

Corporate responsibility

A COMMITTED APPROACH

Since the Group's listing in London in 2006, it has endeavoured to maintain its corporate culture of fostering respect for the wellbeing of its employees, the environment and the communities in which it operates.

To achieve this objective, the Group has adopted a number of policies demonstrating its commitment to:

- Take all necessary steps to ensure:
 - A safe and healthy workplace
 - The prevention of environmental contamination
 - Respect for, and commitment to, the communities in which it operates
- Comply with all relevant legislation and international standards
- Promote continuous improvement in its management systems incorporating best practice
- Adopt a proactive approach in preventing and, where this is not possible, managing, the risks that may hinder achievement of its CSR objectives
- Encourage employees to adopt the Group's values through the use of training and internal communications.

Management

The Board has ultimate responsibility for establishing Group policies relating to CSR and ensuring that national and international standards are met. The Corporate Social Responsibility Committee has been established as a formal committee of the Board with delegated responsibility for various CSR 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 CSR-related risks. The CSR Committee is chaired by Roberto Dañino (Deputy Chairman and Executive Director) who has Board-level responsibility for CSR issues.

During the year, the CSR Committee considered:

- The investigations into the fatalities that occurred during the year and oversaw the implementation of associated recommendations
- The execution of the yearly plan in each of the four areas of CSR focused on by the Group
- The implementation of recommendations from external consultants following health and safety, and environmental audits at the Group's operations
- Progress on the implementation of the safety-driven management information system designed in conjunction with Det Norske Veritas ('DNV') (detailed further in the Safety section of this report on page 27)
- Detailed presentations on the management of community and labour relations across the Group
- Revision of the Community Relations short-term and long-term plans.

To support the CSR Committee, a working group of relevant personnel meets on a monthly basis to consider, at an operational level, local health and safety policies and environmental protection programmes and community relations matters. These meetings are attended by the CEO and COO.

Monitoring performance

The Group continues to make progress in measuring its performance against its CSR objectives. Accordingly, performance indicators appear after each section of this Report and, where Group-wide information is not available, performance only in respect of the wholly-owned Peruvian operations has been disclosed which represents almost 70% of the Group's attributable production.

“Our commitment to the health and safety of our employees, respect for the environment and active engagement with local communities is an intrinsic part of Hochschild’s culture”

Roberto Dañino, Chairman CSR Committee

1. WORKPLACE

a) Safety

The Hochschild approach

Our people and their safety remain of paramount importance for the Group and is reflected in everything that we do. Ensuring safety of the Group’s employees is considered a vital element in measuring the successful achievement of corporate strategy to which the Board and management are committed.

The Group has continued to invest, during 2009, in operating controls and processes to ensure that the highest standards of safety are met. As a testament to the Group’s commitment to achieving an internationally recognised level of health and safety management, OHSAS18001 accreditation at all operations was maintained during the year.

However, it is with sadness that there were three fatalities during 2009. The Group has conducted investigations into the circumstances leading to each occurrence with steps taken to implement the associated recommendations.

Developments during the year

Notable developments during the year include:

- The attainment of Level 4 implementation of the DNV management information system which provides a framework to improve occupational health and safety performance including risk and opportunity identification, analysis, target setting, and measurement
- Following the successful launch of a Group-wide competition in 2008 for the Luis Hochschild Safety Prize, ten of the numerous practical suggestions to improve safety that were submitted were implemented during 2009 in all mining units
- The launch of numerous Group-wide initiatives to encourage safe working practices including:
 - The commissioning of a safety video focusing on dealing with hazards associated with particular aspects of the mining process
 - The award of two prizes every month at each mine to the individual and group that exemplify the Group’s approach to safety
 - The production of a safe practices manual distributed to all mining personnel in the organisation.

Below: A safety briefing at the Arcata plant, Peru



Corporate responsibility continued

Targets for 2010

- Safety Indices:
 - A 10% reduction in LTIFR
 - Severity index of less than 200
 - Accidentability index of less than 1
- Achieving Level 5 of the DNV Management Information System at the Peruvian and Argentinian operations
- The second launch of the Luis Hochschild Safety Prize.

Safety indicators

	2009	2008	2007
Fatalities	3	1	5
Accidents resulting in absence of one day or more	82	92	105
LTIFR ¹	5.22	5.75	7.59
Accident Severity Index ²	1485	543	2,883
Accidentability Index ³	7.76	3.13	21.8

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 severity divided by 1000.

b) Health

The Hochschild approach

In the first instance, the Group strives to avoid occupational illnesses by taking all necessary steps to provide a working environment that does not pose any risk to the health of its workers. Given the risks inherent in mining activities however, the Group has a Health team charged with the provision of medical and occupational health services to assure the wellbeing of those employed by the Group as the need arises, and on an on-going basis.

Developments during the year

Notable developments during the year include:

- Increased focus on the prevention of occupational health illnesses through audits, conducted by dedicated personnel, of the physical working environment ("the Hygiene Audit Programme"). This has resulted in the production of a baseline study in respect of the Group's Peruvian operations and an action plan to, amongst other things, prevent the incidence of illnesses associated with dust, noise and exposure to hazardous materials



Case study:
 Mobile medical unit

The mobile medical unit commissioned by the Group as a means of providing healthcare services to remotely located communities.

- The launch of a pilot programme at the Peruvian operations aimed at assuring the emotional wellbeing of workers ("the Wellbeing Programme"). This initiative incorporates the use of consultations and workshops to assist employees to deal with issues relating to stress and work-life balance as well as promoting personal skills
- The establishment of on-site clinical laboratories at the Peruvian operations to perform occupational health examinations
- Group wide roll-out of routine occupational health examinations of mineworkers at the start and end of their employment and on an annual basis
- In partnership with the Community Relations team and local authorities, a study was undertaken on the provision of healthcare services to the communities located close to the Group's Peruvian operations which has led to the commissioning of a mobile medical unit.

Targets for 2010

- Implementation of the Occupational Health module of SAP
- Implementing the Hygiene Audit Programme in Argentina and Mexico
- Establishing a blueprint for the Wellbeing Programme for roll-out to other parts of the Group.

Health indicators

	2009	2008	2007
Average number of medical attendances at Peruvian operations and at San José per month	2,690	2,851 ¹	2,505 ²
Average number of medical emergencies at Peruvian operations and at San José per month	64	53.42 ²	89.58 ²
Average number of occupational health examinations at the Group's wholly-owned Peruvian operations and Moris per month	406	238 ³	224

¹ These figures do not include attendances and emergencies at the Moris mine which have only been monitored since August 2008.

² These figures include attendances and emergencies at the Pallancata mine between May 2007 and December 2007 only.

³ Figures for Moris were not available for the whole of 2008 and hence have not been included.

c) Corporate HR

The Hochschild approach

The Corporate Human Resource Vice Presidency supports the execution of the Group's strategy by the recruitment and retention of employees through the use of innovation and best practice. The Group seeks to differentiate itself from its peers by emerging as an employer of choice. By taking this approach, the Group seeks to enhance its ability to attract and retain the necessary skills.

Developments during the year

Notable developments during the year include:

- Development and implementation of a performance evaluation process focusing not only on the required skills and the achievement of objectives but also the practices employed to achieve set targets
- Initiatives to increase the Group's profile locally and internationally through partnerships with universities including the offer of scholarships at the Colorado School of Mining;
- The continuation of a graduate trainee programme where 16 of the best performing graduates from five Peruvian universities with relevant degrees (such as mine engineering, geology and chemistry) were trained and recruited by the Group.

Targets for 2010

- 5% improvement in the measurement of the working environment as gauged by the "Organisational Climate" survey
- Implementation of the Hochschild Mining Leadership programme.

General HR indicators

	2009	2008	2007
General			
Average number of Group employees	4,969	5,012	4,132
Training			
Average number of hours of training undertaken by each employee ¹	14.03	19.62	13.59
Percentage of workforce trained during the year ¹	94%	83%	68%
Labour relations			
Number of production days lost as a result of industrial unrest	40.5	0	1

¹ In respect of Peruvian operations only

Corporate responsibility continued

2. COMMUNITY RELATIONS ('CR')

The Hochschild approach

The Group strives to go beyond keeping a conflict-free relationship with surrounding communities by supporting community based organisations and interest groups in their many efforts aimed at improving quality of life. Sustainability of activities within the communities is continuously improved by promoting the participation of additional development agencies to implement local development plans. The Group's CR policy ensures the creation of new jobs at a local level and appropriate training programmes with priority given to community members.

2009 has also seen the CR team focus on establishing an improved long-term relationship with surrounding communities through open communication and dialogue. In this sense, CR members have promoted a closer relationship between operations personnel within the mining units with members of the surrounding communities and local authorities. Examples of this include guided visits of local leaders to the Group's mining operations, Group employees participating in various forms of voluntary work, by talks given by Engineers to school children on environmental and other issues of community interest, sponsorship of and participation at local and regional fairs, and organisation of trout fishing contests.

In order to emphasise the long-term nature of the relationship between the Group and the surrounding communities, five CR strategic objectives have been formulated.

1. Consolidate a culture of mutual respect and life together with communities;
2. Achieve and consolidate agreements that are mutually beneficial;
3. Promote improved and sustainable income generation for community inhabitants;
4. Contribute to the improvement of health, nutrition and education in surrounding communities of direct influence; and
5. Consolidate good relationships and co-ordinate activities with institutions for the promotion of sustainable development.

Developments during the year

a) Health and nutrition

After two years of working together with Caritas del Peru, a specialised NGO, the Group is starting to witness significant results. Caritas works both by strengthening the local health institutions and by training community health promoters. As a result, in certain of the communities surrounding our Peruvian mines, the rate of acute diarrheic diseases in children under three years old has halved over the past two years. Protection against illnesses through vaccinations is also common practice and the incidence of child malnutrition is subsiding.

The Group has supported the efforts of improving the diets of families with young children living at very high altitude by assisting the construction of family greenhouses. Training on community and family hygiene practices range from maintenance of community water systems to promoting smokeless kitchen arrangements. The strategy of disease prevention through training and promotion of healthy practices at the family level, coupled with taking care of urgent health needs is the Group's approach to improving sustainability of interventions of this kind.

b) Education and training

Education, particularly of primary school children, is essential for providing life opportunities to citizens at an early stage. The Group's school programme brings specialised training to school teachers and directors so they can improve the level of education they provide. School teachers received not only a variety of methodological tools but also the possibility of obtaining official diplomas through specialised courses. In addition, all supported schools now have their own institutional plan as well as information centres and other facilities. Moreover, teachers from different schools have formed networks to exchange experiences and facilitate self-learning. This collaboration has resulted in significant improvements in the standard of mathematics and integral communications skills achieved by the children.

The Group is also committed to assisting youngsters in pursuing professional careers. In this regard, more than 70 young community members participated in training programmes enabling them to apply for scholarships from the Group to study at TECSUP.



This page: A selection of photographs from our extensive range of community relations projects

Corporate responsibility continued

TECSUP

The Group's involvement in TECSUP has also continued during the year. This establishment, founded and substantially funded by the Hochschild Group is a leading non-profit technical institute with over 5,000 graduates. TECSUP offers careers in nine areas, including metallurgical and chemical processes, electronics and industrial automation, maintenance of heavy and industrial equipment, and agricultural technology. In 2008, TECSUP received accreditations from the German Agency for Accreditation of Engineering Education and from the European Network for Accreditation of Engineering Education, which will allow its graduates to pursue additional studies abroad.

c) Improving living conditions

Income generation activities range from fish farming, agriculture, textile products manufacturing to alpaca breeding. However, many community members are employed by the Group and their work at the operation or exploration units is their main source of income. In the case of Selene, despite the closure of the mines section, the Group took extensive efforts to ensure that all community jobs were maintained.

Due to the high altitude where the communities are located, alpaca breeding is the most important non-mining income generating activity followed by fish farming. The Group provides support for both activities which has led to an increase in the incomes of numerous families.

Apart from promoting income generation activities, the Group has also endeavoured to better living conditions for communities. This has been demonstrated by the installations of over 100 solar panels at community schools, health centres and many of the households during 2009. This sustainable energy source brings new opportunities to improve living conditions and access to communications.

Targets for 2010

- Zero "Loss of Production days" arising as a result of community conflicts.
- To achieve tangible improvements in the level of education, health and nutrition of local communities as assessed by NGO partners.

Community relations indicators

	2009	2008	2007	2006	2005
Community investment	\$6.0m	\$4.6m	\$4.3m	\$2.3m	\$1.2m
Production days lost as a result of community conflicts	1.5	0	0	0	0

3. THE ENVIRONMENT

The Hochschild approach

The Group endeavours to minimise the impact of its business on the environment and to facilitate the on-going sustainability of the land where it develops operations and activities. In order to support its efforts, the Group is committed to using the highest standards of environmental management systems.

In addition to its primary responsibilities, the Environmental Department works together with the operational teams, community relations and the Legal Department on the application for, and on-going compliance with, mining permits, thereby assuring the continuity of operations.

Environmental management is facilitated through a reporting structure at mine level with accountability to the Corporate Environmental Manager reporting to the Chief Operating Officer.

The Group's environmental teams focus on the following areas:

- Tailings management
- Waste rock management
- Safe disposal of domestic and industrial waste
- Water treatment (mine, industrial, domestic water)
- Storage and handling of hazardous materials, principally cyanide
- Hydrocarbons management
- Management of new projects
- Closure and rehabilitation works
- Consumption of resources, principally water.

2009 community investment

\$6.0m

Developments during the year

Notable developments during the year include:

- On-going certification of environmental management systems at the Group's operations at Ares, Arcata and Selene as ISO 14001 compliant
- Installation of internet-enabled equipment for the monitoring of water data at the Ares mine;
- Construction of water treatment plant at the former mine in Sipan;
- Implementation of key environmental procedures including:
 - Environmental Management Plan procedure to improve the time taken to obtain permits for new projects.
 - Management of environmental incidents and accident
 - Environmental Compliance Performance Indicators to evaluate the performance of each mine and department against their environmental objectives
- Environmental impact studies performed in connection with proposed expansion programmes and in the planning of new infrastructure projects, such as mine capacity increases and new tailings dam
- Group-wide initiatives to raise the general awareness of environmental issues amongst employees.

Targets for 2010

- Group Compliance Performance Indicator of at least 70%
- Zero material environmental incidents across entire operations
- San José and Pallancata to achieve formal ISO 14001 certification.

Environmental indicators

	2009 ²	2008 ¹	2007 ¹	2006 ¹
Average monthly fresh water consumption per metric tonne of treated ore (cubic metres)	0.63	0.55	2.72	1.58
Average monthly electricity consumption per metric tonne of treated ore (kWh)	53.32	90.3	102.01	134.28
Average monthly diesel consumption per metric tonne of treated ore (gallons)	1.23	3.14	1.62	1.36
Average monthly wood consumption per metric tonne of treated ore (kg)	10.31	18.33	17.13	14.36
Number of material environmental incidents across entire operations	0	0	0	0
Estimated volume of water withdrawn per day (cubic metres)	29,668	Not available		
Estimated proportion of recycled water used (cubic metres)	27%	Not available		
Estimated volume of water discharged per day (cubic metres)	35,606	Not available		

¹ Figures relate to the Group's mines in Ares, Arcata and Selene only, unless otherwise stated.

² Figures relate to the Group's mines in Ares, Arcata, Selene, Pallancata and San José unless otherwise stated.