard 2019 by the Financial Reporting Council (the 'FRC'), the Audit Committee adopted a revised policy on the use of the Auditor for non-audit services (the '2020 NAS Policy').

The 2020 NAS Policy reflects the Revised Ethical Standard In permitting the engagement of the Auditor only for additional services that are directly linked to the audit or are required by law and/or regulation. The 2020 NAS Policy requires (i) the Audit Committee and Chief Financial Officer to approve all non-audit services undertaken by the external Auditor and (ii) that the cost of non-audit services rendered by the external Auditor, in any financial year, cannot exceed 70% of the average of the audit fees paid to the external Auditor in the last three consecutive financial years. Please refer to the next section entitled '2020 Audit and non-audit fees' for details of the value and nature of non-audit services provided during the year.

During the year the Company obtained a waiver of the non-audit fee cap from the FRC in connection with the engagement of the auditor as Reporting Accountant for a corporate transaction which, ultimately, did not proceed.

Safeguards

Additional safeguards to ensure Auditor objectivity and independence include:

- six-monthly reports to the Audit Committee from the Auditor analysing the fees for non-audit services rendered; and
- an annual assessment, by the Audit Committee, of the Auditor's objectivity and independence in light of all relationships between the Company and the audit firm.

2020 Audit and non-audit fees

Details of fees paid to the external Auditor are provided in note 32 to the consolidated financial statements.

Compliance Statement required under Article 7.1 of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the 'Order')

The Company confirms that it has complied with the Order during the year under review.

Internal control and risk management

Whilst the Board has overall responsibility for the Group's system of internal control including risk management and for reviewing its effectiveness, responsibility for the periodic review of the effectiveness of these controls has been delegated to the Audit Committee. Notwithstanding this delegation of authority, the Board continues to monitor the strategic risks to which the Company is exposed in the context of a risk appetite that is under continuous review. Internal controls are managed by the use of formal procedures designed to highlight financial, operational, environmental and social risks and provide appropriate information to the Board enabling it to protect effectively the Company's assets and, in turn, maintain shareholder value.

The process used by the Audit Committee to assess the effectiveness of risk management and internal control systems comprises:

- reports from the Head of the Internal Audit function;
- reviews of accounting and financial reporting processes together with the internal control environment at Group level. This involves the monitoring of performance and the taking of relevant action through the monthly review of key performance indicators and, where required, the production of revised forecasts. The Group has adopted a standard accounting manual to be followed by all finance teams, which is continually updated to ensure the consistent recognition and treatment of transactions and production of the consolidated financial statements;
- the external Auditor review and observations of the Company's internal control environment;
- review of budgets and reporting against budgets; and
- consideration of progress against strategic objectives.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and it must be recognised that such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

Audit Committee's assessment

Based on its review of the process, the Audit Committee is satisfied that, for the year under review and the period from 1 January 2021 to the date of approval of the Annual Report and Accounts, internal controls are in place at the operational level within the Group.

Board's assessment

Risk management

Throughout the year, the Board considered its risk appetite which was considered to be appropriate. The Board confirms that its assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, and which are set out in the Risk Management and Viability section, was robust.

Internal control

As detailed above, the Board, through the delegated authority granted to the Audit Committee, monitors the ongoing process by which critical risks to the business are identified, evaluated and managed. This process is consistent with the FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' published in 2014.

The Directors confirm that, with the support of the Audit Committee, the effectiveness of the Company's system of risk management and internal controls has been reviewed during the year under review. These covered material controls, which included controls covering operational, financial and compliance matters. The controls operated effectively during the financial year although, as is the case for many large companies, additional controls were implemented or further strengthened during the year. The Audit Committee was made aware of the control changes and there was no significant impact on the financial results. The Directors confirm that no significant failings or weaknesses were identified as a result of the review of the effectiveness of the Group's system of internal control.

NOMINATION COMMITTEE REPORT

‘The Nomination Committee had an active year with progress made on several fronts: succession planning, Board effectiveness and improving our diversity.’

**Dear Shareholder**

At times of such uncertainty, it is crucial that we have the right balance of skills, experience and perspectives to direct the Company and the accomplishment of its strategic goals. The Nomination Committee’s responsibilities for overseeing succession plans for both the Board and the management team are therefore critical. The Committee reviewed the Board skills matrix to ensure that skills aligned with our strategy are well represented and, with respect to senior management, that progress is being made against identified development goals.

Our annual Board evaluation process which feeds into our succession plan pointed to an opportunity to also increase the gender diversity of the Board.

I am therefore delighted that through the process described in this report, the Committee was able to recommend the appointment of Jill Gardiner as a Non-Executive Director.

The Committee’s other area of focus during the year was the effectiveness of the Board. This brings together many aspects of our work including ensuring that the Directors have sufficient time to commit to their duties and the implementation of the findings of our internally-led Board evaluation process.

Eduardo Hochschild
Committee Chair

2020 Meeting attendance

Members	Independent	Maximum possible attendance	Actual attendance
Eduardo Hochschild, Committee Chair	No	3	3
Graham Birch, Non-Executive Director	Yes	3	3
Jorge Born, Non-Executive Director	Yes	3	3
Jill Gardiner, Non-Executive Director*	Yes	1	1
Eileen Kamerick, Non-Executive Director	Yes	3	2**
Michael Rawlinson, Non-Executive Director	Yes	3	3
Dionisio Romero Paoletti, Non-Executive Director	No	3	2***
Sanjay Sarma, Non-Executive Director	Yes	3	3

* Jill Gardiner was appointed a member of the Committee on joining the Board on 1 August 2020.

** Eileen Kamerick was unable to attend the February 2020 Committee meeting due to a family illness.

*** Dionisio Romero Paoletti was unable to attend the February 2020 Committee meeting due to a conflicting board engagement.

Key roles and responsibilities

- Identify and nominate candidates for Board approval;
- Make recommendations to the Board on composition and balance;
- Oversee the succession planning of Board and senior management positions; and
- Review the Directors' external interests with regards to actual, perceived or potential conflicts of interest.

Membership

The members of the Committee are listed opposite. Jill Gardiner was appointed a member of the Committee following her appointment to the Board on 1 August 2020.

The Company Secretary acts as Secretary to the Committee.

Activity during the year

The principal matters considered by the Committee are outlined below.

Reporting

- The report of the Committee's activities for inclusion in the 2019 Annual Report;

Board diversity

- The strategy to increase the gender diversity of the Board to enable the Company to comply with the target set by the Hampton-Alexander Review by the end of 2021;

Board composition & effectiveness

- The selection and recruitment process for the appointment of an Independent Non-Executive Director and the subsequent review of conflicts of interest prior to recommending the appointment of Jill Gardiner (see 'Appointments to the Board' section below for further details);
- Dionisio Romero's time commitment to the Company in light of the concerns expressed by investors reflected by the level of votes cast against his re-election at the 2020 AGM (see page 84 of the Corporate Governance Report for further details);

Succession planning

- Non-Executive succession plan.

To support these annual deliberations, the Committee considered a skills matrix which (a) maps the extent to which key skills are represented around the Board table; and (b) identifies any skill gaps that arise on the assumed retirements from the Board within the next five years. The matrix highlights other relevant considerations, such as the requisite independent Board representation and the potential to increase gender diversity. Accordingly, the Committee was able to plan for future Non-Executive appointments both in terms of timing and the profile of potential appointees;

- Executive Succession & Development Plan.

Under the rolling schedule of keeping updated on contingency planning and Senior Executive development, the Committee considered the successors to 'Critical Positions' and the developmental needs for those currently in those roles;

Evaluation

- The action plan to implement the findings of the 2019 Board evaluation process relating to Board composition;
- The format of the 2020 Board evaluation process;

As explained earlier in this report, it was decided to postpone the planned external Board evaluation until circumstances permitted the physical attendance of a facilitator;

- The findings of the 2020 Board evaluation process relating to the Committee's scope of responsibilities (see earlier section of the Corporate Governance Report). The performance of the Committee was evaluated as part of this process and, while further consideration will be given to the optimal composition of the Committee, it was concluded that the Committee performed effectively.

Appointments to the Board

In seeking candidates for appointment to the Board, regard is given to relevant experience and the skills required to complete the composition of a balanced Board, taking into account the challenges and opportunities facing the Company.

The Board's annual evaluation in 2019 and succession plan identified opportunities to acquire skills that would support the Company's strategic path and, at the same time, improve the gender diversity of the Board. Accordingly, with the support of its financial advisers, the Nomination Committee compiled a long-list of potential female candidates with experience of the Canadian capital markets, a key hub for listed mining companies. A short-list was drawn up and selected members of the Nomination Committee carried out interviews prior to recommending Jill Gardiner's appointment to the Board.

Diversity

Policy on Board appointments

The Board is keen to commit to the overriding principle that every member and potential appointee must be able to demonstrate the skills and knowledge to be able to make a valued contribution to the Board. The Board also acknowledges that diversity brings new perspectives which can drive superior business performance and promote innovation. A combined approach to Board recruitment has therefore been adopted which primarily considers a candidate's merits, but which also seeks opportunities to ensure the ongoing diversity of the Board, whether of gender, culture, professional background, nationality or otherwise.

Increasing workforce diversity

The Company is committed to redressing the gender imbalance in its workforce. To support this, a standalone Diversity & Inclusion Policy was adopted during the year and a number of initiatives were launched. Please refer to page 58 for further details.

SUSTAINABILITY COMMITTEE REPORT

‘The Company has a long tradition of prioritising the safety and wellbeing of its people, and this was especially true in 2020 given the challenges posed by the Covid-19 pandemic.’

**Dear Shareholder**

The pandemic has affected every part of the business and I am proud that the collective sense of responsibility, a key foundation of our corporate purpose, has shone through.

The Sustainability Committee oversaw the implementation of the comprehensive action plan to ensure the welfare of our employees. This has required a monumental effort in implementing health protocols under the supervision of a Covid-19 Committee and adjusting the way we operate.

The pandemic also saw the Company adapt its Community Relations work. The flagship project of the year was the provision of free and unlimited internet access to thousands of residents spread across numerous rural communities, providing a crucial means of communication and access to services.

While the Committee monitored the continued progress with the implementation of the second iteration of our safety culture transformation plan, known as ‘Safety 2.0’, it is with deep regret that we suffered a fatality at Pallancata during the first quarter of the year. We remain committed to devoting all necessary resources to achieving our ongoing objective of zero fatalities.

The Group performed strongly in relation to environmental management, as indicated by our highest ECO Score rating, which continues to receive external recognition for its innovative approach.

Further details on the above and our standalone Sustainability Report to be published later in the year can be found from page 50.

Dr Graham Birch
Committee Chair

2020 Meeting attendance

Members	Independent	Maximum possible attendance	Actual attendance
Graham Birch, Non-Executive Director (Chair)	Yes	4	4
Ignacio Bustamante, Chief Executive Officer	No	4	4
Michael Rawlinson, Non-Executive Director	Yes	4	4
Sanjay Sarma, Non-Executive Director	Yes	4	4

Key roles and responsibilities

- Evaluate the effectiveness of the Group’s policies for identifying and managing health, safety and environmental risks within the Group’s operations;
- Assess 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 also assesses the impact of such decisions and actions on the reputation of the Group;

- Evaluate and oversee, on behalf of the Board, the quality and integrity of any reporting to external stakeholders concerning health, safety, environmental and community relations issues; and
- Oversee the methods of engagement with the Group’s workforce to understand their views and communicate these to the Board such that these can be taken into account in the Board’s discussions and decision-making.

Membership

The members of the Committee are listed above. There were no changes to Committee membership during the year.

The Vice Presidents of Operations, Legal and Corporate Affairs, and Human Resources attended each Sustainability Committee meeting by invitation. The Company Secretary acts as Secretary to the Committee.

Activity during the year

Details relating to the Sustainability Committee and the Group’s activities in this area are set out in the Sustainability Report on pages 50 to 63.

REMUNERATION COMMITTEE REPORT

‘In addition to the usual areas of focus during the year, the Remuneration Committee has undertaken a comprehensive review of the Company’s Remuneration Policy which will be put to shareholders for approval at the forthcoming AGM.’



Dear Shareholder

The Remuneration Committee continued to exercise its primary responsibility of ensuring a framework of remuneration that attracts and retains its people with incentives that are aligned with our business strategy and the creation of shareholder value.

The Committee kept informed of the views of its investors in response to the 2019 Remuneration Report and of market developments generally through reports from our advisers including the impact of the Covid pandemic on executive incentives.

Our efforts in 2020, however, were focused on the review of the Company’s Remuneration policy in advance of its submission to shareholders for approval at the 2021 AGM.

In formulating the revised Policy, the Committee has incorporated the views of investors since the current policy was adopted in 2018 and, in addition, the Committee undertook an extensive engagement process to seek specific feedback from our largest shareholders on our proposals.

Further details can be found in the Directors’ Remuneration Report on page 102.

Michael Rawlinson
Committee Chair

2020 Meeting attendance

Members	Independent	Maximum possible attendance	Actual attendance
Michael Rawlinson, Non-Executive Director (Chair)	Yes	4	4
Graham Birch, Non-Executive Director*	Yes	2	2
Jill Gardiner, Non-Executive Director**	Yes	2	2
Eileen Kamerick, Non-Executive Director	Yes	4	4

* Graham Birch stepped down from the Committee on 1 August 2020.

** Jill Gardiner was appointed a member of the Committee on joining the Board on 1 August 2020.

Key roles and responsibilities

- Determine and agree with the Board the broad policy for the remuneration of the Executive Directors, other members of senior management and the Company Secretary, as well as their specific remuneration packages;
- Regularly review the ongoing appropriateness and relevance of the Remuneration Policy;
- Approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- Ensure that contractual terms on termination, and any payments made,

are fair to the individual and the Company, that failure is not rewarded, and that the duty to mitigate loss is fully recognised;

- Review workforce remuneration and related policies and the alignment of incentives and reward with culture; and
- Review and note annually the remuneration trends across the Company.

Membership

The members of the Committee who served during the year are listed above. On 1 August 2020, Graham Birch retired from the Committee and Jill Gardiner was appointed a Committee member.

The Company Secretary acts as Secretary to the Committee.

Members of senior management attend meetings at the invitation of the Committee. During the year, such members included the Chairman, the Chief Executive Officer and the Vice President of Human Resources. No Director or senior executive is present at meetings when his or her own remuneration arrangements are considered by the Committee unless otherwise directed by the Committee.

Activity during the year

Details of the Remuneration Committee’s activities during the year are provided in the Directors’ Remuneration Report from page 102.