

# **Codelco**

## **Due Diligence in the Minerals Supply Chain**

### **I - Management System**

Codelco has a sustainability policy, which includes in its commitment number seven "Ensure Responsible Production". During 2023, our company has developed and implemented a management system to establish effective internal due diligence management for the minerals supply chain to prevent, identify, assess and, where appropriate, manage potential risks associated with our minerals supply chain, in accordance with the OECD's 5-Step Framework for the Responsible Management of Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (CAHRA), and the Joint Due Diligence Standard for Copper, Lead, Molybdenum, Nickel and Zinc.

The scope of this system includes all Codelco operations: Head Office, El Teniente, Ventanas, Andina, Salvador, Gabriela Mistral, Ministro Hales, Radomiro Tomic and Chuquicamata. This management system has the ability to identify, assess and manage risks that may exist in Codelco's minerals supply chain associated with serious human rights impacts, as well as financial crimes such as corruption, money laundering, bribery and financing of terrorism or armed groups.

To make the due diligence management system for the minerals supply chain effective, our company has conducted various training sessions for all key people working in the mineral supply processes. These trainings have reviewed aspects such as Codelco's sustainability policy and commitments, risk assessment standards, internal procedure on due diligence in the supply chain, and procedures on material entry control, weighing, sampling and metallurgical balance, among others.

To determine the effectiveness of Codelco's due diligence system, a Due Diligence Committee has been formed, with the following responsibilities:

- a) Review the implementation of the Procedure for the purchase and evaluation of suppliers of minerals.
- b) Review and validate risk management plans, where red flags have been confirmed in the supply chain.
- c) Recommend Codelco's asset (smelter - refinery) audit review and planning, if necessary, and in the framework of compliance with the minerals supply chain management system.
- d) Approve the content for the implementation and results report of the Procedure for the purchase and evaluation of mineral suppliers.

This Due Diligence Committee has met twice during 2023.

## **II - Identification of alarm signals**

To identify red flags in mineral suppliers with whom Codelco wishes to enter into, renew or renegotiate contractual agreements, an assessment is made through the Know Your Counterparty (KYC) form. Through KYC, Codelco obtains information that includes aspects associated with governance, safety and environmental management systems, supply chain due diligence, legal compliance and aspects associated with sustainability. This information is accredited by means of evidence provided by the supplier and is consolidated and securely stored electronically in the Corporation's internal systems. In 2022 and 2023, 7 KYCs have been requested and reviewed, equivalent to 100% of Codelco's external mineral supply.

## **III - Risk Assessment**

The vast majority of ore supply to Codelco comes from Chile and a smaller percentage from other countries (less than 2% of supply). However, to identify risks from our ore suppliers, our company, in the first instance, collects information regarding the country of origin and the type of material in its supply chain. Secondly, Codelco identifies red flags that include, as a minimum:

- Traceability from the origin; identification of locations that may originate from conflict and high-risk areas (CAHRA) and raising red flags related to the origin and transit of materials prior to delivery to the company.
- Supplier red flags associated with their legal performance, socio-environmental information and management systems implemented.

Next, an internal Codelco team, which has been trained on the requirements of the OECD's Due Diligence Guidance for Responsible Management of Mineral Supply Chains, with mining, sustainability and supply chain expertise, assesses the risks identified in accordance with the internal procedure on Supply Chain Due Diligence, based on information collected through KYC from Codelco's suppliers and through information obtained from specialised business analytics platforms.

During 2022 and 2023 our company has conducted risk assessments for 100% of our mineral suppliers, without identifying any red flags on the origin and transit of the minerals.

Notwithstanding the above, within the framework of the Due Diligence process, suppliers that have shareholder or other interest in companies that supply minerals from or operate in one of the red flag locations of mineral origin and transit were detected. The management system operated correctly, raising the alerts, triggering a Due Diligence process for said companies, and proceeding to a sequence of additional complementary actions such as reviewing Responsible Sourcing policies, due diligence systems implemented, and business information services and press, demonstrating that those companies had robust due diligence systems implemented to date.

Additionally, strong evidence was raised that the supplied material from these companies does not come from or transit through the CAHRA which raised the red flag. This process allowed us to conclude that the risk originally detected decreased and lowered the Red Flag alert.

#### **IV - Risk Management**

In the event that potential risks of adverse impacts or existing adverse impacts (including serious human rights abuses and support for non-state armed groups) are identified, Codelco may immediately suspend commercial activity with those counterparts.

In case of confirmed potential risks of adverse impacts and existing adverse impacts identified during the risk assessment other than serious human rights abuses and support to non-state armed groups, Codelco may implement and request the supplier to implement a risk management plan, which considers mitigation actions including clear performance targets and qualitative and/or quantitative indicators to measure and promote improvements within reasonable timeframes. If repeated failed mitigation attempts have occurred within 6 months, business with the supplier may be suspended or discontinued for a minimum of 3 months or until there are significant measurable improvements.

In the period 2022 and 2023, no related confirmed potential risks have been identified in Codelco's mineral supply chain, so it has not been necessary to implement risk management plans.

#### **V - Independent Third-Party Audit**

During 2022 and 2023, all eight Codelco Divisions were independently assured as part of the Copper Mark assurance process. This included audits of our minerals supply chain due diligence systems in compliance with Copper Mark criteria 31,

which requires conformance with the Joint Due Diligence Standard for Copper, Lead, Molybdenum, Nickel and Zinc and the OECD's 5-Step Framework for the Responsible Management of Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. The assurance program covered our systems at Head Office, Chuquicamata, El Teniente, Ministro Hales, Radomiro Tomic, Gabriela Mistral, Andina, Salvador and Ventanas and completed a Joint Due Diligence report for each site. The respective assurance summary reports are published on the Copper Mark website.